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AMERICAN PERSPECTIVES OF ARAMCO, THE SAUDI-ARABIAN OIL-PRODUCING
COMPANY, 1930s TO 1980s

Interviews with:
Frank Jungers
Paul and Elizabeth Arnot
Baldo Marinovic
William L. Owen
R. W. "Brock" Powers
Peter Speers
Ellen Speers

With an Introduction by
Frank Jungers

Interviews Conducted by
Carole Hicke
in 1992 and 1993



Frank Jungers

Since 1954 the Regional Oral History Office has been interviewing leading participants in or well-placed witnesses to major events in the development of Northern California, the West, and the Nation. Oral history is a modern research technique involving an interviewee and an informed interviewer in spontaneous conversation. The taped record is transcribed, lightly edited for continuity and clarity, and reviewed by the interviewee. The resulting manuscript is typed in final form, indexed, bound with photographs and illustrative materials, and placed in The Bancroft Library at the University of California, Berkeley, and other research collections for scholarly use. Because it is primary material, oral history is not intended to present the final, verified, or complete narrative of events. It is a spoken account, offered by the interviewee in response to questioning, and as such it is reflective, partisan, deeply involved, and irreplaceable.

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AMERICAN PERSPECTIVES OF ARAMCO, THE SAUDI-ARABIAN OIL-PRODUCING COMPANY, 1930s TO 1980s, 1995, v, 590 pp.

Personal recollections of eight interviewees whose careers and lives took them to Saudi Arabia from the 1930s through the 1980s to participate in the growth of an oil company. Aramco shareholders: Chevron (formerly Standard Oil Co. of California), Exxon (formerly Standard Oil of New Jersey), Mobil, Texaco; multicultural workforce, and efforts at cooperation; training Saudi workers; relationships with Saudi rulers and other Middle East governments; cultural differences: preservation of culture, and medical modernization; daily life in Saudi Arabia; engineering operations; Trans-Arabian Pipeline; Aramco management: officers and training; oil pricing difficulties; negotiations for ownership participation with Saudis; 1970s boycott and oil embargo.

Interviews with Frank Jungers (b. 1926), engineer, retired chairman and CEO; Paul Arnot (1908-1994), chief petroleum engineer and senior vice-president; Elizabeth Arnot (b. 1913), Aramco wife, nurse; Baldo Marinovic (b. 1925), treasurer, financial officer; William L. Owen (b. 1915), general counsel, negotiator; R. W. "Brock" Powers (b. 1926), geologist, corporate executive; Peter Speers (b. 1921), translation division head, policy planner; Ellen Speers (b. 1921), Aramco wife, observer.

Introduction by Frank Jungers, retired chairman and CEO, Aramco.

Interviewed 1992 and 1993 by Carole Hicke. Regional Oral History Office, The Bancroft Library, University of California, Berkeley.

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INTRODUCTION--by Frank Jungers

The history of oil in the Middle East is fascinating because of the profound effect that it had on the economic and political systems of the world. The Arabian American Oil Company (Aramco) was a large part of this history because it became the world's largest oil producing company. But, more importantly, the company became a tremendous factor in the lives of all Middle East Arabs; especially those who lived in Saudi Arabia and the counties along the western side of the Arabian Gulf.

Many books have been written on this whole broad subject, most of which covered oil, politics, economics of the time and the area, but few dwell on the effect that the Aramco enterprise had on the people of the area. In the short period of fifty or sixty years, the people of Saudi Arabia, in particular, were confronted with tremendous changes that threatened their culture and, certainly, completely changed their life style and aspirations. When considering the profound changes to which the Saudi Arab and Gulf Arab societies were exposed in this short period, it is indeed a tribute to these remarkable people that they could assimilate the impact of Western industrialization and the presence of foreign cultures without experiencing the deep dislike and even rebellion that occurred in other developing countries where such contrasts were even less pronounced.

Many other factors played a role in this assimilation of phenomenal growth, but at the forefront were the farsighted policies of Aramco, which were based on the principal that the company behave as a good citizen of the country in which it operated. That this would be the company's mode of operation was a far-reaching decision, consciously taken. The resultant values that the Saudis and Americans shared shaped a fifty-five-year record of cooperation and mutual respect on both the individual level and the level of company-government relations. It was in contrast to elsewhere in the world where many times, oil companies and local governments had adversarial, exploitive, or even colonialist relationships. The policies that resulted in the case of Aramco, however, included using the best available technologies; maximizing training and use of the Saudis; encouraging developing local enterprises; and strict observance of Saudi laws and customs. The Saudi government and Saudis themselves, in turn, at times bent these laws and customs to accommodate the Americans and the needs of industry. A symbolic, but significant, early indication of Aramco's awareness of national sensitivities was the renaming of the company in 1944 from California Arabian Standard Oil Company to Arabian American Oil Company with "Arabian" ahead of "American" in the new name. Similarly, in the early '50s, company headquarters were moved from New York to Dhahran.

The Aramco policies and the insistence on excellence in all operations created a feeling of value and camaraderie between all employees, especially Saudi and American. By the mid-1950s, able Saudis began to appear in supervisory positions in ever greater numbers. They, in turn, had many American and other foreign technicians working for them. Their advancement was a result of training and personal achievement and tended to accelerate the training effort and subsequent Saudi promotions. This Saudization culminated in the ultimate promotion of Ali Naimi to President and Chief Executive Officer.

After the Saudi Government purchased Aramco from its American shareholders, the company was renamed "Saudi Aramco." The choice of the name recognized the value of the name, Aramco, throughout the Middle East and the world, as well as the good will created by the company in the Kingdom. In nearly all other oil producing countries, the oil companies were nationalized and managed by the government by installing government employees into management positions. In Saudi Aramco, the existing management, a large majority of which were Saudis remained in place, with the Minister of Petroleum as Chairman of the Board of Directors.

Throughout its development, Aramco kept no official company histories, but memories of Saudi and company employees, myself included, are a rich source of fact, anecdote, and opinion that illuminate the history of Aramco and of Saudi Arabia. Some of the incidents are humorous and even somewhat amazing when seen through modern eyes, but collectively, they provide a unique perspective on an era that spans much of the Petroleum Century and includes the creation and growth of both a company and a country.

Unfortunately, many ex-Aramcons of both nationalities are passing on, and with their passing, much knowledge and Aramco lore disappears with them. With this in mind, I decided to record some of my memories, and in the process of deciding how this might best be done, I became aware of the Regional Oral History Office at The Bancroft Library, University of California, Berkeley.

I funded the beginning of the Aramco oral history with the help of matching funds from Georgia-Pacific Corporation, on whose Board I serve. I found that the Library's expertise worked well for me. In turn I encouraged other ex-Aramco executives to enter the program. Brock Powers, W. L. Owen, Paul and Elizabeth Arnot, Baldo Marinovic, and Peter Speers, along with his wife, Ellen, were then also interviewed and contributed to the effort with their own donations. We are hopeful that other Aramcons, including Saudis, will continue the effort, and we will seek outside funding to assist in the expanded effort.

The sources of history which today are mostly contained in the minds of ex-Aramcons is indeed fragile and short-lived. This is brought home

dramatically because Paul Arnot died before he could edit his oral history transcript. The recollections and anecdotes of the eight of us are contained in this volume. The oral histories were edited by each interviewee after they were recorded and transcribed. No effort was made by the group to have commonality of views nor to insure absolute accuracy of facts and impressions. Also, we were not trying to write a history of Aramco, nor Saudi Arabia, nor oil, nor negotiations, nor legal occurrences. Rather, it is hoped that these memories and anecdotes will be worthwhile "brush-strokes" in an overall painting that will become more and more complete as other Aramcons add theirs.

Frank Jungers

March 1995
Portland, Oregon

VOLUME HISTORY--by Carole Hicke

Aramco began producing oil in Saudi Arabia in 1938. Its name then was California American Standard Oil Company (Casoc), and it was owned by Standard Oil Company of California (Socal), headquartered in San Francisco. King 'Abd al-'Aziz had granted Socal the concession in 1933 to explore for and produce oil in parts of Saudi Arabia, and Dammam Well No. 7 finally encountered oil in commercial quantities after five years of searching.

So began the annals of a unique corporate enterprise, unique because of its size, its Arabian operations, and its interaction with the people of Saudi Arabia. Early leadership by company officers such as Tom Barger and Cy Hardy fostered attitudes of pluralism and respect for other cultures. The Saudis, for their part, responded with equal measure. Great efforts were made by the Americans to train and promote Saudis, and great efforts were made by the Saudis to provide for the needs of the oil company. Cooperation became the keynote. Aramco's interest in Arabia extended beyond the production of oil. For example, the company used its resources to collect and preserve old books and manuscripts concerning the history of the country; the medical group established clinics in small villages and researched local diseases. Railroads, roads, electrification, natural gas recovery--all were added to the company's accomplishments to the benefit of the local economy.

The story of these achievements comes alive in the personal recollections of those who participated in them. This oral history was undertaken with the intention of recording Aramco's history from the human, personal viewpoint. Documenting more than just the facts, it depicts the drama, the humor, the adventure of life in Saudi Arabia, and the growth of an oil company. These oral histories include recollections of the period from the late 1930s through the 1970s. They begin with the time of the concession agreement between Saudis and Americans and bring us up to the period when the Saudis acquired ownership of the company, now called Saudi Aramco.

This volume is part of the ongoing documenting of history by the Regional Oral History Office, a division of The Bancroft Library, University of California, Berkeley. Frank Jungers, former chairman and CEO of Aramco, initiated the project with a visit to the Regional Oral History Office to discuss his interest in recording the company's history; he then contacted other former employees of Aramco, who were enthusiastic. Another oral history series conducted by the Regional Oral History Office with senior members of the San Francisco law firm of Pillsbury, Madison & Sutro offered a strong connection, since the law firm acted as general counsel for Socal (now Chevron Corporation) throughout much of the relevant period. And Chevron, as one of the four

shareholder companies of Aramco, was greatly involved in the growth and development of the foreign oil company.

The history of Aramco forms a significant part of the growth of the worldwide oil industry. But the oral histories in the project are only a small sampling of the rich history of this intercultural achievement. We should hear the voices of more of the Americans, and we should record the recollections of the Saudis who contributed so much to the success of the venture. It is a story that begs to be told, that needs to be remembered.

Carole Hicke
Interviewer/Editor

August 1994
Regional Oral History Office
The Bancroft Library
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Berkeley, California

American Perspectives of Aramco, the Saudi-Arabian Oil-Producing
Company, 1930s to 1980s

Frank Jungers

FROM CONSTRUCTION ENGINEER TO CEO AND CHAIRMAN OF ARAMCO, 1948-1978

Interviews Conducted by
Carole Hicke
in 1992

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INTERVIEW HISTORY--Frank Jungers

Frank Jungers is the retired chairman and chief executive officer of Aramco, now Saudi Aramco, the oil company that produces most of the oil in Saudi Arabia. The company began in 1933 when the Saudi government signed an agreement with Standard Oil Company of California opening up the country for exploration for oil. Since beginning production in 1938, Aramco has grown to be one of the world's greatest producers and exporter of oil and natural gas liquids. It became Saudi Aramco in 1988, when the Saudi government acquired full ownership.

The story of Aramco is a unique history of exploration and development, of cooperation between government and industry, of traditions of loyalty and a reputation for excellence created by enormous effort and careful consideration. Frank Jungers was part of that story for over forty years--many of them in policy-making positions--and his oral history offers a valuable perspective and documentation of the growth of this company.

This interview is the first of a series of oral histories that record personal recollections of Aramco by Aramcons, as they call themselves. The interviews were conducted in Jungers's home on a ranch near Three Sisters, Oregon, over a period of several days' concentrated effort in August 1992. In preparation, material and information was gathered from libraries and some of his colleagues and put into an outline, which served to focus topics for discussion.

Frank and his wife, Julie, entertained me graciously in their spacious home over the long weekend when the interviews were taped. Frank sat talking in his book-lined study, occasionally diving into a file of newspaper clippings or producing a pile of documents pertaining to the subject under discussion. Julie joined us now and then, adding bits to the conversation. Although she was not with him in Saudi Arabia, she has traveled there with him since his retirement. After a day's tape-recording, we walked around the ranch, visiting the llamas they are raising, and discussing life on a ranch. Only part of their time is spent there; they also live in Portland at times, and their frequent travels take them around the world.

The interviews covered Frank's background as well as his career with Aramco and other parts of the company's history. It is full of anecdotes that illustrate the company's relationship with its host government, including the worldwide challenges faced by the industry. The special character of Aramco's "corporate culture," particularly in its ever-changing relations with the Saudis, becomes quite dramatic in the telling.

The difference in traditions and cultures between American and Saudi often posed problems--medical care for women was one. "The Arab women were out in the villages," Jungers reports, "and they couldn't travel

alone--didn't know how to travel alone. So the [Arab] employee had to go home when he heard about an illness and get the family and bring them in to the hospital, try to get the women taken care of, and take them back home." So the company set up clinics in the villages.

As Frank's career evolved from engineer into management, he was instrumental in bringing more Saudis into responsible positions and promoting good relationships with the Arabs and the Saudi government. As CEO and chairman, he had the difficult job of seeing the Saudi government take over ownership of Aramco from the four oil company shareholders. At the same time Aramco was undergoing enormous expansion. Jungers actively promoted the development of a gas production program -- Aramco had previously just flared off the gas -- and he fostered the formation of a consolidated power system for the country.

Since his retirement, Jungers has been actively advising several companies where he sits on the board of directors. As a "let's get things done now" kind of person, he has much to offer such companies as Georgia-Pacific, Equitable Life Insurance Company, and Thermo-Electron.

After the tapes were transcribed and reviewed by the Regional Oral History Office editor, Jungers went over the transcript carefully and made valuable additions and clarified parts of the interviews.

Merrilee Proffitt, of the Regional Oral History Office, undertook to help with preliminary research, reviewed the first draft of the transcript, and prepared the final production. To Julie Jungers, Frank's second wife, I owe much gratitude for urging upon him the importance of the project and for making her help and advice available whenever needed.

This oral history is part of the ongoing documenting of history by the Regional Oral History Office, which is under the direction of Willa Baum Division Head, and under the administrative direction of The Bancroft Library, University of California, Berkeley.

Carole Hicke
Project Director

January 1994
Regional Oral History Office
Berkeley, California

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name FRANCIS JUNGERS

Date of birth JULY 12, 1926 Birthplace REGENT, N. DAK.

Father's full name FRANK JUNGERS

Occupation SMALL BUSINESS OWNER Birthplace NORTH DAKOTA

Mother's full name ELIZABETH (BECKER) JUNGERS

Occupation WIFE Birthplace HUNGARY

Your spouse JULIA WALLACE JUNGERS

Occupation WIFE Birthplace SALT LAKE CITY, UTAH

Your children GARY MICHAEL JUNGERS

RANDALL OWEN JUNGERS

Where did you grow up? NORTH DAKOTA; HIGH SCHOOL IN EUGENE OR.

Present community BEND, OREGON

Education BS MECH. ENG. UNIV. OF WASHINGTON, ADV. MGMT.

PROGRAM HARVARD, MIDDLE EAST CENTER. ARABIC STUDIES

Occupation(s) VARIOUS ENGINEERING & GOVT RELATIONS ARAMCO

RETIRED CHAIRMAN & CEO ARAMCO

Areas of expertise INTERNATIONAL OIL, MIDDLE EAST POLITICS &

BUSINESS, INTERNATIONAL & DOMESTIC FINANCE OVERVIEW.

ARABIC LANGUAGE & CUSTOMS

Other interests or activities VARIOUS SPORTS, WORKING WITH

UNIVERSITIES IN FUND RAISING (U OF WASH, ORE HEALTH

SCIENCES & AMER. UNIV. IN CAIRO

Organizations in which you are active DIRECTOR GEORGIA PACIFIC, AESC

THERMOELECTRON, THERMO INST., DUAL DRILLING, STAR TECH.;

ADVISORY DR. DONALDSON LUKING & JEN.

I EARLY YEARS AND EDUCATION

[Interview 1: August 15, 1992]##¹

Early Life in Regent, North Dakota and Move to Eugene, Oregon

Hicke: I'd like to start this afternoon with when and where you were born.

Jungers: I was born in the metropolis of Regent, North Dakota, in 1926, July 12.

Hicke: And did you grow up there?

Jungers: I grew up in Regent and went to the first year of high school there, after which my parents moved to Eugene, Oregon, where I finished high school.

Hicke: Why did your family move?

Jungers: They were farm people. My dad worked for his father on a wheat farm. My grandfather owned quite a bit of this little town, Regent, and my father worked for him in a grocery store there. Gradually the boys--there were thirteen children--wanted to get out of North Dakota and out of the clutches of grandpa, so they moved. Of course this move took place in 1939 and no one really had any money, so the question was how to make some money.

He moved to Eugene and bought a service station. He selected Eugene because of its mild climate; it was growing and it was a university town.

¹. This symbol, ##, indicates beginning or end of tape. See tape guide at end of document.

Hicke: Had he known what he was going to do before he came out to Eugene?

Jungers: Sort of, but he came out and bought the service station, and when he was ready, we--I drove the family out when I was a freshman in high school--we drove out to Eugene and I went to school there.

Hicke: Did you see anything of the country along the way, or did you pretty much head straight out?

Jungers: Well, we were headed straight. But of course because we didn't have any money, we didn't look for anything. It took three or four days of driving in those days.

Hicke: The roads must have been terrible.

Jungers: The roads [laughter] were just roads.

Hicke: Barely.

Jungers: Barely roads. I made a lot of mistakes driving. I remember one guy going by me in some town in Montana that hollered out the window, "Where'd you get your driver's license? At Sears Roebuck?" [laughter] The car was full of packages and bags and had stuff tied on top of it. We were really migrating.

Hicke: Did you like Oregon when you were there?

Jungers: Well, yes. It was a new life and a new school. I went to a high school called St. Mary's in Eugene--it's no longer there--and graduated from that high school.

Hicke: What kinds of studies did you like particularly?

Jungers: The parochial schools, at that time especially, were very much religion oriented, run by the nuns, and we got a lot of religious history and Latin and things like that which weren't of particular interest to me. But nonetheless, in retrospect the school was a good one. My math was good and my other studies were good, and it was no problem getting into engineering school at Oregon State [University], which was a good engineering school at the time.

Engineering Studies, 1943-1947

Hicke: When did you first become interested in engineering?

Jungers: I don't know. When I think about it, I had an uncle Joe who was a bit younger than my dad. He was one of the few of that family of boys that went to school, and he was an engineer. I kind of looked up to him. I think that's what finally brought it about. Sometimes you don't know what really happens to you as a boy, you know.

Hicke: Did you talk to any of your teachers about a potential course of studies?

Jungers: No. They were nuns and [laughter] there was one particularly nice nun that I liked, but she didn't know anything about things like this.

Hicke: When you went then to Oregon State as a freshman, did you plan to be an engineer?

Jungers: Yes, I took pre-engineering. But this only lasted about three or four months and the war was on. It was 1943, and I was younger than my peers by at least a year because I had moved faster through grade school than normal, so I felt that I had to get into something that would keep me out of the draft in order to accomplish something in the service; so I joined the navy V-12 program, which became the V-5 aviation or pilot training program. They were officer training programs. V-5 for air force and V-12 for other navy.

I was accepted, and I was sent to Willamette University in Salem, Oregon, just down the road from Oregon State, which had a V-12 program. We were uniformed. It was taken over by the navy; there were no civilians to speak of.

Hicke: The whole university?

Jungers: Well, there were a few girls. [laughter]

Hicke: They must have had a wonderful time!

Jungers: Oh, they did. We were from all over the country. I went there for two semesters, or equivalent of one year. It was a liberal arts school, but it was oriented toward law, toward pre-med, and toward pre-science. After the year, I applied for an engineering-type school and I was transferred to the University of Washington.

Hicke: But still in the navy?

Jungers: Still in the navy, and where I ultimately graduated after leaving the navy.

Hicke: You have a degree in mechanical engineering?

Jungers: Yes.

Hicke: And what year was it that you graduated?

Jungers: 1947.

Hicke: By that time the war was over.

Jungers: By that time the war was over. Well, the war was over, of course, in '45. We were given the choice at that time to stay in and complete school under the navy program and serve in the navy for two or three years as an officer or step out of the program and graduate under normal conditions. I chose that [the latter] even though my naval supervisors tried to say, "We've given you this much, why don't you stay?"

Hicke: So you got out of the navy?

Jungers: I got out of the navy under a normal point program and went back to the University of Washington as a civilian student.

II BEGINNINGS OF A CAREER AT ARAMCO

Aramco: "The Best Job Offer I Got," 1947

Hicke: What did the job situation look like after graduation?

Jungers: The job situation was poor. There were plenty of jobs, but a lot of them were taken by the older veterans who had had education and were coming back into the work force. So the young grads were competing with them. The jobs for the new graduates were few and paid poorly.

Aramco at that time was looking for people. They had pretty much pulled out of Saudi Arabia in the early '40s and went back in 1945 to build a small refinery.

Hicke: When you say they pulled out, do you mean they shut down the drilling operations?

Jungers: Well, yes. Aramco was started in 1933, and people went into the country of Saudi Arabia then because they saw a classic geologic dome, or a distinctive, uniformly shaped hill, on the horizon. They saw it from Bahrain Island in the Persian Gulf and they went in to explore for oil. After drilling on this perfect dome for five years or so, they finally drilled a producing well and discovered oil in about 1938.

Hicke: That was Dammam No. 7, is that right?

Jungers: Dammam No. 7, which is still producing at a considerable rate today. They then began to put in minimal facilities to move that oil out into small tankers. There wasn't much of a market. When the war broke out in earnest in Eastern Africa, there was an Italian bombing or attempted bombing that was carried out by a single Italian bomber probably flying from Eritrea. The target

was the Aramco operating facility at Dhahran and the bomb landed harmlessly in the desert. So operations were pretty well shut down during that period. A skeleton crew of caretaker people remained there.

Aramco returned en force after the war, and by 1947 it had been decided--by then much more oil had been found, in big new fields--to do some real expansion work. So Aramco sent recruiters to various universities, engineering universities, and one such group came to Seattle. It was the best job offer, financially, that I got. [laughter]

Hicke: Do you recall whom you talked to? Was it somebody who came from Saudi Arabia?

Jungers: No, it was an American. The company's main office was, at that time, in San Francisco, right near Chevron Corporation. So I was hired to go directly to Arabia. But some sort of problem came up with visas or lack of living accommodations, so I was temporarily assigned to the San Francisco engineering department instead. There I became part of a project design effort and went to Arabia during the construction for a three-months period later, after making the trip back and forth a couple of times.

I finally transferred to Arabia permanently in '49. In preparation for that transfer I was sent to a company-run orientation and Arabic language program for six weeks in Riverhead, Long Island. The company had leased facilities on an abandoned air base there. The school was run by one or two Americans who were linguists and who had some Arabian and Middle East experience (one was Arnold Sattersthwaite).

The teaching staff consisted mostly of Saudi employees who were fairly fluent in English and who had experience working with Americans. They used material developed by Aramco linguists and scholars in things Arabic. We were drilled in basic vocabulary, pronunciation and Arabian customs.

Interestingly, we were encouraged to spend as much social time as possible with our instructors, some of which was done in a local beer tavern and sandwich place called the "Skyway" or "Taneeg as-sema." In retrospect, this experience triggered a career-spanning curiosity in me concerning the Arabs, their language, and a profound appreciation of their long-standing and deep culture. I learned to genuinely like the desert Arab for his pragmatism and openness. This experience caused me to continue language classes when I arrived in Ras Tanura, Saudi Arabia and to learn more about the Middle East by reading and associating with Arab friends.

Hicke: What was your engineering project?

Jungers: It was an expansion of their Ras Tanura refinery.

Hicke: What were you actually building?

Jungers: We were expanding an existing refinery at Ras Tanura, and in order to do that there were many engineering problems, with furnaces mostly, and bigger stacks and heat exchangers. Chevron, then called Socal [Standard Oil Company of California], had very good engineering capabilities in those areas and Aramco had very few experienced engineers. I and engineers like me were assigned projects and we would use resources like Chevron engineering. For example Milt Ludwig knew the most about furnaces and heat transfers. We would pick his brain and assign the engineering to Bechtel--Fred Meyer was the Bechtel project leader--and then sort of push the project through those people, keep it moving, buy the material, and expedite it on to a ship and on out to Arabia.

Hicke: Wasn't George Keller in engineering at that point?

Jungers: He might have been, but I didn't know him at that time. My boss and his boss were engineers from Socal who had transferred to Aramco.

Hicke: Who were they?

Jungers: E.K. (Ernie) Schultz, and J.C. (Jim) Stirton. Both of them were very capable engineering people and I learned a lot from them.

Hicke: Why were you then transferred to Arabia permanently?

Jungers: Well, first because I had originally been hired to go there and wanted the experience and secondly because I had done project work on this particular project and I think somebody must have seen that I had aptitude in this work. Besides, I wanted to go out there because it paid better, and so I did.

Move to Saudi Arabia, 1949

Hicke: What was it like when you got there? What was going on?

Jungers: Well, it was a series of camps. Bachelors stayed in barracks. Everybody was a bachelor until his wife came over, and usually there was up to a two-year wait for family housing.

Hicke: This is Dhahran we are talking about?

Jungers: Dhahran, Ras Tanura, and Abqaiq were the three major communities. So it was mostly a man's world. We worked long hours six days a week. We gradually developed our own recreation desires and facilities. It was a job that required a lot of hard work.

Hicke: You got paid more, but it sounds like you earned it.

Jungers: We earned it.

Multicultural Work Force

Jungers: The Arabs were, of course, not unfriendly at all, but most of them were very unsophisticated villagers or Bedouins that we hired to do labor work and to be trained to handle the full scope of jobs that exist in an oil company operation in a difficult environment.

Hicke: They were doing elementary construction types of things?

Jungers: Not even that at first. They were laborers, office boys, coffee boys, and so on. A lot of them were just plain students, and the company began putting these people in school just to learn some basic literate Arabic, English, and basic arithmetic.

Hicke: There were schools set up there?

Jungers: They were company schools--company training programs; ranging from a little training program that taught them, "You come to work at eight and here's the gate and you go in there," and that kind of thing, to on the job training to vocational training; to elementary and later secondary academic education. Remember there were no public schools in the Eastern province at that time.

Hicke: And our cultural work ethic?

Jungers: Yes. So they were people that I found to be very interesting and they had a culture that was interesting. They had a good personal ethic, a lot of pride, and they were true to their culture and true to their religion. And we had a lot of fun with them.

At that time, we also had, during the big boom of the refinery and terminal building, *et cetera*, a lot of

Italians--Italian labor. They were skilled labor that [Benito] Mussolini had left on the beach in Asmara and Eritrea [now Ethiopia]. These fellows, of course, were men without a country. They had no passports.

They were Italians, all right; that's what they spoke. We hired them by the thousands and brought them over and lived them in tent camps with no A/C [air conditioning], no anything, and they lived separately from the Americans and separately from the Arabs. They were all bachelors, of course; they weren't allowed to bring any families with them--they didn't have any families with them anyway in Asmara, to speak of. So these fellows were our skilled workmen and the Americans were the technical and the supervisory people.

Hicke: So you had three different cultures?

Jungers: And we had three different languages on our signs: Italian, Arabic, and English. [laughter] Even today, as long ago as that was, if you go into the Ras Tanura refinery or into some of the Saudi villages, some of the older folks still come out with phrases that have all three languages in them.

Hicke: Did those Italians stay?

Jungers: No. They had no status. They were an expedient work force that didn't fit long term into the "Arabian-American" concept.

These Italians were good craftsmen. Hard workers, basically, but they were different people to handle in this environment. They were very poor at mixing and working with Arabs. They saw them as far beneath them. I recall a foreman we had, an electrical foreman, who said he had no problem handling the "Eye-talians." He had his wife make some golden stripes and when one did a good job, she sewed stripes on his sleeve. So he had a system like that going, which they loved. They wanted status, however little--that's how he handled his "Eye-talians." [laughter] They actually got paid in lire.

Hicke: Is that right?

Jungers: Yes, and the Saudis got paid in riyals and the Americans got paid in dollars.

A Shortage of Riyals

Hicke: How do you transliterate 'riyal'?

Jungers: R-I-Y-A-L-S.

Of course the early Saudis had no paper currency. There really weren't enough riyals to use as tender. I forgot that in the very early days we paid the Saudis in rupees, in Indian rupees. Of course, there were some Indians working for the company who preferred to be paid in rupees. In and around our community, the rupee and the riyal were kind of interchangeable, and the advantage of the rupee was that it had paper currency. The Saudis often used rupees for paying shopkeepers, but they didn't want it, of course. They saw this as not good money.

Hicke: Riyals were coins?

Jungers: Riyals were only coins, and they were silver. Since more and more of the Saudis wanted their pay in riyals, it was decided that Thursday afternoon would be payday every other week. Thus the work week was shortened to five and a half days every other week. Truckloads of riyals pulled up at the accounting office, and the employees were paid in sacks full of silver riyals. [laughs] It was later that the Saudi government was convinced they needed to print paper riyals, after which rupees were no longer used. Of course, the Italians got paid in lire.

Hicke: Somewhere I read that Saudi Arabia started issuing some kind of scrip for pilgrims to journey to Mecca and this began to circulate as money.

Jungers: Well, yes. The concession agreement contained provisions to pay the Kingdom a certain amount of money in royalty for each barrel produced plus taxes. The royalty portion was payable in gold, so even after production went up they still insisted on being paid royalty in gold bullion. For a while there was some gold bullion minted in the Philadelphia mint that became known as "slugs"--the Aramco Americans called them "slugs"--and these "slugs" were in various weights of gold. I don't remember the sizes of the "slugs."

Hicke: You are demonstrating about three inches or four inches in diameter.

Jungers: No, they weren't round, they were rectangular. They were a bar with a stamp on it.

Hicke: Oh, they were deep, too?

Jungers: Pretty deep. So these "slugs" were used for payment to the Saudi government as royalties.

Hicke: They were minted for that purpose?

Jungers: Yes. Then of course, as production went up with a corresponding increase in royalties, this became an impossible thing. Aramco's gold purchases to pay the Saudis created price and supply problems in the gold market. So that problem along with the problems with silver coinage, caused many of the shopkeepers to begin to buy and use the British gold sovereign--which was accepted by everyone as good coinage and was denominated readily with silver riyals. The Saudi Government not wanting to encourage the use of foreign coin--British sovereigns--restricted their import. However we brought in sovereigns from Bahrain Island, which was British run.

Hicke: Just in trade or something?

Jungers: Yes, we'd go over and trade for them. So all of these problems finally led to a paper currency that Aramco encouraged the Saudis to produce, and that cut down on the amount of trucks we needed to haul silver riyals for payday. [laughter]

Hicke: That must have been quite a sight.

Jungers: It was.

Hicke: About what time did they start producing the paper money?

Jungers: It was in the '50s, late '50s, perhaps.

Hicke: And what did they do then, bury their gold in something like Fort Knox?

Jungers: The Saudi government of course kept the gold in the Kingdom mostly. Some of it, I imagine, ended up in London. And they spent it. That was what the government had to spend. The country was poor.

Hicke: At that time they were poor?

Jungers: Oh, you bet. They had no other significant income.

Hicke: But they got quite a good sum--

Jungers: Really, the Aramco payments in those days weren't that large.

Production was low and the price of oil was cheap.

Hicke: We are in the decade of the '50s now. Did you have any dealings with the Saudi government officials?

Jungers: No, I was an engineer and I worked in engineering and later in maintenance.

Senior Engineer: Working at the Ras Tanura Refinery, 1951-1955

Hicke: I have read that in '51 you were a senior engineer and head of oil handling and manufacture design.

Jungers: Yes. At Ras Tanura.

Hicke: What did that entail?

Jungers: It was mostly refinery and terminal operation design modifications.

Hicke: Can you explain what that involves?

Jungers: Well, we had a large refinery, and we provided the engineering support for operating that refinery; the terminal and pier facilities; and the power plants along with other support facilities.

Hicke: Maintenance?

Jungers: Maintenance, new projects as well. We instigated new projects. If they were big enough, they were farmed out to contractors, contract engineering--

Hicke: Like Bechtel?

Jungers: Like Bechtel. We were the support engineering group who either did the engineering or supervised the contractors if it was contracted out.

Hicke: Who was your superior at this point?

Jungers: I reported to a man by the name of Matt Bunyan. And later to Don Wassen, who was called our general superintendent of engineering and mechanical services. I progressed into a similar kind of a job in Dhahran later.

Hicke: 1955 I have.

Jungers: Yes.

Working Conditions and Sensitivity to Workers##

Hicke: You said you also built recreation areas. What kind of recreation?

Jungers: Well, we had bowling alleys, we had softball fields, we gradually built golf courses which were all-sand fairways and all-sand greens. They improved gradually. We began to use these little strips of astroturf; if you were in the fairway you would hit the ball off the turf so you would save your clubs a bit.

Hicke: I was going to ask if you could use regular clubs on that.

Jungers: Well, you can, you just wore them out a little. I think I've got some pictures of that.

Hicke: Did you carry your pieces of turf around with you?

Jungers: Yes. You carried your turf, and that's the way the game is still played there. It was just inappropriate to use water to create golf courses in a desert society, even though we had plenty of water from wells that were drilled at great depths, and water-treating facilities. But in a society where water was the all-important item, it was important to recognize the sensitivities to water use.

The company was sensitive; from the very beginning it was sensitive to those kinds of things. I think that Fred Davies and [Tom] Barger in particular instituted such sensitivities and insisted on them. While I was really too young to know Fred Davies, I did know Barger, and Barger was a great man in setting the proper leads in such areas. He was a student of the culture, he spoke Arabic, he studied Arabic. I learned a lot from him as a young supervisor.

Hicke: Do you know when he happened to come there?

Jungers: Barger was an "Arabophile." He came into the country in the early '30s, one of the original geologists, and between him and his boss, Cy [Norman] Hardy, they did institute policies that recognized the sensitivities and aspirations of the local populace. I suppose Barger became head of the company and

succeeded Hardy probably in the late '50s.

Norman "Cy" Hardy came to Arabia in the early '50s. He came in there while I was still in Ras Tanura and I got to know him there. Cy Hardy, while he wasn't an "Arabophile" by any means (he came from Chevron's South American operations), he was sensitive to the problems you could encounter in foreign countries. I, for one reason or another, did see a lot of him. I say a lot, I saw him four or five times a year.

Hicke: And he stayed until?

Jungers: He retired as chairman in 1969 and was replaced by R.I. (Bob) Brougham, who had been president and who had a background as chief financial officer and later as senior VP [Vice President], Concession Affairs (Negotiations and Government Relations). Brougham retired in 1971 and was replaced by President Liston F. Hills, whose background was engineering and operations. I became president and continued to be responsible for Concession Affairs. After a little more than a year, Liston Hills encountered some serious health problems and retired. I replaced him as chairman and CEO.

Hicke: Let's back up a bit. In the '50s, can you describe your daily routine? Did you wear a suit and tie?

Jungers: Oh, no. No one wore a suit and tie. We went to work early in the morning, six o'clock, and left early in the afternoon. This was partially in deference to the lower-level Arabs and Italians, who couldn't work in the heat--we didn't have sufficient air conditioning, or power enough to run it for them; we had it for the Americans and other senior staff.

Hicke: In the offices?

Jungers: In the offices and in the homes. So the work days started early. And during Ramadan the work days were cut to six hours. Employees worked six straight hours.

Hicke: Six to twelve or something like that?

Jungers: Yes, something like that. Because, again, they fasted and this let them come to work immediately after sunup--they had had their breakfast and then they fasted all day.

Hicke: They were probably not too energetic by the end of the day.

Jungers: No, and of course the newly recruited Arabs were not very productive. Their health and energy wasn't that good. It was

soon determined that they simply didn't have the kind of diet that would sustain hard work in a harsh climate. So the company built in noonday hot meals in special cafeterias. They got a hot, nutritious meal for a very small amount of money--and this had a noticeable effect on productivity quickly.

Hicke: Really?

Jungers: Oh, it did. To me that was a lesson. If you travel or work in underdeveloped countries and then say, "These people are lazy and unproductive," one must remember that some of such people have a very, very bad diet and very bad living conditions. They are not lazy, they are just too tired to work. The same applies even in such relatively developed countries as Mexico. Diet, living conditions, and proper health care play a major part in production of the work force.

Hicke: Plus I'm sure the climate makes it tough.

Jungers: Sure. If you have a hot climate, people are not going to work as hard; they can't work as hard as they might in proper air-conditioned facilities.

Providing for an American Work Force in Saudi Arabia

Hicke: That brings up an interesting question: what did you have to eat?

Jungers: Everything we had was shipped in in the beginning. Nothing came from Arabia. There was insufficient food grown there to supply the work force.

Hicke: No fresh vegetables?

Jungers: Very few. Of course, a lot of the things that were shipped in in those days were a long time at sea. So the produce was garbage, and the eggs were powdered, and when you got some fresh ones, they weren't that fresh. The cigarettes were mildewed, and the meat was bad. So the company had to set up better delivery schedules on produce and food, develop a better system of determining what people really wanted, and to provide facilities commissaries et cetera to distribute food and commodities. And not just for the Americans, but for all nationalities and levels.

There were many Americans, especially then, who didn't eat lamb or sheep, especially oil field workers and their families. They ate chicken and beef. Well, there weren't sufficient chickens there either then, and there wouldn't have been enough lamb for this ever-growing work force either, even if the people would eat it. So the company learned that, for example, you couldn't buy out all the food in the local markets and deprive the local population. Thus the local economy had to be expanded in an orderly way, and imported food and household needs were provided to make up the balance. Markets had to be developed in Australia and Europe because American food and produce was too expensive to ship to the Middle East then. But if they tried to buy meat, let's say in Australia--Australian beef or Australian lamb--they had different cuts than we were used to. Thus the Australian suppliers had to be taught to supply cuts that Americans liked. Back then, people were much more rigid than they are today. People hadn't traveled.

Hicke: It was a much larger world.

Jungers: Yes, so Aramco had to set up an office in Sydney, Australia, a purchasing operation, that went to the meat packers and said, "We will buy cuts of various meats in a forecasted quantity provided that you cut and package in a manner familiar and acceptable to American tastes." [laughter] This was the beginning of the Aramco purchasing departments that were set up in Europe and Japan, as well, to assure supplies of desirable products and at the same time allowed the company to utilize foreign, "soft"

currency.

Hicke: Sort of a worldwide operation?

Jungers: The company had a worldwide problem, not just buying pipe and oil supplies and equipment to specification, but food and the minimal type of things that people needed to exist.

A department was created in the company to see what could be done about growing produce in Saudi Arabia. There were all kinds of starts made on this, but the one that worked, (obviously now) is the "county agent" type of system where you went to the people and you said, "We want carrots. This is a carrot."--they didn't eat them--"We'll provide you the seed, the fertilizer, and we'll help you grow them and we'll buy them from you." They were skeptical, but willing to farm for a project. The next thing you knew, everybody grew carrots because they were profitable; nobody wanted to grow anything else. [laughter] Then you had to go out to another grower and say, "We want you to grow radishes." And he says, "No, I'm not growing radishes. You get him to grow radishes. I'd rather grow carrots." [laughter]

Hicke: They were afraid radishes wouldn't sell?

Jungers: That's right. They knew carrots would sell. This developed, once the farmers realized the market demand and grew the kinds of vegetables that the company stores wanted. It wasn't enough just to pay them, you had to begin to teach them how to cook and use carrots, because they could best meet the market demand quality-wise if they grew produce that they too would consume. Their diet had been limited to rice and lamb--a narrow diet.

Hicke: That was it?

Jungers: Well, and dates; there was nothing else. So this was a training process. You had to develop a co-op wholesaler who would gather the produce and see that it got to the Aramco store, and these stores had to also be put in the Arab community so that they got some of the produce and you created a demand. Once the demand was created, of course, farmers would grow it right provided they understood how to do it.

Hicke: Would you have to provide water?

Jungers: Well, the oases, it turned out, had plenty of water, but the produce wouldn't grow well, and the reason turned out to be that their water, artesian water, had been flowing for centuries and had salted up the soil due to poor drainage. When things didn't grow, the farmer just poured more water to it, which was the

wrong thing to do. So they had to be taught to cut down on the water. What really was needed was drainage, so this water was drained away. When the soil leached out and was fertilized, the produce would grow.

It took quite a few years of this activity to develop a truly viable industry; so by the early '60s, the country had all of the produce it needed and it was exporting many items, including chickens, which they learned to grow in better quality and quantity.

Aramco's Unique Policy of Cultural Understanding

Jungers: One difference, one major difference, was that for all of the problems that Aramco had in getting Americans to accept other nationalities, in Aramco from the very start there was a big effort to make sure that everybody understood that the Italians, Arabs, and other nationalities were people--people who could produce excellent work but who had to be assimilated in the work force; not only for economic reasons but, in the case of the Saudis, because it was their country. Of course, you only have to think back a short time to realize that Americans were very difficult to motivate in this area. They were the people that called Arabs "ragheads," and Italians were "Eye-talians." And it wasn't that they didn't like Italians, it was a racial problem. Even Italians were a racial problem then for many Americans.

I was assigned my first engineering supervisory position. I had three or four Italians working for me; among them was a draftsman and a photographer who was an interesting character named Ilo (the Pirate) Boetticelli. These Italians were very good craftsmen, and at that time they had found some old teak wood that was dunnage off of a freighter, a lot of it, and they spirited it away to the Italian camp, and they built me and others, for a price, a teak wood desk that I still have in my offices in Portland. A beautiful, good job. These guys were good craftsmen.

I liked these fellows. We had a lot of arguments. They, of course, were used to being called by formal titles like "Engineer Manzini" and I called him Gus--his first name was Augustus. [laughter] It would irritate him, but we got along.

Some of us would invite them to the house once in a while. One night the Italians invited a group of Americans to dinner at the Italian camp which, like I said, was a tent camp, and their

facilities were pretty minimal. But anyway, they made their own recreation out there. They had music and they smuggled wine in and made their own wine and other spirits--it was against the law. And they lived and worked in shorts.

Anyway, they invited a group of American friends to their camp for dinner one night, with our wives. So we all went out. They had a band and they brought in some prize fighters from Asmara along with flowers and wine. Maybe there were forty or fifty Americans and their wives, and there were a couple of thousand of them in the tent camp.

Hicke: They were all at the party?

Jungers: Everybody, yes. It was a big party and they had a band. We were having a great time, and the Italians, those that knew the Americans and their wives, would ask a wife to dance, and some did. It was good fun, harmless fun. Suddenly a man who was the district manager of the refinery community of Ras Tanura at the time entered and climbed to the bandstand. At that time he was in total charge of our entire community, which was connected by a two-track oil road to Dhahran, the main Aramco management center forty miles--and two hours drive--away. Telephone communication was minimal and so on. So this Texan, he was "the big boss," heard about this party. I guess the security people told him, and he came out--

Hicke: He wasn't invited?

Jungers: No, he wasn't invited. He had been drinking. He stopped the music and said, in effect, "You Americans leave immediately. It's a disgrace, your wives dancing with these Eye-talians. Who gave you permission to come here? Didn't you know drinking is illegal? You get home, and if I catch anybody out here again, you will be on a plane."

So he broke up the party. To him, wives dancing with Italians was a racial problem of the highest order. We can laugh at this now, but this was serious matter to him.

These sorts of things happened in spite of the fact that top Aramco management policy was directed toward giving every employee the status that his job deserved regardless of nationality. However, many Americans came from a background of discrimination and were placed into a situation that required careful emphasis on competence and the realization that we were guests in a foreign country. The attitudes of Americans toward other races and nationalities have come a long way since then.

Hicke: But it sounds as if there was a spirit of respect for Arabs and other cultures that emanated from Aramco.

Jungers: Yes, the Aramco culture tended to reject those who didn't respect Arabs and others. Those who remained and made an effort found the experience rewarding. I was a young guy who had never lived where race or non-American issues were a problem. We didn't have any races in North Dakota. We had many nationalities who lived and farmed together. So these problems were pretty strange to me, and as a young employee I understood early on that the Aramco policies had merit and got involved early in understanding what was needed, not so much because it was demanded, but I just saw it as the right thing.

Hicke: Do you attribute this more or less to Fred Davies?

Jungers: I can't say that I know that. Davies was the first man in charge, and Tom Barger worked for him as an upcoming executive. Davies was certainly tolerant and forward looking, but I think it was Cy Hardy and Barger that did the pushing and the pace setting by example and devising policies. Cy Hardy had gone through a lot of problems in South America, and they were the ones that set that standard. For example, Cy Hardy at one time invited three or four Americans, I was one--this was kind of a cross-section and how he picked us, I don't know--and some Arabs, mostly Saudis, and he had noon discussions. These would happen on, for instance, payday Thursday noon when Thursdays were half work days.

Hicke: Noon discussions? This was some kind of a regular meeting?

Jungers: Well, it happened once a month. He had certain Arabs--there were all kinds of Arabs, Saudis and non-Saudis--and Americans from various levels and ages, and we had lunch together. He would deliberately pick a subject that was controversial, and lead a discussion on things that were controversial or may have been sensitive. The Arabs that were there could voice complaints about what they saw as mistreatment or policies that weren't effective, or we could enunciate the American views on practical cultural problems and practical solutions including accelerated Saudi training, *et cetera*. Our frank and sometimes heated discussions better defined differences and frequently led to better understanding along with solutions to problems. I think Cy Hardy did pick out people who were at least a step or two removed from policy-making jobs involved in individual problems so that practical dialogue could result without preconceived solutions.

Aramco was an ideal company to develop innovative policy

that allowed two cultures to exist and mesh together with common aims. Aramco was unique in that it was not a consortium nor a subsidiary, as was the case with most American enterprises abroad. Aramco people were not, as a rule, seconded from shareholder companies but were Aramco employees. I knew that my job was Aramco. If I didn't like my job, I might be able to talk, say, Chevron into taking me, but I had no rights and no career in San Francisco.

So you had a different attitude than I saw in subsidiary people in other oil companies when we traveled around, where you were a person seconded from the New York office and you went out to "Timbuktu" for a couple of years and did your "foreign duty" time and then went back home where your real career lay. That would have created a different attitude entirely. Everything to seconded employees was short-term, short-run. "Don't worry about participation in long-term, culturally based problems. Just complete the foreign assignment with a clean slate." The Aramco people had more at stake. Those that didn't like it left for other employment, and those that stayed acclimatized themselves to the country and its culture and took a long-term view toward life and work in the country.

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Jungers: So there came to be a camaraderie among the Americans and among the Arabs and between the two, that was very unusual. Today, for example, starting the first of September, there is an Aramco reunion in North Carolina. There will be many American Aramcons, but there will also be Saudi Aramcons attending and all getting along in years. There is a feeling of closeness in this group of people who had common experiences through the years. Many resentments and a lot of problems still exist. People like Barger and Hardy and I are well known for taking the lead in policies and activities that lessened cultural, nationalistic, and even racial tensions over the years. This is one of the things I feel proudest of in my career.

Hicke: It sounds like Aramco was a unique operation.

Jungers: I think it was. In 1960 Cy Hardy formed a group of four people-- I was the junior guy in that group--to make a tour of a number of the oil companies in foreign operations, whether they were subsidiary or not, to find out how they operated in comparison to what we did and to come up with a plan, as it were, that would copy the best of what everybody had and move forward ourselves with improved policies.

Hicke: In social relationships?

Jungers: Social mostly, but also technical. So we traveled to Iraq, Iran, the [Arab] Emirates, Oman, Venezuela, Colombia and just looked at their operations. There were many similarities, but more differences. I certainly concluded that we had overall the best operation in the area of managing our people and trying to be good corporate citizens where we operated. There were some things--of course everybody had some pluses, and we tried to use those that applied.

Hicke: Could you give any examples?

Jungers: I'll try to think of some. The oil companies in Venezuela had a much superior system of integrating business-wise with the Venezuelan businesses. There they all operated as subsidiaries. But we noted that especially Standard of New Jersey (now Exxon), which owned most of Creole Petroleum, in Venezuela was doing a lot of work in economic development of the area around them to further the growth of private business. We too had such a policy, but they had done a better job, and we copied some of their ideas.

Hicke: That sounds like a pretty interesting thing to do.

Jungers: It was, and educational for me. It was the beginning of our Arab Industrial Development Department.

Hicke: Who else went with you?

Jungers: There was Dan Sullivan, who was head of Aramco's producing operations at the time, who also passed away last year. Of course, he was much my senior and I later worked for him directly. A.C.C. Hill, who was kind of an administrative chief of staff to the president. Also, George Mandis, who was a senior executive in our Governmental Affairs Department.

Incorporating Saudi Attitudes into Company Management

Hicke: You told me quite a bit about the attitude of the company towards the Saudis; what was the attitude of the Saudis towards the company?

Jungers: Well, you have to realize they then had no conception of what a company is or was. To a Saudi then, a company was nothing tangible, a company was people. They were used to people running things, not companies. So we had to develop a management system that accommodated to that somewhat. For example, there were no

labor unions; they were forbidden. They still are forbidden, there is no such a concept.

Hicke: By the Quoran or the Shari'ah?

Jungers: No, by the Saudi government. It's a monarchy. They had a system, the king had a system, still in place, in which any subject can see him and, as a matter of fact, every Thursday morning he holds open forum or "majlis" where anybody can come in and talk. Some of the kings were more effective than others at this, of course--I've sat in this "majlis"--you would see an old guy come up and point his finger and he'd say, "Faisal, you told me you were going to fix the water well in . . ." wherever.

Hicke: He'd shake his finger at him?

Jungers: Yes! "What about it?" And the king would have some of his ministers and such around, and he would say, "What about it?" They would say, "Well, I thought it was fixed," or--

Hicke: "We'll get to it right away." [laughter]

Jungers: He'd tell the government official, "I want that fixed." A water well that went down is serious in a desert country. So they had that kind of system, and a lot of their grievances and business was done this way. In the early days especially it was not unusual to be ushered into the office of an official, say the minister of petroleum, while other people were in the room. You may need to talk about something that you might think is kind of confidential, but they are used to having people just kind of sitting and waiting for their turn to speak. Also, particularly if these people were well known, it was not polite to ask them to leave.

It is less and less that way now. They now have an outside office, but in the beginning, there wasn't. So Aramco adopted a system, a grievance procedure, that allowed any employee to quickly take his grievance to higher management. He could go see the chairman if he wanted.

Hicke: So Aramco sort of copied their system?

Jungers: Aramco copied the idea in modified form. Tried to structure it and tried to make them formalize their complaints and go to their immediate supervisor first. If he didn't like the answer, that boss would write up the complaint and his answer so that the employee could say, "Okay, I'm going to your boss," and quickly. We tried very hard to make sure that an employee felt free to go anywhere he wanted and free to say what he wanted without fear of

reprisal. So it was not unusual for a low-level employee to go see the boss, and if necessary, "the big boss."

In the early days it really was "the boss" rather than the company, and "the king" rather than the government.

So in things like that we tried to adapt to their system and thereby avoid the pressure for a labor union or for referral to the government when employees had a grievance, real or imagined.

Hicke: That is another example of not imposing our--

Jungers: --our system, bad as it is, on them. [laughter] So we made great effort to do that and I think it was quite successful.

Hicke: What was their response?

Jungers: Oh, sometimes not good, sometimes good. I can remember when I was in middle management, one of our most troublesome groups of people were truck drivers. These guys drove the big Kenworth trucks and they needed to be, therefore, big men. A lot of these Kenworth trucks were driven across the desert with their loads to remote exploration camps, and so you needed a Bedouin, preferably, to find the way and to manage the equipment. These fellows were pretty independent characters and they were troublesome.

One particular case that I remember was a guy whom I had fired at one point--and it was a rancorous affair, but anyway I fired him. And it stuck even though he made it to the top of the grievance ladder. And I ran across him one day in Al Khobar, the local town, and this guy comes up, running. He's a big Bedouin and he says, "Junger, Junger! Remember me?" I said, "No, I don't think so." He said, "Oh, you remember me. 'Inta (you) fan-nisht niy (finished me).'" They had converted certain English words like "finished" to, "you fin-ished me," using the Arabic transliterated verbal endings and all. I said, "Oh. Yes, I did." He clapped me on the back and said, "Yes you did!" They were not rancorous people.

Hicke: He wasn't violent?

Jungers: No. He just recognized me and considered himself fairly dealt with. I had finished him. [laughter] I said, "Where are you working?" Well, he had another truck-driving job and things were okay. So a lot of anglicized Arabic words have developed. A truck became a "kenwar," (from the much used manufacturers Kenworth.) The plural for that is "kenawwar," which is one way of making an Arabic word plural. And that word's commonly used

and everybody knows what that means, "it's a truck."

Hicke: Were the Arabs generally fairly even dispositioned?

Jungers: Arabs, I would say if I could generalize--and I'm not sure that's valid--but Arabs as a group, if you can define what they are, tended to be more emotional than some Americans. But again, an Italian-American is more emotional than a German-American, seemingly, and a Saudi-Arab is probably less emotional than a Lebanese-Arab.

Ilo Boetticelli: Ilo the Pirate

Hicke: Okay, lets go back to Ilo.

Jungers: Ilo the Pirate, Ilo Boetticelli. This Italian was a showman, an eccentric, and an outstanding photographer. He walked around with pirate shorts and pirate-type boots and a silkish-type shirt with slits in the sleeves and a bandanna tied on his head like a pirate would have it, and he'd say, [imitating Italian accent] "I am the great Ilo, the Pirate!" He was a prima donna, but a great photographer. When he left Aramco, he went to work down in South Africa in Rhodesia. At one point, when I thought about writing the sequel to *Discovery!* [by Wallace Stegner], I had one of our people working on it (Bill Mulligan), and he went down there to buy up some of the pictures that Ilo had. Of course the price had gone up, but we bought some and copied some.

But Ilo the Pirate was one of the Italians who live in Italian camp near Ras Tanura.

Hicke: What was the job of the photographer?

Jungers: Well, we took photographs, progress pictures of plants that were being built.

Hicke: Was this for public relations?

Jungers: Public relations, things like that, and for employees. Of course people needed to get their passports renewed, which required pictures. Aramco did everything. We had our own photographer, we had our own undertaker, we built our own roads, we built our own telephone system, our own sewers, our own everything. We started operations in an area which had none of the usual amenities for foreigners nor Saudis.

Brief Encounters with King Ibn Saud and King Saud

Hicke: Did you ever meet Ibn Saud?

Jungers: No. I only saw the original king, Abdul Aziz Ibn Saud, known to the West as Ibn Saud, once. He came to the Eastern Province in about 1951 or '52, I believe it was, and pitched their tents in our compound and I saw him from afar. I didn't know him. He, of course, died in the early '50s and was succeeded by his eldest son, Saud, whose full name under the Arabic system was Saud Ibn Abdul al-Aziz Al Saud (Saud, son of Abdul Aziz of the Saud family). Ibn or bin means "son of."

Hicke: And did you meet King Saud?

Jungers: I met him briefly also, but I was not in the management picture at the time, and he was taken out to the yacht club--of which I was the first commodore--and the club gave him a demonstration of water skiing. I had one of my two sons on the little boat that I had moored there beside the pier and I told him to sit there and be quiet and watch the king as he walked by on the deck. When he appeared, Gary said to him, "Hi, king!" [laughter] King Saud looked down and grinned and waved at him. Gary was quite proud of himself.

Hicke: Well, let's leave [Ibn al Saud] Faisal until a little bit later.

Jungers: All right.

Hicke: Was Saud as tall as his father?

Jungers: Yes, Saud was a big man. Faisal was also quite big, but more frail, not as robust a build; he looked different from his brother because he had a different mother.

Tapline, 1949

Hicke: I'd like to switch gears here and ask you about Tapline, where it was going. Could you tell me when it started and how much you had to do with it?

Jungers: Tapline started as a pipeline project in I think about 1949 or so and, of course, it was then a unique project. It went from the Persian Gulf to the Mediterranean. It was a thirty- or thirty-

one-inch pipeline, which in those days was something huge. It was the first fully restrained pipeline of that size.

Hicke: What do you mean by "fully restrained"?

Jungers: Well, pipelines, prior to the days of fully restrained lines, utilized expansion loops in them to compensate for the expansion caused by temperature change. Prior to restrained lines, heat expanded the steel, and therefore the line expanded, causing movement, which would kick it off of its supports. So lines were built with U-shaped expansion loops which absorbed the expansion and contraction. By firmly restraining the line on its supports and by tying it at median temperatures, the line had minimal expansion and potential movement which could be restrained by rigid supports. The result was better pumping characteristics and minimal maintenance.

Hicke: You regulate the oil temperature?

Jungers: No, you choose the median ambient temperature to minimize expansion and contraction when considering that the line will operate at the predictable oil temperature.

Hicke: When you say "tying it in," what you mean is when you are laying the pipe and--

Jungers: And welding it together. Obviously, the welding must be done at a median temperature of the oil that is transported. The alternative is to bury the line which is more expensive. The line of course went across a number of countries: Syria, Jordan, Lebanon, and later a territory that the Israelis occupied; Saudi Arabia. Thus it was buried in places for security and environmental reasons.

Political Problems of Tapline

Jungers: With an international pipeline went all of the problems that you would expect. All transit countries consent to a certain agreement before the line is built; everyone is eager to have it; but once in place (a pipeline is not on wheels and can't be moved) transit governments are prone to make new demands for transit fees based upon "changed circumstances" since they want more money. International pipelines therefore become involved in the economic and politics of the countries which causes great insecurity during times of international stress.

The politics within the countries that we were going across changed constantly, most generally because of the Israeli situation and the ongoing state of war in the Middle East. So that was the problem and the fate of Tapline.

Also, initially of course, it was a unique line. It was laid across hundreds of miles of desert; it transported a preponderance of Aramco production at that time; which was an alternative to using the Suez [Canal]. Thus it became a separate company to separate it from the primary business of producing, which was Aramco. That company, Tapline, was therefore operated as a sister company to Aramco with the same shareholders. In the years after it was built, it became less crucial to the enterprise as Aramco's production increased beyond Tapline's capacity and had to be transported by tanker and as the shareholders and the Saudi government realized that the instability of Tapline running across countries at war meant building additional shipping capacity in the Gulf.

Hicke: You refer to the Israeli war of 1967?

Jungers: Well, there was an initial war in '48 that caused the problems and then they were ongoing as the politics of the Israeli presence in the Middle East became more intolerable to the Arab countries and resulted in many incidents including the 1967 war.

Hicke: But for Tapline, did it change then?

Jungers: Well, yes, everything changed, but the inherent problems were the same. Of course, as these problems worsened due to the wars, the politics got worse as Tapline's capacity impacted less on Aramco and the Saudis insisted on better control by Aramco so that they could apply leverage on some of the other Arab countries to do politically what they wanted done. Finally, for a lot of those sorts of reasons, we all decided that the best thing to do was to put Tapline under Aramco control and ownership.

Hicke: When was this?

Jungers: This was in the '60s. As a matter of fact, that picture [indicates photograph] shows Bill Chandler, who was then the president of Tapline. He went on the Aramco board when Tapline became a subsidiary of Aramco. We moved John Kelberer--who was the second in command to Chandler--into Aramco and he became my replacement. Incidentally, he retired and passed away in 1992. So I am the only living ex-Aramco CEO and Ali Naimi is the current president and CEO.

Hicke: Ali Naimi? He's a Saudi?

Jungers: He is Saudi, an Aramco Saudi. He would have been CEO very likely even if the Saudi government had not become the sole shareholder of Aramco. Ali Naimi is a highly talented and motivated man who progressed naturally through Aramco's management development program, which was oriented toward selection of management irrespective of nationality and based upon achievement and potential.

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Bringing Tapline Back under Aramco Control

Hicke: How was Tapline put back under Aramco? Was that a difficult negotiation?

Jungers: No, it was a matter of convincing the shareholders that this was what the Saudis wanted and that it was what Aramco wanted too, because it simplified operations, and therefore it was done--of course this raised considerable concerns in Tapline management.

Hicke: How about the Tapline shareholders? Did they support this?

Jungers: Well, the American shareholders of Tapline were also shareholders in Aramco. Of course, there was the argument that if Tapline hadn't gone under Aramco when Aramco was sold to the Saudi government, Tapline might have been kept under American ownership, but that was more hope than a real possibility.

Hicke: In any case it was--

Jungers: It was not to be. Of course the CEO of Tapline, Bill Chandler, understood this. But some of the middle management at Tapline were concerned. Their life was Tapline; they had their own culture and operated differently in many ways. At one time, when Tapline was initially built, they transported and sold a major amount of Aramco's oil, the majority at one point. But in the end, they were a minor part of the oil transportation since Aramco had grown tremendously and Tapline's capacity was, let's say, 1.5 million bbls. [barrels] a day, a little more. That was a lot when it went into operation in the early '50s; that was nearly or potentially everything. But Aramco became a 10 million bbl.-a-day company, so it became less needed in that sense.

Hicke: Oil that wasn't shipped by Tapline went into tankers?

Jungers: Directly. You see, when the trouble broke out with the Israelis and when Egypt, then under [Gamal Abdul] Nasser, nationalized the Suez Canal, this meant that the tankers that were utilizing the

Suez Canal were under additional political risk. So Tapline became very important again, because it was one outlet around the Suez. It was very important until the large supertankers were built, which make it economical to ship oil around Africa to Europe and the Americas. Then both the Suez and Tapline became quite redundant to oil shipments. There wasn't deep enough water in the Mediterranean and the Suez Canal to handle the big tankers, so the whole economics of tankers has changed and Tapline became ever smaller, of ever less importance.

Hicke: When was the era of the supertankers, or when did it really start?

Jungers: This need was triggered by nationalization of the Suez Canal by Gamal Abdul Nasser of Egypt. However the world had already become more and more dependent on Persian Gulf oil. Shipping oil in small tankers through the Suez Canal and through Tapline just couldn't handle the demand.

Hicke: How much were you involved with Tapline?

Jungers: Well, I was involved in major ways in the negotiations that took place with the Saudis on off-taking Aramco oil and the terms under which the oil was taken off, number one. Number two, I was involved in a major way with the shareholders in their off-taking companies as to the prices that they would pay for the Aramco oil, whether they picked it up at Tapline or in the Persian Gulf. Now, we need to go back a little bit, bring in some of the off-taking problems.

Difficulties of Shared Ownership

Jungers: There were ultimately four shareholder companies prior to Saudi ownership and their ownership was split 30-30-30-10. Originally there was one company, Chevron. Then Chevron sold half of their ownership in Casoc [California-Arabian Standard Oil Company], which later became Aramco, to Texaco, because the market wasn't yet developed and because they were concerned about the tremendous cost that they could see that they would incur in developing Saudi Arabia.

Hicke: Also I've read that Chevron didn't have many marketing outlets.

Jungers: Oil markets were still small and Chevron realized that their share of the market was inadequate to justify development of Aramco. So they sold half of Aramco to Texaco, which suited the

beginnings of CalTex. In the late '40s, the two of them realized they too didn't have the market to handle Saudi potential. Already there was pressure immediately from the Saudis to produce more oil. So it became a juggling problem between Saudi Arabia and the interests those companies had in other countries as to where they were going to lift the oil to match the demands and needs of the producing countries, but more importantly even, to match the economics of moving this oil to consuming areas.

All of these factors caused them then to say, "Let's sell 40 percent off to somebody else," and they sold it to Esso and to Mobil. Mobil in its wisdom at the time decided it didn't want 20 percent; it took 10 [percent]. That was the beginning of a whole series of never-ending problems involving equity versus varying market needs.

Hicke: Because they were the minority?

Jungers: They were the minority shareholder. They became more and more aggressive in their management and their market needs, and ended up needing the oil for the markets. But, to oversimplify again, Aramco sold the oil to the off-taking companies, which were nominated by the four shareholders; collected the money; paid the government its taxes and royalties; invested in the capital expenditure, and paid the remainder back to the shareholders as dividends based upon their equity.

That sounds okay, but the governments of the producing world began to worry about the prices which companies like Aramco sold oil to its off-takers. The governments were paid taxes on the basis of the price of the oil sold. That's then what constituted the Aramco profit: we sold the oil for a price, we made a profit, we paid the tax on that profit--it was 50-50; 50 percent tax.

Hicke: You paid 50 percent of the profit in tax?

Jungers: Fifty percent in tax. The Saudis and the other countries began to worry about the fact that these companies weren't paying Aramco what they should be paying Aramco for the oil and that the purchasing companies were holding prices too low, in order to avoid the tax and thus to make their money downstream. The companies of course maintained that the prices paid to producing companies like Aramco were market driven.

So the whole question of pricing was challenged, and a

system of posted prices was developed.¹

Posted Prices

Hicke: I was hoping you were going to get to that. I have heard about it.

Jungers: So we sold the oil at a price that they all posted.

Hicke: That was a permanent price, is that right?

Jungers: It was fairly permanent when markets were stable and demand growth quite predictable, but the price didn't move with the market, because companies were afraid to reduce the prices and thus unilaterally reduce the price and unilaterally reduce the taxation they were paying the government for fear of losing concession arrangements.

Hicke: When you say unilaterally, you mean the shareholders?

Jungers: Yes. And so for example the posted price sort of remained stable: \$1.80 per barrel was the price for a long time, plus or minus. When times got tough, and the shareholders were paying Aramco \$1.80 for the oil but couldn't sell it for \$1.80 downstream, then the posted price was too high. So they took the losses selling the oil and made them up with Aramco's profits. We had been paid too high a price and too high a tax, to be sure, but as long as we had a profit that was more than the losses they had to take downstream, there was a tendency to maintain high posted prices.

But in that manner of accounting, an overstated posted price and a fictitious profit in Aramco created a lot of problems. Let's assume, for example, that Mobil, a 10-percent owner, developed a market that sold 15 percent of the oil and paid too high a posted price for it. But they only got 10 percent of the dividends. So they began to say, "Hey you guys, we are selling the oil; we are creating a profit not just for us but for you guys. We want a different deal."

To which the answer was, "Fine, that sounds fair. We'll give you a different deal."

¹. Upstream refers to production; downstream refers to transportation, refinery and marketing options.

"Well, we only want a different deal if we can make long-range contracts. We can develop this market, but we must make long-range contracts, which means we must have long-range access to additional oil. So we want a different deal, but we want oil in addition to our 10 percent share and want it under long-range contract."

"Oh, no. No, you are not getting it under long-range contract."

"Why not?"

Because these companies were competitors, and they were only going to give Mobil a better deal until such time that they could take that market source away from them. And so the negotiation was continual, and Aramco was the negotiator or the "honest broker." In order to assure the Saudi government that Aramco's shareholders were making a best effort to sell Saudi oil, we needed to do our part to create an incentive so that if a company lifted more oil than its equity share, it was recognized in the dividend. A special dividend process was developed that was continually changed but was a way of rewarding the shareholder who sold the most oil.

Hicke: Sort of on an *ad hoc* basis?

Jungers: No; because of the length of term, these were negotiated documents, and they were the dividends Aramco was allowed to pay to them by their agreement which deviated from their equity. Huge sums of money were involved. Now, complicate that with: where did the shareholders lift the oil, up at Tapline or down in the Persian Gulf? All of this was part of the costs which entered into the amount of dividend paid. Tapline became part of this negotiation, and Aramco was the negotiator.

Hicke: That's what you were involved in?

Jungers: That's a long way of getting around to saying I was involved in that sense. As Tapline became less of a factor at higher producing rates, it made less and less sense to have Tapline be an entity unto itself.

Hicke: I am glad you explained all of that about posted pricing.

Jungers: It is way over simplified--I'm not trying to get legalistic in this and attempt to explain all of the problems in detail, but this pricing problem was why OPEC [Organization of Petroleum Exporting Countries] was formed.

Hicke: Okay, well we'll get to that.

Jungers: That's a long story.

Hicke: Going back to the tankers; I don't know when this took place, but I wanted to ask you if you knew about or were involved when Aristotle Onassis tried to make a contract with the Saudis.

Jungers: This was started before I was negotiating. When I say "negotiating," you've got to remember this was my job as senior vice-president.

Hicke: That was in the '60s?

Jungers: In the '60s. And at that point, I replaced Bob Brougham who became the president, who replaced Barger.

Hicke: Did you have knowledge about it [the Aristotle affair]?

Jungers: I knew about it, of course. I was not involved in the beginnings of it at all, but I was involved continually in the one problem that it created, which was arbitration. This thing was settled by arbitration, except that in the future when the settlements didn't come out in their favor, governments said, "Hey wait a minute, arbitration cannot prevail over sovereignty." And so although we tried for years in various ways to put an arbitration clause into our contracts with the governments, the governments adamantly refused. So we were hamstrung for a long time because of this Onassis arbitration result.

Hicke: That was a successful arbitration for Aramco, but it turned out to be detrimental in the long run?

Jungers: That really did it to us. But of course you can argue that if that hadn't done it, well then the next one would have for sure, so the problem in all of these negotiations always was the sovereignty question which came up in many negotiating instances and would have been useful to the companies had the sovereignty issue not been used by the governments to thwart it as a process.

Move to Dhahran, 1955 and Utilizing Saudi Work Force

Hicke: Well, at some point I want to back up to your move to Dhahran in 1955.

Jungers: Dhahran '55. I was moved to Dhahran in '55 or so to take the job

of general superintendent, it was called--engineering, mechanical services, maintenance, transportation, things like that--in Dhahran. We had, at that time, three major districts, and Dhahran was one, and this was a "line" job there.

Hicke: The other two were Ras Tanura and--

Jungers: Abqaiq. Ras Tanura being the refinery area, Abqaiq being producing, and Dhahran being some producing but also the administrative complex and all that went with that--centralized trucking, centralized mechanical services. Also Tapline maintenance--that is, that part of Tapline that was in Saudi Arabia. And so on.

Hicke: Field headquarters?

Jungers: Field headquarters--operation and maintenance was in my scope. We had and needed a lot of people to cover these functions. I think one of the reasons that I was selected for this job was because I had demonstrated abilities in handling large organizations and people plus a willingness to maximize utilization of Saudis. This was necessary from a cost standpoint (foreigners were more expensive) but more importantly, Saudi aspirations had to be met.

The thing that struck me then was that we had utilized Italians and other nationalities, Pakistanis, Indians, et cetera, and continued to utilize them even though we were training hundreds of Saudis. We would say, "Well, I want to keep these Italians, they have been here for years and they are very good workmen. I guess I will send this Saudi to school again for another year of math. He's just not ready." [laughter]

Here we had all of these people, and we were overstaffed, because we had all of these Saudis that we had poured into training programs, and these Saudis weren't being utilized and promoted into jobs being handled by other nationalities. Saudis were resentful that they weren't given the jobs that they thought they could perform.

So one of the first things I did in '52 in Ras Tanura (at age twenty-six) was to say to craft foremen who worked for me and they were all American and mostly old enough to be my father-- "Okay, by the end of this coming year, I want a one-quarter reduction in all foreign contract labor." This was a blow to them because they could more easily get their work done by foreigners and were honestly concerned by the possibility of reducing work quality by utilizing unproven labor.

Well, we did it, although at first by edict. I tried it by discussion and coercion and convincing them, without success. So it was by edict. They did it and with dire predictions that never came to pass. The Saudis stepped in with a will and surprising speed and flexibility. They had in fact been well trained by the supervision that was reluctant to use them. So this was really the beginning of what I myself saw as the necessity to train the Saudis, to integrate them into the work force and to devise a series of policies that kept them working, and to discontinue a series of policies that were really devised for foreigners.

I was not at first thinking necessarily about Americans, but of the many foreigners and all of the different pay and benefit packages: paying this one in lire and that one in rupees and this one in riyals. Paying expatriate allowances, travel and other benefits to be competitive in their countries all of which was not understood by the average Saudi worker. Consider changes due to exchange rate changes, then the Saudi hollers, "Hey, you are paying this guy twice as much as I'm getting," but he didn't know the value of the rupee had been halved. All of this was difficult to explain especially to a Saudi aspiring to that foreigner's job. The good Pakistani was hollering, "Why don't I get trained?" The answer is, "You are not getting trained because we are not going to need you very long." Which was demotivating to him to say the least, even though there was no other explanation to him and contributed to the over-manning.

That was another thing I had learned on our fact-finding trip to Iran in the '60s. When we went there, we couldn't believe the manning, it was five times ours.

Hicke: And you said you were over-staffed.

Jungers: We were over-staffed, but they were five times what we were, and proportionately with Iranians. And that condition, I'm convinced, contributed heavily to the final blowup in Iran and the still lingering resentment of foreigners. The structure was a lot different. The structure there was a consortium, and it lent itself to this kind of thing, so I want to be clear on that.

I was a leader in Saudi training and utilization, although Barger was certainly behind me and supportive even though I was well down in the organization. There was a necessity to train Saudis and place them in jobs they were trained for or get rid of them, and I did get rid of them. This was an important step. Ali Naimi, the current chairman, was in that group as a coffee boy. Aramco trained him; sent him to Stanford [University] for his master's. When they were sent for training and they

succeeded and came back, you had to give them a job that corresponded with their achievement. This was the part that was missing. Nobody had any trouble sending an Ali Naimi to school, but what are you going to do when he gets out of school? Either he becomes a significant employee with a significant career or he becomes an embittered malcontent in due course.

Hicke: I've got a quote here that I just want to get in for the record, I don't even know where I read it, but I read someplace that you "transformed a collection of malcontents to a proud work force."

[Julie Jungers enters room]

Jungers: Well, I did that.

[to Julie Jungers] I told her the story of "you fan-isht-nie."

JJ: And they loved it. We were there in February--

Jungers: That was her first trip.

Hicke: Last February you were there?

JJ: Yes, that was my first trip.

Jungers: I was involved on this trip with a contractor, a businessman out there now, Abdullah Ar-Rushaid, who, in the early days was also one of our "golden ladder" young employees. We set up a system that identified these people early as high potential and worthy of accelerated training due to intelligence, motivation and overall interest. Later he might be identified for management potential. Take him off the list if you made a mistake, but start listing them. This businessman who left us along with people who stayed like Ali Naimi, all were identified early.

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Jungers: The Saudis would clamor at the gates for employment, and the rules were that eighteen was the employment age. Many of them didn't even know their age to start with, and they were on a different calendar besides. The Hijra calendar loses eleven or twelve days a year, so their year is different. So many were pretty confused about what their age was. Later on we even sometimes tried to decide their age by x-raying their wrists. This became known in Arabic as "I've been aged." [laughter] Of course, when a Saudi got up to retirement age, he had obviously been aged too high, and when he was trying to get hired, he was aged too low. But all of these efforts were usually accepted in good humor. laughter]

JJ: The Saudis were wonderful.

Jungers: This became a problem that we finally discontinued because it was nothing more than a negotiation anyway. So the guys who got hired, and who were likely too young, became known as 'yimkin eighteens.'

Hicke: How do you spell it?

Jungers: Yimkin, Y-I-M-K-I-N. Yimkin in Arabic means maybe. So you'd say, "Abdullah, how old are you?" "Yimkin eighteen!" He started to learn a little English and he knew eighteen was the magic number, and who knew? Maybe he was eighteen. He didn't know, and if he did, he was merely trying to get a job anyway, so it didn't matter. So in the hiring lines the brightest and the tallest and the healthiest of the "yimkin eighteens" got hired. So Abdullah Ar-Rushaid, the businessman who was telling the story, and Ali Naimi, who is barely five feet tall, stood on apple crates out in the mob that was trying to get hired and waving a paper that they had. [Jungers demonstrates with his hands up in the air] "Okay--you, how old are you?" "Yimkin eighteen!" "Okay, come on over!" [laughter] That's how they were actually hired.

And so they became coffee boys, who would bring you coffee if you wanted it. And they got sent to school and of course that's how the capable and bright ones progressed. Those people had to be used more or we would lose. And we were losing just because of the fact that we had too many foreigners in the good jobs--in the blue-collar jobs at first and later in the white-collar jobs--that the Saudis had been trained for and couldn't get because Luigi was too good a man to lose and the Paki was also too good a guy to lose and so on. Human reasons, but reasons that simply weren't tolerable in Saudi Arabia--it was their country and their resources.

Scaling Back on Foreign Work Force and Promoting Saudis

Jungers: In Ras Tanura we were getting the beginnings of strikes over this. They weren't strikes, because strikes were disallowed, but there were rumblings and slow downs. You would see the Saudis just not working, and squabbling and fist fights breaking out between them and Italians and this and that. This highlighted the problem.

So when I took a supervisory job in Ras Tanura refinery maintenance, I just decreed a 25 percent cut--a real cut, not on organizational charts but a real cut. "How many Italians have you got now? End of the year it's 25 percent less. How many Pakis? 25 percent less. How many Indians? 25 percent less. If you want to switch between them, I'll talk about it, but--."

Hicke: Was that just one year or did you--?

Jungers: Well, it was an onward goal. We just kept scaling down foreigners and accelerating Saudi training. In Dhahran the first Saudi foreman ever made in the company was made in our organization. The second, the third, the fourth, the fifth, the twelfth were made by me before any were made elsewhere in the company.

Hicke: Why weren't other people making them?

Jungers: Well, it was the same problem: of course, when you got into the foreman level, you were replacing qualified, able, and loyal Americans, and now this became painful. Fortunately, the company was growing and so the real problem wasn't to let a good American foreman go; the real problem was, as you expanded, to refrain from promoting another American if possible. And of course this hurt the American employee because you were seemingly reducing some of his growth potential. But if we had a good, technical, blue-collar person, we could create jobs under the foreman. The Saudi foreman was the first to say, "Can I keep John Smith with me here? But I think I have got to give him a better job if he's going to stay working for me." Okay, so sometimes we created jobs then. You kept John Smith not as a line supervisor, but as a technical supervisor, and he helps your work force in a technical way and makes sure that you get them trained well technically, but he's not a line supervisor.

Hicke: So it was a lateral switch?

Jungers: Well, it might even be a higher level skill and pay wise for those truly qualified.

Hicke: Were there a lot of Americans waiting to become foremen?

Jungers: Of course. Career people.

Hicke: What about the foreigners employed?

Jungers: With the other foreigners, we had to be unilateral. We finally adopted the "Saudi American" theme as a policy concept. This was a lower level problem. But with supervision it was not quite

that tough, since very few non-Americans were ever foremen and above. [speaking to Mrs. Jungers] You met two of the early foremen. The first foreman I made was a guy by the name of Abdul Moniem Ben Abdullah. He was a natural leader in spite of not being a highly skilled craftsman. He was obviously a leader, and in spite of being a Shiite, which was not very well accepted by some Saudis. But I made him a foreman anyway, because we were having a strike down in the sheet metal shop under an American who was a poor supervisor and whose name was David--and the Arabs rebelled because they were trying to get rid of an American who they believed disliked Arabs.

Hicke: What was he doing there?

Jungers: He was over-promoting other foreigners; so the Arabs said, "This guy is a Jew. His name is David!" And this became a rally point. [laughter] So I had to remove him and I made Abdul Moniem the foreman. I talked to a lot of Arabs before I did it.

I made him the foreman and he became known by the Americans in the organization--in total people I must have had 3,000 then--he became known to American and foreign craftsmen as Abdul Bullshit [laughter] because he wasn't really technically qualified to be a sheet metal foreman. He was a bullshitter, in other words, to the Americans. But to the Arabs he wasn't. He was a man who got work done through his people. He was the guy who would come in and say, "Frank, you gotta leave me some good guys. I mean, I need Americans in here. These Arabs can't yet do this work, some of the technical part."

I said, "You tell me who you want." We found that it became no problem. Americans would work for Arabs, Arabs would work for Americans, as long as you maintained a semblance of, "I'm trying to pick the best guy." Every now and then you would hear that you had picked the wrong one, but they still said, "Okay, we'll get along."

Observations of Racial Versus Social Differences

Jungers: The next guy I wanted to pick as foreman was a black one, a black Arab. He was technically very well qualified. I wanted to make him a welding foreman.

Hicke: Was that a problem?

Jungers: Well, that's what I'm getting at. The Arabs said, "No, don't do

it."

Hicke: The Arabs said it?

Jungers: I asked, "Why? What's the matter with him? Isn't he a good welder?"

"Yes, he's a good welder."

"Well, why can't we make him a foreman?"

"You shouldn't make him a foreman, Mr. Frank. You shouldn't do it."

"Why not?"

"Well--"

"Because he's black?"

They would say, "What?"

"Because he's black?" And I would even say it in Arabic. "Because he's black-colored?"

"No, no. What are you talking about? Black what?"

They honestly had never thought of it that way. Then I used the word, 'zunji'. He's a zunji.

Hicke: What does that mean?

Jungers: A negro. "No, he's not a negro. He's not a zunji."

I said, "But he's black."

"No, but he's not a zunji."

A zunji kind of went the route of a slave, so zunji to them, although meaning negro, had the connotation of slave. "He's not a slave. Well, then you don't like him because he's black."

"No, it's not that."

"Well, what's the problem?"

"He's just not from a good family."

What was truly happening--and I questioned this because I

thought they were lying to me. It turned out--and we made a study in a couple of the villages around--because the Portuguese had come in there and they had slaves--

Hicke: Even though it was much earlier?

Jungers: Yes, in the 1500s, Vasco de Gama days. Sure enough some of the slaves had gotten ashore and there turned out to be some black Arabs. But these black families mostly lived on the wrong side of the tracks so-to-speak, not because they were black. I think what really happened was these slaves got ashore, they sired some black children. In a society that was so rigid that there was no promiscuity, nothing out of marriage, they had to have interacted with girls who were from bad families and the result remained "bad families." They had black children who were still in the bad families on the wrong side of the tracks and whatever other criteria there were.

Hicke: And it was a social class thing, rather than racial?

Jungers: It was social of which the black happened to be a part, more than it was a black racial problem. I tested this so many times and I really never found it to be primarily a black question.

Finally, I did test it really. I made a real test. And you [Mrs. Jungers] met Khalil. He was a Sudanese by birth. He came over to work in Arabia as a Sudanese. He is a big guy with flashing big teeth that grin for everything. He became a good golfer.

JJ: He had the tribal marks.

Jungers: He had the tribal marks of a Sudanese. A big, burly, powerful guy, who was a very good leader and a very good carpenter and got his citizenship somehow--I don't know how he did it.

Hicke: As a Saudi?

Jungers: As a Saudi. So we sent him to some schools and trained him and nobody objected, so I called some of the Saudi foremen in and I said, "I want to make Khalil Ali a foreman." "Good idea!" He was black, but no problem because he had no social stigma.

Hicke: Did it work?

Jungers: Khalil?

Hicke: No, the first one.

Jungers: No, I didn't make him foreman, I never made him foreman. He was known as from the wrong family. But Khalil, who was also black, they had no problem with. So again I became convinced that it was not a black problem.

Hicke: The caste was the problem.

Jungers: It wasn't really a caste. It was just that they came from the wrong family, socially, which made them unable to lead. And it was in such a way that not even the Saudis could explain why the guy was in a bad family and when I said he's black, they said, "No, you are wrong. That's not it." I said, "Tell me what it is." "Well, he's just the wrong family, that's all. Don't you have bad families in the States? We know you do. We read the paper." [laughter]

Hicke: That's pretty interesting though, because Ibn Saud came from a tribe that eventually ruled all of Saudi Arabia.

Jungers: That's right.

Hicke: So these other tribes that didn't rule, were they bad families too?

Jungers: No, that was a political struggle; but also, blacks didn't occur in central Arabia originally. They only occurred on the coast. The Persian Gulf, where the Portuguese came and where there were old Portuguese forts and ruins of them, this is where the blacks came from. They came from slaving, and they also came from the Omanis, who were the greatest slavers in the world. You've got to get back to that.

In the West, in Jeddah, there are many oriental Saudi Arabs and they came from the Indonesian and other oriental Muslims going to Mecca for the pilgrimage. This occurred over centuries and is not necessarily a recent occurrence.

Handpicking Leaders

Jungers: Back to the work force. When you were in Arabia, Julie, you met Saleh [Gubgub] an-Najrani. He and Khalil came over to see us one night. Saleh an-Najrani was a kid from Najran, which is in the southwest corner of Arabia, a mountainous area. The Najrani Arabs are tough people: hard-working, God-fearing people who are absolutely fearless when disturbed. They look you in the eye, they tell you what they think, and they don't give a damn what

you think if it comes to that. The rest of the Saudis kind of hold them in awe and say they are too tough.

Well, Saleh was a skinny kid, and I was walking down the road one day with the labor foreman. That was in the 1950s; the foreman was an American. There were a hundred guys or so digging the ditches before we had much earth-moving equipment; we just put a hundred men in a ditch and would get it dug quickly. There was one kid in there just working to beat hell and yelling at the others, "Come over here! Let's get going!" And sand was coming in on them and they were working and it was hot and this kid was just working and urging everyone on. I said, "Who's that guy?"

He says, "I've never seen him before. He must have shown up this morning when we were hiring. I never saw this guy."

I said, "That looks like someone I would make a kind of a head man out of."

He said, "Yes, it does to me, too." And so he did. He turned out to be one hell of a leader.

Hicke: This is Saleh?

Jungers: Saleh an-Najrani. His full name is Saleh Gubgub. He was completely uneducated. We sent him to school, finally, and sent him to the States to school at Dunwoody Institute, a school for craft supervisors. Saleh was a free spirit. He hated school and he wasn't about to go to formal schooling. "Saleh, if you don't pass that math course, we're going to can your ass!"

"Frank," he'd look me in the eye, "I'll pass the math course, okay?" But he wouldn't go to the next one, you know? [laughter] That's the way he was, but yet he saw things so clearly people followed him. We picked guys like that.

Hicke: He was a leader?

Jungers: A leader. "Put him on the list."

"But he doesn't want to go to school."

"Make him go to school."

"Okay. Here you go." [laughter]

Hicke: So that's how you turned such a recalcitrant work force into a--

Jungers: Yes. Nothing happened overnight, but what did happen and what

the Cy Hardys and the Tom Bangers taught me was, you have to show them that you are interested, that you are trying to do something, and mean it. "Are you getting much done?" "No, not very much, but we are trying and we have a program and it is working." If you want to get with it, okay; if you don't, stay where you are and bitch. And that was it.

Hicke: How long did it take you to totally phase out the rest of the foreigners?

Jungers: It didn't take long to set and implement a clear policy. It was so obvious. And we just couldn't build on Italians and Indians and Pakistanis. They were so foreign to this whole system. It had to be Arab-American if it was going to last. Were there some great injustices to these people? Yes. We paid them. We paid them well and they left. I made an Arab foreman in--we had an engine rebuild shop. He comes in one morning and he says, "The Pakistanis are all on strike!"

"How many are on strike?"

"Three hundred." And he's the foreman.

I said, "What are you doing about it?" His name was Ma'azin.

He said, "There's nothing I can do."

I said, "They are not working?"

He said, "They are not working, Mr. Frank, and I can't do anything."

I said, "Okay, you go back and you get them out in the yard and line them up. All of them." So I got personnel people and went out. I said to the first guy in line, "You're not working today?"

"No sir."

"Okay, you either go to work or to Pakistan. Which is it?"

"I'm not working."

"You go to Pakistan." The next guy, "What about you? You working?"

"No."

"Pakistan." Next guy. And as we moved down the line a few of them began to cave in. Eventually, those who had refused wanted to change their minds saying, "We'll work."

"No, you won't. You're out." We just couldn't tolerate this; we couldn't let them contaminate the Arab work force. Unjust? Yes, it was unjust to the Pakis. They had a grievance. It wasn't a big grievance but they thought they had enough power to hold it. Had they been Arabs would I have treated them that way? Maybe not, but I thought--well, we are either going to get the foreign work force straightened out or we risk losing control and leaving ourselves. The Arab blue-collar work force in Aramco--and there isn't a country in the Arab peninsula that won't say it--is a very good work force, very good. They are hard working, they follow the principles they have been taught, they try to do a good job. They are good people. They are a better work force than much of the American work force in this country.

Hicke: From what I have read and heard of, a lot of other multinational companies have taken a leaf out of your book now.

Jungers: I'm glad to hear it, because that's really what happened. It spans a few years, but it is the one thing I am as proud of as anything I have done. And in Saudi Arabia I'm remembered for it. But I didn't do it just because I liked Arabs. Yes, I liked them, but we pushed the preferential use of local people because we had to do it and it was the right thing to do to utilize indigenous people who are unemployed and capable in preference to foreigners.

Hicke: They called you Mr. Frank?

Jungers: [laughter] Yes, a lot of them called me Frank. Or they just called me Jungers. Some of them called me Jun-gerr. One day, since I left Arabia, I was in Houston. We have a subsidiary company there and I had been gone from Aramco for a long time, and there are a lot of Arabs now working in Houston, young kids, engineers, educated young men. The president of Aramco Services Co. in Houston now, Hamad Jaraifani, was an ex-refinery manager whom I had known for many years. We met in his office and Hamad said, "I'll invite some people and please join us for lunch." So he got about fifteen employees, mostly Arabs. I hadn't met many of the Saudis who were young engineers except Hamad. Shafiq Kombargi, now a vice president of Aramco Services, was there. They all sat down, and after chatting a bit one young Saudi said, "I'm very glad to meet you, Mr. Frank. I want to tell you a funny story."

I said, "Oh? Okay."

He said, "My father one time worked for you." And he told me who he was and I vaguely remembered his father. He said, "One time I came home to him and told him, 'I'm tired of working for Aramco. I'm not going to do this and I'm not going to do that and so on, whatever it was,' and my father said, 'Who do you think you are? Jungers? You are going to do what you are supposed to do. You are supposed to work, you are going to finish your training and education. You can't talk like that!'"

They were all laughing. Apparently, "Who do you think you are, Jungers?" had become synonymous with an expression of the Aramco work ethic and it was humorous to think one could somehow escape this ethic.

Hicke: Okay. That's a good enough place to stop for today.

Jungers: Yes.

[Interview 2: August 16, 1992]##

Hicke: I would like to ask you to tell me that story about Tom Barger.

Jungers: Okay. This really belongs back with some of our previous discussion about Barger and Cy Hardy and their sensitivity to the Arabs and knowledge of the Arabs. Barger told a story at times that really says a lot about Arab thought and the pragmatism of the desert Arab in particular.

Tom was telling of the time when he was still a geologist-- this had to be in the '30s--and the company had brought in an airplane, which I believe was the Ford Tri-Motor. It was in boxes and was brought ashore on the beach and assembled. When it was ready for flight, Barger had invited the Bedouin of the area and the leaders of the Bedouin to witness this event. As this plane took off in a flurry of sand, Barger remarked to one of the Bedouin chieftains, "Isn't it amazing that a machine of this size can fly?" To which the Bedouin replied, "Isn't it supposed to?" and of course he had never before seen an airplane.

I think this says a lot.

Hicke: I didn't realize it was that early.

Jungers: Yes, it was.

Developing Education for Children in Dhahran

- Hicke: Let's skip forward, then, to Dhahran. You had just moved there when we last talked and I wondered if you could tell me a little bit about what state that city--would you call it a city?--was in.
- Jungers: Well, it was a town, a compound. We had a large American family housing development there of probably 3,000 families or so. And, of course, also a large development for bachelor Arabs who came from the villages and stayed and worked and went home on weekends, and also similar quarters for other non-Americans, mostly white-collar, who worked in the administrative offices: Pakistanis, Indians, and so on. In this kind of community, of course, all of the recreation facilities were provided: feeding facilities for the various nationalities, schools for the children of families housed there. We had similar compounds at Ras Tanura and Abqaiq, but of course Dhahran was bigger. We had schools through the ninth grade for primarily American children but also for any other foreigners and Saudis who had reached a level that merited family housing. This family housing was initially built to house Americans but was also made available to Saudis as they advanced into the same level jobs as Americans.
- Hicke: Because they had to speak English?
- Jungers: The children had to speak English if they wanted to attend the schools and compounds. It was an American-oriented education, because American children had to be prepared for prep school entrance. Of course, this became a bone of contention--a problem for the Saudis--because they began to realize that their children were missing a lot of their culture. There was agitation for Arabic instruction for them, which we provided for a while, but it was more than just Arabic that they were missing, and the schools in their communities weren't of a caliber to handle their needs, either. This wasn't resolved for quite a few years. Maybe we could jump ahead and describe the problem?
- Hicke: Okay.
- Jungers: Like so many things, there were new approaches required, and some of them we learned on our trip to the other oil companies; some we devised ourselves. I say 'we'; I was not in a decision-making capacity then, but I was a witness and maybe had some input. But people like Barger were in the policy-making position at the time. In the case of the schools in the early '50s, we realized that the schools for the children of Aramco Saudi employees, in their communities, were simply either nonexistent or totally

inadequate. What schools there were, were only for boys. We also realized that housing these people as bachelors was not the right thing for a family-oriented society in particular, and to drive them home over many, many miles on weekends only to turn around and come back couldn't be the long term answer.

So a home ownership program was developed whereby Aramco-- which had surface rights, at one time, to nearly half of the peninsula--donated land to and put in housing developments in various local towns--subdivided into lots, put water and sewer and streets--and then loaned the employees the money to build their homes. The loans were interest-free, and forgave 20 percent as they were paid off through salary deductions. This was economically a better deal for the company than taking care of people by building and renting housing to them as an alternative. The alternative had been tried in a number of areas other than Saudi Arabia, and it was a disaster, because you became the hated landlord and the system was inadequate. Of course people don't take care of rental houses, and then if they retired, you either ended up with communities of non-employees or were forced to evict non-employees. And their family structure was different than ours. Their family consisted of their parents and in-laws and a wider group of relatives of all sorts. Their definition of families was much different than that of westerners and Americans. And so our concept of what should be adequate housing for them was completely wrong. And I say 'we', I mean the oil companies all over the world, really.

So our home ownership program--which sounded like a big give-away--really was, when you added it up, a lot cheaper than trying to rent them housing. They built what they wanted. We even supplied them the engineering, helped them locate materials and select qualified contractors. They built their own homes many times in developments closer to the work sites than the villages that they came from and moved into these communities that were created by the Aramco loans and home ownership program. It was a very successful program.

As the developments grew, they needed schools, and the schools that were in nearby towns were inadequate anyway.

Hicke: The Arabic ones?

Jungers: The Arabic schools. And so Aramco built and operated a few schools in the beginning, which were called schools for the sons of employees. Early on, the government agreed to staff those schools, with Aramco's help. Aramco paid for the schools, and they became models for the Kingdom. With all of the problems that developed in moving those schools forward, nonetheless they

were the models. I don't recall how many schools we actually built, but there were many, finally, in all of the communities the Aramco employees lived in any number.

Even with the problems, the employees really understood what had happened and how useful these were. Of course, the outside public would clamor to get into them, and we tried to reserve them for our people. This caused the government to expand the programs to include everyone, and the government eventually incorporated Aramco schools into the national system.

But back to the Aramco community--

Hicke: If you are going to move away from schools, I have one more question. Did the Aramco employees early on teach at the schools part time?

Jungers: Yes, we did. We had teachers. We had a large teaching staff, not only for schools, but also for training programs. Many of the staff initially were English-speaking, because the Arab employees needed to learn English anyway, and so these training schools were mostly conducted in English. We did have a large training department, which provided teachers for our training schools, for the American schools in our compounds, as well as Arab teachers for the schools for the sons of the Saudi employees until the government could staff them. It was a cooperative effort. The effort was later expanded at the request of the government to the first girls' schools in the Kingdom.

So the school problem became one then of, "If you want to move outside into your community, we'll help you with your housing and you can put your children into the schools. If you have a high-enough level job and you want to live in [what was then called] the senior staff compound, that's fine. You can then send your children to the schools that are designed for the needs of English-speaking Americans." Well, some did for a while choose the compound living, but gradually all but the highest level Saudi executives moved out. Especially as the quality of the government Arabic schools improved.

Later on even those executives who remained became more and more unhappy with having to send their children to just American schools, even though it prepared them well for going onward to college in the United States, which some did rather than going to Europe. The American school lacked a good education in the Arabic language as well as missing cultural reinforcement that could only be gained by attending Arabic schools with other Arab children. Later on also, good universities such as the College of Petroleum and Minerals developed in the Kingdom.

Thus, after I became head of the company, we designed a program where Aramco developed a housing area for executive home ownership on land adjacent to Dhahran. They built true executive housing there, and there had the option to handle their own education or continue bring their children to the American school if they wanted. They were close either way, and they had a much better choice. That's the system that exists today, and most of the Arabs have moved out of American company housing and built housing of their own while taking advantage of the Aramco home ownership system. It's much more in keeping with their current status in life, too, to live in a housing development with other executives and yet close to work and other amenities.

Building Medical Facilities

Hicke: I interrupted you when you were going back to Dhahran to tell me about other parts of it.

Jungers: Well, living in Dhahran were various nationalities. In addition, to the schools, there was the huge medical center for the employees; we had outlying clinics and a big medical complex. Again, we provided medical care for all employees and their families, and again, the family members of Saudi employees were many, since the definition of the family was much larger and extended. There were many estimates as to the size of the population that we provided service to, but it was well over 250,000 people. So we had the premier model medical center for the country with full USA accreditation. It too became the model for future medical facility development in the Kingdom, and the government gradually built hospitals that had greater specialization capabilities than those of Aramco.

But the medical, as in education, posed many social questions. For example, our medical center included dentists and dental facilities. We had twenty or twenty-five dentists. Well, many of the questions that were posed were posed by our medical people. They wanted to, and felt obligated to, provide the same kind of medical care for the low-level employee as they did for an American or a high-level Arab. This posed questions that we had never had to face in the United States, although maybe we should have, such as what level of care does which level of people receive?

I'm not talking here about life-sustaining care, everyone got the same care on that basis, but dental care, for example. We had employees who had never seen a dentist, and they really

came to a dentist only when they had a bad toothache and a swollen mouth. Now the question is, do you give the employee tremendously elaborate care to try to save a tooth or do you just pull the tooth? If we planned cosmetic and elaborate care, we surely didn't have enough dentists. So the dentists developed technicians who were Arab, and when the employee came in, say with an abscessed tooth, the dentist took a look at it and decided this was a tooth that should be pulled and the technician pulled it. The guy walked out, and in a few days he felt better, and as far as he was concerned, dentistry was a wonderful thing.

This was not the kind of dentistry you required in America, but the British would accept less than Americans. Americans needed things like--what do you call straightening teeth?

Hicke: Orthodontia?

Jungers: Orthodontia. Americans demanded it; we had to supply it or give them a chance to get it done in the States. But you surely weren't going to give all nationalities of other employees orthodontia. So this question was always in front of us: just how much did the lower-level Arabs and other nationalities require and demand? How much did they truly want? This was a moving target that kept moving up. We had to decide, even on emergency care, if it was a complicated surgery, would we do it there or would we simply put them on an airplane and send them back to the States? So medical care was a big problem.

Hicke: How did you resolve it?

Jungers: Well, we just moved with the tide.

Hicke: Continual reassessment?

Jungers: Continual reassessment, continual changes in the level of care that we gave people.

Hicke: Did the company have some kind of medical insurance that would help pay for cases that had to be sent to the States?

Jungers: No. We self insured and you justified it by saying, "Well, we are either going to pay it or we are going to have to employ a brain surgeon here and all that goes with it, so let's decide. Or we'll have to have a cancer center." We didn't have a cancer center, but we had some very good surgeons and very good people who said, "This patient has bad cancer and we'd better get him back to the Mayo Clinic or someplace." That's really what happens here; your doctor doesn't take care of everything. So we didn't have all of the specialties.

Hicke: It reminds me of this health care plan that Oregon has proposed where they will give prioritized services. Where do you draw the line?

Jungers: It's a big problem. I am on the board of trustees of an Oregon Health Sciences University Foundation.

Hicke: Are you making any progress with that?

Jungers: I don't think it's going to fly. I mean, it's the sensible thing to do, but how am I going to convince you that you shouldn't get the same level of treatment that I get? That's inevitably what it's going to boil down to, and our society is not prepared to face that kind of a question head-on.

Hicke: Well, maybe it's there in the wings.

Jungers: It is, and it must happen. And again, I think where the line finally has to be drawn is, "Is it life-threatening?" If so, then we all ought to get the same type of care, but if it is cosmetic, if it is a matter of improved comfort sooner, well that's fine if you can afford it.

Hicke: And those are the kinds of choices that you made in Aramco?

Jungers: Yes, we had to make them.

And of course the medical care for women posed a tremendous problem. The Arab women were out in the villages, and they couldn't travel alone--didn't know how to travel alone. So the employee had to take time off to go home when he heard about an illness--there were no telephones in the early days--and get the family and bring them into the hospital, try to get the women taken care of, and take them back home. We lost a lot of employee time doing this. And it was a tremendous burden on the employee once he realized that a sick mother could be taken care of if he took her to the hospital. He didn't have a hospital before, so he didn't have the problem. [laughter] So then we devised a series of rather low-level clinics in the villages, where the family could come without calling the employee. These clinics, staffed with competent nurses, took care of the colds and the runny noses and the shots and the usual kinds of things, and pregnancies. And when the woman really was about to deliver, either get the husband to take her in, or if somehow we could talk her into coming in an ambulance, all the better. We just tried to move in the direction of providing good care and minimizing work force disruption.

Schooling Girls and Women in Saudi Arabia

- Jungers: This was a big social upheaval again that Aramco had to deal with, girls' schools. We built the first schools for daughters of employees--the first girls' schools in the country. Here again the western public thinks in terms of the Saudis or the Arabs not wanting to educate girls. To some extent that was true, but finally when the government began to build girls' schools in the various cities in the country, they were not well-received in many outlying areas.
- Hicke: By the government?
- Jungers: No, by the people.
- Hicke: Oh, by the people? Oh, this is when the government started building them?
- Jungers: Yes. And many of those girls' schools, such as in Abha, were opened with troops, and people were dispersed and told to send their kids to schools--girls to separate schools to be sure, but--
- Hicke: So it was a requirement?
- Jungers: Well, this had to happen, because it was such a social stigma to have girls going out into public this way. The government didn't control these things, the father didn't control these things, the society did.
- Hicke: The culmination of that is that what Julie was telling me last night?
- Jungers: Yes.
- Hicke: That women are now educated and perhaps overeducated because they don't really have any jobs to do; so their families just send them back to school for doctorates.
- Jungers: Hoping that maybe something will happen. [laughter] Like they will find a rich husband or something. Maybe it will all go away.

Hiring Arab Women to Work at Aramco

Jungers: And we hired women early on.

Hicke: Oh, did you?

Jungers: A lot of it *sub rosa*, as far as the community was concerned, for many jobs. We needed women in the hospital that could speak Arabic, that were Arab, that could talk with a woman who was having a physical problem and to convince her that this male doctor had to examine her. The alternative was to have her husband or son present, but he was not likely able to do an adequate translation job between her and the doctor. So we had jobs like this that required semi-educated women. We had certain clerical jobs that they did. The girls would come in and try to get a job once they had been outside to school, and then go home and say, "Aramco will give me a job, will you let me go to work?" and the father would often say no. He may have been an employee and he believed that she ought to work, but it was a stigma for him to send a daughter out into the public which consisted mostly of males.

Hicke: It was disparaging to his ability to take care of his family.

Jungers: Yes. Why would he allow a daughter to do this terrible thing? "Is it because you need money?" This is how the community looked at it.

Hicke: Right. Yes. "You can't take care of your family."

Jungers: "You can't take care of your family so you have got to send her to a brothel?" That's literally the way they'd put it to him.

Hicke: But there were a few brave souls that--

Jungers: Yes there were, and there were a few headstrong daughters and so the father would bring them in to work and take them home at night. We made arrangements where they ate by themselves at lunch and so on and didn't associate with males--or at least the father could say that. [laughter] He couldn't control whether they wandered around the compound or not.

Hicke: These were the times when the father trusted the Aramco community and could maintain to his society the daughter was adequately supervised.

Jungers: Yes, and I knew some of those girls before they were married; now

two or three I can think of are married to high-level Saudis, some of them on the board. I am very well acquainted with these women from the days when they were employed as young girls. Julie met some of them.

Hicke: Just as an aside, it strikes me that you mentioned somewhere along the line that you also had some English and Dutch women working as secretaries.

Jungers: That's right. As secretaries.

Hicke: How did that happen?

Jungers: Well, we used American secretaries initially.

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Hicke: You were saying that you were the only employer of women at this point.

Jungers: Yes, in the Kingdom at that point, by special agreement with the government. Of course, as time went on, we tried to make secretaries out of male Indians and so on. That worked in some instances, but they really weren't capable of high-level secretarial or administrative work. We had major offices in Holland, and so we began to bring in Dutch women and British women to try to fill these secretarial jobs. Of course, they really didn't fit socially either, because there were very few Dutch and English single men in the community. So they were kind of looked upon strangely by the Arabs, initially at least. Arabs had learned to accept the strange ways of Americans, but--

Hicke: These other women entered, perhaps, through your headquarters offices and then were moved to Saudi Arabia, is that what happened?

Jungers: Yes, or were hired directly. Of course, they didn't work out very well in the early days with the American executives and for that matter the Saudi executives either, because they had different work and social standards than Americans.

Hicke: They were all English-speaking?

Jungers: Yes.

Hicke: They had English skills and some kind of secretarial skills?

Jungers: Oh yes, they had those, but they didn't have the social skills.

Hicke: Were there any difficulties with the Saudis in terms of American or other foreign women working for Aramco?

Jungers: As I mentioned earlier, Aramco had special permission to have and use single women in cases of recognized need, such as nurses, teachers, confidential secretaries, x-ray technicians, *et cetera*, always with the general understanding that they would be replaced by Saudis (male) whenever possible. Even today it is impossible for an unattached foreign female to enter the country unless she is directly sponsored and justified by a recognized organization, usually Aramco or a governmental organization. I believe it is still impossible for a Saudi to marry and bring in a foreign woman without specific approval of the King's office.

Building an American Community in an Arab Society: Other Difficulties

Hicke: Well, let's see. We are still on Dhahran.

Jungers: Okay. So we had schools and hospitals. We even had a centralized undertaking service. Of course there was no such thing in Saudi Arabia. The desert Arabs bury their dead at sundown on the day they die, so they don't need to be embalmed. We did have a cemetery of our own, but most dead foreigners were sent back home. To ship a corpse internationally means you've got to meet a lot of standards. You must have the right papers to get him back into the country he came from, you've got to have the right kind of casket, which must be completely sealed and put into a metal box. It was an unbelievably time-consuming problem. So we had to have an undertaker--more than one.

Hicke: This was something that the military certainly had experience with. Was there any connection? Did you get help from them?

Jungers: The military [community] that we had at the base near Dhahran wasn't very big. They used our undertaking facilities, I imagine. I don't know.

Hicke: You did have some military advisors?

Jungers: No, there was just a military base near Dhahran.

Hicke: An air force base?

Jungers: Yes. And like all American air force bases, it was finally phased out by the government. Middle East countries,

politically, could not tolerate having what appeared to be an occupation force. That air base became the commercial international airport for the eastern side of the Kingdom; it still is.

- Hicke: Was there much interaction between the company and the military base?
- Jungers: Not really.
- Hicke: I would have thought their facilities would be perhaps available for employees.
- Jungers: They were inadequate for our own families, although our families like to go to the officers' club for dinner if they arranged for privileges. They on the other hand wanted access to many of our facilities, which was impossible, because it meant giving access to the surrounding Arab public. Now that posed another whole series of questions and problems. Movie theaters--we had the only movie theaters in the country (still do). There are no movies. In fundamental Muslim society, movies are forbidden.

Muslims don't eat pork. We had special dispensations that were really not dispensations, they were agreements between Barger and the King--and later I even had to renew some of these dispensations. Top management and the local police or provincial government had numerous sort of unwritten, "unagreed" agreements that said, in the case of pork, "If you import pork, it will come through customs as meat. You sell it in your store only to non-Muslims and you certify each sale as not having been made to anyone other than Christian Aramco employees."

- Hicke: Did it work all right?
- Jungers: Yes. People wanted bacon.
- Hicke: Oh, bacon.
- Jungers: [laughter] And we know that oil field workers have bacon and eggs, ham and eggs, and of course there were foreigners working for contractors and so on, and they wanted pork; they would try to get in and the air force people would try to get in. And the answer was no. We couldn't. It would mean that we would lose these rights ourselves. And so we had to keep them out. Movies, the same thing. We had movies. Religious services: there were no religious services allowed. No churches allowed. Barger was a staunch Catholic, he and his wife. He made a deal with the king and we were allowed to import "special teachers." These special teachers were priests and Protestant ministers that never

wore a collar or anything but civilian clothes, and they conducted services on Fridays--not Sundays--

Hicke: Which was the Muslim--

Jungers: --the Muslim holy day--in our theater. "Well, could the consulate staff come to church?" "What church? There is no church." "Well, we heard you got--" "Well, you heard wrong." [laughter] Everybody knew.

Hicke: All of this?

Catholic-Muslim Mission: Christianity and Islamic Cultural Differences

Jungers: I have a good story to tell about churches.

Hicke: Do you want to tell it later or do you want to tell it now?

Jungers: I'll do it now. Much, much later, when I was either in negotiating or--let's see, what job was I in? In my negotiating job or president or chairman, I don't now know which. I think it was probably chairman.

For years a couple of priests had been coming into the Kingdom really because they were friends of Barger and some other members of the Catholic community, and then they kept coming after Barger left. One of them, Father Gene Watrin, was a missionary, a Jesuit missionary. And I'm not singling out Catholics; there were others. The Protestant communities could bring in special people from time to time that I am now aware of, but I was closer to these two men--the other being Monsignor John Nolan. Father Watrin would come to Saudi Arabia, and he was a friend of many Aramcons and became a friend of mine. He also came because the Aramco community was a source of donations. He is a fine man and he is a missionary in Kathmandu, which is many miles away from Arabia.

Father Gene Watrin was still in Kathmandu when my son Gary decided to get married--he was born in Arabia and he married a girl, Mariellen Eschezuria, a Ras Tanura refinery employee's daughter who was also born in Arabia--and his wife-to-be, in particular, wanted to be married by Father Watrin. So they tried to get Father Watrin to come over and marry them. He didn't have the time, and so everyone went to Kathmandu for the wedding. [laughter] This was after I had retired. Gary was working there

then as an Aramco employee.

Hicke: What did you do, charter an airplane?

Jungers: No, they all went commercial. Some of us came from the United States, and we all stayed at the Yak and Yeti hotel. [laughter] Father Watrin is a fine missionary, absolutely revered in Nepal, and everything you give him goes right to the people; he lives like a pauper. Those who know him would consider him to be close to a male Mother Theresa--at least he's bordering on it.

Back to my real story. The other priest was Monsignor John Nolan, who was head of the apostolic mission to the United States, also was head of the Middle East Foundation, which was a Catholic foundation run to manage Catholic charities in places like Jerusalem. It existed there during the Israeli occupation (before and during) and still does. It functions wonderfully there in spite of the Israelis' determination to shut down some of the operations. John Nolan used to come to Arabia also. He and Barger were friends and he and I became good friends. He was a great friend of John Kelberer, who succeeded me, and of many other people in Aramco. He is a very, very personable Irish priest who lived in New York at the New York Athletic Club.

We had talked many times about things that might be done to help the Middle East situation, especially the plight of the Palestinian Arabs. At one time, we had the idea that maybe we could kind of soften the Saudi approach; get the Arabs to feel a little differently towards Christianity, and put pressure on the Israelis to recognize the Palestinian problem and to open Jerusalem to all three great religions. At the same time it might cause the Saudis and other Arabs to realize that Americans were not biased toward the Jews. So I went to see the king and suggested that. No, I did not go to see the king, I went to see the head of protocol and suggested that--

Hicke: Do you remember his name?

Jungers: Yes, Ahmad Abdul-Wahab.

--and suggested that I thought that it would be possible to begin a program that might lead to establishment of relations with the Vatican, realizing how sensitive this was. But perhaps the Vatican would respond if we could get the Saudis to respond, maybe we could start a dialogue. Monsignor Nolan was well connected in the Vatican because he headed the Catholic Middle East Foundation and also had some duties in which he directly reported to the Vatican.

So, much time went by, while Nolan worked with the Vatican, and I discussed it through the appropriate Saudis. I finally got word that they might consider a low-level visit.

Hicke: The Saudis?

Jungers: [Nods affirmative] So we arranged this visit, and it consisted of a cardinal, very well connected in the hierarchy that dealt with foreign affairs, and Monsignor John Nolan. It was considered as an official visit to the Kingdom. They would be hosted by the Minister of Justice, who was very religious and came from a very religious tribe. They would be guests of the Minister of Justice. They arrived, complete with their cassocks, hats, and the whole bit, and they were received at the airport. This was unprecedented in Riyadh. [laughs] Later they walked around Riyadh and people would stop them and say, "Where are you guys from?"

"We're from Rome."

"Really?"

"Yes, really." Everybody was very--. They are religious. The point of the story is, contrary to how they are depicted, the Arabs like most Muslims, are very respectful of other people's religious beliefs. But anyway, they were there. But even more strange, they had flown in that night on Saudi Airlines, and when they landed in Riyadh, the cardinal's bag had been lost, and it included his equipment for prayer and saying Mass. Nolan told the Minister of Justice that this had happened, and he told the king, and I was told by the king's secretary that the king had become extremely angry. This was toward evening, and he ordered that Saudi Airlines, which was government owned, be told that that bag had better be in Riyadh early tomorrow morning. There were no excuses allowed. [laughter]

Hicke: There are times when the king is a big help.

Jungers: He was, the king, and everybody knew that. And the bag indeed arrived during the night. John Nolan never did know how it got there.

Hicke: Some people stayed up all night hunting, probably.

Jungers: And planes probably ran out to get it. [laughter] I don't know where it was, but it showed up.

So anyway, this mission occurred, they were treated with extreme cordiality and, in turn, a similar mission went to the

Vatican and it too was a high-level mission. This was the beginning of potential relations. The timing of this story needs to be checked. There was only one other American in Aramco that knew of this at the time, and he could probably verify the timing of it.

Hicke: Who's that?

Jungers: His name was Majed Ellass, who was of Syrian birth but an American citizen, an advisor to me, a director of Aramco at the time. But this was secret enough that not even the Aramco board of directors knew it. But I think that last mission to the Vatican occurred a few months prior to King Faisal's death, and the whole effort withered.

Hicke: That was the end of that?

Jungers: That was the end of that whole idea. One of the points of this story, though, is that Muslims are not like Christians in many ways, and also Muslims are extremely tolerant of all other religions, including Judaism. As a matter of fact, enclaves of Christians and Jews and Hindus and Buddhists have continuously lived in the Middle East since the beginning of Islam.

Hicke: I think I have read that when they conquered territory they didn't require conversion.

Jungers: No, no. And for that matter, today a large community of Jews lives in Baghdad and a large community of Jews lives in Beirut. This is contrary to what we have been led to believe by our press. So the idea of other religions and the idea of an enclave living inside a Muslim community is not foreign, and that's one reason why an American enclave in Arabia posed little basic problem for the Saudi people. It had been part of their cultural makeup. And it goes back to the basics of Islam, the difference between Islamic thought and Christian thought, let's say. Christians are taught to go forth and preach the gospel and convert everybody. That's been our background.

Hicke: No one who was not Christian will be saved.

Jungers: That's right, you are doomed to hellfire. The Muslim version of this is, "You are not a Muslim? You are a poor, unfortunate person. I really feel sorry for you. There is no way that I can really help you, and no way that you can hurt me, so by all means live where you want to live." And that is basic to the thinking of Muslims--they are confident in their faith and don't feel compelled to enforce or prove it to the others. The Quoran is not far different from the Bible. After you become used to the

idea that in the Quoran Jesus is not God but merely was a prophet and a prophet probably of less stature than Muhammad--that, of course, is a big difference. But after you get over that difference, the rest of the Quoran is very, very similar to the Bible, all of the passages and so on--not all, but most of them. The differences are very small. But the Islamic practice is one of not having to convert people.

Hicke: But they are, as you have pointed out in several instances, very protective of their laws, for instance against pork. Is that because they are afraid of contamination?

Jungers: Sure. This, of course, was written into the Quoran much later than the Bible--the Bible preceded it by hundreds of years. This was written into the Quoran in a much more modern society than the societies that existed at the times the Bible was written. Pork no doubt was recognized as often being contaminated meat. And Judaism went the same way. Many of those laws, while they became part of the religion, really had their basis in cleanliness and trying to keep people healthy. These were dangers and therefore the religion--there was nothing else written--and so the religion wrote that you shouldn't do these things. And it became a matter, then, of religion.

Hicke: But they didn't want the Americans to eat pork either.

Jungers: It wasn't that. They let the Americans do it, but they didn't want to officially acknowledge that you can get by by not following the Quoran. This was the basis of law of the land, and so you couldn't. You couldn't say, "Some of you follow the law and some don't." This is a mixture of church and state.

Hicke: So now it has become a political rule or law?

Jungers: Well, the law is Quoranic law. So in that sense, church and state have become intertwined. In America, we have gone to great lengths to keep them apart. I'm not sure that's a good idea; we haven't produced very much good as a result of it. In Saudi Arabia, all people are Muslim, they all believe, and those believers cannot possibly believe that other people should be able to eat pork. I mean, it just doesn't follow.

Hicke: I see that. The laws of the church have become the laws of the state?

Jungers: They are the law of the state. Shari'ah law, which is law that is based upon the Quoran, is the law of the land. The judges practice Shari'ah law, and it's a harsh but good judicial system; justice prevails.

Hicke: I think that's one reason why the [Onassis] arbitration came out as it did.

Jungers: That's right.

So anyway, that got us off the subject, but again it was part of the Aramco compound situation, where the company intertwined itself in the lives of the people, whether they liked it or not. We had drivers' licenses; we had them even for women, although they weren't any good outside the compounds, and no one would let a woman drive outside the compound; there was no judicial system to handle her if she got involved in a car accident. My wife had a driver's license, an official one, and the Saudis issued it to her.

Hicke: The Saudis gave her a license?

Jungers: Yes. And it worked when she had an accident in the community and the police had to be called in, and sure enough she had a license, so they sort of overlooked the fact that a woman had a license. But officially, there was no such thing. Booze the same way. For many of these religious/cultural type laws or regulations there were no official sanctions, but unofficially, the Saudis found ways to allow lower level authorities to, with implied approval, arrange for sanctions that could be lived with.

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Hicke: We were just talking about some of the differences between American and Saudi cultural conditions. You told me several instances of differences. I wonder if each one of these had to be negotiated, for instance for drivers' licenses?

Jungers: Yes they did, initially. They were mostly personal arrangements between Aramco officials--Barger did a lot of these personally--and the various levels of the government, sometimes with the king, unofficially. It was all part of this idea of an enclave. The Saudis were, of course, convinced that the Americans needed to stay.

Hicke: Did the Saudi employees resent some of the American privileges?

Jungers: No, not really.

Hicke: So it was amicable on both sides?

Jungers: Yes, yes it was.

Hicke: Okay. We are still in Dhahran. Are there other aspects of

community life that we should talk about?

Jungers: [long pause] Well, in my job, for example, the things that fell under American responsibility were things like road building; we built all of our own roads.

Hicke: These were ongoing projects?

Jungers: Ongoing. Most of which later were taken over by the government, much later. We had our own fleet of airplanes for making shift changes, for freight, for executive use, for whatever. For a while, we had planes running between the United States and Saudi Arabia. In the early days, the first plane over was a DC-4. We ran two of them back and forth. Then DC-6s later. Everything you can think of, we had a part of. The communication facility people were at one time under me in Dhahran. We had our own telephone system, our own music radio station, our news broadcast came in on teletype--we copied United Press and Reuters and put out a little newspaper daily, a news sheet.

Hicke: Did you get AFN [Armed Forces Network]?

Jungers: No, it wasn't heard there then.

Hicke: Any other American broadcasts?

Jungers: No.

Hicke: I guess that was in Europe.

Jungers: We had our own television station.

Hicke: Really?

Jungers: Still do.

Hicke: Videotaped?

Jungers: Yes, taped programs.

Everything that needed to happen, we did. We had our own marine department, we had our own tugs, we had our own piers--that all was in Ras Tanura.

Hicke: What about transportation?

Jungers: Transportation of all kinds. We built the only railroad and it's still operating in the country; we built it, set it up, operated it, and sold it to the government.

Hicke: Where was it?

Jungers: It ran from Dammam port (which we built along with the railroad) to Riyadh. It was built in the early '50s. So Aramco did everything.

Hicke: I noticed one of the things in this article [looks at notes]: it says you were building a new maintenance shop in Dhahran while you were there and the Abqaiq stabilizer. What was that?

Jungers: Oh, it's a crude oil processing plant.

Hicke: And the beginning of Tapline.

Jungers: Yes. It was pumped out of Dhahran.

The "Think Committee"

Hicke: Other than dealing with the work force, what were the major challenges of your job?

Jungers: Well, that's what it was. It was the blue-collar work force in Dhahran area.

Hicke: Okay. You were there, at least in that job, until '61, I have. But I also have from 1959 to 1961 something called the 'think committee'?

Jungers: Yes. That was set up by Barger. It was a group of executives, mostly middle level, who were known to have thoughts of their own and were willing to express them on all of issues of the type we've talked about.

Hicke: Was that the same as the other series of meetings?

Jungers: It was more formalized. The other one was sort of a social exchange, but this was more to critique company policies on any subject. And suggest changes. It was used for that purpose, but it was also used for management development for those who apparently were seen as having the potential advance at high levels. You'd wonder at times how effective it was, because it was pretty hard to come up with any really new and unusual idea, but it did serve also to inform the people that were on it why certain policies finally were as they were. The policies may not be that good, but the alternatives are worse. So it was a forward-thinking, management development idea.

Hicke: It was an opportunity for different levels of management to interact?

Jungers: To interact, yes, without really cutting across anybody's--. There were minutes kept, but I can't say that anything ever really was done by the group or because of it so much. It was a place where ideas were generated, and Barger then chose to use them or not to use them; if he did, he of course implemented them through the organization, not through this group.

Hicke: Who else was on the committee?

Jungers: Oh, it would change, but there was a cross-section of middle-to-upper management people. Sometimes there were a few Arabs on it at that time, but not very many. They were mostly American. I was on it for quite some time.

Acting General Supervisor of Industrial Relations: Aramco's Management Training Style

Hicke: In 1961 then you became acting general supervisor of industrial relations?

Jungers: Oh, yes.

Hicke: What did that involve?

Jungers: This was direct supervision of things like schools, training department, personnel, personnel policies. It was obviously a training assignment for me. I did use it as an opportunity to solidify my ideas on how much staff we ought to have and why. It had tended to be a little bit overgrown: too much staff overpowers and strangles line management, or too much line decision sometimes leads to overly snap judgment. That may have been another reason why I was assigned there: to try to set some courses a little bit better. A lot of people in those sorts of jobs, personnel management and things, are usually very capable in their way, but they are not very good at organizing and really running a line operation. They were good educators, they were good doctors, but not necessarily good managers.

Staff people tend to look for a perfect answer when that degree of perfection is less necessary than a timely choice that can risk a minor mistake. On the other hand, adequate staff work is necessary and required.

For example, in Aramco, our staff helped develop an elaborate management development system, both for Arabs and Americans, which developed over the years. Under this system every management job--every supervisory job that really was management--had to have three candidates put against it with deliberate statement of what it took to get each candidate ready for the job: exactly how long and what were you going to do in that length of time. Not just, "Well he needs five more years of experience." Which usually amounted to one year of experience five times--a cop-out. [laughter]

Hicke: Where did this management system come from?

Jungers: Well, it probably came a lot from the shareholder companies. It was an amalgamation of what seemed to work the best. I think, in retrospect, it was one of the best systems that ever existed in any company that I know of. Each job had to have these three people and the time frame, and these were discussed at common levels. If you said a doctor wasn't a good administrator, where are you going to send him to get administrative training? Are you going to let him be a surgeon for ten more years? If he really is going to be an administrator, you ought to move him out.

That rarely happened, of course, but in one instance--. This person is now a very young, budding executive in Chevron. He came from Chevron as a very young engineer, Lloyd Elkins. Lloyd is a bright and able man that came out of a producing background and worked his way up in Aramco in drilling and production jobs. He got on our development lists as "would appear capable of this and maybe capable of that." We had a system beginning at a real low-level which identified people and began to suggest assignments and training to allow him to progress.

Well, at one point, I don't remember what year, but probably around the time I was president, we decided that a Lloyd Elkins could do some good in focusing our hospital administration. He didn't know what a hospital was, really, but we prevailed on the medical people to accept a man like this who had shown some good management aptitude, and put him in as administrator of the hospital, reporting to the medical director, who needed help. We put Lloyd in there and Lloyd was extremely disappointed.

