CHAPTER FOUR

TAKING IT ON THE CHIN

Home Oil and Hiram Walker Resources

AFTER IT HAD BEEN ANNOUNCED that I was leaving Hudson's Bay for Home Oil, Dave Powell—HBOG's well-informed exploration guy—followed me back to my office to say, "Haskayne, Home is drilling these goddamn wells in Guyana, and the best thing you can do is phone them right now and tell them to stop drilling there."

"I can't do that, Dave. Christ, I'm not going to be there for a month."

"Well, I'm telling you, Haskayne, you want to get out of Guyana as fast as you can because you certainly will never make any money, and not only that, Home is holding the bag there right now."

And that was how I found myself in 1982 on the sultry northeast coast of South America in the office of Forbes Burnham, the hardline socialist prime minister who'd become the autocratic executive president of Guyana. The former British Guiana, which had received its independence two decades earlier, was a bit of an impoverished hellhole and, despite supposedly free elections, no model of democracy. During his twenty-one years in power over what he called a cooperative republic, Burnham had formed alliances with communist nations and his agents were alleged to have been involved in the deaths of a Jesuit priest-journalist and an opposition leader. The country, as usual, was in a state of political upheaval.

Despite this, Home Oil had a majority interest in oil-drilling operations in Guyana, based on the prospect of a big discovery that never did pan out. Getting our drill rigs there had involved a complex mobilization of resources from all over Home's world. The company shipped equipment from Edmonton, and our Houston office flew in pipe and cement on big Hercules turboprop transports. Part of the rigs themselves were seconded from Saudi Arabia, and then our logistics people had to figure out how to float them up the Amazon and into the jungle site. The Brazilian government charged us about $400,000 in duty alone, just for passing through their country. As time went by, our two partners in the deal—Noreen Energy and Ranger Oil of Calgary—pulled out, so Home had to assume 100 percent of what looked like two ridiculously expensive dry holes on the edge of nowhere.

"It wasn't the end of the world," Ken McNeill used to say, with his wonderfully over-the-top turn of phrase, "but you could certainly see it from there. Some of the administration people Home sent down there were guys they didn't want around in Calgary. So there they are with an unlimited spending budget down in the poorest country in the world, living like drunken sailors with a big expense account."

Meanwhile, there had been all sorts of false rumours that we'd found a lot of oil, which would bail the nation out of its misery, but had decided not to produce the wells because of low world prices. In 1982, I had to "discount and deny" a Guyanese government report that said the field 320 kilometres south of the capital, Georgetown, contained two billion barrels. In fact, we found only a touch of light, sweet crude in one of the wells.

What Dave Powell had realized early on was that well drilled just across the river in Brazil had hit a salt formation that killed the chance of finding much oil on our side. As he explains it now, "The thing wasn't explored properly, and even though I personally wouldn't have gone in there in the first place, if they'd used a rig from Brazil [instead of importing the equipment], they could have drilled those two wells at a fraction of the cost. But the money they were spending then just frightened the hell out of everybody."

And now I was in Burnham's office in Georgetown to explain why we were cutting our losses. Not surprisingly, the windows had bulletproof glass. The quick-witted president of African descent, who led a nation made up of African, Amerindian, East Indian, Chinese, and Portuguese, was a lawyer and a graduate of the University of London. He was using all of his legalistic and political powers of persuasion to convince me to reverse my decision.

"Oh, you Canadians are very good people," he said in his deceptively folksy manner, "I will phone my friend Pierre and get you some assistance." Pierre Elliott Trudeau, the Canadian prime minister whose government enacted the National Energy Program that kneecapped our Oil Patch. Trudeau had stepped down as PM the year before.

"I am not looking for assistance," I assured Burnham. Our conversation was running into its own dry hole. The only hope Home had of saving the project, I knew, was to attempt a joint venture with the national oil company in neighbouring Brazil. I'd get back to Burnham if we had any success.

