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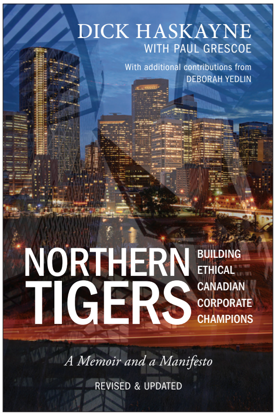

NORTHERN TIGERS: Building Ethical Canadian Corporate Champions

Dick Haskayne with Paul Grescoe

With additional contributions from Deborah Yedlin

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CHAPTER ELEVEN

THE BEST OF SHOW

Alberta Energy, PanCanadian Energy, and EnCana

IN 2005, ENCANA CORP. surpassed the Royal Bank as the leading company on the benchmark Canadian stock index. Not long after, its president and chief executive officer, Gwyn Morgan, was named "Canada's Outstanding CEO of the Year," chosen by his peers for an award sponsored by The Caldwell Partners, a major national executive search firm. Hearing all this news, I couldn't help thinking back to how we just might have lost this mighty Northern Tiger of an energy company.

North America's largest independent gas producer was born only three years earlier in a brilliant cloak-and-dagger merger of PanCanadian Energy and the Alberta Energy Company (AEC). PanCanadian began as a subsidiary of Canadian Pacific Ltd., which had recently cut it loose to operate on its own. Peter Lougheed's Conservatives created AEC as an all-Canadian, fifty-fifty public-private enterprise in 1974, and then Ralph Klein's government finally privatized it in 1993, a year after I joined its board. That's when Gwyn and I got to know one another well. He'd been with the company almost since its inception and was now one of two candidates vying to be its president. Within two years of my arrival, he did land the top job—in a company that had become a sitting duck for a takeover, especially by hungry foreign hunters of prime Canadian prey.

AEC had spread itself thin with investments in natural gas, oil, pipelines, forest products, and petrochemicals, among other businesses. As Gwyn himself recalls, "When I was handed the reins of the new company, we had a lot of highly valuable assets that were worth a lot more than the stock price was reflecting. Nobody knew what this guy was going to do with this company. And so we were totally open to takeovers. I sometimes look back and wonder how we ever lived through that period. We were highly vulnerable. There were all kinds of rumours, and I know now, talking to investment bankers, that there were a number of companies working on takeover bids."

If an outside buyer had acquired AEC, there would likely never have been a merger with PanCanadian, and EnCana would never have existed. Luckily, Gwyn Morgan was at AEC's helm during that tricky period and, like me, has always been a diehard nationalist, determined to build companies that are controlled by Canadians and reflect our values.There was a Canada-first champion at PanCanadian Energy, too: the chairman, David O'Brien. And because he and Gwyn were both friends of mine, I was helpful in the process of bringing the two companies together in a deal that was not only good for shareholders and employees but also equally good for the country.

Of course, David O'Brien was the guy who'd once, as president of what was then called PanCanadian Petroleum, disdained my offer to sell him Husky Oil. And who, while I was CEO of Interhome Energy, had also turned down the Reichmann brothers' proposition to sell him the company. He had left PanCanadian in 1995 to become president of its parent, Canadian Pacific, the country's second-biggest corporation. At that time, it also had CP Rail, CP Ships, CP Hotels, Marathon Realty, Laidlaw Inc. (the Canadian health-services, transportation, and waste-disposal group), and Fording Coal—where I'd been on the board since 1986, and David, more recently. Combined, the CP companies generated $15 billion a year in revenues. But many people had the idea that all these enterprises could do better—be much more attractive to investors—if they were cut loose from the mother ship and sent out on their own as public companies. David rejected that possibility until he'd had the chance to strengthen the subsidiaries over several tough years.