He felt initially that somebody was trying to do away with him out of his chosen field, which was really the guts of our business. But there were really two reasons: one, to do something with the hospital, but also to give Lloyd a broadening and to see how he would act in a completely foreign situation, to

see what he truly needed to get better. Was he suitable for a tough assignment, or was he better off in something he knew? Frequently you found out that a person was a great producing guy, but if you moved him out of that, he's just really not the manager you thought he was.

Lloyd did a very, very good job of fitting in. He finally got the doctors behind him and began to do some really good management things in that hospital.

Later, for personal reasons I think it was, he went back to Chevron and began to advance in that organization. He's quite high up now; he's a corporate vice president.

Hicke: And Aramco was involved in identifying people and putting them in these positions?

Jungers: We would do that deliberately, yes. That was part of the training program.

Hicke: And that's what was happening to you, I take it?

Jungers: That's what was happening to me. I didn't really know it, but you begin to suspect when you are put on something like a think tank--why? When you are sent to Shemlan--why? When you are sent to Abqaiq in a producing job, which was after this Dhahran thing, assignment--why?

Assistant District Manager, Abqaiq

Hicke: When did you go to Abqaiq?

Jungers: I don't remember. It must have been about 1960.

Hicke: Why?

Jungers: [laughter] Well, I was sent there really as an assistant district manager. Each community was run as an entity by an overall district manager who received guidance from functional staff organizations back in headquarters. But the people in that community reported to the district manager, who was in charge in a line capacity, was mayor of the town, who was in charge of everything right in that area. He had one assistant, and that's what I went down there as. Which was obviously a step up, but also a step into an area that I really didn't have a great knowledge of: production and exploration activity. That was the

next step. This was a small community like Ras Tanura, out in the desert, with a different group of problems.

Hicke: What were your problems there?

Jungers: Production, pipelining, all of these things. Many of which I had brushed up against with maintenance activities. Producing was the budgetary guts of the company, you might say. Everything hinged on how much oil you produced. It was from there, I think, that I went to New York.

Hicke: I guess what I have is a little mixed up here.

Jungers: What do you have?

Hicke: I have in '61 you became the acting general supervisor of the industrial relations department, and then I have in October '62 you went to Lebanon, and then from '64 to '65 you were assistant general manager of the New York operations.

Jungers: Okay, I got it. My timing was mixed up. Yes, I was assistant district manager in 1962 and 1963.

Hicke: Someplace in there you went to Harvard Business School?

Jungers: These were all developmental steps.

Learning Arabic in Lebanon, 1962

Hicke: Tell me what happened. Where did you go?

Jungers: To Shemlan, Lebanon in 1962.

Hicke: And how did that come about?

Jungers: I had, over my career, studied Arabic on my own. The company had some basic Arabic language programs for Americans that were really pretty basic. I had taken all of those, and I had studied on my own. I had a reasonable, colloquial, spoken knowledge of Arabic, at least at a low level of usage. At one point somebody had decided, and it probably was Barger and the management development committee, that they were going to send some people who had demonstrated management capability and who had an interest in Arabic to a more formalized Arabic program and give them a chance to learn if they wanted to. It was not that I really think I had a choice at that point; I think a refusal

would have meant that they learned something about me they didn't know. [laughter]

But still I was asked if I wanted to go, and they were willing to send me for a year.

Hicke: What kind of a school was it?

Jungers: It was called the Middle East Center for Arabic Studies at Shemlan in Lebanon. It was run by the British Foreign Office. The British sent all of their aspiring, young diplomats-to-be that had any thought of working the Middle East there as a compulsory exercise. The center did, from time to time, take some commercial people in if they wanted to and if they met certain qualifications. I and one other were the first ones chosen. He was Jim Knight, in our relations department, and was a pretty good Arabist. He was only sent there for three months for a kind of a brush-up. I was not a good Arabist, needless to say. I did speak a little, but this was a very rigorous program, academically, mostly in Arabic, but also other cultural studies and courses. It was ten or twelve hours a day; it was eight hours a day of class work and almost that many on homework to study the Arabic language alone.

Hicke: Did you study the religion and--

Jungers: Oh, yes. We got a bit of that. Some of the cultural aspects I knew, some I didn't. But then they had outside speakers. It was a terrifying course, because it was done by a system that only the British use where all grades and rankings are posted daily. There weren't that many students there. I don't remember how many--thirty or forty--mostly British, mostly young, diplomatic-types, fresh out of Oxford, academically ready to carry on their academic work.

Hicke: In the habit of studying?

Jungers: In the habit of studying, which I had long forgotten or hadn't used. In that system, everybody was divided up into "syndicates," they called them. The syndicate was three people who studied together, had an instructor together, and were graded together. If one of the three began to look a little stronger, they'd just move him up a syndicate and then he was the weakest guy in the next syndicate, and the best syndicate got the better instructors.

Hicke: And more work?

Jungers: Yes. And all of the grades were posted publicly. So if you went

to downtown Beirut one night and got drunk and came back and your test showed it the next morning--

Hicke: You are up on the bulletin board?

Jungers: Your grades were posted on the bulletin board. [laughter] And Arabic is a very difficult language; the vocabulary is very large. In English, an educated, English-speaking vocabulary is probably on the order of magnitude of 3,500 words that are commonly used. Now your reading is much larger than that, but you usually don't use that many words. An educated Arabic spoken vocabulary is more like 10,000 words. Of course, the written language is correspondingly more also.

Hicke: I've read they have something like twenty or thirty words for camel or things like that. Is that a fair description?

Jungers: Yes, but more importantly, the language is much more precise than English. Take a word like "leave." Well, what does that mean? Depart, leave it on the table, leaves on the tree, leave me alone. There are many meanings, and for each one of those, Arabic has a specific word. And the grammar in Arabic is much more complex. But if you must learn 10,000 words in a year of study, five days a week, that's thirty words a day. And that doesn't count the plurals, which are not predictable. They need to be memorized along with the basic noun.

Well, how do you learn thirty words a day? Well, you put the English on one side of a card and the Arabic on the other side of the card and you flip them until you've got them. But now you've got to go over the thirty you learned yesterday and be sure you don't forget those, and the thirty before that and the thirty before that. So you have stacks of these cards, and you must continually go through them to just memorize those words.

Hicke: It doesn't leave much time for going to Beirut, does it?

Jungers: [laughs] No. I had the family in an apartment in downtown Beirut and drove up the mountain and stayed there during the week and then went back down on weekends. But these word cards were just interminable. You took vocabulary tests, and when you passed one vocabulary test, you just got another batch of words. The verbal noun, like plurals, was also not predictable. So the 10,000 words were really more than 10,000 memorizations. At first it took all day to memorize the required thirty words. Well, you learn quickly that you've got about an hour to memorize those thirty words and another hour to redo probably another couple of hundred that you had memorized previously. The balance of the time was necessary for class work, reading, and

interpretation.

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Jungers: The translations, of course, were graded for precision. We also learned the elements of interpretership, which was another technique that is more than just knowing the words, and you were graded on this also.

Hicke: You told me that the transliteration of Arabic that is used now is Aramco's. How was that developed?

Jungers: Again I've got to say Tom Barger, who was interested in things academic and Arabic, developed a staff in Aramco that dealt with the language, place names--the geography of the peninsula was relatively unknown and there were no maps. What's the name of this jebel, this hill? Well, who knew? So the staff went out to the desert tribes and asked them what the name of that hill was.

Hicke: Then you try to write it down?

Jungers: Then you try to write it down and then you try to figure out where, exactly, it is located, latitude and longitude and so on. Well, that was the beginning of it and that's how we got place names. The staff also learned how to establish exact names for individuals by asking, "What's your name?"

"My name's Abdullah."

"Abdullah who?"

"Abdullah. I'm from the so-and-so tribe."

Well, this was really not adequate identification for an employee or his family. So Aramco caused the employees to use careful identification: Abdullah bin-Muhammad al Hajri, meaning Abdullah, son of Muhammad of the Hajri tribe. And Aramco forced the use of a system of names that was accurate even though early on was not always used by employees.

Hicke: The person didn't recognize it?

Jungers: He recognized it but it wasn't commonly used. So many systems were developed or things were recorded, including a system of transliteration that was closer to the sound of Arabic and always consistent. There are many sounds, or letters of the alphabet, in Arabic that don't occur in English. There are two "k" sounds, so one was written a "k" and the second one was a "kh," which doesn't occur in English. Similarly there were two "h"s, two

"g"s, two "t"s, *et cetera*. The British and the French had used rather haphazard transliteration systems which were inconsistent and not developed in a scholarly fashion. The Aramco system was consistent and logical and gradually became accepted in English writings including Arabic-English dictionaries.

I suppose a similar metamorphosis developed in the Chinese-English transliteration which has recently been standardized.

Hicke: What was it like living in Beirut?

Jungers: It was lovely. It was like living in an oasis. It was one of the truly great cities of the world.

Hicke: It was?

Jungers: Yes, it was. Anyone who had ever been there or lived there thought so. It had color, it had a meeting of cultures. Anything you wanted was there; it was beautiful.

Hicke: Cosmopolitan?

Jungers: Cosmopolitan. It ranked with London or San Francisco as a unique city. And it was a treat to live there. You ran into various problems, but nonetheless it was a living highlight.

Hicke: And then after you graduated from this school, you said you had to practice?

Jungers: Yes. After finishing the academic portion at Shemlan, you were required to put yourself into a position of utilizing this language in a demonstrable way--and preferably in a way that forced you to really broaden your usage. When trying to talk in a language you are learning, you tend to talk about things for which you have a comfortable vocabulary. You don't learn a language by sitting and chit-chatting, because you invariably drift to comfortable subjects, and so one doesn't learn any new words, really.

Hicke: That's a nice illustration of dealing with another language.

Jungers: Yes. "Good morning, how are you?" You learn those things over and over and you really can't speak the language at all.

Hicke: "What time is breakfast?" That's a useful one.

Reinforcing Arabic by Teaching School in UNRWA Camps

Jungers: Yes. So you learn all of these common phrases, but you don't learn the language. So the idea was to put yourself in a situation where hopefully you were forced to use words and ideas that were difficult or foreign to you. Teaching school certainly was foreign to me, and teaching mathematics in Arabic required expression of different ideas. I had to look up some words to describe mathematical phrases. I hadn't had those, really, or if I had, I forgot them. So that's where I went. I chose to go to a school run by UNRWA [United Nations Relief and Works Agency] in one of these refugee camps, Sibleen, and I taught school.

Hicke: For how long?

Jungers: For about six weeks.

Hicke: Those were Palestinians?

Jungers: Palestinian refugees that were living in a refugee camp run by UNRWA in Lebanon.

Hicke: What was that like?

Jungers: They lived in tough conditions. They were supplied by UNRWA, the United Nations Relief Works Administration. They were supplied food and whatnot in this camp. They had no money. These people lived in squalor, and they were waiting, as they still are, to be treated like people and be allowed to come back to the land that was theirs and for which they've never even been compensated. It was stolen and not compensated for. The logic of the Jewish immigrant living there [in Israel] would be the same logic as saying, "Let's give San Francisco back to the Indians, it's theirs. Everybody else move out to refugee camps." That's the logic.

Hicke: Did they seem bitter?

Jungers: Yes. Even then, in the '60s. The people that I was teaching had never seen their land. They were driven out in the 1940s, so they never saw it. All they learned was the bitterness of their fathers. Now what they've learned is the bitterness of their father, their grandfather, and their great-grandfather, and it's just all there. It is unjust. Unfortunately, now it's a fact, which is exactly the way the Israelis wanted it.

Hicke: Was that the time when these people were visiting? Do you want to put that story on tape?

Jungers: Well, that was later. Later, after I had left there and was in

relations work, was when I made an effort to try to show the Palestinian community, the leadership, the academic leadership that was at the American University in Beirut and so on, that Aramco was a corporation that understood its role, that understood the Arab, that realized that it needed to stay in the Middle East, that we were indeed a responsible corporation.

Hicke: You had gone up there to meet with the Palestinians?

Jungers: So I set up meetings with academic, business, and refugee leaders to just have lunch and talk with them, show them that we were people just like they, and we have our problems, you've got yours, and we try to help in our little way. I'd have these meetings once a month, and people like the [Yasser] Arafat and George Habbash and so on came to these meetings. Also Professor Walid Khalidi, a well known Palestinian intellectual, people like that. That's when I had encounters with them. The radicals would spout off and I would listen.

One day, George Habbash, who was as radical a person as there was, who was as aggrieved as a Palestinian leader can be, got up and said, "Mr. Jungers, you are head of the largest oil company in the world. You have all kinds of money, you have all kinds of power"--everybody knew Aramco--"you should be doing more. We all think that. We've heard all of your stories about American public opinion and all of this. With all of this money, there are only one hundred senators, why don't you just buy them off?" [laughter]

My answer was--I had learned a lot of these answers in the course of my career--the way you deal with them is to say, "Well, I thought of that, but it's a very difficult thing to do in the United States. You probably don't know that. But if we are going to go that route, my conclusion is that it might be quicker, easier, and cheaper to buy all of you guys off." [laughs] Stony silence, and finally someone chuckled and everybody laughed and they all clapped. This was the only approach that really worked with Arabs. The direct approach, many times, is the best. Say it like it is. In Sibleen, they would bait me, "Do you like the food here, sir?"

I'd say, "No, I don't. Well, it's good food for you, but it's not for me. I go out at night and get better food out in the restaurants. Why? Because I can afford it. You can't. You have no alternative. So as food goes, you are doing better than a lot of the others." It's not answer they liked, but it got me out of the bind of either siding with them or not siding with them. And it was the truth.

Hicke: So just you stating the fact--

Jungers: Stating the simple fact--

Hicke: --brought it out into the open.

Jungers: I brought it out into the open. I wasn't lying, I wasn't representing something that I didn't believe, I wasn't trying to tie it to right or wrong. Just the facts.

Hicke: Yes, the question of "do you like the food" could be troublesome.

Jungers: Yes it could.

Hicke: No matter how you answered.

Jungers: That's right. You are damning the UN or you are saying that I really subscribe to the Israeli principles. Neither one is true.

Hicke: That must have been an enlightening experience.

Jungers: Yes, and I guess that's what it was designed to be. No one believed, including Barger, who knew Arabic, that I would become a true Arabist, that I could really negotiate in Arabic, nor that anyone really expected me to, but it had many advantages.

Hicke: You could understand what was being said.

Jungers: Yes, I could understand, mostly. Everyone knew I had done it, which set well with every Arab. Every Arab knew that I spoke Arabic, and as long as I kept my mouth shut, people didn't know how dumb I was [laughter], and I just let it go at that: I knew Arabic. In discussions with people like King Faisal, who had pretty good English (it wasn't as good as my Arabic, but nearly), we never spoke together in English or in Arabic. He always spoke in Arabic, I always spoke in English to him.

Hicke: And did you use interpreters?

Jungers: We used interpreters. Generally, his interpreter. He would correct the interpreter and I would correct the interpreter. Which is important. Furthermore, it had the advantage of giving me a little time. It wasn't as though I saw the king every day; I saw him occasionally for a specific reason. He was a busy man, like anybody in that position would be. You don't have much time to really tell him what's on your mind and to be absolutely sure he understood what you said and that you understood what he said. So any time you can be sure you are understood is helpful.

That, of course, happens if you and I are talking in English on an important subject and we've got only a few minutes. You've got to be pretty careful that you said exactly what you meant and that you were heard that way and not interpreted wrongly. In two languages it's even more difficult. So speaking Arabic was an advantage that way. It was also an advantage, I think, because someone like the king, or whoever, would know that if he said something, "Well, you know our custom in this area," he didn't have to elaborate. He knew that I knew that, and we got on with what he really was trying to tell me.

[tape interruption]

New York: Managing the "Study Group"

Hicke: I think your next big move was to New York. How did that come about?

Jungers: New York was another training step or at least a broadening step, because the New York office was run primarily for the purpose--in those years--of dealing with the shareholders and their needs. The shareholders, as I mentioned earlier, were not in an equal equity position with Aramco, and in those years it was a 30-30-30-10 percent shareholding, with Mobil being the 10 percenter.

By the 1960s, the pricing problem became more and more acute for the reasons I mentioned earlier. Therefore, the negotiations between the shareholders in Aramco became more frequent, because the dividend arrangements needed to be changed more frequently. There were more shareholder disputes. The shareholders, and their representative company directors, of course, were very much interested in the capital expenditures of Aramco, which were based upon shareholder crude and refined product needs, and needed to be sure that Aramco was controlling these expenditures based on production needs.

So the directors and their staff worked with the New York office to communicate their needs to Aramco. Now, you might think that this was an easy matter, that they simply communicated their needs and Aramco would determine the facilities that were needed to produce this oil and produce it. For many reasons, this was never an arithmetic summation of their individual forecasts.

The shareholders would forecast oil requirements a number of years ahead so that Aramco could provide the capital equipment.

So the shareholders were forecasting their crude need based on their own need plus the needs of the people who were their customers, or who they thought might be their customers three, four, five years hence. In developing customers, they were competitors, so frequently these needs showed up in the estimates of more than one shareholder.

Hicke: The same customer, you mean?

Jungers: The same customer, very likely. In the New York office, the prime responsibility was to analyze these shareholder needs. We would ask enough questions about why the various grades of crude were needed and when they were needed, about the refined products, so that we might be able to determine that some of these needs were duplicated.

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Jungers: In communicating with the board of directors then, Aramco would come out with a projected number for each of those grades of crude and refined products. And of course the shareholders were very interested in these numbers, because they had their own ability to deduce whether these were arithmetic additions or not. Aramco kept the individual market information confidential.

Hicke: From each of the shareholders?

Jungers: Yes, an individual shareholder estimate was never disclosed to the other shareholder. In this regard, my job as assistant general manager was to chair and communicate with what we called a "study group." The study group, which consisted of the principal advisors to the shareholder company directors in Aramco, talked about these problems and tried to get proposals or suggestions back to their director as to how solutions might be negotiate in a board meeting. The Aramco New York assistant general manager was the nominal chairman of this study group. The study group was also highly regarded by the shareholder companies as a management development assignment, and they tended to assign very capable, high potential people to the group. Some examples of their representatives during my tenure: From Exxon: D.D. McConnell spent many years as study groups representative. From Texaco: A.C. Decrane, now Chairman and CEO and Aramco Director. J. Kinnear, former President and CEO. From Chevron: George Keller, former Chairman and CEO and Aramco Director. Jones McQuinn, Vice President and Director and Aramco Director. Dennis Bonney, Vice Chairman. From Mobil: Alan Murray, Chairman and CEO.

So frequently the Aramco shareholder directors were

graduates of the study group as they progressed on in their careers. Later, of course, I progressed on to chairman of Aramco through this.

Hicke: Together with the same people.

Jungers: And that step was really quite necessary in the development of an Aramco chairman, because this was where you got the insight of the shareholder problems and the outside directors' problems in Aramco.

My boss at that time as vice president and general manager was J.J. [Joe] Johnston, who was an Aramco director and who had been in that position most of his career. Primarily because of family considerations, it was impractical for him to move to Arabia. Joe was thoroughly familiar with shareholder problems, the negotiating difficulties between the shareholders, and the shareholders' own problems. So the assistant GM position was a very, very necessary developmental step in the career of any top Aramco executive and was used as such.

Hicke: But did all of them go through this?

Jungers: Yes. Liston Hills went through it, John Kelberer, who succeeded me, went through it, and a number of others who didn't reach chairman but did reach very high and responsible positions went through it.

Senior Vice President of Concession Affairs, 1965-1971

Hicke: That was 1964 and '65.

Jungers: Of course, following that job I went back to Arabia and soon thereafter became the senior vice president of concession affairs, which was a position that was primarily negotiating with the governments with which Aramco was involved, whether it was in Saudi Arabia or Tapline [countries]. Then I would convey that position back to the shareholders, either through Joe Johnston in New York or in the board meetings, and try to keep the shareholders fully apprised of what was really happening in Arabia and how they had to accommodate to demands that were being made by the Saudis. Since the Saudis were one of the biggest producers, of course, Saudi demands cascaded to other countries and of course demands and concessions in other countries came back to Saudi Arabia as well. This activity became known as "leap-frogging."

Harvard Advanced Management Program

Hicke: Somewhere in there you went to Harvard Business School.

Jungers: Yes, I was sent to the Harvard Advanced Management Program, which was a three-month program. The top executives of Aramco were sent there.

Hicke: What did you get out of that?

Jungers: Well, the program had a case-study method of teaching business problems. The primary value in my opinion was the association with other executives who, by definition, were assigned to the program because they had potential, and many of these men became heads of companies and so on. We lived closely enough together in the AMP program that even today I occasionally call one of those graduates and say, "Hey, I need to know how to get something done in your company, can you tell me?" You establish the rapport and you acquire self confidence as you see that you are able to compete and deal and move in the circles of very top people. I think this confidence and positive reinforcement is one of its primary values.

Hicke: When you got back to Saudi Arabia had you seen any major changes?

Jungers: Well, of course during all of this period the company grew. I think that was the main sort of change. This was a short period, a year and a half or two.

Challenges in Concession Affairs: Beginnings of Nationalization

Hicke: Well, how shall we start on your job as vice president of concession affairs? What were the major challenges that you started in on?

Jungers: Well, the major challenge at the time was that I was put into a job that was a step under this just for a short period, and it wasn't clear to me where I was headed. But then I was told, when I went into this job, that I was to be trained so that the incumbent, Bob Brougham, could be moved up as president. Bob had been a negotiator during his whole career.

So it was interesting to begin to move around in these circles, because Bob had so much background with the Saudis and with the negotiations and with the shareholders. Bob was a unique negotiator in that he hadn't finished college completely. He was a financial man who had come out of Exxon early on, and he knew very little of the actual oil business as such, but he was very, very intelligent and he understood problems quickly. He spoke no Arabic, had no intention to learn. But he was a shrewd judge of people and he was a shrewd judge of when he had a handhold and when he didn't have a handhold in the negotiation. He was a good man to work for, because he could point out the practical, pragmatic steps that you had to take in a successful negotiation with either the shareholders or the Saudis. He was a master at the art of getting enough negotiating room.

Hicke: What does that mean?

Jungers: Well, if you wanted to sell a program to the Saudis, you had to have the authority from the Aramco board to do so, and what was the authority? Well, the authority is the latitude within broad limits to negotiate if the process takes an unexpected turn. Of course nobody wanted to give up any more than they had to, and so if you weren't careful on many of these points, you wouldn't have enough authority to negotiate a timely solution, you wouldn't know what authority might be given you.

So you had to carefully explain the upcoming negotiation in a way that would ensure that the shareholders truly looked at it not as simply how little authority do we have to authorize now, but really what is necessary to complete such a negotiation? How much authority is necessary? What are we really going to give up? You had to give the shareholders a correct feel for the art of the possible, and Brougham was very good at giving such an assessment.

Hicke: Are you saying that in most of the negotiations the shareholders would give something up? It was a sort of continual--?

Jungers: For the most part, it was a continual rear guard action, trying to retain all of the concession terms, the tax terms, convincing the Saudi government and others that it was necessary to retain the system that worked. We used every effort and tactic to try to hold, knowing we couldn't, knowing that it was going to erode as we went along. Aramco really did the best job of holding on. You could see the nationalizations taking place elsewhere for all kinds of reasons, but we managed to avert actual nationalization, which was the worst solution for both parties.

As part of this program, Bob and I would travel and talk with heads of other foreign companies or subsidiaries and meet with them--not really to discuss negotiating position, because that was competitive, but rather to find out what situation they were being pushed into currently. So we tried not to make the mistakes they might have made, tried not to get in traps they might have gotten into already, and get their views of where they might go. None of the companies wanted to set a bad precedent because sooner or later these governments competed and communicated.

Hicke: I was going to ask, did the countries learn from each other, too?

Jungers: Sure they did. Usually it was competitive. Sort of, "Look, fellow OPEC members, what goodies I got in my negotiation. How did you do?" Of course, that broke it open somewhere else. This was the history of what really happened and the events that were leading up to the formation of OPEC and the negotiation of ownership, negotiating away the ownership of these concessions with the various countries and the nationalizations that resulted from not negotiating and so on. We were trying desperately to hang onto the concessions that we had as an industry and give them up only when we felt we had gotten all of the payment that we could for them. That would be far short of what they were worth.

So that became the primary problem. Period. And it lasted until everyone had been nationalized and Aramco finally negotiated a sale of the company.

The Formation of OPEC

Hicke: Let's talk about what led up to the formation of OPEC. This is

the early '60s?

Jungers: This was in the '60s and the formation of OPEC occurred before I moved into this position, but the final form and *modus operandi* culminated while I was there. OPEC, of course, when it was first formed, was a very loose group that really didn't have any commonality. The member countries weren't sure why they were in it.

Hicke: Who took the lead in forming it?

Jungers: Finally, although he denied this, it was Saudi Minister of Petroleum and Mineral Resources, Sheikh Ahmed Yamani. Of course, Yamani found some willing accomplices in Iran, primarily, and some of the more radical governments, but it occurred because of the English, primarily. The producing countries always suspected that the posted price was something that was fixed in the back rooms of the oil companies; and fixed as low as possible because it determined the taxes and royalties that were to be paid to the countries, first of all, and it moved the profits of the business out of the producing countries to the downstream. I guess you could make a case there was some truth to that. Not the fixing in the back rooms, but, yes, of course, each of the companies made every effort to keep that posted price down.

Finally, of course, the companies lost control of the posted price when it became the tax reference price. They had to give in when, especially as the result of the producing governments decreeing a 50 percent tax, an income tax, on the companies. This, of course, had a softened impact because that tax was then deductible from US income tax, at least most of it. So with that, then, being the determining factor in the government's income--with taxes based on income of the oil producing companies, like Aramco, and with that income based on the posted or tax reference price, which was what oil was sold to downstream companies--the dispute was on. What should the posted price be and why?

In spite of efforts of the companies and negotiators like Brougham to explain the posted price and how it happened, the governments were putting pressure on, insisting that they have a hand in setting the price, because it was their livelihood, their primary source of income. It was this pressure that finally caused the companies to refrain from increasing the posted price, even though it was no longer the real price. The price had declined in the marketplace, and when some of the companies tried to get it back by reducing this posted price, that's when the real battle started.

Hicke: That's when OPEC was formed?

Jungers: OPEC was formed as a counter act, because the producing governments felt that there was collusion among the companies in setting the posted price. So they decided to collude in demanding their participation in that share of the pricing decision.

Hicke: That's what [John Kenneth] Galbraith has called countervailing power?

Jungers: Yes. Because the mechanism of posted pricing was complex and had to operate under rules which met the antitrust laws, so that it wasn't collusion, and the producing countries were not party to the factors that made the market; they couldn't be brought into the determination. Once they began to realize that, then they looked for other ways to have an influence or to get more income or all of the above. This led to the next step in the erosion, which was Yamani's participation scheme.

Hicke: Is this part of the mechanics of OPEC?

Jungers: Well, yes. Let's talk a minute about the mechanics of OPEC. And then we can get to some of the other problems.

OPEC means the Organization of Producing and Exporting Countries. It was formed to bring in most of the petroleum exporters in the world. This left out the United States, which wasn't even then an exporter; it left out Great Britain, which had nothing, really, since the North Sea oil hadn't been discovered; it left out Mexico, which had, at one time, been an exporter but was more or less shut down in their nationalization process, which preceded the others.

So the countries at that time were mostly Arab countries like Saudi Arabia, Kuwait, the Emirates, Abu Dhabi. Iraq, Iran, all of the main producers of the Gulf, of course, were exporters; Libya was an exporter and was an Arab country. But there were many non-Arab countries. They were Indonesia--not Arab; Venezuela; Ecuador, which was small, but exported; and later they added Gabon and Nigeria as they became exporters.

Misconceptions Regarding OPEC

Jungers: I bring this up to demonstrate that this was not an Arab organization, as it's commonly tagged in the press. Later, there

were Arab organizations that were exporters that never became part of OPEC and still aren't. Egypt, a relatively large producer, is not a part of OPEC. Oman is not a part of OPEC. Of course, the governments of the North Sea are not a part of OPEC, Mexico is not a part of OPEC, Colombia is not a part of OPEC, and they are exporters now. So OPEC really does not speak for all of the exporters anymore, and it surely is not Arab. Even though Saudi Arabia as the major exporter has a big voice, it still is misconstrued.

Now, why can't, supposedly, OPEC make up its mind, and why do they cheat? There are many reasons why this is true, or seemingly true.

Hicke: On each other? You mean they cheat on each other?

Jungers: Supposedly. First of all, a country like Saudi Arabia has flexibility in the amount of oil they can produce; they have extra capacity, and they only have, say seven million people in a very large country. They need the money to build infrastructure because the country is so large. I mean, just the road system is a tremendous undertaking. But it's a system that can be postponed; it is something that the government can handle relatively easily, compared to a country like Nigeria that has a tenth of Saudi production capability and 100 million people--

Hicke: Who might starve if--

Jungers: --who starve if they lose production, and any Nigerian oil minister that's going to agree to a reduction in income is going to wake up without a job. So they can make agreements, supposedly, in OPEC. Only everybody in OPEC knows that they really can't, so they don't force them to make agreements that are untenable or overlook slight over production.

Hicke: Well, they're competitors with each other, in a sense.

Jungers: In that sense, they are competitors, too. They have some of the same companies operating in there, and those companies are using that to try to negotiate a better deal or hold what they've got. So there are many competing forces within OPEC to prevent an agreement even though it's thought of as a cartel.

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Jungers: But a cartel is an organization that absolutely controls the market. Cartels just don't exist, except perhaps in diamonds. And I suspect that the only reason a diamond cartel exists and works is because both the buyer and the seller of diamonds are

interested in keeping the price up. You don't want your diamond ring to go down, so you are quite content to keep paying a higher price. You have something in common. But this doesn't happen in the oil game. The buyer and the seller of oil are not both interested in keeping the price up, just the seller is. The needs in this case of the sellers are politically and financially quite different.

Furthermore, today there is so much export going on outside of OPEC that even if OPEC were to be able to make an absolute decision and stick with it, it doesn't follow that Mexico is going to go along with it or Egypt or any of the others, the Soviet Union (or now Russia), no. So the idea that somehow this thing operates as a cartel is a false idea, that it's an Arab group that ought to get along and not cheat on each other, and that it's an ironclad cartel is completely a myth in that context.

Hicke: Did that arise because of the leadership of the Saudis?

Jungers: Yes, it arose because the world, and especially the United States, liked to believe in the unreliability of the Arabs, because it fit our foreign policy in the Middle East; it fit the policy vis-a-vis Israel; and it became a truism.

Hicke: And the fact that it's not all Arab is largely ignored?

Jungers: Yes, if not completely unknown due to just journalistic sloppiness. They all wanted to visit Saudi Arabia; nobody wanted to go to Gabon, and they didn't think that Gabon had any influence. Then why are we worried about Gabon cheating? The fascination with the cheating premise doesn't make sense.

Also, of course, OPEC agreements, whatever they were, were hard to come by and didn't last for purely financial reasons. Currency values change. Oil is sold in dollars, true, but depending on which way the dollar was going, they had different interests. Almost everything worked against it being a cartel.

Now, politically it was a cartel, in a way, because they all had the same political aims. That is, "We want to be masters of our own fate; we must control our own resources; we must act against the Western imperialists." These political aims and slogans and jargon all were common threads that they could rally around, but as a practical matter, it wasn't cohesive.

Hicke: There was a certain amount of rhetoric involved?

Jungers: Rhetoric, and of course that was always something that Yamani and

his counterparts in OPEC could always voice if they couldn't think of anything else. What finally worked out was that the logic of finance didn't work because of the different needs of the countries. The companies were interested in finance; they were interested in the sanctity of contracts; and all of these things, which were of passing interest to OPEC members to say the least.

So the question became not one of trying to convince the Saudis, for example, that this was financially a good deal; that was easy. I mean, they could do the finances as well as we could. But to try to convince them that somehow you've got to draw a line politically as well, and hold your position and not be drug around by a minority, highly politicized OPEC member; that was more or less the thrust that we had to work on and try to give them reasons to not be more radical than the most radical. This was, of course, made extremely difficult because of the United States' stand on the Israeli question, which was the only thing that Arabs could rally around--this Israeli injustice. Had that not been there, there would have been no rallying the Arabs on any subject.

Hicke: You are talking about the US support of Israel?

Jungers: Yes. The blind, unthinking support. It was the thing that rallied the Arabs and made them a cohesive force.

Hicke: I remember reading in some article where, this was a little bit later, in the '70s, Faisal said that that was the major problem that he had with the U.S.

Jungers: Of course it was, because he was trying to maintain his position that he had an American operation that was doing the job. He was pro-American anyway, at heart. He disliked the British, he didn't want anything to do with the French, but the Arabs, the other Arabs, his neighbors, accused him of being an American lackey, which he was not. But he couldn't stand that kind of political pressure, and that drove him to do a lot of things that became very hard to handle.

Hicke: This was not pressure from his own people but pressure from--

Jungers: From outside. Yes. From the Iraqis, from the Iranians, who were not Arab but who were neighbors, and so on, the Jordanians, the Syrians. All who had different agendas, and all of whom had relatively nothing in common, except one point: the Israeli point rallied them all.

Government Participation in Aramco

Hicke: Do you want to go to participation?

Jungers: Well, we can go to participation. Participation was Yamani's avowed idea that the government would buy into Aramco and become a true participant and thereby get to know the shareholders' problems intimately. Through this method, the Saudis would become a shareholder and fight off the rest of the producing governments, who were hellbent to nationalize.

Hicke: How does this correspond with his leadership of OPEC?

Jungers: Well, his response was that "this just will allow me to take a moderate role in OPEC and not have to out-OPEC OPEC." Yamani's motives here were highly suspect by all of the oil companies. He was prophetic in that you could predict the outcome, but what you couldn't predict was, would participation affect the outcome? He insisted it would, and the companies weren't so sure. Would that just get us into more trouble? Which way would you go under fastest, to overstate it? [laughter]

So we fought the participation question as a rear guard action in which the shareholders, for all of the reasons that you can think of, didn't want to go the participation route until the very last ditch. And it was sort of my job, as I saw it, to carry these arguments as far as I could, to hold the line until I truly felt that we are either going have participation or we were going to be nationalized. It was only then that the shareholder companies could evaluate what I was trying to tell them and we'd kind of give a little.

Hicke: Are you speaking now as the head of concession affairs?

Jungers: Yes. Well, through that whole period. This was a series of multi-negotiations on participation and all of the ramifications thereof. Yamani, of course, was naive to think this would work, or maybe he simply thought he was as so clever that he could out-manuever the companies, which I thought was more the case than that he was naive. But he really couldn't see why the shareholders wouldn't take him into their marketing strategies and their policy-making councils. Well, of course they wouldn't. This was the guts of their operation and was something they didn't share with any competitor and for sure not a foreign country. Why should they share their market?

Hicke: Let me clarify this. If he succeeded with participation and Saudi Arabia bought a percentage, let's say, his thought was that

he would be in on all of the directors' meetings?

Jungers: Oh, he was a director prior to participation discussions. We'll get to the distinction there. He wanted to participate in how the pricing was done in the marketplace.

Hicke: He wanted to know how the posted price was set?

Jungers: Or how any prices worked, and he wanted to be in on all of the competitive pricing and everything else that happened in the industry.

Well, that's impossible. It sounded good, but no company was going to do that, because once they did it, they would have exposed their basic businesses to a future competitor. You could discuss the subject for many hours, and we did, all of the ramifications. So his continual thrust was to become more of a participant. Finally, after a lot of nationalizations had taken place and many more were threatened, we finally gave in and sold him 25 percent and then more and more until the 100 percent deal was negotiated, which I think we would all agree was probably better than having it nationalized, because the shareholder companies still have a technical input to Aramco and get paid for this input.

Hicke: Can you tell me a little bit about the actual negotiations with Yamani? He called you on the telephone or wrote you a letter or would say, "Let's meet?" Would you meet with your interpreters? How did that work?

Jungers: In Yamani's case, I never met with interpreters; we spoke English at all times. His English was excellent. He had gone to school at Harvard, he had gone to school at NYU, he was a lawyer, an American-trained lawyer. He had a degree in psychology or a partial major in psychology, which he tried to use, even though it wasn't his major skill.

I'll tell you a story, but not on record, on that one.

[tape interruption]

Dealings with Yamani

Hicke: Incidentally, you wanted to tell me about Yamani and the Japanese, since we are talking about Yamani.

Jungers: Yes, and this is a kind of coincidental thing. In the '60s--and I think in the early '60s--the Saudis and the Kuwaitis offered concessions in the offshore neutral zone. The neutral zone was a piece of land between Saudi Arabia and Kuwait where they couldn't agree on the boundaries, and so they carved out this piece of land that they agreed to disagree on, and it became the neutral zone. They shared it equally. In the Saudis' undivided half of the neutral zone, the Getty Oil Company had a concession, and in the Kuwaitis' undivided half was Aminoil, which was a loose association of small American oil companies. The American Independent Oil Company, it was called: Aminoil. Aminoil operated its undivided half by dealing with the Kuwaiti government; Getty operated his by dealing with the Saudi government, and they had separate facilities and they split it that way.

But offshore there hadn't been any concession let, and so the Saudis were letting the concession in their undivided half, and they finally let it to the Japanese--the Arabian Oil Company, which was Japanese-owned and formed with the sole purpose of operating this concession. Much to consternation of Aramco,, because we--and that was before my real negotiating--tried hard to get it, and we didn't. This was some more of the Ministry of Petroleum trying to put Aramco into line.

Hicke: Divide and conquer?

Jungers: Yes, sort of. The Japanese, of course, wanted this concession badly and gave the Saudis an expensive deal both financially and management-wise. They did a miserable job, really. And it turned out to be a blessing, because they were so bad in the way they operated and they were oblivious to social and political factors in the Kingdom.

Hicke: All of the things that Aramco had--

Jungers: --that we had carefully nurtured, and they looked terrible by comparison. But they had a general manager by the name of Hayashi, I knew him well. He was a very sincere man who tried very hard to do the right things. He was more or less their chief negotiator--he wasn't head of the company, but he was the chief representative to the government. He studied Arabic, and we would go to Arab Petroleum Congress meetings, which were

conducted in Arabic, and he would listen to the speeches in Arabic and take notes in Arabic. I could understand the speeches, but I surely couldn't take notes. Most of them went through an automatic translation system. But Hayashi was that good in Arabic.

Later, Hayashi got so involved in things Arabic that he became a Muslim, and he took the name of Omar, Omar Hayashi. Frequently, when I went to see Yamani in Riyadh, I'd run into Hayashi in Yamani's office, and if he happened to be in conference with Yamani and Yamani knew I was outside, he'd sort of say, "Mr. Hayashi, I'll see you later."

One day I said to Yamani, "You shouldn't have shushed him out like that. I could wait."

He said, "No, that's okay. We were finished anyway. Don't worry about it."

I said, "Hayashi's a nice man."

"Oh, yes. He's very nice. He's a very nice man."

And I said, "Well, he's trying. His Arabic's pretty good, don't you think?"

"Oh, yes. His Arabic is better than mine. He's really very literate."

I said, "He's just making every effort. I understand he has become a Muslim."

Yamani looked at me and said, "Yes, Muslim or Catholic or something." Which, again, showed the--

Hicke: A real put-down, yes?

Jungers: Yes. First of all, this was Yamani. But secondly it also was the Arab's suspicion of anybody who tried to become something that he might not have been, any American or any foreigner who tried to dress like an Arab, who tried to act like an Arab, tried to become something besides the American he was. They respected Americans mostly because Americans would be Americans. They might be ugly Americans at times, but they were Americans and they carried through with it. And the Arabs were independent, too, especially the Saudis. So we might not have agreed with each other, but we understood each other, and we knew where an American would be and where a Saudi would be in the scheme of things. It was predictable. But when you had a situation like

Hayashi, he didn't fit. Hayashi, though, meant well and he was sincere. I believe that he was a true, believing Muslim, but it didn't wash.

Hicke: It looked too self-serving?

Jungers: Yes, and insincere, perhaps. So it was, again, an example of the independence of the Saudis and the thinking of the Arabs who were not taken in by these kinds of things and exterior arguments.

Hicke: You indicated, also, that Yamani really likes to be one up, that he uses his psychology--

Jungers: That's right. Under any condition he was using that psychology, whether he brought his dogs to the meeting (he had little dogs and little cats that he carried around to distract people) to one-up them, to put them ill at ease, take them off their stride, or whether he did it in other ways.

Another example of this one-upmanship. Of course, the shareholders, quite understandably, at times when we were fighting rear guard actions, wondered whether I truly represented their positions to the Saudis, to Yamani, to the king, whether I went around Yamani and told the king directly, and if so, what did I tell him. I was carefully after each one of these meetings to write a telex to the shareholders explaining the meeting, if not in detail, in careful context to be sure there was no misunderstanding about what I had said and what they had said. Frequently I had people with me, but sometimes I didn't. But anyway, a lot of times they wanted to be sure that I had told the king and would suggest that one of them go along or that someone else went, and we would see the king.

One of these times, they insisted that I go to see the king with the particular item and give the king a letter explaining their position. I argued very strongly against doing that. The very act of giving the king a letter is a harsh act, I mean, you don't give the king a letter in a dispute unless you are ready to kind of take the consequences.

Hicke: Indicates distrust of everybody?

Jungers: Yes, distrust of everybody including yourself, and the lack of understanding of the king so you have to put it in writing. It was the wrong thing to do. But they insisted, and they insisted that Liston Hills, who was then my boss, go with me and that he do it. So on the appointed day we went to see King Faisal, and I don't know what the tipoff was--it was probably the fact that Liston was along that made it look unusual. Yamani was very

shrewd and as we walked into the king's office, and the king was very cordial. There were three or four ministers sitting in there-- Unprecedented. Including Yamani.

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Jungers: Yamani grinned at me, and he knew that I knew that he knew that I knew and all of this. [laughter] And the king offered us tea and coffee and we sat there and Liston said, "Your majesty, I've been asked to deliver this letter to you." The king took it and laid it on the table beside him--it was in an envelope, sealed. It was not discussed.

Hicke: He didn't even read it?

Jungers: No. So finally the audience was over and nothing was said. We got up to leave and Yamani said, "Frank, have you got a ride to the airport?" There was a sandstorm outside.

I said, "No."

He said, "Come on. You and Liston, come on. Let's go to the airport. I'll drive you myself." So we got in the car, and he put Liston in the back. He said, "You sit in front with me, Frank," and I did. We talked about a lot of things and he had some other papers he wanted to give me, and when we got to the airport, he said, "Oh, by the way, I want to give you this," and he handed me the unopened envelope. [laughter] He knew damn well what was in it, and he had set the whole deal up.

Hicke: Clever guy.

Jungers: He was!

Hicke: A formidable opponent. [laughter]

Dealings with King Faisal

Jungers: There was another incident like that where the shareholders decided to send a man with me to tell the king something that we had told him before. The man they sent along was a very able man, I'm not going to name him, a very good negotiator and a highly thought of personality in the oil business. He was going to make our points--again if necessary. We got into the king's office and I had along, I believe, Majed Ellass, who acted as our interpreter, and of course the king's interpreter was there.

Majed didn't do the interpreting, but I wanted to be sure that everyone knew what everybody said, exactly.

So I was sitting next to the king with this man next to me, and we talked about a lot of things and the king was very cordial. I don't think he really knew why the other guy was there, but he knew who the other guy was.

Hicke: This was Faisal?

Jungers: Yes. He finally said, "Mr. So-and-so, tell me about your oil business." He said, "Well, you know we need the income. How much Saudi oil is your company going to sell next year?" Of course, this was all about pricing and the effect of pricing on production. Maybe the king did know why he was there. [laughter] This direct questioning and not letting him sort of open up on why he was there unnerved him, and he, in a kind of a high voice, said, "Your majesty, predicting our production requirements is very difficult, especially for the future." [laughter] The king knew enough English that he smiled at this. The man finally did re-tell our story, but the king was amused. That's about as far as that got. And of course this reiteration of our position didn't change their position.

Hicke: Did he do that often, go on the attack, so to speak, before you would have a chance to explain your business?

Jungers: No, he really didn't. The king was an astute and a kind man, and he wouldn't resort to things like that. I don't think he was trying to embarrass anyone then. He was the king, he was talking, and he was truly interested in the subject. As long as he had an outsider there, he was checking the story.

Hicke: Right from the horse's mouth?

Jungers: Yes. "How much oil do you need?" [laughter]

Hicke: It sounds like you had been talking about that for decades!

Jungers: Of course! And of course--and I'm not saying this as a put-down or to try to demonstrate my negotiating ability versus someone else's because that wasn't the question at all--if you are not used to seeing a personage like that, and if you haven't had some practical exposure to it in easy times, you are not going to do as well in hard times. It's pretty easy to become tongue-tied and stumble and fumble for a minute until you get your act together, and you don't have much time.

Hicke: Do you remember the first time you met Faisal? Was it on a

social occasion?

Jungers: I don't remember. It was probably before he became king, but I don't remember.

Hicke: What was your way of talking to him?

Jungers: I tried to talk to him in a very straightforward, pragmatic, and short, clipped way, not get involved in unnecessary detail and so on, because you didn't have much time. We weren't close enough so that I could bring my personality or my humor or my lack of it into play.

Hicke: That was something I was going to ask.

Jungers: I had to simply state what it was I wanted and why I wanted it or why I didn't want it and try to get him to understand what my point was and see if I could get a response or get him to think about it. It was just that way. I think you'd almost say it would be the same way if a person like me walked in to see the president of the United States. You might feel more at ease, but I doubt it, especially if you knew you had ten minutes to make your point about whatever it was; you just don't have the time to do an easy, relaxed job of discussing the subject.

Hicke: How often did you have to see him?

Jungers: Well, we made a point to see him frequently on just a courtesy call, nothing else.

Hicke: What do you mean by frequent? Once a month? Once a week?

Jungers: No, my primary contact with the government was the minister of petroleum, under whose jurisdiction Aramco matters fell, and therefore we did not try to go around him in any way. But at the same time we wanted to be sure that we were getting feedback properly, and we would make our presence known by paying a courtesy call on the king once a quarter or so. Nothing more than a courtesy call. If he then had something to say, we'd hear it, and if he didn't, we'd just--. It was a courtesy call.

An Incident with the French Press

Jungers: That reminds me of another story. One time, during a series of difficult negotiations, an article appeared in the French press and in the Israeli press (we clipped all of these things) stating that I was in difficulty, personally, with the government of Saudi Arabia and that this difficulty had to do with my refusing King Faisal the opportunity for the Saudis to buy oil directly from Aramco.

Hicke: Oh, yes. We need to get that whole story.

Jungers: We could get the exact story as it was in the press. Of course, it was nonsense. I, as chairman of Aramco, am not going to refuse the king anything. We would take any request into account and give it a considered answer.

Hicke: A positive answer?

Jungers: Well, not necessarily, but it would be a considered answer, and it would surely be an answer that the board of directors had something to say about and so on. This was all part of the French and the Israelis trying to develop the myth that the Aramco oil company really ran Saudi Arabia or tried to and were more imperialistic than the French ever were and were bigger irritants to the cause of Israel than anyone else and so forth.

Well, the rumor persisted as though it were fed from outside sources. It moved from being a laughing matter to where you began to wonder what's really happening. Then it appeared in the press that I had been actually expelled from the country, and it appeared during a time that I was outside the country. So you began to say, "Hey, maybe there is something to this. How did it happen? I don't know." So I came back and got back into the country all right and got to the house, and there were the Saudi plainclothes secret police in my yard. I knew a lot of these people, and I asked the man in charge, "Why are you here?"

He said, "We are looking for Palestinians."

I said, "Why do you think they are here?"

He said, "Well, we don't. We were told to stay here because of some Palestinians who, for terrorist reasons, have been threatening the oil companies and this and that. We are going to guard your place until we catch them."

Hicke: You mean they thought they were going to attack you?

Jungers: They didn't say that, but the implication was that if there were anybody, they were going to watch over us. Then you say, "Hmm, that's strange, that's never happened before. Why would they do this?" So my son, Randy, who spoke pretty good Arabic, came home, and he saw this, and he asked the guy why they were there, and the guy told him. He said, "If you find one of the Palestinians, what will you do?" He pulled aside his robe, got his gun, and went "fbbbt." They were serious, all right, for whatever reason.

Well, they went away, and nothing more happened, and things sort of subsided. One day we got a call from the protocol office to my secretary, who had been there for years, an American woman, Mary Frances Rose. She said, "The protocol office has called, and they said that they wondered why we'd been delinquent in paying courtesy a call to the king." I said, "Are we?"

She said, "Well, no. We sort of--. We've been there--." She didn't see this as a problem. We figured when we were last there, and this wasn't really the case.

So I said, "By all means, call back and say we're sorry and I'd like an appointment to see the king, courtesy call."

She called and they said, "Well, we can't do it today and we really can't do it tomorrow; he's very busy." This never happened. Usually I would get to see him, if I called, within a day or two, and he would make a point to see me, if he was in the country. This was a kind of a put-off, then. We said, well, they are miffed about something and now they are exercising it. What is this? What's this got to do with things?

So a couple of weeks went by, and finally, one morning, they called and said, "Be there tomorrow morning; the king wants to see you." So I took Majed Ellass with me, because this time I was nervous enough about the whole series of incidents to really want him to be sure I understood. I wanted to have an outsider sit there and say he's really ticked off or he's really not. We were not put into the king's office where we usually met; we were put into a big meeting room, in one end of it, and told to wait. We sat there for quite a while, and pretty soon the king came in and sat down and ordered coffee. He was irritated and pulling hair out of his robe, which he did when he was irritated.

He had nothing to say and I had nothing to say. I tried to pass the time with pleasantries, and he wasn't talking. So we sat. I had long ago learned that one thing about Arabs that was different from Americans was that if an Arab and I sit together and we're friends or whatever, and we have nothing to say, we

don't say it. It is not necessary to talk. But with Americans we have to say, "How is your husband? Nice day," all of these things that we don't mean or couldn't care less about. But we must talk. They don't have to talk. I learned to just relax and wait.

So we sat there for what seemed like a long time, and he got obviously more and more irritated. Pretty soon the doors burst open and in came the press. It was unbelievable. It was mostly French press, but it was all kinds of press. And they began taking pictures, which was unprecedented. They took pictures of me and the king and close-ups and the whole thing.

Hicke: You said he didn't like to have his picture taken.

Jungers: No. Finally, he had had enough of this and he shushed them all out and they all scattered. That was the end of that, and he called for coffee and tea, and he was cordial.

Hicke: He stopped plucking hairs out of his robe?

Jungers: Yes, and we talked about things. Finally he had to leave and it was over and we left with smiles and all. It dawned on me through all of this that he knew that I knew that he was not letting the press in without reason. He knew that I knew that he was not having his picture taken for no reason. He knew that I knew that if he had called me in and said, "Don't worry about this French press stuff," that I would walk away wondering, why did he feel that he had to tell me that? What was the real problem? He could never explain that to me; we weren't close friends. But he had figured out a way to tell me clearly and definitely there was no problem for me and not just me, but for Aramco and that I had better understand that. Similarly his denial to the press would have made too much ado about nothing and would have raised more questions. The pictures in the papers would answer the problem.

Hicke: And not only you, but everybody else would appreciate it, too.

Jungers: That's right. There was nothing, and it was beneath him to discuss this thing, because there wasn't anything to it in the first place. This is the kind of man he was. He knew that I knew the answer, and that was the end of it. And he knew that I knew why he had to do it this way. That was the end of the whole thing.

Hicke: He was a very perceptive man?

Jungers: A very perceptive person.

Hicke: Do you know how it all got started?

Jungers: It was part of this general oil company/Aramco bashing that was going on at the time.

III PRESIDENT OF ARAMCO, 1971

Move from Concession Negotiations to President

Hicke: Actually, we should talk a little bit about when you became president. You moved out as the head of concession negotiations?

Jungers: When Brougham retired as chairman, Liston Hills, who had been appointed president, moved to chairman and I became president. Liston had been president only a short time, and it was obviously a steppingstone for him to become chairman, and I followed. It was a seemingly natural movement, because Liston did not have the governmental background and so on, and I did. We were seemingly a good team. He was more engineering-oriented, was older, so on. It appeared that would be the case until he reached retirement.

While this was the case, there wasn't anyone ready to take the job I had, so I kind of had them both, really, and as such, my duties hadn't changed a lot. He was the CEO; I was not.

Hicke: Did you have any increased responsibility?

Jungers: Oh, sure. As operating head. But it was an interim step. obviously. Liston retired shortly, within two years. He'd had a setback health-wise and retired early. I became chairman following that. But even then, the pace of negotiations and the pace of the participation problem and the pace of OPEC had increased, so that I was really more involved in that, even then, then I might have been otherwise.

Hicke: Who took over as head of concession negotiations?

Jungers: We kind of reorganized. We set up John Kelberer from Tapline to take some of that, and he finally took it all. There were some

people under him that did parts of it. Then Brock Powers was brought up as president, and he really handled operations as such, without the concession affairs part. I mean, they were nominally head of concession negotiations and president, but in jobs like that, you share duties, and the strength of one takes predominance in that field, even though it doesn't really show in the organization charts.

Brock was a superb explorationist, and his background was exploration--exploration in the times when Aramco had the concession agreement which stipulated relinquishment of territory over a period of time. Since we had all of the production we needed in the early days, our immediate problem was to find land that we could safely relinquish. So Brock really was looking for oil, but importantly he was also looking for land that could be relinquished, land that pretty clearly had no oil. To Brock's and his organization's credit, no one found any oil worth talking about on anything which we relinquished, even though much of it was all put out to new concessionaires. Many of them spent lots of time and dollars to find nothing. Brock knew where there wasn't oil, that's for sure. [laughter] Relinquishment became very onerous, because as our concession land mass shrunk, we were re-drawing maps with all kinds and noncontiguous pieces of land we wanted to retain.

Hicke: Gerrymandering?

Jungers: Gerrymandering this thing so that we were sure not to give up valuable land.

Land Rights and the Aramco Concession

Hicke: I've been meaning to ask you how the ownership of the oil worked. Did you actually own the land? The Saudis conceded the land? Or was it oil and gas leasing?

Jungers: No, the concession gave us the right to explore for oil and to produce oil over a total land mass, which was about half the country at one time. With it was a clause which said we had to relinquish so many acres each year or each succeeding period to a final small, relatively small, area stipulated.

Hicke: Did you own the land up until that point?

Jungers: There was no ownership of the desert, really; nobody but the government owned it. But Aramco had the surface rights to build

pipelines, roads, do whatever it wanted to any land anywhere in the concession. So it was as though we owned it; no one else had this right. So from the land that we retained in our concession, we retained the surface right. From that surface right, therefore--we had to get the Saudis to agree each time--we could assign that right to make a housing settlement. We actually could give the titles of plots to the individuals, and the government, which adhered very strictly to the concession terms, had to approve use and transfers, but they didn't really have a choice.

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Hicke: Did that count as part of the relinquished territory? It was probably too minor to worry about.

Jungers: No. We sometimes sold or deeded back the surface rights but we relinquished the concession rights separately. A change in surface right did not carry with it subsurface right--that was part of the concession.

Hicke: Oh, I see.

Jungers: It's as though we retained the mineral rights.

Hicke: Yes, I see. The concession referred to the mineral rights?

Jungers: The concession to operate, in other words.

Hicke: Well, since we have gotten onto the concession agreement a little bit, can you just discuss the way that was going? I understand it had to be renegotiated from time to time.

Jungers: The concession agreement as such did not have to be renegotiated. The concession agreement that Aramco has is still in place, except that after it was taken over from the Saudis, they gave much of the relinquished area back into the agreement and an additional area that was never in the agreement now is back into the Saudi Aramco concession today. So the agreement's in place, and unless my memory fails me, the only change really that occurred to that agreement was the boundaries of the country itself. There were areas like the neutral zone, another neutral zone between Saudi Arabia and Iraq, or the lack of boundaries between Saudi Arabia and Oman, Saudi Arabia and the Emirates, the Abu Dhabi and Dubai.

Hicke: They weren't part of the--

Jungers: These were not defined boundaries--the lack of boundaries between

Saudi Arabia and Yemen. The concession agreement read that in those areas the concession extended to the agreed boundaries of Saudi Arabia. That left it open to whatever they agreed. But those boundaries changed and were settled from time to time, and these caused changes in the concession agreement boundaries as such. Similarly, we ended up in disputes on the boundaries offshore. The offshore delineations were not settled, and the international laws regarding the delineations changed from time to time.

For example, there was a field found between Bahrain and Saudi Arabia which would lie in an area which neither side could agree on. But the Saudis just said to the Bahrainis, who were on very friendly terms, let's just divide the revenues half and half if oil or gas is found. They settled it that way and Aramco was the operator. The Bahrainis were happy with that. So the concession really only changed in that kind of way as far as I recall.

There were some more problems in Tapline, because the northerly parts of Tapline were outside the concession agreement, and another set of pipeline agreements had to be reached with Saudi Arabia over that, and fees were paid for the pipeline for areas outside the concession. Other countries got fees as well when the pipeline went through their territory. But the concession agreement, as far as I know, was never breached in any way and is still in place.

Hicke: Does that cover that subject?

Jungers: I think it does.

IV CHAIRMAN AND CEO, 1973-1978

Negotiations and Concessions

Hicke: November of '73 was the date when you became chairman and CEO. You got started on participation. By that time it was 25 percent sold?

Jungers: Yes. I'm pretty sure that was the timing, yes. It was after the price discussions that took place in Iran where the price really broke away and we had that big price run-up.

Hicke: Do you need to get any more of that on the record?

Jungers: The dates and prices are, of course, documented in all kinds of places, because the primary meetings during that time took place in Iran and the companies there were all represented through the consortium. This is where some basic agreements were reached with regard to pricing. I don't want to try to re-document that subject there, because it would be difficult to do by memory.

Leading into that, however, there was the problem of leap-frogging among concessionaires, and it was, again, a similar problem that OPEC had. It broke out in places like Libya, where the country of Libya had quite a bit of oil but they let it out to small concessionaires in little pieces. These small concessionaires--the Bunker Hunts, the Occidentals, and Oasis--were small companies and the concessions were extremely valuable to them and the oil badly needed by these companies. They would give a lot and give early out of fright to keep them. The Libyans, of course, knew that.

Hicke: Are you talking about price or concessions or both?

Jungers: Both and concessions in general. So the Libyans and the Nigerians--there were some weak links in Nigeria as well as OPEC--would deliberately attack these small companies to get a concession that the big companies would not give. Then, of course, the leap-frogging would begin. Yamani would say, "You gave up this and that in Libya!"

Our reply, "We didn't give it up! The small companies did!" He lumped the industry all together.

"How can I act if you treat me worse than Qaddafi, of all people?" And that was the essence of his argument. We didn't give it; in fact we didn't know it had been given. In many cases, the shareholder companies had had assurances from the small companies that they wouldn't give in, and they turned around and did it anyway.

Hicke: Just to put this in a sentence, leap-frogging is when one--

Jungers: One company made a concession in a given country that was precedent setting, and then one-by-one everybody else got dragged into a position that was untenable. So the question was, how can we stop this? How can we get a concerted front on some of these things without violating antitrust laws? So the US Department of Justice was approached by some of the shareholder companies--

Hicke: This was the John McCloy Group?

Jungers: Yes. There was a McCloy Group, but later than that, it was re-instituted into the London meetings, where the Justice Department was represented as a monitor. This monitor was present any time all of the major companies met together in London to discuss negotiating problems.

Hicke: Can we have an approximate date?

Jungers: There was a series of meetings.

Hicke: In the mid-'70s?

Jungers: 1970 I believe. These meetings occurred prior to the Teheran pricing agreement in 1971. The companies were hopeful that we might reach agreements by key negotiations with individual countries.

Hicke: Did you go?

Jungers: Yes, I was frequently, if not always present. They'd try to arrive at, say, a negotiating position that all could agree on;

and instead of letting a small company go to a small concessionaire to negotiate it, try to get an agreement that for example, Aramco could negotiate with the Saudis and make the others conform as a precedent. Sometimes it was me that negotiated a given problem and sometimes it was another negotiator in another country like Iraq. IPC had a Frenchman, Jean Duroc Danner, who was frequently asked to try to negotiate in countries like Iraq where IPC was present.

Hicke: Iraq Petroleum Company?

Jungers: Yes. And Danner and I attended these meetings to explain what we thought the art of the possible was, and of course the non-Aramco oil companies would always, by inference at least, accuse the Aramco companies or me or Aramco of deliberately wanting to get a wider term of reference so that I could be sure to sell our requirement to the Saudi government. This was a big hassle. You can imagine the discussions that went on where people had different interests and were competitors. Other than leap-frogging, British Petroleum, for example, wasn't interested in Saudi Arabia; they were competitors, but they sure didn't want to be leap-frogged either.

Hicke: So even in this the companies themselves had competing interests?

Jungers: Well of course they did. So this became a series of negotiations to try to determine what were the sorts of things that we could all live with and try to get and what we could afford to give up. We gave up other things.

Hicke: As a *quid pro quo*?

Jungers: As a *quid pro quo*. So the negotiations took many forms with different people. And of course there was a limit as to what we could really agree on in this forum, because pricing could not be discussed for antitrust reasons. Anything that teetered near the antitrust laws couldn't be talked about, and we had the Justice Department to insure that it wasn't talked about and to insure that everyone understood that.

Hicke: Can you recall the names of any of the people who were involved at the various times?

Jungers: In the oil company?

Hicke: In the London meetings.

Jungers: Well, Sir Eric Drake, the chairman of BP, was usually the chairman of the meeting since it was in his offices. The senior

Aramco directors were surely there, if not the chairmen of the companies. They could send anyone they wanted to. Jones McQuinn would be there for sure; Keller at times; people like--Bunker Hunt was there at times.

Hicke: Armand Hammer?

Jungers: Hammer was there once that I remember. They were all represented. There was even a Gulbenkian representative there. This story is told not to try to define the discussions that took place but rather to demonstrate how this problem evolved and how it was worked. If we wanted to go into the historical legal discussions and the outcomes and the agreements and all of that, they were very involved and you'd need more people than just me to recall details of the meetings.

Hicke: Okay. Was the French company there?

Jungers: Yes, CFP, Shell, Gulf, IPC, and a number of independents.

Hicke: What came out of it?

Jungers: We actually did take certain steps to try to set the right kind of precedent with regard to participation and what the terms of participation might be. "How do you define participation?" might be a topic.

Hicke: Not just a percentage?

Jungers: It was not just a percentage; it was much more involved than that. Of course, in order to come to that, you had to determine what a percentage meant. A percentage of Aramco meant one thing; a percentage of the consortium in Iran was another thing. Percentage wasn't just an ownership question. In addition to equity, production and off-take rights were involved; differences in taxes by country, refinery capacity rights. What that meant in money to one was different than what it meant to Aramco. So it was more than just a simple percentage. It was defining terms; it was coming to definite terms before you gave away a percentage.

Hicke: This was all discussed in these meetings?

Jungers: The topic really was: we've got to act. If we are going to ask them for terms, what are we going to ask the negotiator to go in there and say?

Hicke: You?

Jungers: Me or whoever took a leading role. Should I be the one or should it be some shareholder people that go along or do not go along, or should they go alone or should they not go alone? We tried all variations on that theme, all with the idea of trying to come up with the best terms. But before you went in to negotiate, you really didn't know which way the discussion was headed. So the question always was: is this guy going to go in there and unwittingly give the farm away by giving up a small point that turns out to be the key to the whole question? Just what is he going to say? It was important that the negotiator thoroughly understood the subject, had a fair authority, and knew the positions of all the principals.

We were on a tight tether, and rightfully so, on a very expensive and precedent-setting series of negotiations. All we could do, a guy like me could do, was try to tell the group as a group what I had already told my shareholders, which they may or may not believe--maybe they'd believe it better from me than they would a, say, Social representative--that this is how I thought the Saudis would react and how they'd react if I brought this subject up this way. A man like the IPC negotiator might have a different version of the very same thing, or of what he thought the Iraqis would say if he brought it up this way; so he'd want to bring it up another way. Everybody would say, "You can't do that because, God! that opens up this other box!" This was all very involved.

Hicke: So everybody was looking to Aramco to set the precedent, but they also wanted all of their interests protected?

Jungers: Sure. And they weren't looking to Aramco so much because it was Aramco, but I think they were pretty well convinced that the Saudis were, if anything, more responsible when they agreed to something, whereas you couldn't believe a Qaddafi. He'd agree and then the next morning make a deal with Bunker Hunt. The Iranians and the Shah were certainly not reliable. Nobody wanted to carry something like this into Indonesia. Indonesia is part of OPEC, incidentally; we missed that one this morning. And you sure don't want to trot off to Gabon or Nigeria or someplace--

Hicke: They wouldn't set a precedent anyway.

Jungers: Well, no. And even if they did, it wouldn't last. They couldn't sustain a precedent.

Hicke: What about Iraq?

Jungers: Iraq was a tough place to work. IPC was very strong there, however, and they had a good negotiator, Jean Duroc Danner. Jean

could get some surprising things done in Iraq at times; so he frequently was sent to Iraq. Usually it was people like Jean and me; we went our separate ways to these two countries as the first step and we got back and compared notes. From that we would try to decide: "What do we do now? It took a bad bounce."

Hicke: Did increased participation come along through all this?

Jungers: This was all part of the whole package. Of course everybody understands participation. You could multiply it by a percentage number, but it was hard to find out what it really meant and how you accounted for it and what was its tax effect--depending on its form--what was the tax effect in the country of the owners. If you did give a percentage away, how did it have to be worded so that it met tax laws? It was extremely complex.

Hicke: The next step was up to 60 percent, or was there an intermediate step?

Jungers: No, we finally gave in at 60 [percent], the next step, and then lastly at 100 [percent]. But by then a lot of companies had been nationalized; so the precedent was set. The question merely was: what did we get for it by not agreeing too quickly? Of course, we all went through--and the shareholder representatives and directors as well--we all would go through the agonies of saying, in retrospect, "What if I had done it this way? Would it have changed anything?" Or maybe you didn't do a good enough job telling them and this is why, then let's send them a letter, let's do this, let's do that.

Hicke: Let's take a little break.

[tape interruption]

Negotiating with the Bahrainian Government and Accepting a Gift

Jungers: As part of the concession agreement anomalies it is interesting to talk about an oil field that Aramco found in between Bahrain and Saudi Arabia. Aramco found this field and delineated it and it was a good field: Abu Safa. But it turned out to be a rather expensive field in Aramco's priority of things; we learned this when we first put it into production. After it was producing a while, it was apparent that the field had characteristics that would require ongoing production expenditures to sustain production and that put it outside the priority of things in Aramco. And, of course, this field, as I mentioned earlier, was

split 50-50 between the Saudis and Bahrainis. So preferentially, Aramco, when not needing oil, would shut this field down to try to slow the expenditures and preferentially produce cheaper fields.

Hicke: That was one of the swing areas?

Jungers: Swing areas, then. So the government of Saudi Arabia, through Yamani, wondered why we didn't produce the field. They were being pushed by the government of Bahrain to get more production because the Bahrainis needed the money. So I set out to explain to them why this was the case. At one point in time I actually went in with Yamani to talk to the king about this. The king let it be known that they really wanted to produce the field anyway, and they wished that Aramco would do something to get the Bahrainis off their back, because it was embarrassing to them to not be able to do something and it was embarrassing to the Bahrainis to come to them requesting favors. Couldn't we work this out at the oil field level some way and not make an international incident out of it?

So I made an appointment through the minister of development in Bahrain, whom we knew and who was the lead man on this, to go in and see the Bahrainis to talk about this problem.

Hicke: Which Bahraini?

Jungers: The ruler, Sheikh Isa. So Yousef Sharaivi, who was the minister, took me in to see Sheikh Isa, who is a delightful man--I'd met him before--very short in stature, a perpetual, likeable grin on his face, very active in the country with the people; made special efforts to treat foreigners properly, set out a special beach for foreign women where they wouldn't be bothered and could sun themselves and so on.

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Jungers: We talked about their problem, and their problem was, simply, that they didn't have enough money to carry out a development budget that they designed and needed. They sincerely hoped that we would do our best to help them, because they got 50 percent of the revenues from Abu Safa. So he asked me to sit with Yousef Sharaivi and the Minister of Finance and see if we couldn't come to some accommodation. He realized that we didn't have a concession in Bahrain, and he didn't want to put any undue pressure on us, but it sure would be helpful.

So Yousef and I sat down, and we talked about the problem. I finally said, "What is the problem? What is your budget

shortfall? Let's just see if it's possible for us to accommodate it without causing us a lot of trouble." And it was something that was do-able, really. It wasn't what we would have done, but it wasn't something that really killed us, and so I agreed that we could meet that budget in the coming year.

Then, as we talked more and more, we said, "Why, instead of having these kind of problems when you have a budget--I don't want to interject myself as controlling your budget; let's not get me wrong here--but when you have a budget and while it's still in draft form, can't we see it? Then we can give you some indication of whether we can do this, or can we explain our degree of hurt to you and can we somehow reach an accommodation that's satisfactory to all of us without us interfering in your affairs? You are a sovereign country and we have no business in this." So we took this plan to Sheikh Isa the next day, and Sheikh Isa thought it was a great idea. He was not a suspicious politician. So that's exactly what we did. I went back and told the Saudis what had happened, and they thought it was a super idea because it got everybody out of the bind. So, to my knowledge, this system still works.

Hicke: That's a story with a happy ending.

Jungers: Yes. And as part of that story it brings another one up. I had my wife along with me on that trip to Bahrain, and we were getting on our plane, the company plane, to go back to Arabia. As we were getting on our plane, Yousef, the minister, had a box all wrapped, and he said, "Frank, this is for you." I said, "What is this?" Everybody knows that Aramco did not accept gifts, did not under any circumstances pay anybody for anything--and I'll get back to that one, because it's a very important point--and Yousef knew all this and he said, "Frank, for God's sake, for once in your life have the grace to accept something and just be quiet. These are gifts from the ruler."

Well, we had a rule in Aramco. We had tried in every which way to deal with the problem of gifts. In a society of that kind, gift-giving is not unusual and it is not necessarily thought of as a bribe. Therefore, it depends a lot on who is giving what to whom as to whether it's appropriate or not. You can't just put a dollar limit on it. It's hard to define what this gift might be: a gold pen from a contractor to an engineer that's letting the contract, that's inappropriate; a gift of a gold pen to the president of the company from a business man, it's a small gift, it doesn't have any bad purpose, it's surely not a bribe. So we devised a plan in Aramco that all gifts, regardless of size, given to anybody in the company, president, chairman on down to the lowest level, must be declared, not to

the management, but to one's peers. Your peers will decide whether you should keep the gift, give it back, take it but warn that you shouldn't take it again, put it in a museum, or what. We did that and it was a peer question.

Hicke: And it worked?

Jungers: As far as I know it worked. So my peers, of course, were the next level of people down. I didn't have any peers. This Bahraini gift was a very nice gold dagger with original pearls in it and a watch and a couple of gold bracelets. They were nice, old kind of things. Again, certainly not a bribe, surely not out of keeping with the giver.

Hicke: And it was after the fact.

Jungers: After the fact. It was in appreciation for an accommodation that really got everybody off the hook. So the peer group decided I should keep it. I was prepared to put it in a museum, and they thought I should keep it, but that I should also tell the Saudis I had gotten it, just as a matter of form. The Saudis couldn't have cared less, of course, but again to make sure that everybody knew that it was out in the open.

I brought this up as a happy ending to the story but also to introduce the gift-giving problem and, to Mr. Davies's credit--he started the company, really--and it was he who set the initial policy, as far as I know, that said thou shalt not, under any circumstance, pay bribes to do anything, get things through customs, suppliers, or anything else under any circumstances, and for any breach of this Aramco policy you are fired. This was and still is firm Aramco policy.

Hicke: That's a considerable handicap.

Jungers: Yes. And you can imagine coming ashore in boats and trying to get stuff through a customs system that doesn't understand anything but bribery and surely doesn't understand industrial business and American ways and all of this and not succumbing when for minor payments you could get immediate clearance for material that would take you two weeks of negotiation otherwise. This was a serious matter. I don't know any Arab businessman that won't tell you when dealing with Aramco it's straight up; nobody gives anybody anything to this day. I just had Abdullah Rashaid reaffirm that one day. Now Aramco is run by Saudis, and these Saudis have the same standard, the same as it's always been. Nobody asks anymore. They know Aramco doesn't give it. Period. It is remarkable. There have been instances where it was done and found out, and in every one that I know of, it was

immediately "You're fired."

Hicke: Although it took decades probably to establish that.

Jungers: It could have been torn down in five minutes.

Hicke: Yes, but it's also one problem you don't have to face now.

Jungers: That's right. Another example just falls in this area of anecdotes. Not long before I left--and again you've got to realize that I was well known--the board of directors of Allis-Chalmers [corporation] came over. They had done a lot of business in Arabia, and the chairman, David Scott, wanted them to meet their partners there and in turn meet Aramco people. I did know David. So David had a big dinner at a hotel for the people he had done business with in Aramco and outside, businessmen that they had worked with. I was invited to it, of course, and so were a lot of other people. I was sitting across the table from a well-known Saudi businessman from Jeddah whom we had met before, but I really didn't know him. We were kind of happy to have the chance to talk a little at dinner. He had a most unusual set of prayer beads--I hadn't seen anything like that. I made the mistake of saying, "Aren't those nice?"

"They're yours!" He was delighted to have caught me. He knew that I knew I was caught, and there was no way I could gracefully refuse since this was deep-rooted custom. They are in the Aramco museum. I just felt, and I told the peer group, I thought that this was really an inappropriate thing for me to decline. I brought it on myself. This was a businessman of some renown, and this could have been seen by others as inappropriate, and I can't give them back, so we'll put them in the museum, and I'd like to give him an expensive and appropriate gift in return and tell him, "I made a bad mistake and I'm making a bad mistake in giving you this. You take it and we'll all be happy and let's leave well enough alone." [laughter] And I did that.

Hicke: What were the prayer beads like?

Jungers: They were gold and mother-of-pearl. Beautiful things. Old, old, beautiful. I even said to him, "I can give them back to you and no one will ever know." He said, "You know that's not possible." I said, "Well, they are going in a museum." He said, "Okay, put them in the museum." I said, "I'm going to put your name on them." He said, "That's okay."

Prospects for the Future of the Saudi Monarchy

Hicke: Okay, now, if you have the energy, we could pick up the subject of the change of leadership and how the role was passed along.

Jungers: Okay, the line of succession and the selection of the incumbent. And maybe it's necessary before we get to that to deal with another subject that's appropriate. Many times I'm asked, "How long will the monarchy last, and why isn't the monarchy discontinued and a more democratic form of government put in its place?" To me this is always an amusing question, because it implies that our form is better, and all you have to do is look at recent elections and say to yourself that that isn't necessarily true.

My answer to it is that I'm as well aware as anyone that monarchies are a thing of the past for the most part on this earth. But in the case of the Saudis, I don't see that changing very quickly, and certainly not in this century and maybe not in the next for all I know. The reason is it's an absolute monarchy but it is also a representative monarchy, in a way. The success with which they keep it a representative monarchy will determine its tenure. Founding King Abd-al Aziz married into every major tribe in the country. He had approximately fifty-three sons from women in those tribes. Most of these sons are not full brothers. These sons then became a matter of pride of the tribe.

Hicke: Of the tribe?

Jungers: Of the tribe the mother came from. They became, and are, the means of communicating with that tribe, back and forth, a representative form of input to the ruler. They go to great lengths to preserve that, including these Thursday morning meetings we already talked about.

Hicke: One of the more unusual forms of representative government?

Jungers: Yes, and I know that the old king did this deliberately because he was trying to pull a splintered tribal society together and the only way he could really do it was this form, especially when considering their lack of a concept of a united nation.

Hicke: It's an old, feudal, medieval custom.

Jungers: It worked to a certain extent whenever it was practiced. Like the Hapsburgs, who were part of every royalty in Europe. It sort of worked the same way.

Hicke: That's fascinating.

Jungers: These sons, then, became and are the representatives of their families, *de facto*, though not necessarily recognized as such. There is no governmental form to support this. And so these sons then became the line of succession based upon their age, the oldest being the first one designated as king after Abd-al Aziz died. He turned out to be a poor and ineffective ruler.

Hicke: King Saud?

Jungers: King Saud. He was not able to cope with the changes that were occurring due to oil and the money that poured in and was deposed by the family, at first temporarily, and Faisal became the regent while they attempted to somehow change him. He got back into power only to be finally deposed for good and Faisal was made king.

Hicke: Was he the second brother?

Jungers: He was the third ruler: the father, Saud, and Faisal. So the question arises, who decided to depose the king temporarily, then bring him back, then depose him permanently? And who decided to bypass the next brother and put King Faisal in place? This was done without coup, without shooting in the streets or anything.

Hicke: No military?

Jungers: No military whatsoever. As a matter of fact, one part of the military, that is, the normal military, is under the minister of defense, who is one of the brothers. The national guard is under another brother, who is the half brother of the minister of defense. He is not in the same family as the minister of defense and that is deliberate. So there are two armies, really. That is deliberate.

Hicke: They belong to different tribes, these two half brothers?

Jungers: Yes. Well, who decides? Well, Aramco's research group labored mightily over this for years. We thought we knew some of the "deciders," but we never really knew who they were and certainly not all of them. There really is no formal group that does the deciding. It is a family group, obviously. We were pretty sure that family group is not the brothers, or if it is one or two, they are not doing the deciding. Who is it, then? Well, it is a series of elders of these various tribal families. Who? We don't know. We did know, for a while, that Abdullah bin Abdul Rahman, who was an uncle of the brothers from a different side of the family, was certainly one of those decision-makers.

- Hicke: An uncle. So he was a sibling of the mother, the wife of King Abd-al Aziz? Is that right?
- Jungers: Yes, he was an uncle from a family that was on the other side of Abd-al Aziz bin Saud's father.
- Hicke: They are related to the king, originally?
- Jungers: Yes. This man was a very prestigious man that I got to know really quite well considering that he had nothing to do with Aramco. I knew him well before I was in the top job. He was a very intelligent man, a very curious, inquisitive man. Spoke no English, would frequently ask questions about the oil field which demonstrated a lack of knowledge but still a common sense that made him realize that it couldn't be something that he was thinking about, because his concept of an oil field was illogical. For example, he wondered if oil existed in a pool underneath the ground, what was the big problem in getting it out of the ground? He'd heard of these production problems and such things, and why would this be such a problem? Was it different between fields? I was called over there one time to explain that to him.
- Hicke: He was thinking of an oil well as being like a water well?
- Jungers: Yes, sort of. I had to explain that oil exists in rock and when the pressure releases it, it gushes, and so forth. He was surprised at that but nonetheless had the intelligence to ask the question. He had figured out that his concept had to be wrong. He was that kind of a man. One time, when I went to see King Faisal in Taif, where the government offices were in the summertime--the government moved to the mountains in the summer; it moved from the central province to the western province, to not show favoritism between the Nejd and the Hejaz--I went to see the king there by appointment, and all of a sudden the king said, "A friend of yours, Sheikh Abdullah, is coming." And in walked Abdullah bin Abdul-Rahman and walked over to greet me. The king stood and everybody in the room stood when he walked in.
- Hicke: When the uncle walked in?
- Jungers: When the uncle walked in. They obviously gave him great deference.
- Hicke: Even the king?
- Jungers: Even the king. A man that the king would rise for.
- Hicke: The king wouldn't stand up for anybody else?

Jungers: No. He was the king. So this man had to be an elder who probably had a say in the succession. There were others, obviously, from different families, who had such a say. Who are they and what happened when they died? Because the system still works. They bypass people. When King Faisal was shot, King Khalid took over. He was designated prior, a long time prior, as crown prince.

Hicke: So he was not the next one?

Jungers: He happened to be the next brother in line. He was not particularly well suited in that he obviously had no aspirations to rule and thus was not prepared.

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Jungers: He truly was a desert-loving Arab Bedouin in his background. Immediately after his designation as king, his successor was designated, who was Prince, now King Fahd. As I recall, one or two people were bypassed at that time. At the same time, Fahd's crown prince was designated, and that was Prince Abdullah, who is head of the national guard now. King Fahd is a member of the Sadari family; his mother was a Sadari woman, and she had seven sons by the old king, and each of these sons is successful in his own right. The second Sadari of the "Sadari Seven," so known, is Sultan, who has already been designated the crown prince after Abdullah. So they have already designated two successors in order. There is no squabbling. They are designated ahead of time.

Hicke: How do you know?

Jungers: They announce it publicly. Then there are certain of these brothers who are given cabinet positions. Sultan, of course, is the minister of defense, and he's the second crown prince. Abdullah was head of the national guard; that's not cabinet-level, however. Amir Naif is now minister of interior; he's one of the Sadari Seven. Some of the cabinet positions go to brothers and some go to commoners like Yamani or the current minister of petroleum, Hisham Nazar. Who decides that?

Hicke: Doesn't the king make those kinds of decisions?

Jungers: Well, if it's a commoner, I think that's true, but if it's one brother over another brother, who decides? And how? It's not by age. And furthermore, the minister of foreign affairs is Saud bin Faisal, Saud the son of Faisal, in a very critical cabinet job ahead of his uncles. He's not in the line of succession, but he's a family member and he's a nephew. Who decided that? It

was done after Faisal's death. Another one of Faisal's sons, Turkie bin Faisal, became head of the secret police. A nephew in such a sensitive job that has such sensitive knowledge?

Hicke: About how old is this nephew?

Jungers: Today they are in their forties. The head of the secret police had been Kamal Adham, who was married to Faisal's sister, and he kind of selected Turkie bin Faisal to train him and he was a protege. When the king died, Kamal Adham stepped down and Turkie was designated as head of the secret police. That's unprecedented. I mean, if you think about it, that had to be decided by somebody besides the brothers. Who does he report to?

Hicke: What are the implications of all of this?

Jungers: The implications are that this is a representative form of some kind. The designation of who succeeds whom is done by somebody that's not in the line of succession. Similarly, President Bush is not designating the next president.

Hicke: And it's also done perhaps by people from various tribes?

Jungers: It has to be, by some kind of agreement somehow. Some kind of a political maneuver is taking place behind the scenes to do this. Some consensus has to be taking place, and to me this means that this is a representative process. Unless somebody grossly oversteps his bounds and tries to abolish that system, that monarchy is going to stay in place for a while.

Hicke: Would you suggest that the king might be responsible in some way to these people?

Jungers: Yes.

Hicke: He must be if they can depose him.

Jungers: They deposed a king once. In fact, they deposed the same king twice. [laughter]

Hicke: That is very interesting.

Jungers: It's very interesting. And I have never heard a satisfactory explanation for this that would lead me to believe that this is a sole, single, absolute monarchy that did this. It's not true.

The Death of King Faisal, 1976

Hicke: Another thing we want to talk about is the death of King Faisal. Maybe this is a good time to do that.

Jungers: All right. I got a call one noon at my house from a very excited protocol officer who said, "Frank, we need an airplane right away and we need doctors right away."

I said, "What kind of doctors? What's happened?"

He said, "Frank, think of the worst. It's happened."

I said, "Really? How did it happen?"

"He was shot."

"What kind of doctors do you need?"

"I don't know. We need them and we need them right away. And we need them over here by air." He was just beside himself, and he couldn't describe anything. So we loaded up a plane with doctors and equipment as fast as we could and were trying to think of what it might be, head injury, heart injury, and sent them over there. By the time they got there, the king had died. He was shot by a deranged nephew. There was a big investigation conducted, and this was no organized event.

Hicke: This was 1976?

Jungers: Yes. So that afternoon, knowing that all Saudis are buried the same day they die and they are buried in unmarked graves, I called the protocol office again and said that I would like to come over and pay respects to the family. I realized that this would be an unusual time and there would be other heads of state and whatnot that would have to be accommodated, but I wanted to come at the most appropriate time, and would he please let me know? He said, "I sure will. I'll get with the family and we'll let you know as soon as we can." They called the next morning and said, "Would you come over now? Be here by noon."

I said, "Sure, you bet." So I took Majed Ellass with me and we flew in. They met the plane, a military group met the plane, and we were put in a car and were taken to the center of town, Riyadh, and escorted into the city square area that had been set up with tents and seating and told to wait. We were the first or second people in this place, and we were sitting there, and it was getting kind of warm. We didn't really know what the program

was, and pretty soon various heads of state began to walk in, and they included even Idi Amin, who came with his son who was dressed like him and he had a little six-shooter on his hip. Of course Idi Amin was a Muslim. The only American there besides me and Majed was the American ambassador, as I recall. There were people like the president of Lebanon, the king of Jordan and representatives of Western governments.

We were all sitting quietly and all of a sudden the gates burst open and we went in. People were running in and the man from the protocol office came and grabbed me and said, "Follow me quickly. Get ahead of everybody." So I followed him and came upon the slab with the king laying on it with a cloth over him, a white cloth, carried by his sons, including Saud, who was minister of state affairs at that time. They were all crying. It was the king. They hadn't buried him. This was most unusual. Unprecedented. I know some of the sons like Saud, the minister of state, and Turkie, head of the secret police, very well, and I paid my respects to them quickly and they thanked me.

Then the protocol people and the army people told me, "Maybe it's best that you kind of keep moving, because what we are going to do is hold a prayer for him in the mosque and you're not a Muslim. We are going to move all of you non-Muslims out of the way, and we will take him to the mosque, and then we will get rid of the rest of the guests and the family will bury him. Meanwhile, we'll get you back to the airport before everyone descends on you." We were being treated very nicely and with great deference.

The next few days I got more of the story, and they did, indeed, go into the mosque and afterwards they excused everyone and went to bury the king and everyone left except Idi Amin. He wouldn't leave. He insisted on going to the burial and indeed he wielded the shovel.

Hicke: Oh, for heaven's sake.

Jungers: The protocol officer told me. There was just nothing they could do with the guy. In spite of that, he made enough of an impression that when he got in trouble, they brought him to Saudi Arabia where he lives in exile.

Hicke: Is that right?

Jungers: Yes. He's demented to say the least, but they took care of him.

Hicke: Why had they not buried the king?

Jungers: I guess they felt that he was such an international figure and so well thought of and liked by everybody that he merited something closer to a funeral that other heads of state might get.

Hicke: Did they bury him in an unmarked grave?

Jungers: As far as I know. It's a scene that I won't forget.

Hicke: Very well described. I felt myself right there. Then Khalid?

Jungers: King Khalid was installed as king. I met him while he was king a number of times before I left. I left on the first of January, 1978. Two days before I left, President Jimmy Carter visited Saudi Arabia, and they wondered what they should do with President Carter. King Khalid didn't want to make a speech, and nobody really wanted to say anything publicly about the United States, who had given them all this trouble.

Hicke: Why was he there?

Jungers: A goodwill gesture, which they understood, but they didn't want to be seen, really, with, at the time, any U.S. president. I was invited to the dinner, which was really quite small. They said they were going to keep it small. Other than the American ambassador, I was the only American at the dinner. There were some Americans with the president's entourage that were there, of course. They asked me, "What should we do? The king doesn't want to make a speech and we really don't want the president to make a speech. What should we do?"

I said, "I would say have the dinner and talk with the president at dinner and have the king talk with him and just tell him that this is a small group and our custom is to have coffee afterward and get up and go have coffee and it's over." Which they did. Of course, everyone crowded around the president, as I did. I had never met him and just wanted to see him and talk to him. The protocol people came to me and said, "Frank, would you go talk to the king? He is standing alone over there."
[laughter]

So I went to talk to him; he spoke no English. He was a genuinely nice man of Bedouin background. He loved the desert. He loved falconry and camping.

Hicke: I saw a picture of him with a falcon.

Jungers: Yes. He said to me--we just chit-chatted the best I could.

Hicke: That night?

Jungers: That night, just to take up the time. He said, "You have a very good man working for you in Aramco."

I said, "Oh, thank you very much. Who is he?"

He said, "By God, I don't know. His name is John. He's a good man. You ought to keep track of him. He's a very good man."

I said, "I certainly will. Can you tell me, John is kind of a usual name, can you recall his last name?"

"I can't," he said.

I said, "Well, can you tell me what he did? How did you meet him?"

"Well, I was camped in the desert and he came to our camp. He's a most outstanding man. Speaks good Arabic. He has a true appreciation of the Arab of the desert. He loves falconry. I'm sure you can use this man in all kinds of ways. He's really a good man." Well, it turned out it was a fellow we had in our research group and he was out in the desert and went to talk to the king. He does know falconry and some of the desert lore and so on. But this was what the king loved and appreciated. There always was concern that he didn't want to be king, but of course when people become king they learn to like it, and he died shortly in his rule, and Fahd went in in an orderly way.

Hicke: Early '80s?

Jungers: Yes, something like that. It was kind of an interesting little story that describes the man.

Hicke: How old is the older generation then?

Jungers: The brothers?

Hicke: Yes, well, the sons.

Jungers: I think the youngest one is Ahmad, who is one of the Sadari Seven brothers, and he is either the youngest or one of the youngest. He's probably about forty.

Hicke: He's the same age as the next generation, some of them.

Jungers: Sure. The old king died in the early '50s and that's about right.

Hicke: So five of the brothers became kings?

Jungers: Saud, Faisal, Khalid, Fahd.

Hicke: Oh, four. That's really amazing.

Jungers: Five members of the family if you count the father, since 1930. Is that stability or what?

Hicke: Well, I think Aramco has some part in that stability.

Jungers: Sure, success helps. Economic success helps. Governments go down in times of economic stress.

Bedouin Communication

Hicke: What have we got left? Oh, maybe this is a good time to talk about the Bedouin tradition of communicating, I think that had some bearing.

Jungers: Well, the Bedouin, of course, are used to being alone in the desert. When they meet another Bedouin they talk. "Did you pass a water well on the way down?" "Yes. It's three days from here in that direction," and so forth. They talk about things and people, and in all of this process they've learned to communicate. Communication spreads like wildfire in the country, and it's very accurate; they've learned to be accurate.

Hicke: A piece of news--

Jungers: A piece of news goes fast, and it's pretty accurately presented. Aramcons, both Saudis and Americans, have learned that, and they've become a close-knit group, and when something happens you hear it and you hear it promptly, and it's all over, that so-and-so died and so-and-so is really sick.

[Interview 3: August 17, 1992]##

More on Participation

Hicke: We are going to back up to December, 1971. That was before the first participation agreement of 25 percent. You proposed an

alternative participation agreement?

Jungers: Yes. We were struggling at the time to define what participation was and what it ought to be to best suit the interests of the companies as well as the government. Participation was a difficult thing to define. Twenty-five percent was simple enough, but 25 percent of what and under what terms? True participation, of course, meant participation in the decisions that were really downstream to which the Saudis were not a party and couldn't be a party. That would mean being downstream with the Aramco shareholders, who were indeed competitors. It wasn't appropriate nor possible for them to share downstream business planning and pricing and *et cetera* with an outside party.

Hicke: This probably also goes to antitrust laws.

Jungers: Yes, it could have well been against antitrust laws under most conditions. This was a difficult concept to define. It was difficult for the shareholder companies to understand what they might do. And Yamani had difficulty in understanding why it wasn't just a simple matter of 25 percent. At least that was his negotiating ploy, but I think it was more than that; he really didn't understand the market situation.

While we were going through these discussions, a number of us, particularly me, were interested in trying to get some settlement of this issue and trying to get us to lead the parade into participation so that we could better guide our own destiny. It was at that time that we discussed the possibility of a participation which might be as much as 50 percent--

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Jungers: --in the development of new fields. This had some advantages in that we could easily define the value of these fields by the amount of capital we had to invest in them. We could determine the off-take price--at least based on a known crude with known qualities--and the Saudis could become partners in such a crude, certainly upstream, if not downstream. It had some appeal to some of the shareholders, as I recall. I floated it, with other possibilities, to Yamani in an effort to either get him to buy a concept like this or to get him to better understand what the problems were.

My recollection is that Yamani decided that this option simply wasn't good enough, that it didn't constitute ownership of the company and it wasn't therefore a politically acceptable substitute for nationalization.

- Hicke: It probably didn't give him an entrée to some of those other decisions?
- Jungers: Yes. And I doubt very much that he even so much as suggested or discussed that and other ideas with the king. Yamani was headstrong, and he had his mind pretty much set on participation as the answer to all things. So that and many other ideas didn't work, and we ended up with the type of participation that it finally was.
- Hicke: So in around February of 1971 you proposed the alternative to him, but by December of 1972 there was a general agreement on 25 percent?
- Jungers: Yes. And it was during that year that we had numerous discussions. Yamani felt that we were dragging our heels. On my part, I tried to get the shareholders to try to resolve their problems more promptly. Finally, of course, we ended up with an agreement, or at least an agreement in principle, after a series of meetings in Lebanon.
- Hicke: We did go over that part. What happened after that? I have a few dates, but maybe it would be better if you tell it as you remember it.
- Jungers: Okay, give me the dates.

Use of Oil as a Political Weapon

- Hicke: At first King Faisal rejected the use of the oil as a political weapon. But by early 1973 he changed his mind and in May 1973, I have, "King meets with Aramco executives" and from the book Economic Diplomacy, "On 3 May 1973 Faisal confided to Aramco President Jungers that only in Saudi Arabia were U.S. interests relatively safe, but that even in his Kingdom it would be more and more difficult to hold off the tide of opinion." And in August meetings with Aramco executives, the king began requesting that the U.S. government pressure the Israelis to withdraw from the bulk of Arab territories occupied in the 1967 war.¹
- Jungers: King Faisal was very cognizant of the importance of oil and of the ramifications of trying to use oil as a weapon per se. We

¹M.S. David and M.S. Dajani, Economic Policy: Embargo Leverage and World Politics 1985, p. 130.

had many discussions with Yamani on the subject; Yamani understood it, of course. But as time went on, the king became more and more disenchanted with American foreign policy, the blind backing of Israel at every turn. This became almost an obsession with him. I would get lectures from him on why we had to change this and how short-sighted it was and how the Americans were driving the Arab world away from the West.

Hicke: He apparently thought you could do something about it?

Jungers: Well, sure he did. Aramco to them was all-powerful. He was really quite sophisticated. In the very early days, he had participated in the founding of the League of Nations in San Francisco as a young man. And he was his own minister of state, so he was quite knowledgeable on foreign affairs. He had an appointed minister who really didn't have full authority and was a commoner. So he was really his own minister.

He understood foreign affairs, but as he became more and more disenchanted on the Israeli subject, he became at times almost irrational. Not completely by any means, but he became obsessed with the idea that Zionism and communism were a conspiracy and that they were conspiring together to create the Israeli turmoil. This suited the communist needs, according to him, whose thesis was revolution; and it suited the Israelis' needs, whose only hope was to keep this pot boiling so that they wouldn't have to settle with the Arabs and so that they could keep the stolen land. He built on this obsession, this idea, more and more as time went on. At times, in an effort to make him understand that I was passing his message along, that I was doing what I could, we would arrange to have him meet with some of the shareholders' representatives as well, whenever appropriate.

I remember one meeting in particular; we met him when he was in Geneva, and I think that perhaps we were meeting on this subject.

Hicke: I have that executives of parent companies met with Yamani, and they brought the king there.

Jungers: The king was there and we were there having a meeting with Yamani. The king told Yamani that he would like to meet with us, and he did meet with us, to impress upon everyone that this was a serious matter, and he expounded a little bit on the communism/Zionism theory. But it was a sincere effort on his part to express his views and concerns and to solicit oil company help. That was recorded in a number of places, and there were four parent company executives there.

Hicke: I was just going to ask who all was there.

Jungers: I think it was Chuck Hedland of Exxon, and Jones McQuinn of Chevron, and Henry Moses of Mobil, and Larry Fulmer of Texaco, along with Joe Johnston and me from Aramco.

Hicke: Who accompanied the king?

Jungers: The king was there alone for a while, and at one point Amir Sultan walked in, who was the minister of defense. The written report of that meeting, I don't think referred to Amir Sultan, and I'm not sure Yamani was there for the whole thing--maybe he was. If he was, he was not active. The written report of that meeting, which was a terse message to the State Department, telex-type thing, didn't mention Yamani, I don't think. I know it didn't mention Amir Sultan and it didn't mention that I was there, but I was. That was the only time, I believe, that he met with all four of them together on that subject.

Hicke: And that was at his request?

Jungers: Yes. Later on in 1973, the king became more and more agitated over failure on the part of Americans to adopt an even-handed policy vis-a-vis Israel. He talked to everybody he could at every opportunity on this subject, and he was very irritated about it. The most important reason was the gross injustice that was occurring to the Arabs. Secondly, he saw his position eroding, since he was identified pretty much by other Arabs as being pro-American, and this made it difficult for him.

So at one point when I was in Riyadh to see Yamani, I got word to see the king, and Majed Ellass was with me. We went in to see the king, and he was as upset as I had ever seen him on this subject or anything else. He lectured me for a long time on this problem and the fact that we were doing nothing, the companies were doing nothing, and we would live to regret it. It was of utmost importance that American business get behind him in this problem and prevail upon the government and the people of the United States to solve it. The words he used--and I reported them, and they are recorded in various places, because I always reported these things very accurately in substance and tone--left no doubt that if we didn't do something, he was going to do something with us. This was in early winter, 1973.

An Attempt to Gather U.S. Support for Arab Nations

Jungers: Majed and I discussed this after we left his office, and Majed agreed and was convinced that the time had come for us to do something. We had to do something out of the ordinary to at least prove that we were trying. And it was a sensitive matter really with the oil companies as a group and for business as a whole to be seen as overtly backing the Arabs politically. There was so much agitation in the United States by the Israelis that business was leery of taking a position. The Jewish public was up in arms. But nonetheless, I decided that I was going to go to the United States and see as many chief executives as I could, quickly.

Hicke: You mean of the oil companies?

Jungers: Of everybody, and tell them this story, and tell them that therefore they had to take an active position to try to move government policy on this matter. So within a few days we got Joe Johnston, and we had a man in Washington, Jim Knight, to make appointments. I saw, I believe it was thirty-eight chief executives in a matter of days. Maybe it was more than that. We were in New York, Detroit, Milwaukee, San Francisco, Los Angeles, Dallas, Houston, and met with them. We had breakfast together with Henry Ford and Tom Murphy, the chairman of General Motors; I met with the chairman of IBM. We picked the biggest banks and the biggest industrials. Aramco did do a lot of business and we were able, of course, to see the people from those companies. I had never met some of these men even though we did business with their companies. Included were General Electric's Reg Jones; all of the banks including Bank of America and Tom Clausen; Walter Winston, Citicorp; David Scott of Allis Chalmers; and a large group of executives in Milwaukee. Also many oil company chairmen.

Most of the chief executives were aware of the problem, and their sympathies were with ours. Many of them made statements in newspaper ads and things like this, and they took flak for it, just to prove that they were trying to do something.

Hicke: I read that Mobil, for instance, placed an ad.

Jungers: Oh, yes, Mobil took a very active role. And Otto Miller, the chairman of Chevron, wrote a very strong letter to all of the shareholders on this subject.

Hicke: Did you see it?

Jungers: Not before he sent it out. He told me he was going to do this and he did it. Of course, the reaction was very bad against him. They had people attempt to get into Chevron's office building and there were all kinds of negative reactions in the press over it. Otto Miller took a lot of flak for this.

Hicke: What was the essence?

Jungers: Well, that this was an important matter, that oil was important to the United States and that this policy was not even-handed and supported the Israeli government that refused to settle their issues with the Arabs, their neighbors. I don't remember what all it was, but it was well done, it was very much pro-Arab and it was very much a protest.

Reporting to King Faisal

Jungers: We came back to Arabia, and I went to see the king, and I told him what I had done. He listened and said, "How did they react?"

I said, "Well, they reacted very well. For example, this is what Mobil did." I was especially careful to demonstrate what the shareholder companies did and what their reaction was. It was obviously very positive.

Hicke: What about Exxon and Texaco?

Jungers: They did things too. Maybe not quite as openly as Otto Miller and Mobil did, but it was pro-Arab. In fact, Mobil continued to run ads in the paper just to bring up issues. Remember that public relations effort they had?

Hicke: Oh, I remember that. I do.

Jungers: It was disguised in the sense that it wasn't overtly anti-Israel, but it was putting before the public the issues of oil and our need for it, the fact that we get it from the Arab world and we must be cognizant of this. We all look for alternatives, but there really aren't any. That kind of thing, without really bringing up the Israeli question too much.

And the king was very probing about which ones weren't cooperative. [laughter] I tried to just simply not answer that question. Then he went down the list and said, "I see you met with Mr. Ford."

I said, "Yes."

He said, "Was he cooperative?"

I said, "Well, he came to the meeting." [laughs] Of course Ford was on boycott at that time. The Arab countries had an industrial boycott on countries that overtly helped Israel, and this later became part of the illegality as part of the Foreign Corrupt Practices Act, where everyone had to demonstrate that they were not submitting to such boycotts. In fact, everyone went out of their way to sort of say, "What boycott?"

Hicke: "Me?"

Jungers: "Me?" [laughter] It was in the meeting with Henry Ford that he--I wouldn't say that he was pro-Israeli, but he certainly wasn't in tune with the Arab side of the problem.

Hicke: If anybody needed oil, he did.

Jungers: He finally said that he was aware that they had had some problems in the Middle East, but he really didn't understand why they had to knuckle down to the Arabs on this. I said, "Well, Henry, have you ever been to the Middle East?"

He said, "Yes, I have."

I said, "Where?" Well, Israel. That was the only place he'd been. I said, "You ought to go to some other places."

"Like where?"

"Like Cairo, like Jordan, like Syria, like Arabia. Do you know what you would find there?"

He says, "What?"

"You wouldn't see one Ford automobile. Not one."

He says, "That's baloney."

I said, "It's not baloney. Wherever you are hearing that there are Fords there you are getting baloney from your organization." This was really, I think, the first time that he ever really got into this issue. He didn't do anything about it. He asked me while I was still with Aramco before the Foreign Corrupt Practices Act to advise them how they might get off the boycott. I said, "There's nothing I can do about it."

Hicke: You had already advised him.

Jungers: Well, once you were on, it was difficult to get off. Now you are trying to prove that you quit beating your wife. This is a hard sell. [laughter] So people didn't get off of the boycott very often, even when they tried.

But anyway, the king did get out of me who was the most cooperative and who were the least cooperative. And this trip got a lot of bad press for me and for Aramco as well. I think a lot of people, including some of our State Department friends, thought it was a poorly advised move on my part.

Hicke: Well, do you want to talk about the State Department? You had just gotten back from your trip and you said that the State Department was not pleased or the government.

Jungers: Oh, the government. And I reported, of course. What had gone on I reported to the ambassador.

Hicke: Who was the ambassador?

Jungers: I think it was [James E.] Jim Akins at that time, who happened to be very much in tune with the problem and very understanding of the Arab problem on this whole issue, not out of preference, but because he understood the oil problem.

Beginnings of the Boycott

Hicke: I want to discuss the OPEC meeting in Vienna and the abduction of Yamani. Are we up to that?

Jungers: No, no, we're not. I think the boycott is probably first.

Hicke: Yes. Well, that's true. This OPEC meeting I'm talking about was in October. I have October 12 the chairman of the board of shareholders sent a private letter to Nixon--

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Hicke: --which said, "Further support for Israel will produce a major oil supply crisis." Then on October 18, Faisal announces a decision to reduce oil production by 10 percent. Is that where we are, about?

Jungers: Yes. Well, just after the trip to the States, the pressure

increased in the Arab world against the United States. The king, through Yamani, would keep reminding us that this situation was getting worse and that he couldn't sustain the pressure.

Of course, every time this subject came up, I reported it carefully, in word and in tone and in degree of urgency, to the shareholders. That's what precipitated their letter to the president and other actions. They made many trips to the State Department in Washington at various levels to discuss this issue and to discuss the probability of drastic action on the part of the Saudis, because I was convinced that something would happen. I finally was convinced it would be a boycott. By my reporting of the actual contacts, I think the shareholder companies were convinced and did everything they could to try to get support. But we got precious little support. Jim Akins as an ambassador very likely was relieved because of his outspoken reporting and views that he sent back to [Henry] Kissinger on this issue.

Hicke: When did that happen?

Jungers: It was shortly after all of this. He was very unpopular with his boss and was very outspoken about his boss's failure.

So finally, one day, the king mentioned the boycott. Didn't say that they were actually going to do it, but I was convinced that he was, in effect, telling me that there would be a boycott.

Hicke: He actually talked about what they might do?

Jungers: Not clearly, until finally, at a later meeting, I told the king the last time I met with him about this subject that I didn't think the boycott would be effective. He didn't say anything. Finally, when they had made the decision, Yamani called and said that there would be a boycott and that it would be effective from such-and-such a period. I said I didn't think they'd be able to do it.

He said, "Oh, yes. We've discussed that. We'll be able to do it because you are going to do it."

Hicke: When you say boycott, are you talking about the first 10 percent cutback?

Jungers: Well, it was a cutback, but it developed to be an actual boycott against certain countries that were pro-Israeli.

Hicke: Okay, so this was a kind of a gradual move?

Jungers: First there was a 10 percent cutback.

Hicke: And that's what he [Yamani] announced?

Jungers: That's what he announced, and then we were called in and, "It's a boycott." At the head of the list were the Netherlands, the United States, and so on. Then there were degrees of boycott. It got more and more complicated as the countries who were boycotted or who were about to be boycotted made their way to Saudi Arabia and pled their case and the degree of the boycott changed. We were given day-by-day instructions of what the boycott order was and who could buy what.

So we had to develop an iron-clad system that told us more than just who lifted the oil, because we knew the tankers that came in and whose tankers they were, but that didn't tell you where the oil went, necessarily. And the oil could have been trans-shipped and could have gone to certain refineries that shipped products to the boycotted countries and so on. So we set up a system that determined where the oil actually ended up, every barrel.

Hicke: You mean after it was refined?

Jungers: Yes. On a balance basis, we knew exactly where every barrel of oil that was exported went, and monitored it. This was under threat of complete nationalization. There was no doubt about this. And we did it in lieu of being nationalized. We had no choice.

Hicke: I read that when Faisal announced the first 10 percent cutback, you decided to double that.

Jungers: Yes. Since we didn't have a system, we decided we would cut back more to be sure that we were well within the bounds. Because there was oil at sea, and we didn't have a system of really knowing where it went exactly, couldn't prove it. Therefore I had to make sure that we were well within the order, and until we could be more precise, we cut it back more.

Hicke: Did you have to lay off people?

Jungers: No, we didn't lay anybody off.

A Summons to Washington

Jungers: After the boycott had been in force for a period of time, pretty early on, it developed that a lot of the oil that had been going

to the United States was, in fact, going to the U.S. military, to the navy at sea. The boycott became a matter of concern, of course, to the navy. The defense department approached the shareholder companies. It was then a secret that the navy needed oil (it's no longer secret) and I was asked by the shareholders through Joe Johnston to go to Washington to the defense department. The boycott was a problem and they wanted to talk to me about it.

So I went to see James Schlesinger, who referred me to Bill Clements, who was the deputy secretary of defense and later became governor of Texas. I knew Bill Clements when he was majority owner and chief executive of Sedco Drilling Company, so we were acquainted. We discussed the problem. They wondered if there was any way that I could prevail upon the Saudis to do something about the boycott, because the [American] government really didn't want to go in at a high level and officially negotiate if it could be avoided. It would be an awkward situation. They wondered if there was any room at all for me to negotiate a change some way.

Hicke: As a special plea for defense?

Jungers: For oil for the navy. So I went back and thought about it. I knew what the requirements were, because Bill Clements had told me what they felt they needed to maintain their position in the Far East and the Middle East. So I thought about it and we went to see the king, Majed and I. I explained to the king that this was a real problem and I understood his thinking, but if and when there was a shift in the Israeli policy of the United States, it certainly couldn't happen tomorrow. He was certainly aware that diplomatically these things took some time and that this was a matter that was much more urgent and could be of serious consequence to the Middle East if not to the kingdom.

The king listened carefully and he said, "Are you telling me that this approach to me is not instigated by the oil companies?"

I said, "No, it's not." He well understood then that while I wasn't a designated emissary from the U.S. government, that was where it had come from.

So he said, "Well, I really don't know how you are going to do this." And he said this in such a way that led me to believe that he wouldn't make an issue of it.

Hicke: That it was up to you?

Jungers: That it was up to me and "God help you if you get caught, or if

it becomes a public issue!" [laughter]

Hicke: Get your sword and run yourself onto it. [laughter]

Jungers: So it was a non request of a non event. He couldn't agree to this. There were not many people who were privy to how the boycott worked, exactly.

Hicke: Those figures you developed?

Jungers: The figures that the Saudis gave us were secret; they didn't allow us to tell those to anybody, and they changed all of the time as their diplomatic situation changed. And so they were secret.

Hicke: And how about your figures?

Jungers: Our figures, the way we arrived at which ships could go where, were secret. The system was so tight that nobody could breach it. We would know immediately if it was breached in any way. Now, the question was how to circumvent this system [laughter] without anybody that was involved in it knowing that we were circumventing it.

Hicke: How many people had access to both of these numbers?

Jungers: Not very many. Some of the people who had access to some parts of this system were off-taker companies that were owned by the shareholders, so this was a carefully crafted system.

Anyway, we did figure out some ways to do this, and it was done.

Hicke: And it made everybody happy?

Jungers: Everyone was happy and not a word was ever said and it was, of course, a secret thing for years afterward. It came out later. But after the emotion and international scrambling of the boycott subsided, it became an important but interesting part of a big, involved boycott.

[someone arrives; tape interruption]

Hicke: Okay, so the first 10 percent cutback was in October of '73 and there were other cutbacks going on in various other areas?

Jungers: Well, following that overall 10 percent cutback, then the boycott became country-specific. Then it wasn't a percentage at all, but it was country-specific, and the amount of cutback to each

country was specified by the government. We just implemented it at their direction.

Participation Increases

- Hicke: In 1974, the percentage for participation went up to the next level.
- Jungers: Yes. That's when we went to 60 percent, and it was a series of negotiations to get to sixty. And of course always involved in these negotiations was, what is participation? How do we now define it? What do the shareholders get for giving up additional interest?
- Hicke: What did they get?
- Jungers: Well, it varied. Each time we made a move, we changed the arrangement somewhat. The final arrangement for 100 percent included an overall cash amount and an ongoing fee to the shareholders for their providing technology that Aramco requests. This ongoing fee is paid depending on production.
- Hicke: Did the next participation negotiations help alleviate the boycott?
- Jungers: No, that had nothing to do with the boycott. It was ongoing because of certain nationalizations that had taken place in the Middle East. Now Yamani's argument was that, "Well, in order to try stop this pressure and to take the pressure off of us to nationalize, we've got to have more than 50 percent to be in charge of our destiny." Then it got to 60 because somebody else was threatening to do the same thing for 55 or something.
- Hicke: Here is the leapfrogging again.
- Jungers: This is a leapfrogging problem, real or imagined. So we ended up with 60 as being the next step. Then, of course, it finally was 100.

More About the Boycott

Hicke: Meanwhile back in '73 Egypt attacked Israel.

Jungers: That's right. All I'm trying to remember is was the boycott prior to the attack or after? Well, I don't think it affected the boycott as such, one way or the other.

Hicke: But I did read that Faisal was consulted about this attack by Egypt.

Jungers: Well, yes. I'm sure he was. But not through us.

Hicke: Oh, of course. Because we were discussing international political issues, what I need to ask you is what the effect on Aramco was.

Jungers: Well, the war did not last very long, and the subsequent defeat of the Egyptian army was only possible because of a massive airlift of supplies into Israel by the U.S. government. It just heightened the tensions. Also it demonstrated that the American government was not even-handed. As a matter of fact, when this airlift was taking place, I don't think the public had been consulted; this was just done.

Hicke: Yes, I read somewhere that Israelis didn't realize how poorly supplied they were and what an emergency would do to them.

Jungers: This is part of the myth of the Israeli armed forces' might. They had none to speak of without massive aid.

Hicke: They had the U.S., right?

Jungers: That's it. They have the equipment that we give them; they don't buy it, we give it to them in doses of billions of dollars worth. It was during this period that Bill Chandler, who was the president of Tapline, wrote an article. I'm going to look for it. It was titled, "Israel, the 51st State" and it presented the premise, which was quite true and plausible, that if we made Israel a state, it would cost us a lot less and nobody would attack the 51st state and we wouldn't have to throw them all this money. Of course, they would refuse because they'd want the money. As a state, they wouldn't get any kind of aid. They'd have to stand in line with the Detroit and Los Angeleses of this country and beg for money like everybody else. Here we treat them better than we treat our own Americans, on a *per capita* basis. The article caused a lot of fuss in a lot of places, but it was a well-written article and there was a hell of a lot of

truth in it. The Israeli press and the American press was up in arms over the oil company kowtowing to the Arabs like that.

Hicke: Where was it published?

Jungers: Oh, it hit the press all over. In fact, I think Bill Chandler saw to it that it did. Bill became very active at that point.

Hicke: Well it's obvious, I think, that this reinforced everybody's opinion about the standing of the United States, so where does the embargo then go? What happened?

Jungers: Well, the embargo itself didn't last that long, and I'm confused now whether it occurred before or after that war.²

Hicke: Yes. And the part I remember personally was the Japanese role.

Jungers: Well, of course.

Hicke: Does that have something to do with the pricing, too, or was that just the embargo?

Jungers: Well, it was the embargo.

Hicke: So it was felt.

Jungers: Yes, it was. It was felt. As a result, of course, I was approached by everyone in the media to comment on whatever there was to comment on, and I became a media person.

[phone rings; tape interruption]

Jungers: Just to sharpen up some of the dates that we are fumbling with here, some of them are in the *Business Week* article of December 15, 1973 in which I was interviewed by *Business Week*. This isn't exactly accurate in that it says, "Since Saudi Arabia's austere and shrewd King Faisal ordered a 25 percent cutback from September production levels..." Initially it was 10 [percent] and then the cutbacks occurred by country. There wasn't a 25 percent ordered as such, but it added up to 25 [percent] when you added up the countries at this particular time.

². Egypt and Syria attacked Israel on October 6 while the oil companies were in Vienna negotiating with OPEC. The negotiations were unsuccessful, and the Gulf states unilaterally raised the posted price to \$5.11 a barrel shortly afterward. On October 20, Saudi Arabia embargoed oil shipments to the U.S.

"...ordered this cutback after the outbreak of the Yom Kippur War. Jungers and top officers have been confronted with the awesome job of dividing up 6.2 million barrels a day among Aramco's customers rather than 8.3 million. Since many of Aramco's customers are also its owners, the chore becomes even more sensitive. Originally the sole property of Standard Oil of California, it now is owned by the four. The ownership percentages were changed by the Riyadh agreement signed early last year under which Saudi Arabia and other Persian Gulf nations demanded and got a 25 percent interest in the various companies' operating concessions in their countries." That was early in 1972.

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Jungers: "...At Aramco, Jungers negotiated with the Saudi government on the issue of participation, meaning a share in the equity of the company, handed them a letter in March, '72, indicating Aramco's willingness to discuss the Saudis buying a share. The letter said we had a participation deal and now we had to negotiate it. The four shareholder companies took over the negotiating at that point because we didn't feel that Aramco should be negotiating for the four partners against the fifth. When the final terms were drawn up, the Saudis took a 25 percent interest in Aramco that reduced the ownership of the U.S. companies to 22.5 [percent] each for three of them and 7.5 [percent] for Mobil.

"The Saudi interest was to increase annually until it reached 51 percent by 1982, but everyone in the Middle East agrees this portion of the agreement is already dead. Libyan strongman Moammar Qaddafi nationalized 51 percent of Exxon's wholly owned Esso Libya in early September; tiny Abu Dhabi abrogated the 25 percent agreement this fall; and this week Kuwait, whose popularly elected national assembly never ratified the agreement, announced plans to assume 60 percent of ownership of Kuwait Oil Company, hitherto shared by Gulf Oil and British Petroleum. The Kuwaiti action increased the pressure on King Faisal to take an equivalent or stronger action. Saudi Arabia has been dickering for months with Aramco on revision of the Riyadh accord and Saudi Oil Minister Sheikh Akhmad zaki-Yamani emphasized in New York this week that a 51 percent share is not satisfactory..." and this is the leapfrogging we were discussing.

"In London, the center for Middle East oil watchers, the betting is that Faisal will eventually demand 100 percent ownership." Of course, that was a foregone conclusion. And, as it explains here, as this ownership change occurred, the Aramco owners became not producers of oil but buyers of oil. So therefore the ownership question became more and more a moot

point, really, it was just a matter of terms. Aramco owners were going to be buyers of oil.

Hicke: Didn't that put you in a strange position or a shifting position?

Jungers: Well, yes. I had five shareholders and four of them were tremendous customers and the fifth one, Saudi Arabia, had a company called Petromin, whose head, Dr. Abdul Hadi Tahir, was also on our board. They were a purchaser of Aramco oil for internal use. So I had five owners and one more customer and so on.

Hicke: And the power structure was shifting all of the time?

Jungers: Well, yes. Let's just read another: "Since then, the companies have been moving beyond their preferred tactic of behind-the-scenes lobbying in Washington. They are publicly calling for a shift in the U.S. traditional pro-Israeli policy in statements aimed at American public opinion and at the ears of Faisal, who views himself as a leader of the Arabs. SoCal chairman Otto Miller sent a letter to his shareholders urging them to take the Arabs' case into account, and both Texaco chairman Maurice Granville and Exxon chairman Ken Jamison have made the same point, somewhat more obliquely, in public speeches. The fourth partner, Mobil, has also called for a re-examination of U.S.-Middle East foreign policy in advertisements." So this was a result of the trip.

"But while the U.S. shareholders of Aramco have been speaking out in public, Jungers is quietly continuing Aramco's excellent relations with the Saudi government and the people. The owner companies bore the brunt of Faisal's displeasure during the '60s when the Saudis were begging Aramco to increase production and hence national revenues. 'Our production rose as fast as anyone else's, but the market just wasn't there,' Jungers recalled. 'The Saudis were pressuring us to set up production intending to blame the shareholders for holding it down.'"

Hicke: Was that actually the case?

Jungers: Yes. We didn't cover that problem. Back in the '60s, in addition to the problem with price as a source of revenue, the total world production capability was higher than needed, because oil had been discovered in new countries and each country wanted their production to go on; they all needed money. The Aramco shareholders were present in other countries as well--not as one group, but individually they were present in many countries and in different participating interest percentages. So they had different percentages, different reasons, differing profit

margins in these various countries. And each one of these various countries had different grades of crude, which would in some cases fit a refinery of one company but not of the other. And on and on.

These refineries were constructed in accordance with the market demands in the countries they were constructed in. So in some countries, one of the shareholders would be stronger than in others and so they had differing needs in those countries. Therefore it wasn't a foregone conclusion by any means that they were going to lift all of the Aramco production that we had or that they would lift it because the Saudis wanted it lifted. They all recognized that Saudi Arabia had a lot of capacity and a lot of potential for more and therefore was a very valuable property. They gave that significant weight in their decision-making as to where they were going to lift the oil from, but this was a juggling act to keep all of these countries happy; all of them needed money, and we had to run the business (they did and therefore we did) as businesses are run, for profit. The thing was a bag of worms.

Hicke: I believe that.

Jungers: Everybody knew that the day would come when we would need all of it. We didn't know what the day was, exactly, but we knew.

Hicke: Oh, yes.

Jungers: And so this whole thing--the pricing plus this problem I just alluded to and all of its complexities--was what caused OPEC. It subsequently also caused a call for participation, because Yamani and other oil ministers thought that by participating they'd understand this marketing problem better. Of course, they [the companies] weren't going to get into the marketing problem with them [the oil ministers]; they couldn't.

Hicke: Yes, there was mutual suspicion but they couldn't allay it because of the--

Jungers: --because of the complexity and of the laws and of everything that was involved. It was impossible to bring them into the picture. They [the companies] were all willing to become buyers of oil first, before they brought them [the countries] in. They'd go that far, if necessary. And they did, by giving 100 percent participation, and worked things so that the profits occurred downstream.

Hicke: Well, there's at least three major tracks that I've got here. I want to know how the embargo ended, then I want to talk about the

major price rises in the '70s, and then your feeling towards the media.

Easing of the Boycott

Jungers: Yes. Well, the embargo gradually ended as the tensions of the war subsided--of the war that had already ended. As these tensions subsided, the countries gradually, diplomatically, made their way to Riyadh and papered over the problems and somehow got off the boycott list. I don't recall which countries got off first and how come and at what rate. You could make a doctoral study out of this. You would learn a lot of things you couldn't use.

Hicke: But apparently Faisal also somehow realized that this was not going to be something he should stick to?

Jungers: No, he was a pragmatist, and while he was angry during the period, he realized that diplomatic changes do not occur quickly. To the day he died, he still had the communist/Zionist conspiracy theory that he believed in quite heavily, but he became more stoic about it.

Hicke: That opened you to a sort of a single simplistic solution or mental attitude. If this is the problem, and he's got his eyes fixed on it, then you can solve it--

Jungers: --by simply cutting them off from Saudi oil.

Hicke: Yes.

Jungers: Well, but that wasn't possible.

Learning to Deal with the Media

Hicke: Let's go back to this media blitz that was occurring.

Jungers: Well, the media knew of the boycott. While everybody knew that there had been this cutback, nobody knew exactly which countries had been cut back and how much. Of course, this was a shifting number all of the time, so even if we could have told the media, which we were forbidden to do by the Saudi government, we wouldn't have told them, because the number would have changed

anyway, by the time they got it. So nobody knew these numbers and nobody really understood what had gone on. We were under wraps from the Saudi government on most points and on those that we weren't, we put ourselves under wraps. Because to try to explain things only would lead you to the next question, which we couldn't answer. So we just treated it as none of their business, sort of.

Everyone was trying to find out what had happened and usually it took the form of attempting to accuse me of being anti-American and having cut off my own country from oil. That was the media approach.

Hicke: So they challenged you?

Jungers: They challenged me. They all came to Arabia and begged us to sponsor them because the Saudis wouldn't let them in. [laughter] We tried to selectively do that, which didn't help us any, really. Although some of the publications like *Business Week* and *Fortune* and James Tanner of the *Wall Street Journal* and so on did present balanced articles that reported what they could report as fact. Unfortunately, even some of the good writers didn't get it right--maybe deliberately didn't; maybe didn't trust what I said; maybe were trying to get a spectacular article.

Then we were being pestered by the television media to let them in. Mike Wallace wanted to come in and so on. So at that point, I decided, along with Joe Johnston--

[phone rings; tape interruption]

Jungers: We decided that since he, in New York, was being pestered by the media and that I was too, that we had better find somebody to help us, prep us a bit on how to handle the media. So Joe Johnston found a course that was being given by the public relations company, J. Walter Thompson, in Chicago. He and I attended a three-day, concentrated course on how to handle the media. This was a very, very good course. When we got there, they had done their homework. They knew all of the background of the boycott and so on.

The course started with a couple of media people who were grilling me individually and Joe individually on what had happened. They took a hostile position, and this was being recorded on TV tape. It obviously was a subject that I was very well acquainted with, was current on, and I thought I had done well. They played it back, and my performance was just awful. I was terrible, and Joe found the same thing. You don't come across like you think you came across. Your own judgment of how



Mike Wallace, Ahmed Lughod, Majid Ellass, and Frank Jungers, circa 1973.



Aramco Board, November 1973. Back row: Jones McQuinn, Chevron; Ed Zinola, Aramco; Herman Schmidt, Mobil; J.J. Johnston, Aramco; Brock Powers, Aramco; A.C. DeCrane, Texaco; Kay Ingram, Aramco; T.D. Collier, Aramco; George Keller, Chevron; W. MacDonald, Mobil. Front row: Henry Moses, Mobil; C.J. Hedlund, Exxon; Abdul Hadi Taher, Gov. Petromin; Frank Jungers, President; George Piercy, Exxon; Liston Hills, Chairman; J. P. Lunde, Aramco.

you appear to others is usually not very good. So then they proceeded to--

Hicke: After opening your eyes.

Jungers: After getting our attention, they proceeded to take this apart and to teach us some of the true ABCs of handling yourself on TV and on radio. They did the same kind of thing on radio, and we were just awful there too. [laughter] They had Sandy Vanocher there, who was assigned as sort of my mentor, and then at the end of the course, Sandy Vanocher conducted an interview on the same subject. It was not blatantly hostile, but it was a very, very difficult interview.

Hicke: Challenging?

