

JOURNEY INTO RISK COUNTRY

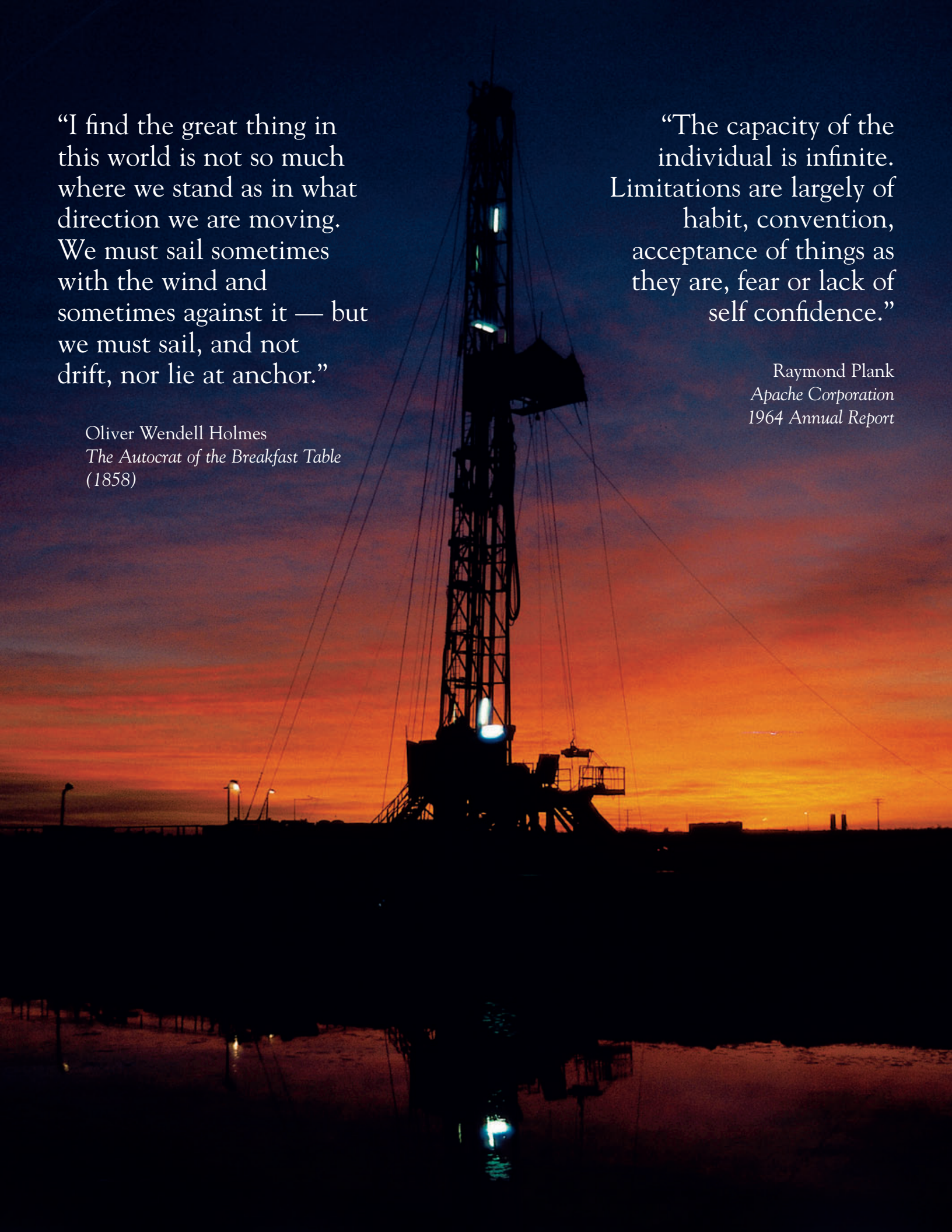


The First Thirty Years of Apache Corporation



JOURNEY
INTO
RISK
COUNTRY

The First Thirty Years of Apache Corporation



“I find the great thing in
this world is not so much
where we stand as in what
direction we are moving.
We must sail sometimes
with the wind and
sometimes against it — but
we must sail, and not
drift, nor lie at anchor.”

Oliver Wendell Holmes
The Autocrat of the Breakfast Table
(1858)

“The capacity of the
individual is infinite.
Limitations are largely of
habit, convention,
acceptance of things as
they are, fear or lack of
self confidence.”

Raymond Plank
Apache Corporation
1964 Annual Report

A SHORT FOREWORD



In 1984, our company, Apache Corporation, completed its thirtieth year. The following account is but one way of testifying to the effectiveness of Apache employees who have built this company so brilliantly and soundly over the last three decades.

It will be a pleasure to distribute this book to Apache employees; to many thousands of shareholders and participants in various Apache investment programs; to our customers; to our suppliers and consultants; and to all others who are part of the story of our exploration for and development of oil and gas for our country's present and foreseeable energy needs.

But there is one group of potential readers whose names and addresses we do not know, but whose presence — wherever those readers are — is exhilarating.

These are the present and future entrepreneurs of the United States.

We salute their dreams and their plans with this book.

We hope some copies will pass into their hands, for the story of Apache Corporation is, in truth, a study of continuing entrepreneurship; of risk taken and risk shared; of building respectable and rewarding jobs and careers; of responsibility to land and water resources that have been good to us, not only in our continuing search for petroleum reserves, but in our agricultural and industrial operations as well.

We are heartened by the increasing number of new business starts taking place throughout America. They are being made by men and women who have chosen to journey toward the high country where the maps are usually scarce and the resources usually limited. As one corporation, however, that has traveled that road and chooses to continue on it, we can testify to the quality and sweep of the view once that high country is reached. There is nothing like it anywhere else in life.

Raymond Plank, the co-founder of what is today the Apache Corporation, continues on as chairman and chief executive officer of the organization. His name appears throughout this narrative too many times most probably to please him, and not enough times, in the opinion of myself and others, to identify the immense contribution he has made to the growth, stability, and risk-taking that are identifying features of Apache. I commend to the reader's attention a short statement by Mr. Plank in the closing pages of this history that touches upon the responsibility of a healthy corporation to our country's people, environment and welfare.

I am now of an age where all blessings become more vivid and real. One of these, without question, is the privilege of working in a free society for a company that is intent on making a decent contribution to that society. I wish every reader that same degree of fulfillment.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Kocur". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

John A. Kocur
President
November 1, 1985



30 YEARS OF GROWTH

Date of Incorporation:

December 6, 1954

December 31, 1984

\$250,000

TOTAL CAPITALIZATION

\$489,256,000

\$0

ASSETS UNDER MANAGEMENT *

\$2,100,000,000

\$10,000

APPRECIATION OF INITIAL INVESTMENT **

\$610,270

41

SHAREHOLDERS, UNITHOLDERS AND PROGRAM PARTICIPANTS

108,000

6

EMPLOYEES

1,328

* Future gross income, at currently contracted prices, of oil and natural gas reserves owned by Apache, APC and investment programs.

** Assuming a hypothetical initial investment at 12/31/54, including reinvested dividends, that was held through 12/31/84.

GETTING READY

Anyone investigating the origins and growth of the oil and gas industry in the United States must eventually arrive at one inescapable conclusion. That conclusion is this: that many of the most brilliant contributors to that industry never expected to be a part of it at all.