Home had a large office in Georgetown and a leased Twin Otter aircraft to ferry our people to the rig near the Brazilian border, where we had to build our own airstrip. But I flew there in our little cigar tin of a Lear 35 jet, crossing the vast rainforest—which, from the air, looked like clusters of broccoli—and landing at the big, bustling port of Manaus, the capital of Amazonia State, right on the Amazon River. But the officials of Brazil's Petrobras oil giant were just not that interested in assuming any of our obligations in Guyana. There was no other option but to shut down the whole damn thing. Our unsuccessful South American adventure would cost us upwards of $30 million.

Being a successful CEO means knowing exactly when to fold as well as when to raise the ante. Here, it wasn't in the cards to keep playing.

About three years later, in June 1985, Forbes Burnham went into hospital in Georgetown for what was supposed to be a routine procedure to treat a throat infection. Only Cuban doctors were allowed in the operating room. And there he died on the table—some say murdered, in revenge for the assassination of a Cuba-backed Guyanese political figure that Burnham's government had supposedly arranged.

HOME OIL HAD BEEN FOUNDED IN 1925 by a provincial politician who didn't know a thing about the petroleum business yet developed the company into the biggest independent in Canada. A quarter-century later, the wildcatting son of an oil entrepreneur took Home over and, like Jack Gallagher, risked everything in the Arctic but managed to evade near-bankruptcy and keep it alive—long enough to sell it to a successful Canadian utility. I arrived well after his death and, along with confronting a socialist strongman in South America, I would face a Hollywood tycoon, two reclusive Toronto brothers whose family was one of the world's ten wealthiest, and an Ontario-bred scion of a liquor baron family who made their fortune during Prohibition in the U.S.

Home was the brainchild of James Lowery, an Ontario farm land of twenty-one who migrated to Alberta in 1905, the year it became a province. He became a Jim of all trades, selling newspapers, hardware, and real estate before running twice as one of the rare provincial Conservatives in that Liberal era and winning the second time. Lowery served with the Canadian Army during the First World War and, after being wounded at the infamous Battle of Vimy Ridge, came home a major. His career was looking up in 1924, when a company co-owned by Imperial Oil drilled in Alberta's Turner Valley and brought in Royalite No. 4, the well that ushered in the province's first petroleum boom. Less than nine months later, he was an oilman, a partner in the Home Oil Company Limited. Its first well struck crude oil and then, within two years, an enormous flow of high-grade naphtha (natural gasoline). It was the largest find in the valley. Building on it, Jim Lowery proved to be a great promoter and, over the next twenty-five years, positioned Home to capitalize on the next boom that was touched off by Leduc in 1947.

He already knew Robert A. Brown, a Quebecer who'd studied electrical engineering at McGill University and worked for Westinghouse Electric Corporation in the U.S. before coming to Calgary in 1906. A few years later, Brown was supervising the city's electric light and streetcar departments and looking for further stimulation. He found it by creating electrical utility companies in rural communities, among them my parents' town of Gleichen. And that's also where, in 1934, the year I was born, Brown and his partners met with a local baker, coincidentally named Robert Brown, and subleased sixty acres of land he owned in the Turner Valley. It took only two years before both Browns were rolling in oil money as Turner Valley Royalties' first well blew in wildly in 1936.

The discovery marked the end of the college career of yet another Robert Brown. The businessman's twenty-two-year-old son, Bob Brown, Jr., was studying accounting at the University of Alberta when that No. 1 came in, and he soon spent more time on the fascinating company business than on his studies. He and his dad launched several new ventures, and Junior (nicknamed the Oil Baby) turned out to be a confident, visionary promoter and an inspired corporate financier. After working in oil supply for the government in Ottawa during the Second World War, he had a brief fling with importing American home appliances. Then Leduc happened, and in 1948 when his father died of heart failure, young Brown became president of the main family business, Federated Petroleums. He wasn't a hands-on operator. As he once told a reporter, "I have an effective arrangement with the senior employees who manage the operations of Home Oil. I find the money, and they find the oil."