Jungers: A challenging interview from a man who had done his homework and asked very penetrating questions. It was a remarkable metamorphosis. Still not a budding Ronald Reagan or anything, [laughter] but I was a lot better.

Hicke: Not a "Great Communicator" but at least a good one.

Jungers: Right. There was some real meat, of course, and real reminders about your own personality and because you've got the kind of personality you have, you really ought to do the following things. But in addition there were some just plain dos and don'ts. First of all, don't ever agree to go on the media unless you have a reason; you don't go on because your ego says to or because you are flattered that somebody asked you to go on TV; that's not a reason. Don't think that you are going to somehow "wow" them.

Hicke: It's not going to work?

Jungers: It's not going to work. One of the techniques that they espoused was called "bridging"--I guess it was a media advertising term. You only go on because you have a message, and you think that by going on you can send this message better. Therefore, you don't want to be and should never be, distracted from your message; never be distracted from your message. You don't have to answer a question, you don't get involved in anything except what you want to be involved in, and when someone asks you, "What happened when so-and-so so-and-so?" "I'm glad you brought that up," and then you "bridge" yourself back to your subject again.

Hicke: This is bridging?

Jungers: This is bridging. And the people that bridge well, it's very

clever and it's hardly noticeable, but they never answer the question unless they have to. At that time, '73 or '74, they showed us tapes of the two most accomplished nonprofessional media people on the subject of bridging, and they were George Meany and George Bush. They were both superb. If you didn't realize what they were doing, you wouldn't notice it. And they handled it in different ways, they were different personalities: Meany was a rough, tough guy, seemingly uneducated, seemingly unable to speak well and all of this. But he spoke very well and he never got off his subject, ever. [laughter] Bush was the same way--much smoother.

Hicke: Had they been trained?

Jungers: Don't know. You watch George Bush. He's dynamite in a debate situation, or these contrived debates. You are not going to catch him on anything like that. He'll make mincemeat out of anybody. And he'll do it as a kind of a slow, easy, no razzle-dazzle. It's just he's on the subject and he stays there.

Hicke: Did you find that easy to do?

Jungers: I found it quite easy once you realized what it was that you had to do; once you realized that "this is my subject," and you just don't allow yourself to be distracted from that. They showed us techniques that media people use to get you off stride, to break your concentration, and to try to cause you to make some mistakes so they have something to yap about and something that "makes the show." Things like you sit down and, "Would you mind straightening your tie? And lift this shoulder a little higher so you can make a better picture, and turn a bit, would you please?" Next thing you know, you are just plain uneasy about how you look and "Why is he asking me to turn? Didn't I shave this morning?" [laughter]

And, "You're speaking too softly. Could you speak a little louder please?" If you fall for that gag--I don't know if we ought to be recording all of this stuff--if you fall for that, [raises voice to a high pitch] you are talking in the wrong voice and you're not coming across at all, really [returns to normal], you're looking and are ill at ease and insincere. If you are speaking too softly, tell them to turn their volume up. If you want a picture of this side, move your camera. They want the interview, they want the pictures, they move. You stay where you are, you keep your mind on what you're doing, and you do it.

Hicke: Now is this the kind of thing Yamani was good at?

Jungers: Yes, he was good at it and very photogenic.

- Hicke: It sounds like one of those things you told me about.
- Jungers: Well, you can say those are obvious things. Yes, they are obvious, especially when it's pointed out to you. They weren't obvious to me. There were many of these kinds of things that you learned, and it just sharpened up your presentation.
- Hicke: Was this before or after the CBS "60 Minutes"?
- Jungers: It was before. So Mike Wallace came to Dhahran and spent days there.
- Hicke: Following you around?
- Jungers: Well, we'd send him around to all kinds of people. We sent him to some Arabs to demonstrate to him that we do have good Arabs, Arabs are people, which the Zionist Mike Wallace didn't believe.
- Hicke: He had preconceived notions?
- Jungers: Oh, he's a real Zionist. And of course he's looking for a mistake. I saw a tape that Wallace had done of the Shah of Iran--the Shah had let him in. First of all, what you find out is he interviews you for hours on end and promises that he'll give you a copy of the tapes. I've never gotten them and I've written him I-don't-know-how-many letters; I never have gotten those tapes. What got on the program was about three minutes, selected by him. I came across okay; he just didn't have anything on me, and I never let him get me onto something he could make a big deal out of, because I had everything to lose and nothing to gain. I can recall seeing the Shah of Iran on TV on the Mike Wallace show where he was questioning his truthfulness, really--
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- Jungers: --questioning his truthfulness and giving him very little footage to explain himself but zeroing the camera in (with hot lights) on his face which appears with sweat pouring down and the eyes looking shifty. The picture gives the impression that he's obviously lying.
- Hicke: They had made him so uncomfortable that he looked uncomfortable?
- Jungers: Yes. I'm not defending the Shah of Iran at all, I'm just saying that this is what can happen to you. So I was careful where we had the interviews and when and how long they lasted.
- Hicke: Did you see the show?

Jungers: Yes, it was a non show. [laughter] And that was perfect. You can't win in this game, you can only lose. But it did do me a lot of good in magazine articles and things that came off, most of them, not badly. They are pretty balanced, considering everything. And you do that by keeping your mind on what you are saying. Don't let them get you into an extraneous conversation on something that they can make a one-sentence quote of somewhere. Just stick to your message. All business and get it over with as quickly as practicable. No "buddy" feelings; he's not your friend, he's trying to do an article.

But at the same time, and seriously on this media thing, we did conduct ourselves that way, but the reason that we did let ourselves in on some of this was that we believed we should give them a balanced view and be fairly open with them, and when we got to a point we couldn't talk about, just say, "I can't talk about that, let's get on with the next question." They appreciated frankness and you tended to get a better article. Instead of saying, "I'll give you five minutes," or "Come back tomorrow," and duck them--it doesn't work.

The Kidnapping of Yamani, Vienna, 1975

Hicke: Where does this abduction of Yamani fit into things?

Jungers: It's an anecdote, I guess. Yamani and I spent a lot of time together, needless to say, and for one reason or another at times we used the company plane together, and later on, after participation, we more or less assigned a company plane to him. He was at the OPEC meeting in Vienna, and they frequently met in Vienna. I wasn't present and I was rarely present. I was not present at the OPEC meetings, but I was present in town sometimes when we were on a subject where Yamani might have felt that I could help him. In this case, I wasn't present in Austria at all, and he had the company plane with him.

We got word that they had had this shooting. Terrorists had gotten into the conference center where they were holding the OPEC meeting and had killed some people and had abducted Yamani and a couple other of his people and some of other nationalities, all of whom were significant people. I got a call from our airplane, which was on the ground, and the captain on that plane said that this group had been abducted and they were putting them in an airplane commandeered from one of the airlines and he didn't know where they were going to go. Did I have any objection to him just following them? We had a G-2, which was as

fast or faster than any commercial airliner and had the range of a commercial airliner. So our plane followed him. Nobody knew this; he was far enough back that he'd listen to the radio and stay with him.

They landed in Algeria, I think, and after a series of negotiations he was released and was very much relieved to see our plane sitting on the tarmac.

Hicke: It was right there waiting for him?

Jungers: It was waiting. [laughter] He got on and got away. He was abducted by a terrorist by the name of Carlos; no one really knew who was paying Carlos. Yamani had many stories to tell about this. Carlos had him and they were undecided what they were going to do. They were sweating him and he would say to Yamani, "You're my superstar. I'm going to use you!" He really did it to him psychologically, as you can well imagine. When Yamani got back to the Kingdom, Yamani was convinced, and I think justifiably so, that Carlos would get him again somehow and for some reason. So he asked for and got from the king permanent security protection when he was traveling or at home. That security was provided by a British commercial firm, and so these guys were with him wherever he went from then on. That was another reason we assigned a plane to him, because they'd fill the plane with security people, so he had a need for a plane.

Hicke: Why did they let him go?

Jungers: It wasn't really clear just what happened. The Algerian government negotiated some with the terrorists. Then there was a world-wide manhunt on for Carlos and they never have found him.

Hicke: I think I've read about that. It was never really clear why they wanted him either, right?

Jungers: No, it wasn't clear who and why. Maybe it was just Carlos deciding, "I'll kidnap him and see if I can market him." I don't know.

Hicke: Venture capital?

Jungers: Yes. Entrepreneur. But it was a scary thing.

Hicke: I should think he would have been very, very grateful to the company.

Jungers: Of course. We were genuinely concerned about him.

Inflation of Oil Prices

Hicke: Is it time to get into the pricing?

Jungers: Yes. The pressure on prices occurred in the early '70s--probably the real pressure on price began to be felt, urgent pressure, about 1970. There was always pressure, and I explained previously this posted price problem. But the pressure goes back to needing more revenue and back to the idea that "You are either going to lift more of our oil or we are going to raise the price." It was all wrapped up in this.

In the early '70s, the producing governments began to feel that demand had tightened, demand versus production. Prior to that time, there was too much production capability. Yamani began to put pressure on us to raise our prices. In his usual tactic, "Please do this before we get leapfrogged. I don't know where I can stop it then."

Hicke: So he wanted to be the first?

Jungers: The first and the most. At one time, at the start of this process, we were riding in the airplane together, and he virtually assured me that if I could get him 9¢ on top of the \$1.80, he could hold the line in OPEC. I believed he was sincere in what he was saying, but I couldn't get him to tell me, nor could I dream up enough reasons as to why it was 9¢ and why the 9¢ really would hold the line. That was the weakness in my trying to get the shareholders to agree to this, and therefore they didn't agree. I could only say, "If we don't agree it is going to get worse," and that was a pretty weak argument, really. I knew that, but I still tried to present what had been told to me in the manner in which it had been told and tried to make it something that they might have believed had they been there, something that they would have seen like I saw it, even though I couldn't verify it.

And I pushed for the increase, because I kind of felt that we were going to get jumped anyway. Maybe it wouldn't hold the line, but even if it didn't, what harm would it do? Of course, the shareholder view was, "He talks about leapfrogging and now we are going to get leapfrogged." Their argument was plenty strong; and it was their nickel and they didn't allow me to do this.

Hicke: We are talking about, now, the price at which they buy it from Aramco?

Jungers: Yes, and the price at which Aramco accounts to the government and pays taxes and royalties. We went through, at that point, a very long series of discussions with Yamani--I did, mostly. Some of the shareholders came up from time to time and they discussed it with him too. We tried to find some way to stop this thing and tried to convince the Saudis that it wasn't really in their interest to run prices up early, but at the same time we didn't give in either. So there were meetings in Tehran that all of the Aramco companies and all of the companies in the consortium attended. Iran had also demanded price increase and so had a lot of other countries. The representatives of the shareholder companies were ushered in to see the Shah, and he put the arm on them, and in subsequent negotiations in which the Shah and the others had the "five aces," the price collapsed. It came out of there initially at \$2.00 and something, and within weeks it went to over \$3.00. The leapfrogging had begun, and indeed the demand was rising.

Although Aramco had already started expanding production, nobody was ready for this.

Hicke: In the company?

Jungers: In Aramco and nowhere else in the world either. As the prices rose, and as the consumers became worried that they were going to rise more, they built up inventories, and that increased the demand and increased the price, and we were in a spiral that we couldn't stop. And then of course everyone's thought in retrospect was, "Would it have been better if we had allowed these things to rise gradually and had started sooner?" We could argue that case back and forth forever.

The oil companies were accused of having given in to the terrible Arabs. This all fit the reason why we had this great friend in Israel, when in fact the truth was the oil companies had been so good at holding the prices down that when they finally broke loose, they broke with a bang. You could make the argument that maybe we should have raised the price gradually, sooner, and it wouldn't have caused this panic. But who knows?

The ultimate price and the ultimate production requirements in the ensuing few months became a worldwide problem because of the price and because of the shortages that were created. It wasn't a boycott, but there were more shortages again. People were concerned about gasoline lines. In fact, I guess there was another little gasoline line flurry in the United States. What became a problem was the amount of money required to just move this oil and to pay for it and to recirculate the money and get the money back in place.

Just, for example--and of course this was occurring worldwide--in Aramco alone our production went over 10 million barrels a day at that time and for certain periods. It was to the outer limit of our capability. The prices had gotten as high as the \$30 range, just for easy arithmetic--I'm not saying it was \$30, it might have been \$27 or it might have been 9 million. But 10 million barrels a day times \$30 is \$300 million a day that had to flow into Aramco in payment for oil that was lifted offshore by the shareholder off-takers. We were on a forty-five day payment schedule, so ten days is \$3 billion, thirty days is \$9 billion, and forty-five days is \$13.5 billion that had to change hands all at one time. The shareholders had to pay it; which caused them large liquidity problems. We had to collect it, we had to give part of it to the government and immediately declare a dividend, and all of this had to happen simultaneously, because nobody had this kind of cash that they could just move around and wait for some of it to be returned. So these transactions happened quickly with everybody's banks alerted, the buyers' banks, the Saudis' banks, all were alerted, and this money had to change hands immediately and simultaneously to minimize cash movements to banks, some of which serviced more than one party.

Hicke: I bet you wished you were back in the old days when the trucks drove up with a stack of riyals!

Jungers: So the logistics of moving the money in itself was a tremendous problem. To oversimplify again, banks became very worried about what to do with this cash. When the Saudis and the other producers acquired this cash, they could spend it for projects inside the country. But these projects took time to build up the momentum to spend that money, and it was accumulating in the banks, and the banks really didn't know how to invest it. They weren't sure how liquid they had to be when the countries demanded their money for their projects, because there wasn't a plan--they didn't really know. Therefore they couldn't invest it easily, even if they had a plan.

I recall an evening that I had with David Rockefeller. He and his group came over, and they just wanted to discuss the world as we saw it. Where are we headed with this terrible thing? I think I can make a case for saying that this was the beginning of the downfall in the world's banking. These people had money to lend--too much money. They began to look for places to lend it and therefore lent it more and more to developing countries like Brazil, who built dams they didn't need and squandered the money, and the banks couldn't get the cash back. Today they are fighting the problem of international assets that have to be written off because these loans cannot be collected, and certainly not on time. It created a banking problem that was

really unprecedented and could well be the cause of many of the financial ills of today.

At the same time, we tried to slow this price thing by explaining to the Saudis--and I did it every chance I could and so did any shareholder that ever met with producing governments-- "You are getting more dollars but this has got to become an inflated dollar, and you really aren't going to have any more value than you previously had; you've just raised the price of everything proportionately with oil." In fact, of course, that's what did happen. Furthermore, ultimately the oil producers began to lose energy market share, because oil was too high and people were beginning to conserve energy and began to use different energy sources that wouldn't have ever developed had it not been for the pricing.

The Saudis especially have learned their lesson, and that's why today they are increasing production capability way beyond what's currently needed. They intend to keep the price within reasonable bounds and hold the rest of OPEC in line by this method. They have a couple of hundred years of production capability at high levels, maybe more, and if you realize that you have that--and it's sustainable for plus or minus 200 years, pick your number, it doesn't matter--if you have that sort of an asset that you want to sell, you surely don't want somebody to become a competitor such as alternative energy sources and conservation. You want to price oil just high enough to where you get as much as you can for it and just low enough to where none of these alternative sources makes any sense. That's where we are today.

Hicke: I think they've done that.

Jungers: They've done that. And as for any of this talk about "cheating in OPEC" by the press, which doesn't understand the politics of the countries in OPEC; any of this talk about OPEC not being in control; I think they are not a cartel for all of the reasons I explained. Really they've done a tremendous job of staying together and keeping that price where the alternative energy sources just don't exist today.

Hicke: Certainly does seem that way, doesn't it?

Jungers: That's right. Nobody's building smaller cars anymore. They are not building bigger ones either, but it's kind of holding. Nobody is building nuclear power plants, and the environmentalists can run wild because a nuclear power plant costs more anyway, and so nobody can make a case for conservation.

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- Jungers: Nobody is worried, really, about conserving except as philosophically the right thing to do. We all gave it lip service, and sure people have increased insulation in their houses, but that's about it. They're not concerned about whether to buy a big car that burns a little more gas or not. And that's about where we are.
- Hicke: Yes, but it was pretty clear a couple of years ago that we were not going to let too much oil get away from us.
- Jungers: We are not even concerned enough to pass laws that are favorable to increasing exploration in this country, because today, at these prices, exploration and increasing production in this country is just economically not viable.
- Hicke: And this is all well calculated by OPEC?
- Jungers: Of course. Sure it is. And since that's the case, that means it's got to be in our national interest to keep the Saudis our friends and to keep this production capability for the Western world. That goes for other countries too, of course.
- Hicke: Because Saudi Arabia has the most influence?
- Jungers: They have the most oil. That's about all I think I need to say about that at the moment.

Gas Production for Internal and External Markets

- Hicke: Well, that leaves us with electric power and gas in Saudi Arabia. Tell me about those developments.
- Jungers: Okay, gas. Prior to the price explosion, it didn't make economic sense for Aramco or any other Middle East producer to conserve gas. It was too expensive. You've got to realize that the only reason that there was a gas market in this country is because there was a market that demanded gas. There was no gas market in the Middle East, and you surely couldn't afford to transport it. In the Middle East, the production was self-sustaining by the pressure of the reservoirs, and when you produced these reservoirs, the associated gas was produced with the crude oil. Sort of like putting your thumb on the top of a coke bottle and shaking it and then the coke comes out with gas. So this gas was produced, had no use, and we burned it. The producing areas of

the Middle East were lit up like daylight burning the excess gas.

As pricing increased and as everybody, including the oil companies, began to question the environmental aspects of burning all of this gas, Aramco embarked on a gas program that Yamani and I talked of many times. The shareholder companies were not interested, really, as shareholders, in gas. They had no place to put the gas, and this was an extra expense. So we gradually built up a propane and butane market, we being the shareholders and the Saudis, which primarily existed in Japan. Japan began burning propane and butane, which were the heaviest gasses out of the associated gas stream. This, at the top of our production, consisted of 600,000 barrels a day of liquefied petroleum propane and butane. Because it was heavier gas, it was less expensive to liquefy, and ships were designed that transported this gas, not under pressure, but rather let it expand, compress it, and blow it back into a liquid to cool it. You just kept pumping it as you were hauling it to Japan.

This became a big market. Aramco initiated this, and this left only the methane, which is the C_2 , the lightest end of the gas, to be used in the Kingdom, because methane--LNG [Liquefied Natural Gas]--is too expensive to transport and use economically. It's too expensive and very few terminals exist to take it anyway. So the rest of the gas gathering system was designed to move the methane to areas in the Kingdom that could use it, namely power plants, and to Aramco with its own need for power. That was the beginning of and the end result of Aramco's gas-gathering system. Today, in Aramco, the flares are minimal, just as a safety in production. There are no flares, and it's true in most of the producing areas today: the propane and butane market has become more developed and it's a pretty good source of revenue to the countries.

Electrical Power Distribution: Saudi Consolidated Electrical Company

Jungers: It again was in that period when we were moving ahead with the gas program that it occurred to me primarily that we had to do something with our power system. Aramco had its own power company, its own power. All of our communities were run by our own power plants, and they were as reliable as any power plants are anywhere. Sometimes we went to the local towns at night for dinner with our Saudi friends, and all of a sudden the power would go off, and it would be hot because the AC would be off. And still Aramco's community nearby was lit up and functioning.

These people are there damning their own power system, which was only going to end up with discontent and wondering why only the "Aramco foreigners" had power.

I just knew we had to do something about this. The power that the local power companies had was outdated, old, diesel generator sets that they tried to hook together. They weren't integrated, all localized power, and it was going off all the time, and the transmission facilities were terrible. So we thought of the idea of forming a consolidated power system which--

Hicke: A private company?

Jungers: A private company, could be owned by the government, it could be owned by Aramco. If we could buy these individual power companies and pull them together and tie that into the Aramco system, it would make a lot of sense. The combined Aramco and newly modernized additions to the system could become a large power generation company. We didn't want to be in the power business; we didn't want the retail end of it.

So, as it developed, I finally went to see the minister of the interior, who was Prince Fahd, now the king, and suggested to him that he get a decree, a royal decree if he could, that gave us the authority to buy out these power companies. We would form a Saudi Consolidated Electric Company, we would put our power into this company, we would operate the company for a fee, we would sell our power plants into that company. This power company would be the vehicle that sold power to everybody, including Aramco. The shareholders were not very enamored with this idea; they felt it was over-complicating our lives. But Amir Fahd thought it was a super idea, but the only thing wrong with it was, "Let's do it in Riyadh, first," because his AC was going off too. [laughter]

I told him, "No, we are not going to do it in Riyadh first, because our power is over in the Eastern side, and that's where we--."

He said, "Well, you can tie it in."

I said, "That's sort of the next step. Let's get this--"

"No, I want it in Riyadh!" [laughter] I convinced him that that could hardly be the first step, but he, whenever we talked about this, he then jokingly would pull my leg and say, "When are you going to tie us in?" and "Why don't you do it?"

I said, "Because I don't want powerful people like you calling me up and giving me hell about your AC! That's why. I'm too smart for that," and we'd laugh.

He said, "We wouldn't do that!"

So SCECO [Saudi Consolidated Electric Company] was formed by decree. We had a board of directors that was partially the government, and we ran it. SCECO is still run by Aramco, but it's owned by the government. Of course, now so is Aramco, but it's a separate company. We immediately got government agreement, and the government was quick to appropriate money. We built distribution systems and got rid of the junk and put in modern power plant additions as quickly as we could. The lights were on, the AC was running, and everyone said, "By God, that Aramco did a good job!" And the government got credit, too, for having forced Aramco to do it and thus solved a serious problem for its people.

Hicke: A century's worth of good will.

Jungers: And we were known for that. And I was personally known for having done it. SCECO is a going concern, and they are operating in with Riyadh now.

Hicke: You haven't had any calls?

Jungers: No calls.

So it was all part of a development that really had to occur in Saudi Arabia, and the government was willing, but wasn't ready, wasn't really able to take that big step and, as usual, Aramco could do it, and we did it. And they paid for it. It was about that simple.

Hicke: It sounds like you used humor an awful lot in dealing with people.

Jungers: Well, we tried to.

Hicke: And they went along with that?

Jungers: Well, it was pragmatic humor.

Hicke: Yes, but they seem to have a sense of humor, of being able to laugh at themselves.

Jungers: Yes. So that was SCECO.

ANCOM: Agreements and Negotiations Committee

Hicke: Somehow or another we haven't talked about ANCOM, and I don't even know what it is.

Jungers: Back in the very beginning of time of Aramco, the corporation had a board of directors consisting of the shareholder directors and the Aramco insiders. Early on, Barger was a proponent and sold the idea of putting some Saudis on the board. We didn't have any truly qualified Saudis in the company, but they did put on a couple of Saudi directors way back, one of whom wasn't really connected with the government that much, although the government agreed which Saudis to put on the board. It was an initial step in kind of making everybody feel it was the Arabian-American oil company.

Later, the petroleum minister became a board member, and thus Abdullah Tasilci and later Yamani, was a board member. Amir Saud al-Faisal, who is now the secretary of foreign affairs, became a board member, and we then added a third member, Dr. Abdul Hadi Tahir, who ran Petromin. Those were the last three board members while it was still an American-owned company.

But this posed a lot of problems, because the Saudi board members obviously couldn't be party to agreements between the shareholders. They couldn't be party to discussions of negotiations with the Saudi government and have authority for Aramco to negotiate with the Saudi government, which meant negotiating with Yamani, who was on the board. So rather than having class one and class two directors, we had committees of the board. One was the executive committee, of which one of the Saudis was a member. That was to act as executive committees usually act, which is to act at the pleasure of the board; but it can act quicker on executive items that need to happen when you can't get the whole board together, if they are within guidelines that the board has already set up.

The executive committee then had the acronym EXCOM. We also had an ANCOM, the committee on negotiations with the Saudi government, the Agreements and Negotiations Committee, in other words.

ANCOM consisted of the whole board except the Saudis and except certain insider directors in Aramco that were just not involved in this process. We cut some of them out deliberately to make it consistent with cutting the Saudis out and make it look right, although the Saudis knew exactly why we had to do

this and they understood this. So this was the ANCOM. Negotiations and correspondence with shareholders was all under the ANCOM umbrella and therefore was privileged as far as the Saudis were concerned, and privileged as far as the whole board of directors was concerned. It was never discussed in the board except to say, "We reached an agreement with the Saudi government that says--"

Hicke: These were reports that you would write back after meetings?

Jungers: After meetings and trying to discuss where do we go from here and "I want more authority to do the following things," and "Yamani said this, and I don't believe him," and all of that. So that correspondence was closely held until parts of it got away in some of these congressional investigations led by Senator [Frank] Church of Idaho. He and his liberal colleagues were so intent to defend Israeli positions and to blame the oil companies that they allowed some material sensitive to producing countries to surface. We had been careful not to say things in that correspondence that were insulting to anybody in the government, but in the correspondence there were inferences that you didn't really think that this is what Yamani meant and so on. Some of that stuff did surface, unfortunately, and Yamani and I had some words over it. I suppose, in retrospect, I could have written some of it even more carefully, but--

Hicke: It's hard to draw the line and--

Jungers: --and still try to convey the message. Similarly, I got correspondence under the ANCOM umbrella that certainly was a message they wanted to convey and it certainly wasn't for the ears of Yamani, either. So this stuff had to be privileged, but under the Freedom of Information Act, it got loose, some of it.

Hicke: Well, what you received couldn't have gotten loose, but maybe they kept copies in the files somewhere?

Jungers: Sure they did. It was all over. They were careful, but they were big corporations and they had a lot of staff, all of whom had files.

Hicke: Well, they subpoenaed--I know that they subpoenaed all of Chevron's records.

Jungers: Sure they did. Of course they did.

Anyway, this was ANCOM.

VII LIFE AFTER ARAMCO

Board of Directors, Georgia-Pacific ##

Hicke: Okay, let's just talk a little bit about some of the things you are doing now.

Jungers: I left Aramco in January of 1978 after thirty years, at age fifty-one. I decided to stay active, and initially I accepted board offers to be on boards of directors primarily based upon them being windows to look out of. In this regard, Georgia-Pacific [Forest Products Company] was one company that was then headquartered in Oregon and asked me to join their board. It's a large company; it is now the biggest forest products and paper company in the world, and I've been on that board since '78. It did indeed turn out to be a good window. I learned a lot about the timber industry.

[phone rings; tape interruption]

Jungers: It's an ongoing board seat that I value very highly. They are, of course, deeply involved in the environmental issues of today, which makes it an interesting company, also.

Hicke: And you were telling me they own property all over?

Jungers: Yes. It's a large company. It owns property all over the United States, timber lands.

Hicke: They are headquartered in--

Jungers: They are now headquartered in Atlanta. They moved out of

Portland and went to Atlanta.

Board of Donaldson, Lufkin, Jenrette; Thermo-Electron

Jungers: At the same time, within a reasonable period then, I also joined the board of Donaldson, Lufkin, Jenrette, which was a smallish investment banking firm but a prestigious one. This also was a good window. And Arab friend of mine, Suliman Olean, was a significant shareholder, and this is what brought it to my attention. I remained on the board until we sold the company to the Equitable Life Insurance Company, but at that point I was asked to remain on the board, I and three other of the outsiders. We are now titled "advisory directors," but we function in every way as a director. In the case of Donaldson, Lufkin, Jenrette, I also became a significant (at least for me significant) shareholder, and in addition to being a window, that also began to set a pattern of belonging on a board mostly when you have a significant investment.

At about that time, I also joined the board of a company called Thermo-Electron. It is a very fast-growing, technology company in Boston, listed on the New York Stock Exchange, founded by an MIT professor at a time when he began to realize that energy was a problem. The professor, Dr. George Hotzapolous, was a professor of mechanical engineering, and his specialty was thermionics. This company has grown very rapidly. It has been a most rewarding board membership from the standpoint of learning about the technology, learning about how to best manage a technology-oriented company, and of course I have a very significant investment.

In Thermo-Electron we have devised a unique system of spinning out ideas into subsidiary companies that go public, and we retain say 80 percent control of them. These companies operate separately with some Thermo people on the board, some Thermo outside directors on the board, and some truly outside directors on the board. This has worked very well, because it gives the management of a new idea an incentive to finish with the R&D phase more quickly and get it out on the market where they can get some stock of their own and realize the profit on their idea. We have spun out eight companies this way, and it's working very well indeed. The products that came out of the company all started as energy-oriented research that usually has a unique fallout of some kind. It is most interesting.

Since that time, I have joined only boards where I have a significant investment in the company. For example, AES

Corporation was founded by Roger Sant, who was on the Thermo board with me. He set out on his own to form this co-generation company, asked me to be a director and an initial investor. This has been a true success story. It is a fine company, operated for all of the right reasons and with a very modern management outlook. I could go on and on with some of these boards, but they all have the same sort of a twist to them and most of them have an environmental and/or energy type of thread running through them.

[phone rings; tape interruption]

Other Interests

Hicke: Let me just ask: I know you are doing some work with the University of Washington and Oregon State.

Jungers: Yes. Like I said, there are a number of other companies that I am currently associated with for one reason or another. Most of them are investment-oriented reasons. In the case of Dual Drilling, it was an investment-oriented reason; it was a company that I bought for the Bechtel group at a time when they wanted to get into the oil-related business, and I stayed with the company as an investor and as a board member until the Bechtels and the investors sold their interest to a Norwegian shipping company, Musvald, and I agreed to stay with the company and in fact have agreed to become an advisory director of the Musvald board.

I did it for two reasons: one because I liked the Dual management and was interested in making sure that they got on well with the Musvalds. Secondly, I was interested in a Norwegian company and finding out how Norwegian companies function. So I stayed with it. I'm still there. Dual has since gone public on NASDAQ and I joined its board again.

Hicke: You could write a book on management.

Jungers: Yes.

And the other area that I've gotten into is universities. I became a trustee of the American University in Cairo before I left Aramco, and the American University in Cairo was of great interest to me because it was doing a superb job of providing an American-oriented education in Egypt, and it was highly regarded in Egypt. All of President Nasser's children went there, President [Anwar] Saddat's children went there, President Saddat's wife went there. It's a small school, a liberal arts school. During my time we had given it a good start in the engineering field, too, but it became even more important when

the American University in Beirut ran into trouble with all of the civil strife in Lebanon. AUB was a bigger university and more broad, but it had a similar type standing in the Middle East. In fact, many of the government figures in the Middle East are graduates. But now that AUB is sort of gone, AUC in my opinion becomes even more important even though it's smaller, and so I stayed with it as a matter of interest and contribution.

I also joined the board of the University of Washington Foundation and have done a lot of development work. I funded a professorship because I am an alumnus of the university. In conjunction with the university, the dean of engineering had asked me to become part of the ECSEL group as an advisory director. ECSEL stands for Engineering Coalition of Schools for Excellence in Education and Leadership; it is to promote excellence in engineering curriculum.

It was put together under the aegis of the National Science Foundation, and there are a number of universities that are part of it, all engineering-oriented: University of Washington, MIT, Howard University, Morgan State, et cetera. We usually hold meetings at the Howard University campus in Washington, DC. Howard is, as you know, a black university, and a very good one. It has been interesting to be part of it.

This group, ECSEL, is doing some remarkable and badly needed work in changing engineering curriculum and in changing what needs to be done to cause students to want to get a technical education. The previous practice has been one of eliminating all but the very best students early. Young people became discouraged early by heavy doses of physics and mathematics, especially since it wasn't yet apparent why such subjects were needed. The new approach is one of not trying to flunk them out, rather try to get their interest and hold their interest and begin to teach, using techniques of designing and building a product like a small rudimentary rocket engine. Early on, students will realize they need only to run smack up against some mathematics and some physics that you don't understand. So you give them a light touch of each one that helps this course. And the next thing you know, you have created some interest. Then they are led into stuff as they go on. You are pulling people along instead of trying to flunk them out and the result is more people interested in technical careers.

This is catching a lot of momentum. It is monitored by the National Science Foundation and is an extremely interesting process. These seven universities are the forerunners in this, and already others are trying to become a part of it. It is hard to turn a university curriculum and methods around.

Hicke: Sure. Everybody who teaches has a vested interest in teaching what they have always been teaching.

Jungers: Exactly. I am also involved with the Oregon Health Sciences University, which is a small but old and prestigious medical school, nursing school, and school of dentistry that used to be part of the University of Oregon, but now the Health Sciences University is separate from any of the other universities. It also runs the veterans administration hospital, it runs the children's hospital, and does a lot of research work. I believe it's the largest employer in Oregon because of the research and hospitals. I find it an interesting thing to work with, because they've got some real money problems that we can help with good development programs. And they've had, of course with a large organization like this, real management problems that business people can assist. So I find these things interesting.

I think that about winds this up.

Hicke: I'm sure you have been doing a lot of traveling but we'd be here another week or so hearing about all of that.

Jungers: Yes. I bet you would. I don't know what that really contributes. Okay?

Hicke: Thank you very much.

Transcriber: Kian Sandjideh

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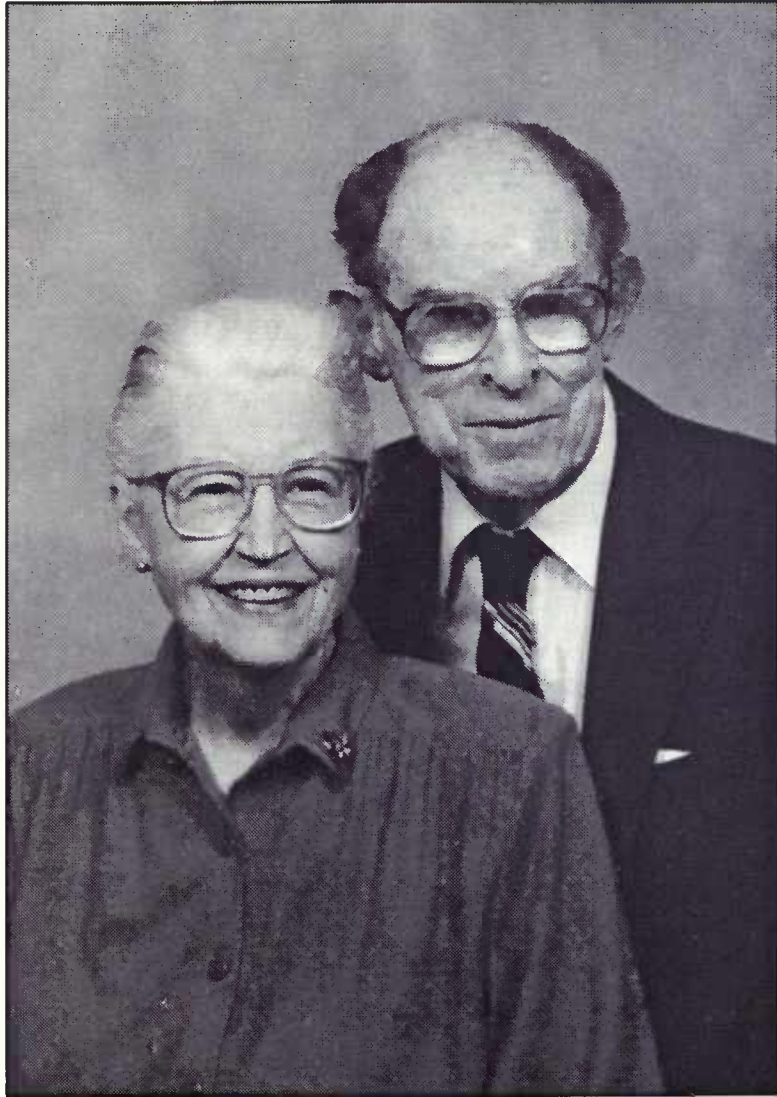
University of California
Berkeley, California

American Perspectives of Aramco, the Saudi-Arabian Oil-Producing
Company, 1930s to 1980s

Paul and Elizabeth Arnot

ENGINEERING AND FAMILY LIFE IN ARABIA

Interviews Conducted by
Carole Hicke
in 1993



Elizabeth H. Arnot and Paul H. Arnot, 1993.

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INTERVIEW HISTORY--Paul and Elizabeth Arnot

Paul and Elizabeth Arnot lived and worked in Saudi Arabia in the early days of Aramco. Their recollections form the earliest tape-recorded memories in this series.

Paul joined Aramco (then called the California-Arabian Standard Oil Company, or Casoc) in 1938 and was sent to Saudi Arabia in August of that year. He went to work as a field engineer on drilling and production. In 1944, Elizabeth signed up with Aramco as a nurse and went to Arabia, where she and Paul met and married. It was life on a frontier, in the desert. They had half a block of sidewalk in front of their house where she wheeled the baby stroller up and down. Over the years, they saw the company evolve into a gigantic oil producer, and life in Arabia underwent a similar change. Paul went on to become general manager of operations, vice president for operations in 1958, and senior vice president and director in 1961.

Paul and Elizabeth were interviewed in their retirement home in Cupertino, California, on April 1, 1993. Sadly, Paul died before reviewing the transcript, but it was reviewed by Elizabeth and a few changes made. An interview with Bill Mulligan was conducted earlier, and an article by Paul is attached to the transcript.

Carole Hicke
Senior Editor

September 1994
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name PAUL H. ARNOT (MIDDLE NAME: HALBERT)

^{PLACE}
Date of birth LICKING, MISSOURI Birth ^{DATE}_{PLACE} MARCH 9, 1908

Father's full name HALBERT LYKIRBY ARNOT

Occupation FARMER Birthplace MISSOURI

Mother's full name IDA JOSEPHINE COLLIER

Occupation HOUSEWIFE Birthplace MISSOURI

Your spouse ELIZABETH HELEN ARNOT

Occupation NURSE/HOUSEWIFE Birthplace RIFLE, COLORADO

Your children MEHALA ANNE RUSZKIEWICZ

Where did you grow up? LICKING, MISSOURI

Present community DECEASED

Education B. S. ENGINEERING, UNIV. OF CALIF. BERKELEY

Occupation(s) CHIEF PETROLEUM ENGINEER - ARAMCO
SENIOR VICE-PRESIDENT - ARAMCO
CHAIRMAN/CEO - ARAMCO OVERSEAS COMPANY

Areas of expertise ARAMCO ADMINISTRATION AND AFFAIRS

Other interests or activities GENEALOGY
ARCHAEOLOGY

Organizations in which you are active _____

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name ELIZABETH HELEN ARNOT

Date of birth MAY 9, 1913 Birthplace RIFLE, COLORADO

Father's full name ALLEN L. ZERBE

Occupation FARMER Birthplace OHIO

Mother's full name ELIZABETH FINLAY ZERBE

Occupation HOUSEWIFE Birthplace DURHAM, ENGLAND

Your spouse PAUL HALBERT ARNOT

Occupation PETROLEUM ENGINEER Birthplace LICKING, MISSOURI

Your children MEYALA ANNE RUSZKIEWICZ

Where did you grow up? ORANGE COUNTY, CALIFORNIA

Present community CUPERTINO, CALIFORNIA

Education B.S. UNIV. CALIF. BERKELEY 1935

M.S. UNIV. CHICAGO 1941

Occupation(s) NURSING EDUCATOR

HOSPITAL WARD ADMINISTRATION

Areas of expertise CARE OF SURGICAL PATIENTS

INSTRUCTION IN CARE OF SURGICAL PATIENTS

WARD ADMINISTRATION

Other interests or activities STITCHERY

TEACHING STITCHERY

Organizations in which you are active EMBROIDERER'S GUILD OF AMERICA

COUNCIL OF AMERICA EMBROIDERS; AMERICAN ASSOCIATION OF

UNIVERSITY WOMEN.

I BACKGROUND

[Date of Interview: April 1, 1993]##¹

Hicke: I'd just like to start by saying this is April 1, and I'm talking to Elizabeth and Paul Arnot. I have just seen a book that Aramco gave Paul when he retired in 1968, and I like particularly this one phrase which says, "Paul Arnot is an outstanding oil man. Aramco has become a great oil company. There's a clear connection between those two facts." I think that's quite a tribute.

Let's just start with you, Paul. I'd like to ask you when and where you were born.

P. Arnot: I was born in Licking, Missouri, March 9, 1908.

Hicke: And you grew up--

P. Arnot: In Licking, Missouri. I went to high school there, finished high school there. At the end of high school, my mother moved to the state of California, in Taft-Bakersfield area of California.

Hicke: And let's ask you the same question, when and where were you born?

E. Arnot: I was born on May 9, 1913, in Rifle, Colorado.

Hicke: And you grew up in Colorado?

E. Arnot: No. My father brought our family to southern California when I was about five, and I grew up in southern California until I came up to the University of California at Berkeley.

¹This symbol (##) indicates the beginning or end of a tape side. For a guide to the tapes, see page following transcript.

Hicke: Is that where you two met?

E. Arnot: No, we met in Arabia.

Hicke: Oh, I see. Okay. Well, let's find out here how this happened. You went to the University of California at Berkeley.

P. Arnot: Yes. I have a degree in mining engineering.

Hicke: And you graduated in 1932.

P. Arnot: That's right.

Hicke: And then you went to work for Standard--

P. Arnot: I went to work for the Standard Oil Company of California. They sent me to Lost Hills as a well puller--rather, actually, I was a pumper. I would say for I guess about a year and a half or so, I was a pumper and a well puller, more or less field work.

Then I was transferred back to Taft, worked as a maintenance man for about a year and a half. They sent me to San Francisco in the department of cost control; they put me in a training program. I worked for about six months in the San Francisco office. Then I was sent to La Habra, California, as a development engineer, worked there six months. Then they sent me to Kettleman Hills as a production engineer, all part of the training program.

The training program was all right, but the fact that I was from the organizational cost control department always put a kind of a question mark on my acceptance, the fact that they were apprehensive that perhaps I was there to reorganize the outfit, or possibly being on a training program as a threat to the supervisor.

Hicke: Little damper on your welcome?

P. Arnot: That was right. So I never was fully, wholeheartedly accepted into it.

II ARAMCO

Joining the Company

P. Arnot: Then, at the end of my six months at Kettleman Hills, I expected a transfer, but I got a call from San Francisco, and they asked if I wanted to go to Arabia to work for Casoc [California-Arabian Standard Oil Company, predecessor to Aramco]. They were good salespeople, so I accepted. I ended up in Arabia on August 15, 1938.

Hicke: Do you recall who called you?

P. Arnot: Gaylord, the chief petroleum engineer. Actually, I was interviewed for the job to be sent to Arabia by Floyd Ohliger, who happened to be in San Francisco at that time.

Hicke: That's certainly a familiar name. He really goes back, doesn't he?

P. Arnot: Oh, yes. Well, Floyd was in Arabia way long before my day.

Hicke: But the well didn't start pumping in Saudi Arabia until the thirties, wasn't it?

The Move to Saudi Arabia

P. Arnot: Well, I'll tell you the story on that.

The first well, well #7, the discovery well, was completed in March of 1938. That was three or four months before my arrival. Interesting, on my arrival in Bahrain--Bahrain is an island just off the coast of Saudi Arabia, and it was the point of entry to Saudi Arabia at that time. It had an airport and also a seaport. Our ship went to Europe, and from Europe,

Southampton, I took a BOAC flying boat, and then went to Bahrain. Bahrain was the seaport for that area. Actually, you spent the night in Basra, and the next morning we went to Bahrain.

Well, on the plane I met the GSI, which was the geophysical individual, who had told me that the man representing Casoc, they called it the Casoc House, or a point for us to contact, was a fellow--frankly, he used pretty rough language, he said he was a first-class S.O.B.

When I arrived, it was hot. It was in August. Oh, it was terrifically hot. I probably had a coat and something else on at that time. Well, when I got there at the office, Bill Faulkner, who was the man in charge, was on the telephone to someone, and the guy said--I'd heard cussing before and cussing later. He was an absolutely first-class--when he was there cussing over the telephone, all I could think of was Mark Twain telling his wife that she knew the words but not the tune when she cussed. Well, he not only knew the words, but he knew five different tunes. [laughter]

Finally he said to the person on the telephone, "I hope you rot in jail." Then he slammed the receiver down and turned to me and said, "Who in the hell are you?" Well, with that, I was about ready to fall through the floor. I told him who I was, and he said, "The launch for Arabia leaves at 1:30 today, and you goddamn better be on it."

So I said no, I had been invited by Charlie Davis, who was the production manager at Bapco [Bahrain Petroleum Company], to go spend the night with him. Well, he then queried me how I happened to know Charlie Davis; that kind of put a little damper on his enthusiasm for cussing me out.

I said also that I was told that I should go have some clothes made, before going in, and buy a topi. So he asked for one of these men to go with me, and I had measurements taken for the clothes. I thought maybe I had to come back in a couple weeks to get the clothes, but they said they'd be ready the next morning.

So the next morning--I spent the night with Charlie Davis--

Hicke: Can I just interrupt you and ask who was Charlie Davis?

P. Arnot: Charlie Davis was the production manager--he was the friend I knew in Kettleman Hills. He was a Standard Oil of California man who had been transferred ahead of me into Bapco--Bapco is

also part of Standard Oil Company of California. Actually, they were at that time a full owner of the Bapco. That's Bahrain--

Hicke: Bahrain Petroleum Company.

P. Arnot: Yes.

Hicke: Okay, so I interrupted you when you were about to go back for your clothes.

P. Arnot: Next day I went and picked up my clothes, and they fit perfectly. So getting on the launch, there were three people besides me. Two men were a little worse for wear, but the third man was Dick Kerr. Well, then Dick Kerr told me, went on to great length as how he had cussed Faulkner out, really told him off. And it developed that he was the guy that was on the telephone.

What had happened, the first barge of oil from Saudi Arabia had made a shipment the day before, or that morning, the 13th or the 14th, and he had caught a ride on it to go over, to ride the first shipment over, without any passport, any re-entry or exit visa, or anything. So that was what all the argument was about.

Hicke: And he was on that first barge?

P. Arnot: Yes, on the first barge.

Hicke: That's really interesting. And here you must have gotten both viewpoints, both sides of the argument.

P. Arnot: Yes. This conversation didn't last more than ten minutes, and I could see that the person on the other end of the line was feeding him something, knowing that he couldn't equal Faulkner in language. [laughter] I was raised as a kid in Missouri with mule skinner and so forth, and they were pretty good at cussing, and later, I had a lot of contact in California with drillers, and also in Arabia with drillers. They were all good ones, too. But Bill was tops.

Hicke: He was the king.

P. Arnot: Yes.

Hicke: Well, what were first--well, please do tell me stories whenever you can, because I know Frank Jungers is interested in anecdotes.

P. Arnot: Well, he mentioned that. I told him also that when you tell some of these stories, he also--he involves other people too, who could be hurt by it, I don't know.

Hicke: Well, of course, we'll get your permission before we print anything, I'm sure that you'll want to do that. I'm going to ask you to sign a release just to make the information available, but it won't be made available until you approve it.

P. Arnot: Yes. Well, then, of course, that was my first trip from Bahrain; I landed at the al-Khobar pier. Dick disappeared; I don't know how he got off. I'm sure that he would have said, "Well, I've just run over on the launch and just came back," and he would tell some story like that. But anyway, he disappeared, so I didn't see him.

It was interesting when I landed in al-Khobar. Al-Khobar now is a city of probably 50,000 to maybe 100,000 people. At that time, it was six barasti--now, barasti is a palm frond hut, village. [discussion of spelling] The custom house was apparently where the people in the custom house lived, and across the way, which now is the al-Khobar city, it was one barasti.

So we went on up to Dhahran camp, which was about, I'd say, eleven kilometers away, a short distance. It wasn't very impressive either.

Hicke: Had they opened that big pipeline yet? I've seen all of those movies that they took of King Saud opening the pipeline.

P. Arnot: No. The pipeline--

Hicke: Or was that Tapline?

P. Arnot: That was probably Tapline.

Hicke: But there was some kind of a pipeline--

P. Arnot: Oh, I think you probably saw when they made the first shipment of oil off of Ras Tanura, and he was opening the valve there to turn on the oil. All the oil had been transferred over, and I think the tanker had already been filled, and the whole thing. But these were all faked deals for the benefit of the king.

Dhahran in 1938

- Hicke: Oh, I see. [laughs] So where did you go after you arrived at al-Khobar--you said to Dhahran?
- P. Arnot: Well, we went on up to the camp, and I was there from 1938 until '46.
- Hicke: Is that where you met him?
- P. Arnot: Well, okay, you tell her.
- Hicke: Yes, I want to bring her in wherever--
- P. Arnot: Okay, that would be a good place then.
- E. Arnot: You probably ought to tell her about the Palmer huts first. What the camp was like when you arrived.
- P. Arnot: Oh, the camp when I arrived--
- Hicke: This is Dhahran?
- P. Arnot: In Dhahran, the camp consisted of Palmer huts. Now, a Palmer hut was a metal building with one room, fully air-conditioned, fully insulated and everything.
- Hicke: Prefabricated?
- P. Arnot: Oh, yes, prefabricated. As a matter of fact, it was shipped in as a whole.
- Hicke: Something like quonset huts?
- P. Arnot: Well, no, it was square. Actually, we never had quonset huts over there. There was a furush building. Furush buildings: they would mine from the seabed big slabs of limestone rock, which they used for construction of buildings.
- Hicke: Is that right? So it was seabed rock?
- P. Arnot: Oh, yes. It was about four to six inches thick, and they were able to pry it up in big hunks.
- Hicke: How was that insulating?

- P. Arnot: Well, you had to insulate in addition to that. No, it wasn't for insulation; it was a poor insulation. During some of the damp days, it used to smell like the sea, too.
- Hicke: Were those for living, or were those office buildings?
- P. Arnot: They were offices, and also some of the buildings, actually some of the houses were--I was thinking of that house we lived there, the last one. Was that a furush?
- E. Arnot: I don't remember.
- P. Arnot: I don't remember either.
- Hicke: Where did you live when you first--
- P. Arnot: Well, I lived in the camp, bachelor there.
- Hicke: In a house?
- P. Arnot: No, in a dormitory, in one of these Palmer huts. The air conditioning was very marginal. The weather there is, in the winter months it's nice. In early April until, say, around the first of August, it was extremely hot. The month of August and sometimes part of September, you got the tail end effects of the monsoons that blew in, change the wind, they blew in off the Gulf. It was extremely hot and humid, extremely humid, just dripping wet. Then from September on, the fall season is quite warm until the winter months. We didn't get very much rain, I'll assure you.

Elizabeth's Background

- Hicke: Okay, now is it time to get your story?
- E. Arnot: I was working for the University of California School of Nursing. I was a surgical nursing care supervisor. Everybody was leaving--this was 1944--everyone was leaving to go into some sort of military work. But I wasn't acceptable to the army, and I had early in 1944 a call from the forerunners of the United Nations, I think it was UNRA [United Nations Relief Agency] at that time, to go to Greece to set up the schools of nursing after Greece was liberated. But my employer, the dean of the school of nursing, wouldn't release me, because I had a contract until the first of July.

But later, Dr. Curtis from the Standard Oil Company came to her and said that they were looking for someone to be the chief nurse in Arabia, and also to hire nurses. She told him that she thought I was going to leave anyway, and that he had permission to interview me. So he did, and there was another nurse, Shirley Farrow, who had decided that she would go.

Hicke: To Saudi Arabia?

E. Arnot: Yes, to Saudi Arabia. So I thought, well, this was a chance for me to go and do something different.

But at that time, San Francisco was a war manpower shortage area, and you had to have permission to change jobs. So I had to be interviewed by the War Manpower Commission on, I don't know, four or five occasions before they finally said okay, I could go. You could quit your job and then be unemployed for a month, and go someplace else and be employed. But they finally gave me permission.

So on the 12th of June, Shirley and I, and I think we were with a party with six men, left San Francisco.

Hicke: Which year?

E. Arnot: In 1944. We traveled by train to Chicago, to Miami, and from Miami we were flown with the army--it was the ATC at that time, the Army Transport Command--and we went by way of San Juan, Puerto Rico, and British Guyana, and then to Belem in Brazil. We were there about eight days before--you took turns, whoever came up. If a batch of VIPs came along, they got priority to go, and finally your turn came.

Then we went on across to Ascension Island and then to the west coast of Africa, to Accra.

P. Arnot: Tell her you had captain's rating, or something.

E. Arnot: Oh, well, they gave us a military rating in case we'd be captured and made prisoners of war, so we were given a officer's rating.

Hicke: And you were a captain?

E. Arnot: Well, I don't think it was that; I'm thinking about it.

P. Arnot: Well, say you were a general! [laughter]

E. Arnot: I think it was a lieutenant.

Anyway, then we flew across Africa and got to Cairo, and then the army turned us loose in Cairo. At that time, they had an office there, but we had a difficult time getting in touch with the manager.

Hicke: Standard Oil had an office there?

E. Arnot: Yes, a representative. I've forgotten exactly now how we did get our arrangements made, but we finally were flown on down to Bahrain Island. The chief nurse at Bapco had broken her leg, so they wanted one of us to stay there to assist the nurses there. So Shirley stayed there, and then I went on over to Arabia. So I was the first new female face to be seen for a couple of years.

There were just two nurses there: Carol Fitzgerald and Ruby Bowman, head of the nurses that were there. And they were most anxious to leave. They practically had their bags packed and were ready to go as soon as somebody arrived.

Hicke: Had they been there a long time?

P. Arnot: They were there during the war years, and you've probably noticed something about the "hundred men" in reference here--

Hicke: Yes, we need to pick up you from '38 to '44.

P. Arnot: But they keep talking about, in some of the books we have in there by McConnell and Stegner, they talk about the hundred men, but they always seem to forget the hundred men and two women nurses who were there.¹

Hicke: And there were only two women?

P. Arnot: Oh, yes.

E. Arnot: Because families had left, you see. They had evacuated the families. Paul can go on to that.

Hicke: Okay, let's back up a little bit now, and we will--

E. Arnot: Then I met Paul, and that was that. [laughter] We were married then the first of February of 1945, and they told me that I would have my record closed with the words that I was an unreliable female employee.

Hicke: You had to quit?

E. Arnot: Yes, yes.

¹Phil McConnell has written a book called *The Hundred Men*.

- Hicke: And they gave you a dishonorable discharge?
- P. Arnot: Well, actually, she didn't quit--
- E. Arnot: A dishonorable discharge. Imagine how that would go over in these days of women's lib!
- Hicke: Oh, isn't that amazing.
- E. Arnot: So then I stayed twenty-four years.
- Hicke: [laughs] Unreliable! Let me just ask you, when you first saw Saudi Arabia, what were your impressions?
- E. Arnot: Well, it looked pretty grim. Their automobiles had deteriorated, and Dr. T.E. Alexander, who was the chief doctor, met me at al-Khobar. I sat in the passenger seat and rolled up the window, and it was a piece of plywood. A shamal was blowing, that's the wind, the dust storm.
- P. Arnot: That's north.
- E. Arnot: So we drove on up, and he then took me to where I was going to live.
- P. Arnot: You were given pretty nice quarters.
- E. Arnot: Oh, yes, we had a half a duplex, Shirley and I. But there were no families there, so there was plenty of room in the existing housing. By that time, a number of houses of course were built. There was a small hospital, and of course a dining hall and a recreation--club house. So there we were.

Paul's Early Work

- Hicke: Okay, let's go back to '38 and find out what you started doing.
- P. Arnot: Well, I went to work as a petroleum engineer, did the straight petroleum engineering work until 1940, when we were bombed. The Italians bombed in the fall--I think it was November, 1940--bombed the place. Going back a little bit, I think when I first arrived in Arabia, there were seven wives, no children. A little later on, they began to build more houses, and they moved--and I think they probably had up around almost--I don't know whether it was thirty or not. Then there were a few children; I think one child was born there.

Then the Italians bombed the area, the camp, and they evacuated all the women. So that made some of the houses available for bachelors, so we began to move into those, and they were a little more sumptuous than the old places.

I was actually--in 1941, I was on vacation in San Francisco when the war was declared. They immediately wouldn't release me, so they shipped me back to Saudi Arabia. I spent the war years there until after the war.

Hicke: Okay, let's back up again now. Who did you go to work for?

P. Arnot: Gavin Witherspoon.

Hicke: He was head of the--?

P. Arnot: No, he was the--oh, gosh, I guess he was--I'd call him chief petroleum engineer.

Hicke: And what were you doing?

P. Arnot: I was straight engineering.

Hicke: Well, what was the group doing? Exploring for oil?

P. Arnot: Well, at that time, they had field parties, seismograph parties, which I wasn't involved with. They were drilling wells. At that time, we had I think four or five drilling crews. That was my job, was on the drilling aspect of it, and also on the production. Actually, in those days, for example I used to go help the oil be shipped through Bahrain. I often was asked to go down and gauge the well. Also, you helped out in the production end, and so forth. Straight engineering, field engineering work.

Hicke: Did you hear any stories about the early days?

P. Arnot: In what sense?

Hicke: About the times before you were there. Did they tell you any interesting tales about how the well came in, and that kind of thing? Anything that hasn't been already in the books that you can recall?

P. Arnot: No, but you can always--with hindsight, you can see where what they did was wrong. For example, and it was quite obvious when they completed well #7, they had a drill stem test, and it was stuck, and it was quite obvious they didn't make any attempt to unstuck it. Well #2 produced they thought a lot of oil one

time, and it turned out in fact that actually it produced nothing but water, mostly water. They found that out when they went to get from the tank, they wanted to get some oil, and all they got was water.

Hicke: Well, that's not such a bad thing either.

P. Arnot: At any rate, it will be a long story if you want to get the early history of the drilling effort.

Hicke: Well, I've read a lot of that, but I thought if you had some human interest type anecdotes--

P. Arnot: No, I don't; of course, if you read the books, you talk about the bombing, the human interest stories there, some of them are true and most of them are exaggerated.

Weathering the Crises

P. Arnot: But one of the things that we might mention at this point, we had had a number of crises in Arabia.

Hicke: Crises?

P. Arnot: Yes. Every time Israel or anybody tried to invade the Arab countries, it always produced a problem for us, really created quite a crisis. Often we shipped the women out, and gave option to men who wanted to leave also--

##

P. Arnot: For example, one Wednesday, I don't know--they called it Rock Wednesday or something--it must have been about '66--

E. Arnot: '67.

P. Arnot: '67, they surely did move into the camp and did some damage and threw rocks and so forth, and turned cars over. At that time, they gave people an option to leave. A lot of the women did leave, and some of the men did. But it's like with the bombing in 1940, I found out you're not able to predict which people want to stay, or people you can rely on. The most jolly, most outgoing people, will be the first to be on the plane to leave.

Hicke: Is that right?

P. Arnot: The other thing about it is, quite a number of the women said, "If my husband can stay, I can stay." And they had to be shipped out.

Hicke: You mean they had to be shipped out forcibly?

P. Arnot: Yes.

E. Arnot: But that was early, that wasn't in the '67 thing, because lots of women stayed. More women stayed than went.

P. Arnot: Yes. But when they shipped all the wives out after the bombing, some absolutely said, "If my husband is going to stay, I'm going to stay, too."

Now, we found out a little later--I think we made about three exoduses, giving people permission to leave. We began to find out that some of the women took advantage of it just for the trip.

Hicke: [laughs] And they'd be right back.

P. Arnot: Oh, sure, yes, sure. But you couldn't depend on the people, you couldn't plan on this group of people you wanted to be your cadre. You just couldn't do it, because they just didn't react that way. You probably had to get in to see why that is true, but anyway, that developed.

Now, all during the war years and even later, we had evacuation plans for people, in case of a major rebellion or something like that, we could move people out. Actually, in fact, I don't think there's ever been a very successful move.

Hicke: Where would they have gone? To Bahrain, first of all?

P. Arnot: Well, it depends on the availability or which way the trouble's coming from. Now, Iran was always a threat. And of course, later Iraq was a threat.

Wedding in Bahrain

Hicke: Let me ask you, Elizabeth, what was your wedding like?

E. Arnot: Oh. [laughs] We went from al-Khobar on a launch to Bahrain, and we were married in the parlor of the parsonage of the Dutch Reformed Mission in Manama.

Hicke: What kind of paperwork did you have to do for that?

E. Arnot: Well, I don't recall that we had to get a license, but Dr. Van Peurson gave us a certificate of marriage.

P. Arnot: Well, then we went immediately to the U.S. Consul in Cairo--

E. Arnot: Oh, yes.

Hicke: And registered?

P. Arnot: And registered, yes.

Hicke: And did he speak English?

E. Arnot: Dr. Van Peurson? Oh, yes. He and his wife were missionaries there in the mission. There was a Dutch Reformed Mission on Bahrain, been there many years. They did tremendous medical work with the Arabs. And they also had a branch down in Muscat, on the mainland of Arabia.

Hicke: Did you have some kind of festive attire made?

E. Arnot: No, I was married in a black dress, which horrified my daughter later on when she heard about it! [laughter] No, I had no ideas of getting married when I went. I didn't take any wedding finery.

Our wedding rings were made out of a British gold sovereign by a little local metalsmith sitting on the dirt floor in like a little stall.

Hicke: Is that the one you still wear?

E. Arnot: Yes. Then we left the next morning on a British flying boat--what were they--

P. Arnot: New Zealanders.

E. Arnot: They were New Zealanders who were flying it--

P. Arnot: Navy. Air force.

E. Arnot: Yes. And from there to Cairo, and we were in Cairo for eight days, and then they sent us to Port Said, and we were there eight days before we got on a freighter coming to the United States. Then we traveled as far as Oran on the freighter where a convoy was made up, because the war, you see, was still going

on. So we went then across the Atlantic to Baltimore in a convoy.

Hicke: Why did you come back to the States?

E. Arnot: Well, Paul was due for vacation.

P. Arnot: And she got fired!

E. Arnot: And I got fired. [laughter]

P. Arnot: Well, there wasn't any housing in Dhahran. As a matter of fact, when we were in Cairo, the first group of women being sent back to Saudi Arabia was in Cairo on their way to Saudi Arabia.

Hicke: Oh, really? So the war in Africa at least was over.

P. Arnot: Yes. And at that time, things were looking--and also, things from the standpoint of construction and production, everything was looking straight up in Saudi Arabia. They had found good oil in Abqaiq.

III LIFE IN ABQAIQ

Moving to Abqaiq

Hicke: Did you go to Abqaiq when you were there?

P. Arnot: Oh, yes.

Hicke: Now you were in Dhahran until when?

P. Arnot: '46. That is a story. Elizabeth was very much pregnant at that time. They called me into the office and told me that I was being sent to Abqaiq as drilling superintendent and area administrator. Well, it bothered me, because I was apprehensive in leaving Elizabeth pregnant in Dhahran. But anyway, I did go there.

Hicke: How far away is it?

E. Arnot: It was not too far away.

P. Arnot: About thirty-five miles. But across absolutely nothing but sand. No roads. Now, Elizabeth had the baby in--[pause]

E. Arnot: December of '46.

P. Arnot: Yes, December, in '46. And we moved--I moved her to Abqaiq, the first wife, and with this--she would have been a three-months-old baby?

E. Arnot: No, no, first of February.

Hicke: She was barely over a month--six weeks.

P. Arnot: And that was quite a thing, over the desert and so forth. No medical facilities, no commissary. We had to get our meats and so forth from the dining hall. She had no neighbors.

Hicke: I call that a frontier life.

P. Arnot: [laughter] It was.

E. Arnot: Yes. We moved into the first house that was finished, and as we moved in, they were putting up the curtain brackets and doing finishing, and the Arabs were absolutely astounded. Many of them had never seen a white woman, much less one with her face completely uncovered, and I had Anne in a wooden Dutch Cleanser box. When they heard a baby cry, they really got excited. So they unloaded all of our stuff and they carried kitchen stuff into the bathroom, and other stuff into the kitchen. It was a great sorting-out, but we finally got settled.

P. Arnot: The bad thing about it is when they drove up to the house with Ann and Elizabeth, the bulldozer loading off went through a sewer and knocked the sewer line out! [laughing]

Hicke: Oh, no!

E. Arnot: And the water was--there was no distilled water, the raw water was awful. It was rusty, and so on. Every week Paul would go to Dhahran to buy--well, for meetings and so on, and then he'd buy groceries in the commissary and bring back big gallon jugs of water. It was much later in the year before we got water that was fairly drinkable.

Hicke: Caring for a baby must have been very difficult.

P. Arnot: The company had to build all the power facilities, all the water systems, all the sewer systems, all the telephone systems, everything. Nothing we got from the community, absolutely. We were so absolutely self-contained. People just don't seem to understand that. And particularly at Abqaiq in the early days, the electric power was always marginal, air conditioning was always very marginal.

Hicke: Did you have generators there?

P. Arnot: Yes, yes. We had to generate it there in the camp until they built the big steam camp, and that wasn't completed until probably almost '48, and then we had of course ample power.

Hicke: Did you plant gardens?

E. Arnot: No, it was just raw sand.

P. Arnot: [laughing] The thing about planting gardens--when we first moved there, the darned camel caravan just came right through.

E. Arnot: And the goats would be out there. One time, I was hanging the diapers on the line, and the goats came up, began to nip away at them.

Hicke: These are from nomadic herds?

E. Arnot: Yes. There were no rules there for those who lived around there in the desert.

P. Arnot: And at Christmastime, Elizabeth had some pine cones out, decorations on the front door, and she thought a goat had eaten them. She kicked the goat. [laughing] It didn't bother the goat's rear, but we didn't see them for a week! [laughter]

E. Arnot: Yes. And then they put up a perimeter fence all around the area, and so then we didn't have that problem.

Hicke: What did it feel like, Elizabeth?

E. Arnot: Oh, I didn't feel afraid; I never was apprehensive.

P. Arnot: That's the thing, looking back, I don't know why we shouldn't have been, but--

E. Arnot: No. The Arabs were very pleasant, really. They never were aggressive toward you or anything.

P. Arnot: You mean the Saudis, no.

E. Arnot: The Saudi Arabs, no. They didn't bother you. Oh, sometimes if you'd go to a village, maybe they would pull at your dress or something just momentarily to get your attention. But they never were obnoxious. I never felt afraid. Later on, we got a little block of sidewalk, and I had a stroller for Anne. I think it was half of a city block. I used to put her in the stroller and walk her up and down. The Arabs would sit in a line across the street where they were building houses and watch me, up and down, [laughter] wheeling this baby. They thought that was absolutely something, I guess, far-fetched. Because of course the Arab women carried the babies in kind of a sling, you know, under their black robes.

Hicke: Did you have Arab women to help you?

E. Arnot: No, no. The women never worked in the houses. We had sometimes Arab men. But they didn't particularly like to work for the women; they don't like to take orders from a woman.

- P. Arnot: But you had the--all of our servants were Goanese, Indian. She had a cook and a butler.
- E. Arnot: For a while. Then I decided I wanted to do my own cooking, and so then we had a house boy.
- P. Arnot: All the time we were in Abqaiq you had two people, didn't you?
- E. Arnot: I think so. Well, no, I think eventually we didn't, because Braganza went in to work for the Hughes. But of course, that was a challenge too, to have servants in the house. They came in the mornings and then they went home, or back to their quarters, for a rest between one and five, and then came back and prepared dinner.
- Hicke: Did you have to teach them to cook?
- E. Arnot: Well, you got what was supposed to be a qualified cook, but they were trained by the British, primarily, so they did British style cooking.
- P. Arnot: Well, you know the anecdote: I was already in Abqaiq, but it was around Thanksgiving, time for Thanksgiving dinner, and Elizabeth was very pregnant. We had a group of men, and they were telling stories and about various Thanksgivings they had had. One of them told a story about, he was on a British ship coming over around Thanksgiving time, and the captain asked him what was the American traditional Thanksgiving dinner. And they told him, well, it was turkey and pumpkin pie.
- So he said, well, they didn't have turkey, but they had chicken. So they would have chicken, but they did have pumpkin, they'd have the pumpkin pie. He said, well, they had wonderful chicken, and when he had the pumpkin pie, it was just the raw pumpkin out of a can in a shell. We all laughed and laughed.
- Well, when they got around to our dinner--and the Indian cooks were good on meat. The turkey was fine. But he got to the pumpkin pie, so it was just the raw pumpkin in the pie shell! [laughter]
- E. Arnot: I had gone out and given him the can, and I said, "I'll mix up the filling," and he said, "No, no, Madam, I am doing, I am doing." So I said, "Well, just use the recipe on the can," and, "I am doing." And I didn't realize until later when I asked him once if he could read English, he said, "Oh, yes, but I don't always understand it." [laughter] I was having a very hard time. The baby was born just shortly after, and so I was glad not to stand on my feet any more than I had to. So I left him,

thinking he could mix up the filling and go ahead, but that was what happened, he just put it out in the pie shell and served it.

Hicke: That's a great line: "I can read English, but I can't always understand it!"

E. Arnot: Yes. But you could read them a recipe, and you never had to tell them again. For muffins, or a cake, or anything, you could read them a recipe, and you never had to tell them again. One of them said to a woman one time when she got out her cookbook, "You've not made this before?" "Oh, yes," she said, "many times." He said, "Well, why do you have to look in the book?"

P. Arnot: But the dead silence when we got to the pumpkin pie! [laughter]

E. Arnot: Well, they all took it very well.

P. Arnot: Oh, yes.

Hicke: They were almost forewarned, you'd have to say.

E. Arnot: Yes.

Holidays: American and Arab

Hicke: Oh, that's good. So you really tried to sort of recreate your--

E. Arnot: Oh, yes, holidays and everything.

P. Arnot: Yes, holidays, Christmas and so forth. We always tried to--. Later on, I understand that in Dhahran, they used to have their plays around Christmastime, and they had live sheep camels.

E. Arnot: The nativity.

Hicke: Yes.

P. Arnot: And used to use sackcloths on a camel and so forth.

E. Arnot: And they had big Christmas trees, and there was one group of houses built around a circle, and they had a big tree there and they decorated that every year. But now they can't have any outdoor manifestations of Christmas. And later on, we always had a big Fourth of July do, a barbecue and watermelon. They would bring in watermelons, and it would be up around the

swimming pool. That was a great event, particularly for the kids. They had donkey races, and all kinds of events.

Hicke: Donkey races?

E. Arnot: Yes. [laughs] Don't have horses, you have donkeys.

P. Arnot: Oh, sure. Oh, yes, we used to have donkey baseball and a few other things. You'd hit the ball and get on the donkey to ride to first base. Of course, the donkey didn't want to go.

Hicke: [laughing] I never heard of that. Oh, my.

E. Arnot: Oh, later we had parades--was that on--that wasn't Fourth of July? I've forgotten what that event--. And by that time, they'd developed what they called the Hobby Farm. Many people owned horses, very fine horses.

Hicke: Arabians?

E. Arnot: Yes. And so they would be quite a group of horsemen and women rode them, and then the Boy and Girl Scouts marched, and then there would be floats and various things, and it was quite a to-do. And then they'd have booths set up around the baseball field, and one group would sell hot dogs, and another would have homemade cakes and stuff.

Hicke: Would that be Memorial Day maybe, or Labor Day?

E. Arnot: No, I can't just remember when it was. I don't remember. And Abqaiq had their--each group had a festival on a different time.

P. Arnot: Between our festivals and the Arab festivals, it was a rather busy time.

Hicke: What were their festivals like?

E. Arnot: Well, that's with the end of Ramadan, primarily.

P. Arnot: Well, they had the others too. I was always invited to the amirate for lunches.

Hicke: On these festive occasions?

P. Arnot: Oh, yes.

Hicke: What would they have for lunch?

E. Arnot: Breakfast--you used to go for breakfast.

P. Arnot: I don't remember breakfast. It was always a so-called lunch. Actually, nine times out of ten, of course, they had a whole sheep cooked, boiled some way, and on a bed of rice, around a big tray. In the more sophisticated meals, they would have sometimes chicken--roasted chicken--well, it wasn't roasted, I'm sure it was boiled chicken, passed around, and you ate with your hands.

Hicke: Did they have tea to drink, or coffee?

P. Arnot: Well, the normal ritual there--I don't know whether Frank and these other people talked to you--the normal ritual would be that they would serve tea, coffee in a little cup, and just almost a thimbleful of coffee. The coffee is flavored with cardamom. The more sophisticated also use saffron. Saffron was the ultimate.

Hicke: In coffee?

P. Arnot: Yes, just tons of it.

Hicke: I've never heard that. I've heard of cardamom.

P. Arnot: Well, then the normal routine, you would sit down, you'd sit always on the cushions around the room. The man would serve you. There might be maybe twenty-five guys in the room, but he'd only have maybe three or four cups. Then you would pour you just a little swig, and then after about three of them, you're supposed to pass your cup on down to the next guy. He'd pick them up--

Hicke: Three cupfuls?

P. Arnot: Yes, normally three--sometimes I'd see them drink more than that. But normally, the routine is about three cups, and you would shake the cup, and then pass it on to the next person. And of course, they didn't wash them in between.

Hicke: No, of course not.

P. Arnot: The tea was always served later, and it was served in a little glass mug, and it was very sweetened. Almost pure sugar.

Hicke: What was the purpose of these--you said these were festive--to celebrate their festive days?

P. Arnot: Yes, or around the end of Ramadan, which is like the end of Lent, and so forth. That would be one. They had at least a half a dozen others, it seemed like to me.

Hicke: Was Ramadan a difficult time for you and for the company?

P. Arnot: No. Well, it was--you would begin to notice toward the tail end of Ramadan that people began to get slower and slower, and the thing about it is, they wouldn't eat--they would abstain from food all day, and then they would eat all night, and not sleep too much. That was the thing you noticed. We noticed later on that it looked like more and more of them began to cheat a little bit on it.

Hicke: Wasn't quite such a strong cultural--

P. Arnot: No, no.

Relations With the Arabs

Hicke: Well, tell me about the company's and your own particular ways of dealing with the Arab population. You had Arabs working for Aramco, right?

P. Arnot: Oh, we had thousands of Arabs working for us. Oh, it's very complimentary to the Arabs, they're extremely smart people. They're [easily] trained--very intelligent, and very trainable. There were no difficulties with it that way. I would give them high compliments, because they really--it was easier for them to learn English than it was for us to pick up their language, for example. No, they were very good.

And, as Elizabeth mentioned, I don't--all the time I was there, thirty years, I don't remember any Arab ever striking an American. I remember a few cases the other way around, but I don't remember--they were not belligerent in that sense. And they were a jolly sort of people. I don't know whether they sat around and told stories or jokes or not, I don't know, but I do know that they would sit around and do a lot of gossiping, but beyond that, I don't know.

Hicke: They were very protective of their women, obviously.

P. Arnot: Well, that's the first question people ask us here: "What was your social life with the women?" Well, we never actually had any social life with the women. Absolutely not. Now, one or

two families knew the women folk, but those women spent more time in London than they spent in the area, so they were not typical.

Hicke: Very upper class.

P. Arnot: Oh, yes. We were never invited to their houses, and we didn't invite them and their wives to our houses. So we had actually no social--.

Now, the men did--we attended all these official dinners they used to have at the amirate. There were times when a visiting dignitary would come through the area--that was back in Dhahran--and the top officials there in Dhahran used to go to Dammam and partake of their meals. In the process, you get to meet quite a number of noble people, including Haile Selassie and Hussein and so forth.

Hicke: Can you tell me anything about either of those two? Did you meet them?

P. Arnot: Oh, yes, sure.

Hicke: You're talking about the king of Jordan, Hussein?

P. Arnot: Yes.

Now, getting back to food, I want to tell you one incident, when I was in Dhahran; I think I was general manager of operations at that time. King Faisal was in the area, and I was delegated to take King Faisal to the northern area to Nariya. I think he was then to meet with the tribes and so forth, and to do a little politicking on his part. Now, why they sent me instead of the--Government Relations was very strict and very careful of their prerogatives of taking care of any government official, but for some unknown reason, I was the person who was delegated.

The amusing thing, he wanted a place to rest, have a nap during lunch time. They were at Camp Nariya. Asked one of the women up there if I could use her house for him to take a nap, she almost fainted. [laughter] So finally, we were able to talk her into it, and I said, "Well, we guarantee we won't disrupt your house or anything."

Well, anyway, go flying up, went up in a DC-3, and King Faisal sitting just ahead of me, he didn't have his seat belt on. So I went up and said--I pointed to the sign and said, "This is the seat belt." And he looked at me and in very good

English said, "Do I have to?" [laughter] I didn't say anything, but I backed away.

Well, we stopped at a couple of places and had their tea and coffee and so forth, and finally went to Nariya and had a lunch. I was sitting next to the king, and I noticed that he had his own special food. He didn't eat the goat that was on the tray and so forth. I was struggling. He turned to me in very good English and again said, "Apparently, you Americans don't like the Arab food." I said, "Well, I like the food, and--"

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P. Arnot: I replied, "I really enjoy the food. I have a little difficulty eating it with my hands." Actually, they only use the right hand. The left hand was unclean. And that was about the end of our conversation.

Well, he had the nap in the house, and the whole front room of the house was full of soldiers. He disappeared. When he had his nap, he came back out, and of course he had his tea and coffee. He was very polite. Then the woman, lady, was very thankful that she had put him up.

Hicke: Was she an American woman?

P. Arnot: Oh, American, oh yes.

Hicke: That's interesting.

E. Arnot: Yes, she said she was never going to wash those sheets again!

Hicke: [laughs]

P. Arnot: But she was really nervous, boy, I tell you.

Well, getting back to the tea and the coffee ritual, the local amir, Mohammed, invited--the once and only time he ever invited all the--there were only about a half a dozen wives, I think, at that time, down to his majlis to have tea one time.

E. Arnot: That's his meeting room.

P. Arnot: All of us were sitting around the table--

E. Arnot: No table.

P. Arnot: No, around the wall, on cushions. And pretty much in the center was a very tall Somali, very tall, very black, absolutely--real skinny. He sat all the time. He was interpreter, translator, and he kept running his fingers through his toes, which is a habit they had. They wore sandals, and at the door, all they had to do was kick the sandals off.

E. Arnot: You should also say that his name was Hassan Ada, and he wore a blue pin-striped suit to this occasion with a black Astrakan cap, and it was as black as his face, so it looked like his head just went right up with this crown of curly black stuff on his head. He really was quite a striking thing.

And it turned out that about six months later he died of tuberculosis.

Hicke: Wasn't it hard to sit on the floor?

E. Arnot: Yes, it was.

P. Arnot: Well, there were nice cushions.

E. Arnot: And you couldn't sit with your feet out. It was very bad manners to show the soles of your feet.

P. Arnot: Oh, yes, you couldn't, yes, you had to--.

E. Arnot: So we would sit like this, and then we'd try to scoot around the other side without--. But it was difficult.

P. Arnot: Oh, they can sit for hours that way.

Hicke: Yes, takes a lot of practice.

E. Arnot: Well, they do it from childhood up. We come into it as adults, and it's difficult.

P. Arnot: Well, when I was sent to Abqaiq as area administrator, there must have been maybe a hundred and some-odd construction personnel, men, and the drilling personnel must have been around fifty or so. The camp was kind of a little out of control. They had alcohol at that time, and first instructions I had was to bring order to the camp.

Well, that was a rather difficult job, which I was able to succeed in doing. You don't have any police or anything to--you have to do it by persuasion and threats. But I did bring peace to the camp.

Hicke: How did you do it?

P. Arnot: Well--

E. Arnot: He appointed the bad boys to be the monitors!

Hicke: [laughter] Oh, recruited the enemy!

P. Arnot: Well, they had built an office building, and before they could move into the office building, they decided the requirement for a club house was more severe than an office. We stayed in the old offices for a couple of years while they used the office building for a club house.

They had an opening night, and they invited some people from Dhahran to come out. Well, I knew that we were going to have trouble, and I decided to take some action. So as she said, I appointed the four town drinkers as monitors. They came and said, "Paul, please let us have a drink, please let us have a drink!" And I said, "No, until this thing is over with, one o'clock, you're having no alcohol."

And they used to kid me later. I don't know whether they were mad at the time or not, but they kidded me later about it.

Hicke: Oh, that was a great way to get that accomplished.

P. Arnot: It was a strange thing about some of those people. They could get off work at 4:30 or 5:00, whatever time, 5:00, and they'd be drunk by--or would seem to be drunk--by 6:00. But they always seemed to reach this certain level and never seemed to get beyond that. And they never caused too much trouble, except that they'd just--this wobbly drunkenness. There were quite a number of those.

Some of those people could really drink. That was one of the things I learned early: you had the drinking boys, don't compete with them.

Hicke: That's sort of the image of the hard-driving oil--

P. Arnot: Well, construction, and--yes. We had alcohol in here, and of course, they always threatened if you--that's one of the big threats I used, if you don't behave, I'll just have to cut the alcohol away. And then you get them to police themselves. That was the big thing you had to do. That was the big deal. You get them to police themselves, and that was a big part of your battle.

Hicke: Sounds like you knew how to do that.

P. Arnot: Well, I did. Didn't get any knocks on my head either.

Recreation in Abqaiq

Hicke: Good. Anything else at Abqaiq that we should cover, or move on?

P. Arnot: Well, of course Abqaiq was a high development period, and that's when we developed the oil at Abqaiq, which turned out to be a major field and actually made Aramco. Later they then developed Ghawar field from there, which is the world's largest field. The world's largest, out of Abqaiq.

Hicke: Was that located while you were--

P. Arnot: Yes, oh, yes, absolutely, oh, yes, I was very instrumental there. And we had some very good times. It was a friendly place, and we made it friendly.

E. Arnot: We had to make our own amusement, a great deal of entertaining between families.

Hicke: Did you play bridge?

E. Arnot: Oh, yes, lots of bridge.

P. Arnot: Oh, yes, a lot of bridge.

E. Arnot: Lots of bridge. And then there various self-directed groups grew up. There was a woman's group, a garden group, and then scouts for the boys and girls, and PTA was through the school. So things that you'd expect in a small town, they developed. And one year we had a summer recreation program for the children, and I taught cooking to a group of youngsters. Somebody else taught some girls dressmaking, and so on. Everybody kind of pitched in and did things for the community.

P. Arnot: The thing, and this applies to particularly Aramco, the company only sponsored athletics. They only had a staff on the athletics, but all the other, the people themselves, on their own, had what they call self-directed groups, the groups Elizabeth mentioned. They totaled about fifty in each district,

and they had three districts. There was quite a wide gamut of activities.

For example, the religious people brought in, hired, brought in to Arabia teachers, they would call them teachers. Actually, they had three priests, and had three Protestant fellowship, ministers, and they had one Episcopalian I think towards the tail end.

E. Arnot: Yes, they had one Episcopalian minister.

P. Arnot: So that was at their expense. Now, the golf courses and were constructed by the employees. Of course, they scrounged a little equipment and so forth from time to time, which you ignored. This Hobby Farm she mentioned, they had I think fifty or sixty horses. They had to hire a vet, bring a vet in at their expense. And of course, maintained all these horses, you had to have exercisers for them and feeders, and the stable people to clean the place up, so they had quite a little staff of people.

And the company was very careful not to get into it, because as I told some people here locally, they used to--that Hobby group used to fight like cats and dogs.

Hicke: Among themselves, or with the company?

P. Arnot: No, no, among themselves. Yes, the operations of it. "Someone's stealing my hay," and so forth.

E. Arnot: We also had an art group, and occasionally they'd bring in a teacher from outside for a period of, say, six or eight weeks of classes.

Hicke: The company did that?

E. Arnot: No, the group did.

P. Arnot: Oh, no, the company didn't. The company didn't do anything. As I said, the company hired, in each district they had an athletic--I think they used to call him the director. But the main thing, you see, they had the golf, had swimming pools, had bowling alleys, had playing fields, and so forth. And the maintenance of those required supervision. And that was part of their deal. But they did also sponsor competitive sports in between the three districts.

That's always good, if you have more than one group, so you can have two groups competing in sports.

E. Arnot: We had another very successful group called the Dhahran Outing Group, they called themselves the DOGs. They arranged trips on the holiday weekends and so on to other places, like a group would go up to Teheran and Isfahan for a three- or four-day weekend. I went to Petra with the group. Then one time they had a trip to the monastery of St. Catherine in the Sinai Desert. Oh, they went various places. I think once they had a trip to Kabul. It was very successful, and that was entirely run by an elected group. You were a member, and you had officers, and they arranged these things. They'd charter planes and set prices.

P. Arnot: All the time that I was an executive over there, particularly in Dhahran when I was the chief operating officer there for ages, we only had one incident in which I got, we got involved. The DOGs, this group, the Dhahran Outing Group, had chartered a sailing boat to go out on the Gulf on a certain day. The day came up or near it, and they had predictions of a bad sandstorm. And we told them no, they couldn't go. The woman in charge of it, she said by God, they were going to go.

As far as I know, they didn't go. That was the only time that we ever had to put our foot down and say, "No" to anything. Most of the time we didn't know what was going on. This was very successful.

Now, this place [retirement community], for example, they have someone trying to organize and do it for these people, and I'm sure that it would be much more successful if the people are doing it themselves. But they don't see it quite that way.

E. Arnot: I think this is the way it's done in all these retirement--

P. Arnot: Oh, yes. I can understand it somewhat if you get in the habit of having someone do it for you, then you expect to keep on not doing it.

Personnel

Hicke: Well, while you were in Abqaiq, whom did you report to?

P. Arnot: I had a drilling superintendent, I had two bosses, Phil McConnell in production, and Vic Stapleton on the administration. Well now, you have two bosses, then you have conflicts. So one time, Phil wrote me a letter and said, "You report to me," and I had no choice to give the letter--he wrote

a two-and-a-half page letter, which he could have just made into one sentence and it did the same thing.

Then I gave the letter to Stapleton, and Stapleton didn't particularly care for Phil anyway, I knew, and he said, "Well, I'll take care of the S.O.B.," and that was the end of it. I never heard any more about it.

Hicke: So he was a little bit higher on the totem pole?

P. Arnot: Oh, yes.

Then, I went on vacation, then they formed Abqaiq into a district, and I was made assistant manager, district manager, reporting to Charlie Bevin, who was an old-time Standard Oiler that they had about ready to retire, and in order to find a place for him, he was made district manager, which-- . But anyway, he retired in a couple of years, and I was made district manager. Then I reported to Bob King, who was general manager of operations. That was in 1950 or so. Then in '54, I was transferred to Dhahran to replace King as general manager of operations.

IV BACK TO DHAHRAN, 1954

Housing

Hicke: So you moved back to Dhahran.

P. Arnot: Moved back to Dhahran.

Hicke: Where did you live then?

E. Arnot: We lived temporarily in a three-bedroom house, and then when Mr. Ohliger retired, then we moved to the house--

P. Arnot: No, that's when he moved to that bigger house.

E. Arnot: Oh, that's right. They built a big house for him over on the bluff, and then we moved into the house where the Ohligers had lived, 1121. We were there until Paul retired.

Hicke: Can you tell me about Mr. Ohliger? Did you know him?

P. Arnot: Oh, yes, I knew him--I still know him; he's still living, as a matter of fact.¹ I was never impressed with him, frankly. You can even quote me on that.

Hicke: As an administrator?

P. Arnot: Administrator, that's right.

Hicke: Well, maybe his skills were in more the geology or--

P. Arnot: Well, that was my end of the work.

Hicke: Yes, that's true.

¹Since deceased.

P. Arnot: Well, I actually didn't know him in that area, because when I went over there, he was manager. I really didn't have too much contact with him. When I moved up the ladder and went to Dhahran, and actually when I became--I guess when I was made senior vice president, that was about the time that he decided I guess his future wasn't with Aramco, and he resigned.

Producing Oil

Hicke: What were your major challenges then, after you moved to Dhahran?

P. Arnot: Well, to develop and be able to produce the oil fields of Saudi Arabia and produce and process three--when I left, they were producing three million barrels of oil a day.

Hicke: Is that *all* you had to do? [laughter]

P. Arnot: Oh, I had a staff.

E. Arnot: Budget.

P. Arnot: Oh, I was on the budget committee, that was the board of directors, I was on the management committee. You always had all kinds of meetings.

Responsibilities With Aramco Overseas

E. Arnot: And when did you go to take over Aramco Overseas?

P. Arnot: Well, actually, I was on the board of directors of Aramco Overseas Company for--. I don't know what happened, but anyway I was made the chairman and chief executive officer of Aramco Overseas Company, which wasn't a particularly challenging job.

Hicke: Tell me what this was, now.

P. Arnot: Okay, Aramco Overseas Company had their headquarters in The Hague. It was an engineering and purchasing organization, strictly engineering and purchasing. They had a large staff of engineers there, and they did the purchasing world-wide. They had purchasing offices first in London and The Hague. They did have, before my time, the one in Italy, that was closed down.

We had an office in Cairo, had an office in Lebanon--Beirut--and we had an office in Tokyo and Sydney. So we had a terrific purchasing situation to bring in all our operational items plus the capital goods items, which they try to buy worldwide at the best price.

Hicke: All those logistical--

P. Arnot: Yes. And of course, they had to provide the means of the transportation to get it in.

More on Work in Dhahran

Hicke: Well, as head of this producing company, what were some of the major problems--not the Overseas Company, but in Dhahran as a chief operating officer?

P. Arnot: We had about, as I remember, had about 15,000 Arabs working for me, and 1,000 or so Americans. Had the refinery; the refinery was under me. It was producing, processing about 280-some-odd-thousand barrels of oil a day. You had the shipping problem, shipping that oil. You had the pipelines. You had Tapline, our end of the Tapline. And all the oil that was produced had to be processed, because it contained hydrogen sulfide, so they had to require big plants, big power plants, and we had big stabilizer plants, and had big pump stations. We had activity.

E. Arnot: And all this time you had training.

P. Arnot: Yes, that's right, don't forget training. And the main job there was to train the Arabs, and that too was a time-consuming job.

Hicke: So there was an immense amount of construction going on?

P. Arnot: That's right, construction, and that of course was under me towards the end, the last eight years.

Hicke: What did you spend most of your time on? There were so many things to do.

E. Arnot: You had assistants.

P. Arnot: Well, of course, I had assistants. You had a staff.

- Hicke: What was the biggest problem or what did you spend most of your time on? Or maybe there wasn't any major--
- P. Arnot: I had to say that when the refinery fell under my jurisdiction, I was not a refinery man, so I had to rely more and more on that particular group of people who reported to me on the refinery, to carry more of the load.
- Hicke: Who was that?
- P. Arnot: Well, various people. At the last time, I think it was Doug Ezzell, and he left, and Sullivan was my production man.
- Hicke: Tell me about Tom Barger.
- P. Arnot: Well, okay. The organization when I left there, he was the chairman and chief executive officer. He had two senior vice presidents reporting to him: Bob Brougham, on relations, Arnot on operations. And the thing began to spread down. We didn't have any president, or we didn't have any chairman, rather, say. Tom was president at the time I left. Later, when I left, they boosted Tom up to chairman and Brougham up to president, I think, as I recall.

Life of a Wife in Dhahran

- Hicke: What do you recall as interesting or unique? Your whole life is.
- E. Arnot: Well, it was very interesting, and it was very pleasant, really. I was involved in the women's group, and not much in the gardening group, but I participated in it when they had the flower shows. Then I was active in the PTA. I went to the Protestant fellowship, particularly Bible study. Of course, there were lots of activities going on for the children. The schools were very much like a school in a small American town. There were about 400 children when Anne was in school in Dhahran. They went through ninth grade, and then the children had to go away to school.
- Hicke: Where did she go then?
- E. Arnot: She went one year to Switzerland, and then her last two years at [Katherine Branson] in Marin County. And then she went to Middlebury College, and later to Harvard.

Hicke: Where is she now?

E. Arnot: Well, now she's married to an onion farmer and they live in southern New York state. He retired from a career in the military. His last post was in North Yemen. He was the military attaché there.

Hicke: And she was there?

E. Arnot: Yes. They both speak Arabic fluently, and French. They had two of their children there--that is, had them with them there, and then had one more after they came back.

Labor Relations

Hicke: Well, that brings up something: did you have to learn Arabic, Paul?

P. Arnot: No. I probably should have, but I didn't. I think I'd still be over there if I had ever learned it, tried to learn it. You learn enough to get by.

Hicke: And did they all speak English?

P. Arnot: They didn't all--no, no, to the contrary. Very few spoke English. Very few. Oh, to the contrary. No, you use interpreters. But even there, you used to say that those who did speak Arabic would always take an interpreter, because you always had the fall guy. You came back to some of the things--with an operation like we had with all the activity, you always seemed to have something that would go wrong. You have a bad fire, or you have a big pipeline break, or something would happen. You tried to make everything go smoothly, but in spite of your best efforts, you just didn't always achieve.

Hicke: That's called life, I think.

P. Arnot: That's right. And of course, you had labor problems, and so forth.

Hicke: Oh, what kinds of labor problems?

P. Arnot: Oh, we had, as I remember we had at least two strikes, or three strikes. That was one of the oddest things that I've run into. One morning we went to work, and I think it was in Abqaiq, and there were police. How they got word and what their

communication--apparently it must have been perfect. They just absolutely--

Hicke: These are the Arabs?

P. Arnot: Arabs, yes. The workers just didn't show up.

Hicke: How long were they on strike?

P. Arnot: Very short time.

Hicke: What did you do?

P. Arnot: Oh, they mediated and so forth. Well, there was one instance, our local amir--he was quite an individual. He called the strikers in to the football field. He had trucks waiting by, and he gave them an order, he gave them two options: either you go to work or you get on the trucks. And they opted to a man, went back to work. In other words, it must have been very marginal anyway.

Hicke: Did they want more pay?

P. Arnot: More pay, or some condition. Generally more pay.

Family Life and Problems##

P. Arnot: It was really very active management. I was just thinking, this was involved in this, at Abqaiq they had a family that had a handicapped child. What was her problem, Elizabeth?

E. Arnot: She had Down syndrome.

P. Arnot: Yes. So the medical department, school--they got to the point where they couldn't handle her, and the kids were picking on her. They told the family they had to send her home.

Well, the wife came home one day, and Elizabeth had talked to the woman, and the woman said, "Gee, we don't want to send--we want to leave--" I think they were forcing the daughter out, "We've got to take her." And I know, if he would stay and send the daughter home, her husband's heart would be broken.

So I had turned that in and I didn't pay any more attention to it. I think in a few days he showed up in my office with a big plea to keep the girl, for them to stay and not send the

girl home, because both of them wanted to go home. He said, "Now, if we send the girl home, my wife's heart will be broken."

So I said, "Joe, you better go back and talk to your wife and just straighten this out. Be honest to each other about this girl." So they sent her home. [laughs] The wife saw Elizabeth and thanked her for what happened. She didn't know a thing about it, because we didn't tell her.

E. Arnot: She said, "I want to thank you for what your husband did for us," and I said, "That's nice, but please don't tell me about it!" I didn't want to ever get involved in these things. One lady called me up one day and she said, "There's two kids that lay in wait for my son, and they beat him up every afternoon on the way. What am I going to do about it?"

I said, "Well, I don't like to say anything, but I think you better go to the personnel people." And then there was another incident with the clinic, and people would come to me and say--and so on. It was difficult for me, because I didn't want to give them advice.

Hicke: They wanted you as a mediator?

E. Arnot: Yes, and of course, some of them were very timid about approaching anyone in the company. They didn't want--. It was a man's world. You had to wait for the men to do things. Your passport was in the company hands. A woman couldn't leave unless she could get her passport, and so on.

P. Arnot: The district manager at Dhahran was an unusual individual. In some ways, I think he had a big heart, but he couldn't exactly take--couldn't follow through, and he would always run into problems. I think I picked up word that he had banned people from selling shrimp from house to house. He was smart enough that he had Elizabeth, Mrs. Barger, Mrs. Eedes sign a petition. [laughing]

E. Arnot: The petition was to let him continue to sell.

Hicke: And that was a service you liked?

E. Arnot: Oh, yes, they brought shrimp right to the house.

P. Arnot: But he--well, of course, poor old Ned lost that argument.

Hicke: [laughs] The women weren't entirely left out.

Did they ever make use of your skills as a nurse?

E. Arnot: No. Once there was some sort of an emergency in Abqaiq, and they asked me to come over. Some men had gotten in an automobile accident, and the one nurse was extremely busy or had gone. One time, she had gone and the couple of patients they had were just left. They didn't try to take care of anyone who was very sick out in the field.

P. Arnot: Well, we had an infirmary more or less there.

E. Arnot: Yes, and that was about all. I did give some classes in prenatal care and bathing a new baby and that sort of thing to some of the mothers in the community. And then I gave first aid classes to the Girl Scouts. But that was about all I did. For a long time, they didn't employ any wives, and then later, they began to employ them as secretaries and so on. And then some went to work as nurses and dental hygienists and receptionists and that sort of thing.

P. Arnot: Secretarial work.

Our kids, after they went off to college and we were still living there, they loved to come back to Arabia. That was home.

E. Arnot: High school, too.

Hicke: They loved to come back to Arabia?

P. Arnot: Oh, yes.

E. Arnot: Yes. They were put out if you had vacation when they had vacation, if they couldn't go back to Arabia and be with their friends.

P. Arnot: All their friends.

E. Arnot: Oh, yes. They loved it.

P. Arnot: That's the thing that I've often faulted our public relations people in Arabia, that they never highlighted all the medical benefits they provided to the Arabs in the Eastern Province. When I went there, for example, there wasn't a doctor, there wasn't a--as a matter of fact, no medical people at all. What few (Arabs) that were sophisticated enough and had any money used to go to Bahrain to this medical mission which had a doctor there. And we provided medical care for the whole Eastern Province.

The sanitation and mosquito abatement and all that, it was all created by Aramco. Now, education, we not only trained our

employees, but we built schools for the sons of the employees. Those things should be really highlighted.

Hicke: That's what I just admire Aramco so much for what they did and the way they treated the Arabs. I think that's truly marvelous. I'm sure you had something to do with that.

P. Arnot: But see, most of the releases will tell you about all the production and the exportation, and that was the thing that a lot of us faulted this TV program with--"The Prize," and the book [Daniel Yergin, *The Prize*, 1991] that bring out nothing but the exploitation of these countries, particularly in Saudi Arabia.

Now, it may be true, I don't know what the British did up in Iran and in Iraq, but certainly you couldn't accuse Aramco of doing that.

Hicke: No, it was much different than the way the British treated the--

P. Arnot: Well, that was one of the reasons why the king didn't want the British into Saudi Arabia.

Hicke: He was wise to have Aramco instead.

E. Arnot: Didn't have much luck with the British.

The Local Amir

Hicke: Did you have to negotiate with the Saudi rulers?

P. Arnot: No, other than the local amir, which God knows, I had plenty to do with him. When I went up north with King Faisal, we had a the Government Relations department which were very careful of their prerogatives and so forth, that no one moved into their bailiwick.

Now, later on, when we had Barger as president, and the two of us as senior vice president, I sat in the most high-level discussion, merely as a--not so much as a participant as a listener.

Hicke: What kinds of things did you have to work out with the local amir?

P. Arnot: All these little spiffs and spats that they [Arab workers] used to go to him for with their problems and so forth, or with the petitions, and then he'd have to call us in and try to straighten it out, and normally we would straighten--. He was very good; I had excellent relations with him.

He was a black man who apparently was, had been or was, a slave. I know his father was a slave. They had slaves until about '62, when that was eliminated by King Faisal. And we had quite a number of employees that were either ex-slaves or perhaps only--maybe some still were, I don't know.

Hicke: From Ethiopia--?

P. Arnot: No. You would soon pick up the difference of people who were slaves there; you could spot them. Most of the slaves were big-lipped Nubians big-featured people, which apparently are the more docile group. You didn't see any Somali or Ethiopian slaves--none. I think the Somalis and the Ethiopians must have been the slave traders, went in there, and got those that were more docile Negro groups, and I think that's probably true here. I don't think you'll find any Somalis or Ethiopian slaves here. Our black people here descended from that group of people.

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Hicke: We were just starting to talk about the amir of Abqaiq, who was black.

P. Arnot: Yes. Well, the amir no doubt had been a slave, but anyway, getting back to the question I think is more paramount, one time I was talking to one of our more prominent Arab employees, who actually did a lot of translating, as interpreter. I got to talking about certain people, and--for example, I mentioned some man named Baluchi, and I said something about being an Arab.

He said, "He's not an Arab. He's a Baluchistani." I said, "Well, gosh, he's lived all his life here, he was born here, wasn't he?" "No, no, no, no, he's not an Arab." You had to be a purebred, almost a Bedouin, to be an Arab. And in our workforces, we definitely noticed that there was a tendency for the pure Arab to look down on the colored people.

Noon Day Feeding

Hicke: Well, one of the things that you said you'd tell me about was building the cafeterias.

P. Arnot: Yes. On one of the visits of King Saud to the company headquarters, he decreed--or requested, and the company agreed--to provide one meal a day at noontime of high caloric value and a lot of spice. Well, the company didn't enter into the right spirit of that. At Abqaiq there was a building, more of a shelter, for this feeding place. We had a fairly good turnout, but we didn't provide any utensils for them to take this luncheon. The lunch consisted essentially of rice and lamb, with carrots and other vegetables mixed with it. Which always looked appetizing.

Finally we got it up to, I understand the caloric value runs over 3200, which is--

Hicke: My heavens!

P. Arnot: It was a terrific meal. They'd save some of it; they never ate all of it.

Well, the thing about it is, they didn't have anything to use for holding this food. Then finally, when they protested to Dhahran about it, they said, "Oh, the heck with it, if they don't eat it, so what." And we thought that was a funny attitude. Finally, we were able to talk them into providing them trays.

Well, then the company began to see that the program [noon day feeding] had to be sold; it just wasn't moving, the way we were treating it. And they then built in Dhahran a beautiful dining facility. In Abqaiq, it wasn't quite so nice. But at that time, they initially had a fairly good attendance, and then it began to taper off.

Then one day, not a single person showed up in Dhahran, and in Abqaiq I think there were three at lunch there. Word got around that it was a bread line.

Hicke: So they thought they were begging for this?

P. Arnot: That's exactly it. In recent years, in just the past year or so, there was an article in the paper about one of the schools here, that their cafeteria attendance is dropping off to practically nothing. And one of the reasons was that all of the

poor people were using food stamps or food coupons, and the rest of the people considered the inferiority type thing, and they're just boycotting it. So the Arabs absolutely just completely boycotted it.

It was, I'm sure, and I'll be honest, I think it was entirely the company's--90 percent of the company's fault, for not entering the program with enthusiasm, and providing nice facilities for them, and providing utensils and so forth, and to make them feel like it was nice. So the staff in Dhahran absolutely was initially opposed to the thing.

E. Arnot: Did it stop then?

P. Arnot: It stopped, deader than a doornail. No one took it up.

Hicke: That's too bad.

P. Arnot: No, to me it was a black mark in our history.

Raising Chickens and Vegetables and Stories About Food

Hicke: So I want to hear the story of the woman who started the chicken- and egg-producing business.

P. Arnot: I think very early, maybe before the war, thereabouts, the company hired an agriculturalist, fellow name of Slaugh. He began to raise vegetables in our area, then he began to promote it with the Arabs. Then he was replaced by a fellow named Brown. He was an outstanding individual, and he worked for the Arabs in raising all kinds of vegetables, and improving what they had. He worked with them in the drainage of their fields and so forth. They did a wonderful job, I think one of the outstanding Aramco people.

Then they got interested in the egg production, because those eggs were--

E. Arnot: You had to break twelve to get one good one.

P. Arnot: Yes.

Hicke: They weren't good?

E. Arnot: No, they weren't good.

P. Arnot: They didn't take care of them. This woman, who was a wife of--his last name was Walter--but anyway, she started raising eggs. Now they used mechanical saws to cut the frozen meat [shipped in for company personnel] up to process into steaks and to roast. And of course that left a lot of sawdust, which is meat to the chickens.

She was an initial taker of it. Well, her farming was such a big success and so forth--

Hicke: She fed that to her chickens?

P. Arnot: Yes. And she began to have competition. The competition wanted also the meat sawdust. Well, then that created a problem, and she made a plea to all the high officials except me--I don't know why she didn't pick on me--that she was being discriminated against, and she made quite a fuss. But we did get eggs in, but they never got chickens as such.

Hicke: Elizabeth, would you finish off the story?

E. Arnot: Oh, well, it was only that sometimes the local eggs, whether they came from her or not I don't know, but they tasted like curry, because they fed them on the scrapings of the local eating houses.

Hicke: [laughs] That's a good story.

E. Arnot: So you might get a curry-flavored chiffon cake or something.

Hicke: Oh, I didn't think about that! Wouldn't be so bad if they were scrambled, I guess.

E. Arnot: Of course it was better than during the war years, when we had powdered eggs. That was something else too.

Hicke: Okay, and then speaking of the vegetables, the carrots--

P. Arnot: Well, the vegetables, when we initially arrived, they were--the seed had degenerated to the point where the carrots were actually purple, I mean purple. They were not a dark purple, but a nice, good, light lavender color. That was of course corrected by improved seeds.

Hicke: But that happened because they kept using the seed from the previous crop?

P. Arnot: Over and over again, yes. Nothing new.

E. Arnot: They also raised watermelons. They looked nice, but they had no flavor. No sugar, no flavor.

P. Arnot: Since we're talking about vegetables, the first two years or three years there, we had Imhof garden. The overflow of the Imhof tank--that's the sewage--spread over a big flat area, and I don't know how I was involved, but I got in it somehow, but we got raising tomatoes, and really the most marvelous tomatoes possible were raised from that. But the medical department finally caught up with us. [laughter]

E. Arnot: Well, then didn't you have an experimental hydroponic--

P. Arnot: Yes, but that was--we tried hydroponic, but we didn't have the knowledge to make it go.

But after--what was his name Brown?

E. Arnot: Grover Brown.

P. Arnot: Grover Brown came in, he did marvelous work with the developments of fruits and so forth. It was wonderful. He was a wonderful man.

Hicke: Okay, and then I want to be sure and ask you about the locusts.

P. Arnot: Oh, the locusts. I don't remember in Dhahran, but in Abqaiq, we've had swarms of locusts come in that actually crawled all over the houses. Just thousands, thousands of them. We would drive into Dhahran and we'd get into one of those locust migrations, and you had to go about a mile or so and stop your car and rake them off the--

E. Arnot: The front, the radiator.

Hicke: The biblical plague.

P. Arnot: And when we were drilling al-Jauf, the wildcat well 180 miles north of Dhahran, I was several times there when they were breeding; you could go, and say five miles on both sides of the road would just be black from the young ones. Just absolutely unbelievable. And of course, like in Abqaiq, they just decimated every plant. They would even just pile up underneath the oleanders, which would kill them.

E. Arnot: And the Arabs would go along, they'd take a coat hanger and straighten it out, and they'd go along and put them on like kabobs on a skewer, and toast them over the fire. They considered them a great delicacy.

P. Arnot: Well, the way they ate them, I think they probably were. I watched them eat them, and I'm sure that they were. I was tempted myself to eat them.

Talking about foods: the company gave the employees a certain ration of food. They did that almost from the start. A certain amount of rice, and dates, sugar, tea, and flour. They found out that was the--the personnel people found out I was making a trip to Jauf one time to go up to the wildcat, and they asked me to make a delivery of the ration to a caretaker, and they had a watchman there, stop and give the man his ration.

Well, I stopped with the ration, so he was a jolly sort of person, he came out, and started--first I gave him his pay, which was already counted out and in the bag. I gave that to him. He had to count it out. Then I got to his food item. Well, he didn't have any containers. Well, I think he had containers; I'm sure he did, because actually I could look around there. But he had his eyes on the aluminum containers I had for my measuring cups. But anyway, I said no.

We got to an impasse. I said, "Well, I'm going to have to leave." And he--I could see it was like a light bulb in the comics. Outside, they wear a kind of nightgown. He pulled that up and he flipped off his underdrawers, which was long--they came all down here.

Hicke: To the ankles?

Arnot: Yes. So he tied one leg, tied the other leg, and I said, "Now, I'll put on one side the flour, and the other"--I didn't work too closely because of the sanitation. [laughing] So I drove off, and he was happy and I was happy.

Talking about the types of food, during the war when things got tough, we ran out of the white rice. We brought in brown rice. Boy, that wasn't acceptable at all. But the thing that surprised me was, they loved wheat. We had to substitute wheat sometimes, and they enjoyed wheat.

Hicke: But that was new to them more or less, wasn't it?

P. Arnot: Well, I think they raised barley at Hofuf. I'm not sure--I know they did some, but I think it couldn't have been very much. But the wheat was very acceptable.

Hicke: Well, Elizabeth, tell the strawberry shortcake story.

E. Arnot: [laughs] The exploration in seismographic camps down in the Rub al-Khali depended of course on their foods from Dhahran. They were sent the best of everything. We had very nice things, and among other things we had frozen strawberries. There also was avocet cream, which was a pasteurized cream that came in bottles, but it made wonderful whipped cream.

A visitor down there said one night at dinner, he was asked what he'd have for dessert, and the waiter told him they had this, and this, and strawberry shortcake. A couple of fellows who worked down there said, "What? Strawberry shortcake again tonight!" [laughter]

Hicke: Out in the middle of the desert!

P. Arnot: Well, they had one guy, Claudell, they used to call him--

E. Arnot: Chicken fried steak.

P. Arnot: Chicken fried steak. Every night he had--he was the camp boss--chicken fried steak every night.

Hicke: He was from the South, I bet.

E. Arnot: Oklahoma, I think.

P. Arnot: Oklahoma or someplace. We're talking about food stuff, I think about the first year I was in Arabia, sitting in the dining hall eating and the steward was there, a fellow name Sheurhamer. He was one of these men that absolutely just craved spaghetti. He was eating his spaghetti away. And all at once, you look down there, they said, "They've got weevils in it!"

Well, he looked at it, and his spaghetti was half weevils. They called Sheurhamer to take a look, and he jumped about ten feet in the air, and he said, "I told those S.O.B.'s to strain those weevils out!" [laughter]

E. Arnot: Well, we used to get flour with weevils in it. We had two kinds of flour sifters: a regular flour sifter, and then one with a very fine mesh. If you were having people for dinner who had only recently arrived, you used the fine mesh and got all the obvious parts of the weevils out, but if you had people who had been there a long time, you just didn't bother.

##

Hicke: It really does sound interesting. [laughs]

E. Arnot: And there was a while there before families became reestablished that food was brought in in sizes for use in the dining hall, the great big tins that held about four quarts. Well, you'd have to buy, if you wanted peas, you had to buy one of those big tins, so you had peas every night for a week.

P. Arnot: Or maraschino cherries. Remember we had a whole jar, and then--

E. Arnot: Yes, we had a whole jar, a great big jar of maraschino cherries, things of that sort.

Hicke: Well, I think I've kept you talking a long, long time.

P. Arnot: Well, can you think of anything else?

E. Arnot: I don't think of anything.

P. Arnot: Oh, one incident I wanted to mention: I was sent to the New York office in the fifties, I guess--I was in Dhahran--and one of my assignments was to look over the manpower. As a result of my study, I made a recommendation, and actually the management did a little better than I expected. I had recommended that they'd better reduce the New York office down to about 35.

And oh, I'd say maybe three years later, I was at a cocktail party or some kind of party, and a woman came up to me and said, "Are you Paul Arnot?" And I said, "Yes." She said, "You're the cause of my baby!" [laughter] I backed up--

Hicke: "Who, me?"

P. Arnot: This was the first time I'd ever seen the person. Well, then she said, "I hate you, and my husband hates you." I said, "Why?" She said, "Well, you reduced the office, the New York office, and we were transferred to Dhahran." Well, she was one of these people that her roots were in Newark or someplace. And apparently, she said when the husband came home he was so wrought up that they had the baby. I thought, well thank God, at least I didn't directly cause it!

Hicke: That was very remote. [laughter]

P. Arnot: And she was a pretty child, too. Do you remember?

E. Arnot: Yes.

P. Arnot: I didn't even think the child would ever be taken for mine.

E. Arnot: No, it was a little red-headed girl.

P. Arnot: Little red-headed Irish girl.

Hicke: Well, I think one thing before we stop, I would like to just read this.

P. Arnot: Well, you can read that off, put it on your tape.

Hicke: You don't need to sit here while I do this.

[Reads from article on Paul Arnot]

"Eight years in Abqaiq, and then returned to Dhahran, and general manager of operations, '58, vice president for operations and director, 1961, senior vice president, demonstrated outstanding capabilities in his many roles, driller, coordinator, administrator, manager, innovator, and decision maker. He had made contributions of great and enduring value to the company, its owner companies, and its subsidiary companies. The Aramco Overseas Company: elected to the board of directors in '61, became chairman in 1963, and chief executive officer." And I read this part: "Paul Arnot is an outstanding oilman. So thank you from the members of the board of directors," and it's signed by Thomas C. Barger.

And I thank you very much for participating in this project, and of helping us to get more information about the history of Aramco. Thank you Elizabeth, also. So there we are.

Transcriber: Shannon Page
Final Typist: Melody Meckfessel

American Perspectives of Aramco, the Saudi-Arabian Oil-Producing
Company, 1930s to 1980s

Baldo Marinovic

FINANCIAL ASPECTS OF ARAMCO'S OIL OPERATIONS, 1955-1985

Interviews Conducted by
Carole Hicke
in 1993



Baldo Marinovic, 1985.

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INTERVIEW HISTORY--Baldo Marinovic

Baldo Marinovic worked for Aramco from 1955 to 1985, serving in various positions of high leadership. Born in Trieste in 1925, Marinovic served the Allied Forces in World War II and emigrated to the United States in 1951. Four years later he was recruited for Aramco's Treasurer's Department in New York. In 1959 he was sent to Saudi Arabia. In 1961 he went to the Hague as treasurer for the Aramco Overseas Company. After another stint in the New York office, Marinovic returned in 1968 to Arabia, where he remained until retirement. For three decades he worked on complicated currency problems and financial forecasting, eventually becoming treasurer of the company, then assistant to the chairman of the board under Frank Jungers, then John Kelberer.

Mrs. Marinovic, Maya, talked off the tape about some of her experiences in Arabia, including her founding of a Montessori school.

Marinovic was interviewed on May 3, 1993, in his home in Austin, Texas, where he moved after his retirement in 1985. He reviewed the transcript carefully and made a few emendations to increase clarity and smooth the flow of the dialogue.

Carole Hicke
Senior Editor

September 1994
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name BALDO C. MARINOVIC

Date of birth 6/17/25 Birthplace ITALY

Father's full name NICHOLAS MARINOVIC

Occupation SHIPOWNER Birthplace YUGOSLAVIA

Mother's full name ANNA MARINOVIC

Occupation HOUSEWIFE Birthplace YUGOSLAVIA

Your spouse MAYA MARINOVIC

Occupation HOUSEWIFE Birthplace YUGOSLAVIA

Your children MICHAEL, BALDO, ANNE

Where did you grow up? YUGOSLAVIA

Present community AUSTIN, TX

Education MA FINANCE, YALE UNIVERSITY

Occupation(s) EXECUTIVE WITH ARAMCO (RETIRED)

Areas of expertise FINANCE, GENERAL MANAGEMENT

Other interests or activities /

Organizations in which you are active /

I BACKGROUND

[Date of Interview: May 3, 1993]##¹

Childhood and Military Service

Hicke: Let's just start this afternoon with when and where you were born and grew up.

Marinovic: I was born in Trieste, which was Italy at that point, in 1925, of Yugoslav parents, let's say upper middle class. At a certain point, we were subjected to what by today's standards might be considered a very mild form of ethnic cleansing. The Italians wanted us out.

So when I was three years old, we moved to Yugoslavia. We lived in Zagreb and later in Split, where I went to grade school and high school. I graduated from high school in 1943, just a month or two before Italy collapsed, and the whole coastal area of Yugoslavia was pretty much taken over by Tito's partisans.

Shortly thereafter, I found myself as a not very willing volunteer for the 11th Dalmatian Proletarian Brigade of Marshall Tito. I spent about five months in that outfit, mostly chased by the Germans and occasionally chasing them. Eventually, I found myself on the island of Vis, just at the time when the Allies, who had landed in Italy earlier, decided that the island of Vis, which is farthest out from the coast, might be a good advance base for them.

When the Allied forces started landing on the island, they decided that they would evacuate from the island masses of civilian population who had retreated there in front of the advancing Germans, and also they'll have a kind of a rough

¹This symbol, ##, indicates beginning or end of a tape side or an interruption in the tape recording.

selection of what was there of armed partisans. I was already six foot two, but by then I was down to 140 pounds and looked pretty bad, so I was medically evacuated at that point, and that's how I wound up in Italy in 1944.

After I recovered, I was recruited by the Allied forces in Italy for an outfit called Psychological Warfare Branch, Allied Forces Headquarters, which was a combined British-American outfit. It involved radio broadcasting to occupied territories, propaganda, leaflet drops, and so on. I worked for about a year and a half mostly as a writer and announcer.

Hicke: Your Italian language skills were--

Marinovic: Good, and that's where I also picked up my English, by the way. I had hardly any English when I arrived.

But eventually I was the main announcer on the Allied Propaganda Broadcast to Yugoslavia.

Hicke: Then what happened?

Marinovic: The war ended, and this particular employment ended, and I was in Rome at that point. I didn't know where to go or what to do. I had pretty much decided I didn't want to have any part of the regime in Yugoslavia, so while waiting to decide what to do next, almost as a lark, I registered at the University in Rome, thinking I'd just waste a few months maybe before going on.

Well, I never expected that I'd live in Rome for the next five years. So I wound up picking up a degree at the University of Rome.

Hicke: Did you have a specialty?

Marinovic: Yes, economics and business. And eventually, we decided to emigrate to the U.S. My mother was with me at that point; that was the only part of my family still left. In '51, we came to New York, and I had a distant relative who sponsored me. That's how we arrived in the States.

Early Work Experiences

Marinovic: Shortly thereafter, I started looking for a job. After pounding the pavements for a while, I managed to find a job with a Wall Street firm called Dominick and Dominick.

Hicke: What kind of a firm, accounting?

Marinovic: No, it was a brokerage, investment banking outfit. I found the job because I claimed I was fluent in French. And this may sound funny, but this firm had a number of very important customers in Switzerland, Swiss private bankers and so on. So all the correspondence and communications were in French to please the customers in Switzerland. The gnomes of Zurich and Geneva.

Yale University

Marinovic: Gradually I got involved in other aspects of the firm's operation, but I decided pretty soon that this wasn't exactly my cup of tea. I couldn't see myself peddling securities for the rest of my life.

Also, I established that my degree from the University of Rome was pretty much meaningless in the U.S. Nobody knew exactly what it meant. So I found a graceful way out: I quit because I went back to school. I went to Yale [University], where they had a brand-new program in international economics. It was a flexible program, and they had absolutely top-notch faculty. I think of my five main professors, four served either before or after on the Council of Economic Advisors to the president. It was a top-notch faculty.

Hicke: Who were they, do you remember?

Marinovic: Well, there was Professor Fellner, there was Jim Tobin, there was Henry Wallach, and there was Bob Triffin, who just died a couple of weeks ago. Triffin was known as father of the European Payment Union. He was quite a well-known individual.

In a year, I managed to get my masters in International Finance at Yale. I worked very hard, but at the same time, it was an absolutely wonderful experience. Challenging, interesting.

Hicke: You packed a lot of work into that year.

Marinovic: I sure did.

After I got out of Yale--actually, I was offered a variety of fellowships and so on, and they were trying to talk me into going on for my Ph.D. There again, I decided that I couldn't see myself as a university professor. I think it's a wonderful life, to be a university professor at a top-ranked university, but I just didn't have enough confidence in myself to be sure that I'd achieve this. And being an associate professor at Podunk U. didn't appeal to me. [laughs]

Research Job at the Carnegie Endowment for International Peace

Marinovic: So I said that's enough in the way of academic education. And I went looking for work. I couldn't find anything really that I liked, that was attractive. So as a temporary measure, I accepted a summer research job at the Carnegie Endowment for International Peace. Basically what they were doing, they were preparing a publication in anticipation of the General Assembly session of the U.N. I was doing the research and writing, the part on economics and finance.

It was a very enjoyable experience, associating with very interesting people. So after finishing the summer stint, I stayed on for almost another year as a research associate, assistant editor, and so on. But then again, I decided that while this was a wonderful life, I felt that I should try to do something that's more in the nature of a career.

II ARAMCO

Joining the Company

Marinovic: So I was busily looking around while I was working there, and through my Yale contacts, through one of my professors, I approached Standard Oil of New Jersey, now known as Exxon. I was interested in a position in their finance organization. They told me at that time they didn't have anything.

There was, however a company called Aramco, which was at that point one of the subsidiaries of Standard Oil of New Jersey [Standard Oil of New Jersey was one of four owner companies of Aramco]. They asked me if I was interested in Aramco, and did I know anything about Aramco, had I ever heard anything about Aramco. I said yes, I knew something about Aramco. And, "I'll check with them." So I was interviewed by Aramco, and--

Hicke: Who at Aramco?

Marinovic: The assistant treasurer and the treasurer in the New York office. The treasurer at that point was Ed Voss, who is still a very dear friend of mine. In fact, yesterday we spent half an hour on the phone. He lives in Maine. The assistant treasurer was Harold Spiegel. They interviewed me and they re-interviewed me, and eventually they hired me. That was March 1955. I was hired as a financial analyst in the treasurer's department.

Treasurer's Department, 1955-1959: Non-dollar Utilization Program

Marinovic: My main responsibilities, after I got my feet on the ground and became a little bit familiar with what was going on, was

working on the so-called Non-dollar Utilization Program. This was in the good old days when the dollar was almighty, and most of the European currencies were not convertible. Exchange controls, and so on.

Aramco was told by its owners, who were also selling Aramco's oil, that their ability to sell oil and products in a number of European countries was limited by their ability to use the currencies of these countries.

Hicke: I see where the program comes in.

Marinovic: So at that point, Aramco was told, "Do your best to use as much as possible in the way of sterling, French francs, Dutch guilders, Italian lira, et cetera." At that point, Aramco dreamt up all kinds of ways and means of using these currencies, particularly by developing purchasing operations in all those countries.

Hicke: Could you give me just one quick example?

Marinovic: Well, for example, we, Aramco, had set up an office in The Hague called Aramco Overseas Company, a subsidiary company. Its main purpose was trying to find throughout Europe sources of materials that Aramco could use in its operations instead of using U.S.-produced materials. At the same time, we tried to recruit people who would be paid in those various local currencies. We tried to get as much of our engineering done by European firms as possible. The main office of this subsidiary was in The Hague, but they had offices in Rome, in London, in Tokyo, and so it was quite an operation.

Our role in the treasurer's department was basically trying to match the demand for these various currencies by our various operating units with the problems that our owners had in disposing of these currencies.

Hicke: Let me interrupt again. Your relationship was sort of to mediate between Aramco Overseas and the owner companies to--

Marinovic: I'll just explain very briefly. We would get forecasts from these various purchasing offices saying for example "All right, over the next three months, we'll probably be able to buy in England X million pounds worth of material."

Hicke: Because this is how much British sterling you have?

Marinovic: No, they said, "That's how much we can do."

Hicke: Oh, okay, we're starting from the other end.

Marinovic: "That's how much we can do, the maximum that we can see in the way of what we can buy, or how much engineering we can have done and so on." And these various offices would supply forecasts to us.

Hicke: To you in the program?

Marinovic: Yes. We would then look at this thing, and then we would go back to the shareholder companies and say, "All right. This is the way it looks in the way of what we can use of sterling, French francs, Japanese yen, whatever." And they would say, "Fine. It's not enough, but we'll take it." [laughter] It was always, "It's not enough."

What we had to do then was make arrangements so that the crude oil and the refined products we were selling to the shareholders would be paid in part in sterling, French francs, Japanese yen, to the extent we could use these currencies. The balance was always paid in dollars. And that meant coordinating between the four owner companies and our thirty bank accounts spread all over Europe and Asia. This was a very interesting, kind of frustrating, but according to the shareholder companies, an essential effort, because they said that simply they could not sell more in those countries unless they could use the local currency that they received in payment.

Hicke: That's a really interesting problem. I hadn't heard anything about that before. How many people were working on this in your office?

Marinovic: Well, the whole treasurer's department in the New York office was about thirty-five people, and the group that was handling this particular aspect was about seven, eight people.

Hicke: How long did this go on?

Marinovic: Well, it went on for a little bit longer, and then the European currencies started getting stronger and stronger, and the dollar started getting weaker and weaker, and eventually the European currencies became convertible. But this was after I had left the New York office. So during my whole period there, from '55 to '59, this was one of the areas of concentration.

Hicke: Would you consider that it was a success?

Marinovic: Yes, it was definitely a success.

Another aspect of the non-dollar utilization program where we were quite successful, and this was handled mostly in Arabia, was convincing the Saudi government that part of the payments going to the government--taxes and royalties--should also be in these currencies. The government did accept part of the royalty and tax payments in sterling and French francs for a while.