This genial yet competitive Irish-Canadian (as a promising eleven-year-old boxer, he'd had his picture on the front page of the Montreal *Gazette*) was CP's first non-railway president. He came in under chair and CEO Bill Stinson, a fourth-generation railroader trying to bring the conglomerate back to its basics. "Bill had sold off a number of things, including CP Air," David recalls, "but the railway was still down in the dumps." Even before officially becoming CEO, he told Stinson that CP Rail should move from its ancient rut in Montreal to western Canada, where most of its business and history was. And in 1996, he brought CP Ltd.'s head office along with the rail company to Calgary, where David hadn't bothered to sell his home.

"Quite apart from the move," David says, "I sold off Marathon Realty, then Laidlaw at the top of the market for $1 billion (I was very fortunate to get out of that), and sold the city-centre hotels [The Empress in Victoria and the Château Frontenac in Quebec City] for $305 million to the Legacy Hotels Real Estate Investment Trust. In 1995, CP had lost about $300 million, and by 2000, we were making over $1 billion.

"But as I told my CFO, Mike Grandin, back in '97, it was only a question of time before we'd have to break this thing up. Because the stock market would never pay you for the value of an overly complex, overly diversified company like ours. And the analysts don't like it because it doesn't fit into their nice little boxes, so you always suffer a big discount."

The opportune time came in February 2001, when CP announced its intention to spin off its five remaining pieces: PanCanadian, Fording, CP Rail, CP Ships, and Fairmont Hotels & Resorts (which had seventy-seven deluxe properties in North America, Mexico, Bermuda, and Barbados). It was a brilliant decision that benefited almost all of the divisions as their collective market capitalization of $13 billion before the breakup grew to $23 billion within two years. Two of them, especially, would prosper—Fording and PanCanadian, which evolved into EnCana—and would have a powerful and important impact on me, personally, as well as on the Canadian economy. Of these, EnCana today has the higher profile, in large part because of the leadership of Gwyn Morgan and the chairmanship of David O'Brien.

FROM MY PERCH ON THE BOARD of the Alberta Energy Company, I'd watched Gwyn drive the business into becoming Canada's largest natural-gas producer and second-largest overall petroleum producer, after PanCanadian. Not bad for the youngest of four farmer's kids who grew up on a "godforsaken homestead" near Carstairs, north of Calgary. His father, born in Wales (which accounts for Gwyn's name), cultivated grain and raised livestock, which his only son fed before and after school. There was no running water until he was twelve, when he and his dad dug the ditch from the well to the house—"We were both tough as nails," he remembers. By his mid-teens, the family moved to Carstairs where Morgan Senior was selling farm implements, which Gwyn helped repair. Good in math and science, he took mechanical engineering at the University of Alberta, working for Imperial Oil in the summers. Turning down an offer to design aircraft for Boeing in Seattle, he became a petroleum reservoir engineer for the Alberta Oil and Gas Conservation Board, the industry's government regulator headed by the highly respected George Govier. With that solid foundation of learning, Gwyn went to work for the Consolidated Companies—which had gas and pipeline subsidiaries and Norlands Petroleum—exploring the Arctic. There he was, this intense, feisty twenty-four-year-old, only three years out of college, and managing the engineering operations of all three companies. But, like Imperial, Consolidated was a branch plant of an American company, and his nationalistic mindset was starting to gel.

With the provincial government's launch of AEC in 1974, financed in part by the Alberta Heritage Fund, he was attracted by the idea of a company headquartered in Canada that would sell its shares to Canadians. "When I graduated in engineering, there were very few options at Canadian companies. With AEC, there would be a lot of ownership by the people of Alberta and other parts of the country—some of whom had never owned a share in a company. Even at that time, I was quite keen on the free-enterprise system, the idea that we could create something where people would learn how to invest in shares—other than just putting their money into bonds and banks—and we'd actually be developing a Canadian-owned industry. That was number one for me, actually, for a number of reasons. One is that I felt that people needed to have positive experiences around investing and equity. And another is just the fact that we were going to be making decisions in Canada, and Canadians would get the top jobs and be the leaders rather than always reporting to somebody."