First in that line of notables was, of course, the ex-railroad conductor, steamboat ticket-taker, rural farmhand and retail sales clerk who spent one August afternoon in 1859 staring sadly at a small creek flowing past him near Titusville, Pennsylvania. Edwin L. Drake, neatly attired as always in frock coat and stovepipe hat, had good reason to be down in the dumps. He had spent a wretched year in Titusville watching his own life savings of \$200, another \$500 in borrowed money, and nearly \$3,000 in investor funds being swallowed up by an improvised contraption that had needed an entire year to pound its way down through 69 feet of rock beside the creek bed in a new technique of searching for oil.

So far, the hole had yielded nothing but water. There was no new vibration in the pounding of the drill or change in pitch in the hiss of steam that drove it which would forecast for Drake that — after only a few more hours of drilling — a miracle would occur beside the bank of this Pennsylvania stream that would replenish his savings, pay back his loans and open up a worldwide industry.

In a very short time, the petroleum industry would have its first billionaire in John D. Rockefeller, who had begun his own business career as a dealer in grain, meats and produce. Forty-two years after Colonel Drake had cleared his debts at Titusville, one Patillo Higgins gave up his own plan to open a brickyard in his hometown of Beaumont, Texas, and bought a tract of land outside the town that would give Texans a sight in 1901 they would have trouble believing was real — a black volcano named Spindletop blowing 75,000 to 100,000 barrels of oil a day. Two of the industry's greatest wildcatters, Michael Benedum and Joseph Trees were, respectively, a flour mill manager and a school teacher, and Harry Sinclair, who was to eventually match wits and millions with Rockefeller and the Mellon Oil interests, started his business career as an assistant in his father's pharmacy at Independence, Kansas. And much closer to the present, two young Yale graduates and World War II veterans headed back, in



Raymond Plank (right) and W. Brooks Fields at Yale University shortly before they headed home to Minneapolis in 1946.

1946, to their home town of Minneapolis with a half-formed notion of starting a new magazine for the Midwest that would be patterned after *Time* or *The Atlantic Monthly*.

What happened instead for the two friends and college roommates was another kind of new business venture whose evolution, still undergoing change and experimentation 30 years later, now carries the name of one of the country's most innovative and largest independent oil firms, Apache Corporation.

Raymond Plank and W. Brooks Fields, Jr., were the two young men from New Haven who hurried home in an Army surplus jeep they had picked up for \$400 just after graduating from Yale. It quickly became apparent to the two young service veterans that if the main thrust of their collaboration was to be a literary one, the nation's major magazines could continue to breathe easily at least a little longer. The printing house they had counted upon to help finance their publication, whatever form it might take, had just been sold to a new owner. Ready for almost anything on the rebound from that disappointment, the untested team of Plank and Fields was persuaded that one of the really wide open areas for any kind of new business start in postwar Minneapolis was in providing basic bookkeeping assistance to small firms that could not afford the salary expense of an in-house staff to handle that requirement.

Whatever mistakes the two friends made in getting their accounting and tax assistance service launched, visiting a career counselor for advice was even farther off the professional mark. As an enlisted man, propelled vigorously and unceremoniously by the Army through Chinese language study as well as the horse cavalry, Fields had ended up in counter-intelligence work across the Pacific in Chunking. The experience of either man in those study and training areas, as both Plank and Fields were to point out wryly some years later, was about as far removed from preparation for the business venture they eventually formed as any such preparation could have been.

Yet if the traditional educational and professional qualifications were lacking for Brooks Fields and Raymond Plank, the start of their Northwest Business Service in a decidedly non-fashionable office in downtown Minneapolis was at the solid center of the tradition of American entrepreneurship; this is to say, its start was a shaky one. The two partners paid themselves a salary of \$20 each per week. The most expensive item of office equipment or furnishings was not even owned by the young team, but was a portable typewriter carried to her first morning on the job by Clytie Sheldon, the first employee of the firm, who came on as secretary and general right-hand assistant. The surplus jeep that Plank and Fields had used to haul themselves and their college furniture back to their hometown now became both the delivery van and calling car for the two partners, until Plank invested in a second-hand station wagon to give the operation more class. Clients were discouraged from visiting the office because there were no extra card table chairs to sit upon — all were in steady use by permanent and freelance members of the firm.

There was one more omission — this one actually a state of mind — that, in Plank's opinion, was the strongest asset Northwest Business owned. "Failure back then," he told a recent visitor, "was never a thought," and Brooks Fields, amplifying his own recollections, believes that nothing would have stopped the man who continues to be his best friend from succeeding in whatever he started to do. "Raymond has known only one tempo all his life," Fields said not long ago. "That tempo is full speed ahead."

Before the Forties had ended, Fields left the firm to take up his own lifetime career in the grain brokerage business. His place was filled by Charles Arnao, Jr., a boyhood friend of Plank's who brought additional capital and a background



The three founding partners of what is now Apache Corporation — (left to right) Truman Anderson, Raymond Plank, and Charles Arnao. The last name initials of the three men formed "APA." Responding to a company contest to find a good name for the firm, an early employee, Helen Johnson, added the letters "che," and Apache had its name.

in finance to the little company. Arnao and Plank were joined a short time afterwards by Truman E. Anderson, who would eventually challenge Plank for control of what was to become one of the most successful companies in the contemporary history of the Twin Cities of Minneapolis and St. Paul.

Plank and Anderson had first met when Plank had called upon a Minneapolis insurance agency, Union Central, where Anderson — still in his early thirties — had already established a reputation as one of the hardest working, most successful insurance men in an insurance headquarters city that knew how to appraise such talent. Anderson, for his part, was impressed at the speed with which Northwest Business Service had carved out a clientele of restaurants, service stations, laundries, food stores, etc., whose managements paid about \$50 annually for monthly bookkeeping service, plus end-of-the-year tax returns assistance. (Only one client continued to baffle the partners; a neighborhood bar that appeared to be shielding income when there was no discernible good reason, legal or illegal, for doing so. Moreover, the management of the same bar led all clients in gallantry by regularly delivering a white rose to Beatrice Huston, another young, new employee who encouraged no such special treatment.

It was years later that Bea Huston, now a vice president and the corporate secretary of Apache Corporation, learned that the bar's owners were carrying on a flourishing side venture in what was then euphemistically referred to in family newspapers as the "white slave trade.")

Arnao, by temperament and choice, preferred to take a less vigorous and visible role in management than his two associates, but he was as confident as they that marvelous rewards awaited those who could venture past the boundaries of providing standard business services. While continuing to give primary attention to the original venture, they also formed Anderson, Plank and Arnao (APA) as a partnership to investigate any other promising

areas of business. Anderson felt that the new subsidiary could attract fresh venture capital from his insurance clients who admired him for being admitted at an exceptionally early age to the Million Dollar Roundtable — the insurance industry's version of Camelot. At APA, just as he had done earlier in his insurance agency, Anderson usually opened the office as the morning's first arrival, appearing in his customary dark suit, perfectly ironed white shirt and perfectly proportioned and knotted bow tie. There, also, a desk that was always clean testified to Anderson's belief that the only right way to handle work and make a profit on it was to "get it in, get it handled, and move it on."



Beatrice Huston (left), now vice president and secretary of the corporation, at the much-abused teletype machine, which received many a frustrated pounding in the company's early days when it failed to bring good news from the oil patch. With her in this 1956 photo is Ruth Piantoni, another of the company's earliest employees.