Hicke: Who worked that out?

Marinovic: It was our top management in Arabia. At that point, I was a peon in New York, so I wasn't involved very much with that. Except I would always be in the middle as we were handling the flow of currencies back and forth.

Moving to Saudi Arabia, in 1959

Marinovic: All right. In 1959, I was told that I would be transferred to Arabia. Now you have to understand--and this was unique for Middle East concessionaire companies--that our top management was in Arabia. Our chairman was in Arabia, our president was in Arabia, most of our vice presidents were in Arabia. New York was just the New York office. It was quite clear that if you wanted to make a career in Aramco, you had to go out to Arabia. New York was just the backwater, in a certain way.

So I was interested, and I said yes. It involved also a pretty nice promotion. So in July of '59, I left New York.

As a little aside, on the way to Arabia, I stopped in Monte Carlo where my current wife then lived with her family, and we became officially engaged. Then I went on to Arabia. At that point, the housing shortage was such that you had to wait for a considerable period of time before you could bring a family. Eventually, when I accumulated enough housing points, I went back to Monte Carlo, we got married, and I brought her back to Arabia.

Hicke: Her first name is Maya, and what was her last name?

Marinovic: Maiden?

Hicke: Yes, her maiden name.

Marinovic: Ah, you won't believe it, because there are just too damn many consonants, but it's [spells] Krnic.

Hicke: Is that Yugoslavian as well?

Marinovic: Yes, her family is also of Yugoslavian origin. They also escaped after the war, and they were living in Monte Carlo. I met her there by sheer chance.

Anyway, I arrived on July 20, 1959, in Arabia, on the *Camel*. Aramco at that point had an airline of its own. It had three DC-6Bs that flew twice a week, New York-Dhahran. You would fly New York to Amsterdam, overnight in Amsterdam; the next day you would fly on to Rome and Beirut, and then from Beirut on to Dhahran.

Hicke: Had to gas up every--

Marinovic: Yes. And it was quite fancy. We even had sleeping bunks, a limited number of sleeping bunks, and these were for pregnant ladies or ladies with small children and so on. If there weren't any on the plane, then I guess it went by seniority, who gets the bunks.

Hicke: How long did it take from Amsterdam to Dhahran?

Marinovic: Two days.

Hicke: Two days? All that time on the plane?

Marinovic: Well, no, you would leave New York in the evening, arrive in Amsterdam the next day, overnight in Amsterdam, and then in the morning, you would take off from Amsterdam and in effect go all the way through.

Hicke: And that was a one-day--

Marinovic: Stop in Rome, stop in Beirut, and then arrive in Dhahran at 2:00 p.m. roughly. It was July 20, 2:00 p.m. It must have been about 115 degrees. Sand was blowing--not a real sandstorm--but there was this haze. I remember stepping out of the plane, and the thing hit me like a sledge hammer, the heat. The moment I set my foot on the ground, I said, "All right, the next plane leaves forty-eight hours from now, I'll be on the plane come hell or high water. There's no way anyone can live in this place." [laughter]

Hicke: And ten years later, or whatever--

Marinovic: A couple of people from treasurer's were there waiting for me. At that point, they didn't have a terminal, but there was right at the edge of the airport something like a shed--without

walls, just a roof--covering a long bench. Now, on one side of the bench were the customs and immigration people, and on the other were the customers, newly arrived. We would be slamming those suitcases up on the counter, and they would look through them. Whoever was waiting for you would be there, and then they would pack you in a car and off you would go to Dhahran.

Well, once I came to Dhahran and I saw how green it was, and I came to my air-conditioned room, I somehow was a little bit pacified. [laughs] But I still had doubts that I would stay very long there.

Hicke: Were the cars, or whatever you rode in, air conditioned?

Marinovic: No. And you couldn't see anything until you came into Dhahran because of this haze, just this desert, and oh, the heat was awful.

Hicke: Is it flat?

Marinovic: It's a little bit hilly there. It isn't completely desert. There are little bushes and a little bit of this and that, but pretty dismal during the summer. In good season it is great, but during the summer, it's pretty dismal.

Treasurer's Department in Dhahran

Marinovic: Well, in the treasurer's department in Dhahran, or as we called it, SAO--

Hicke: What's that stand for?

Marinovic: Saudi Arabian Operations. NYO was the New York office, SAO was the Saudi Arabian Operations. Or, as the old-timers used to call it, the field. "I am going to the field," or "last time I was in the field."

Hicke: I see, as opposed to headquarters.

Marinovic: Yes. I arrived there, and I was appointed to be finance administrator, which was kind of the number two man to the assistant treasurer, who was running the treasurer's department in Dhahran.

Hicke: Who was that?

Marinovic: That was a gentleman by the name of Dick Hawkey, like Hawkeye without the final "e." [spells] Basically, I had under--maybe it's easier to understand what I was not doing. We had a cashier's department that was handling cash and bank accounts and so on. We had an insurance department that was handling the insurance area. And everything else, all the staff work, that was in my area.

Hicke: How large was your staff?

Marinovic: Oh, I had about a dozen people at that point.

Hicke: Americans?

Marinovic: Three-quarters Americans, and a few non-Americans--one Saudi, one Italian--it was heavily American, the staff area. The cashier's area, to the contrary, was heavily Saudi and third-country nationals.

Hicke: Did you have an American citizenship then?

Marinovic: Yes. Oh, yes. Since '56.

Now, one of the main problems we had at that point in the finance area in Saudi Arabia was the question of simply having money. Shortage of cash.

Hicke: Oh, you mean actual stuff to put in your hands?

Marinovic: The Eastern Province where we were operating was separated by desert from the capital. There were no roads going through. It was isolated. The government itself wasn't very well organized. There was no central bank to speak of. There was something resembling a central bank which was called the Saudi Arabian Monetary Agency.

Currency Problems

Hicke: Were you still having to deal in riyals, silver coins?

Marinovic: Well, this was the problem: getting enough riyals to meet our payrolls. Now, for background I have to go back in time, and I'm talking about the days before I arrived in Saudi Arabia.

Hicke: I'd like to get some background.

Marinovic: In the Eastern Province in Saudi Arabia early on, let's say at the time that Aramco started its activities there in the thirties, the prevailing currency was Indian rupees. There were also in circulation some Maria Theresa silver coins, the thalers. Various gold coins were also in circulation, but there wasn't a universally accepted currency.

When Aramco started gearing up after the war, the central government started getting some receipts from oil, and it started coining, minting, currency. In fact, Aramco helped them, arranged the minting in Mexico of silver riyals, and then transporting the silver riyals back to Saudi Arabia. Same thing with gold sovereigns. But we always had problems getting hold of enough cash to pay our employees and for whatever requirements we had locally.

Hicke: Do you recall how much a riyal exchanged for in dollars?

Marinovic: At that point, the silver riyal was about four riyals to a dollar.

Hicke: About like a quarter.

Marinovic: Right. We used to arrange for the government to mint some more silver riyals, and then we would get these crates of newly minted silver riyals stacked up in our cash offices up to the ceiling. At that point, there was no paper currency. I'm talking about the late forties, early fifties. So all the payrolls had to be met in silver riyals. And every time we had a biweekly payroll, we would send a couple of Kenworth trucks filled with silver coins out to the districts. And the men would line up--

##

Hicke: You were just saying they have to take their hats off--

Marinovic: Take the hat off, or the gutra, and scoop up the silver riyals and walk away from the window. It was quite a nightmare logistically, to haul all the silver riyals in.

Hicke: Where did they put them? Did they have something, a pocket in a robe or--?

Marinovic: They had a little satchel or something, or put them in the thobe.

Later, in the fifties, the Saudi Monetary Agency introduced something that looked like paper money, even though officially it wasn't money. It was called pilgrim receipts.

Hicke: They were first issued to the Mecca pilgrims?

Marinovic: Pilgrims, bound for Mecca. But they fairly quickly became universally accepted. Now, the main reason why the government did not put out proper paper currency was to a certain extent the religious problem. Because there was a religious ruling that you cannot exchange something that is equal for something that's not equal. And obviously, paper is not equal to coffee or wheat or beans or anything else. So it had to be silver or gold.

Hicke: Was this prevention against usury?

Marinovic: It was a combination of prevention against usury, and also distrust, basically, of paper money, particularly paper money to be issued by a somewhat unproven government in Riyadh.

Hicke: But was that in the Koran, or the Shariah?

Marinovic: Well, that was an interpretation. Now, we had some rather interesting episodes, one that I think is worth mentioning. Just, oh, a few years before I arrived in Arabia, we had such a shortage of currency that we decided to issue a company scrip to our basically expatriate employees that they could use in the supermarket, in the barber shop, in the beauty shop, in the snack bar, and so on. And we printed up a certain amount of this scrip.

And everybody was happy, except of course the scrip found total acceptance in the whole surrounding area.

Hicke: You used it on the economy?

Marinovic: Not directly, we provided it only to our employees, but it was 100 percent acceptable, and the stuff started circulating in the nearby Arab towns. And all of a sudden, we had this thundering message from the government in Riyadh saying, "Who do you think you are, printing money? Cease and desist immediately!"

So, we said yes, and we issued orders that all the scrip had to be redeemed, over two days the following week, and after that, it was going to be without value. So the two days came, and people lined up at windows and were turning in this scrip.

About the middle of the second day, somebody in the treasurer's office said, "You know, there's something strange going on. We're getting an awful lot of this scrip in. We still haven't counted how much, but I'm a little bit uneasy." Well, it went on, and at the end of the second day when they counted it, they found out that they redeemed 150 percent of what they ever issued.

So the immediate thought was that somebody printed up some on the side, but there was nobody in the area with the technical skills required. And after a great deal of investigation, we finally found out that apparently some smart fellows in the cash office were taking it in at the window and passing it out through the back door. The scrip was simply recirculated. They never caught the white guys.

Hicke: Good heavens!

Marinovic: After I arrived, these so-called pilgrim receipts were in full circulation, and we were using them to pay our personnel.

Hicke: Within Aramco?

Marinovic: Yes. Now, the problem was always getting enough of these pilgrim receipts. We had to send one of our planes to Jiddah--even though Riyadh was the capital, the ministry of finance was in Jiddah, the main commercial and banking center--and plead with the government to be sure that they had rounded up enough of these pilgrim receipts for us to load up on the plane and bring them back for our payroll. It was a constant struggle.

At a certain point, however, the government started spending money much faster than it was making. Inflation occurred. The government was very profligate under King Saud, who was the first successor to the old King Abdul Azziz. They totally lost control of things. The government was indebted to everybody, and the value of the riyal started declining rapidly to the point where the silver content of the coins far exceeded the value of the riyal vis-a-vis the dollar.

At that point, obviously, all the silver riyals disappeared from circulation, the old Gresham's law--bad money chases out good. We had in our vault something like 115 tons of silver riyals, which were totally segregated and which represented employees' savings, under the savings plan of the company.

Because of Islamic strictures on interest, the only thing we could do with this money was to hold it in our vault. Eventually, the value of the silver in this 115 tons of silver coins far exceeded the value of the riyals. So we decided to benefit our employees, and we contracted to sell these silver riyals to a German smelter.

The ship arrived, and I had arranged a large group of carpenters, company carpenters, who were making boxes in front of the cash office [laughter], and our treasurer's employees were filling the boxes with silver riyals, loading them on trucks, and sending them to the port where they were being loaded aboard this ship. It was quite an operation. Eventually they were smelted down, and at that point we told the employees, "All right, you had 100 riyals in your savings, now you have 150 riyals, because we utilized the silver."

Hicke: What are the legal ramifications that you had to go through to do this? You didn't have to tell anybody?

Marinovic: None. There were no exchange controls at that point at all. We could do whatever we wanted to do with these things.

Hicke: And did the employees--were these Arab--?

Marinovic: Saudi Arab employees, yes.

Hicke: And did they get in trouble for getting back more than they put in?

Marinovic: No, because it wasn't interest.

Hicke: But it wasn't equal value.

Marinovic: It was just as if he had a bag of dates that he bought for one price and sold it for a higher price. This was perfectly fine. Profit was acceptable; interest was not acceptable.

Now, let me give you another little illuminating story about the environment there. One day I received a call from our vice president of finance, and he said, "The governor of the Eastern Province, Amir Bin Jiluwi, is going for medical treatment to Europe. He wants a \$200,000 loan and is sending somebody to pick up the money within the hour." [laughter]

Now, you have to know that Bin Jiluwi was the son of the old man Bin Jiluwi, who was the right-hand man to King Abdul Azziz in the conquest of Riyadh and the establishment of the House of Saud on the throne of Saudi Arabia. This Amir Bin

Jiluwi was an absolute terror. He was feared by the whole population of the Eastern Province. I mean, he had no hesitations in having people beheaded or hands chopped off. But at the same time, he was very fair and highly respected. He was just fierce.

Hicke: Are you talking about the father?

Marinovic: The son also. The father was just as fierce and righteous. You know the famous story about the father; he was at that point in Hofuf, which was the capital of the Eastern Province. One day a man came to see him. Bin Jiluwi saw him, and asked him what he wanted, and this Bedouin said, "I was riding my camel, and all of a sudden along the trail, I saw a bag that was lying in the sand. So I got off my camel, and I found out that it was a bag of dates that somebody had dropped. So I want to report that there is this bag of dates sitting in such-and-such a place."

The amir said, "How did you know it was a bag of dates?" He said, "I poked it with my big toe." And the amir said, "Fine. Now, here's a reward for reporting this," and then he called his slave, "and now cut off his big toe for touching something that wasn't his."

Hicke: Wonderful person!

Marinovic: Anyway, so I rushed down to the cash office and I said, "Do we have any greenbacks?" We scurried through our reserves, and we managed to accumulate \$200,000 worth of greenbacks. We were still finishing counting when all of a sudden this old Bedouin type in a thobe with a hennaed beard showed up with his camel stick, and he had a boy who was driving a pickup. He asked for the money.

After the usual exchange of pleasantries, I said, "Well, fine, would you like to come in, so we can count the money?" He gave me this withering glance and he said, "We trust Aramco." And he just had the boy pick up this crate of money and take it in the pickup, and off they went.

Now there was a rather interesting conclusion to this episode. Two months later, I had a call from our local company representative in Dammam saying that "Amir Bin Jiluwi is sending back, returning the money, the loan. Somebody's coming up to Dhahran." I said, "Fine." So I thought I would see this old gentleman again, and went down to the cash office. In fact a few minutes later he arrived.

He had riyals; he didn't have dollars. So there were a couple of big bags of riyals. He had this boy take the riyals out of the truck, dump them in front of the cash office, and then he started taking leave. I said to myself, "I don't know what's in those bags. What do I do now?" And then I decided that there was no way I could ask him to wait while the money was counted. I just had to trust him.

After the old man left I had my cashiers count the money, and it was actually five riyals over, so everything worked out fine.

Hicke: Oh, that's a great story, that really is. Those are probably the good old days that you couldn't get away with any more.

Marinovic: Exactly, that's exactly it. You know, we would send our payrolls, which in those days were several million dollars worth of riyals, out to the districts on payday. And what we had was one driver in a beat-up old pickup. No guards, nothing, no protection whatsoever.

Hicke: Not exactly an armored car with outriders!

Marinovic: Nothing. And everybody knew the day of the payrolls. You had to drive about forty miles in one direction, in the desert, and stop in front of the cash office, and there they would unload all these riyals.

Hicke: Did you ever have a problem?

Marinovic: No. Never.

I'll just fast forward a moment. In the late seventies, during the big boom, we became a little bit concerned about the security of these cash movements.

Hicke: This was still going on in the late seventies?

Marinovic: We had millions and millions of riyals and dollars in these cash offices inside so-called vaults, which were totally unprotected, and we were still hauling this money in a Volkswagen van. At that point, somebody had the idea of bringing in a security firm, Wackenhut, to make an survey of our arrangements. And these people almost went berserk when they saw how we were handling money. It was just beyond their comprehension. You know, we would haul \$3 million worth of riyals at a clip in this Volkswagen van, and at destination they would just dump these bags in front of the cash office.

They wrote their report, in which they said they've never imagined that anything like this could exist in the world. Anyway, we did then improve our procedures somewhat, because also by then there was quite an influx of foreigners into the Kingdom, Filipinos particularly, who were rather tricky and--anyway, that's an aside.

Let's get back to my first day in Saudi Arabia. As I said, handling the overall cash problem was probably my biggest concern at that point. I also had the relations with the various banks in Saudi Arabia. At that point, we had one Saudi bank, we had a Dutch bank, we had a British bank, we had a French bank. We needed them, they needed us very badly. So we had very close relations with these banks and bankers.

Local Industrial Development Department

Marinovic: My third area of activity that was particularly interesting to me was working with our Local Industrial Development Department, to help local entrepreneurs start businesses and run businesses, and in effect, start doing things that Aramco was doing because there was nobody else that would or could do it, but that an oil company normally doesn't do. We had company laundries and beauty shops and--you name it, we were doing everything.

Hicke: A small town.

Marinovic: So we had this Local Industrial Development Department that was helping local entrepreneurs start businesses, develop businesses, from a technical point of view. I had to scratch up the money. In other words, we would work with the banks--

Hicke: Loaning the money?

Marinovic: No, we tried always to get the banks involved. Tried to get the banks to loan the money, maybe with our guarantee, and this was also quite an interesting exercise, and that's how I met quite a few of the local entrepreneurs. Most of them were just starting, and of course later some of them became millionaires and even billionaires.

Treasurer, Aramco Overseas Company, the Hague

Marinovic: While all these things were happening, our first child was born in Arabia, son Michael. In 1961, after two years in Arabia, I was told I was being transferred to The Hague. In The Hague, as I mentioned earlier, was the head office of Aramco Overseas Company. When I arrived in The Hague, and I was elected treasurer of Aramco Overseas Company.

There again, I was dealing quite extensively with the European banking community, and also to considerable extent with the European monetary authorities. I would go and talk to the Bank of England about our utilization of sterling, I would talk to the French ministry of finance about our utilization of French francs, and so on.

While in The Hague, our second son was born. The Hague itself was a pretty boring place. But fortunately, it was near everything else, so even though we were, let's say, in our breeding season, we took quite a few short trips on weekends and so on, and we enjoyed it thoroughly.

Hicke: Tulip fields in bloom every year, probably.

Marinovic: Right, the Keukenhof.

I had also another unofficial role in The Hague, which was quite interesting. Our senior vice president, Relations and Finance, Bob Brougham, who was stationed in Arabia and who later became chairman, had established a network of unofficial contacts with the oil companies operating in London. I was charged of pursuing and maintaining these contacts.

Hicke: You mean all the major oil companies?

Marinovic: Right. Whether affiliated or nonaffiliated. And basically what I would do, I would go to London, and go and chat with the British Petroleum people, the Iraq Petroleum people, the Gulf people and Iranian Consortium people, then. Of course I also visited the London offices of our shareholder companies. Basically, it was just finding out what's happening.

Hicke: Were you there during the negotiations for the consortium?

Marinovic: Well, no. That was earlier. I was there in '61 to '63, see.

Hicke: Oh, that's right; that was in the fifties.

- Marinovic: Basically it was finding out what's going on, anything new, kind of the general atmosphere, no trade secrets or anything else. They were curious to know what was going on in Arabia, and I would spend two days maybe visiting for an hour or two with various people. And then I would send a report back to Bob Brougham, which was completely outside of channels. I mean, this had nothing to do with my treasurer's role; it was just this separate bit of work I was doing which I found also very interesting.
- Hicke: Yes, indeed.
- Marinovic: Besides, it allowed me to take in two plays a month in London. [laughter]
- Hicke: Can you recall who were some of the people that you talked to in the other oil companies? There were probably different people all the time.
- Marinovic: They were different people. One gentleman I remember vividly is a Mr. Herridge, who was managing director of Iraq Petroleum Company. And then there was a Mr. B. P. Gwinn, who was a mid-level individual in British Petroleum. I also remember very well a delightful gentleman named Mr. Addison, who was managing director of the Iranian consortium.
- Hicke: He was British?
- Marinovic: Yes. In fact, all these three gentlemen I mentioned were British. And that was quite an experience, going to those offices in these British firms with their commissioners in high uniform. And the commissioners looked like doormen with their miniature medals on their uniforms, from war service and so on.
- Hicke: Did anything ever come of this, the unofficial contacts, or was that just--
- Marinovic: No, it was just kind of keeping track of what was going on, keeping in touch and trading information, basically, on the overall situation, on shortages, problems, labor problems, anything coming up in the way of new labor relations issues in the companies, the unions, and so on and so on. But it was very informal. At times, I picked up some very interesting information; at times, I had just a very good time chatting with these people, and maybe have a lovely lunch with them.
- [tape interruption]

Hicke: All right, back on.

Transfer to New York

Marinovic: Right. Well, every good thing comes to an end, so in the summer of 1963, two years after I arrived in The Hague, I was advised that I was being transferred back to New York. I saluted and I said, "Yes, sir," and off we went to New York, where I had been appointed assistant treasurer in charge of the treasurer's operation in New York.

By then, the treasurer had moved to Arabia, so I was the boss man of the treasurer's operation in New York. Apart from the normal treasury functions, such as bank relations, bank account activity etc, I also had insurance under me, and the insured benefit plans, such as the pension plan and group life plan. We were also handling the employees' savings plan. But probably the most important function there were the relations with the so-called off-takers.

Now, the off-takers were the affiliates of the four owner companies who were actually lifting our oil and products.

Hicke: Such as?

Marinovic: Such as, they kept changing names all the time, but for example, for Standard Oil of New Jersey, now Exxon, it was Esso International.

Hicke: Oh, I see, okay. Their subsidiary companies.

Marinovic: Their subsidiary companies that were actually buying the oil from Aramco and then reselling it. Now, this whole cycle of sales and billings and receipts was very cleverly done. Basically, Aramco would be selling crude and products to the four affiliates of the four shareholder companies. At the end of the month, you would make out the bill for whatever they bought, and send a bill to each one of them. They had forty-five days to pay the bill.

So, in the middle of the following month, or the next following month--I'll give you an example: for the crude oil and products sold in January, we would prepare a bill and send it to the off-takers, and the bill would be payable March 15, forty-five days after the end of the month.

We had also arranged that all the government payments would be due in the same day, the payments of the tax and royalty to the Saudi Arab government. Each month, we would determine how much cash Aramco needed for the following thirty days, and whatever was left over, was paid out to the shareholding companies as dividends. This all occurred on that single day. So all this money flowed in, it all flowed out, and at the end of the day, we were left with enough cash to live for thirty days until we received the next payment of invoices.

This involved a tremendous amount of coordination. There were huge amounts of money involved also. So mistakes were simply not acceptable. Every fifteenth of the month, believe me, was always an exercise in tension. To complicate matters, some of these so-called off-takers would not pay the bills in one single payment, but they would have several of their own subsidiary companies make payments into our bank accounts.

Hicke: Directly to your accounts?

Marinovic: Right.

Hicke: So you were getting more than just four--

Marinovic: Now, what complicated matters further was, that in part the billings were paid in sterling also. So every fifteenth of the month was tension city.

Hicke: Who paid in sterling?

Marinovic: Pro rata, each one of them had an equal opportunity in proportion to their liftings of crude oil.

This is also the first time that I was exposed to higher level owner representatives, because the Executive Committee of the board--and later on, I'll describe a little bit more the functions of the Executive Committee and the board and so on--but let's say the Executive Committee of the board, which meant one representative from each of the four shareholder companies would have a meeting, Executive Committee meeting. At that meeting, they would declare the dividends, plus take other actions such as approving capital expenditures, and so on.

Since I was the senior finance representative in New York, I was the one that had to go in and explain to them, "All right, this is our cash situation, this is what we have, this is what we expect to get from our sales, this is how much we

have to pay to the Saudi government in taxes and royalties, this is how much we need to retain for our own operations, this is how much is available for dividends." And that's the only thing that they were really interested in. "How much are we going to get?"

So at that point, I started meeting fairly high-level shareholder people, who were actually on our board, on Aramco's board, and they were invariably vice presidents or above in their respective companies. So I would say this was probably the most critical function for me.

Hicke: Are you going to talk about the people when you talk about the board?

Marinovic: Well, you know, it was a little bit a rotating thing. There were old stalwarts like Mr. Howard Page of Standard Oil of New Jersey, and George Parkhurst of Chevron, Socal as we used to call it in those days. There was Henry Moses of Mobil, and there was invariably a tough guy from Texaco. For some reason or other, Texaco only had tough guys. [laughs] They were always the real hard-nosed types, and they kept changing, but somehow their facade never changed.

Anyway, this question of the basic company cash flow and cash available for dividends was probably my most important function there. What complicated matters is not only that we had four owner companies and four off-takers, but also that in forecasting how much cash Aramco would need for the following month--

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Hicke: Okay, you were just talking about forecasting.

Marinovic: Yes. What complicated this matter of forecasting was also the lack of correct forecast from Aramco in Arabia, from the Beirut office, from the AOC, The Hague, from the Tokyo office--each one of them would come in and forecast how much they thought they would need the following month. And we would lump all this together, and then we would exercise judgment, because we didn't believe some of these forecasts. We had to exercise judgment, when we felt they were either exaggerating or not forecasting enough; so we would have to come up with some kind of a reasonable number. It was an art more than a science, coming up with a cash forecast.

If you underforecasted your requirements, then you would run out of money before you received new money the following

month. If you overforecasted your requirements, the owner companies would get mad because you didn't pay out enough in dividends. So it was a balancing act.

Anyway, while in New York, we lived happily in Larchmount, which is in Westchester County, not far from New York. I was a typical commuter, and the children just started school in New York. The 1967 war happened while I was stationed in New York, but actually, the way things run, it happened while I was on a business trip in Dhahran. I managed to get on the last civilian plane out of Dhahran, because Cairo had already been bombed, and communications were interrupted.

But somehow, I managed to scramble out on an Air France plane that went to Teheran and Istanbul and all over the map, and finally managed to make it home. Of course, Maya didn't have a clue where I was, because communications were interrupted, and she was a bit frantic. But I made it home.

Back to Saudi Arabia in 1968

Marinovic: All right. We come to 1968, when I was told that it's time for me to move to Arabia again. I said, "Yes, sir," so we packed up--I must say that my wife was a little bit reluctant, particularly after the '67 war. So one condition she had was that we would not sell our house in Larchmount until we knew for sure [laughs], so we rented it out.

I arrived in Arabia in September of 1968, which was very close to the bottom of the oil cycle. There was a glut of crude oil, our production was stagnating, the government was at the company's neck to produce more to increase the government revenues, the owner companies were telling us, "No, we can't sell it," we had reduced the workforce down to almost a minimum. For example, when I left Arabia in 1961, we had about 2,500 American employees out there. We hit our bottom in '69 with less than 800.

Hicke: Oh, my word!

Marinovic: And houses were being demolished, and portables were being hauled out of Dhahran. I think our total workforce was close to 10,000, including Saudis and Americans and everybody else. It was real belt-tightening time.

Hicke: What was your position?

Marinovic: At that point, I was assistant treasurer, but the treasurer was there, so I was the number two man in Arabia. Again, I was involved in the normal type of functions that I described the first time around in Arabia, except that the local economy, say the merchants, contractors, banks, had developed considerably, so the contacts with them were much more important, and the dealings with them considerably more sophisticated.

I also had quite a few dealings with the Saudi Monetary Agency, which by then, even though they did not call themselves a central bank--in fact today they still do not call themselves a central bank, they're still known as the Saudi Arabia Monetary Agency--had pretty much assumed the role of a central bank. They were printing actual money, and they were beginning to exercise some degree of control over the financial situation of the country. So I had regular contacts with them. I had the deputy governor, who was then my direct contact point, and we would discuss--

Hicke: Who was he?

Marinovic: Deputy governor, oh, I don't think I remember the name now, because they also kept changing. And of course, I met a number of times the long-time governor of the monetary agency, Anwar Ali, who was a Pakistani who had done an outstanding job in salvaging the crumbling Saudi monetary structure in the early sixties, and obviously had the full support of King Faisal, who by then had taken over from the spendthrift Saud. It was belt-tightening time.

The government actually managed in relatively few years to pay off all its debts, including the so-called tax assignments, which was a gimmick that Aramco and the government came up with in the late fifties, when the government was so strapped for cash that they would in effect mortgage their oil income. What would happen is--they mostly worked with two banks in New York, Morgan and Chase [Manhattan Bank]. They would issue to Aramco an irrevocable instruction saying, "All right, of the tax payable on such-and-such a date, you pay so much to this bank and pay so much to that bank."

We would receive this letter, and on the basis of this letter, we would issue letters to the bank saying, "On such-and-such date, we will pay you so-and-so much." With these letters in hand, the banks would lend this money to the government. And these were all short-term loans, which were constantly rolled over.

Hicke: High interest?

Marinovic: Well, I think they were getting about the prime rate, but it was good business for the bank, it was guaranteed, it was minimal work, because it was one letter, instead of having hundreds of loans and so on.

In a few years after Faisal and Anwar Ali took over, they had paid off all their foreign debts, they had paid off domestic debts, and they had paid off all the tax assignments, so they were at that point about even, even though the oil production was pretty much stagnating.

Oil Boom: Expansion of the 1970s

Marinovic: I think it was in 1968 or 1969 that a representative of the owner companies, who was an Exxon man, Mr. Charlie Boyer, a fairly high-level individual--not the famous Charles Boyer--it sounded like it--came out to Dhahran and gave a speech to the Aramco management saying how for the long-term, oil was going to be in oversupply, and that we shouldn't expect any increase in production for a number of years, and in fact, that sales were probably going to fall off.

Well, about a year after that, the boom started. [laughter] The events of '72 and '73, the break in the 50-50, and the push for the price increases led by the Libyans and the Iranians and so on. Also, of course, the world economies had taken off, so demand for oil was booming, and Aramco found itself in the middle of an incredible boom. It started in roughly '71, picked up steam. At first, the concentration was on crude oil: get as much crude oil out of the ground and make it available to the U.S. companies, because they could sell every barrel that there was.

That led to a massive expansion, which was an absolute nightmare. It was chaos, because you had to get the people in. We were down to 800 Americans. In order to get the people in, you needed housing. We didn't have housing. In order to have housing, you needed the people to build the housing. [laughs] And materials, and power, and so it wasn't just drilling wells and putting in more pipelines. You needed to expand the whole infrastructure that supported this thing. And that was the big difference between let's say our operation in Arabia and an oil company in the States, where basically all they have to do is drill, build plants, and so on. They don't have to worry about housing, transportation, water, electricity and so on.

Hicke: I'd like to interrupt with a question here: this enormous demand probably also made it possible for [Sheik Ahmed] Yamani to start--

Marinovic: Right. At that point, the first inkling started about participation. In other words, the handle of the stick was gradually passing from the companies to the governments.

Hicke: But this would have been much more difficult for the Saudis if you had been in this oil glut situation, I would think?

Marinovic: Of course, we went from a buyers' market to a sellers' market. So this gave the governments extra clout. Also, you had the government in Libya, you had the government in Iran, you had a number of other things which made the governments more aggressive.

The Gas Project

Marinovic: Now, superimposed of course on this tremendous expansion of our oil facilities, which involved also building a new pier in Ras Tanura to load the crude oil, which involved developing brand-new fields, which involved--I mean, the whole gamut of oil operations, literally billions of dollars worth of investment. But superimposed on that thing were two other enormous projects. One was the so-called gas project, and the other one was the electric power project.

Now, Aramco until then was flaring most of its associated gas (gas produced in association with crude oil). Some of it was utilized as fuel, some of it was re-injected for pressure maintenance, but the bulk of it was flared. There simply was no demand. The economics of trying to capture this gas, treating it, building the necessary facilities, were simply not there. Our owner companies made a number of studies, and they simply said, "Look, it's just not there."

Well, as the boom went on, demand for petroleum went up, and there were these enormous hydrocarbon resources just being burned, wasted. The Saudi government became then interested in utilizing somehow this tremendous resource.

Hicke: So the move came by the government?

Marinovic: The Saudi government. In fact, the government commissioned a U.S. company called, I think, Texas Eastern Gas Transmission to

make a study to design a gas gathering system and probably implement some of it.

The government claimed that the gas, the associated gas, where Aramco was not using it, the shareholders had no claim to it. So they thought that they had free gas, in effect, and it was just a question of what you do with it.

Hicke: Was that right under the concession agreement?

Marinovic: You could argue back and forth. I think it was a question of power politics.

At that point, we had the chairman of the board, who was very aggressive, extremely bright, very ambitious, fairly ruthless, and I could almost say something like "crafty" in making deals, who said, "Look, nobody else is going to get on this thing. Aramco is going to do it." This gentleman was Mr. [Frank] Jungers. He played the government against the shareholders, the shareholders against the government; the shareholders were still very reluctant to get involved in this thing, the government wanted to get involved in it, but they were dealing with this other company.

In the end, after all was said and done, Aramco found itself committed to the gas program, which was I think the single largest industrial project in the world ever undertaken. The budget for the gas program was something like \$16 to \$18 billion.

Hicke: When you say Aramco was committed, do you mean that they then got the concession rights to the gas?

Marinovic: No, the government just instructed Aramco to proceed.

Now, shareholders said, "We have nothing to do with this." So none of their money went into the project. It was "government money," basically.

Hicke: What does the quote mean?

Marinovic: Well, it came obviously out of Aramco's cash flow. The whole thing was a very interesting experiment, because Aramco was building this whole project, was handling it, was operating it, but not as Aramco, but as "Aramco on behalf of the Saudi Arab government." So for example, we had to keep a completely separate set of books. All the investments for the gas project were booked separately from our normal operations.

Hicke: Who owned this "Aramco operating on behalf of--"

Marinovic: "The government." But nothing was in writing. Everything was somehow in the air. So we just pretended that we were contractors on behalf of the government, and that's how we built and that's how we operated this project.

Now, the whole thing was just beyond belief. For example, we realized at a certain point that we'd have to bring in, let's say 30,000 to 40,000 foreign contractors, because there was simply no local workforce to handle something like this. So when you bring those contractors in, where do they live? Well, you could tell every contractor, "You bring your own portable housing and so on," but at that point, see, a contractor would come in to do a specific piece of work, he would bring his housing, and then when he leaves, he would just abandon it, and obviously we would pay for it. Then the next one that would come in, we would pay again for his housing.

So Aramco undertook to build contractor camps, and we built huge camps in a number of locations where most of the construction was going on. We had over 30,000 beds in those camps, with dining facilities, recreational facilities, and so on. And so the contractors who were working on the Aramco project did not have to provide their own housing, and therefore did not include housing in their costs.

Hicke: First you had to get a contractor to build the contractors' housing!

Marinovic: Exactly. It was like a vicious circle.

Well, then, for example, somebody came up with this brilliant idea for areas on both on the west coast and the east coast, near the shore where it was either difficult to build contractor housing or where the period of construction was going to be relatively short. What we did is we bought --had built--enormous barges in Singapore. Then, on these barges, they installed portable cubicles, dorms, stacked six deep. And then we had dining facilities and so on.

So these barges would pull up, moor along the shore at a strategic spot, and we had up to 1,000 contractors working and living in each barge. And then when the work was finished there, you could tow the barge somewhere else.

Hicke: Brilliant idea, I guess.

Marinovic: We had people being recruited for Aramco by the thousands. We were scouring the countryside in the U.S. for engineers-- petroleum engineers, mechanical engineers, electrical engineers. But then we had the problem of housing them, we didn't have housing. So there were all kinds of priority lists--who gets housing first. We built an awful lot of temporary barracks and sheds and all kinds of things just to get people in.

Of course, we needed additional office space. We were building office buildings. We had material coming in at such a rate that nobody knew where it was or how much we had of anything, and it was stacked for miles in the sand.

At the same time, the Saudi government was enjoying the beginning of the big boom based on their high revenues from oil.

Hicke: What year are we in now?

Marinovic: We are talking now about the mid-seventies. Mid and into late seventies. So they had a big boom, and they had a big construction program of their own, of infrastructure and everything else. The port facilities were so clogged that ships had to wait up to 150 days to off-load.

So we came to the insanity of cement ships being off-loaded by air; cement would come in ships in bags instead of bulk, and then helicopters were lifting bags of cement out of cement ships and carrying them to shore! [laughing] And we had a constant daily fight, of course, with the numerous agencies of the Saudi government, who were trying to bring in their own requirements, over who has priority for the use of the ports.

Our strong card, of course, was we would finally go to the minister of finance or, if need be, to the king and say, "Look, if we don't bring in our supplies, everything else is going to dry out, because this is where the money comes from to pay for the rest of it!" People were working incredible hours. It was chaotic, but it was one of these episodes that I think was worth living through.

Hicke: It sounds like the frontier days, in another era.

Marinovic: It was absolutely wild. On top of the gas program, of course, we had the electric program.

Hicke: Before we get into that, let me ask a couple of questions: how was this actually paid for? Did you transfer money from one set of books to the other?

Marinovic: Right, right.

Hicke: And what did you list that on the Aramco books as?

Marinovic: Well, the Aramco owners were still legally stockholders, and they were still getting a dividend, but they were not involved in that part. They were involved only in the oil part. Now, of course, at the same time, you had a participation agreement being negotiated and renegotiated, which complicated matters further, because as of 1973, the Saudi government received a 25 percent ownership of Aramco. As of 1974, it was 60 percent. As of 1978, it was 100 percent, even though there was nothing written, nothing was legally implemented, everything was temporary. So in effect, the government owned more and more of Aramco, and it was getting more and more of Aramco's oil profits, which were absolutely insane, because you know, oil at that point was \$36 a barrel, and so our profits were just absolutely staggering.

Hicke: And that's the money that was used for the gas project?

Marinovic: Right. But we had to sort it all out. An amusing thing is, speaking of participation, that Arabia became a mecca for every banker in the world. They were all trying to get in on the action, somehow to get involved, to lend, to borrow, to do things, and so on. There were processions of these bankers. And of course, they all wanted to see the Saudi government monetary agency, and they all wanted to see Aramco.

Hicke: That was you.

Marinovic: At a certain point, I spent a lot of my time just talking to bankers. Finally, I had to say, "All right, look. Bankers we deal with normally, fine. But all these other carpetbaggers--" I set aside an afternoon a week, and they had mass audience. They were very unhappy about it, but I said, "Look, we don't have time to do this thing." And invariably, the first question would be, "When are the participation agreements going to be signed?" And I would invariably answer, "Oh, the signature is imminent."

One day, one of the bankers, it was a fellow from the Royal Bank of Nova Scotia, if I remember correctly, he said, "But Mr. Marinovic, you may not remember, I was here about a year ago, and you told us then that the participation, the

signature of the agreements was imminent." I said, "Oh, yes, but now they are more imminent than ever." [laughter] That was a pat answer.

And the amazing thing was that while we were continuing to operate and just pretending that everything had been signed, nothing had been signed. It was all just a concept, and we were operating under the concept, which presented our bookkeepers with some incredible challenges.

Electrifying Arabia

Marinovic: Okay, now, on top of the oil expansion and the gas program, we had the electricity problem. Let me tell you how this came about. Aramco had for its own requirements, very large, electric generating facilities, huge gas turbine generators, and we had quite an electric distribution system, power lines, to run all our facilities; we needed a hell of a lot of power. In the Eastern Province, there were two major cities, Dammam and Khobar. Each one had its own electric power company. They eventually merged. And they could never keep up with the demand of the booming, expanding local economy. That was inefficient; the whole thing was a disaster, brown-outs, lack of electricity. The only reason I think that some heads were not chopped is that they always managed to keep the amir's palace with juice. [laughter] Never mind anybody else.

Hicke: First things first.

Marinovic: Then there were small towns and villages, and we figured out there must have been about 200 towns and villages in the Eastern Province, most of which had either little or no electricity. There were about twenty-five to thirty other electric power companies. Some of these electric power companies consisted of one small generator in a village, which ran two hours every evening. All right.

So, the government became keenly aware that, as a prerequisite for economic expansion in the area, for industrialization of the area and so on, they needed a reliable supply of cheap electric power. And the one thing to do was to consolidate this whole thing and come up with a decent, large power company that would operate the whole Eastern Province.

Hicke: The impetus came from the government?

Marinovic: From the government. I must say that we were also quite interested in it, because fine, we could take care of our own requirements, but we were more and more pestered by the local communities to help them out, to provide them some additional power and so on. But there again, it was basically the government that said, "Do something."

Hicke: In about what period are we?

Marinovic: That was about 1975, roughly, it started. At that point, the owner companies again were very, very reluctant, even though by then they owned less and less of Aramco, so they had less and less voice in terms of mandating. They said, "It's a hornet's nest you're going to get into," and it was. But I think again Frank Jungers pulled together this thing, saying in effect, "We'll take care of it, we'll do it."

He came up with a bright fellow who had made his career in Tapline, Trans-Arabian Pipeline Company, but had never worked for Aramco. He brought him to Dhahran, and he was put in charge of this. That was John Kelberer. He was an electrical engineer by background, by the way, and he collected a small staff of people, and I worked with him for a brief spell. Not on the technical side, obviously; I don't know anything about power.

But one of the big problems was, okay, we're going to form one single company. Now that means we have to pay out the shareholders of the existing thirty-odd companies, get them out of the way. Either pay them off in cash or give them stock in the new company. How do you value their assets, their books were at best rudimentary. How do you value what these companies were worth?

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Marinovic: So Kelberer asked for somebody from finance to be assigned to help him out in that aspect. I came in fairly late, because by then they had economists who were making studies, and accountants, and auditors, and the whole thing was a total mess, because you simply could not establish a value for these little, itty bitty companies.

So I suggested that we do something, that we just throw away the books of these companies, and we tell these people--very generous, be generous--say, "We'll give you three shares of the new company for one share of your company. Whatever your share of your company is worth, we don't care."

"Or," I suggested, "if you think this is not generous enough, give them four shares. It doesn't make any real difference."

Well, Kelberer was quite intrigued by this suggestion, because he wasn't getting anywhere with this bunch of accountants and economists. So he said, "Well, let's try this thing." And that's the way it was done.

Hicke: Instead of establishing a monetary value?

Marinovic: Correct, they simply exchanged their shares, and they did well. At the same time, we avoided years of liti--arguments--you don't litigate in court in Saudi Arabia. What you do, you appeal to the king, and then the king appoints a commission, and then the commission rules. And then you object, and it goes back to the king. So it can go on for years, you know. Anyway. That was my first real contact with Kelberer. Finally, we set up this company called SCECO (Saudi Consolidated Electric Company). All of the companies involved turned over all of their electric assets to this company and received in effect stock in the company. Aramco also turned over all of its generating facilities, which was like 95 percent of the total, and we set up a new company just out of the blue, separate from Aramco.

At first it was staffed almost exclusively with Aramco people, who were "on loan" to SCECO, and some of the people from the existing old local power companies. This became a monumental endeavor also, because for example, one of the instructions in the royal decree that established this company was that we should provide electricity to every town and village in the Eastern Province. But nobody knew how many villages there were. We had to discover the villages.

And then we would find out that villages just popped up out of the sand because the roaming Bedous would build a few shacks and they'd say, "Okay, this is a village. Now we want electricity." [laughs]

As a result, we had to bring in, in addition to the enormous quantities of equipment and supplies for the requirements of the gas program and our own oil operations, all the requirements for SCECO. So that became a huge operation again.

Hicke: The gas and electric projects were going on simultaneously?

Marinovic: Right. Plus our big oil expansion. Now, this caused another little problem about money.

Hicke: Little problem?

Marinovic: Since Aramco was basically doing all of it and spending all the money, we set aside another little stream of funds that we said was "Aramco on behalf of SCECO." Juggling this thing was a very interesting exercise.

Hicke: And you needed ten or fifteen more bookkeepers, probably.

Marinovic: I needed people. But see, I had nothing to do with the accounting group. I worked very closely with them but we were just the treasurer's group. We always stayed relatively small. I mean, maximum total treasurer's was something like fifty people, including the cashiers in the cash offices and so on.

Hicke: That's not very much for an operation of that size.

Marinovic: I had two men working on this cash flow forecasting, which means every month you had to forecast how much we needed for the gas program (one separate stream), how much we needed for SCECO (another separate stream), how much we needed for our own operation? What's going to come in? [laughs]

And in the meantime, since--and now we're talking about the late seventies--since the U.S. shareholders by then were pretty much out of it and Aramco was pretty much owned by the government, we were piling up enormous amounts of cash. We couldn't spend it fast enough. Our production was skyrocketing, the prices were high. I think at a certain point the maximum we reached was close to \$13 billion that we sat on in cash reserve.

Hicke: Why didn't that go to the Kingdom?

Marinovic: This is a very good question. Basically, Aramco maintained that, "Look, we are paying our taxes, we are paying our royalties, we are paying our participation payments--" like dividends to the government "--and we'd like to sit on the rest, because we'll need it down the road. If we pay it out, it's going to be impossible to get it back from the government." So we said, "We'll invest it, we'll keep it, for these government projects." Investing these funds became quite an exercise.

Hicke: Who did that?

Marinovic: Treasurer's. We developed, for example, guidelines: which banks are we going to deal with? Which kind of financial investments meet our investment criteria? And we were buying

certificates of deposit or buying short-term paper, treasury bills and so on, in the billions of dollars every month. We became one of the biggest traders [laughs] in short-term investment securities.

And of course, the ministry of finance and the monetary agency were looking with a jaundiced eye on this nest egg we had. They wanted to get their hands on it. This became quite a contest between Yamani, the minister of petroleum, who wanted this money squirreled away by Aramco so it's available to Aramco for future requirements, and the minister of finance, that wanted to get its fist on this money.

Hicke: Do you know who the minister of finance was?

Marinovic: Well, at that point, the minister of finance was Mohammed Aba' al Khail. He's still minister of finance. And the head of the Monetary Agency was Mr. Qusaibi.

I remember one day being summoned to Riyadh to go talk to the Monetary Agency people. I thought it was one of these routine problems about flow funds between Aramco and the agency. But when I arrived there, I was summoned to the governor of the agency and the deputy governor, and they sat me down in the governor's room, and they said, "Mr. Marinovic, when are you going to pay us the government money you're holding?"

I said, "Well, we have paid our taxes and royalties on time, our participation payments. Of course, we have some cash reserves, which we need for our capital investments on behalf of the government." Mr. Qusaibi spoke excellent English. He said, "Mr. Marinovic, let's not fool around. We know how much money you're sitting on. When are you going to pay this money to the government?"

I said, "Well, if you are talking about the funds we've reserved for future investments, this becomes a political question, and I think your minister should talk to my minister. I don't think that I can answer this question here."

After a while again, "Mr. Marinovic, do you know that it's a crime to hold government money?" [laughs] I was beginning to get a little bit sweaty; I thought I'd never make it back from Riyadh, that I was going to wind up in the dungeons. I kept just saying, "Well, I think that this is a subject that your minister should raise with His Excellency Sheik Ahmed Zaki Yamani, because we are acting upon his instructions, and I cannot depart from his instructions."

This went on back and forth. Well, they made a number of attempts, but while I was there, we resisted every attempt. Of course, gradually as these programs took off and increased, and more and more money was being spent, we whittled down some of the cash hoard. But when I left in '85; we still had I think \$8 to \$10 billion in cash reserves.

Hicke: And were the gas and oil projects finished by that time?

Marinovic: Yes. But something could have come up.

Hicke: Something will come up.

Marinovic: Down the pike. [laughs] And you see, this was one of the strengths of Yamani. Because Yamani in effect never had to go to the council of ministers or the king for money for his projects, for the oil projects. He didn't cost anything to the government. Every other minister had to go cap in hand and plead for allocations, for budget increases. He didn't. He had it right there stashed away with Aramco.

Hicke: But what caused his problem in the long run?

Marinovic: I think what caused his problem in the long run is that he managed to alienate quite a number of high-level officials, including some royal family officials. And also, he became such a by-word in the world--when you talked about Saudi Arabia, you didn't talk about the king, you talked about Yamani. And at a certain point, I think that the royal family just simply decided he was getting too big for his britches. It wasn't any dramatic incident or anything, it was simply at a certain point, they decided he just had to go. Also, I think by then they felt that the oil picture was in pretty good shape, so--

Hicke: Somebody else could handle it.

Marinovic: Yes.

Hicke: Well, that's absolutely fascinating.

Saudi Arabia on the Fast Track

Marinovic: Anyway, I mentioned before that just before 1970, we had come down to about 10,000 employees, of which fewer than 800 were U.S. employees. By the late seventies, our total workforce had

gone from 10,000 to 60,000. Our U.S. workforce had gone from 800 to 5,500. Of course, locally this caused also an incredible prosperity for the Saudi contractors and Saudi merchants, because they had an absolute advantage in terms of getting work.

Almost every foreign company had to obtain a local partner to do business in Saudi Arabia. Some of these local partners were very helpful; some of them simply got their 5 percent or 10 percent without doing a thing. And we're talking about very large amounts of money. So prosperity hit Saudi Arabia with all its benefits and drawbacks.

The government did all it could to spread the wealth. I mean, they started building schools and universities like you wouldn't believe. Hospitals were being built all over the country. Of course, Saudi Arabia had free education through university, and even post-graduate work was subsidized. Not only you didn't pay tuition, you got a stipend to attend school. You have free medical care, heavily subsidized utilities, gas, everything else. For a long time, the government also heavily subsidized staples, like flour, oil, sugar, and so on. The government is even subsidizing people getting married, they give them marriage loans.

Only Saudis could own real estate in Saudi Arabia, so during the big boom, of course, there was also a tremendous real estate boom, and Saudis made fortune on real estate. I mean, it was wilder than anything that had ever happened in Texas in terms of the real estate boom.

Hicke: Who owned the real estate to sell?

Marinovic: The government, the royal family and individual Saudis.

Hicke: The house of Saud, the royal family?

Marinovic: The royal family of course owned a lot of it. But there were enough individual Saudis who bought and sold and traded land and made fortunes in the process.

But since everybody else was making money, the average Saudi wasn't too concerned about some individuals making fortunes. Everybody else was so much better off than they were before. Also, being a Saudi became a thing--the Saudis were the elite. "Saudis only." A little bit like in the old Roman empire, "I am a Roman citizen." "I am a Saudi, step back, everybody." Which also was very satisfying for the psyche of the group.

That boom was something incredible. Roads were being built, bridges, ports, hospitals, oil facilities, gas facilities--I mean, bulldozers were going twenty-four hours a day, cement mixers. Every big construction company in the world was there: Bechtel, Fluor, you name it, they were there. And they all had to work with local partners, of course, which made the local partners very rich.

Hicke: The house of Saud also had plenty of money, didn't they? They were probably--

Marinovic: They made fortunes also.

Hicke: Plus they owned all the real estate, or a good part of it.

Marinovic: And a lot of the princes became very active businessmen. They got into all kinds of businesses. And of course, they enjoyed priority, and so they became very successful businesses.

At the same time, since Saudi Arabia's population was rather limited, during this period they brought in I would say close to two million foreigners, workers: Pakistanis, Indians, Filipinos, Bangladeshis, Sri Lankans. Also, a lot of Westerners in supervisory and technical positions. By and large, I was disappointed the way the some of the Saudis treated these people. They exploited them.

Hicke: That's too bad, because they didn't get that kind of treatment from Aramco, did they?

Marinovic: So these were kind of the negatives. Okay--

[tape interruption]

III ASSISTANT TO THE CHAIRMAN OF THE BOARD

Appointment

Hicke: Okay, we're just going to get back to your own career.

Marinovic: Well, in 1978, in the middle of all this commotion and the boom and everything else happening, I was suddenly advised that--well, the way it was put to me by Mr. Jungers, he called me in one day and he said, "Do you have somebody ready to take over your position as treasurer?" I'd had a few run-ins with Mr. Jungers before, so I didn't know exactly what was going on. I said, "Yes, I have Chuck Sawaya, who is technically as competent as I am. Maybe he needs a little bit of broadening, but in terms of technical expertise, he is absolutely tops. He is ready to take over."

Jungers said, "How soon can you get him into the job?" I said, "Well, he is right now in Houston, so it will take me a while to get somebody to take his job in Houston, and bring him out. At least a few months." He said, "Go ahead and do it."

I said, "By the way, may I ask, what are the plans for me?" He said, "Oh, yeah. Well, we have to set up a new position that doesn't exist now, and kind of put together some of these things that are now scattered. We'll talk some more about it, but get going on this thing, getting Chuck." So I said, "Fine." I had no idea what he was talking about.

Eventually I had a chance to talk to him a couple of times, and basically what was missing, Aramco had grown so much, what was missing was somebody to keep track of and supervise a number of functions which in some of the large companies are handled by the secretary of the corporation. In addition to that, we had owner company board members, we had owner company Excom [Executive Committee] members, we had government board members, we had government Excom members. They were all getting information from Aramco in a haphazard

way. Somebody would get something that somebody else didn't get, and it would cause all kinds of problems. I think we were like six months behind in writing minutes of Excom meetings.

The salary committee material was in a woeful state in terms of tracking of who's coming up for promotion, who is coming up for a merit increase; it was disorganized. Because Aramco had grown so fast over those years, and the priority was, get the oil out, forget everything else.

So the time had come when something had to be done, and apparently there had been a study by the four U.S. companies about the Aramco organization. They came up with a strong suggestion that somebody be set up to handle and coordinate these activities.

The first idea of Jungers was to call me secretary of the company. However, Mr. Johnston, Joe Johnston, who was in New York, and who had been secretary of the company for ages, and who had the full confidence of the U.S. owner companies, was in no mood to retire. So at that point, Jungers said, "Well, fine. We'll just call you something else, but you basically will do that work." So somebody dreamt up this title, Atcob, assistant to the chairman of the board.

This meant that I reported only to the CEO and chairman of the board. I was completely independent of any other senior executive in Aramco. Gradually, we built up my functions. One of the activities I supervised was the so-called Organization and Industrial Engineering Department. Its main responsibility was drawing up and implementing top-level organization charts for Aramco to respond to the constantly changing circumstances and requirements. When a company's expanding at that rate, you constantly have to reshuffle and reorganize and see how to keep control of the whole operation. It was running wild. In addition to that, they made the typical industrial engineering studies: efficiency, manning levels, and so on. Anyway, this was one department.

Management Development Department

Marinovic: The second function that was put under me was our Management Development Department. The Management Development Department was charged with the responsibility of running herd on the so-called management replacement tables. We had a system in Aramco that for every management position down to division

level, which was pretty low, you had to have an annual plan, which was reviewed and approved, which showed the incumbent, which showed the potential replacements, how far away they were from being able to take over--ready now or ready within a year, ready within three years--what they needed in the way of development to be able to handle the job, such as rotational assignments, educational assignments, and so on.

So for every job--now, we were not that much interested in the lower levels, but let's say when you talk about department heads, general managers, vice presidents, there was a great deal of interest and a lot of time was being spent on that. The Management Development Department was charged with tracking and handling this whole operation. Obviously, it was a very delicate and very confidential type of thing, particularly when you talked about senior positions. The only people we did not do replacement tables for were the chairman and the president. We felt that this was in the owners' hands and outside of the our scope. But even for senior vice presidents, we had these replacement tables.

What was complicating matters at that point, of course, was an intense Saudization drive. So you had to particularly single out the Saudi candidates for all these various jobs. As the Saudi candidates became more viable, and some of them started moving into the management jobs, Yamani requested that we develop a special chart which we internally--within the Management Development Department--called the "greening of Aramco" chart.

What it is, we had on this chart all executive positions, general manager and above. The box where a Saudi was incumbent was colored green. Then the box where we had a Saudi candidate whom we estimated to be ready within two years, we'd stripe the box green. [laughs] And then, for positions where we had potential Saudi candidates but we had not quite decided how far along they were, the box was rimmed green.

Now, this is something that the manager of this department and myself did by hand. I mean, the secretary would prepare the chart with the boxes blank, but then the actual names and the greening, the two of us--Neville Robinson who was the department manager and myself--did by hand. This was reviewed only by the chairman.

Hicke: Did you keep it locked in the safe or something?

Marinovic: Oh, yes, a double safe, this was. It was dynamite.

And then, the chairman would go to Riyadh and review it with Yamani. Then return--he didn't give him a copy, but bring the same original back and hand it back to me [laughing].

Hicke: What were Yamani's reactions?

Marinovic: Yamani was very much interested in pushing Saudis, but he was also very concerned about keeping a strong American presence to maintain Aramco as the kind of organization that he liked it to be.

Hicke: The quality of--

Marinovic: Management, and so on. We had some other Saudi members of our board who were much more aggressive--

Hicke: In Saudization?

Marinovic: --who were pushing this, "Why don't you move so and so"-- you know, and so on. Anyway the Management Development Department basically was responsible for the management replacement tables, and this consisted of a whole series of reviews with--you started at the department level, and then you went to the vice president, then on to the senior vice president, until the whole book was reviewed and approved. The "greening of Aramco" was a separate exercise. [laughs]

Hicke: But time consuming, I would think.

Marinovic: Yes. It took a lot of thinking also. And it's obviously a very dynamic thing, because you can make your plans today, and then something happens tomorrow and a chain reaction goes through the whole organization. But it was fascinating also in many ways.

Also, they were in charge, this Management Development group, of--

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Marinovic: They were in charge of soliciting candidates and selecting candidates for advanced management programs. We would send selected individuals to Harvard for a three-month program, to Columbia, to Stanford, to a number of universities in the U.S. We had to decide at what stage in somebody's career he would benefit most from such a general, broad educational assignment. These were not technical assignments, these are just general management type of programs.

Plus, we developed a number of in-house middle management programs where we brought in outside speakers and instructors, and we would have this in-house for middle level managers.

Internal Services Group

Marinovic: The third activity, which was the one that gave me I think more trouble than anything else, was our so-called Internal Services Group, which was basically our anti-fraud, conflict of interest, embezzlement, whatnot group. We called them our gumshoes, and they consisted mostly of former FBI or Scotland Yard types. Dealing with them was a very interesting experience, because they were always gung-ho to get the criminals, of course. If you didn't go along at times with their over enthusiastic recommendations, then you were "soft on crime."

So my role was sifting through their findings and suspicions and saying, "Now, wait a minute. Just wait. Now let's see what you have." [laughs] "And let's see if we can proceed or not." Because of this boom, we had a hell of a lot of new people, not career Aramco people, who might be tempted to get a kick-back from a contractor, and we've had a number of such cases. This group was looking into these kinds of activities. And they were reporting to me. Then if I decided that the thing had real merit, I would approach either the executive in charge of the individual or, if it was more serious, I would go to the chairman. Otherwise I would have been in the chairman's office all day, bringing such cases in.

Hicke: You had to sit as a minor court?

Marinovic: And it was kind of interesting. At a certain point, we set up something called the Conflict of Interest Committee, which included the senior vice presidents and the chairman, and I was the secretary. The chairman told me, "Look. We've set up this committee to adjudicate these conflict of interest cases. Now, your performance rating will be influenced by how few cases you bring the committee, and how many cases you solve yourself. We have other problems." [laughter]

There were an awful lot of these awkward but marginal type of things. You know, contractors would give gifts to our employees. Some were blatant about it, but a lot of cases were kind of marginal. You also had to understand a little bit the Saudi custom of gift giving and so on.

I had to rule on these things, and people would call me saying, "Look, I have been offered this and that, what do I do?" After a while, I developed a fairly simple system. I'd say, "Okay, just keep it, fine, no problem." Or I would say, "No, you have to return it. Just write the guy a nice letter and tell him that you appreciate very much, and you're sure of his good intentions, but unfortunately the company policy forbids you from accepting".

One day, one of the vice presidents asked me, "How do you make an on-the-spur decision like this?" I said, "It's very simple. Anything that I would like to have or keep, it's a no-no." [laughter]

I remember one day a contractor gave to a number of employees he was dealing with beautiful Japanese binoculars, with lovely leather cases. One of them brought me one and showed it to me. I said, "Give it back. I would love to have this thing." [laughter]

Executive Compensation

Marinovic: All right. Now, the fourth area that I was responsible for was executive compensation. I had a couple of people who worked for me on this thing. We handled the salary administration of all of our department-heads-and-above employees, which meant about 150 people. This involved late in each fall asking all the senior vice presidents to come up with a ranking of their employees, in terms of their performance. Category one, category two, and so on. Of course, every senior vice president wanted all his employees to be category one, and we tried to explain to them that they have to meet the bell curve distribution. There was a lot of wrangling back and forth.

Once we had what looked like a reasonable bell curve--we never achieved a true bell curve, but it was reasonable--then the whole thing was submitted to the chairman and then he would sign off on it.

Then on the basis of the performance category of the individuals, their salary plans for the following year were developed. In other words, okay, this individual category is a one performer, he's eligible for a merit increase in twelve to fourteen months, and this year the percentage is 8 to 12 percent. The senior vice presidents would submit plans for

employees reporting to them. We would again sift through this and go back and talk to them and argue with them and say, "Look, this doesn't look realistic, you can't give this fellow maximum increase in the minimum time every year unless he walks on water, and I haven't seen him walking on water."

At the end of the process, the chairman signed off on the overall plan. Then this was submitted to the salary committee of the board, which consisted essentially of the same individuals who were members of the Executive Committee. Basically with few exceptions they accepted the plan.

And then, the following year, you just followed this plan. It was our responsibility to tell a senior vice president, "All right, now according to our plans, on April 1, Joe Blow is supposed to get a 10 percent merit increase. Is this still what you want to do?" and so on. And if he said, "Yes," we would do the paperwork and implement the salary action.

Apart from the regular salary administration that I just described, we had something called the incentive compensation award, which was a bonus plan limited to the higher level employees. It was an annual bonus based on performance. When the plan started in the mid to late sixties, the award consisted of U.S. company shareholder stock. You would be given stock in the U.S. companies. Some of the stock was immediately available, some of the stock was held in escrow for several years.

Then, in the mid to late seventies, with the U.S. shareholders being more and more out of the picture, we turned this into simple cash awards. But there again, the payment of the award was staggered over several years. My responsibility was working with the senior vice presidents, getting their proposals together, matching them against what we thought was reasonable, and then sitting down with the chairman and the president, the three of us, and going down the list individual by individual saying, "All right, this fellow has been recommended for \$20,000; no, that's too much for him; \$15,000."

And then, this final approved list was submitted to the salary committee for approval.

We tried to keep our U.S. payroll individuals at parity with the U.S. oil companies in terms of total compensation. So every two years, we would have meetings with a shareholder compensation expert to find out about their salary structures and levels. We would try to kind of strike something in the middle between the four companies. Invariably, Exxon was

paying most and Texaco least. We would be somewhere in the middle.

At a certain point we found out that the shareholders were not only giving cash bonuses, but they were also giving stock options to their senior employees. Now, there was no stock in Aramco we could give as stock options. So to supplement our cash bonus plan, we devised something called Special Compensation Award Plan, which was also in cash. It was restricted to an even higher, smaller group of individuals. The receipt of the funds was staggered over a number of years. So we had the basic salary and then we had two different bonus plans, and that was all handled and coordinated through my group.

Executive and Salary Committees

Marinovic: Another responsibility I had, and it was probably the most important, was to act as the funnel through which everything going to the board of directors, to the Salary Committee, to the Executive Committee, to the government directors, went. So at all times, somebody knew what went to whom when, and we had a record.

Now let me just open a brief parenthesis here to tell you about the board, the Excom and the Salary Committee. The board originally consisted solely of U.S. shareholder people. Gradually we started getting some of our Aramco people on the board who were not shareholders. I think in '61, or thereabouts, the first government members joined the board. Eventually, when I left, we had--oh, let's say in the early eighties--we had eighteen to twenty board members. We had two from every shareholder company. We had four or five from Aramco. We had five from the government.

Now the board met twice a year, and these were basically ceremonial occasions. The board in the fall approved the capital program for the next three years, approved a number of specific capital expenditures, and listened to presentations of various types. But essentially, the real decision-making was made at the Executive Committee level.

The Executive Committee members were also board members, you know. Basically for the board meetings, they would bring extra bodies along. It was very ceremonial and very official and all that. But it meant that, for example, I had to prepare

eighteen books with all the board material for all the board members, and get it to them in time so they would not complain that they're are prepared, and trying to pry the information loose from the people who were preparing it who are saying, "I don't have the figures, it's not ready, I can't get it." That was very interesting.

Hicke: I don't know if interesting is quite the right word!

Marinovic: The Executive Committee met in the months that the board didn't meet. Occasionally, they skipped a month or so. So you had, let's say, eight Executive Committee meetings a year and two board meetings. The Executive Committee had all the powers of the board, and that's where the real business was done. In the Executive Committee, each session would look at the cash situation and cash flow, declare dividends, specifically approve specific capital expenditure requests. You see, the capital plan was approved by the board, but then for every project, you had to come and actually ask for the money. It's the difference between appropriation and expenditure.

So you had to have a project proposal for each capital item going to the Executive Committee. And of course, during the boom, we would have forty, fifty of these each month, this one for \$400 million, this one for \$70 million. I would also sit in at the board meetings and the Executive Committee meetings, even though I didn't have an official function. I would sit there to be sure that everybody was taken care of with everything, and also to hear what was going on for my own guidance for further action and follow-up.

As I mentioned, we also had a Salary Committee. There again, I was responsible to get all the required information, and that was pretty sensitive stuff, with the bonus plan and so on, so I had to use extra precautions in getting this to the various board Salary Committee members. After the meetings I would implement whatever was approved, dishing out all that money and so on.

Part of this running herd on the board and the Executive Committee and the Salary Committee was making arrangements for all the meetings. Traditionally the board met in the fall in Dhahran and in the spring somewhere in the U.S. San Francisco--you know, they tried to rotate it among the home offices of the four shareholders--San Francisco, New York, Houston--once we established our subsidiary in Houston, we decided it might be a good idea to have a board meeting in Houston.

When we had a spring board meeting outside of the country, it was a logistical nightmare, because you had to make all the arrangements for accommodations, transportation, social activities. For example, Aramco had a wonderful custom that every time they had a board meeting in the U.S., the board would invite for a dinner and overnight stay the retired Aramco executives from the area. We would have fifty, sixty people with their wives, take care of them, make all the arrangements.

Then when Yamani came to a board meeting, that was a nightmare. Because Yamani, after he was kidnapped and almost killed by the terrorists, was extremely careful. He had a group of bodyguards. They were all British former SAS fellows, you know, the Special Air Services, which is the ultra-commando type unit that the British use for anti-terrorism activities. He had about six or eight of them, and they traveled with him wherever he went.

Of course, every time they came to the States, somebody had to get from the State Department special approval for these people to bring in all their equipment--

Hicke: Machine guns and--

Marinovic: And of course, then you had to coordinate with the police at the airport, and the airport officials, before he arrived in his jet. It was quite an operation.

I'll never forget one board meeting in San Francisco at the St. Francis Hotel. We had the end of a corridor for Yamani and his group. He always traveled with all kinds of hangers-on, so of course, you took care of the whole group, and his bodyguards. His bodyguards had a room, kind of the first room in this cul-de-sac. They put a table in the corridor to block the corridor. They were in there in the room, and I went down to see them to coordinate the next day's activities. They were all there, had all taken out all their equipment, guns all over the place. And at a certain point, there was a knock on the door. They said, "Yes, who is it?" "Room service." They had ordered something. And in comes this very distinguished, white-haired black gentleman rolling this big room service cart before him. And all of a sudden, all you see was the whites of his eyes! [laughing] All this hand artillery around the room.

Hicke: Here's World War III, beginning right here!

Marinovic: Anyway, so this had all to be coordinated. I remember once there was a special meeting in Panama City when Yamani and shareholder representatives were trying to nail down the final

terms of government ownership of Aramco. One of the members of his Yamani's posse was a Lord Patrick Beresford-if I remember the name correctly-, who had fallen on hard times and was a bodyguard for Yamani. Apparently, he had just received a brand-new gadget, some sort of sawed-off shotgun or something, and he was in his hotel room fiddling around with this, and all of a sudden the thing let go! The blast went through the window--it demolished a car parked in front of the hotel!
[laughter]

Hicke: Oh, he was lucky there was nobody in the car, I guess.

Marinovic: But he ceased to be a bodyguard immediately.

And then, we had to ask Yamani, "All right, you're coming to the board meeting?" "Yes, yes, definitely, I'm coming," which didn't mean anything. "Who is coming with you?" Well, his family--"Yes, my family." Maybe, maybe not. And then he had some friends, and then his doctor, and some others who just happened to be around. And you have to make arrangements for all these people, accommodations and limousines and cars. It was a really glorified travel agent functions.

Fortunately, I had one young lady that worked for me, and she was absolutely a genius at this. I would have never been able to handle this without her. She had it on the computer, and I think hourly she was revising all these travel plans for everybody.

By then, Aramco had six executive jets, and it was always a last-minute decision who would go in which jet, and where, and when. We had one Saudi board member, a deputy minister of petroleum (he was also a Executive Committee member, Salary Committee member), who was a real pain because he decided to take advantage of the whole thing. So he would be going, he had a vacation place in Pennsylvania, and he would decide to go on vacation. He would simply commandeer one of our G3s, Gulfstreams, and for a month, you wouldn't see the plane. He was gone with the plane, tooling around the U.S.

Aramco was picking up the tab for all of this, hotels, limousines, you name it. I was just getting these bills. They were streaming in. One day, I confronted this same gentleman. I told him, "Look. You know, you went to the Excom meeting in New York, and I know that's very hard work, you're a very conscientious individual, I'm sure it must have been very tiring and so on, so obviously you couldn't hop on the plane the same day and take off. You had to spend another day or two in New York. But then from New York to Dhahran it's a long

way, it was reasonable to break the trip, and stop for a day or so in London."

But I said, "But these twelve days in London at the London Hilton with a limousine twenty-four hours a day, I'm having a little bit of a problem with this." He almost took my head off. And I remember I went to our chairman and I said, "Look, this is getting out of hand, this whole thing." He said, "Tell him no!" [laughter]

Hicke: Oh, sure. [laughter]

Marinovic: Anyway. Oh, I have to tell you one little story. One year we had our board meeting at the Helmsley Plaza in New York. At that point, the two presidential suites were taken, one for Yamani and his retinue, plus all the rooms next to it, and the other one for our chairman, Kelberer. And then we had I don't know how many suites and rooms and so on. The whole thing lasted three days, but lot of preparations had to be made before. I even went to New York ahead of the meeting to check things out.

After the meeting I came back to Dhahran, and we got the bill from the Helmsley, and it was \$280,000 for three days. Which, you know, was not all that outrageous considering the number of suites and rooms we had. So I sat down and I dictated a letter, a two-page letter, to Leona Helmsley. You remember all the newspaper ads how she was running personally the hotel, checking the closets etc.--remember those newspaper ads? So I wrote her a letter and I said, "We've had our board meeting at the Helmsley Plaza and I'm quite pleased. But I thought you might want to get some playback, some comments. We've been having these board meetings at such places as the St. Francis in San Francisco, and Inn on the Park in London, and so you might be interested in some comments."

And I listed a lot of things that were very good. I thought that the suites were lovely and the telephone service was excellent. And then there were certain problems, and I listed some of these problems. And by the way, I mentioned at the beginning, "Since we spent \$280,000, I thought you might be interested."

And I really took pains to put together a very nice letter; there were a lot of praises, but also some negative comments and criticism. I never received a word of an answer. Leona Helmsley! When they jailed her, I was delighted, personally.

Hicke: But she was too busy checking the closets to reply to a \$280,000 customer! [laughter]

Marinovic: Right. Anyway, I've kind of covered the areas of my activity. There was one other area, and that was basically doing whatever the chairman couldn't find anybody else or didn't want anybody else to do. All kinds of miscellaneous things. Some of them were minor things, some of them were very delicate things, some of them involved people, personalities. So I was his kind of gofer on all kinds of things that were not spelled out in my job description but obviously I was responsive to his needs.

John Kelberer is Appointed Chairman

Marinovic: As I mentioned before, the fellow who put me in this position was Frank Jungers, and I've never been able to find out whether he personally picked me or whether somebody on the Board said, "Put Marinovic in this job." That's still a mystery, as far as I'm concerned, because as I've said, I've had a couple of run-ins before with him, and I thought that there was no particular love lost between the two of us.

Well, a few months later, what happens? All of a sudden Jungers is gone. Very suddenly. At that point, John Kelberer, who in the meantime had done this SCECO thing and rotated through a number of senior positions and obviously was a superb executive, was picked as the new chairman and chief executive officer. They brought in a fellow from Exxon by the name of Hugh Goerner.

The fact that they brought in an outsider as president, was a real no-no as far as Aramco is concerned. They made Brock Powers, who was president under Jungers, they made him vice chairman of the board.

Hicke: Was that a new position?

Marinovic: Which didn't exist, and which was kind of meaningless. It was a very bad time for Brock, who is a wonderful and highly competent individual, I have very high regard for him. But unfortunately, I think what happened, he was associated very closely with Jungers, so--. Once Jungers was removed, I guess they felt that they also had to do something about Brock Powers. He lingered on as vice chairman for a while, and then he quit.

So we had a new set-up. We had Kelberer, and--[tape interruption]

Hicke: Hugh Goerner was the--

Marinovic: Hugh Goerner was the president, brought in from Exxon. So the new two people at the top were Kelberer as chairman of the board and chief executive officer, and Goerner as president. And even though in theory everybody reported to both of them, they kind of split up the activities. Goerner was running operations. Kelberer was concentrating on government relations, finance law, planning, staff type of activities. Now of course, every--

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Hicke: You were just talking about how the division of responsibilities between the president--

Marinovic: Right. And everybody reported ultimately to the chairman. Oh, as I mentioned, shortly after I came to the new position, Jungers left the company and Kelberer became chairman. For me it was a bit awkward and at times amusing, because Kelberer didn't have clear ideas about what I was doing, or what I was supposed to do, and I didn't know him all that well. As I mentioned before, I'd worked with him for a brief spell on SCECO. So it took a little bit of a get-acquainted period, a couple of weeks until we sorted things out.

I remember one specific episode: at a certain point, he was going to discuss with the president some high-level salary actions. So he said, "Baldo, you know, would you mind leaving? I have to discuss certain salary actions with Hugh." I said, "John, I prepared these salary recommendations." [laughter] "Oh," he said, "you handled it?" I said, "Yes, I'm handling this."

Anyway, Kelberer was the opposite of Jungers. I would say they're two completely different types. He was brilliant himself, very quiet, very subdued, very low-key. He had a favorite trick when during a discussion people started arguing, and things got heated. The more heated things got, the more he lowered his voice. At a certain point, there was this absolute silence, everybody was straining to try to hear what John was saying. [laughs] He had a marvelous way of controlling a meeting like this.

He was much stronger than Jungers on human relations, and at the same time, he had an incredible memory. Even though he

had not worked in Aramco, had not come up through the Aramco ranks, and therefore he had not served in various low-level positions all over Arabia, he still knew every plant, he knew every facility, he could discuss in detail any capital spending proposal, he knew what was behind it. And besides, he was an absolutely delightful person. So I think my fondest memories from Arabia are really of working with John Kelberer.

I'll tell you one little story: one day--I loved fishing. That was my favorite recreation in Arabia. I had a boat and I used to go out fishing in the Gulf. And one day, it was two days after the mosque in Mecca had been seized by those fanatics. Well, a whole bunch of us decided to go pretty far out fishing, about five boats.

We were out there in the middle of the Persian Gulf, when all of a sudden the coast guard, Saudi coast guard boat came. We'd had problems with them before, because they didn't like us around. So the boat came, and I produced my Aramco I.D. card and my sailing permit, and started chatting up in Arabic with the guy who appeared to be in charge. He looked very grim, and he just took my papers and he said, "Ruwh Qurrayah" which meant "go to Qurrayah." That means "Go to Korea." That was the nearest coast guard station on an isolated patch of sand in the middle of nowhere.

Well, I started arguing with him, and the fellow who was i with me in the boat, our senior vice president of finance, Frank Milne, nudged me and he said, "Baldo, look at the fellow behind him." And behind the fellow who was talking to me, there was another guy who had a machine gun pointed at me. I said, "Yes, I'm going to Qurrayah right now."

So they collected all these boats, and we sat under arrest by the coast guard there the whole day. That was a Friday and on that afternoon at two o'clock I was supposed to meet with Kelberer and Hugh Goerner to discuss the bonus plan awards. Well, it was obvious to me that I would miss the meeting. [laughter] However, I did manage to get through by telephone to a nearby Aramco outpost, and I asked them to call somebody to call somebody else and to relay a message to Kelberer that I was in jail, that I could not make it.

Eventually in the evening they let us out. So the next day I came to work, and Kelberer returned to me the bonus recommendations. There was an amount for me, and he had struck it off and just written next to it, "Gone fishing." [laughter]

Hicke: That's terrific.

Marinovic: By the way, there was a little episode during this coast guard adventure that will illustrate a side of the Saudi mentality. On one boat was a friend of mine who couldn't find anybody else to go out with him, so he kind of conned his wife to go out with him, even though she didn't particularly like to go out on the boat. Well, they were also picked up, and they were brought to the coast guard station and all of a sudden, a big discussion ensued among our Saudi coast guard captors.

We finally figured out what was going on. There is an absolute rule that no women are ever allowed inside any military installation. So they couldn't take her in. On the other side, she was a captive, so they couldn't let her go. So they had a problem.

Finally, you know what the solution was? They brought him into the compound, and they left her to sit in the sand outside the barbed wire. She sat there for six hours, but her husband was allowed to bring her water through the barbed wire. I can assure you, that she never went out again on the boat!

Hicke: I was just going to say, she probably regretted that decision.

Marinovic: Anyway, Kelberer was an absolutely delightful individual, and very quickly he and Yamani developed a strong rapport. After the change of ministerial guard, surprisingly he developed an extremely good rapport also with Hisham Nazer. His last year or so, year and a half, he spent most of his time shaping the final structure of Aramco as a government corporation. Because until then, when I left in '85, Aramco as a legal entity was still a Delaware corporation of which the four U.S. companies owned all the stock, but Aramco's assets were owned by the government. So it was very confusing for everybody.

Kelberer worked a lot with the U.S. companies and with the minister to effect the change and finally, there was a royal decree organizing this Saudi company called Saudi Aramco. The new relationships were established and so on. That was his last major achievement. And then he finally retired, came here to Austin, and within less than a year, he developed cancer of the pancreas and died within nine months. Tragic.

I spent a lot of time with him during his last year. I used to take him to his chemotherapy sessions. The guy was serene, he knew exactly what was going on. He had made his peace with God. He asked me to help him make some estate arrangements. We are very close to his widow, who still lives

here in Austin. It was a great loss to us, because he was a unique individual, Kelberer. Just delightful. He was also a good fisherman, so--.

IV OVERVIEW

What Made Aramco Unique

Marinovic: To wind up this long thing, I want to give you some of my impressions of what made Aramco a unique place. See, there were all kinds of concessionary oil companies in the Middle East. You had the Kuwait Oil Company, the Iraq Petroleum, the Qatar Petroleum, you had the Iranian Consortium. Aramco was just another concessionaire company in the Middle East.

However, there was one basic difference, and that is that all of these other concessionaire companies were staffed with parent(owner) company people who would be sent out for two years, for three years. They were not career Kuwait Petroleum Company people. They were career Gulf people, or they were career BP people, and so on.

Aramco, at the very beginnings, was staffed with Standard Oil of California people and Texaco people. But by the time I came in, all of the top management people had walked in off the street. They had never worked for an oil company, except for Aramco.

Hicke: Do you know who made that kind of decision?

Marinovic: I don't know how it was made. I don't know whether it was a deliberate decision, or maybe the shareholders, the owner companies, had some problems getting their good people out into the desert. The other thing is a few of the early pioneers established very good relations with the local government authorities and with the king.

Hicke: Who are we talking about now?

Marinovic: [Floyd] Ohliger, and [Fred] Davies. Floyd particularly.

Hicke: But Peter [Speers] was telling me that they had this consultant, Mr. Guin, who went around--he decided that people should be recruited specifically for Saudi Arabia, so maybe that was part of it too.

Marinovic: Yes. Obviously studies had been made and so on. But if there was a strong desire on the part of the shareholder companies to have only their people, they would have done it. For some reason or another, it went the other way. The fellow who hired me, the treasurer, Ed Voss, had worked briefly for Standard Oil of New Jersey before transferring to Aramco. So that's why he still asked Standard Oil Company, "Do you have any good candidates for this job?" And that's how I came in.

Very soon, people developed the attitude that this is a career job, that there are possibilities, if you are a certain type of individual. Because obviously, a typical sedentary type may not even apply for a job like this. You had people who were adventurous, who were impatient, who wanted to do things, who wanted to see things.

Hicke: Adventurous spirits.

Marinovic: Adventurous spirits, basically. So this was, I think, one of the factors. Then, of course, you had the pioneering spirit. "When we first did this," or "when we first accomplished that," and "when we first connected this pipeline." And really, there were accomplishments, because these people were working against incredible odds. They adapted to circumstances which were remote from anything that they had known in their previous lives, in terms of work conditions, in terms of people.

The other thing was that because of the nature of the animal, very close social connections were established, and a very active social life developed. There was nothing outside of Aramco, so all the entertainment was done at home, and there was a lot of it. We had an excellent school system, a really first-class school system, through ninth grade. After the era of the roustabouts and so on, when Aramco became a more developed company, when we needed a lot of professional talent, you couldn't get people unless you provided decent schooling. So we had an excellent school system through ninth grade, and then a very generous plan to finance the schooling of your children through high school abroad.

So, for example, our two boys graduated from school in Dhahran, ninth grade, and one went to Hotchkiss, and the other went to Middlesex, two top prep schools on the east coast. The company paid 85 percent of the tuition, plus they gave them

three round trips a year to come home for Christmas, for the Easter recess, and for summer.

We had an incredible array of activities out there, and the company took a very wise position. They said, "Look. You people organize yourselves and we'll try to help you out. But the company's not going to run these things." So the company built the golf course, for example, or the tennis courts. But from that point on, you handle it. You run it. You organize it.

So we had these so-called self-directed groups, which ranged from the tennis club to the golf club to the bowling club to the bridge club to the ladies' club to some really esoteric groups. You had a very active philatelic group, and they became quite well known. In fact, two of them were elected Fellows of the Royal British Philatelic Association, because of their research in some obscure realm of stamps.

You had coin collectors, you had antique collectors, and then you had an extremely active travel group, the so-called DOGs. The Dhahran Outing Group. Every long weekend, they had a trip arranged to Shiraz, to Isfahan, to Cairo, to Beirut, to all kinds of places. People did a lot of traveling. Until the late seventies, the system was that you had a two-year employment "contract," even though you didn't sign any contract. This goes back to the old days when people actually signed a two-year contract. We were career employees, but you had a two-year contract. At the end of the two-year contract, you had three months' leave.

Hicke: Three?

Marinovic: Yes. At the end of the first year, you had two weeks' local leave. For your long vacation, the company bought you or gave you the cash for a first-class round-trip ticket to your place of origin. And somehow, for some reason or another, gradually everybody seems to have had a place of origin in Alaska or Oregon, even people that I know were born and raised in Brooklyn.

So people did a tremendous amount of traveling. You would go on long leave, and maybe spend a month gallivanting through the Pacific. Then you spent a month at home in the States, and then maybe you spent a month in Europe.

Hicke: Where can I sign up?

Marinovic: Prices were different then in Europe and the Far East. So with your Aramco pay, you went only first class. You wouldn't consider staying in Hong Kong anywhere but at the Peninsula Hotel. It was very cheap in those days, relatively speaking, if you were on a dollar payroll. So there was a lot of traveling. People would join with foreign groups for more adventurous things. I think we had people going trekking in the Himalayas before everybody had ever heard of it. Or they would rent a houseboat in Srinagar, in Kashmir, spend a week there.

It was really a very closely knit group, and of course, you had people you couldn't stand, and you had people who were very close friends. But there was a certain broad group solidarity, which was--I wish that there had been a good sociologist that spent twenty years with Aramco and just figured out what made the Aramco people tick.

Another thing, for example, in every major company that I know that works in developing countries--I talked to people who worked for the Panama Canal administration, mining companies around the world, oil companies--apparently, the social relations are hierarchical. You know, the vice president invites all the other vice presidents for dinner, and then the other vice presidents reciprocate and so on. It's all by layer.

In Aramco, this simply did not exist. It went like this.
[demonstrates]

Hicke: Vertical.

Marinovic: Bob Brougham, chairman of the board, he had always his tennis buddies, socializing with them. The golf group, the bridge group, or parents of friends of your children were the focus of social life. And the husband may be a mechanic or he may be a vice president. What helped this social diversification a little was the fact that housing was the most precious commodity in Dhahran. We were always short of housing. It was not the best kind of housing. So we had a very complex point system to qualify for housing. The biggest weight in the point system was service. So you did not have an executive section of town and then the rest of the crowd lived away from there. It was all interspersed.

By the way, the number of bedrooms you had depended on the number of children. According to Aramco, the official incest age was eight, because if you had two children of different

ages, you rated another bedroom by the time the children reached eight years of age. [laughs]

And you know, you can still see this Aramco solidarity, for lack of a better word. One of the reasons that you have a bunch of former Aramco people here [in Austin, Texas] is again this kind of gravitating toward each other.

Hicke: Yes, that intrigued me, too.

Marinovic: In this connection I'll have to tell you about Pete Speers, his sense of humor.

I visited Pete before we bought this house here. I was still working in Arabia. He was already retired. I was chatting with him and I said, "You know, Pete, I still don't understand this thing. How come all of these Aramcons have congregated here in Austin? It's like a lemming instinct." [laughter] No reaction from Pete.

Six months later, I bought a house here. I was still out in Arabia. And one day I get a letter from Pete which started "Dear Mr. Lemming."

Anyway, you have a whole bunch of Aramcons here. We have a spring picnic, everybody gathers in Zilker Park and we have 100, 120 people show up. Then we have a Christmas party. Then we have an Old Geezers' lunch, a stag lunch every third Wednesday of the month, once a month. And you have ten people show up, fourteen, six, depending.

And then, of course, we have several very close friends from Arabia who live here, and we'd see them a lot. There are a lot of people who worked for Aramco that I see at a picnic, and otherwise I don't see. A couple of miles from here lives a fellow who joined treasurer's six months after I did, and he worked for thirty years with me or for me. And every morning we see each other at the gym; we go to the same gym.

Life with Aramco was a unique experience. You had people who had all kinds of interests--for example, pot picking was another favorite leisure time activity. Have you heard about pot picking?

Hicke: Well, Ellen [Speers] just was telling me about it.

Marinovic: You had people who became known experts on the archaeology of pre-Islamic Arabia and so on. I never got seriously into pot picking. I remember once, the chairman before Jungers, Liston

Hills, whom I knew well because he worked in The Hague while I was in The Hague for a while, and he said, "Why don't I take you pot picking?" So we went pot picking. We went about 100 miles out of Dhahran, and there was an area that looked to me just like another stretch of desert. Liston said, "We're looking for beads." I said, "How do you look for beads?" "Well, you just look at the sand, preferably on your hands and knees, and you see little black beads." I said, "Fine."

So I thought, well, that's no problem. I collected a whole handful of them in no time. So I said, "Hey, Liston, look." He said, "Baldo, these are dried sheep droppings. What we're looking is something that's one-tenth the size." [laughter] I gave up on pot picking.

Hicke: Tell me about relations with the Saudis.

Marinovic: A typical question that I'm being asked by many people is how did you get along with the Saudis? And it's a question that is very difficult to answer, because it's really a multifaceted problem. In the early days when the Americans came to the Eastern Province of Saudi Arabia, there was nothing. There wasn't a school in the whole Eastern Province. Everybody was illiterate. So obviously, the Americans were a little bit like something coming out of Mars. Ice was something unknown. The biggest favor you could do to anybody is give him a piece of ice.

Because of this, at first, the Americans were the big bosses, and the Saudis were the little, uneducated peons. Very early in the game--and I must give credit to the pioneers and even the top brass in Chevron, which ran Aramco in those days--Aramco realized that we had to develop a local workforce. And at that point, Aramco started schools and training programs. Gradually, the Saudis started rising in the workforce through the ranks, at first displacing third-country nationals, Pakistanis, Indians, and so on, who had clerical and lower technical positions, and then later displacing Americans.

But one thing that I think helped the whole process was that the company made it absolutely clear to everybody that a very important factor in judging the performance of its American employees was their success in developing Saudis. That became one of the most important criteria in judging and--

Hicke: Performance evaluations.

Marinovic: Yes. It wasn't lip service that the company was paying to it, just to satisfy the government. It became something deeply embedded in the Aramco culture.

Now, the personal relationship with Saudis at work varied. I had individuals working for me that came to me with all kinds of personal problems, and I was their big father, in a certain way. There were individuals that worked, said hello and were very nice, worked well, and went home. I didn't know much about them.

Now, social life: there were some Aramco individuals, not many, who did establish some kind of a social interchange with Saudi employees and their families, but it was very few, and it wasn't a very profound or deep relationship. The cultural barriers simply made it impossible. One of the biggest problems, of course, is the status of women. You always had stag parties. You could not ask a typical Saudi to bring his wife.

Now, gradually, you had a number of Saudis who were quite sophisticated, educated abroad, contractors, bankers, and so on. Their wives were educated abroad. With that particular group, you had a more normal social interchange. But it was purely work-related. In other words, they would invite you, you would invite them, because somehow you were connected through work. There was no real personal relationship.

Of course, Aramco made tremendous efforts to teach its American employees Arabic. Now, Pete Speers for instance, was fairly fluent.

##

Marinovic: Gradually, as the general well-being spread and the Saudis became richer and richer, and they started making more money than their U.S. counterparts at the same level, relationships tended to change. At that point, quite a few of our U.S. employees became nervous about their positions, about their careers, and so on. So we introduced a system where people who were replaced by Saudis and lost their jobs, and there were no other jobs for them in the company, and who had done a real good job in preparing the Saudis to take over the job, were given very generous severance allowances.

Hicke: Well, that's pretty nice.

Marinovic: To encourage them to develop the Saudis, and of course, also to ease the blow.

Hicke: Yes. It's kind of hard to work yourself out of a job.

Marinovic: Now, there was a distinct change in atmosphere in Arabia after the Islamic revolution in Iran. Until then, Aramco almost enjoyed almost an extra-territorial status in a certain way. The Saudi police kept out of our Aramco camps, which are really small cities. We had our own unarmed security force. Women could drive inside of our camps. We had in our supermarkets a pork store where you could buy pork products, the only place in Saudi Arabia where you could have pork products.

And we, of course, had religious services for Christians. We had Catholic priests there, and to solve the problem of the multitude of Protestant denominations, they somehow got lumped into two large groups: there was a high church group--Episcopalians, Anglicans, and so on--and officially the group was a self-directed group, just like the tennis club. It was called the Canterbury Group. Then, the Baptists and the Methodists and so on, they had a minister, and they were known as the Fellowship Group. And the Catholics were the R.C. Group.

Now, this whole thing was illegal under Saudi law. But old King Abdul Azziz had given oral permission for it, to bring in some ministers or priests. Anything that the old king had approved, his successors were very loath to disapprove. It was a little bit like enshrined.

Of course, the whole thing had to be conducted quietly, sub rosa. You could not have a church. We had mass in the gym or in the theater. The priest had the biggest house in camp, and all the walls were knocked out, so it was used as a chapel. We had every two years a Christmas pageant on the baseball field, which was a total community effort. I mean, literally 700, 800 people worked at it, erecting half a city of Bethlehem, and we had camels, sheep, angels, choirs--it was an incredible production, and became the biggest attraction in the Eastern Province. Every Saudi there came to watch this thing; they were absolutely enchanted with the whole thing. As things tightened up we had to discontinue it.

Of course, alcohol was totally illegal, and of course we all had booze in our houses. We were all making it ourselves. For a while, there was a pretty good smuggling network, but pretty soon the authorities stopped that. I think smuggled whiskey was about \$100 a bottle, which was too rich for one's

blood, so we all had stills at home. There was a tremendous pride in who makes better booze. Since we had a lot of chemical engineers, we really perfected this thing. I mean, the stuff was absolutely outstanding. [laughter] And you knew who made bad booze, so you had a drink at home before you went over to their house.

Then, after the Islamic revolution in Iran, fundamentalism started creeping in. The Saudi government became quite concerned about being out-maneuvered by the Iranians. You know, it's a little bit like in the old days, when the communists were more afraid of the Trotskyists on the left than of anybody on the right. Well, that's the way the Saudis were. They were terrified that somebody was going to be a better Muslim than they were, and so at that point, they started clamping down to prove that they are just as good Muslims as anybody else.

Of course, the country had also prospered. Prosperity was there, so they felt their oats, and they started tightening up. For example, all of a sudden we couldn't have Christmas decorations on the outside of our houses in camp.

Hicke: About what time?

Marinovic: Oh, I would say late seventies and early eighties. At a certain point, the police came into camp and arrested the priest in Abqaiq. He was released the same day, but next we heard that there was an order that there would be no more Christian religious services.

So at that point, our top man, who had excellent contacts in Riyadh, went to Riyadh and went to see the chief of intelligence, or the king, and said, "Look, this is going to have a very serious impact on our Christian employees. After all, King Abdul Azziz approved this thing," and so on. It was just before Christmas. And then the king or whoever it was in Riyadh promised that they'd send orders to the authorities in the Eastern Province not to implement this directive. The Saudis had a wonderful system. They never revoked anything; they just wouldn't implement it. [laughter]

Well, Christmas Eve came around, and of course, we had a huge turnout, and a packed theater, everybody was there for the midnight mass.

Hicke: And Saudis there too?

Marinovic: No. And I spent that whole Christmas Eve at the gate, the main gate of the compound, with a walkie-talkie waiting for the gendarmes to bust in, because we didn't know whether the local authorities had received this revised order or not. I had a walkie-talkie and Kelberer had another--Kelberer was also Catholic. If the gendarmes had come, I was supposed to hold them up as long as possible and try to argue with them, to give time for everybody else to vacate the premises.

Things calmed down for a while. Then one day we heard that there was going to be a police raid on the chapel. So at that point, Kelberer called me and called a few other people, we rushed over to the chapel with a truck. We loaded all the paraphernalia into the truck--crucifixes, statues, you know--[laughs] just loaded the truck, and then drove the truck right into Kelberer's home, into his garage, and closed the garage door. We figured nobody was going to bust into his house.

We started having problems with American women, regarding what they wore when they went to the local towns. The religious police started spraying legs that were exposed with black paint and started harassing people. That was also the time of the long hair. The kids would come from the States on vacation with long hair--

Hicke: Oh, the boys.

Marinovic: And they would grab them and cut their hair. You had to be awfully careful about the booze. If you had a cocktail party at home, you did not sit outside in plain view with glasses; you had the party inside or in an enclosed patio, where you had privacy. Generally, things became more and more unpleasant. And we just kind of rolled with the punch. But the pressure was on, and the feel of total freedom just vanished.

To a certain extent even the feeling of total security started to disappear. Earlier, when I came out, let's say in the fifties or even in the late sixties, early seventies, you had this feeling of absolute security. I would take the boys and we would drive out in the desert 150 miles and camp somewhere. And all of a sudden, out of the sand would pop up some Bedouins. We would invite them over, and they would have tea with us, and then they would invite you to their tent. You felt so absolutely safe and secure.

I always kept all my doors open. I don't think we had a key to our house. You would drive down to the local town, and you would park as near the store as you could. You would leave

the key in the ignition, the windows were all rolled down. Then you would go into the store, buy whatever it is, walk by your car, toss the package in through the window on the seat and walk on, go on shopping. And I still have not quite adapted to a different reality, I often still leave my front door open.

Well, with the influx of 2 million third-country workers, even that became a little bit iffy. You started worrying about theft, about this, about that. You didn't feel like going camping very far with women and children. The atmosphere had changed.

Retirement

Hicke: Tell me about how you left and retired and moved to Austin.

Marinovic: Well, normal retirement age in Aramco is sixty. And all of a sudden, I saw this confluence of things. I was going to be sixty within a month of having thirty years of service with the company. And my youngest child, our daughter, had just graduated from school there and had to go away for school.

Now, we lucked out with the boys while they were in boarding school. They did very well, we didn't have any problems. And you know, these were the turbulent sixties and seventies. And I've had a number of my friends who would get these phone calls saying, "Your son or your daughter has just been expelled from school, pick him up," and you're 9,000 miles away.

So I said, "I don't want to run another risk. So that's it, I'm leaving." So I wrote a letter of resignation to Kelberer saying, "Officially, I am now resigning as of such-and-such date, and so on." (Normal retirement was sixty, but it wasn't mandatory.) And, "Will you please sign below accepting my resignation." Because then, this triggered getting a packing date and the preparation of all the paperwork. Until you had your supervisor sign off your letter of resignation, nothing happened.

So a week went by, two weeks went by, nothing happened. So I asked John, "How about this letter of resignation?" He said, "Ah, ah, ah." Wait another week, nothing happened. So one day he was in Riyadh and I went to his secretary. (She also lives here, by the way, in Austin.) I said, "Cathy, let

me get into John's desk." Every once in a while she would ask me to help her, because he would have desk drawers like this--

Hicke: Piled up high.

Marinovic: When he was away, she would ask me to sort his desk drawers out and throw away whatever wasn't important. So I went and rooted around his desk, finally I found my letter of resignation. I pulled it out and put it on top of the pile and put a little sticker saying, "Urgent." Fine.

Wait another week, nothing happened. I said, "John, about my letter--" nothing happened. So I sat down and I wrote a very formal letter, on company stationery, saying, "To the chairman of the board, Arabian American Oil Company, Dhahran: Dear Sir: As assistant to the chairman of the board, I feel it is my duty to point out to you that you may be albeit unknowingly breaking one of the laws of the kingdom of Saudi Arabia, our host country, whose laws we are bound to respect," et cetera, et cetera.

"You may not be aware of the fact that His Majesty King Khalid signed on such-and-such a date a royal decree outlawing slavery." [laughter] "Accordingly, I urge you to conform to the laws of this country, our host country, and sign my letter of resignation." [laughter] And the next day he walked into my office with this letter--[pulls out paper]--

Hicke: Handing you the letter.

Marinovic: --and he said one unprintable word. [laughter] He then signed my letter of resignation. So I finally got out.

The fact of the matter was that Kelberer wanted me to stay one more year as he was planning to stay on another year. As a courtesy I then advised the president, who by then was a Saudi, that I was leaving. His reaction was somewhat unexpected. He said "You know, that's not the time to go. You are showing lack of confidence in this process of Saudization, you're a key person in this whole process, and now you're leaving. This is not acceptable."

I said, "Ali, look. I can stay another three months, six months, so what? What difference does it make? When you make up your mind to go, you go." I didn't want to linger on, and I'm glad.

Hicke: Well, it's nice to be needed, but--.

Marinovic: So I took off, and I've been here since '85, and enjoying retired life enormously, and wondering how I ever had time to work at a job and do all the other things that have to be done or that I enjoy doing.

Hicke: Oh, that's great. You've just been wonderful, and I can't thank you enough for all the information and the great stories.

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American Perspectives of Aramco, the Saudi-Arabian Oil-Producing
Company, 1930s to 1980s

William L. Owen

NEGOTIATIONS AND LEGAL AFFAIRS OF ARAMCO, 1947-1980

Interviews Conducted by
Carole Hicke
in 1993



William L. Owen

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INTERVIEW HISTORY--William L. Owen

Bill Owen obtained a law degree from Harvard Law School in 1937. After several years of law practice in New York and Washington, D.C. and a stint as a naval officer in World War II, he joined Aramco in 1947 and started work with the Trans-Arabian Pipeline Company (Tapline) in Beirut, Lebanon. He held various legal and executive positions with the company itself, with Trans-Arabian Pipeline Company (Tapline), and with affiliated companies, spending many succeeding years in Saudi Arabia. His duties required that he negotiate with the Saudi Arabian Government on problems of the oil concession agreements and with other Middle Eastern governments on problems with Tapline. As general counsel of Aramco from 1961 until his retirement in 1975, Owen managed all the legal affairs of the company worldwide, including counseling the board of directors and key executive management committees.

Owen was interviewed on May 7 and 8, 1993 in his office at Aramco Services Company in Houston, Texas. He reviewed the transcript and made a few changes. His papers can be made available for donation to an appropriate repository.

Carole Hicke
Senior Editor

September 1994
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name WILLIAM LEE OWEN

Date of birth 8/26/15 Birthplace SAN ANTONIO, TEXAS

Father's full name BENJAMIN ALFRED OWEN

Occupation BAPTIST MINISTER Birthplace FOUR CORNERS, ARKANSAS

Mother's full name AMANDA MAYE LEE (OWEN)

Occupation SCHOOL TEACHER/HOUSEWIFE Birthplace SHEPHERDSVILLE, KENTUCKY

Your spouse MARY MARGARET WILLIAMS (OWEN)

Occupation INTERIOR DECORATOR/HOUSEWIFE Birthplace CHICAGO, ILLINOIS

Your children WILLIAM LEE OWEN, JR.; RICHARD BENJAMIN OWEN;

RANDA MARGARET OWEN; THOMAS ANDREW OWEN; DAVID MICHAEL OWEN

Where did you grow up? SAN ANTONIO, TEXAS and KANSAS CITY, MISSOURI

Present community HOUSTON, TEXAS

Education WILLIAM NEWELL COLLEGE^{B.A.}; HARVARD LAW SCHOOL, J.D.;

U.S. NAVY OFFICERS TRAINING SCHOOL; HARVARD BUSINESS SCHOOL ADVANCED
MANAGEMENT PROGRAM.

Occupation(s) LAWYER; BUSINESS EXECUTIVE,

Areas of expertise CORPORATE LAW; CONTRACT LAW; INTERNATIONAL LAW,
NEGOTIATIONS; ARBITRATIONS.

Other interests or activities MUSIC; THEATER; SPORTS; OLD MOVIES.

Organizations in which you are active INSTITUTE OF TRANSNATIONAL LAW AND
INTERNATIONAL AND COMPARATIVE LAW CENTER (DIVISIONS OF THE
SOUTHWESTERN LEGAL FOUNDATION.

I BACKGROUND

[Interview 1: May 7, 1993]##

Childhood and Education

Hicke: Let's just start this morning with when and where you were born and grew up.

Owen: Did I send you a copy of my resume?

Hicke: I have it, but I'd like to get it on tape.

Owen: I was born in San Antonio, Texas, August 26, 1915. And I'm a graduate of William Jewell College, which is a small college in Missouri where I received my B.A. in 1934.

Hicke: In what?

Owen: I was majoring in political science. Then I went to Harvard Law School, and was graduated from Harvard Law School in 1937. As of a couple of years ago, I was still the youngest graduate Harvard Law School ever had. I graduated from Harvard Law School at twenty-one, from college at eighteen.

Hicke: How did that happen?

Owen: My mother had been a schoolteacher, and they just kept skipping grades when I was in elementary school. I just was two or three years ahead of myself.

Hicke: So you skipped grades up through high school?

Owen: Yes.

Hicke: So you must have entered college at a very young age.

- Owen: Since I was born in August, and college started in September, I was barely fifteen when I entered college.
- Hicke: Was that ever a problem socially for you?
- Owen: No, primarily because I was interested in athletics. I was a pretty fair tennis player, and even as a freshman I made the school tennis team. I made the junior varsity basketball team at that age, and went on to get my varsity letters in basketball, football, and tennis, even though I was two or three years younger.
- Hicke: My word!
- Owen: One of the reasons I chose Harvard Law School was because Dr. Manley O. Hudson, who had been the U.S. judge on the World Court, under the League of Nations, was the professor of international law at Harvard. He was a William Jewell man, and a fraternity brother of mine (Kappa Sigma). My roommate in my fraternity was the son of a federal judge in Colorado who had been Manley Hudson's roommate. I visited Judge White in Colorado many times, and he told me all about Manley Hudson. I saw him a few times.
- Manley wrote me a letter and said, "You know, I think you could get into Harvard Law School if you wanted to." So I became very friendly with Manley Hudson, and that led to my interest in international law and also to my going to Harvard.
- Hicke: So obviously you took whatever courses you could along that line.
- Owen: Yes.

Early Work Experiences

- Owen: When I left law school, it was in 1937. Jobs were pretty hard to come by. So I took a rather unusual approach several months before. I tried to put the burden on the other foot. Instead of saying, "I would like a job with you," "I would like to interview to see if I would like your area of the country," and I sent these out to ten or twelve of the law firms in major cities and told them when I'd be in those cities. And surprisingly, although many firms were not interviewing, that usually got me an entrée. They were just curious as to who would have the gall to do a thing like that.
- Hicke: Yes, because people were walking the streets, knocking on doors.

Owen: Yes, they were. So I had an open sesame, just by that particular thing.

So I had offers from various firms across the country, including one from Harry Truman, then a senator for Missouri who offered me a job in his office in Washington. I was about to settle in Los Angeles, because I was interested in entertainment movie law too. There wasn't anything in international law at the time, and I thought that would be a good substitute for a while.

I was ready to accept a position with a big Los Angeles firm when I got a call from a firm I had interviewed in New York, "Wild Bill" Donovan's firm, William J. Donovan, who was later head of the OSS [Office of Secret Services]. I had talked with him in New York, and he had offered me a job. I said, "Well, this is my second stop." Boston was the first. "I mustn't accept a job yet."

So he called me in California and said, "Look, I'm in charge of the defense in the Madison Oil cases," which was the big case with--am I going into too much detail?

Hicke: No, this is wonderful.

Owen: There were eighty-four defendants, most of the major oil corporations and their officers, a criminal price-fixing case. It was an exciting trial. It was in Madison, Wisconsin, and later Robert H. Jackson of the Supreme Court, who was Attorney General at that time, made the public statement that when asked why he picked Madison where none of the oil companies were based and which was an inconvenient location, he said, "Well, it's hard enough for the government to win an antitrust case, so we thought we were entitled to a favorable judge and a favorable jury. So we got a New Deal appointee judge, and we got a--" Wisconsin was very antibusiness.

So that was a good experience. Donovan called me and he said, "You've got to let me know within a couple of days, but I would like to take you with me to Madison, and you can sort of be my aide. You can carry my books, so to speak." So that's what I did in the Madison Oil cases.

Hicke: You leaped right in, feet-first.

Owen: Yes. And then Donovan didn't have a Washington office, so after the Madison Oil cases, arrangements were made for me to join, become a partner in a small firm there, to which the Donovan business, much of it, came. In the course of which, I tried some

cases before the naval contracts Board--Board of Contract Appeals.

U.S. Navy

Owen: I got a call one day from the navy in April of 1941 asking if I could come over and have lunch with the Judge Advocate General, Admiral Thomas Gatch, who was then Captain Gatch, who was later the captain of the U.S.S. Missouri at the time that the Japanese surrender occurred on his ship.

I was in what I thought was pretty tall cotton, because there were four admirals at the table and myself. I wondered what I had done in my cases before the naval contracts board, if I had offended them, what in the world. I couldn't imagine what they wanted with me.

So it developed that they all said, "As everybody really knows, there is not only a possibility but a probability that we're going to be in war before too long. We have a spot we want you for." The navy ran Guam and Samoa at the time. "And we would like you to go through some special training, V-7 training, and get a line commission, and then we'll transfer you to the Judge Advocate General's office as a Law Volunteer special, and make you the legal officer of Guam. If you do that, it will mean that a very important lieutenant commander will be in position to take over the command of the cruiser Indianapolis, who's now the legal officer on Guam."

Hicke: Oh, you were going to replace him?

Owen: Replace him. That's all they wanted.

So I thought, "Well, that sounds exciting," so I took a leave of absence from my Washington law practice and went to this V-7 training in Chicago, where I met my wife. That isn't quite accurate, because I had--she was a friend of a friend I had in Washington and I had momentarily run into her in Washington, but just to talk briefly. So I met her there, and I went through this training, after which I embarked for Guam, after having gone through line training in San Diego to become a director of fighter aircraft on aircraft carriers, using the new invention of radar, which the Japs didn't yet have.

On December 7, 1941, we were thirty-six hours off Guam.

Hicke: On a ship?

Owen: On a ship, the U.S.S. Chaumont, in command of the convoy. There were twenty-eight ships in convoy, and things were getting pretty desperate at that time. So our convoy commander decided, only a few hours from Pearl Harbor and unknown to anyone, since we were on complete radio silence, not to sail the usual route. He went 200 miles south. This has always been interesting to me, because I heard Tokyo Rose's first broadcast on December 7. It consisted of two parts: one, report on the damage inflicted at Pearl Harbor, and she was completely accurate. As a matter of fact, there was more damage than she reported. But then she reported the sinking of a twenty-eight-ship convoy, and named every ship in the convoy, including of course the Chaumont.

Hicke: In your convoy, as you were listening!

Owen: Because they had Japanese submarines waiting for us on the old route that the U.S. Navy had been using for some time. So we took the convoy south to the Fiji Islands and then to Brubare, Australia, and then up through the Macassar Straits to the East Indies hoping that we could reach the Philippines with our cargoes including some 50 P 38 fighters. We made it to Chiltize (Java) and then we were all destroyed in the Battle of the Java Sea, except a couple of ships, including mine (then the U.S.S. Black Hawk escaped to Perth, Australia.¹

By that time, I had lost all interest in being a legal officer; I became a gunnery officer. I served the whole war in the Pacific, as a gunning officer, a communications officer, and a navigation officer, during which time I tried numerous court-martials and was Judge Advocate in numerous cases of investigation, because lawyers of my rank, as I went up, were few and far between. So I kept busy both in the line and in law.

Hicke: Can I just interrupt--I'm sure it's in the record--but who was the astute commander of the convoy who sailed you out of harm's way?

¹Probably irrelevant to all of this, but, for whatever it's worth, in all the tragedies and disappointments of the early days of World War II, I was reported as of 12/8/41 as "killed" or "missing in action". So my friend and client Ted Malone of "Between the Bookends" came on NBC, devoted his program at noon on 1/1/42 to a eulogy of me. I was, of course, happy later to chide him and tell him to check his facts in the future!

Owen: It was Captain Davenport Brown.

Hicke: Were there any cases of particular memorable interest that you tried during the time you were in the navy?

Owen: Yes. The invasion of Leyte in 1944 in the Philippines was delayed more than four weeks because an ammunition ship, fully loaded, had just gotten in to our base at the Island of Leyte in the Admiralty Islands from San Francisco, was right in the middle of everything. And we were leaving the next morning on the Leyte invasion. It blew up, and there was nothing left of the ship except just still water where it had been. It took a number of ships up with it too, and it caused a lot of havoc, and it caused us to have to delay the invasion.

But the same day, I was put on shore duty and made Judge Advocate of the Board of Investigation on it. That lasted for weeks--actually, I missed the first part of the Leyte invasion because I was still in this Board of Investigation. It was at Manus Island in the Admiralty Islands, and that was a closely kept secret for a long time, because they just didn't want the American public to know that we had had all the casualties and so on that we had there. This is another story.

Hicke: Was it treason or something--?

Owen: Oh, no. It was just an accident. What it was, was they were loading ammunition from the U.S.S. Mt. Hood--and it took weeks of investigation to find this out, but we reconstructed exactly what happened. There was only one hold on the ammunition ship that was open; it was number five. That's the farthest aft hold, toward the after part of the ship. It only contained detonators.

They were loading those detonators into cargo mats down in the hold, lifting them up by the ship's crane and taking them over the side of the ship and depositing them on barges to go to various cruisers, battleships, and other war ships that needed detonators. Detonators are very, very sensitive.

That morning, the regular crane operator on the Mt. Hood--that was the name of the ammunition ship--I've been asked to write a book about this, by the way, but I've never had the time--came down with appendicitis and had to be taken ashore about a half an hour before this. There were three men with him in the whale boat taking him ashore to the base hospital there, and that's how we got a lot of the information. They also carried the ammunition inventory of the Mt. Hood with them, and that's how we knew.

What had happened was that the assistant, the "striker" you called him in the navy, was perfectly qualified, but he just accidentally dropped a load--not outside the ship into the water, onto the waiting barges--but he dropped it back in the hold, and the whole ship just went up. I was at that time seven miles away, standing next to my captain, and we were both knocked off our feet on the ground, seven miles away on the sea. It was tremendous--one of the biggest blasts in history, before the atomic bomb.

Hicke: Did it change the way detonators were handled?

Owen: Well, they certainly were very concerned about it, and they issued all kinds of--but they had all kinds of safety precautions, and you just sometimes can't avoid human error.

Hicke: Yes, that is dramatic.

Owen: So that was one navy experience.

I had another one which might be interesting as a matter of history. And history is what you're interested in. I bought a copy of a set of books on World War II, encyclopedia of World War II, and I don't know whether this is in there. But our secret weapon toward the end of the war when the tide turned was the secret of the island atoll group of Ulithi. Did you ever hear that name?

Hicke: No.

Owen: What we'd do is send the Pacific fleet out, and they'd engage the Japanese in a battle, and we were beginning to get the best of them, but we'd suffer our losses too, and so the fleet would then have to withdraw and go back to Pearl Harbor, or so the Japs thought. Therefore, the Pacific fleet couldn't return back to action until forty-five to sixty days, at the very best.

But those ships didn't come back to Pearl Harbor. They came to this wide place in the Pacific, narrow islands or shallow atolls, and we had air bases and so on there. We had absolute security cover, three levels of it day and night, so the Japs never knew. We would just bring the ships in as far as Ulithi where we had our repair ships and all, and they would paint out the numbers on the carriers, destroyers and cruisers, make them something different.

So whereas the Third Fleet had come in within two weeks, the Fifth Fleet went out to engage the Japs again. Same ships.

Hicke: Oh, for heavens sake!

Owen: You ever heard that?

Hicke: A federal judge, he's in San Jose now, told me the story of two different fleets, and I think it was these two fleets--

Owen: Third fleet and the Fifth fleet.

Hicke: That had different personnel and they had different missions, in a sense--I've forgotten what he said--he didn't go into this kind of detail, but I think it must have been the same story.

Owen: Well, the Third fleet was commanded by Admiral Halsey, Bill Halsey. The Fifth fleet, Admiral Spruance.

Hicke: That's the one.

Owen: And same ships. The Japs thought we had twice as many fighting ships as we had.

Hicke: That's fascinating.

Owen: Which wasn't very good for their morale.

Hicke: What were the islands--

Owen: Well, they were atolls--

Hicke: But it wasn't in any--?

Owen: They were very shallow. There was some deep water between them, covering an area of, oh, maybe 100 square miles, ten miles square in there. The reason I remember it so well is I went from where my ship was anchored at one end to another on Easter Sunday in 1945, and [laughs] got caught in a typhoon in a fifty-foot motor launch in between atolls. We made it all right, but it was an exciting thing. Another story.

Hicke: I can well believe it. How long were you in the Pacific?

Owen: I was in the Pacific until the end of the war. I was transferred to Newport R.I. to become navigator of the new light cruiser Fargo, probably the most advanced of the fleet, and arrived in San Francisco on V-J Day. So my Red Cross driver who got me...all of the sudden the news broke while I was in the station wagon, and I said, "Look, do you mind taking my bags out to the Palace Hotel--I'd just like to go up to the Top of the Mark." She said, "Absolutely."

Hicke: So there you were on V-J Day.

Owen: Yes. But I still had to commission this new ship. They took a while to--I didn't get mustered out until December.

Marriage and Family

Hicke: Had you gotten married before you left?

Owen: No, I got married halfway through the war.

Hicke: And your wife was living where?

Owen: She was in Chicago. She was an interior decorator for Marshall Fields, a speech therapy major in college, and so we were married in February 1944. Our oldest son was born in late November of 1944. Then we had afterwards four more children, five in all.

Just as a matter of interest, this oldest son, who is my namesake, Junior, he was killed in the Vietnam War. He's buried in Arlington National Cemetery, with practically every medal that the U.S. can bestow except the Congressional Medal of Honor.

The rest of the kids are all fine. My next oldest son, Rick, is senior partner in a law firm in Orlando, Florida, and I have two grandchildren by him. My daughter, Randa, who is divorced, is--

Hicke: R-a-n-d-a?

Owen: Yes, that's an Arabic name. We were thinking of Sandra when we were in Beirut, and our outside counsel in Lebanon, Habib Abi-Chahla, who was the first president of Lebanon after World War II, was over at our house one night, and he said, "What names have you been considering if this should be a girl?" We were talking about both boys and girls, and we mentioned a couple, and among them we mentioned Sandra. We hadn't settled on anything.

He said, "Why don't you give her an Arabic name if it's a girl? We have some beautiful names, and there's one that's very close to a name you mentioned, Randa. It's the name of a desert flower."

Hicke: Oh, how nice!

Owen: So she is an international tax counsel for Citibank, being transferred to London in September in charge of all the international tax affairs in Europe in the Middle East.

My third son I was just with in Dhahran, and my two grandchildren out there.

Hicke: He's living there?

Owen: He's living in Saudi Arabia. He never wanted to do anything but settle in Saudi Arabia. As a matter of fact, he went to the University of Arizona at Tucson because he didn't want to get away from the desert. Can you imagine! Two of my boys went there. I let them go to school wherever they wanted. So I just spent seven or eight days with him just before I saw you.

Hicke: Is the fourth with Aramco?

Owen: Yes. He went to William Jowell College after Culver Military Academy (where three of my four sons went) and still wanted to go back to Arabia at first opportunity. And then--I'm going into a lot of detail.

Hicke: No, this is good.

Owen: Well, this will give you an idea. All of these kids, all of our children, all five of them, loved Saudi Arabia.

Hicke: I think that says a lot about both Saudi Arabia and Aramco.

Owen: All of them wanted to go back. My daughter Randa particularly wanted to go back. But unfortunately, at just the time that she and Rick got out of law school, I was still general counsel, so I couldn't take them in the law department. Just wouldn't have been right. So they had bad luck in that respect.

But Tom didn't go to law, and I was retired by the time he got out of--he took his A.B. in business administration and Middle Eastern studies. He speaks Arabic like a native. My fourth son, David, with his lovely wife Paula and two sons, lives just about five or ten minutes from me in Sugar Land.

Hicke: Does he work here?

Owen: He works here.

Hicke: Because I got him on the telephone by mistake one time.

Owen: Oh, yes, David.

Hicke: I just asked for Mr. Owen, and didn't realize--

Owen: Well, if you ask for Mr. Owen, since I've been retired for seventeen years, I'm just a consultant, they'll give you the employee naturally.

Hicke: I think you weren't here at that time.

Owen: No, I was in Cairo sitting on a arbitration, and in Dhahran to conduct a seminar and see the kids. But at any rate, that's a rundown on that.

Hicke: Well, we left you at the Top of the Mark on V-J Day.

Owen: Oh, the Top of the Mark, yes, and I went out to Newport, Rhode Island, and I was there for the commissioning of the Fargo light cruiser, and I got separated from the service at Newport, and resumed my law practice.

Hicke: Same law firm in Washington?

Owen: Yes. Hinton and Heron.

II ARAMCO

Joining the Company

Owen: After I'd been back just a little over two years, in 1947, I got a telephone call from a Mr. George W. Ray Jr., in New York, who had been in the Madison Oil cases with me. At the time of the Madison Oil cases, George Ray was the Assistant General Counsel of Texaco. He and I worked together. Donovan was very anxious to have a complete chronology put together, something that would interest you.

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Hicke: --you put together a chronology of--

Owen: I assisted--Donovan lent me to George Ray to work with him on this chronology, and we had a chronology of many thousand pages on everything that happened in every location in the United States in the oil industry in the early thirties. It showed every tank carload of gasoline that went from a place in Oklahoma to a place in Arkansas, and all of that--it was a pretty elaborate kind of thing.

Hicke: Where is that? Is it the court records, or just in your files? Or the Donovan law firm files?

Owen: No, I do have most of the papers, but I didn't keep the chronology. I don't know what happened to it. The Donovan firm probably still has it, since it was one of the most important law cases in the U.S. up to that time.

Any rate, I had gotten to know George Ray in that case. So he called me and he said, "I've just been made General Counsel of Arabian American Oil Company; did you ever hear of it?" I said, "No." He said, "Well, it's an exciting company. I think it will grow to be the biggest producing company in the world. I am assembling my staff, and I've talked to Bill Donovan about this.

He thinks it would be a good opportunity for you to be on my staff, and I think it would be too."

I said, "Oh, George, gee, thank you very, very much for the confidence you show in me, but I've been out at sea for five years. I'm just getting used to the States." He said, "Well, we'd send you to a pretty nice place to begin with: Beirut, Lebanon." I said, "Where in the world is that?"

Hicke: [laughter] It's in that whole other half of the world, and the desert as opposed to the sea--

Owen: Yes. He said, "Look, why don't you come up to New York and have lunch with me first day you can arrange it. I'd really like to outline this thing to you." I said, "Okay, George, but I don't think I'm interested." I went up.

After about two hours I called my wife Peggy and I said, "How'd you like to go to Beirut?" She said, "I don't think I would." Again, she said, "Isn't that at the far end of the Mediterranean?" I said, "Yes," but I looked at maps; I didn't know where it was either. It was a pretty nice place, apparently, and that's where we'd live, although I'd be away from home taking care of the legal aspects of building a pipeline over four countries there.

She said, "Well, I'm perfectly happy where we are, but if you'd like to, okay. We'll just move. But isn't this a little sudden?" I said, "Yes, I'd had no idea. I told you about this," I said, "but I told you I wasn't going to be interested. But I've changed my mind."

She said, "Okay," and so I gave due notice. I worked in the Washington and New York offices just to familiarize myself with Aramco, and at that time, Aramco was in the process of transferring Aramco headquarters from San Francisco where its offices had been to New York. I want to add something here. As I told you, I'd worked with Donovan, Ray and so many others in the Madison cases, and had no doubt they would be fair. George Ray knew that I was doing reasonably well financially as a young lawyer, so I knew he wouldn't offer me an opportunity to my financial disadvantage, so I never even asked about salary. I knew it would be O.K. (And it was.)

So I accepted the job.

Hicke: But you went to work on Tapline?

Owen: Well, Tapline and Aramco had a common law department, so I was in the Aramco-Tapline law department. George Ray was general counsel of both, and I was chief counsel for Tapline.

Hicke: What did he tell you that made you change your mind?

Owen: Well, he told me about the geological discoveries that they'd made so far, and how promising it looked, and that it was a real challenge. It just sounded exciting to me, and I've always been adventurous, so I decided that was it.

Company History and Personnel

Owen: Let me go back a little. I'm sure you know this, but if you don't have this down on the record someplace, you should. Aramco was originally California Arabian Standard Oil Company. Standard Oil Company of California (Socal)--now Chevron, of course--was interested in Saudi Arabia. The British were too, but not to the extent the Americans were. They just frankly didn't see the possibilities. Their information hadn't been as favorable as the information that Socal had. They had sort of an inside track because King 'Abd al-'Aziz--that's Ibn Saud--was somewhat reluctant to grant the British a concession, because he thought they'd try to colonize and take over the country. He didn't feel that way about the Americans.

Hicke: I think he was right on track.

Owen: [laughter] He didn't feel that way about the Americans, so Standard of California ended up with this concession, which was signed and executed May 25, 1933. The first commercial discovery was in '38, I believe--'37, '38, I think it was '38--

Hicke: It was Dammam Number Seven, wasn't it?

Owen: Yes, Dammam Number Seven. When was it?

Hicke: I think it says right here in this newspaper, March 3, 1938.

Owen: So I was on track there, yes. March 3, '38. But when they began to assess that in the next few months, Socal wasn't big enough to handle that field and do justice to it. So Socal, which was at that time run by--you ought to check this particular name--[Harry C.] Collier, chairman of the board of Socal at the time--I'm almost sure it was Collier--went to a meeting of the American Petroleum Institute or whatever, a trade association meeting, and

was engaged in conversation with W. S. S. Rodgers ("Star") Rodgers, of Texaco. They made a deal whereby Texaco would come in and be a 50 percent partner. With Texaco's marketing facilities added to Socal's, they thought they could handle everything, 50-50.

Hicke: Socal didn't have the downstream facilities, I think.

Owen: They didn't have the downstream that Texaco had, and Socal needed that. Or rather, Socal needed that at the time. So that was the beginning really of Aramco, Arabian American Oil Company. They changed the name from "California Arabian Standard Oil Company" to "Arabian American Oil Company" (which was always referred to as "Aramco").

Hicke: In the forties sometime.

Owen: Yes. This process took--yes, and I'm a little vague--as a matter of fact, I think I have that stuff in my office right now. We'll take a look at some of the things I have in the office later. But I'm just going from memory at this point.

Hicke: That's great. This is excellent.

Owen: Saudi Arabia continued to produce during World War II, and the small refinery at Ras Tanura manufactured some refined products, helped the war effort in that way. So they discovered the Ghawar Field sometime after the war. [discussion on spelling]

Hicke: Pete Speers is obviously an expert on transliterating these names, I think. There's a standard Aramco glossary.