The Canadian Bank of Commerce's far-sighted Neil McKinnon, then second-in-command and later president, backed Federated in its takeovers of other oil companies. By 19 50, Brown was buying up shares of Home Oil, where Jim Lowery was ready to retire, and within a year, Federated had control of Canada's fourth-largest oil producer.

Under Bobby Brown's leadership, Home made significant discoveries whose names are part of Alberta's oil heritage: Swan

Hills, Virginia Hills, Westward Ho. He was an advocate for the oil industry, promoting the idea of a pipeline to Montreal, becoming the biggest shareholder in the TransCanada pipeline to Ontario, and helping found the Independent Petroleum Association of Canada. But there was another side to the man: Like his father, he was hard drinking, hard driving, and prone to developing heart disease. And he had a penchant for financial risk-taking and over extending himself, which landed him in deep, dark waters.

In 1959, despite owing the Commerce nearly $20 million on a demand loan, he'd been the first in Canada to buy a Grumman Gulfstream I, the world's original large executive turboprop. Philip Smith, in *The Treasure-Seekers: The Men Who Built Home Oil*, describes Brown's dilemma at the time:

> … his bank loan was now so large that he could not pay it back without selling a substantial portion of his assets—and possibly losing control of Home. He lived at the time like a millionaire.… Perhaps because of his anxiety over this seemingly insoluble problem—or, more probably, given Brown's nature, out of sheer frustration that his upward climb was at least temporarily stalled—he stepped up his already heavy drinking. He was now in his late forties and the recuperative powers which had always been the envy of his friends were beginning to wane: more and more he would show up at the office late and sometimes he would be unable to attend even important business meetings if they were held early in the day.

Brian MacNeill, a Winnipeg chartered accountant who wound up as controller at Home, says, "Not many people had anything bad to say about Bobby Brown—even though most of them got fired by him at one time or another when he was in his cups." In the early 1960s, when I came into the Oil Patch, Brown was mired in debt and soon had the first of a series of heart attacks. Things didn't get much rosier over the years: He bet almost everything on exploring and leasing fields on Alaska's North Slope and trying to buy control of the much-larger U.S. oil company Atlantic Richfield. That all ended disastrously (the takeover attempt alone cost $69 million), and near the end of his life, he was personally indebted for $26 million.

Finally, he had to yield control of Home to Consumers' Gas of Toronto. Consumers' was a century-old company that had switched from producing coal gas locally to supplying much of Ontario with the Alberta natural gas that the TransCanada line was now shipping east. Its president was Oakah Jones, an accountant from Boston who'd operated a similar gas company in Tulsa. Jones and Brown did a friendly deal in 1971 that saved Home from bankruptcy and left its CEO in place. But Brown died early in the new year.

The conservative Jones succeeded him as CEO. But again, briefly: He died in 1973. He'd sold the Gulfstream but kept the rest of the fleet of smaller aircraft, the King Airs and the de Havilland Beavers, that Brown had assembled. His successor, Ross Phillips, had to do more belt-tightening as inflation and fresh federal taxes reduced exploration throughout the early 1970s. Later in the decade, after Ottawa and the Alberta government settled some of their differences, oil finding rebounded. In 1977, Home had holdings in the province's productive new West Pembina field, but its sorties overseas in the North Sea and the Mediterranean were showing little return.

Suffering overall, the company was a takeover candidate when Hiram Walker-Gooderham & Worts showed up. Canada's second largest liquor distiller, wanting to diversify, sought an alliance that might also help keep it out of the clutches of its bigger competitor, Seagram. Hiram Walker was named after the Detroit grain merchant who, during the American temperance era of the 1850s, moved across the Detroit River to build a mill and a distillery in what became Walkerville, Ontario. His innovative Walker's Club brand of whisky became Canadian Club, which swept the North American market. In 1926, the Walker descendants sold out to a syndicate headed by Harry Hatch, who three years earlier had bought a smaller Ontario distillery, Gooderham & Worts.