One area that continued to draw special attention and study from the three partners of APA was investing in oil and gas exploration, which many of their own clients were doing. The reason for such investments appeared to be far more valid than the investors' trust in the self-styled "promoters" who were coming to the Midwest in increasing numbers at the start of the Fifties. These promoters arrived to peddle shares both in wildcat wells to be drilled and in wells that were already in operation in the oil-producing states. They found a ready market, for the excess profits tax in Minnesota was taking an increasing bite out of the pocketbooks of growing numbers of people who were paying as much as 91 percent of their adjusted gross income into their federal returns, leaving only nine percent for living expenses. Had it not been for the fact that another tax, Minnesota's own income tax of 11 percent, was deductible on the federal return and the federal tax deductible on the state return, Minnesotans in the highest tax brackets would have paid total income taxes of 91 percent and 11 percent, or 102 percent. Oil and gas investments, therefore, had a strong appeal to people in these tax brackets, for Washington permitted investors who had put money into what eventually became a dry hole or into the drilling cost of a productive hole in the oil patch to deduct 100 percent of such expenditures against other sources of income on their tax returns. Yet, in their audits of their own clients' investments in drilling ventures being hawked by visiting promoters, the APA partners were uncovering regularly recurring evidence of kickbacks and other shady business practices.

Time after time, excessive profits were being drained off legitimate earnings by persuasive pitchmen who then disappeared back into the oil patch, never to be seen again around Minneapolis or St. Paul.

APA's three partners also gained another kind of understanding at this same time — an appreciation of the excitement that could be generated by drilling for oil and gas. As part of the company's investigations into promising venture areas, Plank invested \$375 in a producing well in southern Illinois. In return, he was rewarded for risking what he described as "a sizeable portion of my total net worth" by the monthly appearance of an oil check.

In late 1954, they made the decision that full-scale involvement in oil and gas operations was the way they wanted to go. The three risk-takers were bolstered in their



Two gratified men — chairman Truman Anderson and president Raymond Plank — spot the location of Apache's newest producing well. New gas and oil discoveries helped double the company's net earnings in 1958.

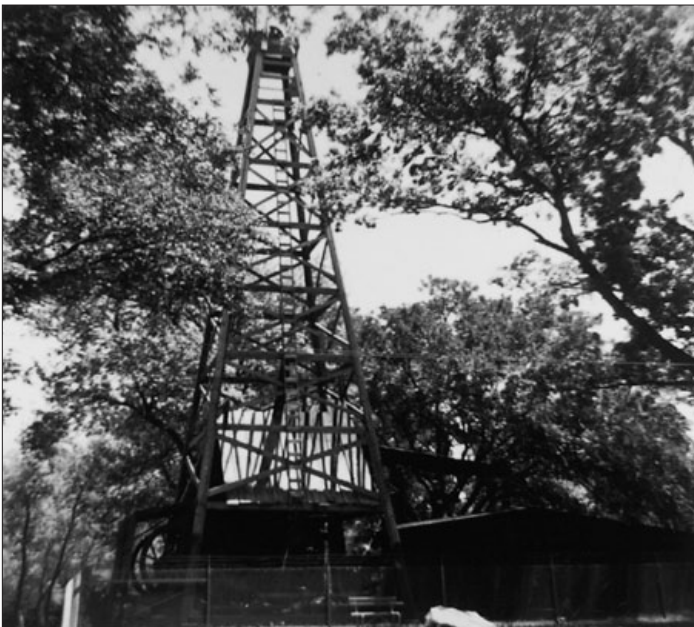
decision by Robert Flanagan, the firm's first attorney, who offered to direct some of his own clients toward APA and to investigate the tax advantages of becoming a partner with APA in petroleum exploration.

"It was, first and foremost, an exciting and stimulating time to form a new company, for this was a tremendous period of self-expression in America. We could sense the kinetic energy the times were building up in ourselves," Plank says today. "It was a proud hour, and we wanted to be a part of it. It was clear to us that many of the oil promoters coming into our city were not honest, but even without auditing their practices, that fact should have been obvious. There was plenty of investment money on hand in the oil states that would have been available if the deals these operators were selling had been perceived as equitable and above board.

"To put it as simply as possible, we decided to form the Apache Oil Corporation on a foundation of three concepts that are still basic to our corporation today. First, rather than having a visiting promoter as his only contact, the investor would have the operator of the wells working directly for him, sharing an identity of earnings interest with him, and providing visible, regularly recurring, accurately reported results.



The Bradley-Rafferty #1 flowed 30 barrels an hour and helped put the young company on its way.



*Apache's first well was in Cushing, Oklahoma.
It produced all of seven barrels per day.*



*Raymond Plank and A.E. Barton, an Apache director,
on an inspection trip to one of Apache's first producers.*

“Second, sufficient money would be raised by us to fund such a professional approach.

“Finally, the risk would be spread over a number of drilling opportunities, rather than the all or nothing deals that were being offered by promoters coming into town with only one or two drilling prospects to offer.”

The route to realizing this concept pointed toward Oklahoma. The advice the young company received was to get in touch with an attorney named Fenelon Boesche who was specializing in oil and gas law in Tulsa. It was to Boesche’s office that Raymond Plank traveled with a \$250,000 nest egg from a number of Minneapolis-area investors.

Boesche was specific in his recommendation. Cushing, Oklahoma, was the place to start, he said, and he promised Plank he would find some reliable technical associates to make that start with him.

The city of Cushing had long passed through its own glory days around 1915, when over 700 wells within its corporate limits and immediate outskirts were producing 300,000 barrels of oil a day. The area had also contributed its fair share to the cast of characters who make early Oklahoma history some of the raciest reading of any state’s annuals in the U.S. In 1912, for example, a young chance-taker appropriately named Thomas Slick (who had confidently set himself a lifetime earnings objective of \$1 million), hired all the livery rigs in Cushing, paid every notary public there a full day’s salary in return for being incommunicado to anyone else in town, and then proceeded to buy up every available lease in the area for \$1 per acre while his competitors waited helplessly in their rooms in Cushing’s hotels. At the age of 26, Slick sold off these same leases for \$2 million, tried retirement, didn’t like it, and then returned to the oil business to make \$37 million more before his death at age 46.

Four decades later, in an area of Cushing that came uncomfortably close to being classified as a slum, Apache technicians completed the company’s first producing well — a seven-barrel-a-day facility that was not about to make anyone rich and famous beyond their wildest dreams. But Apache’s second producing well was a different story. Word shot back into Minneapolis that the Bradley–Rafferty #1 was flowing oil at a rate of over 30 barrels an hour.



William N. Lundberg, now vice president – land administration in the Houston office, was one of the three who hurried down to Cushing, Oklahoma, 30 years ago to inspect one of the company’s first solid producers.

Plank and Arnao, along with a new accountant, William N. Lundberg, who is now Apache’s vice president – land administration, caught the first available flight to Tulsa and then hurried over to Cushing to have a look. Today, 30 years after that trip, Lundberg remembers particularly the jubilation of the family on whose property the well had been drilled, and who made the visitors welcome in a small home that sat on the edge of a Cushing junkyard. A new television set, the first one the family had ever owned, was already in steady service in the living room, surrounded by male members of the household who were relaxing in bare feet and overalls. The lady of the house was awaiting the arrival of cupboards she had never before been able to afford. A neighbor who had also received Apache royalty payments had purchased a bicycle that would shorten the commuting time he had previously needed to walk to work. Lundberg, a kindly as well as observant man, is quick to point out he was not looking down his nose at the somewhat primitive living conditions of Apache’s first royalty recipients, for back in Minneapolis the office radiators were leaking so badly that a daily morning mop-up was required before anyone, the president included, could settle down to work.