Owen: Yes. So they had the combined downstream facilities of Texaco and Socal, and they were combined together in Caltex, which still exists with headquarters in Dallas; it's the joint marketing and operation of the two. One of the Aramco lawyers I hired is now the general counsel.

Hicke: Who is that?

Owen: Frank W. Blue is general counsel of Caltex at this time. Irrelevant, but I was just throwing it out.

So Aramco decided they had to have two other companies to put up capital and market the oil. They offered to let Exxon, then Standard Oil Company (New Jersey) and Socony-Vacuum (now Mobil) join the venture. Well, they were both interested, but Socony-Vacuum, as they'd been in the past twenty years, were very conservative, and they didn't want to take too big a stake in

this because they thought they were risking a lot of money. So they would only take 10 percent. Exxon, or Standard (New Jersey), was very happy on that; that meant the other three could have 30 percent. So it was 30, 30, 30, 10. You have that story in various publications.

Now, there was a problem at the time after World War II, and it was anticipated before the end of World War II that there would be oil shortages, and they were going to need as much production as they could get from Arabia for their use in Europe to rebuild Europe, and also some for the Far East. At that time, it was a slow process to transport oil by tanker around the Cape of Good Hope, down around the southern tip of Africa.

So the four companies decided to form a company, Transarabian Pipeline Company (Tapline), not an Aramco subsidiary. It was 30, 30, 30, 10 owned in the same proportions as Aramco was owned. And build a pipeline across the desert, over the mountains, going over Saudi Arabia, Jordan, Syria, and ending in south Lebanon.

There was an alternate route that had been considered which was a little farther south, which would have ended in Palestine instead of Lebanon, but of course, the unrest in Palestine began, and even before the partition and all that kind of thing, they just decided they'd be better off to go to Lebanon.

There was one difficulty on that. It was very hard to secure pipe. Pipe was needed after the war. So, through a series of negotiations with the State Department and in Washington, Washington felt that this was to the advantage of the U.S., so they paved the way for Tapline to get the pipe it needed.

Hicke: Were you involved in these negotiations?

Owen: No, this was before I came in.

Hicke: As I understand it, this oil played a crucial part in the Marshall Plan.

Owen: It did, yes.

Hicke: So that explains part of the--

Owen: Explains part of the interest of the U.S. government in it.

But an interesting sidelight on that is William R. Chandler, Bill Chandler, who was Tapline's chief engineer--he was a young engineer from Socal--conceived something that saved millions of dollars and months and months. A simple thing of nesting pipe. Instead of having a thirty-inch pipeline, to have it thirty inches in some places, thirty-one in other places, and they could nest the thirty-inch into the thirty-one, and carry twice as much pipe on ships. Have you ever heard that story?

Hicke: No, I've never heard that one.

Owen: Well, that was what made Bill Chandler famous.

Hicke: To get the pipes over there and in place?

Owen: Yes, from here.

Hicke: What a great idea!

Owen: Yes, so simple. Why hadn't anybody ever thought of it? As a matter of fact, Bill was the chief engineer of Tapline, and then later he became president and chief executive officer, and he spent his whole career in Beirut with Tapline. He wasn't interested in coming to Aramco and going with the bigger picture, although he had the chance, he loved the pipeline. He was Mr. Pipeline.

John Kelberer started with Tapline and he, as I recall, John showed up--I think his family was about a week behind him; he had several children at that time--but John Kelberer showed up as a communications engineer for Tapline in either October or November of 1950. See, I'd been there three years then, and I was going to--I left at the end of 1950, left Beirut. But I did work with John Kelberer for those couple of months there, and he went on to come to Aramco as vice president and later as chairman of the board and chief executive officer. John was a great friend, and I believe one of the outstanding oil men forever.

Hicke: Are we up to the point now where you joined Aramco?

Owen: Oh. Yes, when I joined Aramco, as I say, I familiarized myself with the whole operation in New York, because Aramco's headquarters had been moved from San Francisco--some remained out there, but they were in the final process of moving.

Hicke: Who headed their New York offices?

Owen: At that time, well, W. F. Moore, who'd been vice president of purchasing for Texaco, was then the president of Aramco. Now,

always, the owner companies split up and shared, one or two years at a time, the chairmanship of the board. So for a while, up until the early fifties--I think at that time, I'm not sure, I think W.S.S.(Star) Rodgers was chairman.

And Burt Hull was president of Tapline. He is the one who, during the war, became quite famous by building the Big Inch and Little Inch pipeline in record time. So he became president of Tapline. H. H. Hall, Harry Hall, engineer from Socal, became the second in command in Tapline, and was stationed in Beirut when I went there.

Establishment of the State of Israel, 1947

Hicke: How long were you in New York?

Owen: Month and a half, two months. As a matter of fact, I arrived in Beirut the day before the petition was announced. So I had just been introduced to my secretary (Renée Yared), who incidentally spoke and transcribed in English, Arabic, and French, and she--I was just getting acquainted, and we were chatting away when this mob of some one thousand mad Lebanese stormed the Tapline offices, because of the partition of Palistine. They were throwing rocks and so on, rocks were coming through the windows.

So she said, "Let's get under the desk," so I got acquainted with her under the desk. [laughter] The police came and broke it up. Bill Chandler went out on the balcony to talk to the crowd and got hit with a rock.

Hicke: What was the problem?

Owen: Well, the partition of Palestine. The beginning of the Israeli thing. I've mentioned that Harry Truman offered me a job when I finished law school (I was his campus campaign manager at college in 1934 and we always remained friends), but I went with Wild Bill Donovan's law firm. As great a president as he was, he knew nothing about international affairs, and did the U.S. and the world a massive disservice in pressuring the Philippines to vote for partition and thus created the greatest cancer of the last fifty years.

Hicke: What year are we?

Owen: We're in 1947, we're in '47. November '47.

- Hicke: Okay. Establishment of the state of Israel.
- Owen: Yes. Which almost spelled the end of all American enterprise out in the Middle East, and if it hadn't been for the goodwill the Saudis had toward the United States, they were a moderating influence, and they considered the Palestine problem, the Israeli problem, as separate from their other relationships with the United States, and continued to support us and give us help there.
- Hicke: That's important.
- Owen: Oh, very important. We'd have been kicked out.
- Hicke: King 'Abd al-'Aziz and his--
- Owen: He was primarily responsible, yes. Great friend to the U.S.
- Hicke: So Tapline was your first day or two in Lebanon?
- Owen: Yes. It was my first full day at the office in Lebanon. I had left--and Peggy was--we had two boys at that time--she was going to bring the two children over the next month. But after this, there was such unrest there that it was about ten months later before I brought her over.
- Well, there were a couple of the wives, two or three of them, already there. Bill Chandler's wife was there. Don Wallace's wife, Melda, was there.
- Hicke: What were the conditions you were working under while all this was going on? Was it constant trouble?
- Owen: No. Outside of this one uprising, why, the Lebanese government protected us very, very well. And the great majority of the Lebanese people were clearly our friends.
- Now, we always found the Lebanese government very easy to deal with, and I think they respected the fact that we dealt fairly with them. We had the Concession there at the time that I joined Tapline, but there were some other agreements that we had to make which I negotiated out there with the Minister of Finance. They were very reasonable people to work with, and we had a good relationship.
- Hicke: Concession to put the pipeline through?

Owen: Pipeline through, yes. We called those Conventions rather than Concessions; it's really a Concession, but we talk about the Aramco Concession and the Tapline Conventions.

Hicke: Means agreement of some kind.

Owen: Yes, that's right.

Hicke: And then did you have to negotiate with the other countries too?

Owen: Yes. Now, by that time, we had also signed an agreement, a convention, with Jordan, but not Syria. Syria was very tough to deal with. So one of my major duties outside of negotiating side agreements with the Lebanese and the Jordanians was to get that Syrian convention. That was fairly exciting.

We had, under Harry Hall, who was the executive vice president of Tapline stationed in Beirut--the two principal actors in this were Sandy Campbell, that's William A. Campbell, who had been professor of Greek at Dartmouth [College], and professor of--oh, he discovered the ruins in Turkey--Archaeology at Princeton. And he was also OSS. He worked for Donovan, very interesting, and he was head of our Government Relations then and I was head of the Law. So the two of us made daily flights. We'd leave early in the morning and go to Syria almost--

Hicke: Damascus?

Owen: Damascus, we'd go right to Damascus. And just as it seemed we were getting someplace, something would go wrong. They would shake hands and say, "Everything is settled--except there is one small point--"

Hicke: Who was head of the government?

Owen: At that time, it was a constitutional government, and I have forgotten the name of some of the leaders at the time--

Hicke: President or something like that?

Owen: Yes, they had a president, but he was a figurehead.

Hicke: Whom were you dealing with?

Owen: We were dealing with the minister of finance primarily. It looked like everything was going to go fine. Habib Abi-Chahla from Lebanon, our Lebanese counsel, had notified us that he heard from his Syrian friends that there were enough votes in the

General Assembly to put this thing through and ratify the Tapline convention.

The night it was to be ratified, there was a coup, and Husni Zaim took over. Husni Zaim was a fine man and a benevolent dictator. As a matter of fact, Time magazine in April of 1950 had his picture on the cover, "Syria's Benevolent Dictator." He did a great job. The corruption was awful under the constitutional government there. You didn't know whom to deal with, no strong people, and so he just took over, and didn't intend to continue being a dictator. He wanted to return it to a constitutional government at the proper time.

My first relationship with him was the day after the coup, when Sandy Campbell (who remained until his death one of my closest friends) and I went over and asked for an audience. We went in, and he greeted us very warmly. He said, "I imagine you all are somewhat disheartened because you had very high hopes of your convention being ratified. I want a couple of days to study this. I know a lot about it right now. But I'd like you to come back in two or three days, and we can talk."

And we did that, and he said, "Well, I've looked at it, and I think it's going to be good for Syria. It's going to give us employment, it's going to be--"

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Owen: "--it's going to give us employment, and it's going to renew our contacts with people from other countries. We've been very much isolated, and too much so, in the past. So I am prepared to sign the Convention today and have it ratified by my Council of Ministers tonight."

So he did. Sandy and I went back to Beirut, got there in the middle of the night, and I went to the Tapline office building where all the families were waiting, and everybody was cheering. It was a very big celebration: we had gotten the pipeline. That meant Tapline would go ahead, and it had been held up. That was crucial. We had to have that acreage in Syria.

Hicke: Was this 1947 still?

Owen: Oh, no, no, we're in '49 now.

Hicke: You've been going back and forth--

Owen: Yes, we'd been going back and forth for a while.

In the meanwhile, Bechtel, the great engineering and construction firm of San Francisco, was building the pipeline from Abqaiq in Saudi Arabia westward while Williams Brothers of Tulsa, Oklahoma, was building it--they were contractors to Tapline--eastward from Sidon, Lebanon, to meet in Saudi Arabia. Even though we had no assurance this was going through, the companies kept putting their money in, so that they wouldn't lose time. They had enough confidence that somehow we'd work this out. I think they had more confidence than I had at the time! [laughing]

Hicke: What was Sandy's part in this?

Owen: Well, Sandy was very personable, very admired and respected by everyone. He was our good diplomat. I was a little bit tougher negotiator, and Sandy didn't have the technical knowledge of the legal terms of all of that that I had that we needed. After the pleasantries, we agreed I would take over; we were one hell of a team.

But what happened, the next day, we of course sent--we didn't have faxes in those days, and we didn't have reliable telephone service, so we had to cable in code, and we cabled the events of the day before. We thought everybody would be happy in the States. Well, they were, but the lawyers got together and said, "Yeah, but will this hold? Suppose he's overthrown? Is this a de jure government?"

So George Ray cabled me and he said, "Come back; the owner companies are nervous." Here Manley Hudson enters the scene, of Harvard, my old friend, and George said, "As you know, we've used Manley Hudson on some opinions in the last couple of years. Now we want to use him on this opinion. I want you to come back and work with him in the States on an opinion as to whether this ratification is binding or not."

Hicke: That means you have to decide whether this government is going to last?

Owen: Yes. Well, if the government doesn't last, whether we still--

Hicke: Oh, you might still have a chance that even if--

Owen: Yes, whether we've got a good agreement or not. So I went back and I worked with Manley Hudson on that for about a month. We formulated this opinion which was signed only by Manley, because we wanted it to have all the prestige in the world, and we didn't want it to be co-authored by anyone, although I actually worked with him on the whole thing.

We got back to Lebanon, and Zaim invited Sandy Campbell, his wife, Gisella ("Gisi," who as his widow now lives in Houston, and is my frequent companion), who was the Hungarian teenager whom he, while he was with the OSS in World War II, parachuted into Hungary, and her attic was his safe house. Her family took him in and hid him from the Germans.

Hicke: You two had a good time trading stories, I bet!

Owen: Yes. As a matter of fact, Gisi called me just a couple of weeks ago. She's moved to Houston. We're going to have lunch sometime soon.

Hicke: Oh, that's marvelous!

Owen: She's a real doll, yes.

So Sandy and I got back with this opinion in which--beautifully written opinion--in which Hudson said that this was definitely a de jure government by all the standards of international law, and that this was a binding agreement and would be so recognized by the family of nations.

Hicke: Had this government been recognized by the U.S.?

Owen: Oh, it was recognized the next day. It had been recognized by most of the governments. It was, as I said a while ago, it was welcomed. Zaim's picture on Time magazine on the cover as the benevolent dictator, and lauding the fact that we at last were getting another nation into line, some kind of cooperation with us. And the pipeline was very important.

So when we got back--can we stop a minute?

[tape interruption]

Hicke: You were just going to tell me another interesting anecdote.

Owen: Sandy and I had just gotten back to Beirut, and we were armed with this Hudson opinion. Actually, Sandy had come back while I was working with Manley Hudson on this for the two of us to present this to the full board, the Tapline board, and we were all satisfied with it. So we went back to Beirut, and Zaim sponsored the annual Red Crescent Ball, which is like the Red Cross, in Bludan, Syria, which is a mountain resort just east of the Bekaa Valley, which is shared by Lebanon and Syria.

So we went as guests of the president, President Zaim, the dictator. Our wives, and Zaim and his wife, and we had a very

nice ball. Then it came the time to raise some money for the Red Crescent, so they auctioned off Zaim's fountain pen with which he had signed the Tapline Convention on an American auction. They called it an American auction. Nothing American about this, when I tell you what it was. [laughter]

The fountain pen with which he had signed the Tapline convention was put up, and the Master of Ceremonies couldn't imagine that Mr. Campbell and Mr. Owen would let it go to anyone but themselves. What you do at an American auction: let's say you bid \$100, and someone else bids \$200. And you have to pay \$100, the other guy has to pay another \$100 to make the \$200. Then the next guy bids \$1,000; he has to pay \$800, whether he gets it or not.

Sandy and I were in a spot. We didn't know what our Board of Directors were going to think about this, but we ended up paying about \$60,000 for Zaim's Parker pen that he had signed the convention with. [laughter]

Hicke: And wonder if it was going to come out of your pocket, probably!

Owen: And wondering, oh, boy. As a matter of fact, the Directors were very understanding about the whole thing.

Hicke: The Board?

Owen: The Board. But on that night--that was the night scheduled for Zaim's assassination, and he was to be assassinated at this ball.

Hicke: Oh, my!

Owen: And we noticed when we went in that there was a great shuffling of military personnel. They looked confused and scurrying hither and yon. The presence of four Americans wrecked their plans, so they didn't--I had this told to me two weeks later by the trigger man who later carried out the assassination when Zaim went to his home that night at 3:00 a.m. His name was Colonel Kalass [it means finiti--finish off.]

Hicke: That was his name?

Owen: Well, yes. So Zaim was assassinated.

Hicke: So only your presence put it off?

Owen: Yes. Zaim was assassinated immediately afterward. We were hardly home. We had to drive back from Bludan from the party. We'd said good night to Zaim and his wife, our host and hostess.

We'd gotten in bed, and about five o'clock, we were both awakened by our communications people who said they'd just heard over Syrian radio that Zaim had been assassinated, and that Colonel Henawi had taken over.

Colonel Kalass is the one who told me the story about it. Very apt a name.

So this was at five o'clock. About seven o'clock we got another call, people who'd been monitoring the Syrian radio, that Henawi had declared a Law of Nullities nullifying everything that Zaim had done, every law he had passed, every ratification he had made, everything he had done.

Hicke: Good grief.

Owen: So Sandy and I got our airplane and asked for an audience with Henawi the next day. Sandy let me do the talking. We got in, this dictator who turned out not to be a benevolent dictator. He was a pretty rough customer. We made no comment despite our revulsion, because this was political, what they had done the night before. But I expressed absolute abhorrence in the strongest terms at this Law of Nullities, and particularly as it applied to the ratification of the Tapline Convention. I said I had right here in my hand an opinion from the former chief judge of the World Court, one of the most respected and influential international lawyers in the world, saying that it was a valid act and it couldn't be undone by any subsequent government. That's what the opinion said.

He was taken a little aback at that. He called in his legal advisor, whomever he was going to use as legal advisor, and this guy didn't know nothing from nothing. He said, "Oh, well, Colonel, you can do anything you want."

I said, "Well, I think I'd be careful of that. If you want Syria to be respected by the rest of the world, and accepted, you'd better go easy on modifying international commitments that have already been made and that are valid." I think Sandy was a little--he was such a nice guy--a little apprehensive of the tone I was taking with the dictator his first day in power.

So they asked us to wait until--this was about ten or eleven in the morning, and he asked us to come back at four in the afternoon. Apparently by four, they had reviewed this whole thing, and Henawi said to me, "Whatever report you've got of my remarks, my announcements over the Syrian radio this morning, I was misquoted." [laughter] He said, "What I did is I announced a Law of Nullities on everything except the one international

commitment that my predecessor had made, and that was the Tapline Convention. It remains valid."

So by that time, Sandy got in, "Well, when can we begin operations?" "Right away!" But that was a pretty exciting time. But I never--can you imagine getting a legal opinion and having it ready for just that kind of thing, being able to produce it? And it just turned the tide, because otherwise, if we hadn't had it then, he'd have carried out the Law of Nullities, and then he'd have been in so deeply that he couldn't say, "I was misquoted."

Hicke: He would have lost face if he'd had to back down.

Owen: So that's that.

Hicke: Very good. That's amazing. So what year are we in now? I've kind of forgotten. '49?

Owen: This is '49. So we began work in Syria. We engaged--we didn't trust anyone in the Syrian Bar. As a matter of fact, the counsel that I had engaged, Naim An-Taki local counsel in Syria, he was a very timid man, and he called me by long distance the day that Henawi had succeeded to power and said, "I don't want anything to do with Tapline. I do not want to be associated with losing causes," and so on. I said, "Well, if that's the way you feel about it, okay."

So I called Habib Abi-Chahla, the former president of Lebanon. I said, "Can you represent us in both Syria and Lebanon?" He said, "Yes." So I got Abi-Chahla to do it, instead of--Naim An-taki.

Hicke: I'd say you have a fabulous memory, coming up with all these names. So he didn't get in on the good thing?

Owen: No. So we got Henry Cattan. Habib Abi-Chahla recommended Cattan. He'd been an outstanding Palestinian lawyer who was a refugee in Lebanon.

Hicke: Cattan?

Owen: Cattan. [spells] He's written a number of books on the Middle East conflict. He and his lovely wife Eva and their children became our close friends. He died just last April in Paris. A wonderful man. So Abi-Chahla set it up with him, and Abi-Chahla arranged that he be given temporary admission to the bar of Syria, which was a difficult thing to arrange, but he did that at

a low level. So we put Henry Cattan in charge of acquiring all the land for Tapline's right of way across Syria.

Because of curious Syrian laws, where you had a right of way, it had to be all on one piece of paper. So we had to paste and hook paper together until we had a twenty-nine-foot-long document. Instead of twenty-nine pages, it was twenty-nine feet. You'd roll up that--

Hicke: A scroll or something like that! [laughing] Oh, that's wonderful. Now, when you acquired the land, you actually owned the property, or you just acquired sort of a right of way--?

Owen: Oh, no, a right of way through it. We didn't want to own any property; we just wanted the right of way. So we were able to do that, and our people rushed in, the Williams Brothers people. They had finished in Jordan and they'd finished up to where they wanted to meet in Saudi Arabia, there was just this gap in Syria about--if I can recall correctly, fifty-five miles. Maybe just fifty-five kilometers. I've just forgotten. I've got a map in my office, I can check that.

So after this exciting time of Zaim when Henawi took over, he respected his word, and cooperated with us. We were able to arrange, make contracts with the Syrian railroad that it would cooperate with the Lebanese railroad in hauling pipe through the mountains and so on. Everything went smoothly, and we finished the pipeline.

The first oil went through the pipeline on December 1 of 1950. So I stayed around for two more weeks, and then took a ship and took a vacation for about three months, and then showed up at Aramco.

I didn't tell you one thing about this that may be interesting. I only accepted this position with George Ray for Tapline for two years, so I just took a leave of absence from my law firm. Two years was about over, and I wasn't about to leave at that time. George wrote me, "Well, you were just to stay two years. I assume that you'll be willing to stay until the pipeline is finished," and I told him I would.

Then, I had no intention of going to Dhahran, and I told Peggy we weren't going to Dhahran. But George was pretty persuasive. The opportunity professionally was great there, because the fact the company was building, and we were in on the ground floor of a great enterprise. And it turned out to be a good decision.

It was not until 1970 that I was taken off the leave list at the Donovan firm in New York, and the Hinton firm in Washington.

Hicke: You were still on leave of absence!

Owen: For twenty-three years! [laughter] I finally said, "Look, there's been enough of this." But when I retired from Aramco in late 1975, the Donovan firm offered me the position of senior partner in their London office--and I refused because I wanted to return to the States.

Hicke: They kept hoping you'd return. Well, before we move to Dhahran, I'd like to hear just a little bit about life in Beirut.

Owen: Life in Beirut was--it's a very social place. The Lebanese are very hospitable.

Hicke: It was a very cosmopolitan city, I--

Owen: Very cosmopolitan. It had very heavy French influence. French and Arabic were spoken even more than English, which is still true today. It was a very pleasant place to live. The climate was wonderful there. It's right on the Mediterranean. We had a beach house we'd go to for weekends and sometimes in the summer in the afternoons after work, just about two miles outside the city there. We could, in the month of April, we could swim on Saturday morning until about ten or eleven, and then drive up to the mountains and ski all afternoon.

Hicke: Oh! That does sound nice.

Owen: So the mountains rise right from the city there. And it was a very social place. The St. George Hotel there was the hotel of intrigue. All the intrigue in the Middle East happened at the St. George Hotel around the bar. Journalists and intelligence operatives for Turkey, USSR, and I'm afraid U.S. too, and Britain. So--well, Kim Philby's headquarters were there. His father was St. John Philby, and you know he's written a number of books on Arabia.

Hicke: Yes. Did you travel around Lebanon any?

Owen: Oh, yes.

Hicke: Baalbek and--

Owen: Yes, Baalbek, and there are several castles. Beaufort Castle. And just over the border into Syria, there is a wonderful castle.

What's the name of that? And the Bekaa Valley is just beautiful with the Roman ruins there.

Hicke: Roman ruins, did you say?

Owen: Roman ruins. We did a lot of traveling. In my position of dealing with the government, Sandy's position of dealing with the government, H. H. Hall's position, why, we had a lot of duty things we had to do every week. There were cocktail parties every night. We would try to just make an appearance and be seen and be nice to people, and excuse ourselves because we had to work or whatever, and so on. But Peggy, she just loved it. And the kids--I sent my two boys to French school. They were just very young there. They could speak French, Arabic, and English by the time they were four and six.

Hicke: And did you have a strong relationship or any relationship with the U.S. Embassy and other people from America?

Owen: Oh, yes. Well, there wasn't an embassy; at that time, it was a legation at the time we were there. But we had a very good minister there. They were very supportive of us. So it was a very happy place to live, and people were so friendly. Our friends were Muslims and Druze (which is really a sect of Muslims), Christians--all of them, and they just lived together beautifully. I can think of no finer place to have lived.

Many people who had spent time there would have retired there. Some of them did, but they left when the civil conflicts began in '75. But they thought that was the best place in the world to live. It's the San Francisco of the Middle East.

Hicke: Or San Francisco is the Beirut of the West Coast?

Owen: [laughter] Whatever. They both have a charm.

Hicke: Okay. Well, that sounds very intriguing, and a very fascinating place to be. At the time you were there, anyway.

Owen: And of course, as I progressed from position to position, I held similar comparable positions in Tapline and Aramco. For instance, when I was chief counsel of the Middle East, I was chief counsel for Tapline, I was chief counsel for Aramco. When I became associate general counsel, it was for both companies. And incidentally, for AOC, Aramco Overseas Company, also, in Holland.

Hicke: Were you then carrying on those functions at the same time?

Owen: Yes, I did. So I had through the years gone back to Beirut. It's very seldom that a month went by that I didn't have to spend two or three days in Beirut. I always kept one or two lawyers there, American lawyers, outside of our local counsel, as well as The Hague.

Saudi Government Railroad

Hicke: Okay, let's move on to Dhahran, then. What did they want you to do there?

Owen: Well, one thing, I love trains. Since I was a little boy, I grew up always close to railroad tracks for some reason, and I loved that, because I loved to wave at the engineers. My big objective in life was to be a railroad engineer when I was a small boy.

So in the two years preceding my going to Saudi Arabia, Aramco had built the King a railroad. He wanted a railroad, the Saudi Government Railroad. So the first day I got there, Spike Spurlock, who was a Rhodes Scholar from PM&S [Pillsbury, Madison & Sutro] in San Francisco, who was my boss--

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Hicke: George Ray was his boss--

Owen: Yes. Called me in and said, "Well, Bill, we've got a lot of things you can do here. We have six lawyers here with you now in Dhahran, and you, by the way, are the second in command. You take over every time I'm not around. But I've heard from remarks that you love railroads."

I said, "Oh, I've always been a big railroad fan. I used to carry a railroad guide in the pocket of my car. I loved that."

He said, "Well, then I think it would be good if I named you as general counsel of the Saudi Government Railroad." So that was really my most onerous duty at the time. We wanted to turn it over to the Saudi government as soon as we could, but we had to teach them how to operate it. [laughter]

Hicke: Who built it?

Owen: Aramco.

Hicke: I mean they contracted?

Owen: Yes. We had some--

Hicke: Did Bechtel or somebody like that--

Owen: It wasn't Bechtel, but it was--

Hicke: Fluor?

Owen: Fluor, Bechtel, but I think John Howard of England--I've just forgotten. It was largely built by the time I got there, but no trains had arrived. So shortly after I got there, the first train was to run. It was a passenger train to go from Dammam Port to Riyadh. It was quite a train. We bought old commuting cars from the New Haven Railroad in New York, and diesel engines, used, from the States. The track was all in place, and everything went beautifully until I was sitting in my office when the phone rang.

It was Jim Gildea, formerly executive vice president of the Union Pacific who was President of the railroad. Jim said, "Say, Bill, we've got some trouble. Up here in Hofuf, the train ran into a camel and killed it. So the engineer's in jail."
[laughter]

Hicke: Somebody's valuable property, I guess!

Owen: "And the train is stopped." "Oh," I said, "oh my Lord." So I got in touch with Tom Barger (in Government Relations, later chairman of the board) immediately and I said, "Look, let's go up to Hofuf and see what we can do." Tom was next to Garry Owen, the second in command of Government Relations at that time under Garry.

Hicke: Garry Owen?

Owen: Yes. And Garry was over in Jiddah, so Tom was first in command in Dhahran.

So Tom and I went up, and we argued a little while, and it didn't do any good, but the local Amir was sorry, the Shariah was perfectly clear, that the striker is the one at fault, so our engineer has to be put in jail.

Then Tom was able to get through to Riyadh. The king was livid. He told the amir to return the engineer to the train and not to do that again.

Hicke: Not to the engineer, anyway!

Owen: Yes. [laughter] That's just a little anecdote about-- . But the railroad proved to be a big success. We turned it over in about eight months from the time the first train ran, as a running, going proposition.

Hicke: Who rode on it?

Owen: Oh, there was a lot of traffic. Merchants, everyone who wanted to go to Riyadh rode on it, instead of riding their camels or their own trucks. And I took Bill Donovan on it when he was visiting in Saudi Arabia

Hicke: I see, the Saudis, for the most part.

Owen: Yes, the Saudis. So that was one of the things I did.

Negotiations

Owen: Then I did a lot of contracting work, and at that time in Aramco we had very heavy price negotiations going on which were handled by Spurlock and Bob Brougham--Robert I. Brougham executive vice president--and Fred Davies--chairman of the board. That took a tremendous lot of Spike Spurlock's time, so it left most of the day-to-day legal stuff in my hands.

But in early 1954, I'd been there just a little more than three years at the time, I was chief counsel of the Middle East, so I was in The Hague. I was also the secretary of Aramco Overseas Company. They wanted a lawyer there in A.O.C. as secretary for a while until they got the thing running. So I took that job over.

I was in The Hague when Spike cabled me to meet him at the plane in the middle of the night at the Schiphol Airport. He was on his way to New York. I got out there, and I said, "How are these negotiations going?" He said, "Well, I've really dulled my pick with them. I'm just disgusted. I just don't think I'm effective anymore with these guys."

I said, "Look, Spike, everyone respects you. Of course you're effective."

"Well, life just isn't that long. I'm not going to do it anymore. I told Fred that I wasn't coming back to the negotiations at the end of this vacation. So I want you to return immediately to Dhahran, send anyone you want to The Hague

to do what you were doing, resign as secretary of AOC, you've been there long enough. They're on their feet now. And take over these negotiations with Brougham and Davies."

Hicke: I have to interrupt here before you finish this--there was a 1950 treaty?

Owen: A 1950 agreement, December 30, 1950 agreement.

Hicke: Were you involved in that at all?

Owen: I was not. Wait a minute. Spike was mostly involved. I wasn't involved in any of the negotiations. I did some of the drafting, but that isn't to me involved.

From that point on, after that agreement, I was the lawyer primarily involved in every negotiation, every agreement from that date on. That was the last one taken by someone else.

Hicke: 1950.

Owen: The 1950 agreement.

Hicke: Okay. But you're just talking about '54 now?

Owen: Well, yes. I've said we had heavy price negotiations, because the 1950 agreement provided for an income tax. We submitted to an income tax instead of just giving them a royalty. They were complaining about the prices that we were charging for oil, and wanted us to charge more, so they'd get more revenue. These were negotiations that went on for month after month and year after year, and they were the key thing to our existence and the existence of the Saudi government. They were important to both parties.

Hicke: But then in '53, there was a relinquishment. Were you involved in that?

Owen: Oh, yes, I was involved in that.

Hicke: So we've got at least two things we need to discuss here.

Owen: Well, the relinquishment agreement was--the original concession provided that we would relinquish areas from time to time. I've forgotten just what it said. Spike turned that stuff over to me. I got Manley Hudson's assistant, Dick Young, who was a boundary expert and a good international lawyer, to come out as outside counsel and help me on that. And Dick Young primarily wrote the 1953 relinquishment agreement.

- Hicke: Why did you have to rewrite the relinquishment--it was in the original concession--
- Owen: Oh, yes. It was just implementing the original concession, implementing it. We agreed that from time to time, when we weren't using land that we had, we would relinquish. It was pretty vague, so we had to negotiate a little bit about it, but it was all within the framework of the convention. It was nothing that they sprung on us.
- Hicke: Okay, so then back to the pricing negotiation.
- Owen: And the pricing negotiation went on for a long time.
- Hicke: As you saw it, what were the major challenges for Aramco in this? The major ramifications?
- Owen: We were trying to make the best deal we could for the owner companies who owned us. We wanted to get volume discounts, that is, if we took more oil than we were scheduled to take, or if they all took more oil, we could sell it to them at a cheaper price, get a volume discount. You understand what that is?
- Hicke: Yes, sure.
- Owen: We also felt that we should be able to sell at some small margin less to our owner companies if they disposed of the oil themselves and didn't sell it to third parties, like Shell or other oil companies. All that kind of stuff.
- So then in that same era, and I'm talking '50s to 1960 now, we had the Sidon Price Claim come up, which was where the Saudi government felt that Aramco owed money on the oil that was transported through Tapline's thousand-mile pipeline to the Mediterranean, even though Tapline had paid its portion, and they wanted to double dip. We were really right in it, but we finally settled that. They were claiming \$283 million, and we settled for \$180 million on it, because of another thing. We had won the Onassis case, and--
- Hicke: Do you want to go into that now?
- Owen: Well, I was going to go back. I'll come on the Onassis later.

We had won that, and Faisal--then Crown Prince, later king--who was our friend, was a little stung by that, and not very happy. That meant so much to us that we felt, "Okay, we're not going to push our point." We did take them to arbitration on the Sidon Price Claim, and Faisal got mad. He said, "You guys should

be able to settle this short of arbitration." So we negotiated--we appointed our arbitrator and they appointed their arbitrator--but Faisal didn't want it to go ahead. He wanted us to settle it. So we were very generous in the settlement, and settled that, primarily because we felt we could, after we had upheld our rights to ship oil worldwide in the Onassis case.

So much happened that it's awfully hard to get it all in.

Hicke: And all of these things were, as you just pointed out, interrelated.

Owen: They were all interrelated. But I'll go back a minute and give you an anecdote.

I had the privilege of knowing Floyd Ohliger very, very well, a close friend, and then of knowing Fred Davies very well, and I always had the highest respect. He was one of the finest men I've ever known. And primarily because I worked with him day by day on these pricing things, which was a great break, I learned more from Fred than I learned from anybody possibly in my life.

Hicke: What kinds of things did you learn?

Owen: Keys to negotiating and so on. I'd done a lot of negotiating myself, but he was a past master at it.

Hicke: Can you give me an example, or specific illustration?

Owen: I don't think I can. I'll think of one later. But he was very smooth, polished, and very honest. He never said something and had to come back and say, "Well, I didn't quite mean that." That's one thing I learned from him: don't overstate at any point, because you lose face. But I knew him well.

After three years in Dhahran, they developed a new section of town and built a house for Floyd Ohliger, and right next to it built a house for me because I had so many kids, I needed more bedrooms. So I was first Floyd's across-the-street neighbor, and then later I was his next-door neighbor.

And I got to know Cy Hardy very well. That's Norman Hardy, who succeeded Fred Davies as chairman of the board. I don't know where the Cy comes from; everybody called him Cy. He signed his letters "N. Hardy." He was my next-door neighbor, and I got to know him and worked with him a great deal. I remember the day he retired. They had a luncheon for him in San Francisco. I went

back from the luncheon, and I was in Jim O'Brien's office when the phone rang.

It was Cy Hardy on the phone; he'd traced me up there. He said, "Bill, am I officially relieved of all my duties yet? It depends on whether it's Dhahran time that controls, or Pacific time that controls. What do you say?" I said, "What do you want to do, Cy? You want to get drunk?" He said, "I sure do." I said, "Go on and get drunk; we'll call it Dhahran time." [laughter]

Hicke: Great. I never thought about that time change!

Owen: And then later, the Bargers moved into the Ohliger-Hardy place next to me, so I was next door to them, and of course, I'd been friends with Tom for a long time. So I had the unique pleasure of knowing all of these people very, very well.

Leadership Styles of Early Company Officers

Hicke: Could you just tell me briefly about the differences in their leadership style, and perhaps what impact that might have had on the company?

Owen: Well, Fred Davies was very gentle in his manner, very quiet. Cy was bombastic but considerate. Barger was more of the professorial type. For instance, he was interested in all this stuff like New Math and so on that Brougham and I fought him on all the time. It doesn't mean we weren't friends, but we just didn't think our children were learning anything. But he was a scholar. And when he was chief executive officer, he'd make us read the damnedest economic reports you--oh! Didn't have a thing to do with what we were doing, but thinking he could broaden our minds and arise them--but Tom was a great guy.

Hicke: You had to know how many dates were being produced in each oasis, or something?

Owen: Tom was chief executive officer. Although Tom was never chairman of the board, he was president. We didn't have a chairman of the board for a while, because Brougham and Paul Arnot were running neck and neck, and the board couldn't choose among them, and they didn't want to make Barger the chairman and either Arnot or Brougham president, thereby passing the other. That's why we had a triumvirate.

- Hicke: Well, Paul Arnot did become president, didn't he?
- Owen: No. Brougham became chairman of the board, after Barger left. Of all of these people, Brougham was the one I, from 1954 to 1969 or '70, that I spent most of my time with. I was the closest to Brougham, although I was close to all these people. I was never close to Liston Hills. Liston wasn't chairman very long; he was in ill health. He'd had a heart attack, and he never did really take over. During that time, Frank Jungers sort of had to act both as chief executive officer and chief operating officer. But I worked very closely with Jungers.
- Hicke: You just talked about Barger's leadership style, so then Brougham?
- Owen: Brougham was very positive, and he was well liked. He was positive, firm, and pretty rough, really. Jungers was more polished. He had a tremendous regard for the Saudis and bringing them into the picture. He got along beautifully with the Saudis. Even though Barger did, Brougham did, and I would say Jungers more than anyone else, because Jungers put his money where his mouth was.
- Hicke: Well, that was an interesting little comparison; you had a chance to observe so many of them.
- Owen: Yes. Well, we had a very good president in the fifties, Bob Keyes, Robert L. Keyes. He was the president when Davies was chairman. He was excellent. He was very easygoing. I would say that he was the least effective of all the ones I've talked about, but he's still a good man. I've talked about some pretty outstanding people.
- Hicke: I think they must have been, because when you think what Aramco has accomplished, I think the--
- Owen: Yes. Arnot was outstanding. But I wouldn't rate him as highly as I would rate some of the others.
- Hicke: But they also got lots of other outstanding men and people to--
- Owen: Yes. They had, for instance--Aramco's finance department in the fifties was like the Notre Dame football team. They had four or five replacements for every position.
- Hicke: Deep.
- Owen: They were strong, they were deep. The Law Department was always deep; we always kept it very, very deep, to the extent that the

owner companies, we'd train these lawyers, and they would come and raid me. [laughter]

Hicke: Training for the owner companies?

Owen: Yes. They'd just say, "Well, look, you've got Jack Curry who can do this job. Can't we have Don Marguardt?" I said, "Look, we've taken a long time to train Don now. But I'll admit, we are pretty deep here. You can have Marguardt if you'll give him 150 percent of the salary he's getting now."

Hicke: Oh, how nice.

Owen: And Exxon did the same thing with Frank Mefferd, who was one of my outstanding lawyers. All these people spoke Arabic. Everyone except me; I was always too busy to learn it. But it was good that I didn't, because if I had spoken Arabic, I'd have gotten myself in all kinds of jams in negotiating.

Hicke: How so?

Owen: Well, because I wouldn't have had all the technical--it would have been imprecise. Arabic is such a precise language. It takes years to really master it. As it was, we had to have an interpreter when Brougham and Davies and I were negotiating, and that gave me time to think, because I understood enough Arabic that I knew what was going on, and I had a little time to think before replying. And the same goes for Brougham and Davies. I say "I," because very often, we'd be in a legal discussion where I had the floor and was arguing with Yamani, who was at one time their legal advisor.

Hicke: I suppose it works the other way, too.

Owen: Oh, sure.

Hicke: They had a chance to think because they could understand the English, but they insisted on the translation.

Owen: Yes.

Hicke: You said you have an anecdote?

Owen: In early 1942, my ship, which was the U.S.S. Blackhawk, a destroyer tender, which I had joined in Australia after we fled to Australia when we didn't get sunk in that trap near Guam, we were in Tjilatijup, which is on the south coast of Java. The entire Japanese fleet, a number of carriers, a number of battleships, and a number of cruisers and destroyers, just a

tremendous fleet, was coming down, and all we had were a couple of divisions of destroyers, a handful of destroyers, and the light cruiser Marblehead, the heavy cruiser Houston, and we had the distinguished British cruisers Ajax and Achilles, which had incidentally been the ones who had hunted down and caused the Graf Spee to scuttle itself in Montevideo in 1939.

We had the Australian flagship, their cruiser Canberra, and the Dutch cruiser De Ruyter. We had no battleships, no aircraft carriers. Of these ships I've named, the only heavy cruiser was the Houston. All the rest were light cruisers. And as I say, a handful of destroyers.

So we decided to attack, to try to cut them off from Australia. A Dutch admiral was in command, and he ordered the fleet to just go out. It was a suicide mission. We lost most of our ships in the suicide mission.

But in the meantime, on the day before the battle, before our ships were--our ships were leaving, and the Blackhawk, our ship, was going to be the last to leave, because we were support and not front line. So I ended up as shore patrol officer. I was trying to get refugees on the few ships. The Japs were overhead bombing us. We knew these would be the last ships that would get out of Indonesia. We wanted to be sure that we got as many Americans, British, Europeans, anybody off who wanted to get off that we could.

So I was in charge of that as shore patrol officer. Finally, we got every merchant ship out just loaded to the gills. We had the Dutch passenger ship Tijalinka, which was supposed to carry about 1,500 passengers. And when I had 4,000 on it, I had to begin making some adjustments. So I had people...the refugees would come up, they'd have two or three bags, and I'd say, "You can only take one bag aboard, I am very sorry. There's hardly room to stand."

I remember this very nice oil man coming up. He had two big bags. He'd come from Borneo; he'd been head of Social--

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Hicke: He'd been head of--

Owen: Standard of California's operations in Borneo. Really an engaging guy. He lumbered up with these two great big suitcases, and I said, "Sir, I'm very sorry, I'm going to have to toss one of them in the drink."

He said, "Well, I can see from how crowded it is up there, you've got to do something." I said, "So which one do you want to keep? You don't have time to repack it anyway, because this ship is sailing in five minutes."

He said, "Eeny, meeny, miney, moe. This one. I don't know what's in either of them anyway, I just threw things in." So I threw the suitcase in the sea.

I never expected to see that guy again, but when I showed up in Dhahran--Peggy was still in the States, because our house wasn't quite ready--I was told that I was to be in a special guest house they'd set up for Mr. Hardy, and I was to live there with him until our wives came. Cy Hardy, to become president and chairman of the board.

So I walked in. He looked at me, and he said, "Hey, I know you."

Hicke: Oh, no.

Owen: I said, "Oh, boy. I'm afraid I know you." He began laughing and he said, "You're the goddamn naval lieutenant who threw my bag in the Indian Ocean, and now I've got to live with you!" He just roared. We had more fun over that! [laughter] I thought that was worth--

Hicke: That is definitely worth recording. And you have a story on houses?

Owen: On houses. This is not really a story, it's just a little anecdote, of interest maybe to no one but me and to you.

In the issue of Life magazine from May 1950, there were two lead articles. The entire Life magazine had practically nothing else in it except the opening of the Shamrock Hilton Hotel in Houston, Glen McCarthy, the wildcatter, who brought half of Hollywood here by private plane. You ever heard of that? And had a big bash. It was a feature of half the magazine.

The other half of the magazine was American families in Saudi Arabia. It features one particular house. I told you this was May, 1950. I was still in Beirut. But the house that they featured was house 1124, which was then occupied by Fred and Jeanie Abbott. Incidentally, Fred Abbott lives right in the San Francisco area there. He was a vice president of the company. He has a long history. Jeanie died about six months ago. But they lived in House 1124.

It goes through the house, shows it off, and shows what nice living conditions the Americans had even then, in 1950. And that's the house that was assigned to Peggy and me when we were in town later. And that's the one that was right across from Floyd Ohliger's house. And then when they built the new section, they built a new home for the senior guy in command out there, Ohliger at the time, living out there, and they built one for me just because I had so damn many children. [laughs] So that's how all the housing comes to--. But I think you ought to get a copy of the May 1950--

Hicke: I'm sure I can find that.

Owen: Yes, I'm sure you can find that. But it tells a lot about Aramco in those days. Life was a good magazine before they shortened it, ruined it.

Hicke: I have a whole list of things here, I don't know where to start. We kind of left off with one of your small-world stories on Cy Hardy.

Owen: Oh, yes. [laughs]

Hicke: When did Tapline become part of Aramco?

Owen: In 1964.

Hicke: Well, that's way past the Onassis--let's go to the Onassis arbitration.

Tapline Becomes a Subsidiary Company

Owen: Well, first let's talk about Tapline, just for a minute.

Hicke: All right, finish out Tapline.

Owen: Yes, because I've given you all I'm going to give you on Tapline. Originally a very important part of the Aramco enterprise. But they originally did not make Tapline a subsidiary to Aramco because they wanted to insulate Aramco, have Aramco do business essentially no place but Saudi Arabia, so that if a company stepped on the toes of the Jordanian government, or the Syrian government, or the Lebanese government, Aramco wouldn't be blamed. It wasn't Aramco.

Well, by the early 1960s, it was obvious that that was costing us an awful lot of money, because we couldn't consolidate income tax returns. I began a campaign in '60 to try to persuade the directors--it took me four years to do it, but I was relentless, I kept talking to them each year about it, and showed them exactly how much money they were losing, and the fact that Tapline wasn't souring anybody's relationships at the time. It was running very smoothly, and I thought that the monetary advantages outweighed the relations advantage of insulation.

So in 1964, we made Tapline a subsidiary of Aramco. That wasn't all welcome to all people, because an intense rivalry had grown up between the two companies, Tapline and Aramco. The Law Department was the only one in the middle, because we had Law Department both places, and when I went into Government Relations, I arranged that Government Relations would also be a common department--that was in '58.

So we had those common denominators. But management, Tapline management, Chandler, and Aramco management, principally Brougham, were always at each other's throats. And Barger, and so on. All of them perfectly nice guys, but very jealous of their territory, like my dog Tack. Chandler was very proud of running a wonderful pipeline operation. Barger-Brougham were very proud of running a very fine production operation.

It got to the point where once Brougham and I were going through Beirut, going to New York or San Francisco, wherever, for meetings, and we cabled for Bill Chandler, if convenient, to meet us at the airport where we had a couple of things to discuss to coordinate between the two companies.

Everything went fine until about six weeks later, when Brougham called me on the phone and he absolutely exploded. He said, "You won't believe this! You will not believe this, Bill! Can you come down to my office?" I said, "Sure."

Went to Brougham's office, and there he had an invoice from Tapline for the two beers, one each, that Brougham and I had in the airport. Chandler had a beer too, but he didn't charge Aramco for that, charged himself. Brougham was furious, and so Brougham then found out how much accounting effort that had been, and found out that it cost \$98.33 to send that charge over to Aramco from Tapline, and sent it all back to Chandler with a hot note saying what a chintzy thing it was to do. [laughs]

I said to Brougham, "Bob, how much did it cost for you to go into this thing and do all that you did and have the accountants find it cost \$98.33?" He said, "Well, I hadn't done that yet."

I said, "You better, before you hear from Chandler!" [laughter] Both wonderful people, but that's the kind of thing. There was a rivalry.

It seemed like the lawyers were always in the middle, because I, as general counsel of both companies--I was Bill Chandler's general counsel, I was Bob Brougham's, I had a foot in both camps. They'd get into arguments, they'd come to me to settle it, and oh! Impossible situation.

At any rate, it wasn't until about five or six years after they were consolidated that they were really running very smoothly together. There had been personal resentments and little things. I just gave an example of the kind of thing. But that's the story of Tapline.

Hicke: Do you suppose that also, though, made for good operations?

Owen: It sure did. Oh!

Hicke: I mean, these people that were so proud of their own operations.

Owen: Oh, it sure did make for good operations. But it made for a lot of personal--

Hicke: So that's the other side of that--

Owen: Yes, a lot of personal tension at any rate.

Hicke: Especially for you. Well, one more thing on Tapline. What kind of challenges did you have in dealing with the shareholder companies on the part of Tapline?

Owen: The shareholders were primarily interested in Aramco. They knew that Tapline was necessary to Aramco, but it wasn't their fair-haired boy. Aramco was. So a lot of favoritism was shown when employees would be assigned to one company or the other from the shareholders, and that kind of thing. Aramco always came out a little better than Tapline.

All of this changed when John Kelberer came out to Aramco as a vice president of Aramco.

Hicke: About when was that?

Owen: That was in 1972, I believe. Tapline was beautifully operated. They had the best crew of pipeline operators, started by Bert Hull of the Big Inch, Little Inch, people who took pride in their work, real craftsmen.

Hicke: Wasn't there also--this is a separate problem, and I guess it would come under relations with the government, but deciding whether Tapline began at Abqaiq or--?

Owen: Oh, that wasn't a problem with the Government; the Saudis didn't care. Because it would make no difference in the fees we paid to the Saudi government. It was just a question of where we wanted it to begin, where we wanted title to be changed, or when we wanted the shareholders to take over responsibility. We finally decided that we wanted to take over responsibility within our operating fields, and that's why it began at Qaisumah later, although it's supposed to be Abqaiq, Qaisumah is a couple of hundred miles west. So that's the reason for that.

Boundary Disputes

Hicke: Chief counsel, Middle East, 1951 to '56, and there's a lot happening in there. We might have covered some of it. One thing we didn't cover was a boundary arbitration over the--

Owen: Oh, over Yemen.

Hicke: Yes.

Owen: Well, we had a lot of boundary disputes. We were on the Saudis' side, because when they claimed territory, why, it accrued to our advantage. Their disputes were with the British who were running Abu Dhabi, running Aden, and we had some rather nasty incidents. At one point, the British went into some disputed territory where we had an exploration party and a lot of equipment down in Aden. The British were there with a Major Ellis and claimed that we were in British territory, that this was part of Aden, not Saudi Arabia. They had these armed personnel carriers, and they trained the guns on our people and said, "You have until sundown to get out with all your equipment."

Our exploration people got on the radio to Tom Barger, who was running Relations there at the time. Garry Owen was in the States. Tom got in touch with me, and we called down there, and I did the talking. I talked with Major Ellis. I said, "This is obviously an honest dispute. I can assure you that our people think they're in Saudi Arabia. You think they're in Aden. It doesn't speak well for the relations between the U.S. and Britain for you to come in and train guns on American citizens and give them until sundown to get out."

Well, he stuck to his guns. By God, they had to. I said, "Okay. If you persist in that attitude, we are holding you, the British government, and the Queen of England responsible for all injuries to personnel or loss of equipment or damage." And hung up.

We got out, and that was a very hot subject. And of course, the Saudi government wrote one hell of a note to the British, and they backed down.

But in the meantime, we had our equipment down there, and it rusted away. It took long enough diplomatically to settle it, but we had a lot of things like that with the British, boundaries. Now, our boundary expert was my friend Richard Young. Every time we got in a boundary dispute, we'd call him out there.

The next most important boundary dispute was with Abu Dhabi. Where did Abu Dhabi end and Saudi Arabia begin? It's that simple.

Hicke: But nobody really knew, did they?

Owen: Well, they all had their theories. But the British were adamant, and I must say the Saudis were adamant. And if the two had sat down--this was before any oil had been discovered there. We didn't know whether there was oil or not. And that's the time to settle something, because if you discover oil, then it's harder.

Hicke: You've got a real problem.

Owen: You've got a real problem, yes.

So finally, Aramco persuaded the Saudis and the British to go into a boundary arbitration and abide by the outcome.

Hicke: Do you know what year we're in?

Owen: We're in 1953. Dick Young was appointed lead counsel for the Saudi government, and a couple of our Relations people that were pretty knowledgeable about boundary matters were always in the back room to give him factual information and so on. The arbitration seemed to be going fairly smoothly, until the British yelled foul at one point, thinking that false evidence had been produced.

I can't believe that's true, because I can't believe that Dick Young wouldn't have known about it. He wouldn't have tolerated it to begin with, but wouldn't have known about it.

But they had a pretty slick Saudi, Yusef Yussim, who was running the thing from the Saudi side. I can't be sure he didn't do a couple of dirty tricks. The British may have been right, we never knew.

So that left the subject up in the air. And later, in the late fifties, early sixties, they signed an agreement. The Saudis and Abu Dhabi got together and agreed--again, before oil had been found. Right after that, oil was found, and it turned out to be to Abu Dhabi's benefit, which is fine, because they were a small country, they could use the oil a lot more than Saudi Arabia.

The other boundary dispute was offshore between Bahrain and Saudi Arabia.

Hicke: I didn't know about that one.

Owen: Yes, and for that, again, Dick Young came out. On that one, they negotiated a settlement. The Saudis leaned over backwards to give Bahrain everything it wanted, because they were very friendly with Bahrain and always have been sort of a big brother to Bahrain. They gave up anything the Bahrainis really wanted, which is interesting, because you wouldn't expect that of the Saudis, when you're dealing with money.

Hicke: No. I knew they had good relations with Kuwait because of 'Abd al-'Aziz.

Owen: As a matter of fact, the relations are so good that when I left Saudi Arabia last week, my son and daughter drove me over a four or five mile causeway connecting the island of Bahrain and Saudi Arabia, beautiful four-lane superhighway, and they put me on the plane in Bahrain.

Hicke: You flew out of Bahrain?

Owen: I flew out of Bahrain. The Saudis were perfectly happy about it.

Hicke: Who built the causeway?

Owen: The two of them split it. And another thing, have you ever heard of the A-B Pipeline? That's the Aramco-Bahrain Pipeline. Bahrain Oil Company, BAPCO, which was owned by Socal, didn't produce enough oil to feed its refinery, so they needed Aramco oil. So by agreement of the Bahrain government and the Saudi government, way back in the 1950s--I can't remember just when; early 1950s--they built an underwater pipeline together on which they shared the cost, and then the operating expenses, and Saudi

Arabia supplied Bahrain with all the oil it needed for its refinery.

Hicke: That's amazing.

Owen: Yes.

Hicke: It's too bad there aren't more stories like that around the Middle East.

Aristotle Onassis

Hicke: Are we up to Onassis yet?

Owen: Onassis is very simple.

Hicke: Jim O'Brien called him a "beady-eyed Greek shipper." [laughter]

Owen: Well, I'll tell something; in the course of my dissertation on this, I'm going to relate one incident you'll probably want to remove from the tape, but I think it was so funny. It involved Davies, Brougham, and me.

But what happened was in 1953, we knew Aristotle Onassis had been in Saudi Arabia at least once; it turned out later he'd been there many times. Everybody in the world sort of distrusted Aristotle Onassis, and we wondered what he was up to and how it could affect us, but we didn't have much input into it, and waited back to see.

Well, my boss, George Ray, was on a boat between San Francisco and Hong Kong. He and his wife Bonnie were taking a long vacation on a boat, and he did not want to be disturbed for anything. He said, "Bill, it's all up to you"--out there. Spike was in New York. He did the same thing to Spike in New York.

Well, Fred Davies came running into my office this particular morning, and he slammed down a letter in Arabic with its translation on top. "What do you think of this, Bill?" It was a one-sentence letter from the Saudi government saying that as of--and the date was the day before--"As of this day, Ulysses Aristotle Onassis, or Aristotle Ulysses--"

Hicke: Aristotle Socrates.

Owen: "Aristotle Socrates Onassis has the exclusive rights to ship all Aramco oil that is extracted by Aramco or any other company from Saudi Arabia to any place in the world."

I gulped a little bit. I thought it was a little beyond my capability to do much about it. Fred said, "Can they do this?" I said, "You mean legally?" Fred said, "Well, first legally." I said, "No, they can't do this legally. We've got this right in our Concession. It's one of the implied rights in all of this tabulation of rights we have, it leaves nothing out. We have the right to do this."

Hicke: It wasn't spelled out, though, it was implied?

Owen: It was implied. But it was a pretty clear implication.

Fred said, "Well, we've got to answer this right away and say that we're not complying with it. You write the letter." So I wrote a letter, polite letter, telling them we just received this, there must be some misunderstanding because they did not have this right to give to Mr. Onassis. And therefore, it was in violation of our Concession, and therefore we would continue to operate as we had in the past.

That took about an hour, that whole thing. Fred said, "Well, you think you ought to let George know about this? He didn't want you to bother him." I said, "Look, when something like this comes up, I don't care what he said. We're going to cable that ship. I know we can't get a code cable in there, but I'll take a chance. I'll cable him."

So I cabled him, and then I code cabled Spurlock in New York, my counterpart there, and said, "This has happened." So, Ray continued on his cruise, cabling Spurlock to return immediately to Dhahran and work with Owen on this thing. Oh, work with Gowen and Woven--they referred to us in cables as Gowen, that's Garry Owen, and Woven, William Owen--work with Gowen and Woven.

So Spurlock came back, and there wasn't much we could do then except make some recommendations to George. So George showed up in a couple of weeks.

In the meantime, we hadn't heard from the Saudi Government, or we'd have had to act, after our stern letter that we weren't paying any attention, and we didn't pay any attention. We just kept on. So George came there and he said, "Well, one of the options you give me is the option of arbitration. Of course we have the right to go to arbitration. The Concession says so.

Well, the first thing we have to do--and I hope they don't go do anything foolish--we've got to line up some very strong counsel that have to spend several years on this thing."

So we lined up Lowell Wadmond of White & Case in New York, who was one of the foremost trial lawyers in the U.S. He took over, came out. So he and Ray and Davies met with the Saudi government on trying to smooth the arbitration and get an arbitration agreement, while at the same time Brougham and I and Garry Owen were working on the pricing issues.

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Hicke: You and Gowen were working on the prices?

Owen: Yes. So it was an exciting time, because we had negotiations going on morning, afternoon, and night on two different problems. The third thing, one of our top lawyers out there, Jack Curry, who was my successor as general counsel, was working on a customs problem, our customs exemptions with another group. So we had three negotiating groups in Jiddah at the same time.

The Onassis group--Wadmond, Ray--well, they were negotiating with Surur and the Crown Prince.

Hicke: Surur?

Owen: Surur, [spells], Mohammed Surur, who was the minister of finance. The Ministry of Finance took charge of all oil matters in those days.

Hicke: That was before the days of Ahmad Zaki Yamani?

Owen: Before the days of Abdullah Tariki and Ahmad Zaki Yamani.

Hicke: Before Tariki?

Owen: Yes. Well, I shouldn't say before the days--before Tariki took power. Tariki was working--

Hicke: But there was no Oil Ministry.

Owen: No, no Oil Ministry, that's all I meant. Tariki was there, and took an active part in that.

So then the other group of us, on the price problem that persisted for so many years, would be dealing again with Surur, and Tariki would be backing up Surur and Said Sami, who was sort of a high-level flunky in the Saudi government. And then Jack

Curry would come in and his gang, that was a lower level group. There were no conflicts there; it took them a couple of weeks to resolve their negotiations, their problem.

Finally, after weeks or several months, Ray and Wadmond got the arbitration agreement signed. (Took Broughham and I a lot longer to get the price problems done.) They were done in a series of agreements, which I'll tell you about later. And so they decided that arbitration would be in Geneva, Switzerland.

We appointed as our arbitrator Saba Habachy, the former minister of national economy of Egypt during World War II, a law professor and without any question the outstanding Egyptian jurist of his time. Now, we had used him on boundary matters before, but by our rules of the game--and they've changed since the Onassis arbitration. Generally, all arbitration, arbitrators are required to be impartial now. They were not at that time. We were allowed to appoint anyone we wanted, even though it was someone who represented us in other matters and would plead our cause inside the tribunal, and so was the Saudi government.

So we both appointed very partial arbitrators, and the two of them got together and appointed Dr. Georges Sauser-Hall, the Dean of the Law School at Geneva, Switzerland, and one of the foremost international legal experts in the world, as the chairman of the Tribunal, that is, the third arbitrator.

I was talking just last week to the Dhahran Law Department about how stupid a system it is where you have partial arbitrators. It just adds another layer of counsel, and you really end up with just one arbitrator to settle it. It just adds to the expense and delay, and it makes no sense. But at any rate, that was the system in those days.

These days, if you appoint an arbitrator, he's got to be impartial, and you don't even touch him. You don't make a telephone call to him. You have no communication with him. In those days, we were able to talk with Saba daily. [laughs] The Saudi-Arab government, which was really Onassis and his staff, because in the Onassis-Saudi-Arab agreement, the Saudi-Arabs were smart enough to have inserted a clause that "this agreement is null and void if it is proven that Aramco has prior rights." So they kept themselves off the hook.

Hicke: They also had some suspicion that it might be a problem.

Owen: Right. It went on for about three years. We had a staff in Geneva: White & Case in addition to Lowell Wadmond, Olivir Marsden out there, who later became president of the American Bar

Association. They sent Hal Fales, who later became head of White & Case. They sent Steven Schwabel, who is now the U.S. judge on the International Court of Justice in The Hague. We had all kinds of power. We had--Lord, I'll think of his name pretty soon, the premier British international lawyer of his day. And we had a Belgian legal expert, and we had interpreters, because this was in three languages: Arabic, French, and English. It was a big production. I can't tell you how many millions of dollars it cost to do this thing.

But our general counsel, George Ray, thought--and rightly so--that this was the most important thing. So he not only took himself, he took Spurlock out of New York and kept Spurlock with him in Geneva all the time, and left the law department to be run by me both places--well, and in Beirut, and in The Hague--

Hicke: Tapline, and Aramco Services--

Owen: Yes, and all the rest.

Hicke: [laughs] Too bad you had nothing to do while you were there!

Owen: Oh, well. But it was exciting. If you want to know something about the arbitration, nobody knows more about it than I do. I would have to come to Geneva every two weeks to be briefed on how far they had gotten, during the course of which I became great friends with Steve Schwabel, who plays very heavily, with Dick Young, whom I've mentioned before, in the Aminoil arbitration with Kuwait in which I was lead counsel some years later.

So actually, Steve came to Houston last year to make a speech, and he called me, and we went out and had lunch together. We've been friends all these years. He later, before he became the U.S.-appointed judge on the International Court of Justice, he was the legal advisor to the State Department. That was his position while I was in the Aminoil-Kuwait arbitration, and he was very helpful in that.

Hicke: Well, the shareholder companies had their legal departments working on it too.

Owen: Oh, absolutely! Oh! They had their legal departments. Jim O'Brien (of Socal) did I can't tell you how many hours of work.

Hicke: Probably all the other three--

Owen: And all the other three. And I was writing memoranda to George all the time, acting as liaison, getting their input into George in Geneva, and Lowell.

Hicke: Well, it brings up another question. I believe that the arbitration was based on the law of Saudi Arabia, wasn't it? The Koran and the Shariáh? Tell me about that part.

Owen: Well, it's a little confused. The tribunal tried to be confusing. What we wanted them to say was that it was based on the law--see, the arbitration clause does not say what law governs--

Hicke: In the agreement?

Owen: The arbitration clause in the agreement at that time does not say, which is an omission that I hope nobody has made since. It doesn't give you any guidance. So we wanted them to say that it was the law of Saudi Arabia, so long as it was consistent with the general principles of international law. The Saudis wanted them to say that it was the Saudi-Arab law, period. That was the issue. You can read it as siding with us, or you can read it as siding with them. We won, so I give up; that's to the scholars of the future to look at and decide what they really meant. I don't think anybody will ever know what they meant(But now it is pretty well settled by the Award in my Aminoil).

Hicke: But meanwhile, you really had to be fully cognizant of what the law was in Saudi Arabia, all of your years.

Owen: Oh, sure. All of us had to.

Hicke: So you had to make a full study of all of that?

Owen: Yes. As I say, I was on the fringes of that arbitration. I was kept up on it all the time, but it was Ray, Spurlock, and Wadmond who were the primary people.

Hicke: And what happened after the arbitrators made their decision? Was that a big day?

Owen: Well, that was a big day, because it was Sauser-Hall and Habachy agreed, and the Saudi arbitrator, he concurred except as to, and some language there--

Hicke: Saved his face a little?

Owen: Saved his face a little bit, but really he didn't violently dissent. You can read it as a dissent, but it really wasn't a very strong dissent at all. So at any rate, it and the Aminoil versus Kuwait arbitration are generally recognized as the two most important private international arbitrations of this century.

Other Arbitration

Hicke: Shall we go to that one, then?

Owen: Oh, no, that's after I retired.

Hicke: Oh, it is? Oh, that's right, okay.

Owen: We may not have to go into that at all, but I can tell you about it.

Hicke: Oh, I see. Was that based on the principles established in this one?

Owen: Well, it was certainly based on a lot of the arguments that we had made on participation, and that the owner companies had sort of rejected.

I represented Aminoil as their lead counsel in an arbitration with the Kuwait government. It was Aminoil (American Independent Oil Company), not Aramco.

Hicke: You've done so many things; I can't keep track of them all.

Owen: After I retired, they kept me on retainer, and the first thing that happened was I took four months on a freighter going around the world, which I mentioned, and got very well rested. I thought, "Hey, this retirement's great; I don't think I'll ever work any more." And well, I got a little bored in a few months. Therefore, I was not unhappy when I was summoned to meet with the Executive Committee of Aramco. They were concerned about the anti-boycott activities, the anti-boycott statutes. How we could comply with them and still operate, and so on.

So, with the consent of Jack Curry, my successor, Jungers appointed me in charge of this whole problem. They called me the Czar of Anti-boycott. They couldn't purchase anything except in accordance with guidelines which I would recommend and which management would generally approve. I had to approve every contract in the U.S., so we didn't get in trouble.

So I did that for--I promised to do that for a year. Well, it ended up a year and three months. But as I was coming to the end of that, I was approached by the American Independent Oil Company, which had not knuckled under to the government's demands

for participation (part ownership) in the various oil companies around the world. The way all the other oil companies had. It was alone. It said [to Kuwait], "You have no right to take our property without fair compensation. So we're not going to sign any agreements with you, we protest it." The Kuwaitis kicked them out, and they came to me. I took the case.

I lined up Dick Young, I lined up Pierre Lalive, who is now the dean of the International Law School at Geneva, who was the secretary general in the Onassis arbitration, I met him there. I lined up Jean Flavien Lalive, who was a graduate student in the Harvard Law School in my third year there, whom I knew. I had the backing of a major New York firm, and I had a staff of about twenty people there. That took about three years, but went--and Aminoil was a small oil company--by a unanimous decision. Aminoil was granted an award of \$180 million plus. So we won. I've got the whole record of the case right in here, in this library. But I just thought I'd give you that as an aside.

Hicke: That kind of finishes up the arbitration.

Owen: No, it sort of ties a little bit into some of the other--. From that point on, I've done practically nothing but international arbitrations.

Hicke: Well, some day I'd like to hear all that, too.

Owen: Including several for Aramco.

Hicke: Oh, well we should eventually talk about those. Shall we do that now?

Owen: No, let's get back into the main part.

Hicke: Let's get back into the fifties or wherever we were.

[consulting notes] Well, maybe this is a good time for you to tell me--well, no, let's go into Government Relations.

Owen: I think you have enough on Onassis now.

Hicke: Yes, I think so too.

Owen: I capsuled that, but--

Hicke: Yes, obviously.

Owen: Because the testimony was voluminous. Experts agreeing, disagreeing, and shipping practices and all came into it, but I gave you the guts of it.

Okay, you want to go into what?

Hicke: Well, do you think we've covered your period up to 1958 when you became head of Government Relations?

Owen: No, we haven't covered Aramco Overseas Company.

Hicke: Oh, yes. Okay. Let's do that.

Aramco Overseas Company

Owen: In 1949--there may have been some problem before, in 1948--but in 1949, it became obvious that it was going to be quite a problem for Aramco--I wasn't in Dhahran yet at the time--the fact that the people who wanted our oil had to pay for it in soft currency. That is, French francs, English pounds, German marks, Greek drachmas, whatever.

Hicke: Not convertible at the time, I guess.

Owen: Not convertible at the time. So we had to figure a way to eat up that soft currency, to pay our expenses in it. We had been using the New York office of Aramco, which was originally the San Francisco office but had been moved to New York in 1947, we had been using that for recruiting, for engineering support from the States, for the negotiation of major contracts, for purchasing, public relations. But about 1950, we moved the public relations part down to Washington. That was a part of Aramco too, Aramco's Washington office--that's all they did, public relations.

So we had to get a solution to this problem. We had more dollars going out than were coming in, and what we were getting was funny money, in those days.

Hicke: That you couldn't spend anywhere.

Owen: That we couldn't spend. I didn't mean that disrespectfully, funny money, but it was money that--we've teased about it that way. Funny money, what do we do with this funny money? So Les Snyder, a v.p. of Aramco, was the one who conceived the idea of, "Look, I'm an engineering specialist, and I know that we can get as good engineering support in Europe as we can in the United

States. So let's set up a company that will do that." Our people in purchasing said, "Well, there's no reason why we can't buy rice from Australia, or machine parts from Switzerland, and all the rest. Let's do that."

Since we wanted to get rid of soft currency, "We can hire some Italian employees, bring them out, some Dutch employees, some British employees." So we set up Aramco Overseas Company to do those kinds of things, services to Aramco. It was our service organization, just like Aramco Service Company here in Houston. We still have Aramco Overseas Company, which is Saudi Aramco's service organization for Europe, but for different areas--Aramco Service company for U.S. activities, Aramco Overseas company for non-U.S. activities.

Hicke: Where is that based?

Owen: In Leiden. It had been in The Hague, but it's been moved to Leiden. Traditionally, it was in The Hague.

So we first set that up in Rome with representatives in The Hague and London, and then we decided that The Hague was a better place to have the headquarters, so we moved from Rome within about three months, Rome to The Hague, and had sub-offices in Rome and in London, and in Tokyo, then in Sydney.

Hicke: You said this got going in about '48?

Owen: Well, no, I said there was a problem beginning to appear in '48. In '49, we tackled it. But we didn't do anything. We actually filed some of the corporate documents, but we hadn't gotten very far. Les Snyder was unhappy with the progress we were making, that we were proceeding like a snail, he said, and that's when he went to George Ray and he said he wanted me to be the secretary to help get this thing moving. He was their chief executive officer.

A little aside on that, George Ray was of the old school. He didn't believe that a lawyer should wear two hats. He thought a lawyer should be a lawyer and nothing else, that it diluted his attention to law if he were also an operator of any kind.

Hicke: On the board or--?

Owen: Yes. Nevertheless, Les persuaded him they needed me. So he said, "Okay. But Bill, as long as he's with AOC, and you promised you'd just keep him a little while, as long as he is--his office will still be in Dhahran--he will be legal counsel

to Aramco and Tapline, but he mustn't touch the legal aspects of any AOC matter," which was a little hard to sort out.

Hicke: Yes, I can see that!

Owen: So I wasn't allowed to do that. But I stayed with AOC long enough to know a great deal about it.

But we solved our soft currency problem. We were able to eat up the soft currency.

Hicke: How long did that take, to establish the balance?

Owen: Well, it was several years to really solve the problem completely, but we got it solved completely. And it's no problem these days; hasn't been for a number of years. Now, AOC and ASC operate on their merits, not for currency purposes, but because a big producing company like Aramco, which produced about 200,000 barrels of oil a day, or 150,000 in '47, and a million in '56 and ten million in '74, we needed support, as we still do.

Oh, well I didn't mention--oh, yes, AOC always had a Beirut office, and that's where Shafiq Kombargi comes in. He was head of AOC's Beirut office within a year or so after it was established. Stu Campbell, an American, was the first.

Hicke: Where did Shafiq come from?

Owen: He came from Palestine. He was a Palestinian refugee.

Hicke: And living in--how did you find him?

Owen: Well, I don't know how our recruiting people found him. The Tapline recruiting people found him. He was obviously a very gifted person. He stayed--he did nothing but AOC work for some years. Well, here he is, coming to see us.

Hicke: Appropriately.

Owen: Yes, I'm going to step up and ask him if he would--Hi, Shafiq!

Shafiq Kombargi: I hope I'm not interrupting you. [tape interruption]

[Interview 2: May 8, 1993]###

Hicke: Let's see. Yesterday we got about up to the point where you became the head of Government Relations, and you had just finished talking about how the overseas company had gotten started, and where Shafiq Kombargi came in, and then he came in.

Owen: Yes, he did. He was telling you primarily almost exclusively of the AOC office in Beirut and what they did, in the Middle East. Now, AOC had offices originally in Rome, London, and The Hague, those being the European offices, and in Tokyo, because we were buying a lot of pipe from the Japanese, pipe and other things, and the Japanese would take soft currency, which helped; and Australia, because we found that the food products we had to import--we had to import food products not only for Aramco, but also some for the local market. Because the Saudis didn't have enough for their people in Saudi Arabia. We did not want to diminish the local supply, so we imported everything up to a certain time. Later, through our al-Kharj project, the farming agriculture project, and other projects, they'd gotten not only self-sufficient food-wise, but in a position to do some exporting.

Hicke: I didn't realize there was exporting.

Owen: Yes.

Agricultural Projects

Hicke: Were you involved with the Saudi employees noon day feeding program or anything like that?

Owen: Well, from 1954 I was a member of the Executive Management Council of Aramco, which included all the top officers. It changed its name a couple of times, but no matter, it was the same organization. Through this, I was involved in our treatment of the Saudis and our programs for the Saudis. In E.M.C., which had to make recommendations to the chief executive officer, we had to review every program. And you did your homework in Aramco, or you didn't last long.

Hicke: So you certainly knew about all the things that were going on.

Owen: I knew about all of the things. I wasn't a sponsor of any of the programs. I think the most interesting program--well, we had a lot of interesting programs. We just mentioned the agricultural projects, which we call al-Kharj, because that was the center of where we showed them how to irrigate the land, brought in cattle, showed them how to plant, and in general helped them to be in position to produce their own food.

Hicke: You showed them how to produce a certain kind of food, not their entire diet?

Owen: Yes. Not their entire diet.

But in Australia--that was a good source for rice, the kind of rice the Saudis liked, the long-grained--there was not enough long-grained rice available. So Aramco Overseas Company office in Sydney sent several shiploads of rice, complete shiploads--18,000, 20,000 tons of rice each shipload--out to Saudi Arabia over a period of years until we began to be able to get it from closer places. I don't think--the Saudis eat lots of rice--I don't think any rice is produced in Saudi Arabia, but I don't know that. I wouldn't think so.

Hicke: It requires so much water.

Owen: It requires so much water and swampland, and the only water they have is in the mountains really, so I don't think they do.

Hicke: How did they acquire a taste for it? They had always imported it?

Owen: They had always imported it, I guess. Their merchants would get it, the ships would come in, and they would trade rice for sheep or other things that they had over the centuries, I suppose.

But that's what the AOC office in Tokyo primarily purchased and shipped to Arabia: food items. Australian beef is great. It cost about one-half of what, when you consider the transportation and the customs and all this, what U.S. beef cost. Argentinean beef, which is excellent, which we had part of the time, was almost as expensive as U.S. beef. And besides, the housewives liked the Australian beef best, which is the main factor, main reason. So we imported rice and beef from Australia, lots of canned fruits, like pineapples, which would be produced in the South Pacific islands and canned in Australia.

I remember, I'd make a trip to Sydney a couple of times a year, and the office was so anxious to please the American tastes in Dhahran that they would ask me if I please wouldn't have any breakfast before I came to the office, and then they'd blindfold me, and they'd have me try this kind of canned pineapple, this kind of canned pineapple, or this kind of something else, and so on. And then before we'd go out to lunch, they would say, "Look, will you just take a few bites of a couple of things before we go to lunch?" And I would test the different foods they'd put in front of me.

Hicke: Was that in your job description?

Owen: It wasn't in my job description [laughter], it was a lot of fun. But that office has been discontinued now. They just don't need it; it was discontinued some time in the seventies, I've forgotten just when. They still have the Japanese office. They've discontinued the London and Rome, and everything is centered in Leiden now, instead of The Hague. Leiden is just a few miles, let me say ten to fifteen kilometers, from The Hague.

And the only reason to go there was that our lease ran out in The Hague. We had a very good building in The Hague, but it was in demand by others, and we really didn't need anything quite that elaborate any longer. So we found something that suited our tastes in Leiden. That's where AOC is now, its European office.

So as Shafiq told you yesterday, Tapline and AOC, after Tapline became a subsidiary of Aramco, like AOC, combined in Beirut, and Shafiq went over as the general manager in charge of administration for what became Tapline. AOC's Beirut office was gobbled up by Tapline. And since then, the Beirut office in these fifteen years, sixteen, seventeen, since September, 1975, Beirut has been a mess. We tried to continue for a while keeping an office, but we had to give up.

Hicke: Even Tapline?

Owen: Even Tapline.

Need for Tapline Declines

Owen: And incidentally, the need for the pipeline eventually disappeared with the opening of the Suez Canal to tanker traffic.

Hicke: Oh, why don't we just wind that story up, since you mentioned it?

Owen: Well, when the Suez Canal was widened, it meant that the large tankers, which were the only economical tankers we had, and the supertankers could go through the canal. When I was in Egypt just a couple of weeks ago, I was informed that they're in a continual process of widening and deepening the canal to fit any ships or any new developments in shipping.

With that, Tapline became less useful.

Hicke: About when did that happen?

Owen: I would say--well, we continued shipping oil through Tapline until the line was blown up a few times in Syria and in Lebanon

and so on in the early '70s. But we would repair and keep on going. But throughput went down, and it had long ago paid for itself. Tapline, as a practical matter, went out of existence. Now, if the pipeline is used at all--and this is something you'd have to ask Jim Knight--it's only to ship oil to the Zerka Refinery in Jordan for local needs.

Syria, their refinery doesn't need it because they're fed by IPC, which is at Tripoli, which is far north of the Tapline pipeline route. I believe we're still supplying whatever feedstock they need for the Zerka Refinery in Jordan.

Hicke: Okay. But it was no longer efficient to ship to Europe or anywhere farther?

Owen: If there hadn't been all the political problems and the disruptions, it would have possibly broken even with going through the canal with supertankers up to 1980 or '85, but as of now, the cost factor would be in favor of the tankers, and it would be economically unfeasible. Its usefulness would be in case of disruption of the Suez Canal, or in case of global conflict where it was important to get oil no matter how much it cost, that would mean 475,000 more barrels more per day from Saudi Arabia to get to the Mediterranean.

Hicke: So it's still kept ready for use?

Owen: As I understand it--you'd have to ask someone else, like Don Fate, about this--but as I understand it, it's sort of mothballed in a half-efficient way. It isn't ready to go, but it could possibly be put back in operation.

Hicke: Do you think that we've covered AOC?

Owen: I think we've covered AOC sufficiently. And let me, since we're on the service organization: Aramco originally, as I said yesterday, relied on the San Francisco and then the New York office in the early days, in the forties, for support in recruiting, engineering, and purchasing, and public relations, although public relations later went down to Washington. Very early in the game it went down to Washington. And the role of the New York office diminished with AOC, Aramco Overseas Company, because we did a relatively smaller portion of our purchasing and engineering in the United States. Now, it was still substantial, but we were able to reduce the New York staff of the New York office by at least two-thirds over the years, up until 1974.

Aramco Realty Corporation

Owen: I should also say, in addition, we had another subsidiary, an Aramco subsidiary, which was Aramco Realty Corporation in New York, which held the lease on Aramco offices and which owned a house in Scarsdale where the Aramco representative in the so-called "Study Group," a group of promising younger people from the owner companies--the bird dogs, we called them; they always, each of them appointed one of their top people, because this was one of their biggest interests in the world. For instance, from Texaco, we've had Jim Kinnear for a short time, we've had Al de Crane for a long time--Al is now chairman of Texaco, as you know; Jim Kinnear was chief executive officer until he recently resigned. SoCal, we had George Parkhurst, Jones McQuinn, George Keller. So these were not lightweights. Mobil, we had Raleigh Warner, Henry Moses--no, I take that back. Henry Moses was a director of Aramco, he wasn't a bird dog.

But they would meet regularly in New York, and we always sent one of our climbing young stars from Aramco, gave them two- and three-year assignments in New York, to chair these meetings.

Hicke: I think Brock Powers--

Owen: Brock Powers was one, John Kelberer was another. Let me see. No, Frank didn't ever have that opportunity; he was too busy elsewhere.¹ But Brock did, and John Kelberer. I'm trying to think of who--Hal Foglequist, who has since retired, who was Frank Jungers' roommate in college, University of Washington.

So we provided a house for those people. We always had a representative there in Scarsdale. That's how Aramco Realty Company operated; it was really nothing but a little corporate shell. It had a board of directors of two or three, you know, and it didn't do anything important, just holding a lease and renting a house. [laughs] And nothing to do more than that.

Moving the Offices to Texas

Owen: But in '72, the New York state tax authorities got very tough on the franchise tax, and they wanted to tax Aramco for all of its worldwide profit, a goodly percentage--

¹Frank Jungers was first chairman of the Study Group and first to live in the Scarsdale House. He was followed by George F. Larsen.

Owen: Unitary system, just like California has, which has a lot to do with the fact that Aramco hasn't done more in California than it has done.

Hicke: And other corporations also, I think.

Owen: Yes. California has hurt itself in that way, by being too greedy, and so has New York.

So I went to Ralph Sproule, who was my chief tax counsel. In '73 and '74, we took two trips to Albany and talked with the tax authorities. I told them flatly that "Here we are with a little bit of activity, support activity here, hiring people, hiring lots of your New York residents as teachers," because they had a good educational system, "and buying, giving you that economic activity, and you're going to just ruin it if you keep this up. Now, there's a way that you can interpret this statute. It doesn't have to be interpreted to require unitary taxation."

They wouldn't even listen; they weren't interested. They didn't think we were going to move, because they knew that--I think they thought that Exxon and Mobil and Texaco would see that we didn't.

Well, actually unbeknownst for a while at least to the Executive Committee members, the owner company people, Jungers had confronted me with the problem, and he directed that we would make a study as to where Aramco could possibly move, which would have the least tax exposure. Actually, I contacted outside counsel in fifty states. I got their opinions--

Hicke: You didn't try hard for Alaska, probably. [laughs]

Owen: Yes. Alaska wasn't very desirable, but if we were doing it, I wanted to do the whole thing, compare everything. Because Alaska might have had a theory or something that worried us. Somebody else might take a--. So after this process took me, say, three months to get answers--these were all eminent counsel in each of these states. At the end of 1973, I went to Jungers. I think it was in November. I said, "Well, tax-wise, the three best states in the Union for us are Texas, Missouri, or Louisiana. California's obviously out, because they are like New York. Others are out for other reasons."

And then Jungers said, "Well, then we will bring in a couple of other people in this, oil people, and find out where we can get the biggest support in those three states." I rated them fairly equally.

Hicke: Tax-wise.

Owen: Yes.

Hicke: Or, financially?

Owen: Financially too. And our people unanimously came up with--well, really the only thing they had in Missouri was Black and Vetch, which did a lot of work for Aramco Service Company, and all the other people were going in there. Missouri didn't compare in attractiveness to the operating people to being closer to the people they wanted to deal with in Louisiana and Texas.

Louisiana had some appeal to them, but in the final analysis, they recommended to Jungers that if we were to move from New York, let's move to Texas.

Well, then the question was, to Dallas or Houston? Both good oil centers, with a lot to say for them. But there was no support activity in Houston. And so Jungers had softened the Executive Committee informally before the April 1974 board meetings. We had complained about this, and I'd talked to the Executive Committee a couple of times about the impossibility of the tax situation in New York. So they were ready to hear this, but we really sprung it on them at the April 1974 meetings.

Jungers said, "I certainly recommend, as chief executive officer of Aramco, that we move to Houston from New York." Well, boy! As I say, they'd been softened up, but gee!

Hicke: These are the shareholder companies?

Owen: The shareholders would say--. I remember Howard Page of Exxon, he said, "Yeah, but what about the possibility of an income tax in Texas?" I said, "Well, no one can guarantee the course of legislation in any state, but I've asked my tax advisors, tax counsel in Texas, and they tell me that Texans are against an income tax state." Now, this is '74.

Hicke: Are you talking about corporate income tax or personal?

Owen: Corporate income tax and personal. But they were against all income tax. They want property taxes and other excise taxes and sales taxes and so on, but not corporate income tax. They see no chance in the world. It has been proposed, and it is proposed every couple of years that Texas have an income tax. It's been proposed since--and I had the date--1954 every year, but it hasn't gotten to first base. Our tax counsel thinks in the foreseeable future, it has no chance getting to first base.

Then, I said gratuitously, we chose Texas. That was one of the reasons. And although I've rated them tax-wise, financially, on their current taxes, equally between Missouri, Texas, and Louisiana, in my opinion there's less chance for an income tax in Texas than in either of those other two states, although I'm not saying the other two are going to pass one.

So they, after much debate, I guess this was the end of April of 1974, they approved. Jungers sent me right from San Francisco to Dallas, where our tax advisors were the firm of George E. Ray. You remember when he called me yesterday?

Hicke: Yes, that Ray.

Owen: That Ray. Firm was Ray, Trotti, Hemphill, and--one other name, I've forgotten, they've changed the name since, but at any rate, it doesn't matter.

At any rate, so I got in touch with Ralph Sproule, my chief tax counsel in New York, and I asked him to take the first plane to Dallas and meet me there. We met with the Ray firm, and they were able to get us a reception by the top Texas tax authority. They listened to all we had to say. I told them what our problem was in New York, and we were considering moving to Texas, and that we understood the following to be true, from the opinions of our counsel here: that we would be subject to this, and we'd be subject to that, we'd be subject to such-and-such, and we wouldn't be subject to something else, and all the rest of it.

They were most receptive, and their attitude was, "We'd love to have Aramco in Texas. What can we do to help?" Well, I was expecting--I said, "Well, one thing--you gentlemen have been very forthright in telling us all of this. But I've got to have it in writing, because I've got to report to my chairman of the board of directors."

They said, "No problem. We'll be glad to give you everything we've said today, we'll give you in writing." I had visions, oh, my Lord, six months. How long will it take? So I said, "Well, how long do you think it will take?" "Well, it might take us several days or a week to write this up, but why don't you write it up and send it in the form of a letter to us that this is what you understood that we told you, and then you'll cover all the points that you want to cover?"

Hicke: Oh, excellent.

Owen: I said, "Well, we'll be glad to do that."

##

Owen: "We'll be glad to do that. Can you give me any idea, because I think we'd like, once we've made this decision, and if I understand this correctly, we've made the decision, we want to start moving on this. How long would it take for us to get your response?"

So the chairman of this Texas tax group said, "Well, if you get it into us any morning at 9:00, we can either approve or disapprove it by 3:00 in the afternoon." I said, "How about tomorrow?" He said, "Well, that's fine." This is 5:00 in the afternoon, so we went back to Dallas, stayed up all night writing this letter. We sent Bob Trotti, who was George's second in command in this firm, back. He took the first Southwest Airlines plane to Austin the next morning, and took our letter. He was back, back in Dallas, by 2:00 in the afternoon with it signed, where they had approved and signed it.

Hicke: I bet you were feeling like you did the right thing.

Owen: So we surprised Joe Johnston, who was in charge of the U.S. operations in New York, with that. Joe said, "Well, okay. If they want to move, they want to move fast." I said, "Yeah, Joe, the New York franchise tax this year as I figure it is going to run us about \$35 million, proportionately on the number of weeks we're there. So the fastest you can get us out of New York to Texas, the better."

So immediately, the announcement was made. By this time, it was the first week in May. In a week or two, Joe had offered all New York office employees employment in Texas. Many came. I believe--well, of all of the managers, 90 percent came. Even of slightly lower level personnel, a majority came. So what Joe did is he sent them all down, and he contacted a couple of real estate agents down here and said, "Look, I want you to help these people. We're going to be moving down there, and we understand that you're very reputable. Therefore, the following people will contact you." They could contact anybody they wanted in addition, but the company was giving them suggestions. They didn't know who to contact.

And they were to come down to see if they would like living here, check into the schools, where they might want to live, what the prices were, land and all of that. And we of course assisted them in moving and getting rid of their homes in New York, New Jersey, Connecticut, and got them down there.

By July 1, we had--I believe it's fair to say 60 percent of the New York office here.

Hicke: That's impressive.

Owen: By the middle of August, no office in New York.

Hicke: Up and running here?

Owen: Up and running here. Right after I left Dallas--I didn't cover this--when I got in touch with Johnston, and he got in touch with Jungers. Jungers sent Ed Bowen, Edward T. Bowen, I told you I wanted you to talk to him sometime--he's rough and tough--who was then president of Aramco Overseas Company in The Hague--or had he resigned from that six months before? No, he still was; he'd gone on vacation and Don Wasson had just replaced him. No, Ed Bowen was in The Hague at the time as the president of AOC.

So Jungers sent him over here with me to come down to Houston and select an office.

This was within a week of the San Francisco board meetings.

Hicke: That's amazing.

Owen: So Ed came down, and we looked around, and we originally decided on a particular location. Then we found that there might be some problems with that.

So finally, Ed and I decided on 1100 Milam, which is downtown. We rented, it's a large building, adjacent by a walkway over the street to the Hyatt Regency Hotel there, a prime location. We were able to get either five or six, I believe it was six, floors. So we moved in the office there and began the recruiting of Texans. We were so busy at that time by the gas program (in Saudi Arabia) and of all the support work they needed, engineering support work, that we had to expand the staff greatly, double, triple it. So that's why we've got so many Texans now in the organization here. [laughter] And so on, who filtered out there.

But we were off and running, and as we expanded, it wasn't big enough. There was no more space available there. So we later bought these two buildings here, one of which is not occupied right now.

Hicke: We're at 9009 West--

- Owen: 9009 West Loop South.
- Hicke: I had been wondering how and why everybody was in Texas, so I'm glad I know now.
- Owen: Well, that's the full story.
- Hicke: Of course, it's an advantage for the individual, too, not to have a personal income tax.
- Owen: Well, that's absolutely right. And as a matter of fact, as people have retired who were from the New York office and had roots up there, they have not returned there. They preferred to stay in Texas.
- Hicke: Plus a lot of people from--
- Owen: Ninety percent of them, at least.
- Hicke: --Arabia have retired here.

Aramcons

- Owen: Yes. Now, this is interesting. Aramco was originally a Social company. Ninety percent of the expatriates are--even more than that; I'll go so far as to say 95 percent of the expatriates--were from California in 1950. Barger was a notable exception, I was a notable exception.
- Hicke: The early ones.
- Owen: The early ones. And this was true in the early days, and they had the good positions in Aramco. As Texaco moved in, they began wanting equal treatment, very properly, but it took a while for that to occur. So when I first joined Aramco in '47, everything was Social. Bill Chandler, Harry Hall, Fred Davies, and Les Snyder--
- Hicke: Spurlock?
- Owen: Spurlock, Goodyear, another lawyer from PM&S, and--. But in the early fifties, you began to see--well, I'll give you an example. The big day in Dhahran--like in the Navy or the Armed Forces, the real big day, the Game, is the Army-Navy game. Every year, there were parties on the Big Game [day]. That's Stanford [University]

and [University of] California [at Berkeley]. We had almost equal representation from the two schools.

Hicke: You mean this was a big deal in Dhahran?

Owen: It was the biggest social weekend of the year.

Hicke: Oh, my word, that is interesting!

Owen: The Big Game in California.

Hicke: That's very illustrative, too.

Owen: Yes. And that was true for the first few years I was there.

Then, little by little, you began to get people from the Midwest and New York who had been Texaco affiliated in their management.

Hicke: Couldn't care less about the Big Game, probably.

Owen: Couldn't care less is right. [laughter] So that sort of fell by the wayside, but that was--. And then, so really the key personnel up to the 1960s were principally Social and Texaco, and then we got into loan programs and so on, and little by little, inevitably, Exxon and Mobil, we had former Exxon and Mobil employees here who were transferred from their companies into Aramco as Aramco would need them.

Hicke: But also, I think a lot of people were recruited just for Aramco and were only company--

Owen: Oh, look, I was recruited solely for Aramco. Tom Barger was recruited solely for Aramco. We were about the only two, though, up until 1950, I think.

Hicke: Oh, is that right? Somebody told me that--

Owen: Yes.

Hicke: --it was George Rentz who went around, or maybe it was his idea, and then he followed through, to go around interviewing people and make sure that they were hired not from the shareholder companies but from scratch.

Owen: Well, yes. But that was successful up to a degree. We did begin getting a lot of unaffiliated personnel. Of all the people we've talked about, okay, talking about the chief executive officers, W. F. Moore, Texaco; F. A. Davies, Social; Cy Hardy, Social; Bob

Keyes, who was president under both Davies and Cy, Texaco; and then Tom Barger, independent; Frank Jungers, independent; Liston Hill, Socal--he was in there between; I mentioned Bob Brougham, Exxon. So there was a heavy preponderance of people with prior affiliations with one of the owner companies.

Hicke: In the top management.

Owen: In the top management. And I think we did a pretty good job in the lower echelons in getting people completely independent of any owner company affiliation, which I considered very important. I know from the time I came in the Law Department, I was offered lawyers by the owner companies, and didn't take any of them. Every lawyer I hired was from the outside.

Hicke: That was your policy?

Owen: That was my policy. And I had another policy: I tried to get a geographical distribution. I didn't want them all from New York, I didn't want them all from California, I wanted some Midwest, some South, some--I wanted a geographical mix in there, which I thought was important. Also, they had Franklin Bates and me from Harvard, and Douglas Erskine from Harvard, and then they had several from Hastings [College of Law], and Harvard and Hastings seemed to have more unequal representation in the Law Department.

So I began getting them from other schools. And even before we'd made our decision to move to Texas, when I came back on an interviewing trip at one time, wanting two really good lawyers, I went to Austin after I had been to Boalt Hall, Hastings, Stanford, Duke [University], I went to Texas, and I found two that I thought would fit in better than anyplace else. I didn't even want two from Texas. I had no idea at that time we were going to move here. I didn't want two from the same state, but they were both, I thought, outstanding from all these schools.

So I tried to keep some kind of diversity, and I think that's true of many of the managers there. That's an irrelevant aside, but--

Hicke: No, it isn't. I think that's important because there are so many things that are unique about Aramco, and all these little things just help to make up the picture. I think that's sort of typical.

I would like to ask you to tell me a little bit about Joe Johnston. You mentioned him.

Owen: Right. Joe Johnston was an engineer, and he had been with one or more aircraft companies. His love was airplanes, and he was hired by Aramco after they'd moved to New York. He was a very promising young executive.

He had one handicap, which was certainly unfortunate. That was that his wife, Genevieve, was in ill health and could not stand the climate of Saudi Arabia. So that limited Joe's potential. I say this because Joe might well have been a chief executive officer along the way. He was that good.

So he started as assistant to Joe McDonald, who was the vice president and secretary of Aramco. When Joe McDonald retired, Joe Johnston took over. Everybody called him "JJJ," because his name is Joseph J. Johnston. So he took over as secretary.

Well, he continued in that position for many years, but he was more than a secretary, because he was really a liaison with the owner companies. He was our bridge here in the States. Anything--oh, eventually he was given the title of vice president and made a Director and so on, and then became a senior vice president.

But he had a great deal to do with the smoothness of our relations with the owner companies. He was a very, very strong executive.

Hicke: How long was he with the company?

Owen: Well, he was with the company, I imagine he came--I can't remember whether he was there in '47; I don't think he was yet there in '47. I think he came in '48 or '49, and he retired--I retired in '75 at sixty, because we were required to retire at sixty for tax reasons. Do you know what they are?

Hicke: No.

Owen: If they had kept anybody after sixty out there, we'd have jeopardized our whole tax deductions for all employees in Arabia. So we never kept anyone over sixty. They changed that, Internal Revenue [Service] changed that--

Hicke: You're talking about the SAG [Saudi Arabian Government]?

Owen: No, I'm talking about the IRS. We couldn't afford to do that. And so we had to retire at sixty or we'd jeopardize Aramco's IRS status.

Hicke: I didn't know that.

Owen: But in the States, you could go until sixty-five.

So Joe, I guess--I'd guess Joe is my age, within a few months, certainly within a year--but he stayed on into the early eighties, when he had to retire. But by that time--maybe he went on another year or two after sixty-five--by that time, the rules had changed in 1976, all that was off. If I had been a year younger, I would have served another five years as general counsel. I'm glad I didn't, because I had so much fun in that five years in the other things I did that I'd never have had a chance to do otherwise.

Hicke: But you wouldn't have voluntarily retired.

Owen: No, I enjoyed my job too much.

Corporate Structure

Hicke: Okay, what about the corporate structure? You said you wanted to talk about that.

Owen: Well, in 1950, we agreed to put Saudis on the board. So we always had Saudi representation on the board, at least two, from that point on. Now, they couldn't be expected to act impartially on company matters, and in the company interest, if it had to do with negotiations and deals with the Saudi government, because they were officials of the Saudi government.

So we had two committees: the Executive Committee, and the Committee on Agreements and Negotiations.

Hicke: And that's the one--

Owen: ANCOM, and the other is EXCOM. I believe it was 1959 when we changed our bylaws and even our certificate and went to that.

Hicke: When these two committees were formed?

Owen: When these two committees were formed. We'd always had an EXCOM, as all Delaware corporations had. This was, by the way, new to Delaware corporations. They did this while I was in Government Relations--

Hicke: Which is ANCOM you're talking about?

Owen: ANCOM, that made this corporate change. But I'd been told, there were talks with our Delaware counsel, and he said, "Well, the Delaware law doesn't say you can do it. On the other hand, it doesn't say you can't do it. Well, let's do it. See where it is." Well, it was accepted by Delaware, and after a year or two, that was it.

So we started a new--we contributed to the liberalization of Delaware corporate law in that respect.

Hicke: Yes. Did other corporations follow suit?

Owen: Some corporations did, yes.

Hicke: Because probably not too many--but maybe more and more of them were dealing with overseas governments, and had the same kind of problem. You pioneered.

Owen: Yes. So that solved our problem. The ANCOM was the same as EXCOM except it didn't have any Saudi representative on it. Our EXCOM had a Saudi representative on it.

Hicke: What was the Saudi response?

Owen: They understood. We were dealing with Yamani in those days, and Abdullah Tariki. Yamani was basically a lawyer. He had his degree from the University of Cairo, and then Master's at Harvard, and a Master's in tax at NYU. So he understood. We never had any trouble on the ANCOM thing. We never had a bit of bad feedback from the Saudi government. Of course, Faisal was king, and he was very favorable to Aramco.

The other thing was that we had a system of incentive dividends whereby--let me just explain it very simply--there was a price advantage, slight though it might be, to any one of the four owners who lifted more than his percentage share of ownership. And that was a special dividend or an incentive dividend, we called it.

Hicke: It was an incentive to sell more oil?

Owen: Incentive to sell more oil. It was in Saudi Arabia's interest.

But this was so complex, and the only person who ever understood it was Doug Erskine, and I'm not sure--all he did was he would illustrate it by having a bunch of pencils, and he'd sometimes run out of pencils in trying to explain it and get himself all confused. But I think he really understood.

Hicke: All the posted pricing, and the--

Owen: Oh, yes, it was a mess, well. I'm teasing there, of course. I couldn't explain it right now. At one time I understood it, when I had to deal with it.

Hicke: Well, we don't have to do it now, anyway.

Owen: We don't have to deal with that.

But it made it important that we declare dividends every month rather than every quarter, as most corporations do, or semi-annually, or annually as European and British corporations sometimes do. It was too much of a hassle to get the whole board together every month. So we'd go to Delaware counsel and say, "Can the Executive Committee declare dividends instead of the board, because they're to represent the board and act in place of the board when the board is not in session?"

Well, this was a very experienced Delaware corporate lawyer, Anderson, who had a great sense of humor. I just loved him, and I had to have a lot of dealing with him. Every time I'd walk into his office, he'd say, "Now what new changes do you want to make in the Delaware law?" [laughter]

So on this, he said--and not to me, because this was before my time; I had other changes I had to make later--but he told George Ray, "You know, George, it's never been done before that I know of, and I've had a little experience in this field. But I can't find anything in the Delaware law that says it can't be done. It certainly doesn't say it can be done. Let's try it, and if no one objects for a year or two, it's established."

Hicke: He must have spent a lot of time scratching his head! [laughter]

Owen: He once said we were his most difficult, complicated client. But just on the corporate setup, one time, one of the companies was very anxious to get alternate members of the board, so they didn't always have to send George Parkhurst or Howard Page, but could--and that was a little too much for me. I said, "Oh, no, you can't do that." I found a couple of cases somewhere, or some of my lawyers did, which indicated that you couldn't do it, but nothing right on point. But I said, "No, that's going too far."

"Well, will you get in touch with this Delaware counsel on this and see if you can't convince him?" I said, "I don't know why I should convince him, because two of you want it and two of you don't. But I will put it up to him and see what he says." I

called him from San Francisco at one of our board meetings and I said, "Can we have alternate directors?"

He thought for a little while and he said, "Bill, Bill, you've pushed me as far as I can go. That is one thing the Delaware courts will never allow!" So I turned around and I told them in the board room. I said, "Gentlemen, he says this is one thing the Delaware courts will never allow. There is your answer. You can't do it. You've got to inconvenience Howard Page and George Parkhurst and Henry Moses and so on. Every time there's a board meeting, they've got to attend, or else you're not represented."

At the same time, they wanted to have alternate Executive Committee meetings, let the alternate director also be the representative of that company on the Executive Committee and ANCOM. It all fell when they couldn't have alternate directors, because then you couldn't do anything. But that was a little aside; I'm getting into some real points of law here.

Hicke: Well, that's really interesting. I'm going to change the tape here, and then maybe we should move on to Government Relations.

Owen: Okay.

Government Relations Department##

Hicke: Okay, you became head of Government Relations in '58, was it?

Owen: Yes. In July or August, '58, at the same time Garry Owen went back to Washington. He was a company vice president in charge of the Washington office. He had been head of Government Relations in Saudi Arabia up to that time. Tom Barger had been moved to Operations, and Management was not entirely satisfied with the Government Relations Organization. So Fred Davies, our chairman and Bob Brougham asked me to resign as associate general counsel and take over G.O. I first refused, but, on being assured that this would not preclude my succeeding George Ray as general counsel but would actually make me better qualified, I agreed.

I took a look at the organization and I thought, well, we've done pretty well in the past with the Saudi government. Everything that our predecessors have done seems to have worked. So I want to be hesitant to tinker, but I certainly think we have some outstanding people in this organization that have been useful and are being lost. And I told you yesterday, that's when

I started--within a month after I was in, I started a Policy and Planning Staff, which became very important to Aramco and the owner companies. We took all the problems on that staff, interviewed Law and interviewed Operations, and then we'd try to bring everything together.

We had just the man to do it: John Pendleton, with Jim Knight, who was very strong, and George Rentz, who was very strong in academics but not always completely practical, but he was very useful. You don't always want--you want people who can see beyond the practicalities of things, and George was very useful. The only thing we used to worry about is he didn't--he was so honest, he would never have cheated anyone out of a nickel. But he wanted to go on these exotic trips, and I'd authorize them. He'd come back, and send his expense account up to me. All it would say would be, "Trip to Blank, dates dates," and an amount.

I'd call George and say, "George, you can't do this now. We're in a corporation. You've got to give me a little back-up, you've got to give me your hotel bills. For major expenses, you've got to give me some kind of receipt." "Well," George said, "that takes more time than it's worth, Bill. Don't you guys trust me?"

I said, "Of course we trust you, George, but the accountants don't necessarily." [laughter] He couldn't understand this. This happened a couple of times. I went--I didn't bother John Pendleton. He was reportable to John, but I had to approve--John would send the expense reports to me. He would send Rentz's on with a large question with a "P" under it, bucked up to me, and so I didn't bother him, I went right to Barger.

Barger said, "Oh, okay. Try to bring him in line, but I'll approve it this time."

Hicke: No kidding!

Owen: But finally, we had to bring him in line, because he made a trip to Moscow to attend some international convention there, and in connection with that he had some stops to make in other Arab countries, so he had quite an expense account when he got back. All he had to back it up was his Moscow hotel bill, no other hotel bills, nothing else. He was real proud of himself. He thought he was really playing ball with the corporation.

So on this one I didn't want to go back to Barger. I said, "Look, John, he's your problem on expense reports. Why don't you talk to him?" John said, "I have, and I will. But he'll

probably end up in your lap tomorrow," and sure enough, he did. He just couldn't understand how unreasonable we were, wanting all this detail!

I said, "Okay. Now, George, this is it. We are not going to put up with this any more. I don't want you to lose any money. I should just disallow part of this, except I know it's honest, I know it's right. But you can't do that any longer. My signature isn't good enough to get through the accountants. I've got to go again to Tom Barger, and I've had to do that twice before on your accounts. I'm not going to do it again. If you want to face Tom Barger and come in--don't make your expense report out to me, make it out to Barger and go up and fight it out with him."

Well, from that point on, he was a little more reasonable. They were never perfect, but I could always get them by after that point. That's why I say he wasn't very practical. He was a great guy. Did you ever know him?

- Hicke: No. What were the major functions or challenges of the Policy and Planning Staff? What were you trying to accomplish?
- Owen: Every problem that the company had, requests from the government, negotiations, the stance we should take in negotiations, they even got into price negotiations, what our alternatives were and analyzed those problems--they contributed a great deal.
- Hicke: Didn't that drop in price occur in early '60, or '61?
- Owen: Sixty-one there was a drop in price, yes.
- Hicke: A deliberate drop by the oil companies, Exxon or somebody started?
- Owen: Yes, I'm trying to think of the details on that.
- Hicke: Anyway, it ended up in OPEC.
- Owen: Oh, yes. It resulted in the formation of OPEC.
- Hicke: Were you involved in that in this Government Relations time?
- Owen: Oh, yes, absolutely. And that thing was part of the price negotiation stuff we had had for years, and it's just when we unilaterally changed the price downward that we knew we were in trouble. We hadn't been able to make agreements. Brougham and I and Davies--and Spurlock before me, about a year before me--had been on this for six years, just as intensively as some of the

things you saw when I showed you chronologies. Things happened every day on that.

So it wasn't just because of that; that was what triggered it. They were unhappy with the fact that the price and their income was controlled solely by the owner companies, and they had no place in it.

Hicke: By the oil companies.

Owen: I mean by the oil companies, yes.

Hicke: Oh, that's interesting, okay, so it was the whole thing--

Owen: The whole ball of wax on pricing. And it was just this drop in price from--I've forgotten what it was--\$2.10 to \$1.80 or something a barrel, I forget the numbers there. Just part of the whole thing. I'd have to look through a lot of notes to find out just what that exact price--because there were price increases and, from time to time, very small price decreases. This was a big one.

Hicke: But it was a lack of control, what you're saying, that really was the major factor.

Owen: Lack of control, yes. And Brougham and I felt the government had a point. The owner companies didn't.

Hicke: Now, that's another interesting thing, where the company was in between the shareholders and the government.

Owen: Yes. We were very often in a difficult position.

I remember one time that, on these price negotiations, this was in '56, and we got some cables. They were always addressed, never to Davies, because he didn't want--he would be with us all the time, but they were addressed to Brougham and Owen. "Well, tell them this and tell them that."

Hicke: The government?

Owen: The government. And we looked back into the record, and we had told them exactly the same things they wanted time and time again.

So I remember Brougham got furious. He cabled back--and he wasn't very diplomatic when he was mad--"We have told them these things many times. Now you come out and tell them." And so they came out. And do you know, we got in a meeting--

Hicke: Who is "they?"

Owen: They, it was George Parkhurst, Socal; Howard Page of Exxon--still Jersey then--; Segal of Mobil, who was then on the board of Mobil; and Harvey Cash of Texaco. We got into this meeting with Yamani--no, it was with Surur and Tariki at the time--we got into this meeting, this is '56, and Davies said, "Well, these gentlemen from the States representing Aramco shareholders were very anxious to have this meeting with you, Your Excellency, and they want to bring their good wishes and a few matters they might like to discuss. So I turn over the floor to you."

Well, George Parkhurst was always fast on his feet, and very diplomatic. And he said, well, what a pleasure it was, and what a pride Standard Oil Company of California took in Aramco and its wonderful relationship with the Saudi government and so on, and what a pleasure it was to be here and pay respects. And stopped. Every one of them made similar speeches. Never once did they say anything about the things they had come out to tell them.

Hicke: That's all they said?

Owen: That's really all they said. And so Davies said, "Do you have anything more to say?" "Well, Mr. Brougham and Mr. Owen probably have some things that we'd like to listen to, see if we have any comments on." So we had to tell them again after--. It was a little frustrating.

But by the way, we were always very good friends, these were all great gentlemen. We were very fine friends. But they had their corporate objectives, and they had--well, George Parkhurst had Gwin Follis after him, and who's going to cross Gwin Follis? Who followed Gwin--

Hicke: Bill Haynes?

Owen: Well, Bill was a little--not quite as austere as some of the chairmen have been. [laughing] Bill was great. Well, they all were great.

Hicke: But their leadership styles changed.

Owen: Their leadership styles changed, but the thing is, the people who were the directors of Aramco were among the very top Directors, maybe the number two next to the chairman, of each of the companies. But the chairman would tell them what position they had to take. And Harvey Cash once told me over a scotch and soda, he said, "I'm getting so tired of this. Everybody thinks I'm an ogre. You know damn well, Bill, that Gus Long calls me in

his office every day before anything happens in Aramco, something's coming up, and says, 'Now Harvey, we've got to maintain this position come rain or shine.' So I guess I seem pretty unreasonable sometimes." But that's the way it was.

Hicke: Okay, we're still in Government Relations here, and I've got arbitration on claims of foreign government for additional taxes on oil sales. Is that part of what we've been covering all along?

Owen: Oh, yes, I call that the Tapline-Sidon price claim, and I've covered that.

Hicke: Oh, yes. What else in Government Relations?

Owen: Government Relations--I've forgotten the organization chart right now, but Government Relations was a very large part of Aramco. We had representatives in Jiddah, a representative office there, which Garry Owen handled for some years, Clark Cypher after him; Jim Knight, and we had a big office in Riyadh, which was handled by various good people, the most important of whom I think is Mike Ameen. Those offices consisted of an American representative, and I'm talking primarily now about up until the early seventies, an American representative and several very good strong Saudi people who would accompany.

Then we had representation offices at Ras Tanura, in Abqaiq, and obviously in Dhahran, local, and on top of that was the Government Relations structure which had head of Government Relations, and general manager, and I put in the Policy and Planning Staff.

We had very strong Government Relations people. For instance, my assistant general manager, Bob Henry, had grown up in Egypt, and he had dealt with the Arabs all of his life and was a very competent individual. We had the Translation Division, which any time anything needed to be translated was sent to them. As a matter of fact, they translated our agreements with the Saudi-Arab government, which had to be made in both Arabic and English. The way they'd do that is I would send them--and I forget, I think Rick Vidal when I was there was in charge of that particular division--I would send them a copy of an agreement, let's say for instance of the March 26, 1963 agreement. It might be about thirty or forty pages. They would translate it to Arabic.

And then, I would always insist--now, the whole company used the translation unit, but I'm telling you the way the Law Department used it in our major agreements--I would take that

Arabic text and Rick Vidal, or whoever was head of the translation, would give it to one or two persons who had not seen the English, had no idea what the English was, and bring an English translation back.

Hicke: Oh, good idea.

Owen: And so then, I would compare the two English, what I sent them and what I got back after it had gone through the Arabic. Then we could see where the difficulties might be, and where the ambiguities were.

Hicke: Excellent idea.

Owen: I was very proud of that one. I started that.

Hicke: That must have been extremely helpful.

Owen: That was extremely helpful.

Another thing that was helpful--and I'm sure Pete (Speers) told you about this--was he and Sami Fahmy--more about Sami in a minute--prepared a glossary of oil terms in Arabic and English. No, he didn't tell you? I think that's probably somewhere--it was Pete, I think it was Pete--and Sami Fahmy. Sami was Saba Habachy's number two lawyer in Cairo, and he also was Aramco's interpreter for all of our price negotiations up until the early 1960s when Yamani came in, and we've spoken English from that point on.

Hicke: I didn't realize that.

Owen: Up to the time that Yamani came in, everything was in Arabic, and we had Sami Fahmy there. He was a wonderful, wonderful guy. Sami left Egypt, actually was forced out of Egypt, I'd say, during the Nasser days, and so the Company found a job for him first with Tapline in Beirut, and then created one for him in the New York office. He got his law degree, being already a very accomplished lawyer, one of the best in the Middle East, went to New York University night school and got an American law degree, passed the New York bar, and I took him in the Law Department. Up to that time, I'd had him as a consultant to the Law Department. Sami turned out to be one of the key Aramco lawyers. He died about three years ago, here in Houston.

But he was our interpreter, so we had pretty high level people. He spoke as good English--he and Saba were at least trilingual completely, in Arabic, English, and French.

Well, and so from the time that Sami translated for me, I had talked about sour crude. Surur interrupted and wanted to know what was sour crude. His interpreter was Said Sami, who was a Saudi, very knowledgeable. He said, "I'll answer that question to the minister. That's crude with lemon." [laughter] Sami recounted all this to me. I said, "No, no. It's crude with an unacceptable hydrogen sulfide content, poisonous." It takes much more processing on sour crude than on sweet crude.

Hicke: Did you say sulfite or sulfide?

Owen: Sulfide. So we had incidents like that on the thing. A glossary-- So Sami proposed, "Why don't I fix a glossary of all terms, and we'll see that it gets to the Saudis, and it may help us in some of these negotiations." And as I recall, it was about 100, 150 pages. I've got all this stuff, and a lot of the stuff I had in my personal files like this, I'll be glad to donate to the University of California, because I'll find them as I go through things in my garage.

But at any rate, I was talking about the translation division. So Sami got someone, and I think it was Pete, to work with him, and they put this out, and it turned out to be very helpful. I know that the Saudis appreciated it, because we'd see when we'd go into negotiations that--

Hicke: You could tell they'd studied their--

Owen: You could tell they had studied and knew the terminology in Arabic and English.

And there was the Research Division. That had been George Rentz's division, and Rick Vidal was there for a while, Rick Vidal who later became professor of archaeology at Southern Methodist College, and a very interesting person, very knowledgeable. He loved researching into things like the dead language of one part of Saudi Arabia, and Tom Barger would put up with that kind of thing. I wasn't quite that charmed by it all. I didn't see why we should send two men out on the desert for six months trying to find a lost language. But they thought so.

Hicke: Basic research.

Owen: But George Rentz thought so, and Tom Barger thought so, so that was fine. We did that.

Hicke: Well, there is value in it, but maybe not to Aramco.

Owen: That's right.

Hicke: Wasn't quite in their job description.

Owen: Right, right. I didn't mean I'm against it all, just as a corporate activity, why, it seemed a little strange.

Hicke: Exactly. It's more like some university.

Owen: We had the Research Division, we had the Administration Division, which ran all of the administrative offices, which ran all of the representation offices that I've described to you before. It was the coordinator of those offices. They didn't really report to the Administration Division. All the direct representation reported to the assistant general manager up the line, because that was where the action was, and we couldn't afford to have delays and things in that. So functionally, they reported to the assistant general manager and administratively to the salaries personnel, all that kind of thing.

We had a special library. This is apart from the Aramco library for the public, that the Government Affairs--it was called Government Relations Research Division, and then it later became Government Affairs, and Research became some other name and all the rest of it, but we're talking about the Research Division. They had a wonderful research library.

Hicke: Pete told me about that. He said he's afraid it got a little scattered, or he doesn't really know what's happened to it.

Owen: Well, I'm with Pete; I'm afraid it did.

Hicke: But I was asking him how they were able to establish boundaries and all of these things, and he said they had an excellent library.

Owen: Oh, they had a wonderful library. And the people to deal with those subjects. All in all, as I recall, we had 1,200 or 1,300 employees in Government Relations.

Hicke: Really! That's much larger than I had known.

Owen: In the late fifties, yes. While I was there, I tried to lend management support to them. They were all great, all of the representatives I had. I made some changes, but not many. I participated in major affairs outside of negotiations. I'd always been in the price negotiations, but any major problems with the government, I would handle or Bob Henry would handle, along with Mike Ameen, let's say, in Riyadh, or Clark Cypher in Jiddah, or Max Carter, I should mention that name, he was also in Jiddah.

As a matter of fact, I saw his son just a couple of weeks ago in Dhahran. He isn't with Aramco, he's with another outfit, but he was out there. He remembers me very well from the time he was a little boy and I would come to Jiddah, and they always kept a guest room for their visitors from Jiddah when we'd come down to check on them. That was very pleasant.

Hicke: Sure. Another one of those so-called brats.

Owen: Yes, another one of the brats.

So it was really the Department of State of Aramco.

Hicke: You were there for about four years?

Owen: No, I was there for three years. That--

General Counsel##

Owen: They sent me to the Advanced Management School at Harvard Business School for fourteen weeks.

Hicke: Was this in '62?

Owen: In '61. They had that coincide, be the last class before George Ray was going to retire, so that when I came back, I came back just a few weeks to Government Relations and then became general counsel, moved over.

Hicke: So now we're in '62, when you became general counsel.

Owen: Yes.

Hicke: Okay. Well, let's see: where should we start? What did you start with?

Owen: We had lots of contracts, we had lots of work to do with foreign suppliers, we had lots of work to do on labor laws and employment contracts, we had these problems with the Saudi government, such as the price problems, and many, many others. I think I mentioned yesterday customs problems in another context.

I was blessed with having acquired a very competent staff, and spent a lot of time while I was there on replenishing that staff and recruiting good people. For instance, Stan McGinley, who is the present general counsel, was recruited by me in 1966. David Kultgen is one of the two outstanding University of Texas lawyers who was recruited by me from the University of Texas in 1973. He's now associate general counsel. Les Lewis, Lesley G.

Lewis, who is the associate general counsel of the enterprise, of the company's Law Department, represents Aramco, ASC, Saudi Refining Company, Aramco Company, which owns the airplanes, and all our subsidiaries.

But Les Lewis was very interesting there. I met him when he was with the consulate in Dhahran, and I was general manager of Government Relations. He was very young, with a young family, but determined to be a lawyer, so he quit the State Department--he was a Georgetown graduate--quit the State Department and got a legal scholarship to Syracuse University and spent three years there. He got in touch with me in his third year, and he stepped right out of Syracuse Law School back into Dhahran. So I recruited him, the third associate general counsel of Aramco. These are the people who run the Law Department.

Al Burgoyne, whom I recruited from Cornell [University] in 1967, and--. But I spent a lot of time recruiting. I recruited many others that I haven't mentioned here, but spent a lot of time on it.

And I spent an inordinate bit of time on the price negotiations and the participation negotiations, leaving a lot of the day-to-day running of the Law Department and other matters almost completely to Jack Curry, who was my successor as general counsel. Because there wasn't going to be any Aramco if we fouled up on our price stuff, and there wasn't going to be any Aramco if we fouled up on our participation. So both Bob Brougham and I spent a tremendous part of our time on that, traveled a great deal, which was a little different from the previous administration, where George Ray made it a policy never to get in the major negotiations himself.

Now, he made that a policy, but he violated the policy several times and did. But I felt it was part of my job, that that's where I was needed as general counsel, to do it, especially since I had such competent people, such as Lou Goodyear from PM&S, Neil Godfrey from California--unfortunately Lou, who was with the department when I came in, he and his wife were killed in an automobile accident in 1966. Neil Godfrey, who was very high up, died of a heart attack while riding a horse in 1967. I lost a few that way.

Howard Palmer, from White & Case, who was another of the strong people that I had, and had recruited, suffered a heart attack and was out of action for a couple of years, which slowed his career down. He retired as associate general counsel. Any of these people I mention might well have been--they were all of

the caliber to be general counsel. I don't know who would have made it when I retired if they'd all lived.

But as I told you, like the Notre Dame football team, the depth in the Law Department was astounding. And I haven't mentioned Frank Bates, who was a lawyer's lawyer. Frank contributed a great deal. He had carried the books, sort of, for Felix Smith of PM&S. Have you ever heard that name?

Hicke: Yes.

Owen: So he had good schooling to get experience to be useful to Aramco. As I've told you, he was a classmate of mine in law school, but at that time, he was from Indianapolis. His father was a professor at Culver--professor of history, by the way. Due to Frank, three of my four sons all went to Culver.

But as I say, he was from Indianapolis, and when I last saw him before our graduation, which neither of us stuck around for--nobody does for law school graduation; if you read your name up that you got your diploma, you say, "Mail it to me," and go out there and celebrate or find a job or something. [laughs] You don't wait for the next week when they're going to have a formal occasion.

So I assumed Frank Bates was still in and around the Midwest, because that's where he was going to look. I knew that. So in 19--I had a little bit of correspondence with Frank Bates. He was with PM&S. No, I'm going to take that back. I didn't. There was another lawyer there who was doing some Aramco work, and I wasn't acquainted with the name Frank Bates in that connection. I was thinking of the other lawyer.

So George Ray wrote me a letter and said, "Bill, you've requested some assistance out there in Beirut, things are getting hot, you and Sandy are in these negotiations all the time and you need someone to arrange for the hauling and work out the railroad deals and so on. So I agree with you, I think it's going to take two of you, even three. I am sending Frank Bates, having him transferred, he's going to become an Aramco-Tapline employee. He'll be leaving PM&S, and he'll be arriving on such and such a date. And as to the third one, you find someone you want to hire. Take a trip back to the States or any way. He just has to be approved by me, but if he's--"

Hicke: But you were going to get Frank Bates, regardless.

Owen: I was going to get Frank Bates. But the thing is, I didn't connect him with the Frank Bates that I knew.

Hicke: Because he was from the wrong part of the country?

Owen: He was the wrong--and Frank Bates isn't an unusual name.

So he arrived--in those days, Beirut didn't have an international airport large enough to take the biggest planes at the time, which were the four-engine DC4s and so on, they could only take the smaller planes. And everybody came into Damascus. So the day Frank and family arrived, Frank and his wife and their little boy, the same age as our little Billy, and their little daughter, same age as our little daughter Randa, I couldn't go over to Damascus to meet them, so I sent Peggy with a driver to greet the new lawyer and his family. She had stocked their refrigerator, and she had everything ready, and we'd gotten them an apartment in the building next to ours and tried to make everything just as nice as we could.

Next thing I knew, a few hours later, she called me at the office and she said, "Look, I'm at the Bates apartment. You don't know who Frank Bates is." I said, "Well, I know he's with PM&S." She said, "No, he went to Harvard Law School with you, was in your class." I said, "My God, not that Frank Bates! He's in Indianapolis."

Hicke: Another small-world story! [laughter]

Owen: Yes, and then Frank worked with me until his retirement, all the time from that point on. And as I say, he was a lawyer's lawyer.

So after he retired, while I was still general counsel before my retirement, just a couple of years in there we had some very tough legal problems on joint ventures and that kind of thing. So I pulled Frank out of retirement for about six months back to Dhahran to work on those ventures, and brought Marge of course with him, his wife. Just about the time that he finished that, we had a pressing need in The Hague, because I'd had to transfer someone from The Hague to New York because of their expertise in a particular field, and asked Frank if he'd take six months in The Hague as counsel there, so he did. So after he retired, he worked a lot full time with me.

So there's your Frank Bates story.

Pricing Negotiations

Hicke: That's great. Well, I wonder if this would be a good time for you to sort of outline how the pressures began to build up through the sixties toward the increased participation, and the--

Owen: Okay. Well, the pressures began to build up, not for participation, but for pricing in the early fifties, from 1950 on, from the time we signed the December 30, 1950, agreement where we were going to pay an income tax to the Saudi government and the other governments in the world, because that all happened, they all went on a taxation basis at about the same time, all concessionaire companies. The countries had a real, what I thought, legitimate interest in what the price was going to be, because their income depended on it. So the pressures built upon that.

We largely dissipated them by the March 24, 1963, agreement, which was a culmination of all the negotiations we had had for ten years on the subject. We settled the Sidon claim as a part of that. We essentially removed any discounts to the owner companies--essentially; a few remained. We made some further relinquishment of territory--now, that was in a separate agreement dated March 24, 1963. They were both dated March 24, 1963. Then there was an agreement with Tapline dated March 24, 1963, so there were three agreements that day. That was a culmination of the price thing. Yamani was very well satisfied.

Now, the relinquishment agreement was insignificant, really. And the Tapline agreement was comforting to have, but not of great moment at the time. The main problem had been the pricing. We did need to settle the basis on which we would transit Saudi Arabia with the Tapline oil and give them something which they hadn't gotten there, but they weren't very sanguine on that either. They were interested in the price matter with Aramco, and once we settled that, everything else fell into place.

So early the morning of March 24, 1963, Brougham, Curry and I, together with my secretary, Helen Bard--no, no, it was not Helen at the time, it was Jeanie Anderson, Jean Anderson, who later came back and worked for George Ballou in Standard of California, a very nice man, sort of a very well internationally known vice president of Socal. His wife's name is Joanna.

Well, Jeanie went with us. So Brougham was all on pins and needles, we were to sign these various agreements. He wanted everything to just be up to spit and polish. The night before, Yamani had told us before we went back to Dhahran, when we'd all

shaken hands and agreed on every word of the text, and it was just the formalities of signature remaining the next day. (With a lot of people in the Middle East, particularly some Syrians I dealt with, you wouldn't have even felt there was a possibility you had an agreement at that point. With Yamani, we knew his handshake was good.)