Clifford Hatch, Sr., Harry's son, was chairman in 1980 when he led a merger between a healthy Consumers' Gas and its weaker, wholly owned subsidiary, Home Oil. The new company—at first called Hiram Walker-Consumers Home Ltd.—enjoyed revenues of $2.6 billion and the fifth-biggest profits of any Canadian company. A year later, it was rechristened Hiram Walker Resources (HWR). Hatch was chairman, and two of my mentors sat on the board: Bill Wilder, the president and CEO, and Stan Olson, a director (Cliff and Bill were old war buddies). The idea was to widen the scope of the oil company with revenues from the spirits and gas companies. Presiding over Home, meanwhile, was Al McIntosh, who'd been executive VP of Calgary's Pacific Petroleums when Petro-Canada took it over in 1978. Unhappy about working for a creature of the federal government, he went to a more comfortable Home.

Now, just three years later, I was replacing Al. As I stepped out of the frying pan of a Dome-dominated HBOG, I began to realize what a hellfire I was stepping into at HWR. Bill had told Al to buy something substantial in the U.S. to offset the effects of the new National Energy Program in Canada. What Al found was Davis Oil of Denver. Marvin Davis and his father had founded the Davis oil and gas exploration business, which became one of the premier wildcat drilling operations in the U.S. They bought cheap oil and gas leases in the Rocky Mountain region and then developed them through the booming 1970s. Only three multinationals—Shell, Amoco, and Exxon—drilled more exploratory wells. (Marvin always quoted his friend and fellow oilman H.L. Hunt: "He who drills the most wells wins.") In January 1981, HWR bought Davis lands in Wyoming, Oklahoma, Louisiana, and Texas with an estimated eleven million barrels of proved and probable reserves of crude oil and 173 billion cubic feet of natural gas. The cost: $737 million, which was an astonishing figure to Gerry Maier and me. Within Hiram Walker, though, even Bill Wilder thought the world price of oil would continue to rise and justify the acquisition.

But the deal was done in a hurry to compete with half a dozen other companies and with Davis claiming he had an incurable cancer that was prompting him to sell. Home's due diligence had been obviously deficient—as I now discovered. During the month I'd planned to relax before becoming president and attending my first board meeting in mid-January, I reviewed all the numbers. Hiram Walker itself was having a wonderful year. Consumers' was doing fine, too, but in studying the details of the Davis transaction and the U.S. operation it had spawned for us, I could have calculated the figures on the back of an envelope and known that it was horribly overvalued. We were losing our shirts—and our shorts. I grew more and more disturbed, so much so that I flew to see Stan Olson at his home in Washington State.

"Stan, what the hell is going on with this Davis stuff? You really have to look at the economics of this bloody thing."

"Christ, Dick, I didn't know anything about it," he said.

The directors and their chairman, Cliff Hatch, had relied on an external assessment of the properties. As Cliff's successor, Bud Downing, would explain in a post-mortem two years later: "We had what we considered the best investment banker in North America, Morgan Stanley, doing the work for us. The information they gathered was the information we used [to evaluate the properties]. Admittedly, it was not as complete as it probably could have been."

If the board didn't have a good grasp of the current situation, it had even more surprises in store. Flying me back from a trip to Toronto, our chief pilot happened to ask if I'd be spending the weekend working on "Mountain 2."

"What's that?" I asked.

While he didn't really know, I quickly learned that it was the code name for a scheme to buy a second big batch of Davis properties for $450 million (U.S.). A VP named Ron Watkins told me he and his team were heading to Denver to begin sealing the deal, which was to close in a couple of weeks. "This is really the best part of it, and Marvin Davis will give us an exclusive on it," he assured me.