DRILLER ROBINSON:

“I ain’t got it all knowed up...”

In 1954, when Fenelon Boesche recommended Cushing to his 32-year-old visitor, Raymond Plank, as a logical starting area for oil exploration, he was suggesting an area that he remembered vividly from his own youthful days in Oklahoma — an area that was already a legend in the flamboyant history of the U.S. petroleum industry. Boesche had grown up, in part, in Drumright, Oklahoma, one of Cushing’s neighboring towns, where the drilling rigs were bunched so closely together that anyone with average agility could jump from one rig to the next, and thereby go through much of the town without ever touching the ground. It was here, in 1913, that a wild-cat well on one Aaron Drumright’s farm had roared in at 5,000 barrels a day. Quickly, the 10-mile, two-rut road between Cushing and Drumright became so jammed with men, horses, autos, lumber for drilling rigs and the machinery to power them that a new road had to be built alongside to handle the 4,600 newcomers rushing into Oklahoma to get rich. Hotel beds in the new community of Drumright rented out by the hour, 24 hours around the clock, until some new towns with new hotels could be thrown up along the road. These were towns whose names all ended in “right” as a tribute of sorts to Farmer Drumright, who saw himself suddenly immortalized in American industrial history with the building of Alright, Downright, Justright and — inevitably for the newest town on Tiger Creek — Damright!

Boesche, who recently completed his 50th year with the Tulsa law firm of Boesche, McDermott & Eskridge, has never lost his identification with or pride in the oil business:

“I’ve been mixed up with oil most of my life, and I continue to admire the ability of drilling crews and their expertise in handling heavy, complicated equipment. An old driller named Robinson I used to know illustrates that point perfectly. Robbie hadn’t had too much formal schooling, but



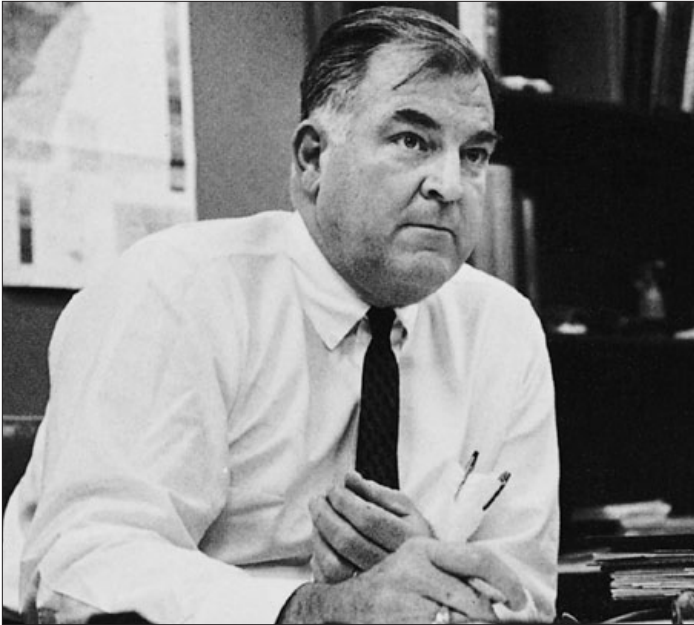
An old hand on a Fifties drilling crew

he was still one of the smartest shallow well drillers anywhere. One day his company bought its first big rig for deep drilling. Robbie was placed in charge, and after the rig had been operating for some days, the president, Ed Smith, went out into the field to have a look. ‘Robbie, how’re you doing with the big rig?’ Smith asked him and Robbie answered, ‘Ed, I ain’t got it all knowed up yet!’

“I have a deep and lifelong respect for the risk-takers. Raymond Plank told me some time after the find at Cushing that if it hadn’t come along when it did, the little company might not have pulled through. And it is still the independents, of which Apache is now one of the largest, that shoulder most of the risk in the petroleum industry. They make about 80 percent of all new oil and gas discoveries in the United States, and most of the big fields were located, and are still being located, by them. When you can take risk, your mind is also set for innovation, and I think the main point of Apache’s success to date has been in its innovations. It has also had a good oil finding record since its beginnings, and it continues to give its investors a fair deal.”



Theodore C. Bartling, a geologist who joined Apache as a vice president, helped open its Tulsa office.



A year after Apache Oil Corp. was formed, George J. McLernon joined the organization as vice president for oilfield operations. Later, he became a respected voice on the board of directors because of his field experience in managing drilling and production operations.

Apache Oil Corporation was founded on December 6, 1954, and slightly over a year later, its first annual report appeared. The format was basic, as befitted a document prepared on the company mimeograph machine. The 30 stockholders who showed up for the first annual meeting at the company's headquarters on Marquette Avenue were shown to their seats in a spare room that saw double duty as an employee lunchroom and a place to play ping-pong after work. Any shareholder wanting an honest answer as to why the base of the firm's only Telex machine seemed to be so scuffed would have had to be told that frustrated employees tended to kick the equipment when the news from the oil field took a temporary downturn.

The news the stockholders received, however, was decidedly more upbeat than the appearance of the meeting room or the first piece of corporate literature to be distributed there. Daily oil production, the report disclosed, was now running at 800 barrels, with the Bradley–Rafferty #1 still producing half of that total. The first field office had been opened in Tulsa, and Apache had made two of that office's first occupants vice presidents — Theodore C. Bartling, a geologist, and George J. McLernon, Jr., a petroleum engineer who would be supervising field operations. A net profit of \$12,535 had been realized on gross sales of nearly \$190,000, and an expense item of \$4,820 for office furniture and fixtures indicated also that the company was finally scrapping its old card table chairs and ready to get serious about radiator repairs. On the report's directors' roster were the names of some prominent Minneapolis business leaders, as well as that of Fenelon Boesche, whose hunch about still-untapped reserves in the old Cushing oilfield had helped buttress the first of many business decisions Raymond Plank would be making on behalf of Apache for years to come.

“The major problem confronting the domestic (oil) industry is that of finding sufficient domestic reserves,” Plank wrote in his first president's message. “Experts call for 100 billion barrels of new reserves by 1980. With the continued aggressive endeavor of your employees, plus vital stockholder support, the Apache Oil Corporation should play an increasing role in welcoming the challenge.”

It is a long, long way from the company's production of 800 barrels a day to the industry's multi-billion barrel reserve, but as Apache's chief executive officer noted three decades later, the mid-Fifties were great years for optimists, and in the first official year of its history, Apache Oil Corporation was already one of these.



Lloyd Somers, who retired in early 1984 as production manager – midcontinent area in the Tulsa office, had an Apache career that spanned 28 years and saw the development of the sophisticated oilfield instrumentation used today. He helped develop many of Apache's most important fields.

THE CLIMB INTO RESPECTABILITY

In the early years of its existence, it appeared to anyone following the performance of the new Apache Oil Corporation that it could do no wrong. More positively stated, it was sometimes sensationally right. For example, only four years after the voluntary registration of its initial drilling and exploration program with the Securities and Exchange Commission — the first time in the history of the oil business that an independent producer had done so — Apache was able to return \$14,000 for every \$1,000 put into the company by its original investors.