And so it was going to be a gala day for us. So Yamani had just said, "Well, we'll get this all signed, sealed, and delivered." Brougham said, on the plane going over, "What does he mean, 'sealed'?" Jack, very helpfully, said, "Oh, he's probably thinking of old English cases and old English agreements where you seal things in red wax, put a ribbon on them."

He said, "That's a good idea, I bet that's what he meant. As soon as we get to the office, Jeanie," and he was talking to my secretary, "would you please have Mike send somebody in the office out to get some green ribbon, pretty green ribbon, a yard or two of it, and some sealing wax?" I said, "Honestly, Bob, I wouldn't take Zaki that literally."

He said, "No, but I think it's a good idea, too. We've worked many years for this agreement. Let's formalize it."

They came back with that, and they did have some sealing wax, but we didn't--

Hicke: Where in the world did they get sealing wax? Some kind of candle wax--

Owen: Some kind of candle wax or something, at least they got some kind of wax, in a red color. So the question was, how to apply it? Brougham and I were talking about something else, and Jack and Jean went into an adjoining room where they were going to put ribbons and seals on the two original documents, one for the Saudis and one for ourselves. And then the other agreements, the Tapline agreement and the other stuff too.

All of a sudden, Jean said--I heard her sort of--"Jack, you're burning the agreement!" I thought Brougham was going to die! He jumped up, he ran in there. And sure enough, it had caught fire while he was trying to get the wax on, and there was a little corner of the last page that had burned. [laughter]

Well, those were the days before we had copy machines and all that kind of thing. Jeanie said, "No matter, we still have forty-five minutes. I'll retype this page," just had to retype the last page, which she did. But I thought that was very funny.

But then afterwards, we did put the sealing wax on, but this time we didn't leave it up to Curry and Jeanie. [laughter]

Hicke: Signed, sealed, and delivered.

Owen: Yes. So at any rate, that's my story on those important agreements.

So I have to tell you what happened. The minute they'd been signed--oh, by that time, Saudi Arabia had television. It was a very limited television, and it was only affairs in the Kingdom and all. That room, Yamani's office, was absolutely filled with TV camera men. So they--I should have brought you the album of this to see--they took pictures of all of us signing, every time that Yamani signed something, I was over peering to be sure he signed it at the right place--

Hicke: You were hanging over his shoulder--

Owen: Hanging over his shoulder, and his counsel, Yamani's counsel, was hanging over Bob Brougham's shoulder as he was signing these, and then we got rid of Brougham and got John Noble, president of Tapline down, and hung over his shoulder. It took about an hour, hour and a half.

Well, Yamani was so pleased with the whole thing, and a very nice man, by the way--he ended up a very, very good friend of mine, and still is--but he said, "Well, I'm going to call the King." So he called Faisal. Faisal told him in Arabic, as he told us later, recounted the conversation a moment later, Faisal said, "Well, that is very welcome news. It bodes the dawning of a new era. I want to have a tea party this afternoon in the palace. I want all of the wives of the Aramco delegation here."

Hicke: In Riyadh.

Owen: In Riyadh, "by four."

So, we got the word back to Dhahran, and we got through by radio telephone--we didn't have any other kinds of telephone at that time--and fortunately, made almost immediate contact. Government Relations began sending people around, looking for Hazel Brougham and Peggy Owen and Lois Curry and Kath Barger and all these people.

Well, Peggy was playing golf in her golf clothes, and by the time they got this word, it was about noon, and they were going to have to leave by about 1:30. Let's see, and they caught Lois Curry in the commissary, they caught Fred Moffett's wife, Betty,

playing bridge someplace--oh, they were practically--they were just combing Dhahran to find out where all these wives were. They wanted the president's wife and the chairman's wife too, you know, and all of that.

So they rounded up all they could--they never found Kath Barger. She was shopping in al-Khobar. But they found Tom; Tom couldn't find Kath! [laughter] So Tom and this planeload of wives took off about 12:30 and, combing their hair on the plane and putting their makeup on and changing their clothes, and so they shoved Tom up with the pilots so they could have the whole back part of the plane to dress for the tea party. [laughter] I have a whole album of pictures of that party. It is one of the funniest--as a matter of fact, the wives looked very nice. You wouldn't have known that they'd gotten on with shorts or slacks or whatever, and had been out playing golf, tennis--.

Hicke: I wonder why Faisal didn't think of this before.

Owen: Nobody did. Well, it was a great gesture. It was the first time that foreign women had been invited to the palace.

Hicke: Oh, it was? Oh, my.

Owen: So that marked the beginning of an era.

Hicke: Indeed, in many ways.

Owen: The religious leaders didn't like it, but Faisal did. It was significant, and it's worth your taking down.

Hicke: Indeed. It's another example of what I always say, some of the best stories are very illustrative of watershed events. But in a really colorful way.

Owen: Well, this was a very important set of agreements.

Hicke: Where do we go from there, then?

Owen: Well, then, so those pressures were off a little bit. Saudi Arabia was pretty much satisfied at the point. But there were still a few discounts extant. Iran and Venezuela and other OPEC members wanted those eliminated. So we negotiated, by that time we couldn't negotiate in bodies, like several companies at the time, because of antitrust restriction. But they negotiated, the companies that were interested in Iran negotiated something in Iran. It ended up in the January 25, 1965 agreement, which was the day that Aramco and the Saudi government signed it. I

believe that other countries and other companies signed it the same day, but some of them could have been the day before or day after. But that bought a little peace.

Aramco and Saudi Arabia still had one problem: the discounts on the sales to the U.S. military, the U.S. Navy, that we had been giving. That was a tough problem that we were trying to do. Well, we were in the middle of those negotiations when it was time for Brougham to go on a long vacation, and so he turned them over to me, and so I stepped out as general counsel and I called Neil Godfrey to come on up, to "Get on the next plane, get up here, I'm your client. You're my lawyer. I can't negotiate and be the lawyer at the same time."

So Neil came up, and I negotiated the agreement in the next--well, about three weeks, four weeks. By the time Brougham came back in two and a half months we had it all behind us, all signed, sealed, and ratified.

Hicke: You negotiated with Yamani, that's who--?

Owen: Yes.

Hicke: And this agreement covered the price of--

Owen: The sales to the military, plus it covered commitments by Aramco to build LNG [liquefied natural gas] plants. It covered a lot more than that; it was an important agreement, but it was the last of the important agreements.

Hicke: But it was also significant, because of what happened during the boycott.

Owen: That's right. So in September, 1966, Yamani and I signed that agreement. That was the last really definitive, significant agreement that Aramco as a concessionaire had with Saudi Arabia. I'm sure there--

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Hicke: Okay, you were just saying there's the participation agreement.

Owen: The participation agreement and so on, but that was something we had known was coming that I'll cover in just a minute.

But this ended the price hassles, because now the companies had what they wanted pretty much, so far as all the pricing was concerned, and now it was a question of how much participation beyond taxes they would have. This first came up in OPEC; it was

an OPEC idea, an OPEC demand. They wanted to be given participation in all the concessions. I've forgotten when the speech was made--I think it was '67--a speech made at one of the OPEC conferences which was widely circulated, said what their objective was there, and shortly thereafter, we all got in negotiations.

Hicke: Made by whom, do you recall? It wasn't Yamani?

Owen: No, no, it wasn't Yamani. But there was at a later time a speech made by Yamani a few months later, in which he endorsed the idea of participation, but it was a very moderate speech. It indicated only over a period of time, and so as not to disrupt operations and world markets and that kind of thing. He was very reasonable on it. So we began negotiations on participation in '69.

Now, back in '53, when Spike [Spurlock] met me and told me to take over price negotiations from him in Schiphol Airport in Holland, and I've covered that elsewhere, that meeting, he said to me, "Bill, you know what's going to happen. We'll hold the line on prices as long as we can, but eventually, we're going to end up pumping oil for the Saudi government, and so is every other American and British oil company."

Hicke: He saw that coming?

Owen: Fifty-three, he predicted it. And that's what we were heading toward. Brougham again headed our team, with me as his counsel, and Les Lewis. [By that time, Lou Goodyear had been killed and Neil Godfry had died, and Jack Curry was my associate general counsel, and my brightest young man at the time was Les.] So Les joined us, and Fred Moffett from the accounting department. The four of us were sort of a team. Through the various stages of participation, eventually, when Brougham retired, even when he was chairman, he was at these meetings. But he was eventually replaced in the negotiations with Jungers, and Jungers later by Kelberer, and I was replaced in '75 when I retired by Curry.

Then when Curry retired in '86--okay, we had full participation by that time. Stan McGinley, when he came in, he didn't have to worry about participation. We no longer had any ownership interests; we had sold them.

But he was confronted with a whole new set of problems. Aramco went downstream. I don't know whether you know this or not, but Saudi Aramco and Texaco are in a joint venture, Star Enterprises of Houston, whereby Aramco furnishes--guarantees the oil necessary for Texaco's eastern operations, all its service

stations, everything else. The stations are half owned by Saudi Arabia, half by Texaco now.

Hicke: No, I didn't know that.

Owen: Yes. It's Star Enterprises.

Hicke: What are their stations? Are they Texaco?

Owen: Texaco. The public doesn't know that about it. Saudi Aramco is half in it--not the western stations. They just made this deal for the eastern stations, which do, by the way, comprise I believe more than 50 percent of Texaco's activities in the U.S., and refineries. All the refineries in those areas too. So Texaco and Saudi Aramco are partners in more than one-half of one of the biggest marketing and refining and transportation operations in the United States. You didn't know that.

Hicke: No, I didn't. As I told you yesterday, I often know what happened thirty years ago, but don't know what's going on today. Okay, so that was Mr. McGinley's problem.

Owen: Well, yes, but in addition to that, then the Saudis have been buying tankers--oh, they're in the transportation business. They've been--[tape interruption] Okay, where were we? Okay, what subjects do we have to cover? I'd come to the end of that one. Whatever it was.

Negotiating Saudi Ownership Participation

Hicke: Yes, but we haven't done participation. We just got started on it.

Owen: Oh, participation was a series of negotiations that we had, many of which were held by several companies with several representatives of OPEC, several governments, with U.S. Department of Justice clearance. They always had John J. McCloy, or one of his top assistants, attending every meeting to be sure that nothing was said that would violate antitrust, and the mere fact that we did that insulated us from anything, because nothing was ever said, or it would have been reported. The U.S. government trusted John McCloy, as everyone else did.

His daughter, by the way, is--I was going to say she was an historian for Mobil. She isn't an historian for Mobil. She is

in charge of all corporate giving, all corporate donations, for Mobil, stationed in Virginia.

Hicke: Is there anything that you can tell me particularly from your viewpoint?

Owen: Well, from my viewpoint, Les Lewis and I drafted the first draft of the 1970 participation agreement, probably in 19--it was signed in December, 1970, and we'd been working on it all year. It was some time in the middle of the year that we met with owner company counsel in London, and we had a draft to put out on the table, and so did one of the owner companies. But we got ours out first, which in law and negotiation is always a good idea if you can do it, because then you're working from a document you understand.

Hicke: You sent it out ahead at the meeting?

Owen: No, no, we had it as a hand-out as we got into the meeting, said that okay, we know we had to have a draft, and here's a starting point.

Hicke: Okay, and it was one you were familiar with.

Owen: One we wrote, Les and I wrote, and we were familiar with. So we met for about a week, and we haggled over that agreement back in London. Then the counsel for the owner companies came back and haggled with their bosses and with their Executive Committee members. Then we met a few more times, and finally we got it in shape and got it signed.

So I was in every negotiation on that--including all private lawyers' discussions where we didn't need the executives, and I was in on all the executive discussions too, which we had with Yamani, or we had with the owner companies. Brougham and I were in those together.

Hicke: Were you batted around between the two?

Owen: Oh, yes, we were batted around. We expected that, but we finally got the result we wanted.

Then the 25 percent participation agreement was changed, I think first by Kuwait, that they wanted a 50 percent interest in the Gulf-B.P. concession in Kuwait, the big Kuwait oil company concession. That spread so the others wanted the same thing. So, in essence, at the time that I left--see, these things take a period of--this took a period of twelve years, let's say. Like the price negotiations, I told you how long they went on.

By the time I left, we were at the stage where we had resigned ourselves and more or less agreed that the Saudis could have a 50 percent interest. Then it later became 80, and finally 100, but I was gone by that time, and know none of the details.

These were all done up to the time I left by very informal agreements. They were agreements, signed by both parties, but not widely circulated. But the financial effect was given to them from the very date of signature. The day after the Saudis became signatories to the 25 percent participation, they had to pay--well, we'd deduct the expenses, whatever, that they were entitled to, and they got their profits, they got a fourth of the profits. And so on. It's that simple.

It is tough--boy, if you go through this--Marcel Grignon knows more than any man alive on this, because he followed this and did nothing but this for years until his retirement and afterwards. He was retained by the owner companies to help straighten it all out. So that's the story of participation.

But it was a foregone conclusion to some of us, first Spike Spurlock in '53. It became more evident that we were fighting a delaying action all the way through, and very successful in that. We had an excellent rapport with Sheik Yamani, who did a great many things of statesmanlike value to the world. For instance, in the oil crisis of the mid-seventies, '73 and '74, the oil embargo and so on, he was the moderating influence. I mentioned yesterday that Frank Jungers and I made some trips with him when he would make speeches in various countries.

Yamani was the one who discouraged precipitate action by some of the nations inclined to be more hot-headed in OPEC. He was always a moderating influence, and a reasonable influence. So that's about all I can say on participation, and I'll bet Les Lewis right here could say a lot more, because he continued after I had left.

Hicke: Yes, all the way through to the--

Owen: Yes, and Jack Curry, of course then, too. But Jack only picked it up when I left, so Les is the one who has the overall story. On one little phase of it--well, not little phase, it's the accounting stuff, the complications of the accounting in all this, and the agreements, Marcel Grignon has knowledge of that.

Hicke: Well, you mentioned the boycott--

Owen: Oh, excuse me--

Hicke: The embargo.

Owen: I left out one major agreement. I told you that in '66 we thought our price problems were pretty much behind us. But then OPEC would see little things that they wanted corrected. They no longer wanted a 50 or a 55 percent tax, they wanted an 85 or a 90 percent tax. They wanted several other things; for instance, they wanted to do away with all royalty crediting, make it all expensed, and they had already taken a large part of it.

But it was mainly trying to move this up, and then they also wanted to have the companies agree that the price would go up to a certain level at the date of signature of an agreement, six months later to another level, six months later to another level. And this started the price spiraling.

This was negotiated by all the industry with OPEC, the principal, final negotiations being in Teheran in 1971. Jim O'Brien was there, by the way. Frank Jungers and I were representing Aramco. Yes, Brougham had retired, and Frank and I were there. You can get hold of the copy of the Teheran agreement almost anyplace. It's self-explanatory, but I'm hitting the major things.

Hicke: Yes, well, why don't you tell me things that aren't already written down?

Owen: Yes. So we can say that the Teheran agreement had the result of taking pricing completely out of the hands of the oil companies and put it in the hands of OPEC.

Hicke: Oh, okay.

Owen: Some people might not agree with that flat statement, but I think it's true. It was a very important agreement, and it was the last agreement that I know of that was signed by the governments with concessionary companies before they took over. The last agreement on details, and the others would be on participation itself. So I think that's interesting.

Hicke: Now are we ready to go to the embargo?

Owen: Yes. When the embargo occurred, it was a political problem, not an economic problem. Yamani did a lot to try to smooth that over, and it had effect for a while. Didn't really--it was nothing more than a ripple in oil history. That's all I need to say about it.

Hicke: All right.

Owen: What else haven't I covered?

Hicke: Actually, we're doing pretty well here. You weren't involved in the natural gas project or the electrification, that all happened after you left?

Owen: I was only involved to the extent that we, Aramco, got in a major contract dispute--Aramco was building the electrification project. I was in this as Aramco's counsel in an arbitration. I did not get involved in the LNG; it was just starting when I retired. Some things had been done on it, and I'd purposely stayed out, because I wanted Curry to do them and have the continuity.

Hicke: What about the things that you did after you retired on a consulting basis?

Owen: Well, I took care of the anti-boycott stuff for a year. My most notable accomplishment was Aramco was so frustrated that it had ceased purchasing completely in September of 1976, and it was getting desperate to get supplies in. The Executive Committee met with me at the airport here--they had converged from New York and California here, with Curry and others--and that's when Curry said, "Look, this is a job, with the stuff we're doing out in the field, I can't leave and spend all of my time in the States, so we've got to get some outside counsel to handle this for us, and I would like Bill to do it." They thought that was a good idea.

I remember their saying, "Well, the first thing you've got to do, Bill, is figure out some way we can begin purchasing again." So I came up within two weeks--immediately, I began going into the office. The office opened at 7:00; I'd be there at 6:00. The office closed at 3:30, and I'd be there until 7:00 or 8:00. Did this for a year, and traveled all over to everyplace. This is where I mentioned I met Clydia on this. She was traveling with Frank Roberts on the whole thing.

Hicke: Oh, yes, I interviewed Frank Roberts.

Owen: Oh, Frank's a great guy. We worked very closely on this.

But within a couple of weeks, I proposed--I said, "The only thing I think you can do right now is to continue purchasing. Purchase from anybody, don't ask any questions. You don't care anything about them. But get this clause in the contract, the risk of loss clause." Have you ever heard of that clause?

Hicke: I don't think so.

Owen: The American Jewish Congress doesn't like it. We enter into a contract saying, "If, however, these goods--" and I'm not trying to quote it; this is the idea of the clause. It's more expertly drafted, I'll assure you. "If, however, these goods which are needed for our operations in Saudi Arabia are refused entry by the Saudi government authorities, you agree to refund the purchase price and remove them from the Saudi port, taking them however you want at your expense." We shifted the risk of loss from ourselves to the suppliers.

So Frank Roberts said, "Well, could that be evasion?" So on. I said, "Well, it could be. I hope it isn't. But it's the only thing I can come up with right now. I think it has a reasonable chance at least of succeeding." So Social went along, and Exxon went along. Mobil was very enthusiastic about the thing. Texaco took an awful long time, and dragged its feet and dragged its feet.

So finally Jungers, who was very tough, he just let de Crane know that unless they could give good reasons of contrary, the risk of loss clause would go into effect and be on all Aramco's contracts, and Aramco would resume normal operations subject to the risk of loss clause, as of--and he gave him twenty-four hours, I think, or whatever.

Well, it worked. But no one else of all the companies in the United States, not even Bechtel, with whom I was working closely, were willing to stick their necks out enough to put it in their contracts. It's only Aramco and Mobil.

Hicke: Has it ever been tested?

Owen: Well, let me--

Hicke: Okay, I thought you were going to change the subject.

Owen: Oh, no no. It was attacked in the press, everyplace else, as avoidance. Stanley Marcus, who had been the legislative assistant to Adlai Stevenson and had a lot to do with drafting the Export Administration Act, had become the head man in Commerce administering the plan, and particularly issuing the regulations. Naturally, the legislation doesn't say anything about the risk of loss clause being good or bad, it just is broad language.

So I had a number of meetings with Stanley Marcus, in most of which I took Jeff O'Sullivan, a White & Case partner that I expected would succeed me as the so-called czar of anti-boycott, because I wanted to get out of this as soon as I could. Several

meetings, and I took Tom Pierce, who was head of Aramco purchasing. He's a Britisher, a very interesting guy. He had been with Aramco Overseas Company all of his life and then came out to Aramco as head of purchasing, but he was extremely knowledgeable and helpful in figures and where to get them and so on. We were able to show Marcus that if Aramco wasn't allowed to continue its purchasing, it could not live with anything that anybody had come up with yet, except the risk of loss clause. Tom was very effective in explaining to Marcus what that would mean to U.S. trade and to U.S. companies.

And so Marcus, who by the way was Jewish, when it came down, he said, "Just continue to use the clause. It's going to be a month or two before I get my regulations out, because I haven't gotten all of you guys' comments in. I've got to get comments in from hundreds of companies, but continue using it. Keep Aramco going. In the regulations, I'll have to say it's good or it isn't good, but in any event, whatever I say will only be from that date forward. There will be no penalties for the past. I will put language in that will indicate that the prohibition is not specific enough in the law, and therefore there's been no violation," which was helpful.

So when the regulations came out, Marcus notified us all twenty-four hours before. I've forgotten whether Frank Roberts was there; my lord, there must have been 500 people there, big auditorium, Commerce Department when Marcus walked out on the platform and told us about his regulations. He said, "And as we leave this meeting, advance copies will be available to each of you at the door." We're the people who had put in submissions, or we in Aramco put in submissions, aides memoir at the White House, and everything else--everything we could do.

But final analysis, he was asked at this meeting, "What about this clause that evades"--you can imagine who asked this--"evades the intent of the EAA, the risk of loss clause?" Marcus said, "Well, I don't see it, and we don't see it in the Commerce Department, as evading the intent. We think that its use has been perfectly legal," indicating that we weren't going to be prosecuted for anything. "In the future, however, in homage to the very strong views against the clause--"

##

Owen: "We may consider it evasion and illegal if used by anyone except those who have used it up to this date." [laughter]

Hicke: Grandfathered in!

- Owen: Grandfathered it in. It's grandfathered to this day in.
- Hicke: Good for you! That's quite an accomplishment.
- Owen: It's grandfathered to this day.
- Hicke: For you and Mobil?
- Owen: And Mobil; for Aramco and Mobil. Nobody else. But I thought that's an interesting anecdote I could tell you.

Life in Arabia

- Hicke: Well, I think I have more or less covered all the topics I had to ask you about. Is there anything that you think of?
- Owen: Well, you did want to know something about life in Arabia, and Peggy, and that kind of thing.
- Hicke: Oh, of course. Yes, okay, let's start back with--.
- Owen: Saudi Arabia was a very good place to bring up a family. The climate allowed swimming seven or eight months of the year in the Gulf. The company facilities had pools which could be used for the same period if people didn't want to go to the beach. There were bowling alleys, there were tennis courts, lots of them. There was from the very beginning a golf course. At first it was a nine-hole golf course outside of Dhahran camp on the way to Khobar, and later it became eighteen holes.
- Hicke: I've seen the pictures: it has oiled greens.
- Owen: Oh, yes, and the fairways were--they called the sand "fairways." I would call them sand and rock.
- Hicke: [laughs] Oh, dear.
- Owen: And the greens were browns, made by crushing various things, I think some nut husks and that kind of thing, and mixing it with sand and a little bit of oil. A little messy, but it worked. The idea was to have it operate about the way a grass green would, as nearly as possible.
- Hicke: It really did work?

Owen: Oh, it worked fine. Later, in 1973, the company decided it was going to build a more elaborate golf course, extend the camp limits and build a more elaborate golf course within the camp so the women could drive to it. You see, the women couldn't drive to the other one. They had to take a taxi, and there might be a taxi accident, or their husbands had to drive them or whatever. That was the main reason we wanted it moved into camp.

George Larson was the great proponent of the new-- . So we retained Robert Trent Jones, who was the foremost golf course designer in the world. A great number of the famous courses have been designed by Robert Trent Jones. He came out and he laid this course out for us, and was our consultant all the way. So there are golfing facilities.

I mentioned bowling, tennis, swimming. Boating, we've always had a yacht club; that is, at first it was nothing but--we designated it a yacht club, because there was a nice little shallow place that we could put the three or four boats that people had in. But as of last week, all kinds of boat houses and a dining room and a restaurant at the yacht club there, the Dhahran Yacht Club, Aramco-- .

There used to be wonderful fishing there. There's still good fishing; there aren't as many fish as usual because there are more people than there used to be. I used to go out fishing either every Friday or every other Friday at about 3:00 or 4:00 in the morning with a doctor friend of mine. We'd ask our wives how many fish they wanted before we went, how many hammour they would like to have, and what size. [laughter] They would say, "Well, yeah, and Matilda across the street, or Jane down across the alley, or so-and-so would like a couple of fish too if you have good luck."

I remember one day we went in with twenty-six between ten and forty pounds of these beautiful hammour. They're groupers, and you can do anything with them. You can smoke them, they make wonderful smoked fish. Or you can broil them, bake them, fry them. They're all-purpose fish, but real good.

Hicke: Marvelous.

Owen: My son Tom, as a matter of fact, got interested in scuba diving, and when he'd come home from college, he had his own business on them. He would go around, and I remember a friend of mine said to him, "Look, Tom, we're having a party on Thursday night. Are you going out Thursday?" He said, "Well, I can." He said, "Well, what we'd prefer is one hammour of thirty to thirty-five pounds. If you can't do that, two of seventeen or eighteen

pounds." Tom said, "Well, I'll see what I can do, but I'll guarantee you, you'll have thirty-five pounds of good fish by Thursday, so don't worry."

Tom went out, and he waited until he saw the right-sized fish, and hit the water and he just speared it, brought it home--of course, he brought others; he had other customers, too--but--.

Hicke: Would you spell that fish for me?

Owen: [spells] It's a grouper. So we had all those kind of things we could do, plus there was a lot of bridge played. The women had their gardening groups, their women's club. They were very active, particularly in charities, to help the Palestinian refugees and that kind of thing.

We had to make our own fun. We didn't have places to go out to dinner. In those days, up until the eighties, there really weren't many places you'd want to go to out to dinner; you'd prefer having it at home. You had houseboys from India or Pakistan mostly, and some from Yemen, some from Sri Lanka. You did have a movie theater in town. You could go to that. They didn't show first-run movies. As a matter of fact, they didn't show very many good movies at all it seemed to me, because the censors wouldn't let them through. Or they'd just butcher movies. They'd take out whole parts of them. But okay, if you wanted to see a movie, you could. But for the most part, you made your own fun.

My wife Peggy was extremely active. She was sort of the mother confessor to all the other law wives, and the pal of those who were about her age, but all the younger women who kept coming in, they loved Peggy because she always took care of them. And then the same thing in Government Relations, so she was one girl who had the privilege of being the mother of both the Law Department and the Government Relations Department.

Hicke: She had her hands full, I would say.

Owen: And she had played golf since she was ten years old, so she loved the golf out there. I liked tennis better than golf, so we compromised: I played golf with her occasionally, and she played tennis with me occasionally. She learned tennis, and I learned golf. But I never did carry clubs around with me the way I'd carry a tennis racket with me anyplace I went in the world up until the last two or three years.

She was a very good writer, and she loved to throw parties. I should have mentioned, she also loved to play bridge and she was one of the two or three best women golfers in Arabia for years, and one of the two or three top bridge players there.

She found time for everybody, but particularly what she liked was doing things like this: she would work with Dramaramco--that was our theater production unit, put on one or two plays a year. We had wonderful stage facilities there. Put on things like "South Pacific" and "You Can't Take it With You." We had a lot of them. My daughter got interested in the stage through that.

But outside of the Dramaramco stuff, Peggy liked to compose skits and things, so she was called on to put on parties for retirement parties like for Fred Davies when he and Amy retired. Several hundred people there, the company built a stage on our yard. We had a big yard, stage, and brought benches for people to sit on, and tents for food and so on. We did a number of those, but what Peggy would do, she would take musical comedy tunes and change the lyrics and make them fit.

Hicke: Appropriate for Aramco.

Owen: Appropriate for Aramco. And she did a lot of that. In the obituary that appeared for her in the Aramco Sun in December, much was said about her contributions in putting on the plays, writing lyrics, and that kind of thing. She loved to write: she wrote some interesting things. A lot about Arabia too; my daughter has collected all of those, and is going to put it all together for me one of these times.

But when she would do these things, she'd get cooperation from everyone. Everyone would be helping. "What can I do?" And they'd have their fun that way; they'd make the fun.

Hicke: That says a lot for her, but also for the whole spirit of the place, esprit de corps, you almost could say.

Owen: Yes. I know during the course of our tenure there, she threw at least eight or ten major farewell parties, major events for people retiring or for other occasions, and just enjoyed it. And there was a lot of opportunity for charity work there. Kathleen Barger spearheaded a lot of that. Kath, being next-door neighbor, she and Peggy worked together on that a lot.

The proof of the pudding is in the eating, and every one of my children wanted, after college and professional education, to go back to Saudi Arabia.

Hicke: That's truly amazing.

Owen: Only one has been able to do it, Tom, who's there now. David has a chance. First time they need a top person in contracting, I think he'll get the call. He's looking forward to that. Randa and Rick lost the chance because I was still general counsel when they became lawyers, couldn't take them.

Hicke: Well, there is time. They may get there yet.

Owen: Well--. So I guess that's about enough to say for a story there.

Hicke: You've just been wonderful to give us so much information and to tell such marvelous stories.

Owen: Do you think I covered as much as you wanted me to?

Hicke: I don't know--eventually when we get it transcribed, we'll look it over and see.

##

[This material was added later.]

In 1952 British embassy, someone had liquor and gave to a Saudi prince, ended in a shooting incident; Aziz was furious. Rentz and Owen had gone to Riyadh to see Yusef Yassim on boundary problem. They had dinner in his villa and were served cows', goats', and camels' milk.

They were told that Royal Decree # 79 banning liquor was being promulgated. Coming back on the plane, Owen asked if this were true; George said no (nobody trusted Yassim). There was then a boatload of beer from Holland, a three-months' allotment. They didn't get it released.

RD # 79 banned importation, transportation, and sale of liquor and canceled all permits. Nothing was said about drinking it or manufacturing it. George Baroudy, expert on Shariah, wrote a confirming opinion given to Davies; George concluded they purposely left out manufacture to leave a loophole. Barger and Owen went to Riyadh and talked to Faisal. He said, "There is nothing about manufacture, but I can put it in in three seconds." In other words, if you're careful, we won't say anything. I [Owen] put nothing in writing but passed the word to lay low. We had every lawyer review Baroudy's opinion; all but one concurred.

Phil McConnell was in charge of operations before Arnot and Sullivan in Abqaiq; his wife was named Gertie. She collaborated

with Peggy Owen on songs and musical productions. Phil wrote a song entitled "Royal Decree No. 73, we owe our salvation to thee."

Phil and Harry McDonald wrote a song "Midnight Train to Hofuf." Phil McConnell is in his 90s; lives in Ojai, CA at P.O. Box 823.

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American Perspectives of Aramco, the Saudi-Arabian Oil-Producing
Company, 1930s to 1980s

R. W. "Brock" Powers

PETROLEUM GEOLOGIST TO VICE CHAIRMAN OF ARAMCO, 1947-1980

Interviews Conducted by
Carole Hicke
in 1993



Richard and Marté Powers, circa 1990.

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INTERVIEW HISTORY--R. W. "Brock" Powers

The recollections of Brock Powers cover a wide range of subjects on the history of Aramco, from his early work on the seismograph crew to his term as president, then vice chairman. As a geologist, he joined the company in 1947 and went to Saudi Arabia as a member of the exploration team. He spent winters in a tent in the desert, summers in Dhahran writing up his notes. From there he went on to head various departments, including Internal Industrial Relations, Government Relations, Finance and Relations, even Medical, and was named president in 1973. He was in this position during the crucial years of the oil embargo, the enormous expansion of production, and the increasing participation in ownership by the Saudi Arabian Government. In 1978 he was appointed vice chairman; then in 1979 he retired.

Powers was interviewed on May 4, 1993, in his Austin, Texas home. Mrs. Powers, Marte, joined the interview session occasionally, adding a few of her recollections. Powers reviewed the transcript and made a few changes.

Carole Hicke
Senior Editor

September 1994
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name RICHARD WALLACE POWERS

Date of birth 1/20/26 Birthplace BOISE, IDAHO

Father's full name WALLACE HENRY POWERS

Occupation DECEASED Birthplace KENTUCKY

Mother's full name ROSA ELISABETH POWERS (NEE ULMER)

Occupation DECEASED Birthplace PENNSYLVANIA

Your spouse MARTE MARIE POWERS

Occupation HOUSEWIFE Birthplace MINNEAPOLIS, MINN.

Your children CYDNIE CHRISTIN, DIRK FREDERICK

Where did you grow up? BOISE, IDAHO

Present community AUSTIN, TEXAS

Education A.B.; MS; PHD

Occupation(s) GEOLOGY, CORPORATE MANAGEMENT

Areas of expertise _____

Other interests or activities _____

Organizations in which you are active _____

I BACKGROUND

[Date of Interview: May 4, 1993]##¹

Hicke: I'd just like to start this afternoon, if you would tell me please when and where you were born and grew up.

Powers: I was born in Boise, Idaho, on January 20, 1926. I stayed in Boise until the age of sixteen, at which time I left to enter the service during World War II.

Hicke: Were you drafted, or did you join?

Powers: Oh, no, I joined at age sixteen.

Hicke: I thought you said sixteen, but then I thought, my goodness. They don't let you in that early, do they?

Powers: No, not unless you have the signature of your mother. The United States Marine Corps would accept you at that point in time if your mother would sign off on you at the age of sixteen. I had already been to Canada and joined the RCAF [Royal Canadian Air Force], but I was booted unceremoniously one day, and came back down and joined the marine corps instead.

Hicke: You were anxious to see the world?

Powers: I was anxious to leave Boise, and anxious to get involved in the war. At that point in time, I intended to make the military my career.

Hicke: And where were you sent during the war?

Powers: South Pacific.

Hicke: When did you finish your military service?

¹This symbol, ##, indicates the beginning or end of a tape side, or an interruption in the tape recording.

Powers: I served just three years during World War II, and fortunately, the last two years of it, I was sent back to become an officer, and was sent to college. They wouldn't commission you in the marine corps unless you had at least two years of college, and then later they changed that to four years. So I finished my four years of college in two years and four months, under the expedited program they had during the war.

Hicke: Where were you?

Powers: University of Southern California.

II JOINING ARAMCO

Recruited, 1947

Hicke: And then what happened?

Powers: I actually re-entered graduate school after I left the marine corps. It was then that the recruiter from Aramco came around to interview different students in the geologic profession for service in Arabia.

Hicke: You had majored in geology as an undergraduate?

Powers: Yes.

Hicke: And you were in the advanced geology department?

Powers: Yes, in the graduate school. I was going for a master's degree at that time. The famous legendary--they call him--Max Steineke came to interview everybody.

Hicke: Max Steineke actually came?

Powers: Yes. But I didn't go to the interview. I wasn't interested in going to Saudi Arabia. I was sitting around a conference table the following day, and some of the other students--we were in a seminar--some of the other students started to talk about Max, and said, "Do you realize what they're offering as a starting salary in Saudi Arabia?" I said, "No, what are they offering?" "Three hundred and twenty-five dollars a month!" I said, "What?" because I'd been in the service when it was \$21 a month, and then it went to \$50 by the time I was out.

I said, "Where do you go to sign up?" And of course, Max was back in San Francisco, where we were headquartered at the time. So I got the name of the recruiter there in Los Angeles that was handling the other students that they had agreed to hire. I went and saw him, and he turned out to be an old

military man, so we got along famously. He sent me up to see Max Steineke in San Francisco, which I did.

And all the geological positions were filled. So Max said, "But wait a minute. I've got an opening position on a seismograph crew for a surveyor."

Hicke: On a what crew?

Powers: Seismograph, one that does the geophysical underground detection. He said, "Can you survey?" I said, "Of course I can survey." And of course, I didn't know a darn thing about it. But I figured for \$325 a month, I could learn.

So the minute I got back to SC, and during my processing period, I went out and got a book, and by the time I got off the airplane in Saudi Arabia, I knew how to survey. I spent the first year actually doing surveys on the seismograph crew.

But the most amazing thing was when I was up in San Francisco, Max said, "Well, they offered \$325 a month, but a general increase just came through; everybody's going to \$350. We normally don't pay surveyors that much, but eventually you'll become a geologist anyway," so he raised my pay without having worked to \$350. [laughs] Very, very fine gentleman.

Hicke: Can you give me any other impressions of him? Obviously I don't have a lot of information on him.

Powers: I didn't have that many impressions of him there, because I was just interviewed a few hours one afternoon up at 225 Bush Street, which was the San Francisco Socal [Standard Oil of California] headquarters. But I got to know Max fairly well later on, and he flew over about five or ten years later. I spent some time with him then. An ingenious man, absolutely--he was a farm boy, just like I was, extremely rustic and very simple. He was a brilliant geologist, though. He was a major synthesizer of geology. He didn't know the name of one fossil from another, basically, but he sure knew how to use them. You don't have to know their names, they're long, Latin names, but he knew how to use them.

Hicke: Isn't he the one that sat in Bahrain and saw the--

Powers: No, that was Fred Davies.

Hicke: Oh, yes.

Powers: Fred Davies was a geologist prior to Max. Max died when he was chief geologist of Aramco. Fred Davies went on to become chairman of the board and chief executive officer. At that point in time, and in fact, up through Barger's time, every chief executive officer we had was a geologist: Norman Hardy, Fred Davies, and Tom Barger.

That chain was broken by a very competent man, Bob Brougham, who was in the financial area.

Hicke: What year was it you were hired?

Powers: July, 1947. Went over with three classmates of mine from SC. Only one of them is still alive, and I still communicate with him.

Hicke: Who is that?

Powers: Walter Del Oro. He lives in Santa Rosa, California.

Working in Saudi Arabia

Hicke: What was the trip over like?

Powers: Very interesting. It was the initial voyage of the new *Camel*, which was a DC-6. We flew from New York to Gander, and then from Gander to Lisbon. We overnighted in Lisbon at the Esterilo Hotel. I had never seen anything like it, of course. [laughs] A grand, European hotel. Then we took the plane the next day from Lisbon to Dhahran. It was a full transoceanic plane. They had had a *Camel* before that, but it was a DC-4, and this one was a real upgraded model of that.

We landed, and nobody knew we were coming. Which is not unusual. So we got off at the airport, they didn't know which district to send us to, so finally they said, "Geologist? All right. You go to Abqaiq." Well, we weren't supposed to go to Abqaiq; we were supposed to go to Ras Tanura.

So, myself and my three colleagues spent four wonderful days playing pool and sitting around the rec hall in Abqaiq, waiting to be found. [laughter] And we finally did get found, and the Abqaiq geologist came over and got us. We ended up going back to Ras Tanura.

The most interesting part of that trip, though, was we got on the bus at the Dhahran airport to go to Abqaiq, and it's usually a one-hour trip. It took over six hours. We burned out the engine on our car, after we burned out the engine on the bus. It was in July and blistering hot, so my friends and I climbed up on a big sand dune and watched the few cars that were there go by, and waited until somebody came by to get us. That was a car who also lost its engine. [laughs] It took us a little over six hours to make that trip. That's my first day in Saudi Arabia.

Hicke: Welcome! [laughter]

Powers: They didn't have any place for us to sleep, really. They finally put us in some transient bunk areas. We enjoyed the first four days there until we had to go to work in Ras Tanura.

Hicke: Were they just getting so many people in that they weren't prepared, or they just had no idea you were coming?

Powers: In that day and age, communications were nowhere near what they are now. So there was no way of telephoning in; there was a telex, but it was intermittent because it passed through Europe; and so the main communication in this area was written letters. And so a lot of times the letter saying, "We just hired so-and-so and he's on the way, please expect him," got there a week or two after he did. That's basically the reason. So we didn't get telephone communication in there for many years thereafter, which was a blessing, really.

Hicke: The phone wasn't ringing!

Powers: It didn't ring, but once we got the phones established in there, why, then we started getting calls from all the parent companies and everything like that in the middle of our weekend. It made life a good deal more complicated.

Marriage

Hicke: Well, I was just about to ask about when you got married, and here comes Marte. Maybe you could just sit down and tell me that story.

Marte: We met on New Year's Eve.

Hicke: It was in California, I think you--?

Marte: Yes. It was very interesting. If you really want this on the tape--

Hicke: Sure.

Marte: It was supposed to be just for people that didn't have dates, and this friend that I worked with, she and her sister lived with another girl, had an apartment together. They asked me if I would come over. They had a few kids from--young people--from USC coming over.

So I went over, I was going to stay the night. Apparently, Brock was just going to go into a movie, and they caught him, they said, "Brock, what do you want to go to a movie for on New Year's Eve?" He said, "Well, there's nothing else to do."

They said, "Well, come on to the party," and obviously Brock said, "No, I wasn't invited," and they said they'd call. After they hung up, they turned to me and they said--now, this is the other girl, the two sisters and the other girl whose name was Audrey. They said, "Audrey was brought up by her grandparents, nothing's ever happened to her. We'd really like to get this Brock--he's nice and tall--and Audrey together. So just leave him alone, Marte."

So when he walked in the door, I looked at him and I thought, well Audrey can have him. [laughter] Every time I'd sit down, Brock would come over and sit down next to me, and we'd talk. It went on. New Year's Eve came, when 12:00 came, the two tallest people in the room, I was at one side and Brock was at the other. Everybody was kissing, so we met in the middle, and we haven't been separated since. We were married twenty days later, which turned out to be his twenty-fifth birthday.

Hicke: What year is this now?

Marte: Fifty-one. It was the New Year's at the end of '51.

Hicke: Okay, well I guess we did skip ahead. I wasn't sure of the date there. Thanks.

Marte: I hope that's all right! I tried to make it as fast as I could.
[Marte leaves]

Early Responsibilities as Surveyor

Hicke: Okay, let's back up to 1947, and what were your first responsibilities?

Powers: Surveyor on a seismograph crew.

Hicke: Can you describe kind of a routine day on the job?

Powers: Well, what it is, is basically you take the campsite out where it's supposed to be located, you find where you're supposed to be on the ground--

Hicke: Oh, you were laying out new buildings?

Powers: Not new buildings, just the campsite, which were trailers, or at that point in time they were strictly tents. Tents, and some rolling stock, but not a lot. We had a kitchen, but even our eating hall was a tent, and our living quarters were all tents. I would go out to where the camp was supposed to go and tell them to drive a stake in the ground. Then they'd come along and set up camp, and then I'd lay out the lines we were supposed to shoot and map on the seismograph survey and take the elevation of each stake, and keep track of where I was on the desert floor. Then they'd come along and shoot powder charges that give a reflection off the various layers of rock in the earth, and then they'd set up and map them from that. But I spent the first year just telling them where they were and where they had to go.

Hicke: How far along was the port?

Powers: The port itself of Ras Tanura was active, and they were loading tankers there and everything by the time I got there. But we were inland quite a ways in the interior of Saudi Arabia. We were mapping new country that had never been mapped before, as far as the subsurface was concerned. Years before, they had done all the surface mapping. That's the first thing they do in a geological survey: you map the rocks that are exposed at the surface. You make all the maps--that was Max Steineke, Tom Barger, and Burt Beverly and those people, all of whom were at that point in time my bosses.

But then you follow along and you try to measure the structure of the rocks below the surface, and that's where you use a seismograph that works just as if it were earthquake readings, shock waves coming up. What you've done is create an

artificial shock wave; it goes down, bounces off a layer of rock and comes back, and by measuring the time it takes for that to get back, as you go along, you can tell where it slopes this way, this way, or forms a potential oil-bearing formation, things of that nature.

So that's what we were doing the first year that I was there: I was doing the actual survey work, just as if I was laying out a road for the highway department in Arizona or anything like that.

Hicke: Well, not quite. [laughter] Must have been pretty hot work for one thing, at least part of the year.

Powers: Well, it was, but at that point in time, we didn't work during the summer months. We came in and worked on all of our field notes. We went out in September, about September first--it was still hot, don't get me wrong--and came in just in time for Christmas, and went out on the second of January, and then came in again, in April and May. That way we were working a solid nine months a year in the field with a week's break.

Then we took three months off in Ras Tanura where we worked up and formally recorded our field notes. You see, when I signed up, it was for a three-year stint. That was the standard contract. Shortly after we got there, they went to a two-and-a-half-year stint, and by the time I was ready to end my first contract, it had dropped to twenty-four months.

Hicke: Why were these--?

Powers: Well, because three years was just too long. That was just like the military and everything else, and it was just too long to be away from family and home. A lot of people just weren't prepared for it.

In the meantime, on the three-year stint, every year you were supposed to have two weeks off in Europe or Africa or someplace, wherever you chose to go. But most of us took it, because the company plane took us there, in Asmara, which is in Eritrea, which is now part of Ethiopia.

Hicke: So you took that trip?

Powers: I took that trip, yes.

Hicke: What was that like?

Powers: In a DC-3, bouncing in the hot summer--because that's the only time we could go, you see, because of the field work schedule we had--and on the return trip we were packed among the vegetables. Going over, they flew just people over, but coming back, they flew fresh vegetables back, too. Boy, it was a rough trip, I'll tell you. You had to get up to over 10,000 feet, and there was no pressurization, just to land at Asmara, because it was about 9,000 or 10,000 feet itself, right on the coast of the Red Sea.

Hicke: What did you do after you got there?

Powers: It was an Italian colony, and we could go to a nice restaurant--there were a lot of nice restaurants. It was occupied by the British at that point in time, the British army was controlling it. And I took sightseeing trips to all the major battlefields where battles had taken place between the British and the Italians around there, if you could call them major battlefields, because they weren't on the scale of anything else in World War II. But a lot of people got hurt in them.

Hicke: What did you do, then, at the end of that first year?

Powers: Well, that was the end of the first year, when I went to Eritrea, right, because I went over there in July and stayed full circle that year, the first year I went to Eritrea. The second year, I went back to go to graduate school. I left Aramco in 1949. I wanted to go on and finish my degree.

But on that vacation I went to Edinburgh and went to one of the very first of the Edinburgh music festivals, and just had a lovely time, because I like classical music a lot. I like most music, but classical particularly. A lot of famous people were performing up there then. Lasted about fifteen, twenty days, and it was a delight. I didn't have any accommodations, and I managed to get taken on in a private home and lived there.

Hicke: Did you see the military tattoo at night at Edinburgh Castle?

Powers: I absolutely sure did. Oh, yes, that was absolutely impressive.

Geologist on A Structure Drill Crew

Hicke: But the second year, you were not doing seismographic work?

Powers: No, that year I was promoted from a surveyor to a geologist. Then I was assigned to a structure drill crew. That was a good

deal more civilized, and still in tents and everything, but we were poking 1,000- and 2,000-foot holes in the ground just to map the subsurface structure. We'd look at the rocks and tell what each layer of rocks was doing what as we went along.

Saudi Arabia is pretty unique in that if you drill 1,000 to 2,000 feet deep, you pretty much reflect the same structure you're going to see at depth. In other words, if you've got a hump like this at 1,000 or 2,000 feet, it just persists on down to 8,000 and 10,000 feet, which is where the oil-bearing layers are. So you actually make a map that's not quite as sharp a relief as you get when you get deeper, because it seems to go-- at 1,000 feet it may have a small hump like this. And as it goes down, just keeps magnifying--

Hicke: It gets to be more of a--

Powers: It gets more relief, yes. It gets to be a bigger trap for oil. So then you drill on those shallow surfaces. So you can drill a 1,000- to 2,000-foot hole for almost nothing, compared to drilling the 8,000- to 10,000-foot hole. So we drilled hundreds and hundreds of those structure drill holes throughout Saudi Arabia.

Hicke: What was that like? Did you go out and spend weeks in the sand dunes?

Powers: Yes. At that point in time, we had a six-week-out, three-day-off schedule. We'd go in on the DC-3, and we'd rotate people in and out. They were there six weeks. Now, it's about a week out and a week in.

Hicke: Is that one of those crews that got the strawberry shortcake and all that?

Powers: [laughs] Well, that came along infrequently, but that was the year that we got some Redi-Whip. [laughter] That was used to cover the strawberry shortcake with.

One time, my real top boss came in, and two of the drillers were engaged in a Redi-Whip fight. And Redi-Whip never came back to that camp. [laughter]

Hicke: Well, what did you find?

Powers: Yes, we found a lot of drillable structures. As time went on, we found--we really found the northern end of Ghawar Field, which is the biggest oil field in the world.

- Hicke: In this first year that you were--?
- Powers: Well, I wasn't on that crew. Another structure drill crew did, and we traded off people. Well, I could go to their crew once in a while, particularly if they needed a relief assignment when they had somebody ill or something like that. I did go to that crew, but I was not on it when they were drilling at what they call Ain Dar. That is the northern end of the Ghawar structure, and that's how it was discovered; through structure drill. Abqaiq was also discovered through structure drilling, but it had been discovered before I got there.
- Hicke: So you were in on the beginning of that one.
- Powers: Yes. Ain Dar was discovered, if I remember correctly, in 1950.
- Hicke: Anything else about that second year that you recall?
- Powers: No, except I made up my mind as it came to a close that I probably wasn't going to make a career in Aramco or anything like that, and I remember leaving Arabia, the day I was headed for Camp Dhahran to catch the airplane, I waved goodbye to the main feature of the landscape, which was a hill there called Jebel Berri just outside of Jubail, it was near Jubail. Jubail at that time was a block wide and a block long, and that was it.
- But I waved goodbye to Jebel Berri and said, "I'll never see you again," and of course, I saw it again many, many times. [laughs] I remember climbing up to the top of Jebel Berri when I was doing my survey work and looking down on that sleepy Arab town. What an amazing change it took. There was an old Portuguese tower that had been built there for observation when the Portuguese had been on the east coast. They had been a significant power.
- Hicke: Portuguese?
- Powers: Yes. The biggest area that there's still some remains of is the fort on Tarut Island. It's got a lot of antiquities there, and they've done excavations there. They know that it's been occupied for three to four thousand years. Geoffrey Bibby did some work there. He's the man who wrote *Looking for Dilmun*. He was British, but he worked for the Danish Museum.

Military Service, Second Tour of Duty

Hicke: So you went back to USC?

Powers: Went back, went right back to USC to get my master's, and no sooner had I got set up there than I got called back into the marine corps, got my papers for the Korean War. They called everybody; they got over 95 percent of the former officers back.

Hicke: You were in the reserves?

Powers: Yes. They didn't care whether they were lame, halt, or blind, they got them back. And particularly with my military specialty, which was infantry officer at that time.

Hicke: How long were in the marines this time? And meanwhile you got married sometime in there.

Powers: Meanwhile I got married, before--actually, I had already received my call-up when I met Marte, but I wasn't going to be called up until about February something, and so we got married and drove back across country and met her folks, and my mother, and reported in at Quantico, Virginia, where I knew essentially everybody that was reporting there from World War II.

Hicke: Where were you stationed this time?

Powers: This time I lucked out. I was a geologist, and the seven geologists--there were 252 men in my class--the seven geologists were the only ones that didn't end up in Korea within weeks. The only specialty that they exempted was geologist, because they were desperate for photo interpreters. So they just took geologists and said they were a special case. Of course, we hadn't done any photo interpretation. Didn't make any difference to the marine corps.

So all the lawyers, all the others started coming back in body bags within a week or two--it was a terrible slaughter. But the seven of us were sent to train in photo interpretation there at Anacostia in Maryland, and Marte and I started our career in the marine corps right there after we got out of Quantico. Because of the point system that was in effect for what you had done in World War II, they gave you credit as to when they discharged you after the Korean War was over. So I was in the first batch discharged out of there. So we spent fourteen months was all.

III A CAREER WITH ARAMCO

Back To Saudi Arabia

Powers: At that time then Marte was pregnant, so I signed on with Amerado Petroleum, and missed Saudi Arabia like heck.

Hicke: You missed Saudi Arabia?

Powers: Yes. The child died within five or six days after it was born. So then I went back to New York with Marte, and we talked to the man who had been my boss in Arabia. He said, "Sure, we'll hire you." So I signed up again to go back.

Hicke: Who was that man?

Powers: Dick Bramkamp. He was chief geologist before me. I replaced him many years later as chief geologist.

Hicke: What year are we in, '52?

Powers: We're in '52, yes.

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Powers: I left Marte in Los Angeles, and at that point in time, the waiting period for family housing was more than two years.

Hicke: Did you get any extra points for having been there before?

Powers: No. I had severed all my relationship with them. But they gave me my old badge number back, which was helpful. [laughter]

Hicke: I want to just interrupt you for a second and ask you what was it about Saudi Arabia that you missed.

Powers: It was so much like the military, I liked it. I liked the people, the camaraderie, everything was there. And having

worked six months for Amerado, I knew I really wasn't interested in making a career in the United States, because everything is so diffuse in an American setup, where everybody goes home, they have different interests at night, they do everything different, and meet in the office next day--which is fine, but it wasn't for me. I enjoyed the close relationships that we established in Saudi Arabia, and all of them were my personal friends, even though I'd only been there two years. When I got back, essentially all of them were still there, plus some new ones. It was very nice going back.

Hicke: Homecoming.

Powers: Yes. But it was tough too, because who wants to look forward to a two-year separation from your wife?

Hicke: Oh, my, was that necessary?

Powers: And that's what was guaranteed. There wasn't any chance.

Well, I got over there and I worked hard, did a lot of things, and got a couple of good promotions, which carried housing points with them. Marte was there within eleven months, so it made a lot of difference. I'm not sure if I would have made the two years, but at that point in time, I really got with my career, and it worked out very well.

More Drilling

Hicke: What did you start out doing?

Powers: I started out doing that structure drill work again, and within a couple of years, I was head of it. We had four parties in the field, and lots of rolling stock, lots of geologists, lots of people, and drillers plus geologists, mechanics--everybody had their own mechanics, and the whole thing, to keep it moving. Because by then, everything was trailers, air-conditioned trailers. We'd long since done away with the tents.

But the tents I didn't mind at all. Everybody had a private tent, and it made a difference. Whereas a trailer, unless you were the geologist or the chief drilling engineer, you had to share two or three or four people to a room in a [trailer]. I had had that in the service. [laughs]

Hicke: Did you ask for your tent back?

Powers: No, no. Tents were rough. There was no way to shield yourself when the wind came hard, because you could nail them down, and I don't care how you nailed them down, they just blew off and were down the valley, and you were chasing them, and oil drums, and everything, two or three times a year.

Exploration Goal: Finding Where There Wasn't Any Oil

Hicke: Can you tell me sort of in general what the company's exploration policy or overall goals were at this time?

Powers: At that time, we had found enormous quantities of oil. They really weren't interested in finding more oil at that point in time. They were interested in mapping where oil wasn't. Part of the reason was that we had an agreement with the Saudi government that required us to relinquish so much acreage every five years back to the Saudi government. So we were exploring for acreage to give back to the Saudi government--the obverse side of the coin is that you're keeping the good acreage just by knowing some of it. So we set out deliberately to learn as much as we could about the bad parts of the concession.

Now they're drilling all they can; it's a totally different philosophy. But at that point in time, the majors weren't really interested in spending a lot of money developing new oil, because they had oil that was coming out of the ground at less than ten cents a barrel anyway, and you can't bring new oil on that cheaply.

So we did everything we could to search out good relinquishment areas.

Hicke: Where did you start? On the edges of the concession?

Powers: No, we went right up through the heartland of the concession, just to make sure that between Ghawar and the Khurais structure, you see, mapped all that to make sure, and all the Rub' Al Khali we mapped--everything that was within our original concession area. See, the large parts of Saudi Arabia were never in our concession area.

Hicke: You had the Eastern Province?

Powers: No. Well, basically we had the Eastern Province, but [looking at map] the original concession area was about 381,000 square miles. That covered right through here, around the edge of the

Ad Dahna' that marked the western limit of it, clear around here, through all of this, [pointing to map] and not the United Arab Emirates, and then on up here to Selwa.

Hicke: So most of the pink section of the map.

Powers: Most of the pink section of the map here, the Empty Quarter and from the Dahnas eastward were part of the concession. Now they're drilling all through here, you see, and discovering some oil. But we never had that under concession, we never did any exploration work there at all.

We mapped all of this and this and this in order--see, this was 381,000 square miles. We had to make a major relinquishment when the relinquishment agreement was signed to relinquish all but 125,000 square miles. So the 250,000 went back.

Hicke: When was this, 1950?

Powers: Oh, no, no. It was much later than that. See, it was 1963 that we gave back all but 125,000 square miles.

Hicke: But before that, you were giving back small pieces?

Powers: No, we didn't really have a relinquishment agreement per se. We had a small one. We had one that gave back some small pieces, yes, we did. But it was really formalized and stepped up in March of 1963.

Hicke: So in the fifties, you weren't--

Powers: We were looking for bad acreage, because we wanted to know what we were going to have to give back eventually.

Hicke: You knew that you were going to have to give some back.

Powers: Oh, we knew we were going to--at some point in time, we were going to be faced with relinquishing large bundles of land.

Hicke: And they would take back just odd pieces here and there?

Powers: Well, we had--this is something you can ask Bill Owen when you interview him, because he'll remember it precisely--we had small relinquishment obligations prior to the 1963 agreement, but I don't remember what they were, because the one I was involved in and the one--in fact, in which I selected the acreage that went back.

- Hicke: But you were seeing this coming, and so you were trying to figure out what you didn't want.
- Powers: Yes. That had been all through that period, we were searching for bad acreage, at the same time realizing--you see, we were drilling wells, deep wells and everything, but we were deliberately drilling them off structure, just to prove up what the stratigraphy or the rock units were below. So we drilled a number of wells before the 1963 relinquishment that clearly were--we called them stratigraphic wells, not potential oil wells.
- Hicke: Did you find any oil, by mistake?
- Powers: No, no, we never found oil by mistake, but we found lots of oil with--you see, all through that period, we were just drilling up Ghawar Field and extending it south. We made one find after another there, and that was such a bonanza that it really didn't pay to go out and compete with ourselves in trying to develop other fields. Because we knew if we found oil, we'd have to develop it and that costs capital dollars, and lots of them.
- Hicke: So you were looking in places where you hoped not to find oil?
- Powers: Yes, in large part.
- Hicke: And in fact, that's what you found: no oil.
- Powers: That's right. And in fact--well, that's a later story. I'll get into that later.
- Hicke: So we're in the 1950s generally.
- Powers: Right. But that was a period in which we were just literally mapping the concession, and trying to locate what areas we would eventually give away and have to give back.

The Geologists

- Hicke: Who was the head geologist?
- Powers: In the 1950s, it was--well, the head geologist was Max Steineke until 1948 or '49. Then the head geologist was Dick Bramkamp, and he lasted until 1959. Then, before he died, he had gotten me to take a leave of absence, an educational leave of absence, to go back to Yale University to get my Ph.D. They would not

put a man in that position that didn't have a Ph.D. as chief geologist. So--

Hicke: And they wanted you for that position?

Powers: Yes. And the selection was made before I left Arabia. We brought in two chief geologists from outside, from the parent companies, to hold on while I was back at Yale, and then when I got my graduate degree, I went back to Arabia as chief geologist. But it was 1959 that Dick died and I entered Yale. It was 1961 that I went back and assumed the position of chief geologist, and I only held it for a few months, because then I was promoted to manager of exploration, which I held for a few weeks, because then they were putting me on all kinds of outside assignments.

Hicke: Such as what?

Powers: Outside training assignments--assistant district manager of Abqaiq--that's where I met Frank [Jungers]--and Frank was acting district manager, Don Fate was actual district manager, so I went down when Don Fate went on vacation. Frank Jungers replaced Don Fate, and I replaced Frank Jungers as district manager there.

But that's getting way ahead of the story.

Marte: That was quite a way ahead.

Powers: Yes, but she was asking me who was chief geologist during this period, and it was Dick Bramkamp from 1948 to 1959. That's when he died.

Hicke: How many people were in the geology department at the time?

Powers: It varied enormously, but we had twenty-five geologists.

Hicke: And then these seismic crews besides?

Powers: Well, a seismic crew seldom had a geologist on it. You see, I served as a surveyor on there. You have what you call a geophysicist on that crew, and they're far more mathematically oriented in dealing with seismology, they're more into physics by quite a bit. But on those, almost all of those were contract crews. We got those from Geophysical Services, Incorporated, by and large at that point in time. Those were contract crews, but there would be ten Americans on one of those crews. On our structure drill crews, there would be ten Americans, roughly, is all. But only two geologists would be on. The others would be

radio repairmen, or mechanics to keep the generators running and the cars running and all of our rigs running, and drillers. We were then drilling around the clock. When we first got there, we only drilled two shifts, two eight-hour shifts, and shut down at night. But that's just too much of a bad use of equipment, so we took on the stateside standard, which is to drill around the clock, 365 days a year.

Hicke: So for about ten years, you were exploring?

Powers: Ten years. Well, no, because--let me be a little more precise on that. I went in 1950, so until 1960--yes, for ten years I was exploring, exactly. And then after I went back as chief geologist, I started on a series of training assignments that kept me out of geology for months on end. I was at the refinery for a long time, and I was in Abqaiq for a long time, and I was in the New York office for a year. So I was in the exploration game fully the two years I was there from 1947 to '49, then when I went back in '51 or '52 to the time I got to be chief geologist, which would be '61.

Hicke: Who picked you out for the Yale studies?

Powers: Dick Bramkamp really did. Yes, he did it.

Marte: I wish he was here so that you could talk to him.

Powers: Yes, what a grand gentleman. One of the most brilliant men I ever knew. Clearly in the genius class. Not because he picked me--[laughter]

Marte: We loved him.

Powers: I was best man at his wedding.

The Geology

Hicke: Well, before we move on, let me just ask you what else we need to talk about in the exploration period.

Powers: I'm trying to think. The big things were getting ready for relinquishment, and making sure you didn't give up anything good, just making absolutely certain that we didn't give up anything good. That was the whole purpose of the exploration department at that point in time, was to make sure that what we gave away was bad.

- Hicke: This is probably a silly question, but I have this picture of sand dunes that shift around all the time. Was that a problem for you?
- Powers: No. The sand dunes move, there's no doubt about it, but they move over periods of years. So that's not a problem. You can see the sand dunes shift, but the concession edge was marked by the edge of this [looking at map], which is a mobile sand dune belt, the Ad Dahna'.
- Hicke: That pink or peach section of the map?
- Powers: Yes. This belt here. And we could see over the years from aerial photos that these dunes were moving a little bit back and forth, and changing the concession boundaries as a result, but it was just a couple of hundred feet at a time over a ten-, fifteen-year period, so it wasn't enough to be--you couldn't notice it on the ground. You had to do it by aerial photos, and elapsed time over quite a long time.
- And these dunes down in here are a totally different kind.
- Hicke: In the Empty Quarter.
- Powers: Yes. They're really mountains. They get 600, 700 feet high. A lot of them are just isolated on a flat silt floor. You can't go over them except in special equipment, which we finally developed, to go over them, because you had to lay out the seismic lines fairly straight, you see, and you couldn't do it down there so--
- Marte: Too bad you can't go in a plane over it because--
- Powers: Oh, it's a fascinating area.
- Marte: It looks like you're on Mars or something, there are these pools of water with these mountains of red sand--
- Powers: But they aren't water, it's silt flats. But it's just a flat silt floor.
- Marte: But it looks blue, it's--
- Powers: Well, it is, gray-blue.
- Hicke: Why is it blue?
- Powers: Because of the clay in it, clay content.

- Marte: The red is only on the surface?
- Powers: It's just a flat surface that the sand dunes are superimposed on.
- Hicke: Like somebody came along and built a little sand castle or something.
- Powers: Exactly, only these are huge. They're sometimes a couple of miles across, and around at the base, and go up to 600 or 700 feet. On those are cusps and things just like you see on regular dune areas. It's one of the most fantastic places I think on the face of the earth. I was in the first crew in 1950 that went down there to map that.
- Marte: That's the color of the red sand, only when it's lying there, it's even redder. And it's a fine silt on top, you just have to skim it off the top.
- Hicke: Is the red in it iron ore or--?
- Powers: It would be iron staining on the sand grains.

Anecdotes of Exploration Work: People and Events

- Hicke: I wanted to ask you, did you have any Arab employees?
- Powers: Yes, lots of Arab employees, but most of them were laborers in the camp. We didn't have any drillers but rig hands, lots of rig hands that handled the pipe and things like this, the drill pipe. Drivers, cooks, mechanics, and then we always had a contingent of soldiers from the central government that went along or--
- Hicke: National guard, or the--
- Powers: No, we never got a national guard. They were from the local emirates. In other words, the governor of the Eastern Province's constabulary, and he would go with us to make sure that we didn't run into any trouble.
- Hicke: State troopers.
- Powers: State troopers in essence. They'd come very close to being the equivalent to state troopers in terms of the geographic relationship.

Hicke: Would you have to go and visit the amir?

Powers: Oh, yes. But that came later. I didn't get involved with government people until much later in my career.

Hicke: Okay, we'll get to that at that point, then.

Powers: But I do remember one episode. My first year I was there, I was driving across the desert all by myself, and suddenly I looked across and here's this huge white tent. There weren't any roads where I was. Some guy's out there waving a flag, trying to get me to come over.

So I go over, and it's one of the local amirs inviting me in for coffee and tea and milk, and to eat with him, dates and everything. Wouldn't do that I would drive by, you know, you've got to come over. They're so hospitable. This is one of the things that's amazing. He didn't know me from Adam, and he spoke no English, and at that point in time I spoke essentially no Arabic, which is still the case. [laughs]

Hicke: So a lot of bowing, smiling?

Powers: Yes, and I ate everything they put before me, and a lot of it I didn't find too appetizing, but that didn't make any difference. But they constantly would try to get you in to entertain you if that would--and if the local amir or any--"amir" is a word that's used just like "chief" in the United States. Chief of police, chief of detectives, chief of fire department, chief executive officer--goes all the way from the top to the bottom.

Hicke: Oh, that's a good insight, thank you.

Powers: And so you have a local amir, and the amir's the guy, the top soldier of the five soldiers you've got in the camp. He's the amir of those groups. He's called the amir, and it goes all the way up to the--and those that have HRH, His Royal Highness, after his name like members of the royal family, are amirs. So it goes across the whole spectrum. Use the word chief in place, and you'll see it. Chief inspector here in the United States, and it can be chief inspector in the telephone department or anyplace.

Hicke: He's amir.

Powers: Yes.

Hicke: Oh, that's very interesting.

Powers: But hospitality was--that's one thing I did learn very early on, and I couldn't get stuck, I couldn't do anything, but what sooner or later some Saudi would either show up on his camel or his truck to try and help me get unstuck or help me if I was broken down.

Hicke: Did you often drive by yourself out there?

Powers: Oh, all the time. In fact, you seldom drove with anybody.

Hicke: How often did you get stuck or have a breakdown?

Powers: I got stuck only once that I wasn't able to get myself out. That was after Marte was there, and I was reported missing that night, because I didn't get to camp. I got caught in this mud flat. I was so far from any shore area that it was all soft from the rain. So I just pulled out my cot and went to sleep there.

But when I woke up in the morning, that was probably the most dicey situation I faced in Saudi Arabia. This guy came up on a camel, and he wanted to know if I had any guns in the car. I told him, "Yes, I have a gun," which I didn't, but I thought it would be best to tell him. He said, "Well, I want to see it," and I said, "No, no way. The soldiers wouldn't approve of that."

He was clearly off his rocker, and he finally took his shotgun and put it right in my face. He started shouting at me, and I thought, "He's going to pull that trigger if I'm not real careful, and if I make any sudden moves." Finally, the rest of the caravan comes along, and pat him on the head, and they consider him pretty holy, you know, if he's possessed. He's possessed, and they took him off, but boy, that was a dicey moment, I'll tell you, because he could have--he had no reason to shoot me, but he had no reason not to either, because there was nothing in his world that was going to be retribution in any sense of the word. And he was so far out of it, it didn't make any difference. He was possessed by jinns, as they told me.

Hicke: And how did you get out of the mud flat?

Powers: I finally, when it got light enough, after this guy had gone, I finally was able to get over to an area and I found some rocks. I got them under the tire, and I kept jacking the tires up and putting more and more rocks--just got to the area where the silt flat ended, and then I drove on in to camp, and got on the radio and told them to tell Marte that I was all right.

Hicke: What were you driving?

Powers: It was a sedan. We had Chevrolet sedans at that point in time.

Hicke: Four wheel drive?

Powers: No, just balloon tires, big balloon tires. You depended more on flotation than you did power. [laughter]

Hicke: What were you driving about by yourself for?

Powers: I was going from town to camp, to one of the outlying field camps. We drove continuously from Dhahran to there, unless we were going on days off, in which case we often took the airplane. But a lot of times--I drove in from practically every part of the kingdom to Dhahran at one point or another.

Hicke: What kind of an airplane would they use to fly around?

Powers: Well, the early ones were the DC-3s, which were the ones out of World War II, the old work horse. Used to fly over the Burma hills and things like that, just two engine--

Hicke: Like the Flying Tigers?

Powers: The Flying Tigers wouldn't have use those except to fly in supplies. They were strictly cargo.

Hicke: Anything else about the fifties?

Powers: Oh, I'm trying to think.

Abdulla Tariki

Hicke: Any other people that we should hear about?

Powers: No, because at that point in time, you see, I wasn't involved--I had a run-in very early on in 1949, as a matter of fact, with Abdullah Tariki.

Hicke: Oh, you did?

Powers: Yes, he came to visit our structure drill camp.

Hicke: What was he like?

Powers: He was minister of petroleum at the time. Very arrogant, very supercilious, almost insulting. He came to visit, and Mike Wanty and I, Mike Wanty was--

Hicke: Mike?

Powers: Mike Wanty, [spells], he's alive and well in Fresno, I think. He was my boss at that time. There were two geologists on a structure drill camp, the senior geologist and the junior geologist, of which I was the one. Mike and I took Abdullah Tariki around. He wanted to know, "Well, what do you do in these structure drill camps?" so we took him through the whole thing. He really wasn't--he was so anti-American, and it showed. [laughs] He left, he spent maybe two, three hours with us, and drove off.

But I remember what Mike Wanty said afterwards. He said, "Did you notice how close his eyes were together? I never trusted anybody whose eyes are that close together." [laughter] But Abdullah Tariki's eyes were--he had some sort of a birth defect in which one eye was slightly crossed relative to the other one, and that's why Mike made this statement.

Hicke: When you said you had a run-in with him, you didn't mean an altercation?

Powers: Oh, no, no. We knew better than to even--no way. But we'd have had it from everybody that way, both the Saudi government and the company. Oh no, we were on our best behavior. And we passed it off, and that was the end of it. We were too junior to have any real opinions at that point in time. That was my one and only time I ever met Abdullah Tariki. But he got--I can't remember the year he got displaced, but it was I think around 1953, something like that.

Ahmed Zaki Yamani##

Hicke: We just sort of figured out it was 1955 that--

Powers: Well, it was roughly that. I wouldn't pin it--although I do know that--I'm figuring backwards from the fact that [Ahmed Zaki] Yamani was minister of petroleum for twenty-four years.

Hicke: Okay. So during the fifties, did you meet Yamani?

- Powers: I could have met him at some event--yes, I would have met him then, because that was the period he was interested in establishing the University of Minerals and Petroleum there in Dhahran, and he was interested in geologists, and I think it was then that Bob Brougham took me over one time to the guest house to meet him and to answer some questions on geology. So that's when I would have met him, but it was a totally informal discussion, and it wouldn't have registered with him, and only registers a little bit with me now. I remember that Bob Brougham was there, and Yamani. He asked me a couple of questions about how the university was doing. That was really his baby; he put that whole university together. And to do it outside the basic governmental educational system was a real maneuver.
- Hicke: How was it outside of the governmental system?
- Powers: Well, because it fell under the minister of petroleum and not the minister of education.
- Hicke: He used his funds which he got from Aramco?
- Powers: Yes, which was all the source of funds of the kingdom. There weren't any other real sources of funds.
- Hicke: Yes, but somehow or other, he had access to those funds?
- Powers: Well, I'm trying to think of all those years, how the funds flowed. I can't remember. See, the funds flowed from Aramco through the ministry of petroleum, who set all the rules that governed the way those funds were handled from Aramco to the Saudi government. They never got into the minister of finance's hands until they reached the treasurer, and they went backward. And of course, the minister of finance was infuriated that the funds were going not to the minister of finance or into the treasury from Aramco. We paid all the money to the minister of petroleum. He got his hands on them first, and that was a bone of contention for years between Mohammed Abu Al Khayl, who was the minister of finance and Yamani, who was minister of petroleum. And we answered directly to Yamani, you see, not to anybody else. And the college of petroleum and minerals was set up outside the ministry of education.
- Hicke: With these funds that he was handling?
- Powers: With these funds, he was able to set it up. Don't get me wrong, he had King Faisal's staunch backing on all this, and he always managed to outflank everybody that was giving him problems. Because there's no doubt about it, Yamani was King Faisal's

favorite, clearly, as far as the council of ministers. But I met Yamani once in the fifties, I'm sure.

Hicke: Well, I appreciate that explanation. Somebody told me he didn't have to go cap in hand to the king to ask for money, and that was one source of his power, so that explains it.

Powers: No, he did not. When it came to anything dealing with Aramco, we dealt almost exclusively with the minister of petroleum, although we had dealings with the minister of finance, things like that. We did not send him a check. [laughs]

A Doctorate From Yale University

Hicke: Okay, well let's just move on to Yale University. What did you learn there that you needed to be head geologist, chief geologist?

Powers: Essentially nothing. [laughter] The reason I went there was because Dick Bramkamp felt very strongly that unless you had a Ph.D., you shouldn't be chief geologist of the world's largest oil-producing company. Steineke wasn't; he was a brilliant geologist. Didn't make any difference whether he had a Ph.D. or not.

I learned a tremendous amount at Yale University, don't get me wrong, I did. I had been at USC, which was basically a nuts and bolts university as far as the oil patch was concerned. I went to Yale, which had never seen an oil geologist in its life, basically. Yale trains two types of people: they train professors to go out and teach other people geology, or they go to the United States Geological Survey, and they head the U.S. Geological Survey. Director after director after director are all Yale graduates, have been and--I don't know, they probably aren't now, but Peter Flawn was a Yale graduate, went on to become director of USGS, and then president of University of Texas. And so it goes.

So I was a unique individual there. Number one, at first, clearly they were suspicious of anybody who represented industry, because they didn't have any real brush with industry. We got along famously by the time it was all over. I had been out of college for thirteen years when I went back. All the other guys were hotshots, graduate students out of Columbia, cream of the crop. Took sixteen graduate students that year, biggest group in geology they've ever taken.

Hicke: I have to back up and ask you why you picked Yale, then?

Powers: [laughs] Dick Bramkamp picked Yale, because he thought it was probably the best university there was in geology. He was probably right. But he also had an in there. The dean of graduate studies in geology--each department had somebody who was the director of the graduate students or the selection process or whatever it is. I can't remember what his title was, but he was the director of graduate studies or something like that there. He was a professor of vertebrate paleontology, Joseph T. Gregory.

He had met Dick Bramkamp.

Marte: Well, Dick Bramkamp introduced--

Powers: Well, Dick Bramkamp introduced him and his wife, and so they had become close personal friends. Dick said, "Not only do I want you to go to Yale because of the academic qualifications there, but I'd like to have you go to Yale because I have an in with this director of graduate studies. I think we can use the way in after having been out of school thirteen years and everything." I'm not sure that my undergraduate grades would have gotten me into Yale either, in all fairness. That's a truthful statement.

So I went back at Dick's behest and met Joseph Gregory and spent an afternoon with him, and he said, "We'll see you in May." I said, "What?" He said, "You're accepted." And he saw me on the bus back to the train station in New Haven. I said, "Well, that's great. I didn't expect--." But at that point in time, you had to pass five examinations on entrance. One in two languages, French and German, one in mineralogy, one in petrology, and one in fossil identification. Those were given to every graduate student that went in. Yale does not have a master's program. It only wants people to come and get Ph.D.s. They do not encourage anybody to come for a master's degree.

Which was fine by me, but you have to take this for the Ph.D. course work. So I knew German. I didn't have any problem with that. French, I had no other language, and I had to take these other three exams on entrance. So I started studying--you said how did I happen to go to Yale, well that's the reason I went to Yale, because Dick had an entrée, and his feeling for it.

So then once Gregory told me I was accepted, and I had nothing formal to base that on--I told Marte, "I hope he doesn't have a heart attack between now and May!" [laughter]

Hicke: You didn't have it in writing.

Powers: I didn't have it in writing at all, and I didn't meet anybody else there. So I started studying, and I had about four or five months before school opened--

Marte: He studied every lunch hour, and when he got home, and of course, we have two kids at this point--and he studied around the clock. Syd Bowers would come over, and he'd walk with me. I can remember that, just to get out of the house after the kids were asleep so that you could get your work done.

Powers: Yes. I spent eight hours every night for three months studying French and German and then a little brush-up in mineralogy, paleontology, and everything. At the end of the third month, I knew my German was good. All you have to do is read, translate a technical book in your field for the test. You don't have to write it, speak it. I had not a word of French, to my knowledge.

So I spent the next three months, six hours on French and two hours on German. By the time I got through, I could read French as well as I could German. I didn't know the pronunciation of one word, but I knew all the grammar, and all-- what this word meant, what the tense was, everything like that-- the gender. I knew them all at the end of that six months.

I went back, and I was the only guy out of that whole group, except for Clark Burchfiel, that passed all five tests on the first go round.

Hicke: Is that right? Oh, my!

Marte: Whatever happened to Clark?

Powers: Oh, he's a top professor at M.I.T. [Massachusetts Institute of Technology] now. Has been for years.

Hicke: That's quite an accomplishment.

Powers: At my age it was, and particularly against all these other guys. But I knew that if I didn't get those hurdles behind me the first time, and I got into the full graduate course work and everything else, that it wasn't going to be any easier. Those hurdles get harder and harder, and that's what kills a lot of people. You've got to get those done just right on schedule. If you don't, a lot of them just--they're killers, after that.

Marte: You were older than a lot of the other students.

- Powers: Well, I was the grandfather of the lot. [laughter]
- Marte: Some of them weren't--well, the one that didn't pass that first time, you know, said his job had brought him there, you just sat him down and said, "This is the way you study, and you do it every night. You don't cram for an exam, you study all the way along."
- Powers: Yes, he got himself through by my advice.
- Hicke: But a little clue like that as to how to get through was certainly helpful.
- Powers: Yes, it just required discipline, that's all.
- Hicke: So you learned other things besides just the actual oil geology?
- Powers: Oh, gee! They don't even have a course in oil geology at Yale.
- Hicke: You could have taught it probably!
- Powers: I could have; I was asked to give some lectures and things like that. I declined, and I wanted to decline, because I didn't want to get started down that road when I was just a student, and that's where I wanted to stay.
- Marte: They did write very glowing letters back to Arabia saying that they had learned--
- Powers: Well, my advisor did.
- Marte: --a tremendous amount by having Brock in the class.
- Powers: Yes, they were very gracious. So I managed to finish up everything. I took all the course work for the Ph.D. from ground zero, because none of the stuff from USC was transferred as far as the graduate work, because it was all interrupted when I got called back to the service. I finished up and was out of there in just two years.
- But fortunately, you see, in the two summers that I was there, I was able to work on my dissertation. My dissertation subject was approved within six months to a year after I got there, and I had all the materials and everything, and worked both summers on it, and that was the end of it.
- Hicke: What did you write on?

Powers: Upper Jurassic carbonate rocks of Saudi Arabia. And the company had thousands of thin sections of the rocks. It was all on a study that they wanted to do in any event, and they just very generously let me do it, because we were going to do it anyway.

Hicke: So that benefited the company.

Powers: It benefited the company, it benefited me, and it benefited Yale, because it got them some new microscopes that they were never going to get or anything like that.

Hicke: Great. That's a win-win situation.

Powers: It was. It was a win-win situation.

Marte: It was another one of those absolutely wonderful experiences that we had with Aramco.

Powers: Well, what did I learn to help me in my job? Very, very little except in my dealings with people. That was the main thing. Because the course work was classical geology in every sense of the word. We studied how these rocks were named in the Alps and things like this, and that somebody had done this and that--it was truly a classical orientation of geology. Things I'd never heard of in USC and that probably USC professors never paid any attention to, because it's an economically oriented geology department. This is geology for geology's sake.

One thing I must admit though, all the books that I studied at SC were written by professors at Yale! [laughs] And I met most of them, those that hadn't died. And the guy that I was most impressed with at SC in historical geology was my lead professor at Yale. He retired at age seventy-four then, just last--I was there the last year he was there.

Hicke: Who was that?

Powers: Carl O. Dunbar. [spells] What a gentleman, what a fine gentleman.

Hicke: And back to Saudi Arabia, and they clearly marked you out for--

Powers: Chief geologist, yes.

Hicke: But for more than that, because you didn't stay there.

Powers: I didn't stay there any length of time. When I got back to Dhahran, the first week that I was back, the Society of Petroleum Engineers, or SEPM, Society of Engineers Petroleum and

Mineralogists, whatever, asked me to give a talk. They wanted me to give a talk, a presentation, on my dissertation, which was of course right down everybody's alley there in Saudi Arabia.

So I did, and the only meeting that he ever attended--and I know this, that he ever attended--Paul Arnot came to see how I did. Because he had been a big help in getting me the educational leave and everything else, and he was one of the two top dogs in the company at that time, you see. He and Brougham shared the power at that point in time.

Hicke: So he was probably one who picked you out--

Powers: Oh, yes, without Paul, I'd have never gone anywhere. And Bob Brougham, same thing. Barger was still there, but he had gone by the time I got back, I think. I can't remember any more.

Marte: No--

Powers: Well, you'd remember, I wouldn't, because I just don't remember. My chronological clock is pretty lousy. But at any rate, he came.

Marte: Yes, I think so. I think Cy Hardy was--I don't remember.

Hicke: It's not important.

Powers: It's not important, but Paul Arnot attended that meeting, and before the question time and everything, he got up and left. He told me he enjoyed the presentation, and by that time, I had it so well memorized, because after I left Yale, I was asked to give that talk in Denver at the AAPG [American Association of Petroleum Geologists] convention, and then up in Edmonton, I gave it up there--a number of places. But it was an interesting subject, and it was very timely at that point in time. Nowadays it's pretty well discovered and everything, but it was interesting.

So I got through my orals, didn't miss those, and I got my comps, and I graduated with high honors, far different than when I went through undergraduate work.

Hicke: Good discipline.

Powers: It was. That's it, I had matured. Clearly made a big difference.

Hicke: Well, it helps. It's not all of it, but it helps.

Powers: Yes. Big difference.

New Management Assignments

Hicke: Okay, so you got back, and you were chief geologist for a period of a few months, and what did--

Powers: Basically chief geologist for a period of a few months, and then I started getting one assignment after another, and then it was very quickly--I've got something here that would tell me, but I don't think I need to for that kind of detail. I've got the company record on it. But I went to Abqaiq, and then the exploration manager quit. He was the guy that was my direct boss when I was chief geologist. He went back because some member of his family got cancer, and he went back to take over the family business, and so there I am, another break. It didn't pay to be in front of me, I'll tell you. [laughter] Dick Bramkamp died of cancer, and that was my first boss, big boss. Then Jack went back and darned if he didn't die very soon. But that didn't--but he had to go back because of cancer in his family.

Marte: That was terrible.

Hicke: They didn't want to see you coming!

Powers: [laughter] Exactly. So within I'd say six months to nine months after I became chief geologist, Jack had to leave for his family.

Hicke: Jack who?

Powers: Jack Reid, [spells]. So I was promoted immediately to manager of exploration. I was a junior geologist, but I didn't get to serve in that for any length of time. I was in and out of it for months while I was on other assignments in the company.

Hicke: These were other assignments that were training you to just keep moving along?

Powers: Exactly. And then in--well--

Hicke: Yes, let's go through that.

Powers: [looks at papers] Okay. When I got back there, yes, in '61, while I was in New York still and working on my dissertation, I was promoted to senior geologist, then when I went back in '61,

chief geologist. Then in--this does not tell--then I was gone the bulk of the time between '61 and '65, when I was in accounting. I went through all of accounting, every department, sat down with everybody in accounting and worked there for a couple of years as a staffer. I was in the budget department, the analytical department, everything else.

Then I resumed the position of chief geologist in '65. I was gone for four years. Then in August 1965, this is when within two months, I became acting manager. That would have been when Jack would have left. Then, I stayed manager in '66. Then I was acting district manager of Abqaiq in '66. I became manager of exploration again in '66. I was then acting assistant general manager of Government Relations in '67.

Hicke: Oh, now that was a whole new area for you.

1967: Rock Wednesday

Powers: That was a whole new area, brand new, and that was when--I was sitting there running the Government Relations Department, because it was lunch hour, and I had stayed, I can't remember for what, when Rock Wednesday came.

Hicke: 1967.

Powers: 1967. All the other people who were my bosses were all home at lunch, and they couldn't get back. And there's poor Brock, left in the driver's seat, trying to handle Government Affairs, about which I knew essentially nothing.

Hicke: What was happening, phone calls?

Powers: A riot, right in our back yard. They were burning cars outside my window. [laughs]

Hicke: I wasn't sure--I thought you meant the start of the war.

Powers: Oh, no.

Hicke: This was the strike?

Powers: This was the riot right there out of--

Marte: Didn't you get Tom Goddard on the phone and you told him not to hang up?

Powers: Yes, that's when I got Tom Goddard on the phone and I said, "Tom, you get down to the amir." He was our representative to the amir. I said, "Get down there, and get some soldiers back here. This is going to turn out worse than we think." So Tom got down to the amirate, and lo and behold, he was able to get on the phone and call me back. I said, "Don't hang up. I want to be sure that everything I say goes right on to the amir." The amir was sitting there right next to him. I said, "We need such and such here, and we need them right away." He said well, he was going to get General Ghanadili up there, and he's going to send out the amirate troops, and he's going to get the army troops there as quick as he can.

So I stayed on the line. In the meantime, I've got no direction whatever, because Dan Sullivan, Paul Arnot, everybody was gone. Bob Brougham--they were all home for lunch, the whole kit and kaboodle. They hadn't activated the emergency groups either--we had a special emergency plan if something like this ever happened. Nobody could get to the emergency room!

So within thirty minutes, the soldiers showed up, they cleared it out, but in the meantime we had to keep patrols going and everything like that. So they never activated the emergency group, they just turned it all over to me and said, "Handle it." And I did for the next three or four days, and I didn't get sleep one--because the phone rang right off the hook for three straight nights. Paul said, "You're doing fine. We're not going to interfere." I remember that. [laughter]

Hicke: Interfere!

Powers: Because see, at that point in time, I was in charge of all the Government Affairs representatives to the government, and that's why they left me in charge, and that's when I was sitting in George Mandis' slot for another one of these training assignments that I got trapped in.

But don't get me wrong: every one of those training assignments was a real learning process. I learned to have respect for a lot of people I used to think were just hangers-on and didn't contribute very much to the oil business and to the company. I learned a totally different slant. Particularly when I was in accounting for so long. God, I used to think accountants were--[laughs]

Marte: If you want a little aside on that: Brock said, "I want you and the kids to leave." And I said no, I wasn't going to leave until I had to leave. So I put my only piece of good jewelry on, and I packed a bag for myself, and I packed a bag for my

daughter, the size that she could carry if we had to walk to the airport, and one for my son, which was the size that he could carry. So we were ready in case anything happened and we had to go.

It was oh, I think a good month after all of this before I unpacked those bags. I unpacked Dirk's and I thought, "Gee, Marte, you were thinking about this." I had really done a good job of packing of only the essentials. I unpacked my daughter's, and I was really--when I got to mine, it was all shoes. [laughter] Literally, all shoes!

Hicke: That's great, that's a wonderful story.

Marte: I guess I thought I could buy anything else, but I could never find shoes.

Hicke: That's probably right, too.

Marte: No silver, no picture albums, no nothing but shoes.

Hicke: Oh, that's terrific. Good story. What were you doing all this time? Just sitting in the house and shaking and quaking, probably?

Marte: I knew something was in the air. The air vibrated. It was a very strange sensation. The kids went off to school in the morning, Brock went off to work, and probably there were chants. I don't know what the noise was, but there was also a vibration through the air. It was just a storm coming up. But you could feel it. You knew that you were right at the peak of something, and when Brock didn't show up for lunch, and the kids didn't show up for lunch, and it was--

Powers: We should have left it that way.

Marte: But then the phone rang about the time lunch would have been over, and Brock said, "Get out of the house, go down to the school gymnasium, and stay there. I can't explain," and he hung up. I turned to the house cleaner and I said, "You can leave and go back to your place, or you can come with me, or you can stay here. I don't think there's going to be any power." He was Yemenese. I just left the house. I got in the car, and I got over there. Everybody was at the gymnasium. We stayed there all afternoon, and then pretty soon they came in and announced that there was an all-clear, and we went home.

Then we began to discuss things, and someone told my daughter that what they would do was let all the horses out of

the horse farms and let them out into the desert, and they could forage for themselves. That's what they were going to do with their animals. I point blank told her, I said, "Those animals have never been on their own. They couldn't find food. They'd die a horrible--"

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Marte: Then they'd lead a terrible life on the desert. The only thing they could do would be to put them to sleep. I said, "The same with our pets: if we can't take our pets with us, we just--"

Powers: There's nothing there that would--nobody would pick them up and take care of them.

Marte: Without the garbage cans--the Americans no longer had garbage cans out there--there wouldn't have been garbage to forage for, and water. It would have been a disaster for animals to be just left and abandoned, domestic animals can't make it. She cried for a little while, but she began to realize that that was the realistic thing, that you had to handle it responsibly. You couldn't just abandon them. But we never had to leave.

Hicke: How long did this go on?

Powers: It lasted roughly a week total.

Marte: A lot of the people left.

Powers: They went to Rome, and places like that.

Marte: Vacation in Capri on Aramco for free; what they didn't know was it wasn't free. Is that right?

Powers: I don't recall that line. I recall the phrase, but I don't recall whether it was for free. I don't know how we finally resolved all of that. Well, it had to be for free: you couldn't--

Marte: They got their trip free, but they--

Powers: They had to pay for their hotel and stuff.

Marte: And they didn't realize that.

Hicke: Well, how long were you in Government Relations?

- Powers: Just long enough to decide that wasn't my bag. [laughs] Just long enough to know what I was in for; it would have been roughly two or three months.
- Marte: It was interesting, any kind of a riot like that, if they had been anti-American, anti-Aramco, they would have been pulling in people, and there would have been thousands going through that camp. But the number of people didn't really--
- Powers: Well, the bulk of them were right from the university, Yamani University, down the road, who were young Turks from Saudi Arabia at the time. In all honesty, it was a half-hearted riot. Number one, they didn't know how to riot to start with, because they had such--there's so much discipline in Saudi Arabia. Number two, their hearts just weren't in it really, because all they did was knock down a fence, and they didn't even know how to do that, really, very well. They finally got it down by all of them jumping on it instead of--and they had a truck there they could have rolled right over it. Just things like that.

At any rate, that lasted a short time. But I must admit it was one of the most interesting periods of my career at Aramco, that riot week, because of just being left in charge of the whole situation, and being in charge of our contacts with the government at the time. There was no other contact with the government at that point, except through Tom Goddard and Mike Ameen in Riyadh.

- Hicke: Who was the amir?
- Powers: Abdul Mucksin Bin Jaluwi
- Hicke: Oh, he's the one you mentioned before.
- Powers: Yes. [laughs]
- Marte: Are you going to talk to Tom Goddard?
- Hicke: He's not on my list right now.
- Marte: He's up in the Seattle area.
- Powers: Where were we?
- Hicke: We were in Government Relations with the line open to the amir.
- Powers: Right, and the army showed up, and General Ghanadili was in charge, and he fired his pistol in the air half a dozen times and everybody scattered like scared rabbits, and that was the

end of that riot. He brought enough firepower with him, as far as the others--the people that were rioting didn't have any weapons at all, you see. So he brought sufficient firepower to take care of anything, and that was it.

Hicke: He obviously didn't exactly have a trained anti-riot crew; he'd probably never seen a riot.

Powers: He did not. They had never--that was unheard of in Saudi Arabia. So he got them all back out on the other side of the fence, and they arrested some of them. What they did, they just went and questioned them later on, and they didn't bother arresting anybody then. They weren't going to go anywhere. They got them, the main ringleaders. It was just a bunch of amateurs, just kids out for a lark, basically, and that was the end of it.

So that was how I spent--

Marte: Wasn't Baba Hattab put in the jail?

Powers: He was. Like I say, they got him, but they did that at a little later stage. They picked him up at their leisure.

Hicke: That's an interesting way to handle it.

Powers: It is. It's a luxury that most countries don't have. I'm not sure it would be quite the same now, because certainly there's a lot more sophistication there now than there was then.

But I stayed in training programs for years, really. I ended up in a concentrated one in--well, let me see. In the meantime, in 1964, I went to Harvard [Business School] to their advanced management program there. I was the youngest one in my class, and the youngest one that Aramco had ever sent there.

The New York Office

Powers: Then, we got back from that, and I went on more training assignments, and then I ended up in the New York office. Harvard was in 1964, and then I went back to the New York office. All this was preparatory to going back to the New York office to work with the owner companies for a year, and that happened in 1969.

I was looking at my notes to make sure my chronology was right.

Hicke: Now, what did you do during the year in New York?

Powers: I liaised with the shareholder representatives.

Hicke: Who were their representatives?

Powers: The four shareholders--well--it was handled on two levels. One, the governmental arrangements and budget items, things like that, were handled by the general manager of the New York office, who was a permanent fixture there, and then I handled all the technical contacts with the technical people, the four U.S. shareholder companies. That's how we made the decisions in the companies.

I ran what they called the study group. The study group studied all the data that everybody wanted studied, just like a Congressional staff, and then you came up with position papers, and then your principals that worked on the general manager's level made the decision as to what they wanted to do on it.

Hicke: And do you recall who was on the study group?

Powers: Oh, yes, but not completely. What I recall is who was on the management team. While I didn't liaison with them very much and worked mainly with their technical advisors, but I knew where the power lay, and it was pretty obvious where you had to work, what kind of slant you had to put on things to get something done. They changed the study group members fairly frequently, with the exception of Exxon, who kept about the same guy on for years and years and years. That was Doug McConnell, he was always on, and he's still alive, he's in his eighties, and he lives in San Francisco.

Then Roy Murdoch was Mobil, Reginald Armfield was Socal, and Jim Brazell was Texaco. Now, the top dogs who also served in large part as the Executive Committee and the Ancom, the Agreements and Negotiations Committee, were Harvey Cash for Texaco, George Piercy for Exxon, George Parkhurst for Chevron, and Henry Moses for Mobil. They had the dual role of being the top representatives on our board, as well as on the Executive Committee, which made all the decisions, in all fairness. The board didn't make any real decisions at all.

They also, without the chief executive officer of Aramco--served on the Ancom. The Executive Committee included our chief executive officer, so there were five on the Executive Committee

and four on the Ancom group. Really, the Executive Committee and the Ancom, that's who ran the company. That's where the whole thing started.

When we started out over there, you see, we really didn't have any top Aramco management in the field in Dhahran at all.

Hicke: You mean when the company started out its--

Powers: Up until about 1953 or so, all the power resided in New York City. Then, the king asked that the top man be moved to Saudi Arabia, and they moved him to Saudi Arabia--the top Aramco man. Still not the Executive Committee or the Ancom group. They stayed in New York. The guy that was in charge of Saudi Arabia was a fine gentleman named McPherson, and he ran Aramco. He was a Scotsman and became a naturalized American citizen. James McPherson. First week I got there, they were taking everyone in front of him in the administration building, and he lectured me plus the three of my comrades plus all the other people who had come on that plane flight that we went on, he lectured us on the requirements for good citizenship in Saudi Arabia.

Hicke: That was important.

Powers: It was important to him, and he had that Scottish accent, you know. He was a fine man.

Hicke: Did anything exciting happen in New York?

Powers: Oh, yes. That's when the oil business went berserk. That was the year that--I had the obligation in my junior position of getting what they called nominations from the four U.S. shareholders. They were extremely secretive about what each one nominated. It was a corporate secret. Mobil wouldn't tell Chevron and Chevron wouldn't tell--because it was competitive.

Hicke: Nominations for what?

Powers: Offtake, liftings [amount of oil production to be required]. So you get nominations for each quarter, for a year in advance, for a couple of years in advance, and then depending on--and I was the only one that had the total figure. See, I'd talk to each guy separately on the phone at his office, and he'd tell me what they were going to nominate for this month, the next month, the next month, the next year, all this, you see, their best estimate of what they were going to lift. And then I'd add them all up, and that would trigger whatever facilities we were going to build, you see, because we had to have the facilities to deliver that amount of oil.

So I'm sitting there one month--and I can't remember which one, it was in '69 or '70--and I couldn't believe it. The nominations were right through the roof. They were astronomical, compared to the base we were operating on.

Hicke: You were looking at the oil boom right there.

Powers: That was it, and that was the first indication we had of it. So I looked at the numbers and I said, "Something's wrong. I've got the wrong numbers." So I called everybody back and they all confirmed them, and that's what they wanted.

Well, what it meant was billions of dollars--see, we were loafing along with a \$40 million capital budget, year after year after year. That's what we were spending on new facilities. Suddenly, it was in the billions that we would have to build to make these deliveries, and they're going to have to approve these. So I got all the numbers together, and at the next meeting we had with the executive committee, I laid them out. They all looked at each other--[laughs] And of course, they're all really getting the same message, each of us reflecting the same set of data.

Powers: So really, this was the first hint we had of it. I laid out what it meant in terms of cost that was going to come about as a result of this, and do you guys really want us to gear up to do this? It means hiring lots of people, it means building lots of facilities that we don't have on the ground now, it means a capital budget of billions of dollars a year. And they all agreed they were going to go ahead with it, because they were very parsimonious, and they weren't going to build anything that they didn't need.

So that was the big one, and I was right in there on the ground floor on that one.

Hicke: Your accounting came in a little handy there, probably.

Powers: Everything came in handy in that thing, in understanding what we're going to need.

Hicke: And so all of the shareholder companies also found out what everybody else had nominated?

Powers: They didn't know the numbers that each guy put in, but they knew they had to be big. They were quadrupled or quintupled or something like that. I do not remember the numbers, but they were big, and they were just unheard of. Like I say, from \$40 million to put in the facilities to billions.

Hicke: They had to approve that?

Powers: They had to approve the billions, you're darn right.

Hicke: So they had to know that--

Powers: They each had to approve their own proportionate share of the capital expenditures.

Hicke: That was pretty interesting.

Powers: It was. And so you asked if anything interesting happened; yes, it sure did. But also, something else toward the end that was far less critical: I was promoted to vice president while I was in New York City, which was unheard of, because they usually brought the fellows back from that job, they had used that job as a training spot for people that they really planned to put in top management in Aramco. I was the first one out of that group that was promoted to vice president there. Don't get me wrong: the others always got to be vice presidents after they came back to Arabia and everything, and moved on up. But they made me vice president while I was still there, which was very gratifying.

Hicke: Indeed. You were obviously holding down an important position and doing good work.

Powers: It was an important position, and the fellow that supervised me on it, Joe Johnston, clearly a controversial figure in terms of his relationships with people, I found to be an extraordinarily competent man. I always enjoyed my relationship with him.

Hicke: Was he president at that time?

Powers: No. By that time, he would have been a senior vice president. When I went there, he was general manager and vice president, then they promoted him to senior vice president when they made some people clearly his junior senior vice presidents in the field. He served as a sounding board all for owner company people, who trusted him implicitly. He was neutral with all of them, but he'd chew on them and make them do things that they often didn't want to do, but for their own good, to get something moving. He wasn't afraid to tackle them, and they all respected him and liked him a lot. He's still alive, and living in La Jolla or someplace like that in southern California.

No, I think Joe would have been their first choice to have been a president at one point in time or a chairman of the board if he hadn't had medical problems with his wife. His wife could

not go to the field at all, and he couldn't live in Saudi Arabia. But my own feeling, intuitive feeling, was that they clearly would have chosen him to be president over several others that eventually did become president. They had such an enormous trust in him.

Hicke: Did we cover then New York?

Powers: Yes, we're pretty much through. That was the most important thing that happened in New York. I hated New York, but that didn't make any difference.

Hicke: Living there, you mean.

Powers: I just hated living there. It was comfortable, because the company owned a house out in Scarsdale that went with the job. Joe wouldn't spend a nickel on it to help keep it up, and so Marte was just lacking in accommodations. But for a year--see, it was usually only for a year. That's all I stayed there, twelve months. And God, was I ever glad to get back to civilization! [laughter]

Vice President of Government Affairs

Hicke: That's great. And what did you do on your return?

Powers: Oh, what did I do? I went to more assignments. I was very quickly made vice president of Government Affairs, which was totally outside of my area of interest and area of competence, really.

Hicke: How does that differ from Government Relations?

Powers: Well, I was only in that for three months.

Hicke: I mean as to the work.

Powers: Oh, that's the guy that directed deals with Yamani and deals with the Saudi government, and formulates the company's policy on government affairs, you see, and what we're going to do on given issues and things of that nature. If there was anybody ill-prepared for that job, I was number one.

Hicke: They didn't think so.

Powers: Well, they didn't think so, but they were wrong, in all honesty. I handled it, but by temperament, I'm just not--I deal better with operations aspects of things. Government Affairs isn't dealing with rocks or minerals or anything like that, it's dealing with people, and you're constantly trying to read somebody's mind. And I'm very bad at that. And it's constantly speaking in nuances, and I'm very bad at that. I've got to say things pretty well straight out.

Now, Frank Jungers was excellent at it. Frank Jungers was super at it. He could read Yamani's mind and think what Yamani was thinking, and things like that, something I never had the talent for. But Frank was in the job before I was, and then I moved in right behind him.

Senior Vice President of Finance and Relations

Powers: But that was the next job I had, and then within a year or two after that, they made me senior vice president of Finance and Relations. So there I am in the other area. [laughing]

Hicke: You must know the company inside out and upside down.

Powers: Oh, I did. By the time I got through--by the time everything was through, there wasn't a group that hadn't reported to me, including Medical. [laughter] Security, Industrial Relations, all of them, you name it. And then all the engineering and all the big construction projects we went through, reported directly to me at one time. Our budget was just--it was up in the \$4 billion range a year.

Hicke: What year are we in now, when you became head of Finance and Relations?

Powers: Head of Finance and Relations, it would have been very shortly after I went back to Arabia, '71, senior vice president, you see then. In November '70, I was named vice president of Concession Affairs, we called it then, that's Government Relations. Then less than a year later, I was made senior vice president of Finance and Relations.

IV PRESIDENT OF ARAMCO, THEN VICE CHAIRMAN

Handling the Embargo

Powers: And then two years almost to the day beyond that, I was named president.

Hicke: That was in '73.

Powers: Yes, '73.

Hicke: Well, those were pretty exciting years, too.

Powers: Those were all exciting years. Those were the years that we went through the embargo, and while I did not handle the embargo directly, I was intimately involved with it and the decision making that went on at that time.

Hicke: Can you describe it from your perspective?

Powers: I was amazed that we as an American company could handle it so efficiently and smoothly with the Saudis, because the embargo was directed at the United States, clearly. The Saudis, in my mind, clearly differentiated between us as Americans and us as Aramcons. I would have thought that they would be highly suspicious of us administering their embargo. We had to administer it, we got our instructions from them, but we carried out those instructions to the letter.

Hicke: So they were anti-American, but that didn't mean they were anti-Aramco?

Powers: They clearly were not anti-Aramco, or they would have never trusted us to handle the most sensitive foreign policy issue that had existed in their lifetime. And they trusted us, and we sat down with them, we had daily contact with them, the people that we assigned to handle that embargo handled it absolutely impeccably, they didn't do anything they weren't supposed to do, they did what they were told to do by a sovereign government, and I am surprised that everything turned out as well as it did.

We put two guys in charge of it. One, Hal Fogelquist [spells], and Fred Moffett. Hal Fogelquist is still alive, in the Northwest somewhere, and Fred Moffett is now dead. Those guys ran that thing beautifully, and it was a complex arrangement, because we'd get new instructions from the government darn near every day, and sometimes two and three times a day. "Well, give our friends from Ceylon a special tanker of oil. You can load that." Or, "The amir of Tanzania called and King Faisal wants to accommodate him." So you see, there were all kinds of special categories of oil that they set up, and "take it out of this category, or take it out of that category."

"Well, where do we get it? You've got these other guys you're going to--"

"Oh, well, go ahead and accommodate them," and we were left to referee and do all that stuff. And including handle all those sensitive sales to the United States.

Hicke: Let me ask first, why do you think they trusted the company so much?

Powers: Because we'd built an absolutely sound relationship with the Saudi government over the years, and they knew they could trust us. I would say that there wasn't an element of distrust whatever in how that situation was handled, and in most situations with the Saudi government. Saudi government knew if Aramco said they were going to do something, they were going to do it.

We had our counterparts in the government, and we'd worked with them for years. We were on first-name terms with all the ministry people, and they didn't have a lot of staff to run numbers and everything, and they'd often ask us for numbers that hurt their position, or that we could have changed to hurt their position or make our position look stronger. Well, we didn't. We gave them the numbers they asked for. They knew that that's what they were getting, and the guys that they did have were smart enough to see through anything, and it really would have been absolutely devastating to get caught in any kind of subterfuge.

Hicke: When you say "they," are you mostly talking about Yamani and Faisal?

Powers: Yes, Yamani, Faisal, but it extended right on down to Knidr Herzallah, Ahmed Zamel, his representatives in Dhahran and Riyadh that oversaw the embargo itself--they were our daily

contacts on it. And some of them whose names I'm not going to mention weren't all that competent, but they depended on Aramco to do their homework for them, too. They asked us to. Because they just couldn't do it. But that didn't make any difference, we did it for them, and sometimes it hurt us--but we did it. We gave them the data they asked for, and we never left anything out.

Hicke: Can you tell me about the shipments to the navy?

Powers: I don't know enough about them to tell you. I know that that's one thing that never surfaced. I know that the government would have been highly embarrassed if it had surfaced, because here they are embargoing the United States, and still allowing shipment of fuel to the United States Navy, and on the same basis as before. There were explicit instructions; we got those instructions. They came verbally, but they came.

Hicke: Was this from the U.S. government right from the top, or what was the--

Powers: Oh, it had nothing to do with the U.S. government. We were told to keep right on delivering to the U.S. Navy by the Saudi government.

Hicke: But I mean who asked for the shipments to the navy? Somebody in the U.S. must have--

Powers: Oh, it was a longstanding arrangement. They just honored a longstanding arrangement.

Hicke: Oh, they did, without any pressure?

Powers: They didn't cut it off or bobble it or anything. And the Saudi government would have been tremendously embarrassed, and I'm not even sure I should be mentioning it at this date. It could still be an embarrassment, I suppose. But the Saudis honored that agreement that they had with the U.S. Navy and allowed us to honor it, and told us in fact to honor it.

Hicke: That's really impressive.

Powers: It was, because it could have hurt terribly. It would have looked like a sham. Here we are, embargoing Europe and the United States, but the Danes are our friends, so we'll give them some. [laughs] It was ad nauseam, the loopholes that they would think up. And every time a new cable would come in to King Faisal, he'd give it to--

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Powers: Every time a new cable came in to the king, he'd give it to one of his staff members to handle. "Now, you handle this," and of course, they'd come over and they'd get Moffett or Fogelquist on it, and they really just followed SAG's [Saudi Arabian Government] wishes, but they handled it brilliantly, they really did.

Participation Negotiations

Hicke: Meanwhile, the price of oil was going up?

Powers: Oh, the price of oil was going up. Here again, how do you know how things would have turned out. But I think if our four U.S. shareholders had been more perceptive--well, we couldn't have ended up worse, let's put it that way. Or we might have ended up a lot better, in world oil prices. But things were caught in such a maelstrom, there was such a tug-of-war going on between Iran and Saudi Arabia, each trying to outdo the other.

Hicke: Out-produce, or--?

Powers: Out-charge, out-earn the other, not necessarily out-produce, but charge more, and of course, when Iran jacked up the prices, why, Saudi Arabia said, "Now, we've got to jack them up too." Frank and I got caught in the middle on that issue four or five times, because the U.S. shareholders said, "No, we're not going to increase prices. We're just not going to pay any more for the oil." And then they'd send Frank and me in to talk to Yamani, and tell him why it wasn't in his best interest to increase oil prices. Well, of course, that's pretty hard to do. [laughs]

Hicke: Yes.

Powers: And Yamani saying, "Well, look, I can't get less than what the Iranians are getting. His Majesty has told me that I have to get at least what the Iranians are getting, maybe not any more." So we tried to haggle with him, because, well, we were only going to give a nickel a barrel or whatever the number, eight cents a barrel as I recall, more on the same grade of crude as the Iranian grade of crude is getting a nickel more on. Well, that excluded almost all Saudi crude, because we weren't selling much of the same grades. And Yamani said, "No, I've got to have eight cents a barrel across the board on all crudes."

So Frank and I thought that was the best offer we were ever going to get in our lives. So we went back and called the four U.S. shareholders and told them, "Well, Yamani has agreed to settle across the board for--" oh, did we get a tongue-lashing, oh, boy. "You guys encouraged Yamani to do that?" and everything. We didn't encourage him; you don't encourage Yamani to do very much. He does things just as he likes, and when they came up against him, they ran up against the same thing. But when we were the buffer, why, it was easy to shout at us.

Hicke: You were caught in the middle.

Powers: They couldn't shout at Yamani.

So at any rate, we were back with what we thought was the best offer. Well, everything--that eight cents a barrel, I don't know if it would have held the line for a month, a year, or a day, I really don't know. I just know we didn't try it. The U.S. four were infuriated with Frank and me, just infuriated. We had to fly up to Athens to get shouted at on the telephone. They didn't feel the phone into Arabia was secure, so Frank and I get on a jet, four hours up to Athens, get shouted at, four hours back.

And they chose--these things are humorous now. And they were then; Frank and I could even laugh at them then. We laughed at them all the way on the way back on the plane, because it was so unrealistic. It wasn't the real world. Because it was easy to sit in New York and tell us to do that; "Now, you go back and tell him that--." And always the key was, "Tell him it isn't in his best interest to do this." [laughs]

So Frank and I would get back on the plane, and we would laugh. But to call us all the way to Athens, four hours each way, just so--and they elected a spokesman, they always did this, and then they'd rehearse. Then he knew exactly what to say, if he was talking to Yamani, they'd rehearse all their lines, if they were talking to us, they'd tell their chief spokesman, "Now, remember to tell Brock and Frank this, and remember to do this." And then poor Henry Moses got elected that time to be the guy that took us to the woodshed. I felt sorry for him, because he obviously found it distasteful, because Henry was a real gentleman, and a very suave individual, a lawyer.

Hicke: It strikes me, and I'm just throwing this out for your consideration, that a lot of this happened because the source of power in all this was kind of amorphous, or maybe it was disparate or--

- Powers: No. The source of power was truly the Saudi government, the Iranian government, and the oil companies refused to recognize that for literally years and years and years.
- Hicke: So they thought they were--? Oh, okay.
- Powers: They thought they had the power, and they did for years. They relinquished it very hesitantly. I guess that's natural, because their empire was coming apart. But they refused to recognize where the real power lay.
- Hicke: And that's what you were caught up in.
- Powers: We were caught up in it, and Yamani was pushing participation for years.
- Hicke: Right, that was another factor.
- Powers: And they were fighting participation tooth and nail. Whereas, they didn't end up any worse off or any better off by having fought it. I remember a trip I made to New York, and I got really yelled at by a guy named Gus Long, who was out of Texaco, and really belonged in the age of dinosaurs, he really was. Annapolis graduate, ran Texaco absolutely as a single-handed dictator. His own people were scared to death of him, all of them called him, "Yes, Mr. Long," "No, Mr. Long," I couldn't believe it. I went to a luncheon once, and all the top dogs were there. "Yes, Mr. Long." "No, that's right, Mr. Long." I couldn't believe it.
- So he was so mad at me, because he asked me a question straight on. He said, "Well, do you think participation is going to--how are we going to be able to stave it off from now on?" I said, "You're not going to stave it off. It's here, you might as well recognize it and accommodate to it." And boy, he just--oh. He went through the ceiling. I just told him that the Saudi government was going to prevail, and that was it. "I hate to hear you talk that way, that defeatist attitude will never get us anywhere. I was dealing with the"--and he used the word--"savages years before you were."
- Hicke: Oh, dear.
- Powers: But I just plain told him that participation was a fact of life, and that if they wanted to keep it from becoming confiscation, they'd better accommodate. Because, in all fairness, Yamani wasn't heavy-handed, Faisal wasn't heavy-handed. The shareholders had such a vested interest that they were afraid of losing that it was just a monolithic standoff in all senses of

the word, except the shareholders didn't realize that they were playing the losing hand. They didn't hold the right cards.

Hicke: Well, it's always struck me that Aramco was not nationalized as other oil companies were. How do you explain this?

Powers: Well, because Tariki wasn't there, because Yamani and Faisal were. That's the reason we didn't get nationalized. If Tariki had been in power, I'm convinced we'd have been nationalized. The key factor was truly the personalities involved.

Hicke: That's kind of the great man theory of history, in which the person who's there at the time makes a crucial difference.

Powers: Makes a crucial difference. Yamani did not want to kick the oil companies out. He didn't want to nationalize. That wasn't his nature, wasn't his character. He didn't see that as in his country's best interest. We couldn't tell him that it wasn't in his best interest to do one thing or another, which we always tried to do. But when he recognized it, it was fine, and that was just the way it had to be.

Faisal clearly recognized it, because the oil companies had really, in effect, built the country itself. They gave it the structure that it's got, gave it the impetus to come into the modern world. And the oil company hadn't been a real interference in the--we didn't try to run their politics, like the British did in their various concessions; we didn't try to influence anybody to do anything other than make sure that we got the oil we wanted, got it out of there. We pretty much obeyed all the laws we could. We trained Saudis, which was a prime requisite. We were doing basically all the right things--maybe not as many of them as we should have, but we were--and Faisal and Yamani both recognized this. And as a result, they really did not have a grudge against the oil company like the Shah did in Iran, and like they did in Iraq. Both because of, I think, in large part, the British influence. Because the British meddle in internal politics terribly when they get a country in their grasp.

Hicke: Yes, well, they had several centuries of practice.

Powers: Several centuries of practice, but the oil companies were very slow in recognizing that the government of Saudi Arabia had its own aspirations, and its own agenda.

Hicke: The shareholder companies?

Powers: Yes. Because they had their own aspirations and agenda, and they didn't want to let go of this kind of--. See, they thought that all the oil that not only they sold but that they had discovered and was still in the ground should be theirs. They wanted compensation for all the oil still in the ground that we hadn't taken out yet but that they had discovered. Well, there's an element of logic to it, but not to a Saudi.

But that was a time of really interesting negotiations, because Yamani, who didn't have a staff, would come up against these titans of the oil industry who had people running out there, running numbers, doing everything, coming up with every reason why not to do something, writing position papers, memorizing counterproposals and--oh, you just name it. And Yamani would get out of bed, eat a leisurely breakfast, and all our guys are over at headquarters churning out last-minute position papers.

And they just used so much talent and so much time on things that both Frank and I recognized as foregone conclusions. And it ended up just exactly where it was headed, no matter how much effort we put in to all this stuff.

Hicke: And Yamani had no staff, to speak of?

Powers: His staff basically consisted of one man, Khidr Herzallah, a Saudi nationalized Palestinian. He's still there, he's still a deputy minister who works for Yamani--not Yamani, but the minister of petroleum, Hisham Nazer now. An extremely bright, competent man, and a reasonable man. For a guy that was in a position of being a naturalized Saudi, which are very, very few in number, and it's so noted in their passports, he did a lot of things on his own that were in the government's best interest, but also to be helpful and accommodating to the public. He was very good. I don't think you'll find anybody in the company that didn't trust him and like him.

Hicke: I've kept you talking a long time, I'm afraid you're getting hoarse. So maybe you could tell me what are the highlights that we still need to hit?

Powers: Oh, boy.

Hicke: There's so much happening in the seventies that I don't know where to start asking you, and I don't want to keep you talking forever.

Expansion of Production in the 1970s

Powers: Well, the seventies--here again, I've really hit on the highlights of the seventies, because that's when the production went out of the roof, and that's when all these major negotiations were going on. That's when the embargo took place. The eighties were a time of retrenchment and falling back and a fall in oil prices and a lot of things like that, and it's a big change.

But the big changes in our activities were during the seventies when our facilities just built up through the roof. We put in enough to produce on a sustained basis ten million barrels a day, and that of course is more than the United States produces. Russia is the only country that would out-produce that, and they'll go under that pretty soon just through normal decline in the reservoirs.

So Saudi Arabia will be left for some time as being the top oil producer in the world, as far as capability. And when we did that, we did things that had never been heard of outside of I'd say a military operation, a war, because we had to mobilize hundreds of thousands of people. We had to move them and house them over there, we had to give them swimming pools, we had to build movie houses, we even went to the Far East and brought back a number of barges that we just stacked houses on to house 2,000 to 6,000 Filipinos in, but they had to have ping-pong tables and rec rooms even then. We had to build outlying camps that housed thousands of people, that housed thousands of construction workers. At one time, we had twenty-two nationalities working for us. We were spending billions of dollars.

And then on top of that, Frank gets the bright idea that the way to really tie up with the Saudi government--and when I use bright, I mean truly bright; I wasn't being facetious. It sounds like it, but it was, on top of the oil expansion, then the government says, "Now, you conserve all the gas. You can't burn any more gas, and I want all these flares out in X number of years." Well, we're burning five to ten billion cubic feet of gas a day. Well, that is just an inordinate quantity of gas. You've got to process it, squeeze all the liquids out of it, sell what you can, make everything else out of it.

That just doubled and tripled our capital budget right there, and then Frank gets the idea of lashing the Saudi government to Aramco and making us dependent on each other so

that nobody can ever kick us out. And he was right, he was right. He offered to electrify the Kingdom, the Eastern Province to start with.

So he put together, and we worked on it for months--a couple of years, as a matter of fact--making presentations to Yamani on electrification of the Eastern Province, which up until then was just a series of little, tiny municipal electrification systems, each with its own generator and its own voltage sometimes. Some were on the French system, some had been put in by others; depended on whatever the municipality had bought. And then a lot of times, the electricity failed, you've got just one generator in the whole town.

So Frank had the idea and we put together the cost. The owner companies were dead set against it, dead set against it, because they thought--and they had reasons for it. They saw it would diffuse our efforts from the oil and gas business, because here we were building power lines, whole substations, whole power plants, everything.

Well, Frank sold it to Yamani, and that bypassed them. That didn't make them particularly enamored of Frank or me, but that's neither here nor there, just that the government bought it. And now SCECO extends I think all the way to Riyadh, Saudi Consolidated Electric Company. We seconded people to it, we staffed it, we did everything and built up a whole separate company. Shares were sold in it to the Saudi public. We still had to finance it. We financed it with government funds that we just didn't pass on to the minister. We just took it out--we got to the pot first. Thank God the owner companies paid us directly, then we took the money we needed, and what was left over the government got. Which is not the way the minister of finance likes things.

I was sitting there with Frank one time, and we were in front of Mohammed Abu Al Khayl. He said, "Frank, I want that money to pass through the finance ministry, and I'm going to tell you right now, I'm going to direct you as a minister of this government that you go set it up to do so." Of course, Frank said, "You'll have to talk to Yamani." [laughter] That was the only answer he could give.

So then that one added another couple of billion a year, and now that's accomplished. It's a going concern, apparently it's a blessing to the kingdom.

And then I'm trying to think of a couple of other salient features that went. Boy, we had construction camps so big you

couldn't believe it. Every nationality--we had to police them, provide security. Now the Saudi government provided the military security, but I'm talking about internal, just like the Austin police department, we had to run that. Had to run everything: the bowling alleys. Just unbelievable.

But we got it all put together. We had every pipe factory, every shipyard in the Far East tied up doing orders for Aramco. At one time, and it sounds like I chastise the parents [oil company shareholders], and I kind of do at times, but that doesn't make any difference, they had very competent people. But one time, they sent over their technical staff, and we had just gotten the gas program under way. We had, like I say, every ship railyard, every foundry in all of Japan, all the pipe mills were turning out stuff for Aramco. And ships at sea, you couldn't believe the number of materials that were being fabricated to build the gas plants, the gas processing plants.

Well, suddenly one of the bright owner company technical people says, "You're spending too much, and we can do it for a fraction of that." So they mentioned this to Abdul Hadi Taher, who at that time was governor of Petromin, which was a subsidiary of the ministry of petroleum.

Well, Abdul Hadi Taher, who sat on our board at the time, blew the whistle. "No more comes in, no more." and God, we had things piling up in the Philippines and all over the world, billions and billions of dollars worth of stuff, that was coming out of the foundries, the sheet metal that was still hot. We had to stop everything, because we're not to spend another penny, all because an owner company said it could be done better.

So a year later we had surplus material, had so much surplus stuff you couldn't believe. By that time, we couldn't put it anywhere.

Hicke: What year are we in now?

Powers: Probably '81, '82, something like that. And we're infuriated, because we know we're doing the best job we can, and by the time it's all over, we've wasted roughly a billion dollars--that was roughly what that little flap cost us--and we're a year behind schedule. And it turns out we were doing it just right, and the costs were just what we said they were going to be. It's just--by their saying that to Taher--and they did it, they deliberately went to him to tell him that we were fouling up in order to build their own image.

And then the other thing they did that is critical in the last years of the relationship, that directly helped lead to the government takeover--and that was going to happen anyway, don't get me wrong; there is no question about that--was they tried to insinuate themselves into Aramco by offering all kinds of talent on loan. Oh, Aramco's full of owner company people that have been seconded from the owner companies. They're not Aramco people. That's what made Aramco so successful: everybody there was a career employee. They didn't have a two-year job to do and then go back, because their interests aren't there then. Their interests are still back in Hoboken or wherever their head offices are. The British found this out for years, in Kuwait and places like that. They only seconded people there for two years. Well, they lost records, they lost continuity, the people didn't care, they really were back in Gulf Oil Company's headquarters in Pittsburgh or wherever it is, and they weren't career employees like Aramco had.

Well, now Aramco's full of owner company people, a lot of them dregs that they shoved off on us, because they were trying to clean their houses! [laughing] And then they got a fee for it from the Saudi government, for this so-called technical support. That was how they were going to keep Aramco and their oil in their hands.

So they formed a separate company, and that was called STEMCO. I don't know if anybody's mentioned STEMCO.

Hicke: No. STEMCO?

Powers: STEMCO, and that stands for Socal, Texaco, Exxon, and Mobil. Somebody back in New York thought that one up. And they were going to give advice to Aramco. Of course, it's just another layer of people on top of Aramco, and they got in our hair, because they had the authority to give us that advice, plus they talked Yamani into it. Yamani just let them do it. He didn't really care one way or another. What he was looking for was a way out of all the money they were making so that more of it could end up in the government treasury.

So they ended up with a--and I don't know how this ended up, I was not involved in it--but they ended up with a twenty-two cent a barrel fee finally, instead of a profit, from the barrel of oil when they sold it back in the States. Every barrel they lifted, they got a twenty-two cent fee for delivering it and taking it away, and that was their revenue.

Hicke: STEMCO?

Powers: Yes. It went back to the four owners just like it used to. So instead of taking--here's how I think it worked. And again, I'm a geologist. [laughter] But they used to lift the barrel of oil, they'd pay the government the royalties and the taxes for that barrel of oil, and then they'd go sell it for the best they could, and they'd keep whatever they got over the costs, you see. That's how they would get--it was passed back to Aramco, and then on to them through dividends.

Okay. Under the STEMCO arrangement, for each barrel they lifted, the government just gave them twenty-two cents, and everything else had to be repatriated to the government.

Hicke: Why did the government agree to this?

Powers: Well, because it was a better deal for them. It was less for the oil companies. See, twenty-two cents a barrel: they were making more than twenty-two cents a barrel on the earlier arrangement. So under the agreement, it's a fixed number for each barrel they lift now, you see, and that's what they've got; everything else has to be repatriated on a posted price basis, and that's fixed. And that's how the company has to account.

So that put the revenues at twenty-two cents a barrel, and I think that's dead now too. I don't know how the arrangement works right now. I don't know who gets the money any more or anything like that, because I'm not privy to it and I really don't care, but I just know that STEMCO is dead. That was where I got into terrible hot water with the four owners.

Frank asked each top executive to write a memo on what we thought of STEMCO, so he could talk to the four owners on it. Well, I wrote a blistering letter. Turned out everything I said was just exactly what happened, really, but it was doomed to failure. You can't have it in there sitting in the middle between the government and Aramco. It just isn't workable. But I gave many more sound reasons than just that as to why it wouldn't work, and they figured in a hurry whose memo that was. That really hurt.

Hicke: The truth hurts.

Powers: Yes. Well, it hurt me. It hurt me more than anything, in terms of--and it didn't help Frank.

So that pretty much brings us up to date on the key things that I can provide. Let me just quickly whip down this list and see if any--

Hicke: Yes. Well, I think we missed a few things, because the last time we heard from you, you were senior vice president.