"You guys are not going," I told him. "You're going to stay home, and I want you to start working on the properties you bought two years ago." My plan was nothing less than to set in motion a severe writedown that would reflect the true value of the Davis properties.

"Well, what will Mr. Wilder think?" Ron asked.

"I'll handle Mr. Wilder." And when I told Bill we were cancelling the second deal, he agreed with barely a murmur.

I also had to tell Marvin Davis. Flying to his headquarters in Denver, I hooked up with a senior Davis Oil guy who was now working for our company. Together, we met with Davis, a big bear of a man (who'd lose 150 pounds near the end of his life). Looking remarkably well for a man with cancer, he sat behind an oversized desk in his ballroom of an office, with its autographed photographs of Davis with three American presidents. The oilman was buying the fabled Twentieth Century-Fox film studio, and a lot of the investors in the oil and gas wells we'd bought were movie stars. In his flamboyance, he was an American version of Jack Gallagher. As *Forbes* magazine would later report:

> Using other people's money has been a hallmark of Davis' empire, going back to his days as a wildcatter succeeding to his father's oil business. He shielded Davis Oil from losses by having investors assume risk for his wells. Davis financed his acquisition of Twentieth Century-Fox in 1981 with bank loans and an investment from [the American tax] fugitive Marc Rich.

This was the billionaire whom I was now informing that our deal for the second chunk of his properties was toast and, as the new CEO of Home Oil, I was sorry for the inconvenience.

Obviously needing our money to help finance his entry into Hollywood, Davis went berserk: "I've saved this thing for the Home people. They got first priority, I've held it off the market, and I've got sixteen people lined up at the door to do the deal—and now you come in and tell me this!"

"Well, Mr. Davis, I apologize for that. If you have some other people, maybe you should sell it to them because I'm not going forward with it—period." I stood to go, figuring my allotted twenty minutes with him was up.

"Dick, sit down for a minute," he said, cooling off. "While I don't like this, you seem like a pretty reasonable guy. Tell me more about yourself."

After we chatted for much of an hour, I told him I'd speak to our directors, see what they'd decide to do, and get back to him. Soothed a little, he offered to hold the properties until Hiram Walker's upcoming annual general meeting.

Then I went back to our accountants and, working with Price Waterhouse, we struggled to decide exactly how much the write-down of Marvin Davis's first group of grossly overpriced properties should be. After much internal debate, even taking into account some of the good holdings Home had in the U.S. before the Davis deal, we decided the figure was an appalling after-tax $177 million (before tax, it was more like $350 million). My philosophy then, as it has always been, was to confront problems head-on and deal with them directly and efficiently. In other words, to take it on the chin and then get on with life.

Other than telling Stan Olson, I hadn't described the situation in any detail at my first board meeting. But now the directors would have to know how bad things really were. We called them together in a special conference in Toronto—just before the annual general meeting of Hiram Walker, when the parent company was all set to tell shareholders how terrific the past twelve months had been.

Stan and I, along with some other Home executives from Calgary, met that morning with Bill Wilder. After hearing our rationale, he agreed on the number and said we had to tell the board. None of the other directors who met with us in a board room in the Royal York Hotel was an oilman. They were shocked. In a press release already prepared to announce the writedown, we'd mentioned the company's new management, but Bill had deleted that reference and said he had to take full responsibility as Hiram Walker's CEO.

At the annual meeting, full to the brim with shareholders, as usual, he reported the bad news. There was dead silence and then a barrage of irate comments and questions from the floor as the corporate analysts rushed to the phones. Our high-flying stock dropped to a five-year low. Devaluing the properties would cause Hiram Walker Resources to lose $78 million in the coming year, compared to a 1981 profit of $222 million. At a media scrum after his speech, Bill said, "We'll know in about a month whether we have a case for misrepresentation of information."