The rapidly improving appearance of Apache's annual reports, and the hard facts they contained, were indications that Minneapolis had not only its first publicly owned oil company, but quite possibly a successful and permanent one in the bargain. Among those facts were these:

- At the end of its second year, the little company had managed to double its revenues (to \$630,000 from \$315,000).
- A year later, in 1957, Apache declared a 10 percent stock dividend to encourage wider ownership and announced that it had passed the million-barrel mark in oil production.
- By 1959, Apache had fanned out into 23 states and two of Canada's provinces. The original 100 shareholders had been joined by 1,000 more.
- Two years later, the shareholder number had climbed to 3,645 but not all in that number were risking investment funds or bank savings in gas and petroleum. Apache, which had taken a corporate leap into commercial real estate operations two years previously, had opened up another limited partnership offering of \$3.5 million in the First Apache Realty Program — and celebrated that fact by opening a 50-store shopping plaza in suburban Minneapolis with the help of 13 mayors, 12 beauty queens and a 60-piece marching band.
- At the close of its first ten years of business, Apache was reporting gross revenues of \$9.2 million. That satisfying figure was eclipsed by a startling one: Investors in that same anniversary year had put \$9,326,000 into the company's new drilling programs, or over \$100,000 more than Apache's gross revenues. Moreover, distributions to drilling fund participants of \$4.7 million totally overshadowed — as it was



Doris Jean Short was “one heck of a good employee,” according to Raymond Plank. A member of the geological department, she worked in Apache’s Tulsa office during the company’s early years.

intended — Apache's own net income of \$661,000.

The company also issued a statement of corporate purpose to stand in harness with its primary business objective of “aggressively and creatively seeking profit opportunities for those investing in the company.” Among other assertions, the statement declared that “the capacity of the individual is infinite. Limitations are largely of habit, convention, acceptance of things as they are, fear or lack of self-confidence.”

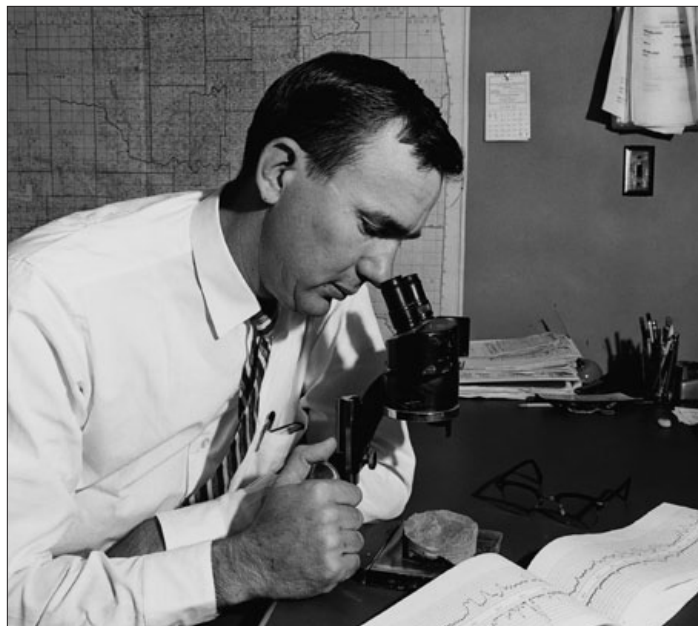
The author of that statement, President Raymond Plank, demonstrated in a couple of unscheduled events that the capacity of the individual to handle unexpected developments not only was infinite, but had better be, particularly in the start-up days of a new company. Plank's own capacity for tolerance was tested one particular night in a small Wyoming airport where the hours seemed to be both interminable and infinite. A connecting flight plane had failed to show. Then the heating system in the passenger waiting room gave out. Finally, Apache's president was compelled to curl up under his overcoat on a hard oak bench while the winter winds, roaring down from the nearby Big Horn Mountains, howled outside.

On another occasion, the company's principals responded hook, line and sinker to an invitation to attend festivities marking the opening day of production at a marvelous new Nebraska well. There, it was estimated, hundreds of thousands of barrels of oil were waiting underground, like a shut-in Old Faithful, ready to pour millions of dollars into the hands of carefully selected investors. "We fell for it," recalls Robert I. Henretta, the Minneapolis lawyer, who was then corporate secretary and a member of Apache's Board of Directors. "We even authorized the purchase of a movie camera for Raymond out of very sparse discretionary funds, so that he could come back with film after the well's inauguration day in Nebraska. Well, he came back all right, and his filmed evidence of the opening day production just bowled over the investors we invited over to company headquarters for a look. Luckily, though, we checked back before accepting any new investment funds. Good thing we did, for the promoters of the well had run oil down into it, placed that oil under pressure, and then blew it all skyward in a great demonstration. The next day, after people like ourselves had hurried away to spread the good news, the well shut down completely. We pulled out of that one just in time."

Two of the best clues to Apache's fast start as a company may have been supplied by one of the company's early employees, geologist John Woncik. Today, in his office in Tulsa on the seventh floor of the Philtower Building, where he now operates as an independent consultant, geologist Woncik reminisces about the group he had first joined in 1956. "They were all wonderful people — not a rotten apple in the bunch," Woncik says. "We all felt Apache gave us the latitude to develop ideas that would lead to our own personal growth as well as the company's."

Woncik, a former gunnery officer for the Navy in World War II, was brought into the Tulsa office to be Apache's senior geologist by Ted Bartling, who by then was administering the gas and oil division as a senior vice president of Apache.

Nearly three decades later, Woncik says he is still at his best when boarding a plane, with his maps in his briefcase, to look for new oil finds. Colleagues from his Apache days agree that Woncik characteristically could turn an extremely frosty eye on anything that stood in the road of such searches, including what he considered



John Woncik doing his job — finding oil.

unnecessary paperwork. On the front of one personnel form, for example, he totally ignored all the questions asked, and instead wrote, "My job — finding oil," and then left the remainder of the page blank.

A more recent self-appraisal of the geologist carries more warmth.

"Exploration is one of the most fascinating pursuits on earth," say Woncik, who admits that his personal hero is Captain James Cook. "Explorers are the most honest and productive men in history. I would work for nothing for the rest of my life just to be able to explore."

What some saw as intransigence in their senior geologist was seen in a different light by others.

"If oil exploration people are worth their salt, they have to go against what others want them to do a lot of the time," one of Woncik's most notable Apache protégés, geologist John Black, said some years later. Black's statement illuminates the stubbornness for which Woncik became known and ultimately respected in the company. That same stubbornness put Apache into another drilling area whose importance eventually surpassed that of Cushing, where the company had made its first important find. This time around, John Woncik kept pointing insistently with an index finger on his maps to the town of Stillwater, Oklahoma.

Stillwater has its own special spot in any record of the turbulent opening months of Oklahoma's history as a state. It and three other communities were all formed

in a single day shortly after April 22, 1889, when over 20,000 settlers poured over the eastern boundary of the area that Congress had declared open for homesteading. In later years, after the Oklahoma “Land Rush,” geologists from a number of oil companies had recommended Stillwater as a potentially lucrative production area, but their managements had bypassed it because — back when the area had been farmland — small leases had been sold by farmers whose descendents were now scattered all over the U.S. and Europe.

By the time that Woncik and Bartling were championing drilling investment in Stillwater, the state of Oklahoma had passed legislation requiring 40-acre spacing between wells. Apache’s only recourse was to locate the present owners of the original leases, buy them up and then incorporate them into a master block large enough to permit 40-acre spacing. Apache landmen scoured the U.S. and Europe, tracking down the dispersed landowners to lease up the old farms in the hope that their yeoman efforts would be justified by successful drilling.