Leading the new Crown Corporation was Dave Mitchell, the ex-president of Great Plains Development Company, which had been a subsidiary of Burmah Oil (where Dave Powell had worked). I knew Mitchell as a meticulous engineer when I did audits at Great Plains in the 1950s. At AEC, he was uneasy about its public ownership, though the company had a couple of government-generated strengths to kick-start its success. The first was an option for up to 20 percent ownership of the Syncrude oil-sands project in Fort McMurray and the rights to build two-thirds of the power plant there as well as the entire pipeline to bring the oil to Edmonton. The second was an exclusive lease to explore for petroleum using Alberta's subsurface mineral rights to the 2,600 square kilometres of the Suffield Military Block, northwest of Medicine Hat, where soldiers from around the world had trained since the Second World War.

"I joined the company in 1975," Gwyn says, "and my job was to get the first production organized from scratch at Suffield. So I had to hire people and build a team—rented an empty office and went from there. On April 22nd, 1976, we had a spudding ceremony and had this huge Canadian flag on top of the drilling rig, blowing in the wind. And I guess it was a bit symbolic of my feelings. Running through my whole career from graduation, I didn't like the idea of having to work for American companies.

Nothing against Americans—I love them. Just that my passion was for things controlled in Canada."

Gwyn built the profitable oil and gas division, and in 1992, Dave Mitchell asked him to oversee most of AEC's other businesses, which included forest products, petrochemicals, coal mining, and fertilizer plants. We on the board of directors were considering both Gwyn and Frank Proto, a senior VP, to replace Mitchell, who announced his retirement the following year. I'd had my own dealings with a combative Gwyn during the Alliance pipeline dispute between AEC and NOVA. Watching him now at work in his new job, I welcomed him as CEO as heartily as the other directors did. As we became friends as well as corporate colleagues, he tolerated, and sometimes even appreciated, my counsel based on a long career involving so many boardroom dramas.

For a guy with a reputation for shrewd dealmaking, Gwyn, with his sober manner and spectacles framing his lean face, appears deceptively mild. Thin as a blade of wheat, he works out for ninety minutes a day. In the words of columnist Diane Francis, he looks less "like central casting's version of a self-made tycoon" and "more like a school teacher." He's a surprise in his philosophical approach to life, too. Not many people know that he and his wife embrace the tenets of Buddhism and he's visited the Dalai Lama's birthplace in Nepal.

Gwyn quickly realized that the company was over-diversified and in 1993, when the Klein government pulled out of AEC, began selling the non-core operations. "I became a zealot about this," he'll tell you today. "And then we had to build the business we wanted, which was oil and gas." That's when he felt the company was highly vulnerable because the stock price wasn't reflecting the excellent balance sheet on the remaining petroleum assets.

In 1996, Gwyn increased the company's crude-oil, natural-gas, and natural-gas liquid reserves in a friendly $1.1-billion stock swap with Toronto-based Conwest Exploration Company. The merger effectively doubled AEC's portfolio, trailing only PanCanadian in size. Harley Hotchkiss joined the board just after the alliance and observed, "I think history will look back on that as the merger that gave Gwyn Morgan the confidence and the foundation to do a lot of other things. It was hard bargaining, but it was a friendly merger, and it was handled efficiently and smoothly from a people standpoint, from an asset standpoint. It made all kinds of sense for both sides. But perhaps particularly for Alberta Energy because Gwyn was early in his career there as leader and it gave him and the team around him the courage to do what they've done since."

Over the next three years, Gwyn also acquired Amber Energy Inc. and PacAlta Resources Ltd. on a so-called "unsolicited friendly basis" (not quite hostile, but not entirely appreciated). Amber, especially, was a steal: AEC had been offered Amber at $27 a share the year before but, when petroleum prices fell to less than $10 a barrel, paid only $7.50 in a deal that gave it Canada's largest gas reserves. One bonus was acquiring a well-respected former AEC employee, Mike Graham, then with Amber and now an executive VP responsible for all of EnCana's upstream operations in Alberta. (Gwyn placed one of his own people as Amber's CEO: Randy Eresman, who was to play a prominent part in the evolution of AEC into EnCana.) The PacAlta purchase put Alberta Energy well into the global market with 180 million barrels of oil reserves in Ecuador.