Of course, Marvin Davis was incensed. I didn't need to call him: There was a message waiting for me back in Calgary saying that he was suing Bill Wilder and Hiram Walker, probably for tens of millions of dollars. He never did follow through on that threat. And within a few years of buying the film studio, he sold it to Rupert Murdoch. Davis, who had a reputation as a relentless corporate raider, died in 2004—nearly a quarter-century after he'd talked of having terminal cancer. We had only that one meeting.

(There's a strange sequel to this story. Years later, when I was on the board of the Alberta Energy Company, I argued strongly against investing $1 billion in deep oil wells in the same Wyoming area where Home had inherited Davis Oil's questionable holdings. People with more technical expertise assured me that the technology to get the oil had vastly improved since that time, and the directors voted to go ahead with the purchase. "If you find out that any of that land was owned by Home at one time," I said, "don't tell me, because I'll cry." A couple of weeks later, AEC's chief financial officer, John Watson, told me, "You were right: Not only were they Home Oil lands, the discovery wells were the ones you guys drilled in 1984.")

After we'd sorted out the damn Davis acquisition, Cliff Hatch, Sr., took over the Hiram Walker Resources operation on a temporary basis as Bill Wilder stepped down as president and became his deputy chairman. A couple of years later, when Cliff wanted to retire, Bud Downing—a low-key chemical engineer who'd come up through HWR's distilling ranks—stepped up as chair.

RATIONALIZING OUR DAVIS DEAL was nowhere near the end of my challenges with our American operations, though. I still had to deal with the bloating of staff and the spending I was hearing about at our offices down south. By now, Ken McNeill was working with us at Home, where people thought of him as my alter ego. He'd applied with a photo to remind me of what he looked like, a dime to make "telephone contact with the candidate," and a letter that noted: "My background is varied, but I consider that back ground an exemplary demonstration of my ability to be equally incompetent at any level of responsibility." I was soon calling on his competence—and even his background as a cop—to help resolve deep-rooted problems with some of the 660 people on Home's payroll in the U.S., some of them inherited from Davis Oil.

Ken became our general manager and later VP of administration, a catch-all title that included everything from purchasing to human resources. It was his HR skills that I needed immediately to straighten out personnel problems at our Houston, Denver, and Oklahoma City offices. Ken recalls that time: "The U.S. operation was truly a mess. We were hearing rumours and seeing evidence of some strange things going on. We had one very bright young internal auditor and, knowing my background, he asked me: 'What do you make of all this?' The books did not make any sense. The people down there were going on trips to Mexico, and there were no expense accounts for those or anything else. Obviously, the trips were being paid for by other companies, their suppliers. I ended up getting a private investigator to work down there."

Home's interim chief operating officer, Bill Waddell, had been awaiting my arrival to decide what to do with a Price Waterhouse organizational study of our American operation. To put it mildly, things there were horribly lax. Ken's detective may not have found any actual smoking guns, but we did discover that some people were much too cozy with their service suppliers, to the point of accepting free trips—and even engraved shotguns. As well as ethical issues, there was an ingrained culture of overspending and overstaffing. The two offices were competing with one another and, in this jockeying for position, had duplicated many of their functions, including human resources and accounting personnel. If we maintained the status quo, our U.S. operation simply wouldn't be sustainable. But even on a personal level, it wouldn't be fair to employees to keep them on staff when they didn't have meaningful roles to play, given the duplication in their work.

On a fact-finding trip, I met in Houston with the key operating executive, a former Davis man, in his big office with a bar and a private bathroom. The staff idolized him because he was so lavish in his largesse. It didn't take me long to realize that we should consolidate in Denver and severely downsize our Houston office, which was staffed with employees hired by Home. And he would be one of the many to be let go—in a respectful and financially fair process.