Vice Chairman, 1978: Working with John Kelberer

Powers: Well, I became vice chairman in '78. And that's when we were having the big problems with shareholders, and that's when Frank was relieved.

Hicke: So you worked with John Kelberer for a while?

Powers: I worked with John Kelberer. He asked me to stay on; I said I'd stay on a year, which I did.

Hicke: And then you retired in '79?

Powers: March of '79. Took the company jet back here with Marte and one cat. We'd shipped the dog and other cat on already.

Hicke: So can you give me a few impressions of John?

Powers: An inordinately capable man. Frank and I picked him out of Tapline. At one point in time, Tapline was a really separate company. Then in order to draw it back into the fold and make it not operate so independently, I was made president of Tapline in addition to being senior vice president of Aramco.

Hicke: It's too bad you had nothing to do all the time!

Powers: Oh, I enjoyed that assignment, I'll tell you. Going to Beirut, Marte and I. God, they'd treat us like kings, which we didn't want, but the Lebanese were just so gracious. I was president for a number of years, and during that time, both Frank and I recognized John as being way above his capabilities in Tapline. Tapline just didn't have the need for a man of that quality, particularly with his handling--I finally got Tapline fully merged into Aramco, which was the directive Frank gave me at the time that we started down that road.

But John was well liked, very, very smooth. By that I don't mean he was crooked: I wouldn't even imply that, because that was not what he was. He knew how to work with people and manipulate them to where he got what he wanted, very good at that, very good without doing anything untoward.

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Powers: He was unique at working with people.

Recollections of Working with Frank Jungers

Powers: The most unique man I've ever met at working with people is Frank Jungers, clearly. He had more workable solutions to any problem than any man I've ever known. He can come up with unique, competent approaches to problems that other people never even dream of. He's a very unique individual. John didn't have that talent, he had the talent more of working with people to get them to do the things he wanted. But Frank would come up with the ideas himself. Like his electrification idea.

Hicke: So he has a wide-ranging mind?

Powers: Oh, absolutely. Absolutely one of the most competent men I've ever met. And I've met lots of them. But Frank is one of the most innovative people I've ever met. In fact, I think if you just had to guess, he's right at the one or two top people I've known in their innovation.

See, a lot of people have lots of ideas, and we've had a number of those in Aramco, but at least 75 percent of them are unrealistic or bummers that are going to fail. When Frank has an idea, it is going to work, and it often is unique. That used to be his strong suit. I noticed that time and again. He and Paul Arnot would lock horns, because Paul Arnot was out of Abqaiq too, and Frank followed him through that district manager slot, which Paul had been.

Well, Paul had cherished the idea about how Abqaiq should be run and what should be done down there. Frank would come up with some innovative employee benefit or something like that; Paul would just dismiss it. Just dismiss it, say, "Well, Frank, that's a--." And Frank would say, "Now, wait a minute, Paul. Don't dismiss it out of hand. Listen to what I've got to say, and I've run these numbers, and this is what it looks like," and pretty soon Paul would buy it.

Frank had the unique ability to do just exactly that, and come up with--and he could work with Yamani better than anybody

I ever saw, except Bob Brougham. Bob Brougham and Yamani were close personal friends. Frank was a friend of Yamani, but not anywhere near as close and personal as Brougham was.

And Yamani and I got along, but we were so different, because he is built out of a diplomat's cloth. He's the--I don't know the consummate diplomat, or something like that, certainly not Henry Kissinger, but along those lines where you think like that all the time, and you look at the broad picture and synthesize ideas and concepts.

Frank can do that. Frank was the best of all the CEOs I think we ever had, as far as being innovative, and he was always thinking of how to make sure that benefit plans were at the forefront of their time and everything. And he had a lot of trouble with the four shareholders, because see, when you've got four shareholders, the least common denominator prevails. So in industrial relation policy, we always ended up with Texaco's plan, because they were the least humane or--I can't think of a word.

Hicke: Paternalistic?

Powers: That's the word, exactly. And Exxon and Chevron were the most paternalistic, by far. Mobil was in the middle. But Texaco, we got caught time and time again because, "We can't give you something more than we've got, than our own employees get." So we ended up with that problem.

Hicke: That's a good insight, though: you have to take what the lowest common denominator was.

Powers: We did constantly.

Hicke: Partnership.

Powers: But Frank managed to work around that in a number of important cases. I couldn't cite one right now, but he did. And certainly in our medical facilities and medical benefits, oh, he got something done that I don't think any of the four U.S. shareholders ever got done. He got our benefits plans fully funded and our medical plans fully funded, so that they were in the plus side. When Frank and I left there, every fund, we had the annuity funds and things like that, was way over funded. I

suspect they still are, if they're still following the same procedures. But he, boy, getting that through the four U.S. shareholders, that was a miracle. But he did it.

And he's still doing miracles, really, because I've been sitting in his office or his desk, something like that, when he's gotten phone calls from some of the chairmen of the boards of directors that he's on. Boy, they really think the world and all of him, and consult with him to make sure that they get his input in almost all they do. Very unique man.

And so was John Kelberer, but nowhere near as innovative. Nowhere near as innovative. And I'm not saying that to be critical, because almost nobody else is, either.

Aramcons and the Corporate Culture

Hicke: Sounds to me like Aramco has had more than its share of uniquely competent people.

Powers: They did. And another thing I would venture to say about Aramco: I do not recall--it had to go on, don't get me wrong, it had to go on--I do not recall anybody in management from the manager level on up ever backbiting somebody else because they got the job or got the promotion that they didn't get, or do any infighting or try to say something--I don't recall that ever happening. I know that it's got to have happened, you just can't have a big organization--it's just human nature to have that happen. I do not recall anybody ever saying a snide remark about somebody who got a promotion, or a break, or anything like that.

I just remember, because I had such respect for the people that I worked with, and for, and worked for me. Because they were a talented lot, very talented. And don't get me wrong: we had our category fives, as we call them, and fours, category one being the top, and going on down, you had to grade on a bell curve for people to get promotions and raises. But we had category fours and fives, but we either weeded them out or put them somewhere where it wasn't devastating to fire them or

something like that, and then managed to make them do a credible job where they went.

But I don't remember ever hearing a backbiting word about--oh, Paul Arnot and Bob Brougham used to just go out and hammer and talk, but they did it right in front of everybody, and it wasn't nasty in the usual sense.

Hicke: Somebody at the top somewhere must have established that kind of policy a long time before.

Powers: Oh, this tenor was established by Fred Davies and Tom Barger, absolutely. This tenor was established. They're the ones who agreed they weren't going to build separate executive housing, and they perceived that it would do just what it would have done. As it was, the electrician lived next to the president, and that's the way it worked.

And everybody socialized with everybody, across the spectrum. And that was another thing, there was a tremendous social life. There was a lot of partying. It was a British Africa kind of arrangement, where you had a lot of guests and the parties and things like that. You didn't have the club house you had in the British colonies, but you had the social life.

Hicke: Makes for a good cement.

Powers: It made for a good cement, because contrary to the British, it wasn't stratified. Quite contrary. But it was clear across the board. Marte's best friends are still the ones she made in Arabia, and a lot of them were draftsmen, which were--I mean, I don't have anything against draftsmen, but they're not top management or anything. It just went clear across the entire spectrum. They entertained us just as much as we entertained them. It was a unique social structure.

And as I mentioned up there, the only place I know where you had that and the educational level was possibly when they put that group together to build the atomic bomb at Almagordo, where they ran a highly educated group and a top technical group together into one compound, and they all had--they wouldn't let them out to socialize, they had to internally socialize just as we had to do, except for occasional trips to Saudi's homes.

But I can't think of another compound arrangement that would approximate that. You wouldn't have gotten it in the Canal Zone, because you didn't require college degrees for a lot of that.

Hicke: Okay, that's what you were telling me at lunch, but we haven't got on tape yet, that you said practically everybody there had a college degree.

Powers: In Aramco.

Hicke: Yes.

Powers: Exactly, they did. We were all professional people, basically, including nurses, you see, and everything like that. Now, there would have been mechanics, electricians, and drillers, many of whom did not have college degrees, but we socialized across the board with them just as much. In fact, [laughs] that picture you see up there, you see her, the lady with the pan?

Hicke: Yes, the large one.

Powers: Yes. That was over our top driller's bar for about ten years, sideways. [laughter] He called her Mother. We gave her away. And then when we went to leave Arabia, he said, "Would you like Mother back?" [laughter]

Hicke: Oh, that's great.

Powers: So she's seen a lot.

At any rate, everybody, it was a cross-germination arrangement that was just amazing. But like I say, I don't think you could ever get that kind of a college level group together in one spot, or as technically competent a group in all respects as you had in Aramco at that point in time. Just amazing, the combination. Plus, it just takes, like I said, a certain personality to go to Saudi Arabia in the first place. You've got to have something wrong when you--you know. You either have been come out of the marine corps or something equally foolish.

- Hicke: It doesn't seem so unusual to me to want to go, but to want to go back and to stay there for a long time, I think that's what seems the most unusual.
- Powers: That's right. And you know, I was very reluctant to leave, and I'd been there thirty-three years.
- Hicke: Yes. That's truly amazing.
- Powers: And Syd Bowers that I told you about, he's been there over forty--he was, until they threw him out, and he's just miserable. Just absolutely miserable.
- Hicke: He's the one that you said just goes from place to place now because he can't go back?
- Powers: He has an apartment share plan in Las Vegas, which is totally out of character for him, with the bright lights, but the only reason he likes Las Vegas is everybody else there is from someplace else. Nobody else is from Las Vegas. Nobody was born there, nobody lives there. That's a sort of a root, but he will only stay there two or three days at a time. He came here, and gosh, I saw him half a dozen times about a month ago, and he moved hotel two times while he was here. He just can't sit still. He's miserable. He really--I probably shouldn't say this--but he really wanted to die and be buried there, that's what he wanted. Because it's free, you see. He loves free things. [laughter] He wanted to be up in what they call the reclamation yard, where the cemetery is.

But everybody in Aramco knows Syd. He used to end up wearing all my old clothes that Marte threw away. He was one of the most frugal people I've ever known, but when he gets out, he stays in some of the best places. Amazing man. Keen brain, keen mind.

I'm trying to think of anything else that might be--let me just quickly look down this list that you had.

- Hicke: This list was just a stab in the dark.
- Powers: Well, we've touched on a lot of it, but not systematically I'm afraid.

Hicke: Oh, I think we did pretty well.

Powers: Oh, incidentally, a friend of mine sent me this just a couple of days ago. He also is shown on it as deceased.

Hicke: Oh, what have we got here?

Powers: That's the *Aramco World*, which was a publication put out by the company. It was our slick publication.

Hicke: My goodness. Richard Powers.

Powers: Yes. Whoever wrote that article didn't know me, because I've never been called Richard.

Hicke: Is that your real name?

Powers: Yes, that's my real name. Brock is the name I go by. That's what everybody knows.

Hicke: I didn't know that. Do you sign your legal contracts and all that--

Powers: I sign everything R. W. Powers.

Hicke: R. W., okay, I guess I did know that.

Powers: But I always--nobody knows me any way but Brock.

Hicke: Where did he find this?

Powers: He found it--it's written on the back--he found it in one of his old *Aramco Worlds*. I don't remember that picture ever being taken, and I don't remember ever being in the *Aramco World*. The only picture I had taken was a big one we've got about this big when I was on the exploration party, big beard--

Hicke: Four by six feet, it looks like.

Powers: Well, yes--

Hicke: A beard? You had a beard?

- Powers: Everybody signed it when Marte and I left at the party; there were over 400 people there.
- Hicke: Did you grow a beard when you went on--
- Powers: Out in the field, yes--
- Hicke: --field, because you didn't want to shave--
- Powers: I was out for a while with a two-man party, just two of us out in tents, and I just didn't even want to fool around with it, because we'd go to work just as soon as the sun came up, you see, and come home by car light. *Aramco World*, September '54 issue. That would have been when Marte had been there and I would have been--but I never knew I was in it.
- Hicke: [laughs] Well, I really do thank you so much.
- Powers: Well, I appreciate your coming, and all your effort to put this together. I'll be interested to see what happens on it. Let me see, I know that list is--[looking through papers]
- Hicke: Oh, yes, you were going to look in your--
- Powers: I was just going to look to see--members, board of directors, okay. Executive management committees, what were they, who headed.
- Hicke: I kind of have figured that out, other people have told me a lot about that.
- Powers: Yes. Okay. Problems with Saudi workers, except for Rock Wednesday, just the normal ones.
- Hicke: And I've also heard about the Committee on Agreements and Negotiations, unless you have some particular--
- Powers: No, the only reason they had a Committee on Agreements and Negotiations was to exclude the Aramco member of the EXCOM from being involved so that he didn't get in cross-threaded with the Saudi government. Recognize Fred Davies--yes, I remember that gentleman well. God, what a fine gentleman. His wife was a jewel, too. Tom Barger, Floyd Olinger--Floyd was a character. He just died.

Hicke: Did he? I didn't know that.

Powers: He just died this week. Well, or within the past couple of days--or the past month, let me put it that way. Frank Jungers--he's still alive. Others--Frank, amazing man. Can't say too much good about him. He really had the company's interests at heart. He had Frank Jungers' interests at heart too, don't get me wrong. He's a very stern, competent man. And when you have that kind of competence, you tend to overrun some people sometimes, because you know you're right, which he often did. He had some people get angry at him for those sorts of things, but his competence way overweighed any shortcomings. I never found him to have shortcomings really. I've known Frank for just about ever, and I've always had nothing but the highest respect for him.

Life in Dhahran, yes. There was one.

Hicke: Yes, we talked about that.

Relationships Among Owners, Producers, and Competitors

Powers: Formation of OPEC. That, the formation of OPEC, it was formed really before I was in any position in the company to be that interested in it. Role of Abdul Tariki, I've talked about him. We'd have been nationalized years earlier. There'd have been a Saudi Aramco twenty years earlier, and you wouldn't have had expatriates still there from Aramco. Aramco wouldn't have been an active company still if Abdul Tariki had been there. He'd have brought in expatriates from other countries.

Relationship between the company and the king: mainly, our relationship was with King Faisal. The subsequent kings--Fahd, Khalid, we had relationships with but nowhere near the contact we had with King Faisal. I've got a picture in my granddaughter's bedroom, you can't see me because I'm cropped out of it, but I'm right behind King Faisal. [laughter]

Relationship among owners: very suspicious, got along amazingly well with the diversity of interests they had and with the competitive arrangement they were in. I'm amazed, and I

always was amazed, when they could come to some meaningful decision that was positive to Aramco and wasn't one they wanted to make for their own company's sake. Often, they wouldn't make the decisions like that, and they'd just sit on them for years and years and the same thorn would be there for years. But every once in a while, they'd come through with things that they realized had to be in Aramco's best interest and not their company's, and they'd go along with it.

Amazing group of people, too. I had tremendous fondness for some of them, and tremendous respect for a number of them. A number of them were--and it often depended on which company they came up in, because company management tends to use a sieve that's in their own likeness to let people pass through to replace them.

Mobil was the worst in that regard. They had a chief executive officer there who I thought the world and all of, a guy named Raleigh Warner. He's still alive and he's still active on various boards. In fact, where did I see he's on a board here just recently? I saw him on a board. I thought he was honest as the day is long and everything, but he brought along a guy that he let do all his hatchet work for him, I guess with his tacit approval, or the guy couldn't have done it.

Well, his character is flawed through and through. When you compare him with the others that are basically honest men.

Hicke: I thought Texaco was a problem.

Powers: Texaco was pretty much of a problem, but at least Texaco--Harvey Cash was a tough, mean man. I don't think he was basically dishonest. But Gus Long, who was Harvey Cash's immediate boss, was just a throwback, that's the only thing--he's a dinosaur that didn't die off. Like I said, he'd call them savages and everything else. And he ran that thing--there were foreign expenditures in the Texaco corporation itself, not in the shareholder group like ours, which is owned by three other companies.

In this game, when you're trying to get along with a group of four people, plus a fifth group, Aramco, putting it together and making it function, you've got to lay the things you can on

the table, and what you do lay out has got to be correct. And that wasn't the case in some instances.

Hicke: That would make negotiations pretty difficult, I would think.

Powers: Well, nobody trusted them. So it protracted everything. And even Yamani commented on it, but that's another story. But here again, Yamani was very even-handed with the four shareholders. He treated them all alike. I'm not sure with how much respect, but he treated them all alike. [laughter] And he couldn't have had that much regard for them, because they made such fools of themselves sometimes when they'd come up against him.

I remember one time in Geneva, we're sitting there in the--well, one of the main hotels, a very old one. We were sitting there downstairs, and we had rented this recital area. There was a piano sitting in one corner and a stage up in the other corner. Yamani chose to sit up on the stage, you know. And we're all these other guys sitting down around the table. They get out what we had labored over for days, what I called the green book, a book with twenty-eight questions to ask Yamani about participation. And there was an answer under each question, and they'd worked these questions and answers out with their staffs, and we spent midnight hours putting this damn green book together.

I got in hot water because I told them it wasn't going to work, because Yamani hasn't read the damn thing. He doesn't have a script. And he never operated by script, anyway.

Oh, he gets up on that stage, and Chuck Hedlund reads him the first question. It's memorized. Hedlund didn't have the green book in front of him. And the answer they want from Yamani is memorized and was written down in the green book as well! [laughing] Of course, Yamani sees through it, and he goes into his act, and he raises his hand, and he plays Hamlet and Shakespeare right up there in front of all of us, ignores the question, goes on to three other things that have nothing whatever to do with the question that Hedlund asked--so their script is destroyed with the opening question. And by then, they're answering something that they hadn't rehearsed, and it's just--and he's loving it! And he's a consummate actor, he really is. Bright man.

Hicke: I can just tell from your gestures.

Powers: Bright man, and it was all I could do to keep from bursting out laughing. I couldn't have known what Yamani was going to do specifically, don't get me wrong, but I knew what he was going to do in general, the pattern he was going to follow, and sure enough, he did. He left them just in chaos. Because they never got back to the green book again, and that was all they were authorized to speak on. It was their terms of reference which had been approved in New York City and San Francisco by their principals, and that was all they could talk about and were forced to respond--"Well, we're not authorized to even think about that, Mr. Yamani--"

And here they are making--they looked like what they were: errand boys. And you can't do that and cope with a problem of that enormity and complexity and a negotiation of that enormity without giving your people some latitude. And they were--boy, those four principals, which were the CEOs of the companies, would agree on the terms of reference, and that's all they would allow those guys to talk about. If he brings up this subject, you're not allowed to talk about it. You're to skip sideways. Or tell him it's not in his best interest. You know, this was the common phrase: "Oh, it's not in your best interest to go into that." And of course, Yamani decides what's in his best interest. [laughing] At any rate.

Hicke: Wouldn't they lose a lot of face?

Powers: Of course. And Yamani knew it. Finally, he said, "I want to deal with the principals," and he got the principals in there. They had also agreed on terms of reference. They worked all night and day on the terms. Same result, same catastrophic result. Yamani knew they were hobbled with terms of reference and so forth, and he'd jump off onto something that they weren't even prepared for or even discussed, and that house of cards just came tumbling down.

Hicke: Oh, that's really fascinating.

Powers: [reading outline] The Saudi social contacts, yes, relationships with Arabs, we haven't touched on that, but we had good relationships with a number of Arabs. There wasn't a lot of intersocializing, particularly, unless the people were in

commerce or contractors or things like this. Then we had a reasonable amount of social activity going on with them.

And some of them were much more social than others. Some of them never entertained. Others, like Sulayman Olayan, who I think had a third-grade education through Aramco and turned out to be a multi-multi-multi-multi-millionaire, and still is, he'd read extensively up in Beirut, had apartments in Beirut, had houses in London and in New York, and that guy was a cosmopolitan individual. He entertained extensively, and we got to his place a number of times. Yamani entertained frequently, and Yamani entertained Barger when he left, and Brougham threw a big party for them, and we flew everybody over to their place in Riyadh and Hadda. And gracious, extremely gracious hosts.

Relationship between the company and the king: the company has very little relationship with either Fahd or Khalid, because almost everything now is handled by Hisham Nazar, the minister of petroleum.

Relationship among owners--[laughs]. Very--

##

Powers: Well, amazingly successful, though, when you consider all the divergent objectives of their own organizations.

Role of the United States State Department: that was really a roller coaster ride, mainly because ambassadors are either career diplomats or just friends of presidents or other important politicians, like Jimmy Carter that are sent from Georgia. No, his appointee, West, was one of the best ones, as a matter of fact, but had no diplomatic training.

Hicke: Who was that, Aikens?

Powers: No, Aikens was a career diplomat. He was the guy that got frustrated with Kissinger.

Hicke: It was after him?

Powers: Yes. His name was West, I think, and he was a country boy from Georgia, and pretended to be--used it to great effect, and played the country bumpkin, but was smart, knew what he was

doing. He got along pretty well with the people. Aikens was an arrogant son of a gun, and everything was always in imperial "We did this, and we did that," and he talked down his nose at everybody. But I got along fine with him, but he's still an arrogant--I wouldn't get along fine with him in a social setting or anything like that.

And we had the ones that were absolutely impossible, those were the Congressmen and their damn staffs that they'd bring along with them. They were arrogant, overbearing, often rude. The worst one was "Scoop" Jackson, Henry Jackson, who was the senator from Washington.

Hicke: I've heard about him elsewhere.

Powers: He was just plain crude, and rude when he didn't even have any reason to be. All of them would come there and sing the praises of Israel, which is fine, that's their business, but why do you do it to Saudis, and just deliberately? It's a deliberate affront. And, "We're not going to change anything with our position with Israel, and if you expect us to, we're not going to do it for your oil or anything." This is so typical of them.

They'd bring along Jewish members of their staff, which I thought was a credit to the Saudi government which let them in. They didn't make any issue of the matter--it's just like during Desert Storm. Of course, they had different objectives then, but they never made any attempt to find out if they were of the Jewish faith or not.

Hicke: I haven't heard anything about him, Kamal Adham.

Powers: Frank can probably tell you as much about him as anybody. I've met him on a number of occasions. He is a white-haired gentleman, looks like Colonel Sanders, sits and smokes a meerschaum pipe, and looks very learned, and is. Speaks excellent English, and you would never know he was for many years head of what would be our CIA, Saudi Intelligence--it isn't anywhere near equivalent, but he was the internal intelligence chief for years and years and years. How he had latched in with the ministry of interior, I don't know. I just don't have any idea of how that was or worked.

But he was related to the royal family through marriage, and had a good safe berth, but they put him in charge of Saudi Intelligence, and he was well received by American intelligence agencies as well as by Aramco. We had an entree to him, and he never asked us anything about anything secret or anything about the United States or what our intentions were. He'd talk about Saudi problems and Saudi situations, and had a good grasp of what was going on around the world, very interesting man.

"Yom Kippur War."

Hicke: Well, we talked about that from your perspective.

Powers: Yes. "Changes in the oil industry"--yes. [laughter]

Hicke: I like that. "Oil as a weapon" was--I got that from a couple of books I read, which is all of what we've been talking about in the seventies.

Powers: Well, oil used in the right way could be an enormous weapon. It could bring the industrialized countries in large part, with the possible exception of England now, to its knees very shortly, if you really cut off oil on a systematic basis in the Middle East and maybe a few other OPEC countries. Boy! Japan is totally dependent, most of Europe except for the North Sea, and their production and refining are very, very far from being self-sufficient. We're a long ways from it. So if you put on a very active oil embargo, it could have a devastating impact in, say, three months to a year.

And this oil reserve, we're pumping oil into those--I bet they never get a barrel of it back. That would be my guess. I bet what is going to happen is it's going to be so saline and so hard to pump back and so expensive that they're never going to--and number one, they're probably not even going to get enough of it in there to make a big difference. I perceive that as a major boondoggle, because they're not going to maintain the equipment, they're not going to do this, they're not going to do that, unless it's imminent. And they won't know it's imminent until it's too late. So I don't see that as a factor.

The Prudhoe Bay, everybody talks about that, but that's already in decline in production. And besides which, so it produces 500,000, a million barrels a day? That's a fraction of

what we use, you see. It just isn't going to make a big dent for a long, long time, over a long period of time.

Do I hear someone? Oh, I think your luck's about to run out: you're going to meet my granddaughter.

Hicke: Good!

Powers: Oh! Run for the hills.

Hicke: I hope you have a voice left tomorrow.

Powers: Oh, I will, I will. I'll drink a martini tonight, and it'll be fully restored.

Hicke: I just can't thank you enough for the time.

Powers: Oh, I appreciate your coming all this way, and I wish you well on your future contacts, and if you have anything whatever that you want that I can provide, I'll be glad to do it.

Hicke: That's terrific.

Powers: And you can call me, or I'll try to write it out. I'm terrible at writing: it's a labor of work, but--

Hicke: I'll remember that. I'll come back again.

Powers: Please do.

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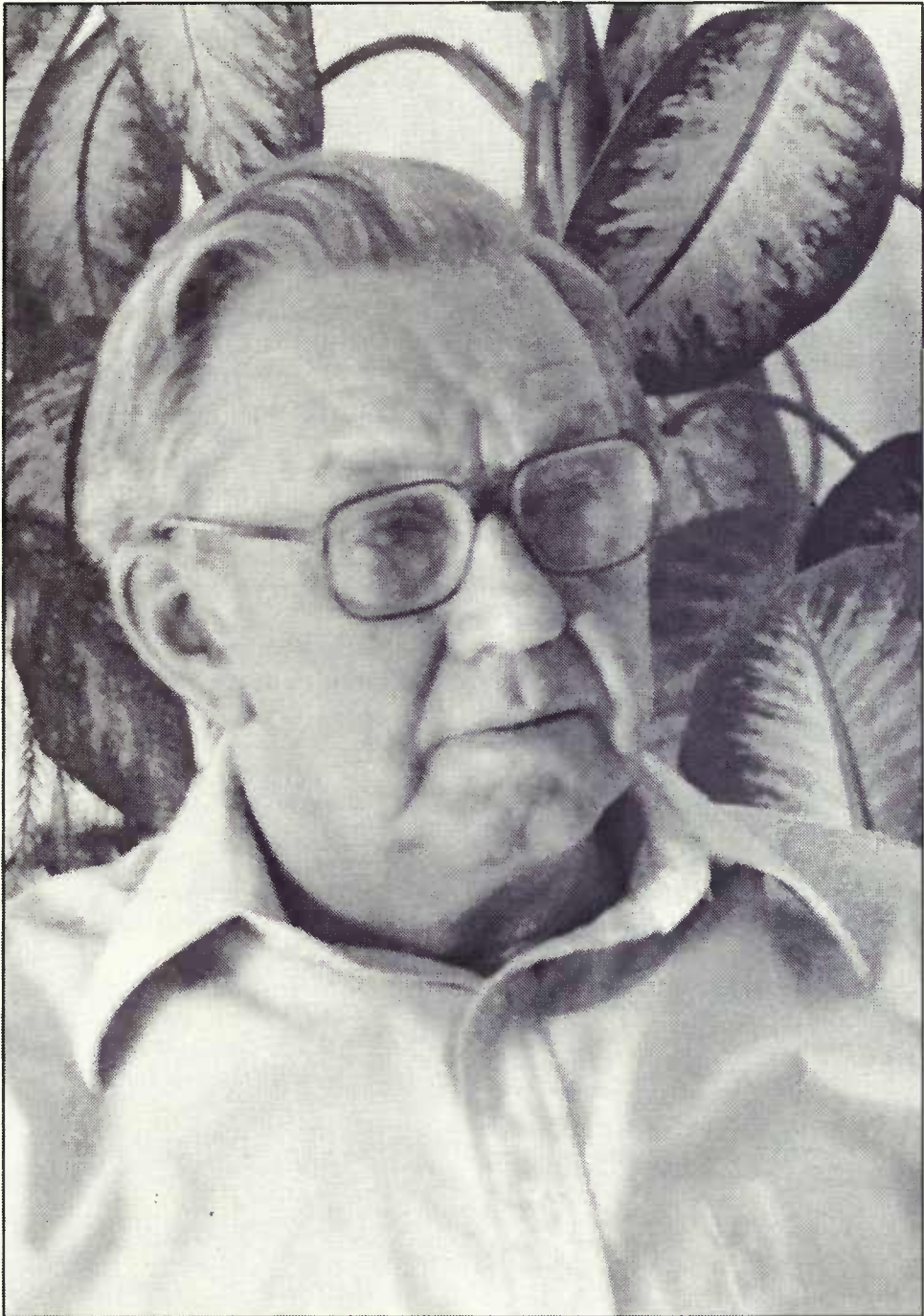
University of California
Berkeley, California

American Perspectives of Aramco, the Saudi-Arabian Oil-Producing
Company, 1930s to 1980s

Peter Speers

RESEARCH, TRANSLATION, AND POLICY AND PLANNING, ARAMCO, 1950-1980

Interviews Conducted by
Carole Hicke
in 1993



Peter C. Speers

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INTERVIEW HISTORY--Peter C. Speers

Peter Speers has broad knowledge of Aramco and of Arabian affairs. Born in India of missionary parents, he went back to the United States for high school and graduated from Princeton College. He took an M.A. in Eastern Affairs there, studying the Arabic language as well as culture and customs. In 1950 he went to Saudi Arabia as part of Aramco's Government Relations Department, and shortly moved into the Research Division. There he participated in preparation of books on Saudi Arabia. Much of the research was done to establish Saudi Arabian boundaries that were in dispute, a problem that arose from time to time. In 1952 Speers was put in charge of the Translation Division, then moved to the Policy and Planning Division of Government Relations Department in 1966. Here he researched and prepared papers on pertinent topics for company executives. In 1977 he was moved to Houston to set up an orientation program for new employees, and he retired in 1980, finishing his work on *Aramco and Its World* on a private contract basis.

Peter Speers was interviewed in his Austin, Texas home on May 3 and 4, 1993. He reviewed the transcript and added several paragraphs of further information.

Carole Hicke
Senior Editor

September 1994
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Room 486 The Bancroft Library

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Berkeley, California 94720

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name Peter Carter Speers Jr

Date of birth 30 May 1921 Birthplace Murree, India (now Pakistan)

Father's full name Peter Carter Speers

professor of industrial
Occupation chemistry / missionary Birthplace Bloomfield, N.J.

Mother's full name Margery [sic] Kittoe Smith Speers

Occupation R.N. / missionary Birthplace Tacoma, Washington

Your spouse Ellen MacDaniels Speers

Occupation retired Birthplace Cincinnati, Ohio

Your children Peter III, Theodore, Martha (Blazewski)

Where did you grow up? India (until age 13), then N.J. Pa. Conn. Mass.

Present community Austin, Texas

Education BA, Princeton; MA, Princeton; PhD, London

Occupation(s) Government Relations Organization of Arabian American Oil Co.

(in Arabian Research Division, Translation Division, Policy & Planning Staff)

Areas of expertise writing, editing, research

Other interests or activities photography, Travel, woodworking, philately

Organizations in which you are active _____

I BACKGROUND

Childhood and Education

[Interview 1: May 3, 1993]##¹

Hicke: I'd like to start this morning by just asking when and where you were born and grew up.

P. Speers I was born in India, and grew up there. I lived there until I was thirteen, almost thirteen.

Hicke: Where in India?

P. Speers Lahore, which is not India now. It's gone and turned itself into Pakistan, but I think of it as India.

Hicke: Might I ask what your family was doing?

P. Speers Missionaries. My father had been there since 1914. He was there almost forty years. Anyway, I was born there in 1921. It was different in comparison with the Aramco situation, where people got to go home fairly frequently.

In Aramco, we got regular vacations to go home. When I first joined the company it was every two years and later on it was every year, but with the missionary families, it was a seven-year thing, so you normally would work for six years and then you would get your sabbatical year and go home. Anyway, when I was almost thirteen, we went back to the States and I was left with my grandfather. My father and mother went back to India, and I lived with him all through high school.

Hicke: Where did he live?

¹This symbol, ##, indicates the beginning or end of a tape side or an interruption in the tape recording.

P. Speers Montclair, New Jersey. And I went to school at the Hill School, in Pottstown, Pennsylvania. For a long period there I didn't see very much of my parents. After about three years they somehow scraped together the money to have me come out for the summer, which was a great trip. I don't know how I did it, a sixteen-year-old kid traveling from New York to Bombay on his own.

Hicke: On a ship?

P. Speers Yes, of course. It was the only way there was. So I've seen a lot of ships. I was counting up recently. I think I've done the Atlantic by ship nineteen times. We're thinking of this fall of making it twenty, just for the record.

Hicke: Great, that's terrific.

So you went to high school, and then what did you do after that?

P. Speers Graduated, went to college at Princeton.

Hicke: And what did you major in?

P. Speers Well, my first two years--of course there was no such thing as a major, you didn't choose a major until you were a junior. But before I became a junior, I got drafted, so I majored in army.

Hicke: Combat, or something.

P. Speers Well, I was never in combat. There was lots of shooting going around, but I was never shooting at anybody. I was a radio operator.

Early Work Experience

P. Speers My first job, first real job, was when I was twenty. I got a summer job with a railroad in Wyoming. My job title was Telegraph Helper. What Telegraph Helper meant was you were digging holes beside the tracks to put the telegraph poles in. [laughter]

So I worked across Wyoming.

Hicke: It was a new part of the country for you, right?

P. Speers Oh yes, I met my first rattlesnake and so on. But anyway, when I got in the army, they filled out all this business about your past

experience and so on and I put myself down as Telegraph Helper. "Oh, then we'll put you in the radio school," they said. After three and a half years, I got out of the army and went back to Princeton.

Hicke: So it's about 1945 now.

P. Speers Yes, I was in what was called the School of Public and International Affairs, which was politics, economics, sociology, sort of a combination.

Hicke: But with an international orientation?

P. Speers In my case, yes. You had a lot of latitude to choose what courses you picked. At the end of my junior year, I heard about a chance to go work in Greece, which I applied for.

Hicke: You were a traveler from way back, obviously, from your beginning.

P. Speers Yes. What that was about was there had been a big civil war in Greece in '45. Following the withdrawal of the Germans, it was the communists trying to take over the country and the royalists trying to restore the monarchy and there was a great deal of fighting and killing and so on. So this was to be solved by plebiscite with the British and us and the Russians. Well, the Russians boycotted the thing, so it was us and the British running this plebiscite, observing it, and trying to make sure that everything was fair, and so on. So that's what this mission I applied for was about and I was one of the observers, election observers.

Before election day, all of us observers split up and went all over the country, interviewing people and asking opinions, and counting houses, counting people, sort of taking a miniature census of the country. And all this was designed, dreamed up by a man called Edwards Deming, a statistician who later became very famous because he supposedly went to Japan and taught the Japanese how to do what they've done since the war. Well, in a sense he did, because his whole philosophy was based on quality control, not masses of throwaway junk, but "build it right." I'm not quite clear how statistics were part of this, but--

Hicke: Well, I suppose he needs statistics if you're going to do quality control. Was he a Brit?

P. Speers No, he was American. As I said, he later became quite famous. It's interesting, you can look him up. He died in December 1993.

Hicke: Where in Greece did you go?

- P. Speers I went up into the mountains in the northwest, near Albania.
- Hicke: There's a big gorge up there?
- P. Speers It's very mountainous, anyway. This has nothing to do with Aramco, anyway. [laughter]
- Hicke: No, I know, it's just interesting. Okay.
- P. Speers As I said, very mountainous, and at one point on a narrow mountain road I stopped the jeep I was driving and tried to turn around and I went too far and the jeep went over the edge. I was able to jump out just as it went over. I was a little shaken up. I wasn't really in the mood for sightseeing after that.
- Hicke: That was one gorge too many that you were driving on. [laughter]
- P. Speers Amazing. The jeep went over, turned over head over heels and landed upside-down. And from somewhere I collected a bunch of guys and we went down the hill and turned it rightside-up and, of course, it continued rolling down the hill another hundred yards or so. So we weren't going to try that again. We got a truck with a winch on it and pulled the jeep up onto the road. And the damn thing ran.
- Hicke: Amazing!
- P. Speers Drove back to Athens. Anyway, on the way to Greece, June '45, on the ship I met my wife.
- Hicke: Could you tell me her first name please?
- P. Speers Ellen.
- Hicke: And what was her maiden name?
- P. Speers MacDaniels.
- Hicke: And she was going to Greece?
- P. Speers Yes. She was a State Department employee. The State Department took on for the summer a bunch of college students, including myself, for the Greek election project. But she was a regular State Department employee on the Near Eastern desk at that time, which covered Greece and Turkey and Arab countries.

We came back to the States at the end of the summer. I went back to Princeton and finished up in June 1947 and then decided to get an M.A., so I stayed on for another two years and got an M.A.

Hicke: In?

P. Speers What they called Near Eastern Studies. I think it must have been my senior year when I started studying Arabic. After I got into graduate school, I switched from Public and International Affairs into the Near Eastern program. Princeton, at that time had maybe the only Near Eastern Studies program in the U.S., certainly the best. Anyway, I went into that.

II ARAMCO: EARLY YEARS

Joining the Company

P. Speers As the end came near I started to think, "Well, what am I going to do now, and how can I use this stuff?" and one of the obvious things that came up, of course, was Aramco.

I wrote to Aramco and a couple of other firms, Bechtel I remember was one of them, and they all turned me down--except Aramco at that time had a program, it was sort of a college recruitment program, taking on college students who had an interest in the Near East and who they thought would work out well as employees in the Near East. It was really, I thought, a far-sighted program: get these guys young and direct their education a bit and bring them out to Saudi Arabia. That program was the brainchild of Colonel Bill Eddy.

Hicke: What was his position with Aramco?

P. Speers Consultant, I suppose. He had been born, I think, and certainly had grown up in, Syria and came to the States, and, before the war, was president of, I think it was Hobart College, which is in New York. And during the war, he was a lieutenant colonel in the marines, and was one of the early members of the OSS [Office of Strategic Services], which was the predecessor of the CIA [Central Intelligence Agency]. When Roosevelt met the king of Saudi Arabia, the one who's known as Ibn Saud, in '45, Eddy was the interpreter between Roosevelt and the king. And he later wrote a book about that meeting and what led up to it.

I think it was one of his stories about the exchange of presents between the two leaders--I forget what the king of Saudi Arabia gave to Roosevelt, but it was something, and Roosevelt decided to give him a C-47, which was the first plane the Saudis had ever owned, I think. And, of course, that made a tremendous hit.

The British got their noses very much out of the joint, and so they sat around and said, "What can we do to get one-up on these guys?" and so they told the king they were going to give him a Rolls Royce, but "we don't have it for you yet. We're having it made and it will be great." The thing was finally completed and shipped out to Saudi Arabia. For one thing, they had made it left-hand drive, which the Saudis thought was outrageous. [laughter] Furthermore--you know, cars used to have running boards. Whenever the king or one of the amirs went somewhere, there were always two or three armed soldiers on the running board of the car. And that Rolls Royce had no running boards, so it was useless. [laughter]

Hicke: The Americans stayed one-up.

P. Speers Yes. Anyway, I'm not sure Colonel Eddy was even an actual Aramco employee or possibly was just a consultant, and he would come out and spend a few months in Saudi Arabia and a couple of months in Beirut with Tapline and the rest of the time in Washington, where Aramco had an office. And he thought up this recruitment program.

Hicke: Did he do the actual recruiting also?

P. Speers Yes. In other words, he did the interviewing. When I was called in for an interview, it was him and two others. One of them was the dean of the School of Public and International Affairs in Washington. That's a part of Johns Hopkins [University]. I was hired a year before I left college, so during my last year of college I was an Aramco employee.

Hicke: This was what Colonel Eddy had in mind, so that your last year was directed, more or less, towards what you were going to do.

P. Speers I had a salary, which wasn't tremendous, but it helped. Another thing they did was send me off for summer school at the school I just mentioned. The School of Public and International Affairs had a big summer session every year in New Hampshire and I went up for that. I took Arabic and I took oil economics, which put me to sleep. I was very much interested in Arabic, the language, mainly the language. I guess we had some history courses up there too.

Studying Arabic in Cairo: 1949

P. Speers Anyway, so when I finished and got the M.A., Aramco sent me for six months to Cairo.

Hicke: This is maybe '49 or '50?

P. Speers It was in July '49 I went to Cairo--this is all part of Aramco--to the American University of Cairo, to study Arabic.

Hicke: Can you tell me about the difficulties of learning the language? I mean, I know it's difficult, but is there anything else to be said for it?

P. Speers Some people find it's just impossible, I think. Some people are very interested in it, and I've always been one of those. Whether it was French or Spanish or eventually Arabic, languages were always something I enjoyed, which I guess helped a lot in learning Arabic.

Hicke: Compared to, say, a Romance language, how much longer would it take you to learn some Arabic?

P. Speers It depends on what you mean by "some." I used to get a laugh out of these people who'd tell me that they didn't really want to spend a lot of time studying Arabic, just enough to read the newspapers, which was ridiculous. And those days, when I was studying it, it was all very old-fashioned. The method in Cairo was you'd go and sit with an old Shaykh, who didn't know any English, of course, and you'd read or try to carry on a conversation. I think there's been a lot of progress made in teaching languages now, so you can do it much quicker and probably learn better.

Hicke: That's sounds like a very Moslem way of teaching.

P. Speers Yes, come sit at the feet of the Shaykh.

Hicke: Right, the prophet, or whatever.

And how long were you there?

P. Speers I was there for six months, and after I'd been there a month, Ellen came out and joined me.

Hicke: When did you get married?

P. Speers In 1946, right when we got back from Greece, or shortly thereafter. So she was with me the last three years in Princeton, and she came out to Cairo and was with me there and got a job at the American University teaching history of philosophy, which impressed me terribly. Not something I knew anything about, but they needed a teacher and she was there and she went to work. In

January of '50, I went out to Dhahran to go to work, and she stayed on in Cairo.

Do you want to hear about her in Cairo, or you'll wait until you talk to her, or--

Hicke: Well, let me talk to her about that, yes.

P. Speers Ask her about the spies. It's a good story.

Saudi Arabia: First Responsibilities in Government Relations

P. Speers In January of '50, I went to Saudi Arabia. Let's see, what was my first day? I suppose my first day was going around, being introduced and signing papers. My first job was loading trucks. At that time, the Saudi government had a big agricultural project near Riyadh, al-Kharj farms, which had been set up during the war with the advice and assistance of the United States Department of Agriculture. It was fairly fertile land, there was a lot of underground water, and there was some farming. The idea was to develop all this and get it going on a really productive basis, to supply Riyadh, the capital, with vegetables, fruit, so on.

Aramco gradually became involved with this project during the war years, and at the end of the war, they left and the Saudi government asked Aramco to take it over. And Aramco, from then on, for quite a few years, recruited people to run the farm and work at it, and I think did some financial supervision.

Anyway, they were all at this place, al-Kharj. The people living there, the American employees, had housing there of course. One of them, the manager, had his wife there, and child. But they depended on us in Dhahran for practically everything. All the car parts, the tires, any kind of maintenance work, and a lot of the food for the Americans came out of the Aramco commissary in Dhahran. Once a week, they'd send in a list of what they needed and I had to go collect all that stuff together and load it on four or five trucks with Saudi drivers.

##

Hicke: What were you actually hired as?

P. Speers I suppose it was Government Relations trainee, or something; I was in the Government Relations Department.

Anyway, for quite a few months, that was my life, loading these trucks and sending them off across the desert to al-Kharj.

Hicke: How far away was al-Kharj?

P. Speers Two hundred miles, maybe.

Hicke: So it wasn't like ten miles out of town?

P. Speers No, no, no, no. It must have been a twenty-four hour drive. No roads, of course.

Hicke: Yes, I see your pictures. You just had to go all over the dunes or something like that?

P. Speers Always tried to stay away from the dunes when possible.

Hicke: You could go in between the dunes?

P. Speers Yes, but you very often had to go across the dunes. I remember one accident when one of these trucks that we'd sent off came up over the top of the dune and there was nothing there. I don't think anyone was killed, but it messed up the truck and the people were hurt.

Hicke: Do the dunes shift around in the wind?

P. Speers Yes, they do. They move, they change shape.

Hicke: So something like that could happen. That might be how that happened.

P. Speers You can ask Powers about that sort of thing when you see him, because he was the geologist.

Tapline

Hicke: So you were at this for several months, you said.

P. Speers Nine months, maybe.

Hicke: Then were you trained? [laughter]

P. Speers Apparently they thought so, but the next thing I was sent up to Tapline, as Government Relations representative.

- Hicke: You say "up to Tapline." Where was--
- P. Speers Tapline was north.
- [tape interruption]
- Hicke: We've just got *Aramco and Its World* here and we're going to look for a map. That's a wonderful book. It's really well done.
- P. Speers I hate these maps, really. They're somebody's cute idea of Saudi Arabia as viewed from space, and it's impossible to tell.
- Hicke: It's not even from straight overhead, it's at an angle.
- P. Speers Well, it's supposedly a satellite view and that's what you get.
- Hicke: Tapline started from Abqaiq?
- P. Speers That, for years, was a big arguing point between Aramco and the government, because the Saudi government was getting paid so much per mile, per barrel, for the oil going through. And Aramco claimed that the pipeline started here in Qaisumah and the government said, "No, it starts back here at Abqaiq." [laughter] Many years later that was settled, but--
- Hicke: How did the oil get from Abqaiq to Qaisumah?
- P. Speers A pipeline, exactly like the pipeline that went from Qaisumah to the Mediterranean.
- Hicke: Oh I see. But it wasn't a Tapline pipeline.
- P. Speers No, but then the company's argument was that not everything going into Tapline is coming from Abqaiq. Some of it is coming from other fields farther north, so there was a shred of logic to that position.
- Hicke: Qaisumah was the gathering point for these lines?
- P. Speers More or less, yes, but almost all the oil was actually coming from Abqaiq which, at that time, was Aramco's biggest field.
- Hicke: You were starting to tell me you went up to Tapline and I don't know where you went to.
- P. Speers Tapline, as I say, started at Qaisumah, went across northern Saudi Arabia and Jordan, and Syria, and ended up in Lebanon. And at intervals along here there had to be a big pump station to keep the stuff moving. In Saudi Arabia there were four pump stations.

The first of them was Qaisumah, and I went there in September 1950 as a Government Relations representative.

Hicke: To do what?

P. Speers It was just that there was supposed to be a Government Relations representative to handle any contacts with the local government officials on the theory that most of the guys up there were pretty rough construction workers and perhaps not too diplomatic.

Hicke: And didn't speak Arabic right?

P. Speers And didn't speak Arabic. And they needed someone suave and diplomatic like me [laughs] to be the interface or grease the wheels, or whatever.

Hicke: Was there a local amir there that you had to deal with?

P. Speers There was an old established town about twenty miles away and there was an amir there. That was a place called Hafaral-Batin, a very old town which was on the old pilgrimage route from Iraq to Mecca, so it had been there a long time. One of the first things I had to do when I went up there was go up and pay my respects to the amir.

When I went up there, Tapline was not yet completed. They were still laying pipe. They were approaching the western end of it. Actually they started from Saudi Arabia and they started somewhat later from Lebanon and were going toward each other. They had not yet met.

Visiting the Local Amir

Hicke: Will you describe your first visit to the emir and tell me what it felt like?

P. Speers I was nervous, I suppose. He lived in what's called a qasr, which you could say was a fort or a palace or a government building. They called it his palace but they think of it in terms of Buckingham Palace. I went up there with an interpreter, and I guess we waited a while and went into his majlis, which is the sort of public audience room.

I suppose we went in and sat down and waited some more, and eventually he came in and I was introduced, and the normal thing was to serve tea, a couple of glasses of sweet tea, and then

follow that up with coffee. It was the custom. I've been away for so long I can't remember whether the tea came first or the coffee. Anyway, we went through this tea ceremony and talked about various minor matters and I got up and left. I don't remember if there was any substantive discussion or not. It was a courtesy call.

Very often when you went to see one of these local amirs, they would ask for something. They would want the company to do this, or the company to do that. I remember one amir up in the Tapline area that I went to visit, and the first thing he--and this one's a much smaller amir, this was in a tent, he was living in a tent--and the first thing he brought up was he wanted me to get the company to build him a jail. Well, Aramco wasn't there to build jails for people, and so you always had to wiggle out of these requests somehow. Tell them, "No," if you could, or tell them, "We'll see about it, or talk about it." In that case, I think the way it ended up, after I'd left and transferred back to Dhahran, what they finally gave the guy was two, long, two-by-six boards with holes cut in. And these were the old fashioned stocks. This was for the prisoners' arms and feet. "So, here's your jail." [laughter] I don't think he was pleased.

Hicke: What did he want with a jail? I thought there wasn't a whole lot of crime in the--

P. Speers Well, I guess he thought, "I'm an amir and all this big stuff is going on, I need to show my authority," and so on.

Hicke: It wasn't that he had all these criminals on hand?.

P. Speers No. But there was a problem. What was going on was smuggling, because this was all very close to the Iraqi border.

Hicke: Alcohol?

P. Speers Alcohol, I don't know whether at that time it was cigarettes, probably not. I guess mainly alcohol. I remember one time when I was at Qaisumah, I was called out in the middle of the night because four of the Americans working there had gone up across the Iraqi border, whether deliberately or not I don't know, but it was very close, and had come back and been arrested by the Saudis. They had been brought back to Qaisumah and I was called out by the small-time local amir there to see what we were going to do with these people. So I went in to the man's majlis, which was a big, square tent, middle of the night, dark, had some kind of heater going to keep the place warm, and my main memory of that incident was how awful it smelled. [laughter] So I forget how I handled that one, but the guys were let off, and I promised that they

would behave themselves after this, or that they would be reprimanded. Anyway, it all ended.

Hicke: Are you just kind of on your own in that situation?

P. Speers Yes.

Hicke: You just do whatever you think is best.

P. Speers Whatever you can. We had a radio, of course. We could call back to Dhahran.

Hicke: I was just wondering what kind of communications you had.

P. Speers During construction of the pipeline, there was radio up and down the pipeline and back to Dhahran. And, of course, once the oil started moving, they had to have communications, just to control the rate of flow, so the pumps didn't run dry or tanks didn't overflow.

Measuring the Oil in Tapline

P. Speers Now this question of where Tapline started came up while I was there because the pipeline was completed and oil started to go through on its way to Lebanon.

Hicke: What year are we now? '51?

P. Speers 1950, September, October '50. The stuff had to be measured so that the Saudi government could get its pay. And the company said, "We're going to measure it, gauge it, here at Qaisumah. Send your government gaugers so we can do this together; we'll both sign the forms and that's the way the accounting will be handled." Well, they refused. "The pipeline doesn't begin here, it begins back in Abqaiq."

So the company had as its gaugers a company called Saybolt, which is well known in the oil industry. It does only this, measuring oil. And they had a guy out there and he was the gauger for Aramco but there was no government gauger, so I was to act as the representative of the government and help in gauging. This guy from Saybolt and I would climb up on top of one of these huge tanks and drop the thing down.

Hicke: What--did you drop some kind of a--

- P. Speers A weighted steel measuring tape that would give you the depth of the liquid. It had a trap device on the end that collected stuff off the bottom and that way you were told how much sediment and water there was on the bottom, because you don't want to measure that. So you had the depth of the liquid in the tank, and then you subtracted whatever junk there was at the bottom, and that way you'd get your measurement of the oil. The Saybolt man would sign it for Aramco and I would sign it for the government.
- Hicke: Well, how long did this keep up? Didn't the government decide it was about time they started getting in on the measuring?
- P. Speers I stayed up there three months, until December, and it was still going on and after I left--I don't know how it was resolved, but they kept on pumping oil and perhaps they gauged it both places, at Abqaiq and at Qaisumah, and decided that "we'll settle it later."
- Hicke: Meanwhile, they were gauging it at Abqaiq, the government, so they had some sense of what was going on?
- P. Speers Yes.
- Hicke: Was the payment for the oil that went through Tapline over and above the payment for production?
- P. Speers Yes, it was a transportation fee, because the pipeline was built on their territory and there was supposedly an increase in value as it went from Abqaiq to Lebanon, and of course they wanted their share of that increased value. As far as I know, that's usual pipeline practice; you pay so much per barrel per mile, or whatever, for transit fee.
- Hicke: Where did you live when you were there?
- P. Speers We lived in what was called sheep sheds. Sheep sheds were long, sort of barrack-like buildings with a long corridor down the center and rooms on either side. In the center, there was the bathroom, the showers, so on.
- Hicke: Made out of tin, or--
- P. Speers No, it was wood, some kind of prefab, I suppose. Occasionally, I guess they were made out of stone; there was a lot of stone construction. When Qaisumah and the other pump stations were really built up and in operation; they had stone housing for the Saudi employees and many of the American employees. There were also portable buildings, and those were a very prominent feature of Aramco, these portable prefab buildings. They were forty feet

by forty feet, and for many years they provided office space and living quarters for company employees.

Hicke: Did you have to deal with the Saudi employees of the company?

P. Speers There at Qaisumah, very little. I had an assistant, or interpreter, assigned to me, and that was it. Actually, he was a Tahraini, not a Saudi.

And there was actually very little for me to do there. Spent a lot of time redoing the files, or so on. One of the things we had to do periodically was go check the dynamite storage, because there was lots of dynamite, there was lots of construction work going on, and they were afraid that somebody would get in there and steal the stuff and cause who knows what kind of trouble. There was a dynamite storage shed half a mile or a mile away from the pump station, and we'd collect a truckload of workmen and go out there. Dynamite apparently goes bad if you let it sit around for too long. So once a month you had to go and turn it all over. Then it was all right for a while, and the next month you had to turn it back again.

So anyway, I had to go supervise this big project. I was terrified the stuff was going to blow up. And also I had never known how bad dynamite smells. It's really disgusting. When you've got it all stored in a closed space there, it's quite powerful.

Hicke: Who was building the Tapline?

P. Speers It was built by Bechtel.

Hicke: That's what I thought, but I wasn't sure.

III RESEARCH DIVISION

George Rentz

Hicke: Where did you go after that?

P. Speers After three months of Tapline I came back to Dhahran, and I was very pleased to get back, because Dhahran was the big city. Anyway, it was the center of things. I knew people there, and had worked there, and it was familiar. It was good to get back. I went into the Research Division. This was something that had been established, I guess, in about 1947, something like that, by George Rentz, who was an Arabic scholar and historian. George had grown up and studied in the U.S. and the Philippines and had worked for three years as a teacher in Syria before getting an M.A. in history at Berkeley. He went to work for Aramco in 1946 and left seventeen years later to take charge of the Middle East collection of the Hoover Institution at Stanford.

Hicke: Are you saying he was Arabic, or he was a historian of--

P. Speers No, he was American. He had gotten involved in the Middle East before the war and during the war, and had been stationed in Cairo and married an Egyptian woman (who now works at Stanford, incidentally). Anyway, he had gotten a job with Aramco and set up what changed names through the years, but was at that time, called the Arabian Research Division. That was concerned with everything connected with Saudi Arabia: the geography, the history, the people, the tribes, all the background that Aramco didn't know and needed to know.

Research on Books

Hicke: Sounds like you finally got into the work that you were really prepared for.

- P. Speers Yes, I was very pleased. Somehow I'd made a good impression on George, so he asked for me back from Tapline, and I came back and went to work in the Research Division. There were, I think, in addition to George, maybe three or four other Americans in that Research Division at the time. What they were working on at the time was finishing up a book they had done called *Eastern Reaches of Al Hasa Province*. Al Hasa province was this eastern part of Saudi Arabia. [paper shuffling, looking at map] Then what the book was about was this whole territory down here which--
- Hicke: Almost down to the Rub' al Khali.
- P. Speers Yes, and into the Rub' al Khali, which is--
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- P. Speers --this whole area southeast of Dhahran. The company was interested because none of these boundaries were fixed. And the Aramco concession covered eastern Saudi Arabia, so in order to know where the concession area ended, you had to know where the Kingdom of Saudi Arabia ended.
- Hicke: And that wasn't mapped out?
- P. Speers No, so the book was a compilation, the history of the area, a description of it, and as much as we could find out about the people who lived there, who were largely Bedouin tribesmen moving around in the sands. From that we got involved in a much more elaborate book for the Saudi government which covered this whole area all the way over to--
- Hicke: That's all the land at the southern end of the gulf, I guess.
- P. Speers Yes, which is now United Arab Emirates, and over here to what is now Oman.
- Hicke: What was it then?
- P. Speers Well, that was the traditional name for it, but there was--
- Hicke: It was a British protectorate?
- P. Speers More or less, yes, although technically it was not. It was called Muscat and Oman. And the capital was Muscat, and the British had no influence outside of Muscat and the coast.
- Hicke: The lines were nebulous?

P. Speers Yes. It's interesting. Oman, which most people have never heard of, actually has had treaty relations with the United States since early in the nineteenth century.

Anyway, the preparation of this book went on for a long time and it was finally printed in Cairo. It was called *Oman and the Southern Shore of the Persian Gulf*.

Hicke: How did you do the research?

P. Speers We had collected quite a good library in Dhahran of books on Arabia and Islam and the Arabs and the Near East. It really was an exceptional library, and I hate to think what's happened to it now.

Hicke: Since the Saudis took over the company?

P. Speers No, going back even before that, Aramco management had sort of lost interest in this sort of thing, and books were stolen, pictures or pages ripped out and/or lost, and nobody really cared any longer. It's too bad, because it was a very good library.

Hicke: Who started collecting it. Do you have any idea?

P. Speers Rentz. Aramco was quite generous on what they could spend for books, and so we were buying all the time out of auction catalogs and dealers' lists and that sort of thing. Every once in a while, somebody would go to Paris or London and go through the bookstores and pick up things. So the library it got to be pretty good.

Anyway, that was one basis for these books. The other was something we called relators, and these were Bedouins mainly, either Bedouins, or a few of them were sailors, and--

Hicke: You were doing oral histories.

P. Speers Yes. [laughter] They'd come in and sit around. and George would be at his desk, and he'd think of a question, and he'd throw it out, and one of these guys would have an answer, or he'd have an answer and someone would contradict him. And bit by bit all this stuff was collected.

Hicke: Interesting. That's amazing.

P. Speers They were called relators, and this was actually an old Arab tradition that goes back to the very start of Islam; seventh, eighth, ninth centuries, when the Arabs started to collect their literature, which had been all oral. They'd have these guys come

in and they were called relators, rawis, and they'd spout this stuff and it would be recorded.

Hicke: Written down, you mean?

P. Speers Right, written down. And we'd talk to anyone who'd been in the area or just made a trip or had some special knowledge.

Hicke: I've read some wonderful books by a British woman who, in the 1930s and '40s, I think, traveled all over the Near East.

P. Speers Freya Stark?

Hicke: Yes, yes. You know of her? Is she fairly reliable, do you think? She was traveling in this area in one book I read. She was just passed on from sultan to sultan. I mean, she was totally by herself. Anyway, were there other Britons who had traveled around there? Not very many probably.

P. Speers A few. One very well-known one is [Wilfred] Thesiger, who has done a couple of books on Arabia and one on the marsh Arabs of Iraq, and he's also done a lot of traveling down here [pointing at map] and in the very emptiest part of that.

Hicke: That's in the Empty Quarter.

P. Speers And he made one of the few crossings from one side to the other.

Another, of course, was [St. John] Philby, who went to Arabia during the time of the First World War and came down and got involved with the Saudi royal family.

Hicke: You're pointing to the central, western part of Arabia.

P. Speers Well, at that time, the Saudi family was in the center. And this western part of the country was controlled by the Hashemites, and the Saudis eventually pushed them out of the whole country. Philby was sort of adopted as an adviser by the king, and went along with him. He had a house in Riyadh, and had a wife in Riyadh and children in Riyadh, as well as his British wife and children. He did a lot of traveling and a lot of writing.

Hicke: So you used his books?

P. Speers His books and--

Hicke: Was he still well known?

P. Speers Oh, from the very earliest days, people in the company were acquainted with him, and he would come to Dhahran, or people would visit him, and talk, you know, learn things. And he had become very much at home in Saudi Arabia and in Saudi society. And there was one story of--perhaps in the early '40s it was, this dirty old Bedouin showed up in Dhahran, and said, "I want to see Mr. [Floyd] Ohliger," the vice president, in a fine British accent. The first reaction was, "Who the hell are you?" but eventually they took him to see Ohliger. It turned out it was Philby.
[laughter]

Hicke: He wasn't still around when you were there?

P. Speers Yes. I met him. He died in 1960. And Aramco bought all his papers, correspondence, diaries, and so on.

Hicke: Is that still around, do you think?

P. Speers Who knows? Well, it was taken over and it was all brought to Dhahran, and for a long time it was just being cataloged and listed and the library sort of stuff that they do. Last I knew it was just sitting there in file cabinets, and where it is now I don't know.

Hicke: That's something valuable, I would think.

P. Speers Yes. It was a shame how some of that stuff was treated. I mean, I know a couple of people who got parts of that volume of his diaries and said, "Well, it was just lying on the floor of the storeroom there, people walking on it, and I picked it up and decided I'd keep it."

Another thing that the library had was a complete file of Hashemite and Saudi newspapers going back to 1920 or before. And that was all just taken out and dumped in one of these sheep sheds in storage and, of course, you know what happens to newsprint. Anyway, these newspapers were just dumped in huge stacks in this sheep shed, but fortunately, before that, it was all microfilmed and the films delivered to the University of Michigan, University Microfilms in Ann Arbor. I say it was all microfilmed; I knew they went through it page by page with a camera. How good a microfilm it is I don't know.

Hicke: That must have been paid for by the company, though.

P. Speers Oh yes. It was company employees doing it. And I guess the deal was we would get a copy of the microfilm in return for doing the job.

Translation Division: 1952

[Interview 2: May 4, 1993]##

- Hicke: We're just going to start where we left off yesterday. This is May 4, and we're continuing an interview with Pete Speers. And we had just been talking about some of the books you had done in the Research Division.
- P. Speers I talked about Tapline and the Research Division and in '52 I was put in charge of the Translation Division, which was a part of the Research Division. Translation was a very important thing, because all correspondence from the government of course was in Arabic, and anything we sent to the government had to be in Arabic, but of course had been written in English. So everything in both directions had to be translated between Arabic and English, hundreds of letters. And, in addition, all the government regulations, which applied to us, public security and customs regulations, and customs tariffs and all that sort of thing, income tax law and other laws--all this had to be translated.
- Hicke: So everything that went to the government had to go through your office.
- P. Speers Yes, and anything coming from. So all this stuff had to be translated and there were about fifty actual translators working on our staff.
- Hicke: Arabs, for the most part?
- P. Speers Yes, plus typists, and everything else needed for the operation. I stayed with that assignment for eight or ten years, but in the meantime, I kept getting pulled off to work on these books we were talking about the other day. The reason for those books being done and other things that were done, was this business of the unsettled boundaries down south. And more and more that became a dispute between Saudi Arabia and Great Britain, because the British were representing all the rulers down there. It got more and more heated up and, finally, the two sides agreed to submit the whole thing to arbitration. As I remember, there was to be an arbitrator chosen by each of the parties and a third chosen jointly by the two parties and the arbitration was to take place in Geneva.
- Hicke: It did take place in Geneva?

- P. Speers Well, I'll come to that. It was supposed to. Anyway, we worked for months and months, a year or more, putting together the memorial that Saudi Arabia was to submit to the arbitration tribunal.
- Hicke: Let me just interrupt you a moment. You were doing this on behalf Saudi Arabia?
- P. Speers Yes.
- Hicke: Did Aramco have some stake in this?
- P. Speers Well, indirectly, yes, they were interested in getting boundaries settled down there because, as I explained, the Aramco concession area was all of eastern Saudi Arabia.
- Hicke: Oh, okay. They needed to know how far their concession extended.
- P. Speers In those days, nobody had really found any oil down there and it was impossible to do much exploration because there was this dispute going on. Anyway, we prepared the memorials, these three big volumes, for Saudi Arabia to submit; again all that was in English and Arabic. The British prepared their memorial, and that was submitted, and both sides went off to Geneva. This was September '55.

And something happened down in Buraymi, which is an oasis in what was called the Trucial Coast and is now the UAE. I think what happened was the Saudis sent a small party down there--one man, Abd Allah al-Qurayshi, in charge of maybe half a dozen soldiers, whatever--to Buraymi, and the British made a stink about that and called off the arbitration. "We won't play." That was the end of that, but we'd like to think, and maybe we're right, that the reason they actually called it off was because the memorial that we'd prepared was so much better than what they'd prepared, and they were afraid the ruling would go against them.

- Hicke: So they were looking for an excuse.
- P. Speers Right, because they had done a very amateur job going back into the early history back to the early 1800s and everything that happened and who had done what, and we had volumes and volumes of tax records. Saudi Arabia had been collecting taxes down here in the nineteenth century, which was an argument that this was Saudi territory. I don't think the British knew that we had that. And they suddenly appeared--
- Hicke: So they got a look into your memorial before the arbitration tribunal met.

P. Speers Yes.

Hicke: And did you see theirs?

P. Speers Oh yes. Each side gave copies to the other. Then the British had this pretext; so they called the whole thing off. And it dragged on and on for years and it wasn't until after the British moved out and all these little states became independent, and then they came together and formed the United Arab Emirates, which is what they are now that the thing was finally settled. There was a treaty and there were boundaries drawn and that was it. It took years and years.

Hicke: What are boundaries based on, tradition?

P. Speers Mainly, and mainly Bedouin tribes, because the Bedouin tribes each had a more or less defined area that they moved around in, and the Saudis could prove that these Bedouins always paid taxes to the Saudi tax collector; well then, this territory of theirs must be part of Saudi Arabia. When the boundaries were finally settled, it was on the basis of this historical claims plus a certain amount of political give and take among the Saudis and the rulers of the UAE.

Hicke: And did the Bedouins themselves have anything to say?

P. Speers They were questioned and interviewed.

Hicke: That's what I wondered.

P. Speers They were wandering free, and once a year the tax collector would catch up with them and take so many sheep or so many camels, but that's it.

Hicke: Who in Saudi Arabia would have been collecting taxes? I mean, it was long before Ibn Saud.

P. Speers Yes, but his family goes back to the eighteenth century, and they were in control off and on through the nineteenth century, and eventually were sort of run out and chased into Kuwait, and then in 1902 they came back.

Hicke: That's right. I'd forgotten that they'd been there long before.

P. Speers For a hundred years, off and on, they had been rulers. In those days, none of them fought for boundaries, it was just desert. "This is all ours."

Hicke: Were there any other particularly interesting aspects of that?

- P. Speers A lot of this work, a good deal of it, was done in Dhahran in our offices, but an awful lot of it was done in Cairo. During those three, four, five years I made I don't know how many trips to Cairo. We'd go spend two or three weeks there working on the book, then back to Dhahran and then back to Cairo. So that's where a lot of the work was done and that's where the books were actually printed.
- Hicke: Oh, I see. But some of the research was done there, or--
- P. Speers Yes, we had a lot of the tax records and other records; some of the old manuscripts that described the history, we had with us in Cairo and translated there.
- Hicke: Is there an ancient Arabic, like medieval English, French, and so forth? Or could you pretty much read the old text?
- P. Speers Well, there's nothing comparable. I mean, the language has changed obviously, but it's not like--
- Hicke: Not like trying to read *Canterbury Tales*?
- P. Speers No, nothing like that. There are some differences from one country to another, and a lot of these records were written by people who really weren't too well educated. There were some problems, but on the whole, Arabic is Arabic. The stuff could be read, it could be used in researching.
- Hicke: What kind of paper were they written on?
- P. Speers I don't remember.
- Hicke: It lasted pretty well.
- P. Speers Yes.
- Hicke: What happened to the British? They just packed up and left town more or less? Never heard from again?
- P. Speers Yes. [laughter]
- Hicke: That was a great success. What was the king's reaction?
- P. Speers The king at that time was Saud. I assume he was angry, to the extent that he understood it, but he was such a sad specimen that nobody cared much what he thought. Anyway, it wasn't really a success, because the problem still had not been solved.

Political Problems of Aramco and the International Oil Business

- Hicke: And wasn't [Abdullah] Tariki the oil minister at that point? Or did you have any dealings with the oil minister?
- P. Speers Personally, no. Certainly the company did. Tariki was appointed the Director General of Petroleum and Minerals Resources in 1954. They didn't raise it to the level of ministry for quite a while after that, at the end of 1960. He was appointed the government's man in charge of oil. He came to Dhahran and he was to be given housing in Dhahran. He had an M.A. in petroleum geology from U.T. [University of Texas], here in Austin, and worked for Texaco for a year. Got married to an American girl and brought her to Dhahran. And further--
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- Hicke: You were just saying people at Aramco treated him shabbily.
- P. Speers Yes, because the mentality some Aramco management at that time was pretty much, "We're in charge here, this is our company," and Tariki came, ready to move in, and instead of anyone helping him, taking him over to where the housing was controlled, introducing him and so on, they turned him loose and said, "Go get yourself a house." Anyway, I think he may have had a bit of a chip on his shoulder when he arrived, but that certainly added to it and caused some of the troubles that came later. Too bad. In comparison with most Saudi government officials in those days, he was well-educated and had a lot of practical experience. With the nationalistic feelings of the Arab world in the '50s, however, he had some pretty advanced ideas. Ideas about how Saudi Arabia ought to have more of a say its own oil at that time. You'd have to say that it was a pretty controlled situation; the oil companies set the price.
- Hicke: They just told the government what the price was going to be and so forth?
- P. Speers In the early days, it didn't matter to the government what the price was. From 1933, when they signed the concession, until 1950, the government was paid a fixed amount, the equivalent of four gold shillings for a barrel produced, so it didn't make any difference what the price was, because they got this standard amount. In December 1950 this arrangement was changed and it was agreed that the government got 50 percent of the company's net profit, and from that point on it made a difference what the price was. The big uproar in the '60s, August 1960, was when the oil companies suddenly dropped the price.

Hicke: Didn't Exxon start that?

P. Speers Yes. But they were all involved. Even British Petroleum made some sanctimonious noises, but they went along too. And that infuriated the producing companies because it was destroying their income. And at that point they started fighting to take control of the prices.

Hicke: And that resulted in OPEC.

P. Speers Yes. And that resulted in forty-dollar-a-barrel oil, or whatever it got to at one point in the '70s.

Hicke: Whole new ball game.

Since we're on Tariki, do you want to just continue on with him and tell me what happened to him?

P. Speers He was eventually run off, exiled, and settled in Beirut. He rubbed some people in the royal family the wrong way, and also he was a little more Arab-nationalist than the royal family liked. This was the period of Nasser and all that business. The Saudi royal family, at least, didn't care for it although they pretended they were all in favor of Arab solidarity, etc.

Further Education

P. Speers During the '50s, I haven't mentioned that while I was involved in all this work, I was also getting educated. The company was very generous, and I went off three times to London for long periods and worked on a Ph.D.

Hicke: At the company's request and expense?

P. Speers My request.

Hicke: Your request, their support?

P. Speers Their agreement. Right, their support. I finally got the degree in '59 and I was very grateful for that.

Hicke: Were you at the London School of Economics?

P. Speers No, the School of Oriental and National African Studies, which is comparable to the London School of Economics, part of the University of London.

- Hicke: And what kinds of things were you taking specifically?
- P. Speers One reason I chose London was because I was interested in the language, and they did not make me take courses in other things, as U.S. universities did. In fact, I didn't take any courses; you met with your adviser every week or so and worked on your thesis.
- Hicke: What did you write about?
- P. Speers I wrote about the development of modern Arabic.
- Hicke: The language?
- P. Speers Yes, the language of modern Arabic, the change since 1800 because of all the social changes in the Arab world.
- Hicke: And meanwhile, you were getting more and more fluent in the language, obviously.
- P. Speers I wouldn't say I was very fluent. I was pretty good at reading it, though. I was never too good at speaking it.
- Hicke: You mean it's easier to read than to speak?
- P. Speers In my case, yes. I've never been sure. Some people learn to speak languages almost like a native. Others have a very hard time and I think it's a question of personality. Some people can just let themselves go and take off. I think the one thing that helps in learning a language is if you're a good mimic.
- Hicke: And you have to lose a certain amount of inhibition to make a lot of dumb mistakes.
- P. Speers Yes, exactly.

More on the Translation Division

- Hicke: Okay. Were there other books? I know you worked on *Aramco and Its World*, but before that?
- P. Speers Every year, the company put out quite a fancy annual report. The original concession had stipulated that the company, once a year, had to send a report to the Saudi government as to what its operations were, and for a long time, that's what it was: a report to the government on exploration, discoveries,

construction, personnel matters, production figures, and so on. Beginning about 1950, that gradually turned into a PR effort.

Hicke: Started to look like the usual corporate reports?

P. Speers Exactly, yes. Still technically a report to the government.

Hicke: Was it in Arabic?

P. Speers Both--Arabic and English. I was every year involved with the translation of that. That was initially in Dhahran and then we moved to Beirut, because that was where the printing presses were. There were no presses in Saudi Arabia at that time capable of high quality color printing. We went up there and it was produced and printed up there and all the artwork was done there.

Hicke: Did Aramco have its own photographers?

P. Speers Well, the company had a staff of full-time photographers working for it and produced masses of pictures. The editor, whoever it was each year, would choose what to use in the annual report that year. It was very fully illustrated. I have them all packed away in a carton back there. Terrible failing I have: buying too many books. You should see our garage. [laughter]

Hicke: I have to confess to the same fault. Bookshelves are a necessity.

P. Speers Yes, when I run out of shelf space, there are a lot of boxes in the garage. Do you want to look at these pictures, at some point?

Hicke: Yes, why don't we?

[pause]

Pictures: Dhahran Housing, People, Places in Arabia

P. Speers Housing designs were originally copied from ones that had been used in Bahrain, by the Bahrain Petroleum Company. And I've been told that those Aramco camps of the '40s and '50s looked a lot like Bakersfield, California.

Hicke: Was it prefabricated?

P. Speers No.

Hicke: No? Done on the spot.

P. Speers Later on in the 1950s, they went very largely to the prefab stuff, but this was not.

[inserted during editing] This is a picture of Abu Dhabi, probably in 1951--completely different from what it is today. All these aerial shots were taken on our regular survey flights. Once every month or two, one of us from the Research Division, somebody from Exploration, and usually one or two other people would pick up our box lunches from the dining hall, get on board Aramco's DC-3s, and make an all-day trip up and down the east coast of Arabia and out into the Gulf. We were looking for any construction going on or any signs of drilling, or any other activities that would indicate that other companies or other governments were moving into territory that Aramco and the Saudi government had an interest in. [end insert]

So we'd take off here and we'd go--[looking at scrapbook]

Hicke: Starting at Dhahran, all the way to Abu Dhabi.

P. Speers Oh yes, over Buraymi, and then back up in this direction. And I used to go along on those monthly flights reluctantly. I was terrified of flying at that time.

Hicke: Did you ever find anything worthwhile?

P. Speers As far as I can remember, nothing really important. The British knew we were doing it; it kept them on their toes.

This is part of al-Kharj Farms, which I was talking about yesterday. It looks awfully barren here, but it actually was quite productive.

[inserted during editing] This is what was called the shy-hook, at a place called al-Mish'ab, about 160 miles north of Dhahran. It was built expressly for the construction of Tapline. Ships brought thirty-foot sections of heavy steel pipe for construction of the line. Because the water was so shallow, they had to anchor three miles out to sea, the pipe was unloaded out there onto this long cable railway, brought onto shore, welded, loaded onto trucks, and taken out to where construction was going on.

And this is the Ras al-Mish'ab airport terminal building.
[end insert]

Now here are some of these relators that I was talking about that would come in and help us.

Hicke: Oh, wonderful. Those are marvelous pictures! Would the women act as relaters also? Or they would just accompany them?

P. Speers: No. This was just local color. Frank [Jungers] was talking at one point about Ilo the Pirate. We have at least one of his pictures and I think possibly some of these are his. These were a couple more, and this was, at the time, the amir of the Eastern Provinces.

Hicke: He was pretty young, it looks like.

P. Speers: Yes, he was acting for his older brother at the time. This is George Rentz. This is the Saudi government railroad from Dammam into Riyadh, the capital.

Hicke: The start of the railroad?

P. Speers: Yes.

Hicke: It looks like it's built onto the pier, so that the ships could unload right onto the railroad.

P. Speers: It is. The pier went seven miles out into the Gulf to reach deep water. It's very much enlarged now, with bigger piers and more of them.

This one is very interesting. A lot of people knew him, this man. His name was Zuhair. He was Yemeni and he'd come around every day for a while with his helper carrying his big suitcase, and he had all kinds of--I don't know what you'd call them--curios. He had swords, he had coins, he had precious stones, he had prayer beads, and all kinds of stuff.

Hicke: Peddler and his pack.

P. Speers: Yes, exactly; rugs. We used to let him bring all his rugs to our house and spread them out so people could see them and buy from him. I guess we bought a couple from him. Tiny, little, old man. I don't know what education, if he had any at all. But he traveled all around, he went to India several times a year and bought stuff. He went to Yemen, he went to Aden, and--

Hicke: Where were the rugs made?

P. Speers: A lot of them were Iranian, Persian. He may have had a few from India.

Hicke: Traveling bazaar.

P. Speers Yes, and his son was assistant director of Civil Aviation for Saudi Arabia. This was what the old man did, and he had gotten his son an education.

Hicke: From his peddling?

P. Speers Well, with government help in later years, because a great deal of education for Saudis, especially the higher education, was at the government's expense.

This is out in the desert at an exploration camp.

Hicke: This looks like a pot still.

P. Speers Yes, I used it for years. That was our only source of alcohol.

Hicke: Baldo [Marinovic] showed me the Blueflame recipe book.

P. Speers This was part of the annual nativity pageant the community in Dhahran would put on.

Hicke: Every Christmas, you said.

P. Speers They would put on a Christmas pageant, the whole nativity business, with real camels and Mary on a real donkey and so on. That got to be very popular with the local people, the Saudis from outside the compound started coming to watch the thing, and I think finally the government said no. It was getting too popular and they thought it was missionary work, which it wasn't. And then there used to be a Santa Claus who arrived by helicopter and who'd be driven down the main street in an open car and that helped contribute to the appeal of all the Christmas activities. The population would come out and cheer Santa Claus. Most of them didn't know who Santa Claus was or what he was.

Hicke: But they could see he was dressed up and he was a figure of--

P. Speers This was the signing of a big agreement in March 1963 between the government and Aramco and Tapline. That's Bill Owen, [Bob] Brougham, this is [Ahmad Zaki] Yamani, this is Hisham Nazir, who's now the oil minister. That's me, and then various other people who were at the signing. That's another thing that we worked on for a long time, the translation.

Hicke: What was the agreement? Just to open Tapline?

P. Speers [inserted during editing] No, Tapline had been open and operating for over twelve years. I mentioned a big agreement in March 1963, but there were actually three separate agreements signed at the

same time and only one of them dealt with Tapline. It involved some fairly esoteric accounting hocus-pocus which, in effect, made the owner companies' profits from Tapline operations subject to Saudi income tax. One of the two Aramco agreements dealt with relinquishments of areas from Aramco's concession, and the other dealt with some of Aramco's accounting practices (also pretty arcane stuff).

There were some fairly weird things going on behind the scenes while the agreements were being gotten ready for signing. Aramco had translated the agreements into Arabic and had taken care of reproducing copies in its print shop, and on the morning of the signing we got together in the Aramco offices in Riyadh to put all the pages together. Bill Owen had decreed that in order to be acceptable, the copies all had to be in proper legal-looking blue folders. The lawyers had brought along a supply of these from Dhahran along with a device for binding the pages into them with grommets. But where were the grommets? There was pandemonium, with people running around asking, "My God! Where are the grommets? Who's got the grommets?" Finally the grommets were found. Then in order to be really legal and binding the documents had to be tied with ribbon and properly sealed. So pieces of blue ribbon were run through the grommets and down the left side of the last page to be sealed with red sealing wax. We had the sealing wax, but what were we going to use for a seal? Time was running out now, and again there was panic, but no seal could be found. Finally the Law Department's secretary, Lorraine Nedeau, offered her aspirin bottle, and it was the metal cap on the aspirin bottle that was used to press into the hot sealing wax and make the agreements really official.

After the signing was all over, one of the younger officials in the Ministry of Petroleum said, "You know, Mr. Brougham, Arabs don't like blue. It is the Israeli color. Next time you must not use blue ribbon." Nobody was undiplomatic enough to point out that the exterior of King Faysal's palace in Jiddah was largely decorated with blue tile. [end insert]

When the agreement had been signed, Yamani said, "But where are the ladies?" "What ladies?" "Why, all the Aramco ladies should be here, too." So, I had to get on the phone and call Dhahran and round up the ladies and ask Brougham's secretary, Frances Rose, to arrange for an Aramco place to take them to Riyadh. [laughter]

Hicke: Yamani asked for this? Well, that's interesting.

P. Speers We called back and there was a lot of scurrying around and people putting on their best clothes and--

- Hicke: Where's my hat?
- P. Speers Yes, and I guess thirty or so of them got on an Aramco plane and flew into Riyadh. And the crown prince threw a big tea party and we all got to go up and shake hands with Prince Faysal [also spelled Faisal], and he'd say, "How do you do?" [pointing] Here are the ladies sitting around in the majlis beforehand; this was the tea party.
- Hicke: Did he want to honor Aramco, or did he want a ceremony for the crown prince, or what was going on?
- P. Speers Both, I guess. And Faysal, I guess, thought it was a good idea, a nice gesture.
- Hicke: Yes. That's really interesting, because you hear so much of the opposite happening.
- P. Speers It was a big nuisance, but it was a pleasant event.
- I don't know if there's anything else in here about Saudi Arabia. This is just a scrapbook.
- Hicke: "Travels."
- P. Speers This is the Dhahran school. My youngest son's first day in kindergarten.
- Hicke: Looks like the mothers were taking the children to school, or that was just because it was the first day maybe, or something.
- P. Speers First day, yes, first day, and it was kindergarten. The kids had never been to school before.
- Hicke: That's great. Thank you for unearthing your scrapbooks.

IV GOVERNMENT RELATIONS: POLICY AND PLANNING STAFF

Pricing of Oil

P. Speers In '66 or so I was transferred to the Government Relations Policy and Planning Staff, which was something that had been set up a few years before. The idea was we would take up whatever topics were important, or whatever topics the president or vice president wanted dealt with and study them, write something on them, make a presentation if that was required. That was '66, I think, and I continued to do that almost until the time I left.

Hicke: What were some of the major challenges and perhaps the impact of those studies?

P. Speers [inserted during editing] There was the 1967 Arab-Israeli war, of course, and the closing of the Suez Canal (again). The late sixties was also the time when the British were getting out of their involvement in the lower Gulf and when the United Arab Emirates was formed, which eventually led to the settlement of some of the boundary disputes in the area. Toward the end of the sixties there was more and more pressure from Saudi Government for Aramco to increase its production and for the owner companies to take more Saudi oil.

This was the period when OPEC was getting more and more active in the pricing question, and the early- and mid-seventies were the time of the 1973 war, the Arab oil boycott, and the really big price rises. Everyone seems to connect the huge price rises with the boycott, but they were really two separate things. They just happened to come at about the same time. The boycott was imposed by the Arab producers as a result of the 1973 Arab-Israeli war. [end insert]

The price rise came first and was imposed by OPEC and instigated by the Iranians, who were of course a big, big part of OPEC. The Shah wanted the money in part to pay for the big arms buildup that the U.S. was encouraging him to undertake. One

version is that [Henry] Kissinger put him up to it. In fact, the American ambassador to Saudi Arabia at that time, [Jim] Akins, made that accusation, either in the *Middle East Journal* or in *Foreign Affairs*, that Kissinger encouraged or even suggested the price rise because he wanted to build up the Iranian monarchy. There was also the chance of arms sales for U.S. arms manufacturers. Where were the Iranians going to get the money? The obvious way was to raise the oil prices.

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P. Speers I can't say how much of all that is true, but I tend to believe it, and certainly people who were high up or closely connected with it all believed that. Anyway, at the same time all that was happening, during late September '73 and in early October, the war started, the fourth Arab-Israeli war broke out, what the Israeli Parliament called the Yom Kippur War, the Arabs called the Ramadan War, and that's what brought on the Arab boycott. But the price rise came first.

Hicke: Yes, that's a good point.

P. Speers People have tried to link them and say that the Arabs raised the prices up to terrible levels because of American support of the Israeli war, but that was not actually the way it happened.

Twice a year, there was a board of directors' meeting, and we always had to do a paper for the board meeting on political developments or the state of the nation, what prices were doing, or what the country's foreign policy was.

Hicke: What impact did all of this that happened in '73 have on your work?

P. Speers Nothing really, except we were involved in all of it, a lot of paper going back and forth to New York and so on. We were busy; I don't remember any particular involvement.

The 1967 War with Israel and Arab Employee Protests

P. Speers The thing that a lot of us were involved in, which we skipped over, was 1967, the war then. That started on June fifth, and the Israelis and Arabs were fighting and the US came in with this enormous airlift of weapons for Israel.

That infuriated the Arabs and there was a big demonstration that started in Ras Tanura and spread to the rest of the Aramco area, calling on the company to stop shipping oil. The company had actually already stopped--it was obvious there was going to be some kind of trouble--but they hadn't announced this. They stopped loading oil in Ras Tanura, but nobody knew this (poor communications). So all the Saudi employees started to protest and there were marches and demonstrations and so on, and everything closed down.

Hicke: Did the government ask the company to stop shipping oil?

P. Speers Yes. And in Dhahran, the same thing happened, everyone just suddenly walked off the job. Somebody had gone around and spread the word.

Hicke: I was going to say, the word got around fast, it sounds like.

P. Speers Interesting, one or two of the employees came around shook my hand and apologized and said, "I'm sorry but I've got to go. [laughter]"

Hicke: That must be a new one in the annals of labor history.

P. Speers Well, they all thought that they had to or they would personally get in trouble. And the uproar began--and they broke down the gate and broke into the Dhahran camp and they moved through the parking area by the administration building, overturning cars, and they marched off down into the area where the houses were, in the living quarters. People who saw them coming just stayed in their houses, terrified of all this. And actually, very little happened. Two houses had their windows smashed. The only person who was hurt was, I think, one employee somehow got involved with the mob and some guy had a stick or switch and was hitting him on the leg, and that was the extent of it. The police chief and Director of Public Security came up from Dammam and walked toward the crowd, firing his pistol in the air.

Hicke: He was American or Arabic?

P. Speers He was Saudi. And that was enough to stop them; they all turned and left. Having done all that--the crowd--somebody called up--I forget whose office--and said, "Okay, we're going to the consulate now. Send buses to take us down." [laughter]

Hicke: Another new one for the annals of labor history.

P. Speers Of course the answer was, "How do we send a bus when the drivers are all on strike?" [laughter] So somehow or other, they went down to the consulate and smashed that up pretty well. The Consul

General was hiding in his office--I forget whether he was beneath his desk or what. [laughter] Then again, nobody was really hurt. Big loud demonstration, and they smashed a lot of glass, let off steam.

A couple of guys climbed up on the roof to take down the American flag--some of these men involved were young guys, nineteen or twenty. One of them who'd gone up to get the flag fell off and broke his leg, so a member of the mob got on the phone again, and called Aramco, and said, "Send an ambulance." [laughter]

At the same time there was another mob attacking the U.S. Military Mission down at the air base, smashing things up there, breaking windows, and so on. And that finally all settled down and the crowd all went home.

Of course all the people at Aramco were very nervous, "What's going to happen next?" and there were all kinds of rumors going on. The place was dead quiet because all the Saudis had left, so in order to keep the dining hall, for example, operating, Americans had to be assigned to serving food, doing the dishes, and all that stuff.

This tenseness continued for maybe a week. Terrible rumors going about all the time. The government was as upset as we were because this was insurrection. But there was no military force anywhere around. The only force was the national guard, which was in Riyadh, and they finally announced they were sending the national guard, which they did, to the Eastern Province. There was nothing more that happened, except then the tension gradually wore off and things went pretty much back to normal.

Hicke: How long did they stay out on strike?

P. Speers That all happened on a Wednesday, and of course our weekend was Thursday and Friday, so they weren't coming to work then. I think by the beginning of the next week, they started coming back to work.

Payday Thursday

Hicke: Would you work on Saturdays and Sundays then, or how did that go?

P. Speers Yes. Our work week was Saturday to Wednesday, with Thursday and Friday off, because Friday was the Moslem day to go to the mosque.

When I first went there, it was a different schedule. We worked six days one week and then in alternate weeks you'd get off at one o'clock Thursday, and you'd get half a day off in addition to your Friday, because that was the day that all the Arab employees got paid. So it was always called "Payday Thursday." You'd go back to your house or wherever you lived and have a couple of pink gins [laughter], and relax; that was before prohibition. And in those days, and until the late '50s, all those payments were in coin, big silver riyals.

Hicke: Baldo [Marinovic] told me some of those stories about the pilgrim receipts, or is this something different?

P. Speers The pilgrim receipts were put out by the government in 1953. They were officially for the use of pilgrims only, but soon started circulating all over the country. Before the pilgrim receipts, in order to avoid having to deal with all these silver coins, Aramco was putting out little coupon books that--

Hicke: Oh, scrip, and that started circulating.

P. Speers Yes. I think when I first went there, actually, in camp they were using American money.

Hicke: Dollars?

P. Speers Dollars. And very soon they converted to riyals. But riyals meant the coins, so the government started issuing this scrip. And then eventually, the government started issuing the pilgrim receipts, which were supposed to be for pilgrims, but they circulated all through the country like paper money, and eventually, they started issuing official paper money, and of course all the silver coins disappeared.

Hicke: Really, all of them?

P. Speers You know Gresham's Law: bad money drives out the good. We used silver coins and gold coins, and that all disappeared when paper money took over.

We really got sidetracked there.

Hicke: Yes, we were in the '70s, but that was a good backup to the war stories in '67.

P. Speers There had been a couple of strikes before that. There had been a big strike in 1953, which again, caused a lot of nervousness and tension, but nothing really happened.

Noon Day Feeding

- P. Speers Has anyone mentioned the noon day feeding business?
- Hicke: I wanted to ask you about that. That's on my list of things to ask about.
- P. Speers There was another strike of sorts. Noon day feeding--what a terrible thing to call it. [laughter]
- Hicke: Yes, it sounds like-
- P. Speers A trough for animals, and it was sort of patronizing.
- Hicke: Paternalistic, but that's the way things were done then.
- P. Speers Yes, and in Dhahran, the company had built a great big hall for cooking and serving these meals extremely cheaply, a quarter riyal, which was ten cents for lunch, or something like that.
- Hicke: Was this to keep people on the job, or because they weren't getting enough to eat, or both?
- P. Speers Partly both, I guess. But one reason, of course, was these employees--many of them lived miles away and had to come in by bus in the morning and go back by bus at night, and with an hour and a half off for lunch, and this was a way they could get their food. But I guess the food wasn't very good perhaps, and one sore point was we had two kinds of water there. One was just water out of the wells, which was perfectly clean but tasted terrible because it was so loaded with minerals. And then in Aramco we also had what we called sweet water. At first it was distilled water and then it was treated water, which had most of the minerals removed.
- But Aramco continued to use the untreated water in the noon day feeding, and make the tea out of it, and that was just seen as one more insult, and one day, just like that, nobody showed up. There had been hundreds of employees eating there every day and it stopped, just like that. It was very well organized.
- Hicke: This was the one in the '50s?
- P. Speers This was, I guess, was in the '50s. I don't remember. It must have been in the late '50s. And the company kept these places open for a few months, preparing food, but nobody came.
- Hicke: Oh for heaven's sake!

- P. Speers Finally they just gave up, and that was the end of that.
[laughter]
- Hicke: Another unique bit of labor history. I mean, who's heard of a strike against a free lunch?
- P. Speers But that's when they stopped serving and they turned the building into offices. And that was that.
- Hicke: Was there a problem with the food, too, or was it mostly just the water?
- P. Speers Mostly the water. And I guess the food wasn't great. But there was plenty of it, I mean, it was cheap as hell. There were other causes behind it at work there, but this was a way to show their discontent.
- Hicke: Sounds like a concerted effort, though. It happened so suddenly.
- P. Speers It was very well organized. Typical industrial relations attitude, policy, agreement--the name, first of all, noon day feeding; no matter what they fed them, it was a bit contemptuous. I once was sent to take an industrial relations course at the American Management Association in New York, and I will always remember one of the lecturers told us, "One of the marks of a good industrial relations man is a certain contempt for people," [laughter] which I tend to agree with.

Saudi-American Relations

- P. Speers [inserted during editing] Something ought to be recorded somewhere here about relations between Americans and Saudis and their attitudes toward one another. I wasn't there at the beginning, of course, but I gather that the attitude of the first Americans was one of curiosity coupled with a desire to get along and perhaps a slightly patronizing wish to educate and "improve" the Arab. Inevitably, throughout the company's history, there were some Americans who had a racist attitude and looked down on the Saudis as inferior or even unclean. I don't think there were ever very many of these, and those that there were either left or learned to keep their prejudices to themselves.

In my experience there were some of these prejudices among middle-level managers, but fortunately Aramco's top management seems always to have been clear-headed enough to see that blending

with local society and people was essential to continued success and that separateness was an invitation to trouble.

When I arrived in Dhahran in 1950, it was a strictly segregated community after working hours. Only Americans and their families lived there and others who worked there left at the end of the work day. Later that year the company decided to open up Dhahran housing and other facilities on the basis of job level instead of nationality. This meant that some Arabs and other non-American groups would be assigned houses and allowed to use the commissary, the movie theater, and so on. This was no big deal at the time, since there were not many people who qualified, but even so there was opposition among some Americans. I remember eating dinner one night in the dining hall with four or five other people and listening to one guy at the table who was telling us that he wasn't going to sit around and eat at the same table with no Arab, and if they were allowed in he was going to leave. He left. There continued to be individuals like him in the community, of course, but my impression is that they were few and far between and had little influence.

As part of its efforts to move toward greater integration, the company decided in '53 to move some of its offices from Dhahran into two floors of a new three-story building a local businessman was completing in Dammam. One of the two groups chosen to move was the Arabian Research Division, including my Translation Section. I have no argument with the theory behind the move, but the whole operation was horribly expensive, as well as being very inefficient because it depended on a sometimes iffy phone connection and an hourly bus service back and forth over the twenty miles between Dammam and Dhahran. However, principle came before convenience, at least until the experiment was abandoned five years later.

This has nothing to do with Aramco or its relations with Saudi Arabs, but one memory of our time in the Dammam office building has always stuck in my mind. I had a corner office on the third floor, overlooking a small sort of square where three streets came together. One day I heard a lot of commotion in the street and when I looked out I was a crowd gathered in the square. Music was a big no-no among the religious people, and some poor resident of Dammam had been discovered in possession of a record player. I don't know how he was punished, but the record player had to be punished too. When I looked out my window I saw it lying in the middle of the street with three policemen in uniform standing around beating it with long sticks. I have always been sorry that I didn't have a camera with me.

As far as Saudi attitude toward the Americans were concerned, I think at the beginning it must have been one of curiosity and then of cautious friendliness. Later on, there was a good deal of what you might call amused toleration of some of the weird ideas and customs that the Americans had. And I think Saudi attitudes to a large extent were a function of how many foreigners there were in the area. For example the number of Americans and other foreigners in the Aramco work force went from about 2400 in 1946 to over 9000 in 1953, and as a result the mid-fifties were a period of considerable tension between Saudis and others and between Aramco and some of the local government officials. The same thing happened in the early seventies, when both Aramco and the government began to implement some huge development projects and to bring in thousands of foreign workers (American, British, Pakistani, Korean, Filipino, and others). And as a result some rather noticeable antiforeign sentiments began to appear among Saudis. This is a natural reaction. If you're a Saudi living in the Eastern Province and you realize that 80 percent of the people around you are foreigners, you can't help being a little disturbed. At one time in the late seventies there was a joke going around among the Saudis about two Saudis talking and one telling the other: "I went shopping down in al-Khobar last weekend and I saw another Saudi!" [end insert]

Company Officers: Davies, Barger, Ohliger, Jungers

Hicke: Did you know either Fred Davies, Tom Barger, or Floyd Ohliger?

P. Speers Yes, all of them. All of them were there when I first went. Davies was off and on there, or back in New York, I think. The man, in January 1950, when I first arrived, actually in charge of this was Ohliger, and my first day there I was taken around and introduced to him and others. Barger was in charge of Government Relations, local government relations. And so he was my boss one step removed. Davies back then was in New York some of the time and in Dhahran the rest of the time. I just remember him as a very kindly, likable person, but of course I was way down the ladder at the time and I've heard that others who were operating closer to his level found him quite difficult. The same applies to Cy Hardy, whom I knew much better.

Hicke: Do you know anything about his [Davies] impact on the company?

P. Speers He had been there from very early times. There's a story--he was in Bahrain first, with Bahrain Petroleum Company, which was Socal and Texaco. And there was a story about Davies looking across to

Saudi Arabia. Bahrain was close enough so he could see the Dhahran area and think, "That is the place to look for oil," so he was in it very early. Too bad you didn't get to talk to any of them. You did talk to [Paul] Arnot?

Hicke: Yes.

P. Speers Have you done Lunde, John Lunde? There's another one you ought to get. I can give you his address, Oregon, I think. He goes back to the thirties. Very knowledgeable.

Hicke: What about Tom Barger? What was his contribution, do you think?

P. Speers He again was there very early, about 1936 or something, and was one of the few who, I think, became very interested in the country and in Arabs and trying to learn Arabic. Showing that interest, I'm sure is what eventually led to the setting up of a Government Relations Department with him in charge. And that's what he was when I arrived. He had friends among Saudis who he'd become friends with while he was Exploration and after he moved to Government Relations work. And he was always very well thought of by the local people. He moved on up and eventually was chairman of the board.

Hicke: Who did you report to as head of policy and planning staff?

P. Speers Mostly [Frank] Jungers. The Policy and Planning staff was sort of an up and down career, depending on who was in charge, and you would either be very busy or sit around waiting. Thinking deep thoughts! And Jungers was somebody who felt the staff was something useful and made a lot of use of it. Others who were over the staff from time to time didn't know what to do with it, so we weren't so busy. So, theoretically, I reported to whoever was in charge, whoever was the vice president of Government Affairs, who at one time was Jungers, but then as he moved on up, we continued to report to him, because he made use of us.

Hicke: So you were a little bit separate from the rest of the Government Relations office?

P. Speers Yes. It was, at times, a very good, interesting job.

[inserted during editing] Incidentally, if you haven't yet heard Jungers referred to as FF, I'm sure you're going to. The name was given to him by Majed Ellass, who was the only other member of Policy and Planning when I joined it and who later became vice president of Government Affairs and a member of the board. In late '67 or perhaps '68 Frank came back from a long so-called developmental assignment in New York and was assigned to

Policy and Planning just as a place to put him while they decided where he was going next. Almost immediately, Majed started referring to him as Friendly Frank, because friendly is one thing he didn't seem to be. In fact, he seemed to be a real cold fish, and "Friendly Frank" very soon was shortened to FF and the name has stuck ever since. None of this is meant as a criticism of him--it's just the way he is, and I'm sure many people would describe me in the same way. Some people just aren't the jolly ho! ho! back-slapping type. [end insert]

V MOVING TO TEXAS

Orientation Program

P. Speers Let's see, in January '77 I moved to Houston. What I was to do there was to set up an orientation program of sorts for new employees. What had happened was Aramco had gone through this enormous expansion program in the '70s, hiring thousands of new American and other foreign employees, most of whom knew nothing about the Middle East, Arabia, or the Arabs, or Islam, or anything.

And they were processed through the office in Houston, where nobody knew anything either [laughter], and they would get out there and either go through this terrible culture shock and be very unhappy at what they had found, and think that they had been misled and so on, or they would commit some terrible faux pas and get in trouble with the government or some of the Arabs, so the idea was to try to tell them some of the facts before they would get there.

So I started that going and I worked at that for almost two years, a little less, a year and a half, two years. And then I dropped that and went off to start work on the book.

Hicke: *Aramco and its World.*

P. Speers Yes.

##

Hicke: What was the impetus for that book?

P. Speers It was actually the fifth edition. There had been a book put out in 1950 maybe, a five-volume set which was called *Handbook for American Employees*. It was the same sort of idea; the typical American employee knew nothing about Saudi Arabia or Middle East history; so this would give him some of that, plus information

about the company organization and what the different departments did, and so on. It was an employee handbook, but with a lot of illustrations and historical background. And that was reprinted and enlarged in '52, and again in '60, and again in 1968. It was time for another edition. The fact was that by then, it was quite out of date and, of course, the last edition had been issued when things were very quiet as far as the oil business was concerned. Aramco production was less than three million barrels, instead of the over nine to ten million it reached in the late '70s and early '80s.

There were all these new employees, a completely different company, and a lot of things had happened in the Middle East. There were new facts that were still becoming known; so it was time for a new edition. That's why that was done.

I enjoy that kind of work--writing and research.

Hicke: You do. You can tell by the books in the bookcase.

P. Speers I don't take any blame for those maps, though. Those had already been done when I came onto the job. The guy who did them must have spent hundreds of hours meticulously drawing those things by hand, and I guess nobody had the heart to throw them away. But it was too bad; I thought it spoiled the book. I was still based in Houston but the thing was being printed in Holland, and Public Relations, in charge of the thing, was in Dhahran, so I, in '78, '79, '80 was shuttling back and forth. I hate to think how many trips I made. I'd go to the Hague, spend a week there, then go back to Dhahran, then back to Houston, and we finally turned this out.

Hicke: A lot of jet lag.

P. Speers Yes. Anyway, I finally retired at the end of March 1980 and continued working on the book through August, I guess, on a contract, consulting basis. In August it was finally finished and turned over to the printers and that was it. I sat around waiting to see the thing, how it was going to turn out.

Hicke: Yes, how long did it take, do you think? Well, you didn't start at the beginning.

P. Speers Take what?

Hicke: To do the book.

P. Speers Well, I worked on it for a year and a half, but several years of work had already gone into it. The last edition was on the basis

--somebody else had been put in charge of the project and had either collected or written some new stuff, but a lot of it was pretty bad; so when I got the project, parts of it were already written, parts of that had to be revised, parts of it I had to write myself. So it doesn't really mean much to ask how long did it take.

Retirement and Overview

Hicke: And how did you get to Austin [Texas]?

P. Speers Well, we bought a house in Houston in '77, but never really cared all that much for Houston. As I told you, we were already quite familiar with Austin, and in late 1980, when I was finished with the book, we decided to get out of Houston and go look for something in Austin. So we made I don't know how many trips back and forth up here looking at places. I tell people we must have looked at forty houses, but I don't know--an awful lot of houses. And then when we saw this one, we thought that this was it.

Since then I've been less and less involved with Arabia and things like that, very much out of touch. My Arabic I know has gotten rusty.

Hicke: Yes, if you don't use it, you lose it. Let me just ask you a couple of overview questions. What are the things you would pick out particularly that you think made Aramco a unique company?

P. Speers Okay. One was, I think we both feel, that it was a very informal and egalitarian organization. I mean, people knew everybody. It was not a question of "I'm a vice president. I don't want to talk to you." There was very little of that at all. You got together with other people and associated with them on the basis of what you were interested in.

And everybody had a lot in common because you were away from the United States, you were living in this strange environment for a few years at a time. And we all had the same shortages, the same needs, and so on. So people were more or less equal, and everybody pitched in to set up things like nursery schools, or to organize a club, or to work together on horses or photography or whatever.

And the other thing that I've decided, looking back on it, is that most people were proud to be associated with Aramco.

Hicke: Well, that's good. You had good morale and--

P. Speers Sometimes. Sometimes morale deteriorated [laughing].

Hicke: Not quite the same thing, I guess.

P. Speers No, it's not. People, I think, respected the company and were, as I said, kind of proud to be a part of it. Everybody, at least the majority of people, felt that way. And since people retired, they've kept very much in touch with each other, and there's a big reunion organized every other year at some place in the country, and here in Austin about a hundred people meet every spring for a picnic, and every Christmas there's a Christmas party. People keep in touch; they visit each other in California or North Carolina or wherever.

And there's a quarterly, I think, publication for retired people, with pictures and pieces on the early history of the company, and so on. When I was working in Houston, I remember a couple of girls in Employee Relations were assigned to go help out at one of the reunions and they came back very impressed. "It was just so incredible. It was like a family," they said, which it is. Anyway, someone asked me a couple of years ago, "If you had it to do again, would you?" and I said, "Of course." There were some bad times, some jobs I hated, but the good far outweighed the bad. We had a good thirty years or so.

For the most part, the families came to like it too and again, there are exceptions for them. For the children who grew up there, that was home. And many of them went back there. My children, two of them anyway, would have liked very much to go back and work for Aramco. And there are third generation people whose fathers and grandfathers were there. [Brock] Powers's daughter was out there for a while. Our children were never in Aramco. I can think of a few others who were involved. One of our friends is a woman whose parents were there, and she was there during her teens, and when she got married she and her husband worked there, and now their son is out there and [he] has a daughter there, so it's a four-generation spread there.

A Story of a Typical Employee Problem##

Hicke: Pete, you have something else?

P. Speers Here's a curious little thing that shows the type of problem that may come up when two cultures are trying to adjust to each other. This is a letter from Aramco to the Deputy Minister of Petroleum about a young Saudi petroleum engineer. Anytime one of these young professional Saudis left the company, Aramco was supposed to report to the ministry: how come he's leaving? What has happened? And this man, as I say, was in a professional development program, for petroleum engineers, and he came in and said he was quitting, and he was questioned, and we had to report his reasons for leaving.

And the reasons Mister Fulan gave for submitting his resignation were the following:

1. The eight hour work requirement. The employee feels he should not be away from his family for such an extended period of time. His family's always in constant need of his guidance and advice, which he cannot give if he's away most of the day.

2. The 5 percent service charge on home loans. (The company had a program where they'd give Saudi employees money to buy a house, which they had to gradually repay, and there was a 5 percent add-on there, and he points out that in his opinion, the program loses its intent by alienating most Saudis by adding this 5 percent charge.)

Hicke: Interest rates were probably around 15 percent at that time.

P. Speers Three is the "hostile behavior of expatriate supervisors who are constantly misrepresenting facts to the Saudis."

Four is the length of the professional development program. He feels that the program length of three years is giving more chance to expatriate supervisors to exercise their power. The professional development program should not exceed four to six months. And, in addition, the program participant is being rotated unnecessarily to different assignments. Mr. Fulan feels employees should be exposed only to their targeted job from the early beginning and told to specialize.

Finally, number five, "Mr. Fulan feels that the availability of women in the company as part of the workforce is against the values and traditions of Islamic society and in contradiction to the teachings of Islam, especially where men and women are working together and one cannot help but talk and mingle with them as work requires."

They tried to talk him out of leaving, but he insisted.

Hicke: What's the date on that?

P. Speers It was '85. His salary as a trainee was almost ten thousand riyals, \$3500 a month. But he didn't want to work eight hours a day, or help to mingle with women. [laughter]

Hicke: I would say he's not much of a loss.

P. Speers No.

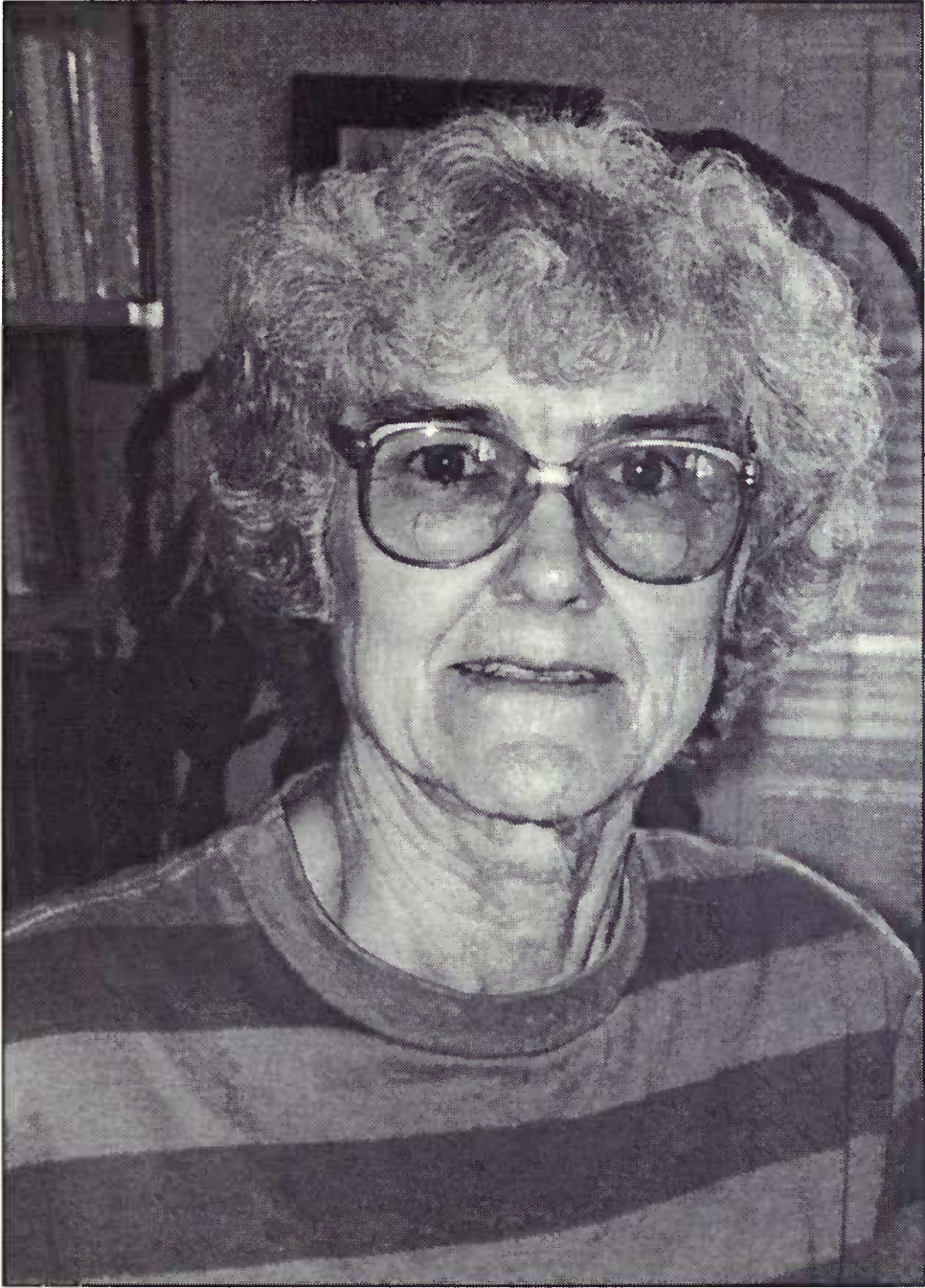
Transcriber: Aric Chen

American Perspectives of Aramco, the Saudi-Arabian Oil-Producing
Company, 1930s to 1980s

Ellen Speers

AN AMERICAN WIFE IN DHAHRAN

Interviews Conducted by
Carole Hicke
in 1993



Ellen Speers

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INTERVIEW HISTORY--Ellen Speers

Ellen Speers lived with her husband in Saudi Arabia from the early 1950s until 1977. As the wife of an Aramco employee, she participated fully in the Dhahran community. Her descriptions of that life and of raising their children in that unique environment illustrate the policies of the company in many ways. Needs for health, recreation, housing, education, and social life were met partly by the company and partly by the employees and their families. Living within a surrounding culture much different from their own, Aramcons, as they call themselves, developed their own way of existence. In her oral history, Ellen Speers details her life and that of others in Dhahran.

Ellen Speers was interviewed in her Austin, Texas home on May 5, 1993. She reviewed the transcript and added some informative paragraphs.

Carole Hicke
Senior Editor

September 1994
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

Regional Oral History Office
Room 486 The Bancroft Library

University of California
Berkeley, California 94720

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name Ellen MacDaniels Speers

Date of birth August 11, 1921 Birthplace Cincinnati, Ohio

Father's full name Laurence Howland MacDaniels
Head, Dept. of Floriculture

Occupation Cornell University Birthplace Fremont, Ohio

Mother's full name Frances Cochran MacDaniels

Occupation homemaker Birthplace Cincinnati, Ohio

Your spouse Peter Carter Speers

Occupation Retired Birthplace Murree, India

Your children Peter, Ted, Martha Blazewski

Where did you grow up? Ithaca, New York

Present community Austin, Texas

Education AB, Oberlin College, 1942; MA, Fletcher School of Law and
Diplomacy, Tufts, 1943

Occupation(s) Assistant Turkish Desk Officer, Department of State

Areas of expertise _____

Other interests or activities Travel, needlework, gardening

Organizations in which you are active American Cancer Society, AARP Tax
Aide Program, docent, Austin Area Garden Center, Lifetime Learning

I BACKGROUND

Parents

[Interview 1: May 5, 1993]

Hicke: Let's just start, Ellen, with when and where you were born and grew up.

E. Speers: Well, I was actually born in Cincinnati, Ohio, in 1921. My mother was with her parents at that point, and my father was in Mexico.

Hicke: Yes, tell me a little bit about him. I'd like to hear about him.

E. Speers: Well, he started out in botany at Oberlin and got his graduate degree from Cornell University and then stayed on at Cornell in Ithaca, New York, initially as an assistant professor. He was in the Department of Pomology, which has to do with things like apples; it's a particular classification of fruits.

Hicke: I think the French word for apple is *pomme*.

E. Speers: Yes. And then in early 1940 he became head of the Department of Floriculture there at Cornell. Now, as a professor, of course, he had sabbatical leaves, and some of my first memories, actually, are of Hawaii, because he spent a year there under the auspices of the Bishop Museum. He was studying the distribution of a particular banana. As part of that, he spent three months in Samoa, Fiji, that area, and that's where this [shows interviewer something] tapa cloth came from, the Republic of Fiji.

Hicke: How old is it?

E. Speers: He would have gotten that in 1926. The next sabbatical I remember, we spent part of the time touring the United States. Well, actually, we started out by going from New York to San Francisco on a ship.

Hicke: Through the [Panama] Canal?

E. Speers: Through the Canal. And then we spent six weeks, two months, something like that, going up and down the West Coast, and eventually ended up in Mexico, Mexico City, specifically.

My father was collecting specimens. Practically everywhere we went, he had a collecting can with him, and it never ceased to amaze me that we'd be driving along (at that time, of course, at forty-five miles an hour, you were going fast) and he'd say, "Oh I think I saw something! Next time I see it, I'm going to stop."
[laughter]

He was really quite amazing, because he did not have a narrow field of interest. The whole natural world interested him, and he was extremely knowledgeable in geology and zoology, name it. People said he was always a very interesting person to be with anywhere because he could pick up anything and tell you about it.

Hicke: Did you acquire some of that interest?

E. Speers: Interest, yes, but never the knowledge he had. I'm very interested in the natural world, but I just don't seem to be able to hang onto names or this sort of thing.

Hicke: You don't carry a collector's can? [laughter]

E. Speers: No, I don't carry a collector's can.

Childhood and Education

Hicke: Did you spend most of your early years, then, based in New York?

E. Speers: I grew up in Ithaca, New York. I went to Oberlin College, because both my mother and father had graduated from Oberlin. I think I just sort of grew up assuming I'd go there. My mother had very close associations with the college, because my great-grandmother, whose portrait is over there [pointing] was the daughter of one of the early presidents of Oberlin. Her mother's family also were associated with Oberlin.

Hicke: You didn't have a chance to go anywhere else.

E. Speers: I didn't have a chance, no. [laughter]

Hicke: What did you major in?

E. Speers: I was a political science major, and graduated from Oberlin and went to the Fletcher School of Law and Diplomacy (they give us this big name), which is a part of Tufts [College], and it was also--I think it probably still is--associated with Harvard in that there was some reciprocity as far as the use of the Harvard libraries were concerned, and maybe some courses. I didn't take any courses at Harvard, but did use the library facilities there.

Hicke: Were there many other women there?

E. Speers: Yes.

Hicke: What year were you in there?

E. Speers: 1942-43. We were just involved in the war. While we were there, the male population started to go down--I don't think any of them were drafted from there, but they went to the Japanese language school, or got into various programs and left the school during the school year. There were initially about forty, probably, in the class, of which eleven or twelve were women.

Hicke: That is fairly good.

E. Speers: I don't know what it is now, but I wouldn't be surprised if it was a bigger proportion.

Hicke: Yes, now I would imagine it would be a bigger proportion.

Working for the State Department

E. Speers: It was a one-year masters program that I took, and then I got a job with the Department of State, in Washington.

Hicke: What--

E. Speers: Well, I started out in what they called "Special War Problems." It had to do with trying to exchange prisoners and this kind of thing. I got there just at the time that they were arranging for a prisoner exchange of Japanese diplomats for American diplomats and other Americans who were in the Philippines. I forget how many, but that was the big project.

You know, it's funny, I can't really think what else we did. The division mainly dealt with the Swiss, the intermediaries in U.S. contacts with Germany and Japan.

In 1944 I was accepted for a six-month program sponsored by the National Institute of Public Affairs for employees already in the government. Different departments were asked to nominate people for this program. I don't think that opportunity was much circulated in the State Department at all, but I heard about it, and I don't think I had any competition. [laughter]

Hicke: Well, that's the best way.

E. Speers: Yes, right. I continued on the State Department's payroll, but was released from my regular job for the six-month program.

Hicke: Training?

E. Speers: [inserted during editing] The emphasis was on administrative training. We had temporary assignments in the administrative and personnel divisions and attended lectures and workshops by administrators in both the government and private sectors. Eleanor Roosevelt received us one evening in a private sitting room upstairs in the White House.

At the end of the program I was transferred to one of the administrative areas in personnel. [end insert]

Hicke: In the State Department?

E. Speers: In the State Department. That was one of the times when we were going through one of these big reorganizations, so we were all moving people around in boxes on organization charts. [laughter]

Hicke: Oh, that's Personnel, yes.

E. Speers: Then in the spring of '45, just as the war was winding down, the United Nations conference was held in San Francisco. My boss put me on the roster to go. That was really exciting, being out there at that time.

Hicke: You were in at the beginning.

E. Speers: In on the beginning, and one of the impressive things was the Saudi delegation, sweeping in in all their robes. [laughter] It was very exotic, very exotic. Then, actually through the father of a friend of mine who said, "It's ridiculous for you to be in anything so silly as Administration and Personnel"---

Hicke: I was thinking that myself.

E. Speers: --I got a transfer to what was then the Near Eastern Division, which is now spread over at least three different divisions, if not four.

Hicke: Years ago I worked for Richard Sanger in that division.

E. Speers: When I first went into the Near Eastern Division, he was the Saudi desk officer, and I briefly worked on the Saudi desk before I became the assistant to the Turkish desk officer, G. Lewis Jones. Also, at that time, working with Richard Sanger was a Colonel Harry Snyder, who later came out to Aramco as their chief of training. So here's one of the funny connections, small-world type of thing.

Here I was working with the Saudi desk, before I even knew where Saudi Arabia was. Harry Snyder was working there, was detailed from the War Department, because they were trying to figure out what account could be charged for the airplane that Roosevelt had given Ibn Saud.

Hicke: Can't exactly call it "pencils."

E. Speers: It took forever to figure this thing out. Of course, this was a time when they were moth-balling planes, but they still had to account for this one somehow--the War Department said that it should be on State's accounts, and vice versa. They were trying to work this thing out.

This was '45, and then in the summer of '46 I got a chance to go to Greece with AMFOGE 2. Greece had been on the verge of going communist. Parliamentary elections had been held in January or February. At the request of the Greek government, the British, Americans, and French sent teams of observers (the Russians had been asked to participate, but refused). I didn't get to go on that one. But then, that summer, a plebiscite to decide whether the king should be restored was scheduled. The Greeks requested that there be observers on hand to verify that all was on the up and up.

The earlier mission, AMFOGE [Allied Mission to Observe the Greek Election] had been conducted largely by the military. But the American military presence in June of '46 was being rapidly reduced, and there was no personnel to assign to the mission. The State Department conceived the bright idea of selecting students from some of the universities where they had public affairs or Near Eastern programs, picking up some of the college students that would be off for the summer, anyway. And Peter was picked up from Princeton.

There were about twenty-five men from various schools, the Fletcher School being one, Georgetown, the University of Michigan, Princeton, and Yale. I was part of the support group from the State Department of about a dozen. The group of thirty-five to forty people sailed from some place in New Jersey to Naples on the Vulcania.

Hicke: Must have taken a while to get there.

E. Speers: We went as far as Naples on this ship, which was being converted from troop use to civilian use. It didn't begin to be actually converted, and it had a number of women going over to join their husbands, ones that remained in the military that were stationed overseas. And, I guess, on the return voyage, this ship was bringing back war brides. Well, so we met on that trip. It turned out most of the men were posted out in the hinterland and were only in Athens very briefly, but Peter was assigned to the Athens area, so we got to know each other quite well over that period.

Hicke: Nice place for a courtship.

E. Speers: Oh yes, it was wonderful. We worked those tropical hours, until one o'clock, and then you were off until five, or something like that. They had transport available, and we'd go out to the beach, that sort of thing. And so we were married in December of that year. That was his senior year and we were in Princeton for almost three years, because he went on and got his master's. And then, I think he told you about being in Cairo. And he's told you how he got involved with Aramco. Naturally, I--

Hicke: You went along for the ride. [laughter] But you were working in Cairo when--

E. Speers: Yes, it was sort of interesting.

II EARLY YEARS WITH ARAMCO

Teaching in Cairo

Hicke: Pete said to be sure to ask you about the spies.

E. Speers: Well, the American University of Cairo was where he was taking his Arabic--they had this oriental language school--but the main part of it was an undergraduate school, where a regular liberal arts education was taught in English.

I don't remember what the circumstances were, but their philosophy teacher wasn't available or didn't show up, or something like that, and somewhere along the line I was asked if I would teach this beginning philosophy course. I had had a beginning philosophy course once. [laughter]

Hicke: You had some books where you could stay three pages ahead of the students?

E. Speers: That's exactly right. I just tried to be a chapter ahead.

Hicke: That is a challenge, though, to teach something you haven't really studied.

E. Speers: Yes. And a lot of the students there at American University at that time were Palestinian refugees, one or two of which showed up in Aramco later. [laughter] And one I remember particularly. He was not a Palestinian refugee but an Afghan, and one of the brightest people I've ever come across, and he's the one that would sometimes get ahead of me, which would be--

Hicke: Very frustrating.

E. Speers: Very frustrating. [laughter] You couldn't just teach a class for him, but you tried.

Hicke: He was a challenge, huh?

E. Speers: Yes, you tried to make sure he didn't out-fox you. One of the students that did come to Aramco afterwards was not in my class. He was a year behind, but he had heard other people talking about how tough I was [laughter], but he also said that this Afghan boy had apparently at first written me off as being not much, but then had decided that maybe I would pass muster. I think this man told me that this Afghan had committed suicide--never was able to realize his potential. I suppose there was nothing for him in Afghanistan. The one that came to Aramco ended up publishing what became an authoritative newsletter on Middle East oil. I forget what it was called.¹ Here's where, going back this many years, you get rusty on the names. But he was able to get the confidence of a number Saudis that were important, and this sort of thing, and his journal would be often quoted in the *Wall Street Journal* or *New York Times*.

Hicke: Highly respected.

E. Speers: Yes, highly. And, well, Peter went down to Saudi Arabia in January of '50--I was pregnant at the time--but I stayed on in Cairo with the thought that maybe there would be some chance of our getting together. Nothing had been promised, but if I was in Cairo, there would be more of a chance than if I were back in the States.

Earlier in Cairo, we had stayed in a boarding house that catered mainly to American embassy people. But then, when he left, I moved in with two people from the American embassy, and another girl who had actually come out on the same ship with me. Her father was in the Foreign Service and she had come out to visit. She had also gotten a job teaching at American University and stayed on.

Actually, there were two apartments, on the same floor, and Sheila, who was the girl that came out with me and one of the embassy secretaries, lived in one of the apartments, and the ambassador's secretary and I lived in the other. And we shared the same cook, so we all ate together, did things together.

We had this cocktail party with mainly embassy people, both American and British. One couple there was Donald MacLean and his wife, Melissa. I remember him as being good-looking, tall, funny, very talkative. I mean, he was probably drunk, but--[laughter] He was a known alcoholic. Well, I sort of have a mental picture of that evening and of him. The next day I came back from class or somewhere, it must have been about four in the afternoon, and

¹Middle East Economic Survey

found a note that said, "Don't be concerned. Things are a mess, but it's all being taken care of."