Even then, in his zeal to create what he called a world-beating "super-independent" petroleum company, Gwyn's eye was always on North America. He got a foothold on Alaska's North Slope, signed a farm-in deal with Conoco to explore in the Gulf of Mexico, and took over two key petroleum companies in the U.S. Rockies. By 2000, AEC earned a record $950 million, and the following year, its cash reserves and unused lines of credit totaled 2.7 billion, prompting industry analysts to suggest it was on the prowl for a major acquisition.

Over at PanCanadian Energy, meanwhile, things were changing after the breakup of Canadian Pacific Ltd. David O'Brien decided to stay on as chair of the petroleum company (as well as a director of Fairmont Hotels). PanCanadian had solid properties in both Western and Ea tern Canada the North Sea and the Gulf of Mexico. At that time, its president was David Tuer, a former assistant deputy energy minister in Alberta who, at fifty-two, had been running the company for eight years. In mid-October 2001, Tuer was publicly extolling the strengths of PanCanadian and pooh-poohing any possibility that it would be taken over. And then just two days later, he resigned, citing "personal reason." He has never explained his decision on the record since: "I've talked about it; I've said as much as I have to say," he tells most people. "It's behind me." (He went on become part of Mateo Investments, a private investment company led by Ron Mathison, the very successful son of a family friend of mine from Gleichen.) As David O'Brien says today of Tuer's mysterious departure, "I don't know if it was pressure, or what."

Whatever the reasons, it sent the industry into overdrive. The next day, I was among the directors of AEC having a board meeting in Houston. On a break after visiting the oil-drilling platform of a well in the Gulf of Mexico, one of us—I think it was Dale Lucas—read in the electronic version of the *Globe* about the sudden resignation. With PanCanadian now out on its own, and without a president, the possibility arose for a renewed attempt to make a deal to merge.

Renewed, because Gwyn had already made such an approach about eighteen months earlier. David O'Brien was then till head of CP Ltd., which had not yet divested itself of PanCanadian. But hearing the proposal for a merger with AEC, he replied, "You know, Gwyn, there's merit to putting those two companies together, but the structure just won't work. Here I am sitting at CP, and if I [meaning his company, CP Ltd.] go from owning 90 per cent of PanCanadian to 50 percent of a combined company, I'll get a further discount in my stock price because I don't own the whole thing. And you've said you don't want me to have voting control [of the merged company], even though I'll have my investment there. So we just can't do it, the way things are now."

And now, as the board discussed the developments in Houston, Gwyn said, "As you can see, we've got this tremendously strong company, and we don't need to do anything. Our future is that we'll become the strongest independent, no matter what. I'm ambivalent about doing a big acquisition or merger."

Yet after a couple of hours' discussion, we said, "Gwyn, you have the authority to call David O'Brien."

He did, but David didn't call back. So then I got on the phone to Calgary because I had to talk to David about getting him on the board of TransCanada Corporation. "Haskayne," he said, "I got a call here yesterday from Gwyn Morgan. Should I call him back?"

"You'd *better* call him back." Many a deal is done because of strong personal relationships—and David O'Brien and I had become great friends.

Very quickly, David had stepped in to become the interim CEO as well as the chair of the rudderless PanCanadian. He'd named his former chief financial officer at CP Ltd., Mike Grandin, as the pro-tem president (Mike would later have a more prominent part in the future of Fording Coal). When he and Gwyn did connect by phone, David suggested getting together in about ten days: "I wasn't feeling any urgency, I'd just come through the CP divestiture, so I wasn't rushing into anything. I said, 'Come on over and we'll have a chat.' And we started chatting. I had the advantage, in a sense, since I wasn't running PanCanadian on a day-to-day basis and had the time to focus and have a good hard look at whether the combination of companies would be well received in the market. I retained RBC Dominion Securities to do some analysis for us, and Gwyn had some work done on his side by CIBC World Markets."