THERE'S A CALLOUS-SOUNDING quotation that reads, "It isn't the people you fire who make your life miserable, it's the people you don't." While that may be partly true, it's a one-sided view that simply ignores the human element involved in severing individuals' links with their workplace and endangering their livelihoods. And here I was soon after with Ernie Hambrook, the administrative VP from Home, to meet with a packed room of maybe a couple of hundred people in Houston as we delivered the sober tidings: Ernie, we told them, was taking the place of the Davis alumnus, and Denver would now be our major office in the U.S., with Houston relegated to more of a field operation.

The situation soon became tense as the employees erupted with anger. *How could we be so stupid to gut the Houston office?* They were crowded around us, menacingly close as they shouted and swore. This was the nearest I've ever come to being physically threatened—in my work and in my life. I felt that if somebody had a gun, he'd have shot me. Fortunately, the ex-Davis guy bailed me out: "Look, this isn't fair. Dick is trying to do the right thing. He's treated me fairly and he's undertaken that we'll all be treated fairly." We escaped with our skins and, though we cut back to a staff of four hundred, Home would still be the biggest Canadian operator in the U.S. for the next few years.

There was excess in the Calgary home office, too. It had come from the top in Bobby Brown's day, with the fanciest formal dining room outside of the Petroleum Club, all antique furniture and thick broadloom, and an art collection that could rival a good small gallery's. Ken McNeill brought in an art consultant who found valuable paintings on employees' walls and in storage rooms—even one by the Group of Seven's A.J. Casson, which we gave to the Glenbow Museum. Coming from the tightly run HBOG, Ken was disturbed by the sense of entitlement at Home: "When I first got there, one thing I blinked at was that people had memberships at the Petroleum Club and would routinely take their friends, and even neighbours, there and write off all these personal expenses to the company. I'd say, 'What are you doing? That's only for business expenses.' And they'd say, 'Oh hell, no, that ain't the way that's ever worked around here, sonny. You're not going to survive long if that's your attitude.' They honestly thought that this was a kind of deserved perk." We soon put a stop to that practice. And I put Ken, with his love of airplanes, in charge of the aviation division, where he had to sell our Lear 35 and the manufacturing positions on one of two Citations and a Dash-8 turboprop that the previous administration had on order.

Besides Ken, other refugees from HBOG joined us at Home. Fred Callaway, for instance, who'd been in several senior management positions there, came on as a corporate vice-president and then, as our international VP, launched oil and gas operations in South America. Fred was Pat Daniel's first boss after Pat fled an undisciplined Dome to run the information technology department and solve the disconnect we were seeing between IT and the customers it was supposed to be serving. And then there was the inimitable Dave Powell.

When Dome sold its international arm to British Petroleum and Lasmo Oil, Dave was courted both by Dome, to run its frontier operations on the east coast and in the Beaufort Sea, and by Lasmo, to work from its London office. Dome's John Beddome called me and asked what I really thought of Dave, whom he wanted to lure away from Lasmo: "We feel if we offer someone a challenging enough job, they'll probably accept it."

And I replied, on the spur of the moment, "I'll tell you what I think: I think we may be rivals for the same guy."

I called Dave immediately to say we were interested in hiring him. Because I didn't want him to meet where people could see us negotiating, I suggested neutral ground: the Coffee Mug cafe at the Hudson's Bay store downtown. That's where we made a deal on the back of a napkin, which he kept in a filing cabinet for years. He replaced Bill Waddell as senior VP of exploration and production (Bill and I remained friends even after he left the company). Dave began to clean up some of our messes. One of them was closing down the Oklahoma City and Houston offices entirely and overseeing a further reduction in U.S. staff to about two hundred. Another was our involvement offshore and onshore in the Blina reef play of Western Australia's Canning Basin—which he'd also warned me about when I was leaving HBOG. Gerry Maier had been interested in Canning until Dave told him, "I'll drink all the fucking oil that comes out of the Canning Basin." When he joined Home, we were still a partner there with others, including Occidental Petroleum, one of the ten largest American oil companies, controlled by the storied billionaire entrepreneur and art collector Armand Hammer. While Hammer was publicly pushing the merits of Canning, Dave knew from his early days with Burmah Oil that the reefs held very little oil despite some tantalizing shows. He managed to sell a friend in the business the three positions Home had on a floating rig. Australia was far from being a complete washout. We had 55 percent ownership of Home Energy there, with shares trading on the local stock exchange. When all of the subsidiary's assets were eventually sold (long after I'd left), the company even made money on the deal.