Negotiations got even more complicated in working with on-site and absentee owners of small residential lots within the city limits of Stillwater. For example, over 300 owners claimed a share of one of the small tracts, and all of them were potential recipients of royalties.

As exploratory wells became producers, almost everyone at Apache was pressed into service to keep tabs on the production figures that would eventually be translated into cash payments for the land owners. “I was given four wells to monitor, and I couldn’t even start on that job until the close of the regular working day,” Bea Huston recalls somewhat ruefully. “Here I was with four wells to worry about and I hadn’t quite learned as yet how to balance my own checkbook.”

Drilling by Apache quickly corroborated Woncik’s certainty that the Stillwater area could yield additional production, and in the same year, 1956, Apache began another well nearby — in the so-called Red Fork formation of porous and permeable sandstone — that came in at 200 barrels a day.



In 1958, geologist Woncik (right) and vice president Bartling share some good news in Tulsa — 17 productive wells in Stillwater that were helping boost Apache’s revenues to its first million dollar mark.

The company's engineering consultants, Keplinger & Wanenmacher, estimated eventual total output of the first Red Fork well at 35,000 barrels maximum, but neither the consultant nor its client were prepared for a performer that has, up to this date, already yielded one million barrels and still continues to make 35 barrels daily. Two other wells drilled into the same formation became 500,000 barrel performers.

Carl Hanson, the company's treasurer for 14 years, who was Apache's chief accounting officer during its early exploration period, recalls that, although management and the board of directors chafed at government regulations limiting individual well production to 20 barrels daily, the regulations were "probably a blessing."

"The continuity of steady, if arbitrarily limited, production was probably good for our company in that it prolonged the lives of our wells," Hanson has said. "Also in our favor was the relatively shallow depth of our wells — three or four thousand feet on the average — that kept expenses down and also allowed us to get oil checks back into the hands of our program investors fairly fast. And that, in turn, attracted new limited partnership investors for the programs that we offered twice a year."

Lou Brum, a Minneapolis woman who now heads her own public relations firm, started with Apache in 1967 as a secretary in the public relations department — some years after relatively young men like Plank, Woncik and Hanson had become seasoned executives.

"I got the equivalent of an MBA at Apache," Lou Brum says today. "I came into the company long after the early risk days were past, but I also realized early on that the assumption of risk helped make Apache, and it also helped give me the nerve to break away later on and start my own firm. I still miss my Apache colleagues. Working there was like being in a think tank. Although I was only 24 when I joined, I learned very fast how to be comfortable with risk, because I was surrounded by people who regarded it as an essential and even stimulating part of business."

The company's annual reports during Apache's first decade generally mirrored the contention of Ted Bartling that "we had great esprit de corps because all our production and exploration people felt we were winners." Two years after Bartling left a consulting geologist's post in



J.D. Hanson, still the undisputed leader in the sale of Apache investment partnerships (\$30 million plus to date), flies in to a meeting at Ucross Ranch in Wyoming in earlier days.

Tulsa in 1956 to join Apache, the annual report declared that "the year is a year of significance to your company. Adequate capital is available for an increased oil exploration program in areas of potentially higher reserves than prior budgets have permitted."

That confidence was equally justified in the following year, when Apache doubled its net earnings; took a bigger bite out of working capital to increase the average depth of its exploratory, or wildcat, wells by another 2,000 feet; and started its employee profit-sharing plan.

If there was one abiding principle that seemed to hold where the hiring of new personnel was concerned, it was that there was no stereotyped notion of exactly what characteristics formed the ideal Apache employee.

Few individuals, for example, seemed less professionally prepared for the marketing of relatively sophisticated oil and gas limited partnerships than one Floyd Lasher, who died in January of 1985 just two days before he would have celebrated his 90th birthday. Lasher did not even begin his 29-year association with Apache until he had concluded, at age 63, an entire career as an independent wholesaler of carpet and draperies. No one else in Apache's history carries a longevity record in sales to equal Lasher's.



A regular event: Bob Olson is crowned “The King” for another record-breaking year of Apache program sales to investors. The king-maker in this particular year is executive vice president Jaye Dyer.

And no one from the company’s earlier years ever equaled the dollar volume record in selling limited partnerships in new drilling and exploration programs as the one compiled by Robert Olson. Olson began work for Apache as an accountant, but was later persuaded by Raymond Plank to try his hand at program sales. The ex-accountant’s first sale of a \$15,000 program to a Minneapolis contractor returned him a commission larger than his previous month’s salary, and from that time on Robert Olson knew exactly where he was headed.

Until his recent death, Bob Olson was living proof of that oft-quoted bromide in American corporate life that “nothing happens until somebody sells something.” By 1970, for example, \$20 million worth of program units had already passed through Olson’s hands and into the investment portfolios of his customers — a performance that earned him a vice presidency in the company’s selling arm, Apache Programs, Inc. Olson never doubted his own persuasive abilities, nor the worth of what he was selling, nor the profession he finally adopted. “A life in sales is the best life anyone could have,” he told new staff arrivals, and he meant it. He swept away any potential customer sales resistance with an enthusiasm that could not be flagged down: Even the Olson family’s mailman

decided to buy an Apache limited drilling partnership when he saw how charged up Olson became one morning over news of a new energy find that Apache had just made out in the oil patch.

With personnel expansion came corresponding boosts in payroll and expenditures. Everyone at Apache nevertheless realized that while expenditure increases might be inevitable, there was no danger of them becoming infinite, thanks to the watchful eye of a valued employee named Gene Peters, who recently celebrated her 25th anniversary with Apache (she is sixth in the entire company in terms of longevity), started as a book-keeper and is now manager of corporate expenditures. No one whose expenses she questioned ever complained of hasty judgment on her part, for Gene Peters often snapped on the first office light in the Foshay Tower as early as 5 a.m., and turned off one of the last at 7 p.m.



“Anyone who’s ever tried to submit an expense account that hasn’t been properly documented knows just how seriously Gene Peters takes her job,” says Roger Stenzel, assistant controller and director – corporate reporting. Gene, who has been responsible for paying Apache’s bills since 1959, chuckles when she remembers an employee many years ago who always included several 10 cent items on his expense account for ‘pay toilets.’

FLOYD LASHER:

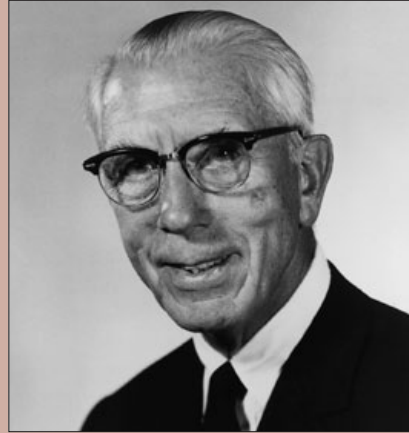
“I was always fascinated by what I was doing, and I still am.”

In his 63rd year, after an earlier lifetime career that began at 15 as a warehouse helper in St. Paul, Floyd Lasher joined Apache in 1958 as an investment associate and began a second career. He worked successfully and happily as a commission salesman for the next quarter century of his life.

It has long been a debatable point within Apache whether Lasher, who died at age 89 in January 1985, had his most rewarding hours in golf, sales or volunteer activities. Golf came late; he was 35 before he took up the game, but at 80, he was still within one stroke of shooting his age on the Woodhill Country Club course near his home, and he could also look back on four properly authenticated holes-in-one during a long and happy playing career.