The two men began meeting—as secretly as possible, to avoid any industry gossip about a potential merger that would affect share prices—at the luxurious former CP Ltd. Suite in Bankers Hall. It was two floors below my office, where Gwyn used to regularly visit me. Recounting those sessions now, Gwyn says, "So it was okay for me to go up and down in the elevator there. If anybody was on the elevator, I'd push '20,' and if not, I'd push '18.' And at that time, this big pace on [floor] 18 was totally unoccupied except for two people, David O'Brien and his assistant, Marilyn. The first time I arrived, she meets me, and I'm walking down this hallway, and there's a bunch of display cabinets that were like the archives of CP—some of the famous artifacts of the original railway company. It was like walking into this big, beautiful museum with nobody around.

"AEC was driving the deal, obviously, and we'd done all the analysis of PanCanadian. My executive team and my key legal people and others in AEC knew about the deal because we were doing as much analysis prior to Christmas as we could, but only involving a very few people over at PanCanadian. Whereas at AEC, it was a much larger group. We drafted the purchase-sale agreement, put together what would be the due-diligence program, and so on. And we agreed that once we got back from Christmas holidays—basically January 2—that David O'Brien would expand the net inside PanCanadian, get people fully engaged, and that we'd have twenty-five days to get all the work done."

As their talks became more serious, they no longer met at David's office. Now the pivotal players gathered in rooms at the Hyatt Regency downtown. Again, the watchwords were confidentiality and stealth. Nobody wanted to torpedo what could be the biggest all-Canadian industrial merger on record. Gwyn showed up at the hotel in a sort of disguise, wearing jeans and a backpack. "He looked like he was about to go duck-hunting," David recalls, chuckling. "The first time, I was given a key card for the room where we were meeting, and I got there first, and the card didn't work. I banged at the door, and there was no answer. I didn't want to be loitering there, so I went down to the ground floor and into one of the stalls in the men's room and just hung out for about fifteen minutes, figuring Gwyn would come and his card would work. Well, it turned out his card didn't work either, and he couldn't remember the name of the lawyer in whose name the room had been booked. But somehow, he went to the front desk and managed to get a proper key card."

After seeing Gwyn up close, David describes him as "a very focused, smart, hard-working, disciplined, and driven guy. He and I have very different political philosophies. I tend to be more of a middle-of-the-roader, and he tends to be more of a right-winger. And it's partly a product of where you grow up. I grew up in Montreal—you don't think everything's possible when you grow up in a big city. You realize all the inherent social problems and the shades and the difficulties. If you grow up in a small town and make your way out and become very successful, it appears that anyone who's not doing it should be—and if they don't, it's their own fault. But having said that, Gwyn is knowledgeable on a range of subjects, and he's a bright guy."

Early in the new year, the sessions heated up as the agreement took shape to create what would be, in the stock-market sense, a merger of equals. The two companies would simply swap their stocks, with no premium added. As Gwyn explains, "In other words, the last ten days of average trading was going to set the exchange ratio. So the AEC shareholders would get 1.472 common shares of PanCanadian. Legally, the AEC shareholders would sell their shares to PanCanadian. It had to go one way or the other—and there were very strong tax reasons that made it better that way for PanCanadian. It was the Canadian [federally registered] company in the deal"—as opposed to the provincially registered Alberta Energy.

During the January deliberations, Gwyn was unsettled when PanCanadian distributed a news release that contained fresh information about its current exploration program. "It was during that delicate period before January 27 when the stock price would be calculated. And I was a little upset that there was a release, because we were trying not to do such things at AEC. Of course, David's argument was that it was material information that he had to get out. And he was right. I said, 'Well, okay, if you had to, I just wish it had been written a little simpler, more matter-of-fact.' But we got through that."