Meanwhile, on our home turf, we paid closer attention to the 88.5 percent interest we had in Scurry-Rainbow Oil. A thirty-year-old company that was about a seventh of our size, it had petroleum properties in B.C., Alberta, and Saskatchewan and exploration acreage in the U.S. Early on, we sold off its interest in a large coal project in the Crowsnest Pass area of the Rockies as well as its gold and silver mines in Nevada.

Coming off the financial horror of the Davis debacle, we began positioning Home to take advantage of the National Energy Program's crazy policies to encourage Canadian oil companies. Crazy, because the nation's taxpayers were paying through the nose for them while the corporations were reaping the profits. In 1983, I had the pleasure of watching Dave Powell negotiate a $1.47-billion deal with debt-laden Dome Petroleum while Jack Gallagher and Bill Richards were still in place as lame duck operators, scheduled to step down officially by year's end. Home and Scurry-Rainbow would earn a substantial interest in Dome's lands in the West and the Beaufort Sea in return for picking up anywhere from 15 to 40 percent of the costs. (As Dave would point out, "A lot of Dome people lower down the ladder felt that the farm had been sold, but in fact, there wouldn't have been a ship sailing in the Beaufort Sea that season if Home hadn't put up the money.") Much of the properties in Alberta were holdings that Dome had picked off with its ill-fated takeover of my alma mater, HBOG.

The sweetener was that under the provisions of the NEP's Petroleum Incentive Program—the so-called PIP grants—Ottawa would reimburse most of our frontier exploration expenses because Home had high-enough Canadian content to qualify. At that point, we were drilling expensive wells off Nova Scotia and had a farm-in arrangement with Esso Resources Canada to explore in the Beaufort (that's an agreement in which the owner of a working interest in a petroleum lease assigns it wholly or partly to another party). But we were spending only seven-cent dollars—the government would give us the rest back (ninety-three cents) in these grants to encourage drilling that we normally couldn't afford to do. As a Canadian, I was embarrassed by what I considered to be a dumb law, but as a businessman, I wanted to keep Home competitive. And as it turned out, we did drill eighteen-thousand-foot wells in the Atlantic.

By 1984, we were in fighting trim again. "I'm on a bit of a high these days," I told the *Financial Times*. "We're really pleased with where we are." Home had more than $2 billion in assets and was generating close to half a billion in revenues. We were the sixth-most-active explorer in Canada and the fourth-ranked in PIP incentives as we received more than $100 million in grants that year.

Somewhere during that time, I got a nice note from Gerry Maier, who'd long since left the remnant of HBOG as it dissolved into Dome. He became president and CEO of Bow Valley Industries, controlled by one of Calgary's great corporate families, the Seaman brothers—Daryl (Doc), Byron, and Donald. Their company had mushroomed in recent years, with oil and gas fields in the North Sea and Abu Dhabi, its uranium venture in their home province of Saskatchewan, and its acquisition of the Flying Diamond Oil Corporation in the U.S. (with a $130-million loan from the Royal Bank, the biggest single loan in Canadian history up to that time). So Bow Valley and Gerry were busy beavers themselves when he dropped me the note, which was high praise coming from him:

> Congratulations, old buddy. You are really doing a first-class job of putting Home back on its feet, and it's good to see your efforts are recognized. The future certainly looks very promising. Keep up the good work—but, please, do leave a few farm-ins for us!