The apartment, had not been completely ransacked--but things had been thrown around and torn. In my room, Peter's picture had been smashed and the cover had been torn off a copy of one of Winston Churchill's books. Someone had taken a mirror and smashed it into a tub. When my roommate got back, I got the story on this. It was that Donald MacLean and Toynbee's son--

Hicke: Arnold Toynbee?

E. Speers: --Arnold Toynbee's son, Philip, had been out all night--I guess they had never gone to bed that night after the party, and had been out carousing. Why they decided to come back to this particular apartment I don't know, but they did. And I guess they had initially gone to the one where the party had been, and one of the girls was asleep there, and they came next door.

Hicke: To yours.

E. Speers: And why ours was open, I don't know. But it was and---

##

E. Speers: Well, after having done this, I guess they realized that they'd better fess up or they were going to be in real trouble. If people came back and started reporting it to the police or something of this sort, there would have been a real ruckus. So I guess they went back and told the British ambassador what had happened, and the British ambassador got on the phone to the American ambassador, and we were told to just forget about it.

Hicke: Why did they smash up the place, or are we coming to that?

E. Speers: Nobody knows. Just that both were alcoholics and were just--

Hicke: Out of control?

E. Speers: Out of control, and just suddenly this seemed like a nifty thing to do. And, coming down, they realized what had happened and--

Hicke: Could have had a huge diplomatic repercussion.

E. Speers: Oh, huge. It could have been a real--but it was all handled very under-the-table. "Donald MacLean had been a bad boy; he'd asked to be sent back to England to get treatment and would be leaving immediately; everything's under control. Don't worry, we'll pay

for any damages." I never got paid for that picture. [laughter]
I never knew that they'd offered to pay for damages.

Hicke: Oh, you didn't get any damages?

E. Speers: No. Now I never heard anything further about this, but Sheila Engert, who was the girl I knew in the other apartment, was interviewed by the FBI [Federal Bureau of Investigation], I think, after MacLean skipped to Moscow. Then they began going back to find out what people knew. That's my footnote in history, because it was written up in the recent book *The Cambridge Spies*.¹ I can't even think who wrote it. It deals specifically with defectors MacLean and Guy Burgess and Kim Philby. Anyway, all were assigned in the U.S. at one time.

The book examines how much they knew, how much damage they actually did do to American foreign relations, because at the time it was said they had no impact. And at the very end of the book it tells what happened to these people, and there's a footnote about the Cairo incident that mentions my name. [laughter] I didn't know anything about it, until we started getting questions from people we knew: "Ellen Speers is mentioned, is that actually you?" So that was it. That's my footnote in history.

Visiting Dhahran

E. Speers: But I, having stayed in Cairo, did get a chance to go down to Dhahran. It was unheard of, completely out of policy, and was very reluctantly agreed to, but I could come down for a week, or something like that, as long as we did not stay in Dhahran itself. We had to stay at the only place there was to stay, the so-called hotel at the airport. It didn't quite have dirt floors, but close to it. [laughter]

Hicke: The local Hilton.

E. Speers: So we, every night--I don't know whether Peter had to actually sign out to prove that he wasn't spending the night. [laughter] We'd go down to the hotel and then come back and spend all day in somebody else's house or something like that. At that point all the currency was all in the silver riyals, I mean, these big coins. So, the hotel, I believe, was forty riyals a day; so you'd have to take this bagful out to pay for it.

¹Newton, Verne W., *The Cambridge Spies*, Madison Books, 1991.

Hicke: Why was it that you couldn't stay in Dhahran? Because they didn't want to acknowledge your presence?

E. Speers: I think that was it. They were very short of housing at that time and had very strict rules about who could come when and this sort of thing. And this was a situation that had not presented itself before, and you know how some people are as far as trying to make a mountain out of a molehill.

Peter actually had the use of an apartment where the people were gone, so we had the place to stay during the day, and there would have been no reason why I shouldn't stay there overnight. But this stickler said, "No, no way." And also, the following month, Peter got a week's leave and came up to Cairo.

Twins and Born

E. Speers: Then after that, about the first of July I went back to the States on a freighter. At that point, I did not know I was going to have twins, which is just as well, or I probably would never have moved.

Hicke: What kind of medical care were you getting in Cairo?

E. Speers: An Egyptian doctor, who came very well recommended, in the embassy.

Hicke: He didn't have any x-rays or--

E. Speers: No.

Hicke: He might have been able to hear two hearts.

E. Speers: No, the doctor I had back in the States didn't really catch on right away. He had a very alarming statement, when he said, "I think I'd like to have you have an x-ray. I'm having trouble outlining this baby. There seem to be too many arms and legs." [laughter]

Hicke: Well, that wasn't such a nice thing to say. .

E. Speers: I'm sure he had no idea how that sounded. He'd said, "too many arms and legs," and he was only picking up one heartbeat. But once he got the x-ray and knew how to look, he could get them, but apparently one was blocking the other, or something. Anyway, I

think I found out about three days ahead of time that there were twins.

Hicke: Had a little extra shopping to do.

E. Speers: Oh, I don't know what we did. I think we went out and got another laundry basket. [laughter] Remember those wicker baskets that people used for laundry?

Hicke: Sure.

E. Speers: And we did use those for a while because it was so easy to pick them up and carry them someplace.

I was at home with my parents in Ithica, New York, and the twins were born in August, and Peter came home in February for two weeks, or a week, or something like that, and saw them. Martha and Peter were six months old when he met them.

Hicke: He must have had an interesting time receiving the telegram or whatever, announcing twins. [laughter]

E. Speers: Yes, I think the telegram came before he had word that the twins were expected.

Hicke: That was the first time he knew that?

E. Speers: The telegram, I think, got there before the letter.¹

Hicke: The letter would have announced that you were going to have twins and the telegram announced that you'd had them.

E. Speers: When Peter got the telegram people were asking him, "How is the baby," and he announced, "There are two." [laughter]

Moving to Dhahran

E. Speers: Well then, at this point it was two years before the family could come over. I'm not quite sure what the arrangements were, but I was able to come that May, which would have been not quite a year and a half. I was able to join him and went over on the Gazelle [airplane].

¹Peter recalls getting the letter first.

Hicke: Oh, you went on the Gazelle.

E. Speers: On the Gazelle, one of three company DC4s. The others were the Camel and the Oryx.

[interruption by Peter Speers]

Hicke: Okay, the company had three planes, the Gazelle, the Camel, and the Oryx.

E. Speers: Now the Camel actually had some compartments that converted to sleeping quarters. I can't remember how many you could get in the sleeping part of it. There was always some jockeying as to who got to sleep and who didn't. I think of the times we took that, we only got in that area once.

Hicke: You mean, with two young babies you didn't get any sleeping area?

E. Speers: No. The Gazelle did not have any sleeping area. It was the same crew that went all the way through. Therefore there was an overnight stop--I think they'd been stopping in Rome--this was the first time they were stopping in Paris. So we were staying overnight in Paris and I don't even remember the name of the hotel. It may have been The Maurice, or something like this. It was one of these big, old--

Hicke: You went to downtown Paris?

E. Speers: Downtown Paris, yes. Very close to the Arc de Triomphe, as I remember, in one of these big old hotels with huge, huge rooms. There was another woman on the plane with two children, one of them older and one of them younger than the twins. The twins at this point were eight months.

We arranged with the hotel for somebody to come and stay with our four babies while we went out for dinner. And I don't remember the name of the place where we went, but it was pretty fancy, one of these places where flaming stuff was brought in and this sort of thing. We were having a very nice dinner. I think we had gotten almost all the way through when there was a phone call. We'd left word at the desk, of course, where we were going to go, and the baby sitter just couldn't cope. [laughter]

Hicke: So back you go.

E. Speers: Back we go. As I recall, we were essentially finished when this call came. But anyway, when I look back on it, I just can't imagine how we had the nerve to do that.

- Hicke: Or even the energy after a long flight with little kids.
- E. Speers: Yes, I mean it's just one of those things. I just can't believe I did it. [laughter]
- Hicke: Well, you know, in Paris, you're not going to be there too many more times.
- E. Speers: No, no. But then we went on the next day. There was one night on the plane over the Atlantic, a night in Paris, and then there was another night--
- Hicke: Twenty-four hours or something?
- E. Speers: Well, almost. Then you got to Dhahran fairly early in the morning of the third day. And, of course, Peter was there to meet me, very excited.
- Hicke: What did it look like to you?
- E. Speers: Well, this is interesting. I don't have a picture of this. The original airport where we came in burned, and for a couple of years or something like that they used what was essentially, just a shed as the airport terminal. And that's what I remember. I don't have a picture at all of where we came in.
- Hicke: Well, there was a lot going on. You had the babies and the father and everybody.
- E. Speers: And we had an apartment what they called a seven-unit, which was a U-shape around a grassy area. And the apartments had two good-sized bedrooms, a living room/dining room combination, not all that big, a sort of a railroad kitchen, I mean, it was long and narrow. We had the standard company furniture, the company rented out furniture. Let's see, I can't even think of the name of it. It was some American furniture company that did colonial reproduction furniture.¹ Oh, what was it? That's not important. The living room furniture was wooden, colonial reproduction-type thing. Lots of knobs. The bedroom furniture was all metal, metal dressers and metal bedsteads, the heads of the beds, and so forth. And I guess there were a couple of shag area rugs on the cement floor.

At that point the floors were all just plain cement. Then they put in linoleum; you could have blue linoleum, or you could have green linoleum, or something like that. That was really

¹Heywood Wakefield.

coming up in the world to have linoleum on the floor. And later-- this was just sheet linoleum we're talking about--they got the tiles that looked, that just looked like--what do you call those floors--

Hicke: Parquet?

E. Speers: Parquet. It was meant to look like a parquet floor. These were some of the things that you would gripe about, because you could only get the parquet floor if your linoleum had been down for x number of years or you had clout. So somebody gets this new floor and I've got this crummy old linoleum or I just have a cement floor. [laughter]

We had very liberal, what they called E.R. numbers. I mean, the company would really transport a very liberal amount of your goods. If we had had anything, they probably would have taken everything, but we had very little. We had no furniture to speak of, but a washing machine, and I don't know what else. The moving van did come up and pack up what we did have. As you came back, and over the years, you got rid of all the company furniture, and you had your own. And, talking about the drapes, they did have drapes.

Hicke: Why don't you tell that story about the drapes.

E. Speers: There was one person who said that the only thing she was told that was really necessary to bring was "You've got to bring your drapes."

Hicke: That was her orientation?

E. Speers: Orientation, right. Well, I think they sent me a list of several pages that included three evening gowns, I mean, it was a really antiquated, not very useful, list. For one thing, at the time I came over there, there was practically nothing to buy locally.

Hicke: You're talking about clothes and furniture and--

E. Speers: Furniture, anything. Aramco came to what was essentially a desert. There was a small fishing village, called al-Khobar, which was ten miles away, maybe. But it was one, maybe two, blocks of dirt street. I think there was probably a mosque, and then these little stall shops, just a single room going back twenty feet or something like that.

Hicke: With an open front?

E. Speers: With an open front. Each of these would have a very miscellaneous collection of a few canned goods, maybe flashlights or batteries, the enamelware (enamel bowls and enamel teapots), these rubber sandals (you know, thongs that were worn a lot), and the lengths of material that some of your Yemenis and some of the coastal people wore. They wore these sarongs and that was their dress. These pieces of material were maybe three yards, and some of them were really quite pretty. As a matter of fact, I did make curtains or drapes out of this sarong material, because it was a nice cotton material, in plaids and in stripes and in different things like that.

But there was literally nothing to buy. Therefore you were allowed shipments per contract.

[inserted during editing] Aramco has a very generous policy for shipment of personal effects. A family was allowed to ship 2,000 pounds each contract or an ER [Employee Request]. When you made your purchases you had them forwarded to Aramco's freight-forwarding company (Penney's, Montgomery Ward, and stores like Bloomingdales were familiar with the procedure) which consolidated and packed your articles. Periodically, the company would fill a container with employee ER shipments and dispatch the container by sea to Saudi Arabia. It took six to eight weeks for a shipment to arrive and then another week to ten days to clear customs. A notice would be sent out in the fall letting people know the anticipated date of shipment of a container which would arrive in time for Christmas, so that you could place your order in time to make that shipment. Aramco appreciated how much it meant to the employees to get their Christmas shipments, and I can remember a truck pulling up to our door about 9:00 pm Christmas Eve.

In addition to the ER, employees were also allowed ERFs [Employee Request Foreign]. The company had arrangements for freight forwarding from a number of overseas places--Copenhagen and Hong Kong being the principal ones. Many people furnished their homes with Danish teak or Hong Kong rosewood.

Families weren't completely dependant on ER shipments for Christmas. For years the company imported large quantities of artificial trees, decorations, wrapping paper and toys, which were sold at the annual Christmas sale. It was held in some available large space, like the school gym. There would be a preview, and everyone would make up their lists, even noting where on the floor desired items were placed. Often there would be limited quantities of the most sought-after items, so being among the first to get in on the actual sales day could be very important. Initially it was first come, first served, and people would line up outside the sales' site the night before with their blankets,

thermos bottles, flashlights, and playing cards. Later you drew a number, which determined when you would be admitted to shop, i.e. #1-#50, 8:00-9:00 am. If you were unfortunate enough to get a high number you would look for someone with a low number and ask them to get the coveted item which was in limited supply. Items for the sale came from several different countries, the United States and Germany being the primary sources. I still have boxes of hand-blown ornaments from Germany purchased at the sale for \$2.50 a box and Steiff puppets and stuffed animals that cost \$1.50-\$5.00. [end insert]

When we first went over there, your contract was for two years. And so when you came back to the states you tried to figure out what sizes of shoes your kids were going to go through in two years and so forth, because--

Hicke: Advance planning.

E. Speers: Yes, because there was nothing there to get. Now, if somebody got pregnant, they'd have to go around and find out who had an E.R. coming, so they could have their baby clothes added to the list, this sort of thing. Of course, this was one of the things that got everybody so close.

Hicke: Yes, helping each other.

E. Speers: Because you did have to help each other out in this kind of a situation. We gradually, over the next couple of years, did replace all the company furniture with the things that we'd picked out. After two years you qualified for a thing called a long vacation, because it would amount to about three months.

Hicke: Now would that have happened after Peter's two years?

E. Speers: After Peter's two years.

Hicke: So that was coming up fairly quickly for you?

E. Speers: Yes, it was coming up fairly shortly. You were eligible for two weeks, which was called the short vacation, after a year. People would go to Beirut or to Europe or places where you could get out of the Kingdom and do something different for two weeks. So I was there well over a year before our first long vacation, in this seven-unit apartment.

III LIFE IN DHAHRAN

Social Aspects

E. Speers: One of the nice things about living in Aramco is practically every place was within walking distance, and they also had a bus system that circulated in the camp, so if it's a little farther than you wanted to walk, you could hop a bus.

One of the things that was certainly unique about Aramco while we were there was that there weren't definite lines about what your job status was. I mean, if you were president, you could have a secretary for a friend and--

Hicke: Socially, you're talking about?

E. Speers: Socially, yes, I'm talking about socially. Rank or where you fit in the company didn't have anything to do with who your friends were. For instance, Cathy Schaub was John Kelberer's (Aramco's CEO) secretary--

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E. Speers: --also a very good friend, and certainly she and Art Kelberer, John's widow, are very close. Now that's just a very good example of what the relationships were.

Hicke: But you're saying that wasn't so unusual.

E. Speers: No. And another very good friend of ours was Bob Brougham's secretary; she was always a part of the guest list for anything that Brougham had. Most of the people you've been seeing are what you'd call professionals. But while we were there, and certainly when we first got there, a lot of the Americans were not, because there weren't Saudis for the roustabouts--the drillers, the electricians, the plumbers, all those jobs were held by Americans. Certainly the children never made any distinctions as to so and so was the president's son, or so and so was a shop plumber.

I think it got started when the camp was so small. If you were going to have friends, there weren't many to pick from. And it just grew up that way, that you went up, and somebody that you were friends with maybe didn't, but it didn't make any difference socially; the position someone had just did not enter into who your friends were. The situation now, of course, is that you've got a level that is isolated. I think probably the expatriates all stick together in the same way, but they're much more homogeneous now as to background and position than they were when we were there.

Housing

Hicke: I think that, as I understand it, early on the decision was made not to have separate, high-executive housing and that may have had--

E. Speers: That had a lot to do with it, yes.

Hicke: Because like in the military, you know, they separate the officers from the enlisted men.

E. Speers: No, the executive housing as such was always sort of scattered around.

Hicke: It's so visible because you spend all of your time at everybody's houses, so it was a very visible--

E. Speers: Sure, yes, very. And then also, they did make a distinction there. Certain classes of houses were reserved for executives, so no matter how long you were there, if you didn't reach that grade, you weren't going to get one of those houses. And I think that the limited housing probably caused more grief than practically anything else, particularly if you and somebody else were hoping for the same house when a house became available, you could apply, "I'd like to have that house," and then you'd find that you didn't get it because so-and-so had more points. [laughter]

[inserted during editing] Most of the time we were there housing was in short supply and there was a great deal of difference in the quality and amenities--with cement block duplexes with small rooms being the least desirable; the more spacious two- and three-bedroom row houses being a step up. Free standing houses ranged from portables to two- to four-bedroom, two-bath homes of various vintages and floor plans, some more desirable than others.

Housing was assigned according to an elaborate formula. The number, sexes, and ages of your children determined how many bedrooms you were entitled to. Points allotted for grade level and years of service were combined to establish your place on the

list of applicants for a particular type of house. You could ask to have your name be put on the list for any type of house for which you were eligible. When a house became available it was offered to the first person on the list for that type of house. If he refused, it was offered to the second, etc. [end insert]

Hicke: Oh, I could see how that could be a little bit of a sticky wicket.

E. Speers: Right. Now that's one thing that's been fascinating about the changes since we've been there; there isn't that great distance between the types of housing. It's all been upgraded. It's more than upgraded. All the miserable places have long been knocked down. That is probably still of some concern, we're talking about the--. A friend's son, who's over there now--with his wife and one child--as I understand it, has a four-bedroom house.

Hicke: How come?

E. Speers: There's no longer a housing crunch--a big change from when we were there. Back then the type of house was controlled by points and the number of bedrooms by family size and composition. You had two children of the same sex in the family and you were entitled to two bedrooms, unless the children were ten years or more apart. If you had a boy and a girl, then you were entitled to three bedrooms after they reached seven years of age.

As I said, the housing has been much upgraded. We lived in the seven-unit for, I can't even remember how long now, five years, maybe, something like that. And then we had a duplex, one of two houses sharing a common wall. There was a nice, sizable yard space around it. It was initially two bedrooms, and we finally got a third bedroom added. Since we had a boy and a girl, we were entitled to three bedrooms, and we thought at one point we were getting that third bedroom, and then the project was cancelled. I suppose it was at a time when the company was contracting or something of this sort. Then when the third child was on the way, we did get our third bedroom. For about the last ten years we were there, we had a free-standing house, which was three minutes' walk from where people worked.

Hicke: How delightful.

E. Speers: Three minutes' walk, and at that point they had an hour and a half lunch hour, and Peter would come home. He could have lunch and

take a nap. That was always a big plus factor, certainly, everything being so close, so easy to get access to everything.

A Vacation Trip to Cairo

E. Speers: It was July '52 when we went on our first long leave, and we went to Cairo, because we still knew people there. Well, we were staying at the old Semiramis Hotel, which was right on the Nile and at that point was probably the best hotel in Cairo. The fabled Shepherds having been burned in the riots earlier in the year.

And I think the funniest story about that place is--no air conditioning in this hotel. We'd go down to lunch, and, of course, coming from Saudi Arabia, where nobody wore a coat or anything of this sort, we'd walk into the dining room, sit down, the waiter comes over and says, "Sir, where's your coat?" I don't know if there was some dress code or what, but you were supposed to have a jacket on when you'd come in for dinner or lunch. And this was lunch, it wasn't even dinner, it was lunch. And Peter just outright refused to go and get a jacket; they got a screen and put it around our table. [laughter] The British were gone, but--

Hicke: The atmosphere lingered.

E. Speers: The atmosphere lingered on.

Hicke: Out in the noon-day sun with your full regalia.

E. Speers: And we were also there at the time they kicked out Farouk.

Hicke: Oh, that must have been interesting.

E. Speers: A friend of ours, called and said, "We've got this coup going on. Probably you'd be better off if you just stayed in your hotel," which was great except both of our children had come down with severe diarrhea to the extent that the boy was hospitalized on Gezira--an island in the Nile across a bridge from our hotel.

Hicke: Good heavens, what did you do?

E. Speers: That thing was over with within hours. He [Farouk] was just sort of rushed out, and it seems to me the problem only existed for a very short time. I think they were afraid there might be

repercussions, and I guess there were some tanks out and this kind of thing, but the riots never materialized.

Anyway, we were there about five days or something like that. Three months' vacation was sort of nice, but it was really difficult for a lot of people, because if you have pulled up stakes, where do you go for three months? Well, we were very fortunate in that my family house had an upstairs apartment that was usually occupied by students, who were not there in the summer. So as long as this two-year contract and three-months' vacation was going on, we would sort of juggle our vacations so that we could be there when that apartment was empty. We were very fortunate in that respect, because we had a place we could at least make a home base. Peter's mother was in Arlington, Virginia.

What We Wore and How We Lived

- Hicke: I want to be sure and ask you about the dress code in Saudi Arabia, because that hasn't come up before, or the lack of dress code.
- E. Speers: Oh yes, the lack of dress code. It was khakis and a short sleeve shirt or just casual slacks for the men. I think the secretaries wore dresses. They didn't wear stockings, but they didn't wear sneakers, either. I mean, they didn't wear Reeboks either. [laughter] Of course, nobody did, then.
- Hicke: Yes, that's true. There weren't any, but I see what you're saying. Probably sandals or something.
- E. Speers: Yes, right, yes. They were probably more dressy than the men were, but that's always true. People could be quite dressy for parties. You know, all of us had a cocktail-type dress wardrobe and some long dresses were worn. As a matter of fact, I know a number of people who have admitted they've got closets full of--oh what's the word--these embroidered dresses [Kaftans] and things of that sort.
- Hicke: And what did the men wear to the parties?
- E. Speers: There was a certain number that actually did have tuxes; Peter never did.
- Hicke: Tuxes?

E. Speers: Yes. This is to, you know--

Hicke: Well, spark things up, obviously, sort of gives you a dress-up occasion.

E. Speers: Right, right, yes. I mean, there would be dances where formal attire was expected and some people would have formal dinner parties just to use their formal attire. Most all the entertaining was done in the homes, because there was no other place, and you had some very inspired people doing really special things.

[inserted during editing] When I first arrived in Saudi Arabia a feature of social life was what evolved into a "Payday Thursday" brunch. Of the five or six young Government Relations employees, Peter was the only one who was married. We had an apartment, which made it the logical place to gather on the Thursday afternoons when the workday finished early. With a kitchen available it was possible to add food to the libations-- typically a pink gin (two jiggers of gin poured into an old-fashioned glass full of ice and a dash of angostura bitters). Someone would go to Saudi Camp and purchase Arab bread. An array of cold meats, cheeses, and other sandwich fixings and snacks would be spread out on the table and people would help themselves. The banning of the sale of alcohol and the change to the five-day week doomed this informal entertainment.

A lot of planning went into some of the parties. You couldn't go out and hire entertainers. Pin ceremonies (the recognition of five, ten, etc. years of employment), departures on long leaves, retirements, etc., were occasions which called for something special. Movies, poems, skits, musical revues, elaborate constructions involving some inside joke, parodies of the *Sun and the Flare* and the retirement magazine, *al Ayyam al Jamila*, were featured in some of the parties I recall. [end insert]

One thing that I think is interesting about Saudi Arabia in general was that there was no servant class.

Hicke: Of Saudis?

E. Speers: Of Saudis. There was nothing. So, at the start, Aramco provided the houses with all the features that you have here so that you can bring in your dishwashers, your washing machines, and your irons, and everything works so that it's possible to keep house without a servant. And it's not like so many places where if you moved in, your house was such that you couldn't manage anyway. Now that was certainly true in Cairo.

Hicke: Yes, you said you had a cook.

E. Speers: Yes, the kitchen was primitive, a little gas burner. The cook could do marvelous things, but we couldn't do anything. I remember actually coming home one night and trying to make waffles, and there were no measuring cups, and you know-- [laughter] I think we had a cookbook and we tried to make waffles-- [laughter] But in Cairo or India or Africa, there was always a trained servant class.

Hicke: Those were the places of the British Raj.

E. Speers: Yes, right. And consequently, the domestic economy, and the housing, was planned on the assumption that you would have the servants and staff that you needed. Now, very early on, they started bringing--you couldn't use women, of course--houseboys from India. A number came from Yemen or Aden. Now the company provided the living facilities in what was called domestic camp, sort of "sheep sheds" [laughter]. Each man had a cubicle and washing facilities, probably not individual or anything of this sort, but each man had a place to live, and Aramco, I think, contracted with somebody in India to hire people for individuals. If you wanted a houseboy, you'd go in and sign a contract and you were responsible for their wages and transportation.

Hicke: Did you do that?

E. Speers: We never did it. We never had what was called a full-time houseboy. Now the full-time houseboy generally worked, say, eight to one, and then five to seven or eight, or something like that. So many of them could moonlight.

Hicke: At other people's--

E. Speers: Yes, at other people's houses. Or, there were some--two we had were Yemenis who didn't have full-time jobs, but they worked two hours here a day, and two hours there a day, and so forth. So I, most of the time, did have help, keeping the house clean. I think I always did the laundry, but I had somebody do the ironing, because that was before all these wash and wear clothes became available. But I don't know, I never felt that comfortable having somebody around the house all the time, under foot, and well, when you're in an apartment, for heaven's sake, there's no room for another person.

The nice thing was that when you wanted to entertain, you could usually get help--maybe somebody you were inviting would have a houseboy whom you could borrow. The guest house allowed their people on their off time to serve or cook or whatever, so

you could go around to the guest house and say, "I'd like to have a cook and a server for such and such a night," and they'd look through their roster and tell you who'd come, which just made entertaining easier.

Now when we first got there, there were still a number of Italians. Right after the war, there were Italians in Eritrea or in the former Italian colonies in Africa--Aramco latched onto a bunch of these because they had the skills, such as carpenters, the kinds of skills that Aramco just didn't have people trained for. When we first got there, there were maybe a hundred, I don't know how many, Italians who lived in what was called Italian Camp.

Hicke: More sheep sheds?

E. Speers: More sheep sheds. I never was at Italian Camp. Now they were in great demand for parties, because they'd come in, and they'd make the pasta, and a number of them were good cooks.

Hicke: You mean, you had homemade pasta?

E. Speers: Oh sure. But they were phased out fairly soon after we got there; they were all repatriated back to Italy. But that was sort of an interesting sidelight on being over there.

IV EDUCATION, RECREATION, AND CULTURE

Recreation Groups

E. Speers: I think it was Cathy [Schaub] mentioning the self-directed groups.

Hicke: Yes.

E. Speers: Aramco was terrific about providing facilities, but the running of the organization, the running of these facilities, was turned over to a self-directed group. So the bowling association, for instance, would control what the rules were for the bowling alleys. Aramco would provide the pin boys, the upkeep of the lanes and this sort of thing, but how tournaments or leagues were arranged was up to the self-directed group. And you had your tennis association and you had your golf association and you had your Hobby Farm, which was the place for the horse, you had your art group, and your Yacht Club, to name a few.

Hicke: Yacht Club?

E. Speers: Yacht Club. There were lots of avid sailors, fishermen, and so forth, they had both sailboats and powerboats. And a group of people would get together, and I suppose there were certain specifications, like drawing up a constitution, and they could go up to Aramco and say, "We would like a photography lab."

Hicke: My word. Voila!

E. Speers: Yes. As I said, they were extremely supportive of this, but it was incumbent on the people that were going to use them to provide the direction and control the use.

Hicke: Must have worked very well.

E. Speers: [inserted during editing] I'm not familiar with the details, but the AEA [Aramco Employees Association] was the coordinating body for recreation and entertainment. A minimal fee was subtracted

from employees' monthly paychecks to support the activities, but the activities and facilities were also heavily subsidized by the company. An office staff of about three was employed by the company and there was an advisory board elected by the employees. The AEA also arranged to bring in professional entertainers, e.g. Hal Holbrook in his Mark Twain play. [end insert]

In cooperation with the tennis association for years they had an arrangement with the Australians on tour--some of the top players of that time: Ken Rose, John Newcomb, Red Laver. They would be on the route from Australia to one of the big tournaments, and the Aramco Tennis Association had it set up so they were stopping in Dhahran. The top-ranked players, Australian players of that period, all played on the Dhahran courts. The most exciting part of it for the people like ourselves--of course, seeing them play each other, but then some of the Aramco tennis players would get to play with them, which was the highlight for the local players.

Schools and Education

E. Speers: As far as the kids were concerned, the schools had an American curriculum, and of course, American teachers. The schools were good. People were always complaining that they should be doing more or something of this sort, but the schools were good.

Hicke: Did the parents take a part in the--

E. Speers: Initially they had what was called a parents' advisory committee. Then there was a big fight because the superintendent of schools got all excited about something called PLAN.

Hicke: Is that an acronym?

E. Speers: Probably was. But it was one of the first of these teach-yourself-type thing that called for proceeding at your own pace.

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E. Speers: It incorporated team teaching, open space classrooms, as well. The superintendent sold it to the Aramco management with little or no consultation with the teachers or the parents. And over the summer, the walls all came down in the schools. Some of the teachers loved it, I mean, they liked this team teaching--only had to be responsible for one or two subjects--others hated it. So you didn't have the backing of the teachers, and also, a lot of

children can't function this way and it got a lot of parents very upset. As a result, they did start up with a school board, which really had some say on policy. I was one of the first members.

Hicke: Well, good for you. Did you get rid of PLAN?

E. Speers: Well, actually, I was supportive of it in many aspects. I think if it had been done differently, it could have produced a lot of good results. But the way it was handled it was just doomed to failure.

Hicke: It came down from above.

E. Speers: Down from. The lack of teacher cooperation was one of the worst flaws there, because if the teachers don't want to teach that way, it's not going to work. And, as I say, some of the teachers thought it was great. One of the reasons I suppose I was in favor of this was that our younger son was the one who was in school at this point, and he had just a great bunch of teachers, and they did wonderful things, but others didn't have that experience. So they did kick it out, and it was one of these situations where you're throwing out the baby with the bath, the good things are jettisoned with the bad. Hundred of thousands of dollars were put into it, I'm sure; all this material was just junked. But it's interesting; what comes around goes around, and I sort of cringe every time I see them pushing this type of thing again, because I've seen that unless it's done right, it's just a fiasco.

Hicke: They keep trying to find better ways of teaching, but sometimes, as you said, the management of the teaching plan is more important than the actual--

E. Speers: Yes, right. The school system there ran on the three months on, one month off plan. This was so that children going on vacation wouldn't miss a whole term. Somebody who had been away could be tutored during the interim month; if they'd get back and they were behind, there would be this month coming when they could catch up.

So many things in Aramco, for instance, started with the people living there and then were adopted by the company. For instance, on this three months on, one month off, initially nothing was planned for these kids during that month off. If you weren't being tutored, there was nothing special going on. So early on, some of the parents got together to try and arrange for programs for the kids--baseball, or organized swimming, or crafts, or things of that sort. And we had a program going for maybe a couple of years, and then the schools took it over.

Hicke: They picked it up?

E. Speers: They picked it up, not just the tutoring, but they would have inter-session enrichment programs--all kinds of programs and projects depending on what the teachers or the kids could come up with.

I'm trying to think of some other instances where things were finally taken over by Aramco that were initiated in the community. We mentioned Harry Snyder earlier. His wife, brought up in Lebanon, spoke Arabic, and she got interested in community health programs for Arab women. As I understand it, she, initially as a volunteer, arranged through the Medical Department for transportation and other help to go out to the villages to provide health education for the women. What started as a volunteer program later became part of the Aramco health program. As Cal Ham mentioned, he and other Aramcons helped generate an interest in Red Sea shells and the preparation of a shell list.

Hicke: He got interested in shell--

E. Speers: Shells, and initiating the Natural History Association. Aramcons who were interested in archaeology certainly sparked the interest of the government, which had not paid much attention to the country's pre-Islamic history.

Hicke: That's really amazing.

E. Speers: Certainly, when we went out there, the up and coming Saudis sort of looked down on the Bedouin tradition and would just as soon forget it, but I think the interest of the Americans had a lot to do with the fact that when the Saudi government put together the big exhibition, "Saudi Arabia, Yesterday and Today," in 1989, a big Bedouin tent and all the things that the Bedouins used were featured.

Hicke: This was a traveling exhibit?

E. Speers: Yes, and I think certainly our interest had a lot to do with their realizing "We've got something here that is worthwhile."

Hicke: So did they start some museums and things like that?

E. Speers: Yes, they sent a young Saudi to the University of Chicago to a Ph.D. in archaeology. He became Assistant Deputy Minister of Education and Cultural Affairs responsible for the preservation of archaeological sites and artifacts and ultimately the establishment of a museum. Some of the archaeological collections that Aramcons made went to the museum in Riyadh. Topham (not an Aramcon) collected Bedouin weavings while he was in Arabia. I was

looking for the book he published,¹ because the book has several examples that Aramco people collected. When he had an exhibit, he included items from Aramco collections. As I understand it, he sold his collection to one of the Saudi princesses. They hadn't collected, but now they realized that this was something they shouldn't just turn their backs on. This is part of their heritage.

Hicke: So you interested the Saudis in their own culture?

E. Speers: In their own culture. I certainly feel that that's one of the things that happened. Well, another thing, we were talking about is what the kids had to do: Little League baseball. This is associated with the U.S. Little League baseball. You had the Girl Scouts, the Boy Scouts, and of course, everybody swam.

Hicke: So you had organized swimming lessons and things like that?

E. Speers: Yes, organized swimming lessons. Now this gets into another thing. Our schools went through the ninth grade. After the ninth grade, children went out of the Kingdom.

[inserted during editing] Because the schools didn't go beyond the ninth grade, Aramco had an Educational Assistance Plan [EAP] for the children of senior staff expatriate employees. Under the plan, Aramco would pay tuition and board charges less a modest deductible. (At that time--1963 through 1968--tuition and board at even the most elite schools ran about \$2500 per year; by the time our youngest son went away to school in 1976, the fees had just about doubled.) In addition, an allowance was made for transportation to and from school. Children attending the American Community School in Beirut were picked up by company planes for both Christmas and spring vacations. Several times when vacation periods coincided in the three schools in Rome, a company plane was sent to bring students to Arabia. As I recall, a spring vacation trip was the responsibility of the parents for students attending school in Europe. Children attending school in the States received one trip a year at company expense. After the 1973 oil boycott when many schools adopted a long Christmas vacation as a fuel conservation measure, Aramco started paying for a second trip for those attending school in the states. Allowances were pair for transportation for college students, but no provision was made for other expenses. [end insert]

¹Topham, John, *Traditional Crafts of Saudi Arabia*, Stacey International, 1981.

Many went to the American Community School in Beirut. There were boarding schools in Rome, two Catholic schools, and then there was an Episcopalian school that opened there, which our daughter went to.

Hicke: In Rome?

E. Speers: In Rome, St. Stephen's. A number went to Switzerland. There were two or three schools in Switzerland that taught in English. If your children went to the States they got back summers only. Our son came to the States. There were certainly ups and downs or pluses and minuses on that one. It was an excellent school, and he fortunately had grandparents and uncles and aunts, but I'm sure it was not the best thing in the world for him at that age, and I think it was the start of the problems for a lot of kids. Being able to send your kids to prestigious private schools may sound ideal, but there were plenty of children that had problems that were, I'm sure, largely a result of being shipped off to a school thousands of miles away at age fourteen or fifteen.

Hicke: It's a bad time not to have your parents around.

E. Speers: Yes, and it was a time, too, when there was a lot beginning to go on in these schools. Without parents around, things happened that might not have if otherwise.

Well now, being a returning student was what all the kids looked forward to. The college kids would be employed if they wanted to be.

Hicke: With the company?

E. Speers: With the company. The company arranged jobs for the college kids, but the high school kids, there weren't any jobs for them. This could create some problems, but a lot of the kids did things; they taught baseball camps, they taught swimming.

Hicke: To the younger kids?

E. Speers: Yes, to the younger kids. Another money-maker was a weekly bake sale where the kids could bring baked goods, and that's how our kids made their spending money. They made nut breads, cookies, tea rings--the kinds of things that you couldn't get in the store.

Hicke: Oh, and they made them themselves?

E. Speers: Ours did, but, in many cases, it was a houseboy. [laughter]
There's another thing, something initiated by an Aramcon, that got

taken over. One family had the bright idea of bringing over, in an E.R. shipment, a potato chip-making machine.

Hicke: Wow, I bet that was good news.

E. Speers: No potato chips available at this point. And he cleaned up. [laughter] He cleaned up. I don't think he made the potato chips. As I understand it, the houseboy made the potato chips. [laughter]

Hicke: It's the idea that counts.

E. Speers: I think, as long as he was selling potato chips, he had the monopoly, but then the bakery that the company contracted with started making potato chips, and so that was no longer a going business.

Hicke: No so lucrative after that, probably. [laughter]

E. Speers: No, not so lucrative after that. But there again, it was one of the Aramco wives who made English muffins that were very popular. She did very well on English muffins for a couple of years, until the local bakery was introduced to English muffins. [laughter]

And you were talking about what jobs women did. You had these enterprises out of the home sort of thing. When we first got there, there was a barber shop, but there was no place for women to have their hair done. So there were several women who had the hair dryers and the proper scissors and so forth and so on, and stuff for doing permanents, so there were at least three or four women who did this in their homes. Later the company brought in some male beauticians from Beirut to operate a beauty shop, but I think there were a number of women who still preferred going to their old operators.

And you also had quite a few preschools. Aramco started a kindergarten, but there was nothing for younger children and so there were--oh I don't know how many--different preschools run out of homes. Now I don't know whether you talked to Maya [Marinovic] at all.

Volunteering and Working Wives

Hicke: Maya told me she started a Montessori school.

E. Speers: Yes, right.

Hicke: She didn't tell me on tape, though, unfortunately. That was after we'd turned the tape off.

E. Speers: Maya actually was accredited. I think she went to school in England to get whatever the accreditation is for being a Montessori teacher. And she did, I thought, a very interesting thing. Her first year of teaching in the Montessori system, she volunteered at a pre-school run by a women's society in al-Khobar. She said she felt she sort of owed Saudi Arabia something, and that was her contribution.

Hicke: Just as a volunteer?

E. Speers: Yes, that was her contribution. After that, she started her own school, which she ran out of their house, I think. I think '77 was the year she was doing it as a volunteer, and it was after that that she started her school.

Hicke: But there were others besides?

E. Speers: Yes. Preschool. I think Montessori--

Hicke: Isn't that kindergarten?

E. Speers: Yes, it starts at four or so.

Hicke: Well, it starts early, but it goes on.

E. Speers: Yes, yes, and I'm not sure just how far she went.

Now one interesting thing about Aramco, too, I think, is that they never had what was, strictly speaking, expatriate housing. The criteria for it was grade level, so any Saudi, any Pakistani, any Indian, any whatever, who attained that grade level, if he wanted to, could request housing in Dhahran and would be in the same pool as everybody else as far as getting a house was concerned. Early on, of course, there were no Saudis at that level, so it was strictly an expatriate camp, but as the years went on, you had more and more others coming in.

Hicke: You had Saudis coming, moving into Dhahran?

E. Speers: Saudis, yes. Not too many. For one thing, Aramco had a very generous housing program for the Saudis. They could get interest-free loans to build a house. So, of course, many would prefer to build their own home in al-Khobar or in Dammam, or whatever. But if they so chose, they could live in Dhahran. We had, not large numbers, but there were some. Some of them started going to the Aramco school, but I think a lot of them felt if you went to the

Aramco school, you learned English and you became Americanized to the point where the families didn't like it.

Hicke: Then you hover in-between the two.

E. Speers: You hover in-between and you begin to feel that Arabic is somehow beneath you or something of this sort. When there were more Saudis living in camp, they started bussing the Saudi children to Saudi schools on the air base. That school day was seven to noon or something of this sort, and if they wanted to, air base students could come into the Aramco school in the afternoon, which some of the families liked, because the children improved their English this way and got more into the greater community.

Teenagers

Hicke: What else were you doing?

E. Speers: I was a Girl Scout leader.

Hicke: You got materials, I suppose, from the Girl Scout headquarters or someplace.

E. Speers: Yes. The uniforms you'd buy when you were on vacation, but the manuals and the badges and this sort of thing the Girl Scout Council there would get. And they had a problem at one time because the pins that you got for each year you were in scouting were little, six-pointed-gold-star-type things. And, of course, the six-pointed star is anathema. It does not look like the Star of David, but it has six points, and some zealous customs agent pulled them all out one time. After that people brought them in their luggage.

Hicke: Isn't that funny? I mean, you never think about those things.

E. Speers: You never think about things like that. Customs would light on the craziest things; all of a sudden, something that nobody had thought of as objectionable--some food perhaps would have a logo on it or something that somebody in customs would get upset about. It was just no telling when something like that would happen.

One of the things that the Girl Scouts all looked forward to was the Tri District camp-out; it was really quite an elaborate setup, because the company would set up tents out on one of the beaches there, and they'd bus the kids out. The kids would have been working for weeks to plan the activities and menus. It was a

two nights program that was a lot of fun and something that the kids really looked forward to. Retirees receive a monthly edition of the *Arabian Sun*.

Hicke: Is that what used to be the *Sun and Flare*?

E. Speers: Yes, that's the *Sun and Flare*. Articles that might be of interest to retirees are excerpted from the weekly edition. Every month we get this abridged version. As the years go by there is less and less of interest, but there are occasionally stories about people we knew or the wedding announcements of children we have known. You also get some idea of the changes that have taken place. We thought that going out to the beach in buses for a camp-out was great, but in the last newspaper that came described a Girl Scout van trip over into the mountainous area to look for a caravan road. [laughter]

Hicke: Oh, archaeology.

E. Speers: We were much more restricted--it makes me feel as though I had been tied down, not able to roam. Apparently they're able to do it now. However, I'm sure it took them a long time, though, to get the various permits and permission to take these trips.

Hicke: Well, you have to hope there's progress on some fronts, anyway.

E. Speers: Yes, some fronts, yes. All the recreational facilities, of course, were available to the kids, and the wonderful thing about it was that it was a closed camp. Once you felt that a child could cross the street by himself, he could go anywhere.

Hicke: Oh, that is marvelous.

E. Speers: And with a bicycle they can get anywhere in minutes, and that was something that I think the parents and the kids really appreciated.

Hicke: Very unusual.

E. Speers: Really made it a wonderful place for kids growing up.

Hicke: You didn't have to worry about teenage driving too much, did you?

E. Speers: Now that you mention it--

Hicke: Although the teenagers weren't there, were they?

E. Speers: They came back during the summertime. It used to be that they just had bicycles, but then towards the end, the mopeds and the motorcycles were a bone of contention because, according to Saudi law, you had to be X number of years old and you had to have a license. Now most of these kids weren't licensed and some of the parents bought mopeds for kids who were twelve. And, for another thing, people didn't like having these kids just running around gunning their motors.

Hicke: It must have been noisy, if nothing else.

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E. Speers: Plus the fact that they were underage and they shouldn't be riding them anyway. I'm sure the company was concerned when this was going on, and they kept trying to enforce the laws, without too much success, because some parents are going to get kids things whether they're supposed to have them or not. I mean, that's not just at Aramco, it's everywhere.

Hicke: Rule of life.

Improvements in Stores and Availability of Goods

E. Speers: Jumping around here, as I said, there was nothing there to begin with to buy; when we left there wasn't anything you couldn't get.

Hicke: That is quite a change.

E. Speers: The local economy responded to Aramco desires and needs. When we were last there, there was a gorgeous Safeway.

Hicke: Really?

E. Speers: Yes. Beautiful Safeway. And, as I say, practically anything that you could think of you could get, and, in some instances certainly, cheaper than you'd be able to get it here. For instance, electronics, watches, cameras, gold jewelry. I'm trying to think of some of the other things.

Hicke: Was there any kind of tax on these things?

E. Speers: No.

Hicke: So there was no U.S. federal tax and no Saudi tax either?

E. Speers: No, so goods came in from Japan and Korea, Switzerland, Germany, Italy, England, Denmark, to name a few. Gold was sold by the weight. It didn't make any difference what the workmanship was on it; they just put it on a scale. So a lot of people really accumulated the gold jewelry, which was eighteen karat. Another thing that they had was fabrics from all over. I'd have never seen such a collection. You'd have the Swiss embroideries and the Thai silks and just gorgeous fabrics from all over the world.

Hicke: They sent buyers around the world? Is that the case?

E. Speers: I don't know how they did it, but there it was.

When I say everything was available, I think furniture and large appliances were hard to get. Their shoe selection wasn't all that great, but lots of clothing was available, i.e. Pringle cashmere sweaters, German Bleyle knits. There was Waterford crystal, the Belgian enameled cast iron cooking utensils, Noritake china, etc.

Hicke: Kitchenware, I mean, pots and pans?

E. Speers: Yes, yes, and Japanese and Danish china, and just everything. Initially, Aramco sparked this economic expansion, but as the Saudis became more affluent, they became heavy buyers of luxury goods and their needs and desires were also catered to.

Hicke: Are we talking about stores that are in Dhahran, or were they in al-Khobar?

E. Speers: All Dhahran had was what they called the commissary, which carried foodstuffs and household products, and that's all they had.

Hicke: Everything else came from the local economy?

E. Speers: Yes. Originally, you brought your own stuff in with an ER: clothes, shoes, toys, household appliances, linens, etc.-- everything you thought you would need for the next two years.

Hicke: Drapes?

E. Speers: Yes, right. [laughs] You brought them in on your shipment initially. But then more and more there were things that you could get locally--sneakers, for instance. It was no longer necessary to buy five pairs in successive sizes in advance. Khobar just exploded. The little street with the holes in the wall was knocked down, replaced by bigger and better stores with bigger and better selections of merchandise. It went in increments. First there was one store with maybe three rooms and then a series of

those, and then you'd get another upgrading of the shops. By the time we left there were some pretty sophisticated places there.

Women could drive within the company compound, but we couldn't drive outside. But the company ran buses to al-Khobar, to Dammam, to Abqaiq, to Ras Tanura, on a regular schedule. On the weekends, for instance, the buses to Khobar left every hour, and so it was very easy to get back and forth without a car. Of course, your husband, if he was going, he could drive, but you couldn't.

Women's Groups: Saudi and American

- Hicke: Let me switch gears just a little bit and ask you if you knew any Saudi women or attended Saudi functions or entertained them.
- E. Speers: Our women's group established what they called a Women's Exchange, which, in a sense, was a second-time-around store. It was a place where people in camp could bring the things that their kids had outgrown, or the clothes that they no longer wore, or the pots and pans that they had replaced. They brought them in and we supplied the place to sell them, and we took 10 percent.

This was run to finance the women's group's charitable programs. It got to the point where it was producing about twenty thousand a year for charitable purposes. Actually, our best customers, for the most part, were Saudis. That institution expanded and expanded and expanded again.

I was associated with both the running of the Women's Exchange and with the committee that decided where the money was going to go. We felt that the bulk of it should be distributed locally. We had certain charities we supported that were out of Saudi Arabia. We always had a couple of foster children through the foster children program which sponsored an American Indian. And then we made several substantial contributions to Arab charities in Jerusalem and on the West Bank, including a hospital, an orphanage, and a school.

But most of the money went locally. Early on, one of the Saudi employees started up a welfare society in the local village where he lived. He was one of the most interesting people I ever met. He was an Aramco employee without much education. He had never taken a course in social work, didn't know the lingo, but had the understanding, sympathy, and vision to do what was needed. He was just an incredible person. He started the program in his

village, and it was duplicated in many of the other communities there. The welfare societies took care of the sick and the orphans, the people who had no other place to go. Most of them had buildings in which they sponsored pre-schools, women's literacy classes, etc.

Then we were involved, too, in the beginning of some of the schools for girls before they were government supported. Our contributions there went for materials mostly. So I got to visit the schools. Through our women's group, I helped organize a series of classes for some of these women's societies that the welfare societies and the government were sponsoring. Not literacy classes, but just various crafts. At each class people from our group would demonstrate a craft technique or help with a project.

Hicke: Did they speak English?

E. Speers: No, but it's amazing how much they understood.

Hicke: I guess if you demonstrate--

E. Speers: We usually did have a couple of women associated with the program who were Palestinian or Jordanian, who were Arabic speaking, that came along with us. But it's amazing how much you can communicate with questions. I had very, very rudimentary Arabic, but most of the women we were dealing with were not the educated ones, so if you could ask them how many children they had or tell them how many children you had, that was about the level, anyway. We'd arrive and there would be twenty or thirty already waiting for us.

Hicke: And you provided the materials?

E. Speers: Yes, we'd provide the materials. Visiting the schools I found inspiring, because this was something new for the girls and they were excited. It was really exciting to see girls so motivated to learn.

Just as we did in the states in pioneer days, a girl who completed elementary school could start teaching elementary school. They were gradually working up to where Saudi teachers were qualified for all grades. To begin with they brought in Egyptian teachers. But they put their own back in as soon as they could. And the schools had nurseries for the teachers' babies, because these women couldn't leave their babies home.

Hicke: They're way ahead of us, aren't they? [laughter]

E. Speers: Yes. Another program was teaching English in elementary school.

Hicke: You did?

E. Speers: No, I didn't. I mean, they were teaching English in the elementary school.

Hicke: You know, it just amazes me. You saw almost something like a century of historic changes within a few decades. That's really fascinating.

E. Speers: The women we met, too, were, as I said, limited in their interests but still all so nice and so eager. It was very interesting. I enjoyed that part very much.

Hicke: That's rewarding to have somebody--

E. Speers: And I did get to one wedding celebration. Of course, there the women have their party and the men have their party, and this was the woman's party that I went to.

Hicke: What was that like?

E. Speers: Oh, it was fun. Lots of eating and dancing. The women just get together and have a good time. You asked me about American women working there. You had this home industry type of thing and then the casuals, as they were called, quote-unquote.¹ They held a lot of the clerical and secretarial positions in the company. They were also the nurses and teachers, wives with those qualifications--

Hicke: Those are wives that--

E. Speers: Yes, could work at the school or at the hospital and libraries. You had a regular employee as librarian at the school, but there were also several wives. One of our good friends was one of the librarians there. She was a trained librarian but she was a wife; she could have just as well run it herself, but she was not the one.

One of the things is, as I was saying, your household help was male. If you had children, the company was loath to have you leaving your little kids running around. So you had to show that you had somebody to take care of your kids before they would hire you. As I say, I never had a paying job until about the last three years I was there.

¹Salaried employees of the company without benefits such and retirement (other than Social Security), savings plan, life insurance, etc.

Hicke: And then what did you do?

E. Speers: I worked in the superintendent of schools' office. It was partly clerical, partly stenographic, partly research, just anything that came along.

Hicke: They didn't need anyone to teach philosophy? [laughter]

E. Speers: No, I wasn't asked to teach philosophy there.

Hicke: That does seem like an under-utilization of talents, though.

E. Speers: Yes.

Hicke: You know, you could have done so many things, it seems to me.

E. Speers: Well, you know, I was early enough on so I didn't feel--

Hicke: You did do a lot of things, but you did them all for free.

E. Speers: I did do a lot of things, yes. Peter used to be concerned about, "What's going to happen to the house with you gone all the time?" but I did a lot of interesting things that I never would have done if I had been working. I never would have been involved like that.

Hicke: Well, that's true.

E. Speers: Getting back to the kids, to keep the older ones busy during the summer, they hired three or four of the returning college students to run a summer program of tournaments--baseball, basketball, bowling tournaments, and dances. Some of these would involve all these Aramco communities. One weekend it would be at Ras Tanura and another weekend it would be at Dhahran, and another weekend at Abqaiq. And so the kids would all go to one of those places, and they'd have a bowling tournament and this and that and the other thing and a big dance. These weekends would be really pretty special. Most of the students would have friends where they could stay.

Ras Tanura, particularly, was the favorite because of the beach. You could arrange to get an empty house. So I went several times so I could sign up for a house; the kids couldn't. There might be as many as ten kids staying there [laughter]. In addition there were trips; they'd fly them to Jiddah, or to Taif. They had beach parties. There was an adult, a grownup, with maybe three or four kids assisting in planning the programs in each of the districts.

Sounds ideal, but as the people here today were saying, [Aramcons gathered for coffee at the Speers's home], there were up times and down times. Like any community, there were things that went on that weren't what you'd like, and there were people doing things you didn't like. It was also, as you know, a closed community, though it was a big one--word got around pretty quick, and there were people that couldn't live with this kind of a situation.

Hicke: Small town atmosphere.

E. Speers: Yes, small town, yes--a mentality some people just wouldn't put up with. And, I think, you certainly had women there who were very unhappy. I think one of the problems you ran into is many of the men were in such exciting jobs. Here you were at the cutting edge, it was the biggest thing that was going if you were a geologist or a petroleum engineer; you were dealing with something that was really, really exciting. And they were on a high, and here the wife was at home.

Hicke: Ironing, or something. Supervising the houseboy. [laughter]

E. Speers: Yes, and the wife might be ready to pack it in, but the man would not be interested. You had lots of--not lots--but you had many marriages splitting up because one was happy and the other was miserable.

Hicke: Well, that's life, too.

E. Speers: Right.

Hicke: But that was a little bit of a special problem for the people at Aramco. There's no place to go.

E. Speers: No, that's right.

Travel

E. Speers: Now one of the things which was nice was that they'd set up the calendar in such a way so there would be maybe three- or four-day weekends over Coronation Day or the Ids. And various groups would organize trips where you'd get a charter flight to Isfahan, for instance. We went on a charter to Isfahan, we went on a charter to Kabul and one to Jordan on a three- or four-day weekend. We took a group trip to Egypt and to India, but these were ten days or so, not just weekend trips.

Hicke: You had your own English-speaking guide if you went there, didn't you?

E. Speers: Yes, certainly.

Different Cultures and Customs

Hicke: You know, another thing I wanted to ask you about was, did you feel any of the impact of Ramadan?

E. Speers: I think what used to rankle there is that the Saudis would come in at six and be dismissed at twelve, but the Sahibs [laughs] had to work their regular hours. In the offices they would talk about it ahead of time that it was impolite, "Please don't smoke, please don't drink coffee," when the Saudis were around, because they couldn't do it, and out of consideration for them, they asked you not to, too.

I think the company tried to be very sensitive to the local customs but had a hard time trying to enforce something like a dress code. When we were there it wasn't considered necessary that a woman wear something down the floor. They just wanted you to have-- [demonstrates]

Hicke: Down to your elbows?

E. Speers: Down to your elbows and to your knees. Slacks were fine. That was great when those came in. Every summer, when the kids were coming back, they would issue this directive and tell you, "Please get your teenage daughter, when she goes to Khobar, to wear something besides a mini-skirt and a tank top." [laughter] And, even so, the people wouldn't do it, and then they would have fits about the way the girls were looked at, or they might even be touched or something. To a Saudi, somebody dressed like that is--

Hicke: --invitation.

E. Speers: It's invitation. That's a whore. I mean, if that's the way you dressed, that's what you are.

##

E. Speers: The rules weren't onerous, or anything of this sort, but there were those who were incensed because others suggested that they had to conform. You just had people like that, the ones who referred to the Saudis as "ragheads," and looked down on anything

Saudi and said, "Well, I'm going to behave the way I want to behave. So what?" As I said, the company certainly did try to impart to people the desirability of paying attention to what the local culture was. Now it has gotten much stricter since we were there. While we were there, the swimming pools were unsegregated. Now you have a men's pool and a women's and a family.

Hicke: Really?

E. Speers: Yes. And the women can be with their kids, I guess, but the single women can't be in the same pool with the men. And they've gotten much stricter as far as your dress is concerned. There was never anything such as taking a spray can to bare legs [to comply with regulations to cover legs] or anything like that when we were there. I think when we were there it was more of the attitude that these were infidels and they don't know any better. So they would tend to excuse us for not knowing. Now they're trying to keep control of their own people. So rather than excusing us, they want us to conform, for fear that their own people are more apt to emulate undesirable Western ways. What was interesting, too, I think, in the '60s, all the boys were growing their hair down past the collar. And for some reason, this bothered the Saudis a lot. But the funny part about that, of course, is you look at these early pictures of the Bedouins and they all had-- [laughter]

Hicke: That's right, yes.

E. Speers: --long hair; the haircut is recent in Saudi history, and yet it was associated, of course, with a type of Western culture that they didn't want. When their boys and young men started growing the long hair, that was considered a decadent, Western custom even though in their own history lots of them had long hair. But when it came on in the '60s, they were very, very upset by that trend.

Hicke: I just want to get that story on tape. A group of women went down to talk to the relators or--

E. Speers: Well, no, we just went down to visit--

Hicke: --sit in on--

E. Speers: --to see where they [Government Relations Department] worked. They worked in Dammam and we (some of the wives) went down to the offices, and we were greeted by this poem, composed the one of the

relators.¹ Was it recited in English or Arabic? I don't remember.

Peter E. Speers: Arabic. We had to translate it from Arabic.

Hicke: And it was translated into English and we've got a copy right here.

E. Speers: Right. That was practically the first year I was out there.

¹An English translation appears on the following page.

V PICTURES OF LIFE IN SAUDI ARABIA

[looking at scrapbook with clippings from Arabian Sun, programs, other memorabilia]

Hicke: Oh, that's your daughter?

E. Speers: Yes, that's right. Here I am getting a Girl Scout pin.

Hicke: Getting one? Oh, as a leader.

E. Speers: Yes.

All right, well, we had an active choral group and [looking at a program] Here's a program for a performance of The Messiah. We had soloists from Austria to do the solo parts.

Hicke: Is that the one where Peter told me they called up and rounded everybody up because [Sheik Abdul] Yamani wanted to entertain the ladies? [newspaper clippings of a reception held in Riyadh after the signing of the Aramco and Tapline agreements]

E. Speers: Yes, right, and there we are. There we are. There he is.

Hicke: Oh, good.

E. Speers: This was a Girl Scout project. Aramco got new playground equipment and the Girl Scouts raised enough money to have the old equipment installed in a playground in al-Khobar. And I think the company made the arrangements and the scouts paid them something nominal. So this was the dedication of that playground.

This was St. Stephen's in Rome where our daughter attended high school where our daughter attended high school.

And that was a traumatic experience. [newspaper clipping about crash of Middle East Airlines plane in Saudi Arabia]

Hicke: It says twenty-three Americans were killed in a Persian Gulf crash. Were they all Aramco? Or some of them?

E. Speers: Most of them were. It wiped out a couple of families, who were returning after one of these holiday weekends. It was just one of those things that just knocked everybody for a loop.

This is my youngest on his first day of school. [clipping from Arabian Sun]

Hicke: And what's his name?

E. Speers: That's Theodore, or Ted (born in Saudi Arabia in 1961). First day of school. And this is the floor plan for the last house we lived in.

Hicke: Oh, that's pretty elaborate.

E. Speers: [inserted during editing] Yes. A large living room-dining room combination; an enclosed porch which we used as our tv room and as a room for our older son when he was there on vacation; a large kitchen with a separate pantry and a large commissary closet; a utility room for the washer, dryer, freezer, etc.; a wing with three large bedrooms and two baths. The space next to the utility room was the native hammam--an eastern toilet included for use of servants. Many people used this space as a room for the still and aging mash. Houses being built when we left actually included a room off the garage complete with electrical outlets and running water. Thus the distilling process could be isolated, preventing the fires that occurred when a still was operated on the kitchen gas stove. I don't know what the situation is not, but while we were there the [Saudi] government was pretty much willing to look the other way as long as employees were producing alcohol for their own use and consuming it within the camp.

Our house is no longer there.

Hicke: You're kidding.

E. Speers: It was one of the older houses, and they flattened it. Things are just different. Here, this is where we are getting ready for the nativity pageant.

Hicke: Everybody's ironing in that picture.

E. Speers: Yes, everybody is ironing because they are getting the costumes ready. An absolutely fantastic outdoor nativity pageant was a feature of the Christmas season for many years. The wisemen rode on camels, the shepherds herded real sheep, Mary rode on a donkey.

1 Ramadhan 1376
1 April 1957

Meter: Majzu al-Ramal

"A Greeting"

By the poet Rashid ibn Mubarak ibn Hamad al-Fuzaiqi, on the occasion of the arrival of the highly respected and honorable American wives of the highly respected and honorable American (employees) in the Research Division.

Welcome and welcome and most welcome are you all; and most blessed and auspicious is this hour in which there have come to the Research Division in Dammam, for the purpose of visiting, watching, and seeing, the honorable ladies and the chaste women, making their most amiable appearance, with eyes flirting with the eyes of gazelles, and with looks stirring in watchers the so-far still feeling of yearning, Madame Callie, Madame Hope, Madame Shirley, Madame Madge, and Madame Ellen; and met with their beloved friends and companions Miss Lois, Miss Grace, Miss Mary, Miss Frances, Madame Maybell, and Miss Elsie.

"The Worthy Gift"

1. Welcome to the ladies; this is the day of blessings;
2. My dear friends, the chaste women are coming to visit you;
3. They have arrived most and most welcome; a thousand welcomes to them;
4. Verily they are the wives of men who are the lions of battles;
5. They have allowed them to go around on a trip and watch things;

Costumes were purchased in the souks, because bedouin garb is similar to what was worn in biblical times. The pageant was a pantomime, performed to a reading of the biblical story, backed up by a chorus performing appropriate carols. Dorothy Parker was in Dhahran one Christmas season and subsequently wrote a piece on the nativity for a magazine--as I recall it appeared in The Ladies Home Journal. Eventfully this got to be such a big event, with the locals coming in from the outside, that they couldn't accommodate everybody, and it was cancelled before an order came in to cancel it. And it wasn't that it was censored out of existence, it just got too popular.

I think that is the same thing that happened with the county fair, which used to be a yearly event in which all the recreational groups participated. Each group would have a booth to sell food or craft items, run a game, etc. The Masons even constructed several midway-type rides. It was lots of fun as well as a bog money-maker for the participating groups. However, it got to the point where it was just too much; you couldn't keep the local people out, and the crowds simply overwhelmed the facilities.

By now you must be getting the picture that the Aramco communities contained a number of talented and resourceful people and that they worked for a company that was most generous in its support of recreational activities. [end insert]

Hicke: This has been wonderful. I just can't thank you enough, Ellen. I really appreciate it.

E. Speers: Well, it's been fun.

Hicke: Good.

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Introduction

The William E. Mulligan Papers primarily consist of personal and official correspondence, reports, manuscripts and printed materials relating to Mulligan's career in the Government Relations and Arabian Affairs Departments of Aramco (the Arabian American Oil Company) from 1946 to 1978. The material is arranged in just over 500 folders in 18 boxes.

William E. Mulligan was born in 1918. He received a B.A. from Gonzaga University in Spokane, Washington, and later took courses in Classical Arabic and Islamic Studies at the Hartford Seminary Foundation in Connecticut, where he studied with Dr. Edwin Calverley. After completing his studies, Mulligan held a variety of jobs including editor at a radio station and reporter for the United Press in Oregon.

Bill Mulligan joined Aramco's Government Relations Department in 1946. He was involved with boundary work for the Saudi Arab government in the 1940's and early 1950's and was assigned to Tapline for short periods during the early construction phase of the pipeline. Mulligan held the position of coordinator of the Arabian Affairs Division, manager of the Government Affairs Services Department, secretary of the Donations Committee and assistant to the vice president, Government Affairs. In his early years he worked extensively with George S. Rentz, the world renowned Arabist who increased Aramco's and the world's knowledge of the life, language and culture of Saudi Arabia. In the words of James Knight, "Bill Mulligan became to George Rentz what Harry Hopkins was to FDR. George was the principal researcher and editor. Bill was, in effect, the production manager. Some of the notable studies on which they collaborated were "The Eastern Reaches of al-Hasa Province" and "Oman and the Southern Shore of the Persian Gulf."

As a journalist, Mulligan edited the "Sun and Flare" in 1946 for three weeks. During his tenure with Aramco, he contributed dozens of articles to The Arabian Sun, Aramco World magazine and a number of U.S. publications. He also wrote numerous scholarly articles for the Encyclopedia of Islam, a highly regarded reference work published by Brill in the Netherlands.

When Bill Mulligan retired from Aramco in 1978, he was one of the last of the "real old timers". After his retirement, he settled in New Boston, New Hampshire where he immediately became active in numerous civic affairs. He also continued writing and speaking about Saudi Arabia and Aramco and became involved in civil rights organizations for Arab-Americans. William E. Mulligan died in Manchester, New Hampshire on December 14, 1992.

The William E. Mulligan Papers contain an extraordinary amount of highly unique primary and secondary source materials on the early years of Aramco and many of the most prominent Western figures in Arabia at the time. Included are manuscripts and correspondence of George S. Rentz, H. St. John B. Philby, Thomas C. Barger, Dame Violet Dickson, David S. Dodge, and Parker T. Hart. Also included is an immense amount of biographical materials on Saudi government officials and business people including members of the Royal Family, Shaikh Ahmad Zaki Yamani, Suliman S. Olayan, 'Adnan M. Kashoggi, and many others.

The history of Aramco, it has been said, is also the history of modern Saudi Arabia, as Aramco officials worked closely with the newly formed Saudi government in some of its most important activities, including the creation of transportation and communications infrastructures, boundaries and other foreign relations issues, and national

education, health care and government administration. In fact, Aramco began dealing with Ibn Sa'ud well before the American government had made overtures to the King for the opening of diplomatic relations. Aramco set about its task of analysing and understanding Saudi language, culture, politics, geography, and history with the utmost studiousness and precision, producing numerous reports on every aspect of Saudi life stretching back to the late 1930's.

The William E. Mulligan Papers are divided into ten subject series, mainly according to those divisions into which Mulligan himself separated his files in his offices at Aramco and at home. These ten series consist of the Individuals Series, the Chronological Files Series, the Reports Series, the Office Files Series, the Basement Files Series, the Printed Materials Series, the Maps & Geological Surveys Series, the Photographs Series, the H. St. John B. Philby Series, and the Oversize Materials Series. Within these series, the file folders themselves are usually labeled just as William E. Mulligan labeled them himself in his own filing system; this is often connoted by quotation marks around the folder title, especially when the folder title does not describe the material in the folder in an obvious way.

Series: 1. Individuals Series

Description: Correspondence to and from, and biographical materials regarding, various Aramco employees and Saudi businesspeople. Includes materials by and about H. St. John B. Philby, Kim Philby, Dame Violet Dickson, David S. Dodge, Parker T. Hart, Charles D. Matthews, Suliman S. Olayan, George S. Rentz, Ahmad Zaki Yamani, and many others.

Series: 2. Chronological Files Series

Description: Chronological files for the Arabian Affairs Department of Aramco, mainly consisting of reports and correspondence of the Arabian Research and Translation Section (ART), the Arabian Affairs Division (AAD), the Arabian Research Division (ARD), the Local Government Relations Department, and related offices.

Series: 3. Reports Series

Description: Reports collected by William E. Mulligan, mainly consisting of published and unpublished reports by Aramco on the Arab world and the oil industry. Includes all Aramco Annual Reports from 1938 to 1984.

Series: 4. Office Files Series

Description: Material collected by William E. Mulligan on Aramco and the Arab world, mainly consisting of reports, manuscripts, pamphlets and clippings from the 1970's to the 1980's.

Series: 5. Basement Files Series

Description: Files from William E. Mulligan's home basement, mainly consisting of correspondence, reports, manuscripts, diaries, pamphlets, and clippings regarding Aramco and the Arab world. Includes a large collection of Mulligan's personal and professional correspondence and a large correspondence from Mary Elizabeth Hartzell, Aramco librarian, to her family in America.

Series: 6. Printed Materials Series

Description: Printed materials collected by William E. Mulligan, mainly consisting of pamphlets and clippings relating to Aramco and the Arab world. Includes numerous items by the American-Arab Anti-Discrimination Committee and the Middle East Institute.

Series: 7. Maps & Geological Surveys Series

Description: Maps and geological surveys of Saudi Arabia and other Middle Eastern countries.

Series: 8. Photographs Series

Description: Photographs of Aramco employees and scenes of Saudi Arabia collected by William E. Mulligan.

Series: 9. H. St. John B. Philby Series

Description: Book manuscripts and drafts by H. St. John B. Philby. All but the first item in the series are held in a single .5 linear foot grey Hollinger box.

Series: 10. Oversize Materials Series

Description: Oversize materials of a variety of types, mainly including maps and geological charts. (Note: Box 16 is a 1.5 linear foot white Hollinger, and boxes 17 and 18 are large and yellow, approx. 3 ft. x 5 in. x 5 in.)

Accession data: Gift of Shirley Mulligan, 1993.

Bulk dates: 1940 - 1985

Span dates: 1930 - 1993

Extent: 18 boxes

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Date: May, 1994

From further information about the William E. Mulligan Papers, write to Manuscripts Librarian, Lauinger Library, 3700 O Street NW, Washington, D.C., 20057-1006

COMPANIES: U. S. owners are losing control of the world's largest oil producer

The Arabs tighten the squeeze on Aramco

Business Week

December 15, 1973

Arabian American Oil Co., known familiarly as Aramco, is the world's largest oil producer. As such, everything about it is on a scale as vast as the Arabian deserts that stretch out from its headquarters in Dhahran.

The average Aramco well belches forth 12,000 bbl. of oil a day, compared with the average U. S. well that pumps

man and chief executive officer, Frank Jungers, "is a very complicated situation." Jungers presides over an operating company incorporated in Delaware and based at Dhahran that is now the focal point of the critical Middle East oil production cutbacks ordered by the Arab states.

Since Saudi Arabia's austere and shrewd King Faisal ordered a 25% cutback from its September production levels after the outbreak of the Yom Kippur war with Israel, Jungers and his top officers have been confronted with the awesome job of dividing up 6.2-million bbl. a day among Aramco's customers rather than 8.3-million.

Since Aramco's customers are also its owners, Jungers' chore becomes even more sensitive. Originally the sole

Aramco that reduced the ownership of the U. S. companies to 22.5% apiece for Socal, Texaco, and Exxon, and 7.5% for Mobil. The Saudi interest was to increase annually until it reached 51% by 1982, but everyone in the Middle East agrees that this portion of the Riyadh Agreement is already dead.

Libyan strongman Muammar Qaddafi nationalized 51% of Exxon's wholly owned Esso Libya in early September, tiny Abu Dhabi abrogated the 25% agreement this fall, and this week Kuwait—whose popularly elected National Assembly never ratified the agreement—announced plans to assume 60% ownership of Kuwait Oil Co., hitherto shared by Gulf Oil Corp. and British Petroleum Co.

The Kuwaiti action increases the pressure on King Faisal to take an equivalent or stronger action. Saudi Arabia has been dickering for months with Aramco on a revision of the Riyadh accord, and Saudi Oil Minister Sheikh Ahmed Zaki al-Yamani emphasized in New York this week that a 51% share is "not satisfactory." In London, a center for Middle East oil watchers, the betting is that Faisal will eventually demand 100% ownership.

In any case, the handwriting is already on the wall for Aramco and its U. S.-based owners. Control of the vast oil reserves of Saudi Arabia is going to change and change fast. Since Saudi Arabia's estimated reserves of 150-billion bbl. are the only oil pool in the world now capable of supplying the projected increase in world demand, a revolution has come to the oil industry faster than anyone had dreamed.

One Aramco official in Saudi Arabia puts it like this: "The majors are rapidly gravitating to the point where they will be merely buyers of crude oil from the governments of producing areas. These [governments] are going to leave just enough in terms of profits to keep the majors operating here. The governments are going to own the oil, set the price, and get as much money as they can for it. The majors are simply going to lose production control outside the U. S.

Saudi view. Official Saudi thinking certainly reflects the Aramco official's view. Princeton-educated Prince Saud al-Faisal, the king's 34-year-old son who is also deputy minister of petroleum and an Aramco director, says that "if there is a conflict between what an

'If there is a conflict . . . we don't need [the U. S. oil companies]. We can buy the technology. But we have not reached this point yet.'

—Prince Saud al-Faisal

property of Standard Oil Co. of California, formed to develop an exclusive concession in the Eastern Province of Saudi Arabia, Aramco brought in Texaco before World War II and Exxon and Mobil after the war to raise additional capital. After 1947, Socal, Exxon, and Texaco each owned 30% of Aramco and Mobil 10%.

The ownership percentages were changed by the Riyadh Agreement, signed early last year, under which Saudi Arabia and other Persian Gulf nations demanded and got a 25% interest in the various companies operating concessions in their countries.

Share in equity. At Aramco, Jungers negotiated with the Saudi government on the issue of "participation," meaning a share in the equity of the company. He handed them a letter in March, 1972, indicating Aramco's willingness to discuss the Saudis' buying a share. "The letter said we had a participation deal, now we had to negotiate it," Jungers recalls. The four shareholder companies took over the negotiating at that point, Jungers explains, "because we didn't feel that Aramco should be negotiating for the four partners against the fifth."

When the final terms were drawn up, the Saudis took a 25% interest in



Aramco Chairman Jungers. "What we have now is a very complicated situation."

18 bbl. per day. The company's total production capacity, at 9-million bbl. per day, nearly equals that of the entire U. S. Its port at Ras Tanura on the Persian Gulf is the world's biggest in terms of tonnage shipped and vessels loaded. It has the biggest storage tanks (1.25-million bbl.), huge pipelines (48 in.), the biggest gas-oil separating plants, the most powerful water injection pumps, and the biggest gas turbine electrical generating plants to be found anywhere. Aramco's sales are running at an annual rate of more than \$10-billion, and that figure is sure to soar as both production and prices rise in the future.

But Aramco also has big trouble. "What we have now," says its chair-

oil company thinks is a minimum necessary to stay here and what we think is a minimum, then we don't need them. We can buy the technology elsewhere. But we have not reached this point yet."

Clearly, the Aramco partners are determined to hang on in Saudi Arabia for dear life. Socal, Mobil, Exxon, and Texaco all have been making public noises about the need to see the Arab point of view in the current Arab-Israeli confrontation. Last summer, Faisal passed the word to the owner-companies at a secret meeting at his summer palace at Taif that he would like some public support from them.

Since then, the companies have been moving beyond their preferred tactic of behind-the-scenes lobbying in Washington. They are publicly calling for a shift in the U.S. traditional pro-Israel policy, in statements aimed at Ameri-

can public opinion—and at the ears of Faisal, who views himself as the leader of the Arabs.

Socal Chairman Otto N. Miller sent a letter to his shareholders urging them to take the Arabs' case into account, and both Texaco Chairman Maurice F. Granville and Exxon Chairman J. Ken-

Aramco has succeeded in avoiding the image of the Ugly American

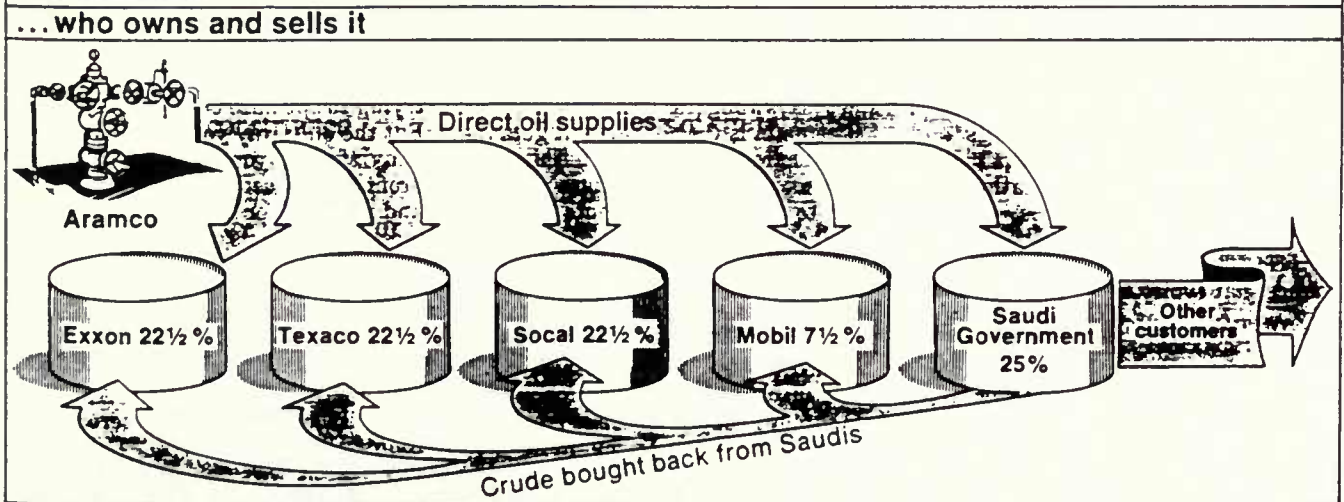
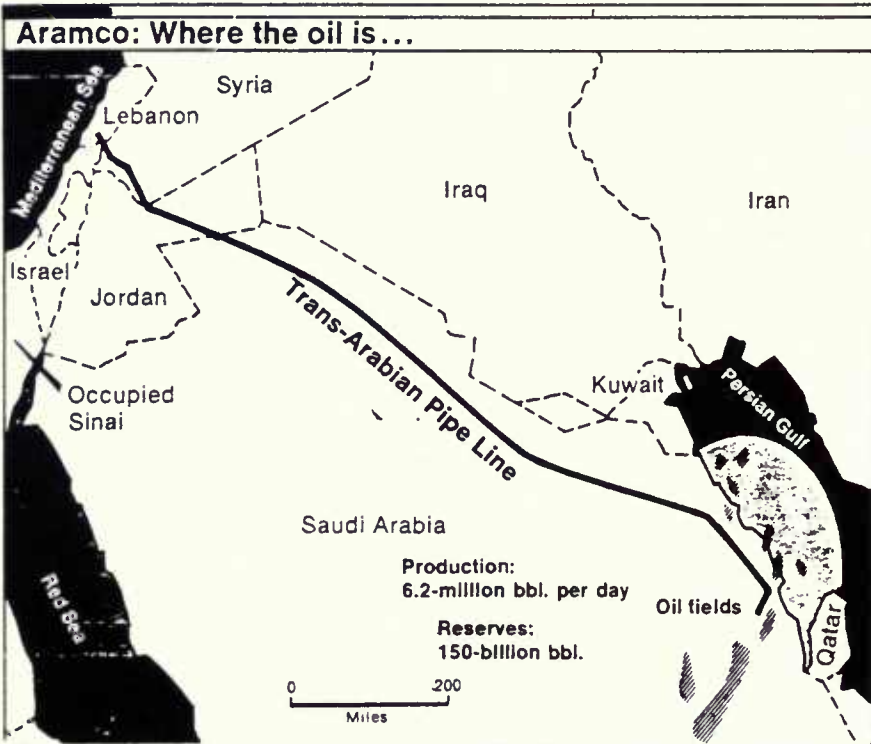
neth Jamieson have made the same point somewhat more obliquely in public speeches. The fourth partner, Mobil, has also called for a reexamination of U.S. Middle East foreign policy in advertisements.

But while the U.S. shareholders of Aramco have been speaking out in public, Jungers is quietly continuing Aramco's excellent relations with the

Saudi government and people. The owner companies bore the brunt of Faisal's displeasure during the 1960s, when the Saudis were begging Aramco to increase production and hence the national revenues. "Our production rose as fast as anybody else's but the market just wasn't there," Jungers recalls. "The Saudis were pressuring us to up production, and tending to blame the shareowners for holding it down."

Any distinction the Saudis make between Aramco and the shareholders results from the arms-length relationship that has been maintained over the years between the U.S. companies and Aramco. This sets Aramco apart from any other concessionary companies in the Middle East. Most of Aramco's 12,500 employees are "home-grown," as Jungers calls them, people who have spent all of their careers with Aramco. **Jungers' background.** Jungers, 47, joined Aramco's San Francisco office in 1947, shortly after he got his master's degree in engineering from the University of Washington, and has been in Saudi Arabia since 1949, except for a two-year stint in the New York office. He stepped up to the chairmanship in November, succeeding the retiring chairman and chief executive officer, Liston Hills. When Jungers vacated the presidency, he was succeeded by R. W. Powers, an engineer who has also spent 26 years with Aramco.

Jungers and the men who have preceded him have worked hard to avoid the "Ugly American" label and have succeeded to a high degree in Saudi Arabia. The job was made easier because the King and most top Saudi officials have a pro-American bias; the Saudi government representatives on Aramco's board were educated in the U.S. In addition to Prince Saud, they are Harvard-educated Sheikh Yamani and Dr. Abdulhady Hassan Taher, the governor of the state-owned Petromin oil and industrial agency. Despite his Arab colleagues' fluency in English,



Jungers spent 11 months at a British-run school in Beirut seeking to improve his Arabic.

Jungers and Aramco can also tap the reservoir of good will built up over the years in the Eastern Province, where the population was merely eking out a living fishing and pearling before Aramco arrived. Today, thanks to Aramco and the local business it has generated, the region is thriving. The port city of Dammam was developed to handle Aramco imports, and the company started early to encourage local Saudis to enter business to supply services to it.

"You've got to realize that, while we are an oil company, we have an impact on the country, and we do get involved with labor and social problems," says Jungers. He says Aramco has a small department of agricultural experts who function "like county agents" with local farmers.



Oil Minister Yamani emphasizes that 51% for Saudi Arabia is not satisfactory.

The Aramco Dhahran compound, which is surrounded by a wall, looks like any Southwestern U. S. city dropped into the Middle East, complete with air-conditioned dwellings and barracks-like office buildings. Here Aramco operates three FM stations and a TV station for employees, and the compound reverberates to the squeaky tricycles and Little League baseball games that typify any small American city. A company-operated cafeteria dispenses chicken-à-la-king.

From the compound, Aramco is connected by direct wire to its New York office, where most of the allocation of crude between the various owners is calculated. The Manhattan office, only blocks away from the New York head-

quarters of Exxon, Texaco, and Mobil, also shoulders much of the liaison between Aramco and its shareholders, although some is handled directly by the pair of directors each owner-company has on the Aramco board that meets in Dhahran. There is also a San Francisco

'The Saudis are already functioning as a partner on crude,' says Jungers

office for liaison with Socal, as well as offices in The Hague, Tokyo, Beirut, and Sydney.

It is from Dhahran that Jungers looks after Aramco's \$2.5-billion properties. In addition to the production facilities and ports at Ras Tanura and Sidon, Lebanon, there is the Trans Arabian Pipeline running up Saudi Arabia and across part of Israeli-occupied territory in the Golan Heights to Lebanon and the Mediterranean. And there is the 500,000 bbl.-per-day Ras Tanura refinery. The company is building large liquefied petroleum gas facilities and is already "the biggest exporter of LPG in the world by far," Jungers points out.

The Arab share. The \$500-million the Saudis have so far agreed to pay for a quarter of Aramco is less than 25% of the estimated \$2.5-billion Aramco investment figure, since it covers only the crude facilities and excludes the refinery, LPG facilities, and "Tapline," as the Trans Arabian Pipeline is called. In the negotiation over how Aramco was to be valued, Jungers says: "The initial argument was over the value of Aramco as a going business. The producing countries wouldn't accept that foreign companies could own the oil in the ground, so they negotiated on book value."

Today, the Saudi government is a "de facto partner" in Aramco, Jungers says, although only a down payment has been made on the \$500-million admission price. Aramco has not yet started mailing the Saudis the dividend checks which each month are mailed to the other partners by a New York bank. "The Saudis are already functioning as a partner on the crude side," says Jungers.

Petromin is the agency that gets the Saudi share of Aramco's oil. This year, 97.5% of Saudi Arabia's share was sold back to the Aramco parents as "buyback" crude. The amount kept by Petromin for sale directly to other customers will probably be greater in 1974 and 1975.

With the prospect of losing control of Aramco, the Aramco partners must come up with agreements for continuing to get "buyback" crude from Petromin if they are to maintain their grip on Saudi oil. It is to this end that they are now negotiating and issuing

public pronouncements designed to assuage King Faisal.

Holding back. Meanwhile, the enforced cutbacks in Aramco production interrupted an expansion program that increased output from 5.7-million bbl. per day in 1972 to an average 7.6-million so far this year—an increase, Jungers points out, that is bigger than total Libyan production. The production figures tell the story of Aramco's swift expansion, triggered by increased demand from Japan and Europe. In 1970, Aramco production averaged about 3.5-million bbl. per day. Just before the Yom Kippur war broke out, production was running a startling 40% ahead of last year, and the company expected to increase capacity to 11-million bbl. per day by 1975 and as much as 20-million by 1980.

In addition to political reasons for their cutback, the Saudis feel they have good economic reasons for holding down production. Oil is a depletable commodity, and at a 20-million bbl.-per-day rate, their proved reserves could dwindle swiftly.

Meantime, the Saudis have sharply increased their tax take from Aramco to over \$5-billion this year, by boosting the artificial "posted" price on which corporate taxes are calculated. Jungers says that Aramco's 600-odd wells produce oil at a cost of only 13¢ per bbl. But the U. S. shareholders must pay Aramco 93% of the \$5.12 posted price for a barrel of Arabian Light crude, even though the market price is only \$3.65.

Jungers concedes that "this leaves the off-takers in the hole," referring to the shareholder companies' dual role as owners and customers. "They have to make it up in dividends from Aramco," he says.

The dual-price system has squeezed the shareholders' profit to only 45¢ per barrel of Saudi Arabian crude, by some estimates. At that rate, Aramco would have to distribute \$3.5-billion annually to shareholders, at current prices and production levels, to cover the price gap and leave them a profit.

Says Prince Saud al-Faisal: "Like any other producing country, we are trying to optimize our return on our oil. But the only way you can make a company stay in your country is through profit. They need return on investment and stability for growth. This is uppermost in the minds of the people making Saudi Arabia's policy."

Even if King Faisal were to demand 100% ownership of Aramco immediately, Jungers indicates Aramco—if not its U. S. shareholders—has a good future in Saudi Arabia. "If Aramco is doing its job for the best interest of the country," Jungers says, "I don't see any reason why we shouldn't stay if the ownership changed." ■

Draft and second revision:

Interview of Paul H. Arnot by William Mulligan at Mt. Airy Lodge in the Poconos Mountains of Pennsylvania on 8 Oct., 1986.

WEM-- Paul will you tell me some thing about the start up of Abqaiq.

PHA--- A seismic survey had been made of the Abqaiq structure, and based on the seismic map, the Abqaiq Well No. 1 was located what was indicated to be the high of the structure. A portable camp was established consisting of used Palmer huts for the American crew and the usual barristies for the Arabs. The first test of the Arab Zone C member was disappointing as the drill stem test produced heavy oil. I remember the test as I was the engineer on the job and the day was Thanksgiving, Nov., 1940. The well was then deepened to the D member, and in the drill stem test, the oil reached the surface in three minutes which was a phenomenal time for the depth. We were concerned that a small gas existed to give the unusual rapid rise of oil to the surface.. This well did develop a good quality oil in a thick reservoir section with good porosity and permeability, highly encouraging.

Abqaiq Well No. 2 was located about two kilos north of Well No. 1 on the structural trend. The well on drilling proved to be somewhat structural higher than No. 1 so special precaution was taken in case a gas cap did exist. A gas cap did not exist at Well No. 2, and we had miscalculated the energy of the oil and its solution gas in the D zone reservoir. (Phil McConnell has some wrong information in his book about the drilling of Well No. 2 and gas problems.)

Abqaiq Well No. 3 was located about thirteen kilos further north from Well No. 2 along the structural trend. A two kilo step out for Well No. 2 had been made in opposition to the geologist's recommendation: but the step out of thirteen kilos for Well No. 3 was just plain blasphemy to Max Steineke and Dick Bramkamp. Dick, particularly would have liked town lot drilling to maximize geological information in contrast to the development engineers whose main objective was to find the maximum oil with the necessary reservoir information to economically produce the oil. The conservative Max and Dick lost the argument on the location of Well No. 3 which had a D member with a full section of oil. Well No. 3 proved that the Abqaiq reservoir was potentially a major oil field.

If Aramco-Casoc had not found nothing larger than the Dammam Field it would have never developed into a major oil company. Oil had been found at Abu Hadriya, but the oil producing potential did not appear encouraging. The three Abqaiq wells provided sufficient proven oil reserves to make Aramco-Casoc potentially a great oil company. Building activity commenced at Abqaiq, dormitories and a dining hall were the first projects. We retained the old drilling camp for offices and to take up the slack for living quarters. The metal Palmer huts were poorly insulated, the floors undulated on walking across them, and we supplemental the insulation with palm fronds over the roof and the sides. My first office in Abqaiq was in one of the huts. Some of the supporting staff rated shipping crates with out air conditioning.. A six room office with a double room front for the Accounting Dept. - mainly payroll was constructed, but before we

could move into it, the urgent need of a club house became paramount so the office building became a club house. We had to reside in the Palmer huts for several years.

WEM--- Mr. McPherson's office was in a Palmer hut when I first arrived in 1946.

PHA--- Is that right that they were still using them that late in Dhahran?

WEM-- The engineers were off in a furush building. They were inter connected to the Palmer offices.

WEM--- For a time Aramco obviously thought we had a separate field in Bugqua.

PHA-- That is right. There was good reason for that conclusion as the seismic map showed a saddle separating Bugqua from Abqaiq proper. The saddle did exist but the oil was continuous between the two areas. Initially, we called the area North Abqaiq, but we immediately developed problems on dispatching trucks with drilling material. The North in North Abqaiq did not register with the Saudi drivers as the trucks had a habit of arriving in the Abqaiq camp. (The Saudi drivers at least had to have a coffee break and pick up the latest gossip from their friends in Abqaiq.) We changed the name of the area to Bugqua - probably like Abqaiq a corruption of Buqayq. If you discuss with Dan Sullivan and other old production men, they still refer to Bugqua GOSP No. 3 , etc.

The first pipe line out of Abqaiq to Dhahran shipped an unstabilized mixture of sour oil and gas. We were able to install only a high pressure first stage gas-oil separator to remove some of the gas. The shipped crude still contained lots of sour gas. The pipe line had vents at the rises which the gas was periodically vented to prevent a gas block.

I was sent to Abqaiq in 1946 to be in residence as an Area Administrator and Drilling Superintendent. The Dhahran management never clearly defined my job. Phil McConnell always thought that I reported to him solely. However, I had a daily conference call with Statpleton and reported to him on area administrative problems. I was certainly under an impression that he was my boss relative to the overall administration of the Abqaiq area. Vic was definitely decisive which I admired. He was also quite capable of using a sharp tongue in dressing down a person; unfortunately, too often in an open meeting to his discredit. I learned not to argue with him unless I had the cold cold facts - no suppositions. Vic had a lot of good administrative qualities, but unfortunately he had a few major weaknesses. (I follow Vic at Harvard Business School AMP, and I was told by the Dean of the AMP that Vic Stapleton was one of the most impressive executives that had attended the program to his knowledge). There was always a conflict between Vic and Phil McConnell. One time Phil wrote me a long letter (several pages) saying, "Look you report to me". I had no choice but to show the letter to Vic. He said, "I'll take care of the S.O.B." Vic may not have done a thing about the letter, I least did not hear again from Phil on the reporting problem.

Initially, I was sent to Abqaiq to what was a construction and drilling camp which was having all kinds of overall coordination problems, such as housing-dining, transportation, personnel - problems particularly after work. Construction and drilling personnel play rough after work. The job was very challenging and tough.

WEM--- Was Bechtel doing the construction?

PHA--- I do not recall Bechtel doing work in the early days at Abqaiq. Fluor was the main contractor. John Lunde was one of the engineers on the job at Abqaiq. I was definitely instructed to bring order to the after work activities. It was a difficult assignment without a strong arm support, but it was an interesting time.

WEM-- When was Abqaiq District formed?

PHA-- While I was on leave in 1948 they reorganized the company. They set up four districts or two new additional districts were formed, Abqaiq and Ras al Mish'ab. Ras al Mish'ab had a very short life. Charlie Bevan, a Social veteran was made Abqaiq District Manager with me as Asst. Dist. Manager. Bevan was retired a couple of years later and I was promoted to Dist. Manager.

The first family houses were build in Abqaiq in 1947. We were the first family to move to Abqaiq. About this time, the portable prefab house became a rather basic unit, from six room dormitories, family houses, offices, etc. The first official Abqaiq club house and theatre were constructed using prefab units. Even the Abqaiq bowling alley was portable. The permanent office building was built in 1953.

WEM--- Ain Dar?

PHA--- A seismic survey had been completed on the Ain Dar structure and a structure map prepared. The location of Ain Dar Well No. 1 had been staked out by the surveyors by instructions from the Genealogical Dept. Bramcamp representing the geologists and with a contingent from Abqaiq, headed by me , went to the proposed site for final approval. In discussion with Bramcamp, he stated that the map was not accurate within a thousand feet. The surveyor's stake for the indicated structural top was located on top of a small jabal (hill). I told Dick that we could not drill a well at that location without spending a significant sum to level the area. I said since you do not know where the top of the structure within 1,000 feet, we'll just move it. Dick opposed the move, but we prevailed and moved the location to more favorable terrain. The well found oil in 1948, a terrific find on which developed into the largest known oil field or part of the Ghawar Field.

PHA-- Returning to Abqaiq, we had developed large proven and potential reserves. On a vacation to the States in 1948, I encountered James Terry Duce. He indicated to me that we had already developed more more oil reserves than our combined owner companies and maybe the United States. I was sent on a recruiting trip to various cities in the Southwest oil belt. I was in Houston and interviewing an attractive young man who was accompanied by his wife. I was giving him the sales pitch until I made a colossal mistake by telling him

that Aramco had already developed more reserves than the combined reserves of the Texas Co. (Texaco) and the Standard Oil Co. of California in the States. He looked at me seriously and said, "You mean the Texas Company". He looked puzzled and then took his wife and left. He probably thought that I was the biggest liar to visit Texas.

PHA--- From the Ain Dar area (north end of the Ghawar Field) we progressively moved southward and developed the Uthmaniyah and Haradh areas, all part of the giant Ghawar Field. I have been asked why we did not name the wells Ghawar Well No. X. The answer is simple as the Ghawar Field is over one hundred and thirty five miles in length and for dispatching and other convenient areal identification, the Ghawar Field had to be broken down into areal sections, Ain Dar, Uthmaniyah, Udhailiyah, Haradh, and Shedgum - all natural geographic identities.

Shedgum was the last area to be drilled on the Ghawar structure. We went somewhat against the geologists recommendations to drill the discovery well who were concerned about a possible deep saddle between Shedgum and Ain Dar, and they wanted more information. I mentioned to Nasir "Ajmi that we drilled the first wells at Abqaiq and Ain Dar without roads across heavy sand. Shedgum Well No. 1 was the first exploratory (modified wildcat) well serviced by semi-surfaced road in the Abqaiq District. I told Phil McConnell, on his interview for his book, that Dick Kerr was a brilliant but very erratic individual. Dick has been given credit for a lot of things that he did not achieve; for example, it is well documented that he did not invent the low pressure sand tire as he has often been credited. Bill Eltiste told me several times that he had introduced the low pressure tires to Saudi Arabia as he had obtained a supply from Kuwait. Casoc engineers with McKim, a Social engineer, and later Dick Kerr improved the original Dunlop tires obtained from Kuwait. Dick in his enthusiasm for the use of sand tires was a first class non-road salesman. "Why build roads - use sand tired equipment". We had a hard time selling roads to the Executive Committee or negating the spiel - use sand tired equipment. Nasir was bragging this morning that you can drive from Dhahran to Ras Tunura in thirty five minutes and to Abqaiq in twenty minutes or thereabouts. I said in the early pre-road days you made the same time or you did'nt make it. It was a marvel how the equipment stood up under the terrible driving conditions.

WEM--- After Shedgum, did you feel the field would go and on?

PHA--- As previously discussed, we developed the various geographic sections of the Ghawar Field. An extension of the north end of Ain Dar was developed prior to my departure from Arabia, and I do not know if it was considered a separate structure on the Ghawar trend or merely part of the Ghawar field proper.

WEM--- What about the off shore developments?

PHA --- We went to sea with the Queen Mary, drilling barge and a jack up drilling platform. We developed the Manifa Field in fairly shallow water. Unfortunately, the oil developed was relatively heavy by Abqaiq and Ain Dar oil gravities. We then developed the Safaniya

Field, probably the World's largest off shore development. Later, we did some development work in the more central Gulf in deeper waters. The earri Field was developed offshore to a major find.

WEM-- You had a pleasant relationship with Emir Hamid. You were fortunate in many respects to have him.

PHA--- That's true. Of course , he was typical of most humans, he had his problems. Emir Hamid was a little tricky in dealing with at times. When we knew Emir Hamid better, we were able to understand and cope with his actions. That is, Emir Hamid was smart enough to cover his position. One example: on a Friday afternoon, an American accidentally (I hope) killed his wife while cleaning a rifle. The Relation's representative assigned to Abqaiq, Sam Clevenger, was notified and requested to notify Emir Hamid and to be sure to take an interpreter with him as a back up. I also told Sam to also be sure and notify Govt. Relations in Dhahran about the incident as it could have serious repercussions. Sam reported back that he had notified the Emir Hamid and that he was not interested; and Sam had full trust in Emir Hamid. The news hit the Emirate in Dammam late that evening, and all hell broke loose. Emir Hamid denied knowing anything about the event, and poor Sam and I were the goats. On the other hand, he did come to our rescue on several occasions; a typical example, on one of the major strikes he assembled the strikers on the football field and gave the strikers two options to either return to work or board the waiting trucks to leave the camp. Surprisingly, they opted to return to work. We had all sorts of problems with transportation of the Saudis on their day's off. There was one foul up with a fight in which Emir Hamid's valiant stick yielders were involved. Emir Hamid summoned me, Mr. Cliff (Perrine), head of transportation, and Bart McNally, Personnel to court. Emir Hamid found his soldiers and the Aramco guilty. The soldiers were taken outside and laid down and flogged (the flogging was a token performance). Emir Hamid looked at me - so now. Bart said are you going to lay Cliff down and have him flogged?

WEM--- Did you have much to do with Jim Stirton?

PHA-- Stirton and I were generally at "logger heads". I believe that he was a very capable engineer with certain set standards and a few fixations. But he was a complete visionary and his enthusiasm got him into trouble with me as well as other senior Aramco Executives. He had some of the qualities of James Terry Duce and Dick Kerr. Jim in his zeal to get projects going violated some basic company policies, particularly on ordering material for proposed but not approved projects. I recall that Jim had attended with us a Board meeting for the approval of the capital budget. Jim reported to the Dhahran Management Committee the action taken on the capital budget. Cy Hardy spoke up and stated, I don't thing we attended the same meeting. The capital budget preparation was transferred to the Budget Committee which I chaired, an action that must have been a blow to Jim's empire.

WEM--- Tell me about James Terry Duce.

PHA--- I really cannot give a good appraisal of him as I had actually no official business with him nor in a committee meeting with him.

Each time that I went back to the States, he would ask me for a briefly on the oil field developments. He talked and when he paused it was my time to do the briefing, but I soon found out the pause was for him to catch his breath of air to continue talking. I can honestly say that I told him very little about Aramco's operation. I was the receivee. He was a "pain in the ass" to Hardy.

WEM--- I imagine you could not say the same for Hardy.

PHA--- No! Hardy was a very capable and basically sound. He was a good administrator. He was strong on organization, cost control, mainly by strict budgetary procedures and the utilization of non American personnel. He was particularly sensitive to Saudi training. I am sure that he thought all of the American staff should have been fluent in Arab. In some ways he was a moody person which I particularly noticed when Davies was the chief operating officer. He would come to Abqaiq when I was District Manager and appear to be just getting away from Dhahran. I do not know if he had a real conflict with Davies. However, I am sure that they did not see "eye to eye" on organization and cost control. Cy Hardy was not concerned to check for "goofer offs" on the arrival and departure of the company planes like Fred did. I was in the Abqaiq District when the Management Committee and the Ach Hill's "thing group" were established which were later blasted by an owner Companies review committee. I suspect that both groups were Hardy's idea. Hardy did establish the Budget Committee which I chaired.

Majed Elais in the Washington office sent me a copy on training by Joy Winkle Viola. There are several things in her book that bothers me. We did not transfer people from our owner companies and hire people in the early days to be trainers, but they were recruited on the assurance of career employment. The big pitch of the recruiters was "career employment". I am sure that if the recruiters had been instructed to hire on the basis of training and a short career, they would have had very little success in recruiting. My first and continued instructions received from by supervisors were to train Saudis. This had only one meaning that a good American artisan trained himself out of a job. I must honestly admit that my toughest assignment as a supervisor was to force Americans to train Saudis. I am sure that this factor was not understood by the Saudis nor do I think that very many Saudis are fully appreciative of the training and education provided by Aramco - we should have done more and faster. I remember Roland Cundall, Tom Barger, and Ach Hill of Ach's Think Tank were assigned to visit the Districts and pass on "management philosophy". Cundall made a speech at Abqaiq to the supervisors. He said that Aramco will never lay off a man that trains a Saudi replacement. All my superintendents were lined the next morning to see me. They said "look this is not your policy as you have been beating our tails off to get the men to train themselves out of a job". I said "do not pay any attention to Cundall". The very best we can tell an employee, "we are going to try to hang on to the best trainers, and try and find another job for him". However in time, "he is not going to find employment with Aramco".

I was always critical of Government relations for not developing their personnel for better positions. I used to tell Bob Brougham, "for God's sake , you have some potential in your organization - get

them out from the rock". Brougham and Barger were I trust sympathetic, but I do not recall either one recommending one of their men for a position outside of the Relations area. The people that did move up were from the operational side or Jungers, Sullivan, Powers, Fate, Hills, and Fugate, etc.

WEM--- You were associated with Abqaiq from the start.

PHA--- I could never shed the image of Abqaiq or being a production man which was my back ground. I replaced Bob King, a refiner as Asst. General Manager of Operation. The Ras Tanura refinery fell into my area of operation. Stapleton and Cooper with King were refiners and they were key executives in Dhahran when I replaced King so I am sure that the Ras Tanura refinery organization was disappointed by my being a non refiner replacing King. Stapleton and Cooper were little tsars at Ras Tanura and their attempt to duplicate a like behavior at Dhahran headquarters did not sell. I soon learned that the management philosophies of the Abqaiq, Dhahran, and Ras Tanura Districts were entirely different. I found the Ras Tanura group to be complacent and resisted any change - more or less accustomed to routine operations. The Abqaiq group retained some of the "wild catter enthusiasm". Oil is depletable so in oil production you have to carry on a development program, more dynamic - no status quo.

WEM-- In regard to the Public Relations.

PHA--- Some of the Aramco publicity releases do not appear to be well organized and coordinated. For example, the 50th Anniversary release feature contained only one picture of the important Ras Tanura Refinery with no write up. Importantly, the release did not have a write up of the humanitarian Medical Dept. and the work they do for the Eastern Province people health wise. We should stress and stress the health and educational benefits provided to the Saudis besides all the nice oil revenue they receive.

WEM--- How about Phil's and Stegner's books?

I can compliment Phil McConnell for the fact he did publish his book, but I stop at that point. The book is very much like Stegner's book, which I understand Phil was the prime source of Stegner's data. Phil gets carried away in trying to dramatize events; for example, he has blown the Dammam Well No. 12 fire completely out of proportion. It was a serious fire, mainly for the loss of lives of one American and four Saudis, but the threat of the fire to the future of the Dammam Field was minor. Fred Abbott recently made a presentation to the Society of Petroleum Engineers in San Francisco discussing six Aramco blowouts, one at Abqaiq was a big one. I was present during the Well No. 12 fire and I concluded as an observer that the management had no fire fighting experience and in general inept. We were fortunate to have on the job two basically skilled artisans, John Box, Foreman of the machine shop and Bill Eltiste, Superintendent of maintenance.

WEM-- How about Bill Eltiste?

Bill Eltiste was a remarkable individual. I have no idea to his educational background, but he had a lot of practical experience in

the oil fields - cable tool driller, rig builder, roustabout, etc. We shared adjoining houses of a duplex during the War years. Bill used to come over too regularly to my quarters on Friday afternoon on our days off. I found out don't waste your time serving drinks to Bill. Just put the bottle down next to him and relax. He would'nt say much except to ask questions until he had five to six drinks - Bill had an ability to really handle alcohol. Then he would talk about his past experiences - which were interesting and educational to me. Occasionally, one of his drinking buddies, Heinie Snyder would find him at my house. This was always a disaster for Heinie would start needling Bill, particularly about Bill's supervisors. Heinie had a real drudge against Les Snyder. Bill was very loyal and argued in support of Les. This argument went on and on until I would close the bar. Bill was extremely sensitive to the credit Dick Kerr was receiving to the development and the use of sand tires. Bill relied on a wealth of past experience to come up with the solution of a problem. Bill's ingenuity and John Box's mechanical skill controlled the Dammam Well No. 12 fire.

WEM; What was your reaction to the participation of Texaco and later Exxon and Mobil with initially Casoc and later with Aramco?

PHA--- I fully appreciated that Socal with the Saudi Arabian Concession in 1942 had a great oil potential and to develop only the proven oil at the time would require an enormous capital outlay. Oil has very little value in the ground and it has to be produced, processed, and shipped to the markets. I admit that I did not have the knowledge to fully appraise the shipping and marketing problems to move the oil. While I was not consulted, I could not have argued against SoCal taking on Texaco as a partner. I do admit I was personally concerned about the impact that the merger would have on me as an individual - my job. Would Casoc be infused with Texaco personnel, possibly management changes, etc.? This did not occur. Prior to the Texaco merger, Casoc Producing Dept. was essentially a part of Socal's Producing Dept. That is, we cleared all decisions through the Socal's office. The excellent part of the merger with Texaco, it developed Casoc into a real oil company. We had obtained autonomy and became a real oil company, not a satellite of Socal. Personally, I benefited from the Texaco merger and I could see no reason for concern with the later merger with ESSO-Exxon and Mobil. However, my views were not shared by certain members of Aramco. I was not in a good position at the time to appraise the opposition by management in Dhahran and New York City to the Exxon and Mobil merger with Aramco. I am sure that some of Aramco top executives, originally Socal employees were seriously concerned by the dilution of SoCal's influence on the management of Aramco which could have adversely affected their careers.

WEM--- The owner company relations with Aramco.

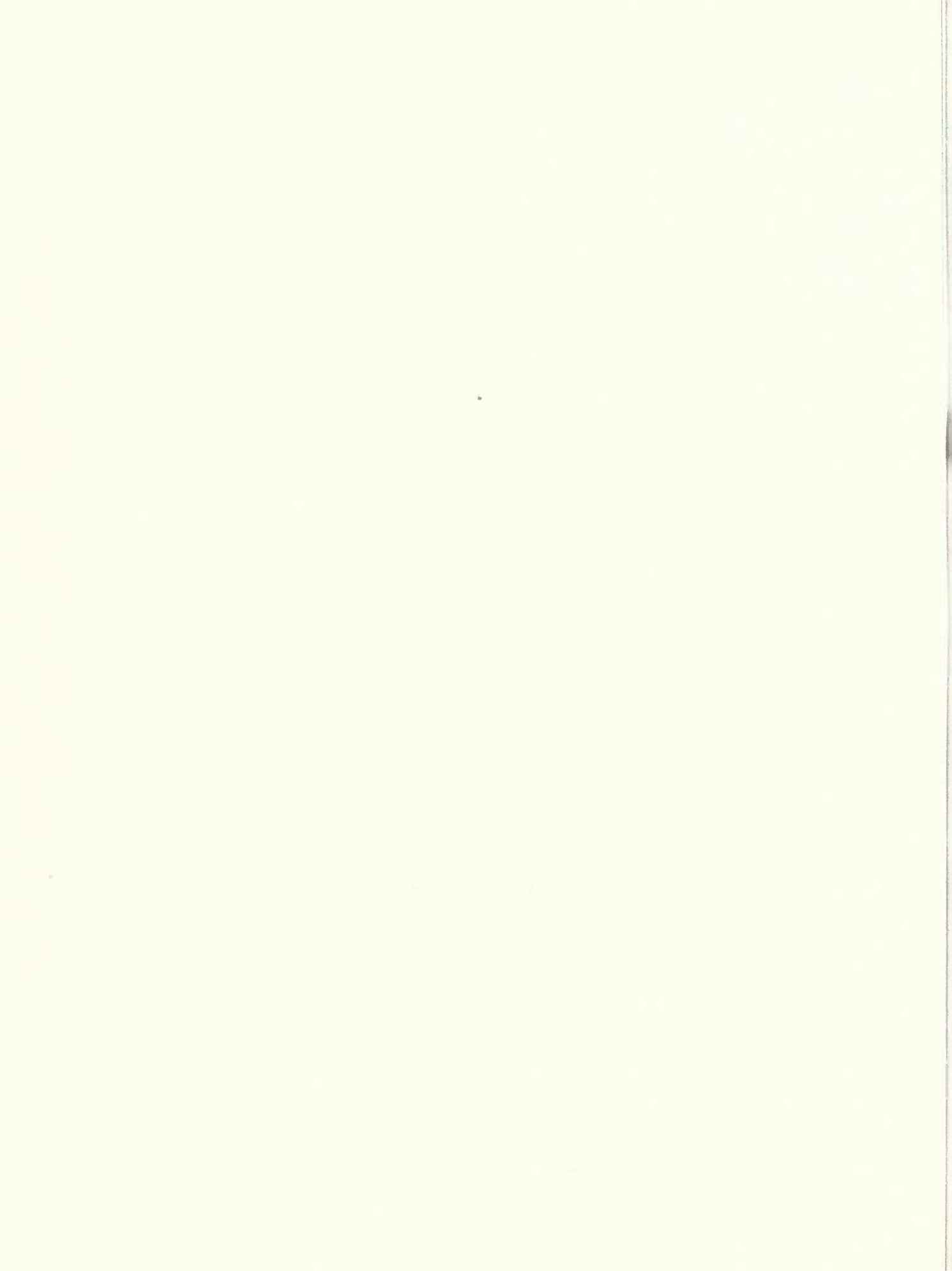
PHA--- I was an ex-Socal employee; and accordingly, I am slightly biased. There is no question that Socal played a paramount part in the early development of Casoc-Aramco. Exxon later proved to be the most open and cooperative. Mobil was excellent. Texaco was more reserved although fielded a good team. I believe that the Aramco organization was overly concerned about the owner companies' influence and a number of Aramco executives did not full appreciate

their assistance, particularly technical help. Some Aramco executives resented the owner companies "bird dogs".

WEM--- Was there a Father or an outstanding Star in the development of Aramco?

PHA--- This is a common question asked me.

Aramco was made up of a diverse group of executives. I have already classified James Terry Duce, VP Relations and Jim Stirton, General Manager of Engineering and Construction as complete visionaries of Aramco's future (time has probably proved both men right). I strongly believe that Aramco was fortunate in having men like Duce and Stirton to counter balance the conservatism of Fred Davies, Chairman who in my opinion who appeared never able to adjust easily to the great and rapid growth of Aramco. He did not appear to recognize the affects of the vastly increased production and refinery output and the resulting increases in overall operating and capital costs. He had a problem accepting the inflationary factors in all costs, particularly labor and material costs. I have been asked if Fred was the father of Aramco and in my definite opinion, he was not the father of Aramco. I cannot think of any other candidate - say Tom Barger, well respected, but he held at best a middle level job in management in Government Relations until about 1956 or well after Aramco was a successful oil company. Fortunately, the Aramco organization over the years consisted of a wide range of diverse talents and philosophies. Even I believe that I was one of the contributors. The organization did receive valuable guidance from highly successful the owner companies, major oil companies and they should be given credit. The only answer that I have to the question to Aramco's fatherhood, Aramco was sired by a group effort.



FIRE! 12

AT DAMMAM NO.

BY PAUL H. ARNOT



ANNUITANT PAUL ARNOT SENT AL-AYYAM AL-JAMILAH A COPY OF A REPORT HE'D WRITTEN ON THE TRAGIC 1939 FIRE AT DAMMAM WELL NO. 12. HE BASED IT ON HIS PERSONAL OBSERVATIONS AS A YOUNG PETROLEUM ENGINEER WHO HELPED TO BRING THE WELL UNDER CONTROL. IN HIS ACCOMPANYING LETTER PAUL EXPLAINED, "ALTHOUGH I FIND MYSELF IN THE UNPLEASANT POSITION OF CONTRADICTING PRIOR PUBLISHED ARTICLES, I WOULD LIKE TO SET THE RECORD STRAIGHT AS I KNOW IT."

"My story differs somewhat from accounts by Phil McConnell and Wallace Stegner. Of course, their dramatic descriptions of the fire and how it was brought under control were written later, and they were handicapped by having to rely on second-hand reports. My recollections differ in a number of details: Five died as a result of the explosion and fire; the Producing Department never considered the entire Dammam Field to be in jeopardy; a simple D clamp was eventually used to extinguish the fire; once the fire was completely out, it wasn't necessary to use a 'hot tap' to kill the well with heavy mud."

Paul's letter concluded, "The photographs were not taken under ideal conditions and time has taken its toll on them. I am reasonably sure they haven't been previously published."

Recently, I reviewed some old pictures of early Casoc-Aramco operations in Saudi Arabia. My photographs of the 1939 Dammam Well No. 12 fire reminded me that over the years I've been asked repeatedly if in my personal memory that

fire was as serious as has been reported. Of course, by far the most serious aspect of the fire was the loss of life of five employees, four Saudi Arabs and one American.

In size the fire was not particularly large. Certainly in comparison to the massive conflagration in Kuwait that we all saw blazing on our television screens in 1991, this fire was small. Although the Dhahran drilling and production organization didn't have any fire fighting experience in 1939, at no time did we consider the Dammam Field to be at risk, as all previous oil and gas well blowouts had been brought under control.

The most spectacular aspect of the fire was that it occurred literally in the "front yard" of the Dhahran camp, thus providing ready access to spectators. I remember in particular that the geological field parties were in camp for the summer and a number of the geologists became first-class kibitzers.

I was present in July 1939 as one of two petroleum engineers assigned to the drilling of Dammam No. 12. We were on a summer work schedule, meaning we went to work very early in the morning and quit at midday to avoid the heat. One day after work, my roommate, Butch Wickstrom, a young carpenter, asked me to drive him to his job site, located back of what is now Hamilton House, to take pictures of some damaged building material. We had just arrived at the material holding yard when we heard a sharp explosion and, Wickstrom's camera being at the ready, he was able to take three quick photographs of the burning well. Later, I personally developed the film and made the prints.

By the time we drove over to the well site, we were already too late to be of any assistance. Because of the intense heat the would-be rescuers on the scene had only been able to pull the body of one man from the fire. He died a short time later in the small clinic. In fact, it would be days before we eventually found the bodies of the four Saudi employees thought to have been

working on the valving below the derrick floor at the time of the explosion and trapped there.

Through the smoke and flames it was difficult even to ascertain all the sources of the burning oil and gas, but it appeared that a tool called a gun perforator had gone off in the lubricator area of the well. Oil and gas flames were spouting from perforations above the derrick floor.

The standard prior practice in the Dammam Field was to use the gun perforator to make a series of small openings in the casing liner opposite productive sections of a well while the hole was filled with heavy drilling mud — a safe method. Petroleum engineers in Dhahran and San Francisco had developed a plan to perforate Well No. 12 with a full column of oil, rather than the usual mud, in order to test if the productivity of the completed well could be improved.

The local Dhahran Drilling Department vigorously opposed using the planned method, but was overruled by the home office, which was anxious to try the test and considered the risk minimal when balanced against the potential benefits.

“Extinguishing an oil well fire is not a job for amateurs or kibitzers.... When a well blows out, you need to call in the experts.”

Unfortunately, the drillers were proved right. They didn't have the correct equipment to perforate a live oil well with about 700 psi wellhead pressure.

The toolhouse provided the special rigging for the well, and working with the drilling foreman developed a comprehensive procedure. My drawing on this page shows the layout of the piping and valving used.

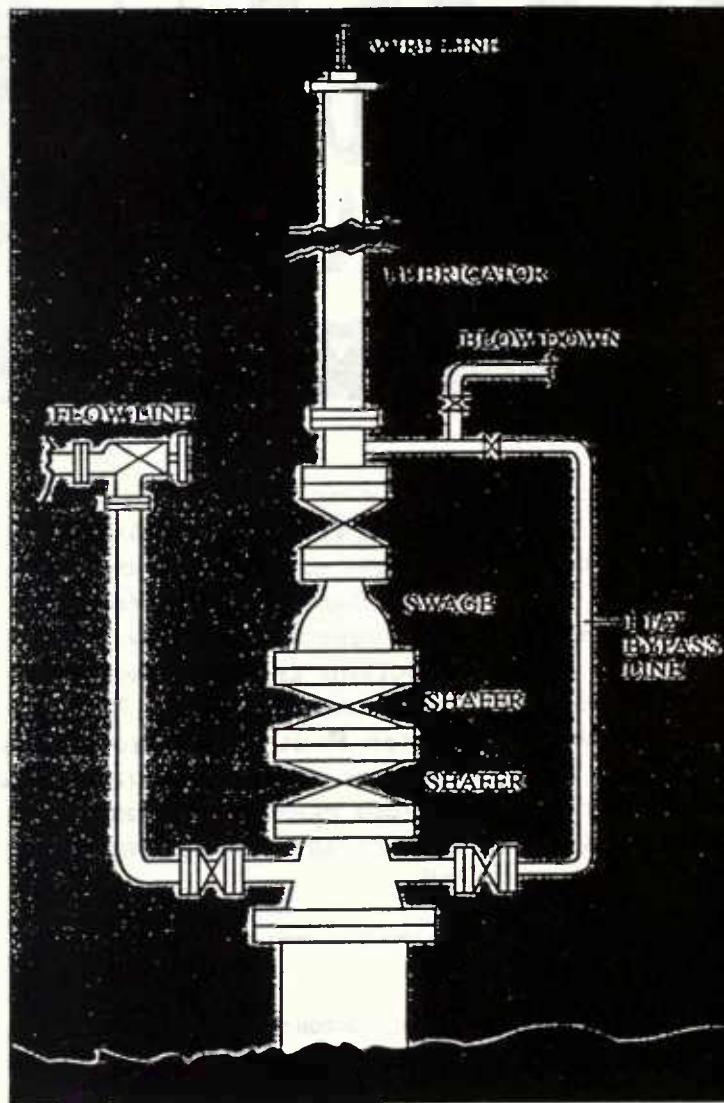
The operations were only conducted in daylight. The well was initially perforated with one load, then bailed into production. It was connected to a gas-oil separator to gauge its overnight production. Perforating and productivity testing proceeded alternately without incident for several days, until the well was testing at about 2,300 barrels per day. On the afternoon of July 18, without warning, it exploded and burst into flames.

CONTROLLING THE FIRE

During WWII, the time of “the hundred men and two women,” I had the privilege of sharing a duplex with William Eltiste. Bill was a frequent visitor to my unit, and a number of times he related to me and visitors the details of his role in controlling the well fire. He strongly emphasized that for him fighting the fire consisted of two parts.

First he had to counter the wild suggestions of the many

kibitzers, not to mention their frequent opposition to his own plans for actions. His second role — working principally with John Box, machine shop foreman and master machinist, and Charles Lilly, foreman of the tool house — was to bring the well under control.



A major complication in controlling the fire was that the associated gas coming out of the well with the oil contained hydrogen sulfide. That meant that even if you succeeded in safely extinguishing the fire, you were still faced with a poisonous and potentially dangerous gas. The amateur fire fighters didn't seem to grasp this point because their idea of gaining control was, first off, to put the fire out.

Eltiste told us that the team's first act was, at a point about 100 feet from Well No. 12, to cut the flow line running from the well to the gas-oil separator. They converted it into a water line. They also laid a portable spi-weld pipeline from Dammam Well No. 8 Wasia aquifer water supply to the No. 12 site. These two water lines plus the drilling well's original water supply line provided the water they needed to work with. The play of water on the fire knocked out some of the oil, slightly reducing the intensity of the fire.

At that point Eltiste was able to see that a major source of the oil and gas feeding the fire was a split in a bell-shaped reducer spool called the swage. He devised a kind of diverter scoop provided with a long extension in order to divert some of the spewing fuel away from the immediate area of the fire. The



"THE SCOOP DIVERTED ENOUGH OIL TO REDUCE THE FIRE AND ENABLE ELTISTE TO OBTAIN A REASONABLY GOOD LOOK AT THE WELLHEAD."



"THEY DEvised A REMOTE-OPERATED RIGHT ANGLE DRIVE WITH PRONGS THAT FIT INTO THE SPOKES OF THE VALVE ON THE BYPASS, SO THEY COULD TRY TO TURN IT."



"THEIR SECOND ATTEMPT WAS TO USE A HEAVY, REMOTE-OPERATED D CLAMP TO SQUEEZE THE ONE-AND-ONE-HALF-INCH BYPASS LINE SHUT."



AFTER THE FIRE: THE WHITE CIRCLE MARKS THE SPLIT IN THE BELL-SHAPED REDUCER SPOOL CALLED THE SWAGE, HERE ON ITS SIDE.

scoop worked and diverted enough oil to reduce the fire and enable Eltiste to obtain a reasonably good look at the wellhead. He then confirmed Lilly's appraisal, which was that the main source of the oil and gas feeding the flames was the one-and-one-half-inch bypass line to the lubricator.

Their first idea was to try to shut the valve on the bypass. They devised a remote-operated right angle drive with prongs that fit into the spokes of the valve, so they could turn it. It was a good try, but it didn't work. Evidently, either the valve was stuck open or the bearing on the tool they had devised locked up from the intense heat.

Their second attempt was to use a heavy, remote-operated D clamp to squeeze the one-and-one-half-inch bypass line shut, much like you could shut off the flow in a thin rubber syphon tube by squeezing it with your fingers. This time the kibitzers raised a chorus of protest. Some even threatened Eltiste, claiming his proposed maneuver would split the bypass pipe, not close it, and make the fire even worse.

I admit that I too was skeptical that the D clamp could develop the necessary force to flatten high-pressure steel tubing. I made a point of being there to witness the operation to see for myself if it could. This time, as the team went into

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action, they played water on the tool to lessen the effect of the heat on its bearing. It looked almost easy. The D clamp squeezed the bypass pipe shut. The fire was totally out.

With the fire out, it remained to gain complete control of the high-pressure well by killing it with the weight of a column of heavy mud. This was where, being the petroleum engineer on the job, I played an active role. Once the well was killed, we could remove the damaged wellhead and install the replacement equipment. Only then could we complete the interrupted perforation operation and bring the well into production.

The immediate problem, however, was that the area around the wellhead was still extremely hot. Even with the help of water, it wasn't possible for us to approach the wellhead closely for several days.

KILLING THE WELL

In the event, the process of "killing the well" — that is the displacement of the column of oil with heavy mud — proved to be quite simple. The well had formerly produced oil via the flow line to the traps, and the killing process was just the reverse. That is, we pumped mud down the well through the existing flow line. We connected a high pressure portable pump with suction from a mud tank to the well end of the flow line where it had been cut during the fire.

The only remaining question before beginning the operation was whether the Nordstrom lubricated plug valve in the cellar, located below the derrick floor, had been stuck shut from the heat. The cellar was full of water that had to be bailed out until we got down to the valve. When we got to it, the Nordstrom valve was still properly lubricated and opened freely. Evidently the intense heat of the fire had not damaged it because at the outset it was submerged in about three feet of hot oil in the cellar. The oil was subsequently displaced by the water poured over the burning well.

If we had not been able to open the Nordstrom valve, we planned to make a "hot tap" into the pipe to provide a connection to kill the well. Since the valve was undamaged, this wasn't necessary and we successfully filled the well with mud. The next task was to clear the wellhead area of all damaged equipment and the crumpled rig. Very late in the operation, a clean-up team working in the deepest part of the cellar discovered and retrieved the remains of the tragic accident's four missing victims.

Not long after, we installed new equipment and the well was completed and placed into production. There was lots of speculation about the cause of the fire — in 1939 and for years after — particularly about what caused the small split in the swage. Personally, I never heard that anyone ever reached a satisfactory or definite conclusion.

The most important lesson I learned that hot July at Dammam Well No. 12 was that extinguishing an oil well fire is not a job for amateurs or kibitzers. It requires real know-how by fire fighting experts to perform this difficult and dangerous assignment. That's for sure: When a well blows out, you need to call in the experts.

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