Another debate early on involved the name of the new company. There was talk that it could be named after the deal was completed, almost as an afterthought. Gwyn said, "David, what's motivating me about this whole thing—and the reason I'm prepared to go through all this pain of putting these companies together—is because we're creating a Canadian flagship company. So it's got to have a name that reflects this."

He recalls David saying, "So you don't want to call it the Ajax Oil Company?"

The eventual name emerged out of a grab bag that Gwyn presented to his own people and to David. He and his wife, Pat Trottier, had been cross-country skiing in backcountry mountains over the Christmas holidays. With her background of corporate communications and investor relations in the oil industry, she was a good sounding board for his ideas. "How about 'EnCana'," he asked one evening, "as in 'Energy Canada'—with the final 'A' representing 'Alberta'?" She thought it had a pretty good ring to it, as did his team at AEC. His trusted advisor, Dick Wilson—a former newspaperman whom Dave Mitchell called "the soul of AEC"—worked on the logo: an arc representing a horizon to symbolize the new company's potential, a glint of light to sum up the energy of its employees, and the colours blue and green from PanCanadian's and AEC's pasts .

On January 25, 2002, one of the crucial final meetings was scheduled for the Hyatt. This time, Gwyn arrived first and, while waiting half an hour for the usually prompt David to appear, began to worry that there was some unspoken snag in the negotiations.

"Gwyn, I don't know if this deal is supposed to happen," the PanCanadian chair said when he did show up. He'd been stuck in a darkened elevator all that time because the power had failed.

Then John Watson, AEC's chief financial officer, phoned to report that the gossipmongers had finally cracked the wall of secrecy and the Toronto Stock Exchange had just halted trading in the stocks of both companies as they experienced an unexplained spurt of activity.

On a snowy Sunday morning three days later, with the blessing of both boards and with big Canadian flags flanking them, the principals announced the birth of EnCana Corporation. Overnight, it became the world's leading independent oil and gas company in terms of its estimated reserves, production, and enterprise value—what the market believed its ongoing operations were worth—of more than $27 billion. It had one of the strongest balance sheets of all the continent's independents and one of the largest capital-investment programs of any company based in Canada. Overseas, in the United Kingdom, it had made the most major oil discovery in the central North Sea during the past decade—the Buzzard find—and in Ecuador, it was the major private-sector oil producer. While we didn't call EnCana a Northern Tiger then, we knew it was a flagship corporation of those proportions. The press had no trouble recognizing the enormity of the enterprise, reflected in headlines such as "Globe's Largest Independent" and "EnCana's Energy Bonanza."

Shareholders of the two companies gladly approved the deal that spring. EnCana set up shop in the old CP Ltd. suite, with David O'Brien the non-executive chairman and Gwyn Morgan the president and CEO. Mike Grandin stepped aside but stayed on as a director. I went on the new sixteen-person board, with eight people from each company. Gwyn had wanted me on the board especially to chair the human resources committee that oversaw the complications that arose with the marriage of two companies. When David O'Brien called me down in Palm Desert, I said, "It'll be time for me to go in a couple of years. I don't want to be the chairman of any committees. I'm tired of working, David."

"Haskayne," he said, "I need help here because this is a critical issue." Because of my experience on the HR committee of AEC, Gwyn insisted on having me head EnCana's committee. Oh, and then there was also the corporate-governance committee that wanted me as vice-chair, working with David. In the end, I couldn't say no to him.