It is doubtful that any kind of institution of higher education ever made textbook instruction out of the kind of salesmanship Lasher and his fellow territory riders practiced in the Depression years of the Thirties across the Midwestern and Great Plains States. Today's standard salesman's accessory, the dispatch case, had not yet been invented: Instead, a good salesman sat back in the parlor cars with his cronies while, in Lasher's case at least, seven big trunkfuls of samples and merchandise traveled up ahead in the baggage car. Hours upon hours were spent in sleepy, sun-drenched depots where salesmen — waiting for their connecting trains — listened to the clack of the telegrapher's key and watched the great Chicago freights thunder past, with the dressed steers from Swift and Armour swinging in shadowy unison from the hooks in the roofs of the cars. In most of the towns and hamlets in Lasher's territory, the local undertaker also doubled in carpeting and drapery sales, and if that worthy handled around 30-plus bereavements annually, he was considered to be a good charge account customer. Trip arrangements were also pretty casual, Lasher said.

“All our salesmen started out traveling by train, and we told them that in the Dakotas particularly, the smart thing to do was to head for a town in the middle of the



Floyd Lasher, an Apache investment associate from 1958 to 1983

territory,” Lasher once told a reporter. “After the salesman had made his calls in the town where he stopped, he headed back partway over the route he had come to make fresh calls in a fresh town. Then he headed in the opposite direction and went beyond his original stop. Back and fourth he went like a yo-yo, because in those days, if you had to wait for a train going in only one direction, you could spend a lot of time in railroad stations. By hopping whatever train came along in either direction, you could save more time and make more calls.”

Floyd Lasher was always far more reticent about the community volunteer work he had done, but it was evident that this was a man who was aware of and grateful for his good health and earnings, and who had set aside time over the years to help others achieve their share of both. He was a director of the Minneapolis Boy's Club; an original sponsor of the Big Brothers chapter of the city's Junior Chamber of Commerce; and his pet project was an extensive recreation facility for handicapped children, Camp Courage, where he served as vice president, and from whom he received an honorary director's citation that he cherished.

Anyone approaching 90 has to be prepared for some inevitable questions. Floyd Lasher kept his answers simple and the sentences short. “I always stayed active, and I always took care of myself. I was always fascinated by what I was doing and I still am. Trying always to do your best gives a person something more to do. That alone is good reason to keep on adding some years.”

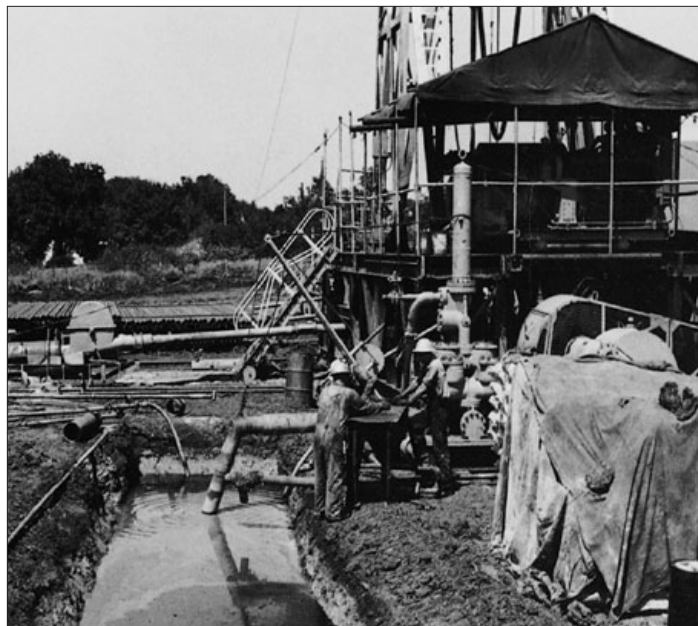
The vibrations of a company riding high and enjoying the experience also helped bring in another young manager who eventually became an Apache executive vice president and achieved equal success in managing field exploration and in directing the selling of Apache's investment partnerships. Jaye Dyer, only eight years past graduation day as a University of Oklahoma geology major, had already established a reputation in Denver for his skill in oil-field management matters. Dyer first approached Apache to see if the firm would perform drilling for a fee on lease properties just acquired by the companies that he represented. His contact at Apache was Ted Bartling, and during the months when Dyer was giving close attention to work Apache was doing for him, he was under just as close scrutiny from Bartling, who had been asked by Raymond Plank and Truman Anderson to beef up middle management for the firm, which had just doubled its net earnings, its net well ownerships and number of shareholders.

Dyer was not particularly interested in changing jobs, but he was intrigued by Apache's ability to chart new forms of investor participation based on the double possibilities of profit return and tax relief. He accepted an invitation from Apache's two principal officers to spend a weekend in Minneapolis and brought his wife along so that they could do some sightseeing in the bargain.

That particular weekend of sightseeing turned into a permanent view of Minneapolis for the Dyers, who have since become one of the best known and well-liked couples in the Twin Cities area. (Dyer now heads a firm whose size and earnings have given Minnesota — a state totally without any petroleum resources of its own — a second large independent oil and gas company.)

Dyer admits he was unprepared for the persuasiveness, as well as the persistence, of the Plank-Anderson team.

"They routed me out of bed at the hotel about 7 a.m. and kept me running around with them all day," he has recalled. "Then, at night, we rode out on a cable over the Mississippi to a good restaurant and talked most of the night away. I went back to the hotel and told my wife that these guys were young and energetic, but that they had worn me out, and after thinking everything over a little longer, I would probably tell them I didn't plan to make a change. Well, I didn't have time to get my thoughts together along that line, either. Back they came at 7 a.m. again, and chipped away at me all day.



An Apache drill site in the late Fifties

When there was time for an opening, I said 'no,' but Raymond wasn't buying that response, so when he asked me what I thought it would take me to move, I gave him a figure that I thought would turn him off. Instead, he said 'okay,' and four years after that, my name is sitting up there in the annual report for 1962 as vice president for Canadian operations."

As Apache approached the first year of the new decade of the Sixties, the word "up" was appearing in its financial disclosures with almost monotonous but equally cheering regularity. Earnings were up by 47 percent; sales of oil and gas up by 38 percent; the number of net producing wells up by 37 percent; shareholders up 133 percent. Although the company's oil reserves of 728,000 barrels represented only a small increase over the previous year, productive reserves of gas had climbed to 19.4 billion cubic feet — up 167 percent. The 258 high-tax-bracket participants that Bob Olson and the sales group had brought into the exploration programs shared a 33 percent income increase in the same period, and others were waiting to join them. To enter that circle, new investors were charged \$12,000 per investment unit, plus a possible additional \$5,000 to cover costs of completing productive wells. Of that amount, a tax deduction of about \$11,500 per unit gave the participant the best of all possible worlds save one — liquidity for his or her holdings.



In 1962, a Canadian oil journal declared: "Possibly the best success story this year has been created by the Apache Corporation in the Sylvan Lake district of southwestern Alberta." But the difficulties that Apache's field personnel encountered in getting to their 19 productive wells are evident in this photo. Eventually, excessive taxes and the lack of nearby pipelines led to Apache's release of its Canadian leasehold.