On the human resources front, one issue was that senior managers had contracts in place from their former employers, some of them allowing PanCanadian people to walk off with good severance packages. Some weren't needed in the new organizational structure, while others were critical to EnCana's success. But in any merger, one side has to take charge, and in this case, it was the Alberta Energy group whose well-defined culture—which became the EnCana culture—may not have melded smoothly with

PanCanadian's. In terms of corporate governance, we were soon dealing with the rigorous dictates of the *Sarbanes-Oxley Act* in the U.S. and similar regulations introduced in Canada by the Canadian Securities Administration. As our chief financial officer John Watson put it, "For the first time, CEOS and CFOs are now personally at risk, in a very significant way, if the financial statements and related disclosures do not meet the standards set forth. I find that extremely motivating in terms of setting priorities." So did I, as Enron and other scandals had swung the pendulum from internal to legislated standards. Fortunately, the environment at EnCana was summed up by a corporate constitution the board approved, which began as follows:

> Our vision is to create a truly great company—one where quality work is the norm, where we stretch and strive to be the best we can be, and where great things are accomplished. Principles grace every decision and punctuate every interaction along our journey. Shareholders and other stakeholders support our endeavours because we have earned their trust and respect.

In the first year, there was one unwelcome surprise. At AEC, we'd always had our reserves of oil and gas evaluated by independent engineers. PanCanadian, though conservatively run in most of its operations, never did have such arm's-length evaluations. So in doing due diligence before the merger, AEC had relied on its own in-house people to audit the PanCanadian reserves and finally had to suck up its guts and accept that the estimates were probably accurate. As it turned out, they weren't. After the deal, EnCana hired outside consultants to judge just how much proved petroleum reserves both companies really had. (An independent evaluator has to determine there's at least a 90 percent probability that reserves will be recovered to declare them "proved.") While AEC's had been understated PanCanadian's had been overstated—not deliberately, but through poor evaluation processes, including (as Gwyn says) "just some plain bloody errors."

As a result, we had to take a huge writedown on the PanCanadian reserves and, of course, report it publicly. I was in Hawaii at the time and had a conference call with the board's distraught audit and reserve committees—after which Ian Delaney phoned to say, "Haskayne, I am sitting here with my fingers in my ears waiting for the explosion to happen." Fortunately, the big bang never occurred: Because of AEC's improved reserve picture, which more than offset the PanCanadian loss, the stock market accepted the writedown with barely a murmur.

Over the next three years, the rest of the surprises were mostly happy ones, even though I questioned some of Gwyn's strategy. In early 2003, EnCana sold most of its stake in the Syncrude oil-sands project in northern Alberta to the Canadian Oil Sands Trust for what was seen as being a top price: $1.1 billion. While I voted for the transaction, I liked the solid underpinning of Syncrude—an asset we didn't even have to manage. In my HBOG days, we'd bought an interest in Syncrude from AEC because we felt it provided stability.

Their sale left us as primarily a natural-gas company (though we did retain some of the best leases in the in-situ oil sands that require steam injection, rather than surface mining, to release the bitumen to produce high-sulphur oil). Gwyn had more guts than I would have shown in transforming the company and selling his vision to the world. While I worried that we were turning into a one-trick pony, he was determined to shed more of what he considered to be the non-core assets the new company had inherited. He got rid of EnCana's holdings in the Gulf of Mexico for $2.5 billion, those in Ecuador for $1.5 billion, and its North Sea oil field for $2.1 billion (all figures in U.S. dollars), which was bought by Nexen Inc., another Canadian company.

Even before Gwyn sold the North Sea assets and just when I thought he was all sale and no buy—he capitalized on the increasing value of the Canadian dollar to acquire Tom Brown Inc. of Denver for $2.7 billion (U .S.). That purchase more than tripled EnCana's natural-gas production down south to about one billion cubic feet per day. "We realized the huge opportunity we had in

North America with our special knowledge and the fact that we were going to have more cash," Gwyn says. "The company was a hand-in-glove fit for our assets. And we actually did it about six months before we really had the balance sheet to do it."

The Tom Brown deal was another signal that Gwyn was pursuing a shift in emphasis from mature, conventional gas fields to deeper, multi-zone deposits. These "tight" fields use more sophisticated technology to extract small amounts of gas from each of thousands of wells and usually yield a more predictable production over a longer period. Piloting this program was Randy Eresman, who'd joined AEC as a technologist five years after Gwyn but left for a while in 1980, when the National Energy Program slowed the industry down, to get his engineering degree. "I like to say he's the only good thing that came out of the EP," Gwyn says. "We were really good at getting the most out of difficult reservoirs. That was always Randy's forte."

Randy became executive VP responsible for the onshore North America division and then chief operating officer. He and Gwyn continued to build the company by developing resource plays, a tight-field strategy. The company also spent about $350 million in a single day in a British Columbia land sale to exploit what Gwyn calls "a big new resource, the biggest in the history of the country, by far." These gambles were paying off handsomely. By 2005, with the price of natural gas rising by a factor of six since the 1990s, EnCana's market value had doubled.

And in October of that year, coming up to age sixty, after thirty years in the industry, the always-surprising Gwyn Morgan announced he was ceding the CEO's position to Randy, his heir apparent. Gwyn consulted in advance with three people: his wife; Dave Mitchell, AEC's founder; and me. He'd step back and become executive vice-chairman in an advisory role for at least a year, leaving himself free to pursue other passions.

Through all of this, Gwyn has been true to himself. Even at the press conference to announce his decision, he was dismissing widespread speculation that Royal Dutch Shell PLC was bidding for EnCana—*his* company would remain Canadian-controlled.

Ever since I've known him, he's always been fearlessly outspoken, saying out loud what may be on other people's minds. The Kyoto environmental accord wasn't working, he said, and Canada needed a viable alternative. To cure our ailing health care system, the nation must adopt world-class quality standards and reporting systems. Other Canadian companies—and governments—should adopt an ethical stance similar to the one enshrined in EnCana's corporate constitution, which sets out standards of behaviour and expectations of performance. While knowing that many Canadians would dispute his arguments as self-serving, he obviously felt duty-bound to discuss them in public, and damn the torpedoes.

He suffered some cheap shots after a parliamentary committee rejected him as Prime Minister Harper's handpicked chair of the Public Appointments Commission, the federal patronage watch dog. The politicians lambasted him for a speech in which he'd linked Canada's problems of gang violence to immigrants from places such as Jamaica and Indochina, "where culture is dominated by violence and lawlessness." I was at that event and winced inwardly at his words, wondering about the wisdom of identifying ethnic groups by name and the effect this might have if he ever wanted to go into politics or serve Canada in any public capacity. Yet he *was* articulating a truth: There are a tiny minority of bad apples in those two groups—where the vast majority are decent and loyal Canadians.

While Gwyn didn't get to take the $1-a-year post with the accountability commission, there was no doubt he would find other ways to volunteer his leadership talents, three decades' worth of business experience, and innate sense of ethics to the community at large. And whatever else he does in future, his legacy will always be the masterminding of the esteemed company that EnCana became, one that meets the challenging standards for social responsibility and sustainability set by investment-fund managers such as Vancouver's Ethical Funds Co. No wonder the University of Victoria's Faculty of Business's board of advisors presented him with the 2006 Distinguished Entrepreneur of the Year Award at a ceremony that Lois and I were pleased to witness.

Is EnCana a Tiger today? Without a doubt. In sheer size, of course, as the global industry's largest independent. In residency, with its head office in Calgary. In nationality, with all its major strategizing and decision-making done in Canada. In perfecting an extremely profitable niche, by focusing on resource plays. And in a Canadian brand of assertive behaviour, by acquiring a corporation across the border in a friendly takeover and teaming up with ConocoPhillips in an $11-billion (U.S.) deal to ship bitumen from its Alberta oil sands to Conoco's refineries in Illinois and Texas for upgrading into synthetic oil to make gasoline.

I know all this from being on the board from the birth of the company until my retirement as a director in 2005. It had been an absorbing journey—interrupted only occasionally by the times I had to excuse myself from board meetings to deal with a developing crisis as I was trying to help transform Fording into the EnCana of the coal industry.