The cover page of the 1959 report carried a dramatic photograph of one of Apache's new deep-drilling rigs silhouetted against the same kind of Plains states tornado twister sky that was rapidly becoming familiar all over the world, as television entered new households, and a young Judy Garland flashed across the small screen as she hurried for home and haven in the opening minutes of the *Wizard of Oz*. More surprising, however, than the size of the rig to many shareholders opening the report was the subject matter of the report's centerfold. There, the text disclosed that Apache had entered commercial real estate operations with the same objective it had announced five years earlier for petroleum; namely, to make capital funds work for shareholders by taking full and legal advantage of the tax shelter available to real estate investors.

The move represented a growing, if still imperceptible, rift between the two exceptionally individualistic founders of the company — Anderson and Plank — who were solidly in place as Apache's principal officers (Arnao had left the company two years earlier to develop his own business in financial management). Both men shared the same belief that world events, as well as continuing U.S. government regulation of oil and gas, were combining to make questionable a total corporate commitment to petroleum exploration and sales.

Just how and where new commitments should be made, however, was causing increasing tension between the two.

Actually, reasons to question the potential of a continuing high level of oil exploration to keep Apache growing had begun to take shape only a year after the company's formation. In that year, 1956, the U.S. petroleum industry set the highest production records in its history, with nine million barrels a day moving out from the wellheads into refineries to offset the Egyptian closing of the Suez Canal that choked off oil imports from the Mideast. But when Egypt and Syria reopened that vital passageway in the following year, oil imports continued their upward climb in America, competing for space in storage facilities already strained to capacity. Those facilities were so overburdened, in fact, that the Texas Railroad Commission ordered a 14 percent cut in the state's production of crude oil to compensate for what the Commission described as "excessive inventories." Two years later, the *Oil and Gas Journal*, one of the

industry's key publications, noted that domestic demand for oil had shown only a two percent increase — a reflection of the consumer swing toward smaller automobiles.

Plank and Anderson were in total agreement that Apache could conceivably face early extinction if government regulation of the petroleum industry continued to be as inflexible as it had been. In 1950, Oklahoma had approved a 100 barrels per day production figure for a given well; by 1960, that figure was down to 15 barrels of daily output. Although drilling costs, wages, salaries and fringe benefits had all climbed sharply during the Fifties, the price of a barrel of oil had risen only a dollar (from \$2 to \$3), and the lid on oil prices was pushing thousands of independent oil producers into bankruptcy. Over the same 10-year period, the gross profit from a well operating 30 days per month had shrunk from \$6,000 to \$900. At Apache, that latter amount could still cover operating costs of the properties, but the investment return was clearly not large enough to attract new investors to the company or to its drilling programs.

Apache's response to the increasingly dismal prospects of remaining solely in oil and gas exploration was decisive and swift. In June of 1959, it announced the organization of the Apache Realty Corporation, with Apache Oil providing the management and owning 28 percent of the common stock. Over \$15 million went into the purchase of the 20-year-old Bankers Building in Milwaukee, a new apartment house in a Minneapolis suburb, and a one-third interest in two office building landmarks in Minneapolis — the 26-story Rand Tower and a 32-story replica of the Washington Monument named the Foshay Tower by its builder, the ebullient Wilbur Foshay. The following year, shortly after the ground breaking for a 50-store shopping center in suburban St. Anthony, the company's name was shortened to Apache Corporation, thereby signaling future diversification.

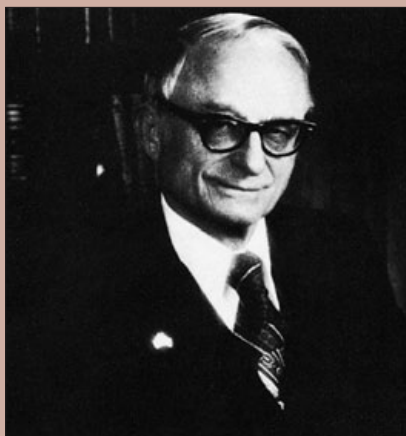
Diversification did follow, and it began on two unrelated fronts. One of them was manned by Harold L. Ericson, a member of a three-generation telephone management family, who correctly and un sentimentally foresaw that the small Hector Telephone Company he administered was a member of a vanishing species. Hundreds of small phone companies like it were without financial resources necessary for installation of dial phones and other new state-of-the-art equipment that would take them out of the rural party-line gossip convenience area.

CHARLES HENRY KEPLINGER:
“Stand at the head of your class.”

In the sometimes rough-and-tumble currents of American business practice, key persons appear from time to time who set standards of ethical practice that remain current long after those persons retire or die. In the oil business, Charles Henry Keplinger of Tulsa was one of those individuals. One of the young Apache Oil Corporation’s first business decisions in the mid-Fifties was to retain as consultants Keplinger & Associates, already well on its way to becoming one of the world’s largest consulting groups to the oil, gas and energy industries. Apache retained Keplinger’s petroleum engineering firm to provide an independent assessment of the quantities of oil and gas in its individual wells and fields. Keplinger still performs that function for Apache today, making this the longest unbroken customer-client relationship in the Minneapolis company’s history.

Apache also served as a training ground for Henry F. Keplinger, the peppery and much-traveled man to whom his father turned over the management of the company in 1970. To many of the older hands at Apache, “Kep” is remembered best as the bright young engineer and petroleum analyst in Apache’s Tulsa office who — with Bill Lundberg — could and did work through many nights preparing material for limited partnership reserve reports. Since his apprentice days there, Keplinger has gone on to hold numerous honorary and working positions in the energy industries, including occupancy of the Dewey F. Bartlett Chair for Strategic & International Studies at Georgetown University, and directorships on the *Oil Daily*, the National Petroleum Council and the Science and Technology Council of Texas. “Kep and I are a long way removed from those all-night work sessions in our Tulsa office,” Bill Lundberg notes. “We usually tried to leave ourselves time for a quick shower and a couple of hours of sleep at a nearby hotel, and then we went back to work on the books again. You can only carry on that kind of a schedule when one is a lot younger than both of us are now.”

Charles Henry Keplinger, the founder, was a magna cum laude graduate of the University of Tulsa and was nominated for a Rhodes Scholarship. After graduation, the senior Keplinger worked as a logger and roughneck



Charles Henry Keplinger

in the West Texas oilfields before joining The Shell Oil Company as an engineer. Just after World War II he formed his own consulting firm with the encouragement of the veteran multi-millionaire wildcatter, Mike Benedum.

Along with a partner, Joseph Wanenmacher, Keplinger built up a consulting business that has numbered as high as 500 employees in a peak year.

Although Henry Keplinger helped form and advance some of the industry’s most sophisticated drilling and production techniques, he also took his early training on some of the great ranches of the Southwest, where all sophisticated equipment might suddenly go silent for a week in the springtime because it is lambing time, and ranchers will not have ewes or their new offspring disturbed. A generous share of that simplicity rubbed off on the young University of Tulsa graduate, and it was referred to by his son when the \$14 million Keplinger Hall, the largest construction project in the University’s history, was dedicated on December 8, 1983. In place of a recital of his father’s many honors from the U.S. and foreign governments, “Kep” instead read a well-thumbed set of maxims and reminders that his father had apparently carried with him for most of his life. Among them were these:

- Don’t give up.
- Stand at the head of your class.
- Read the Sermon on the Mount once a month.
- Remember the value of imagination.
- How important is money?
- Be an optimist.
- Pay heed to conscience.
- Be thoughtful and considerate of family and friends.

Apache, which had the cash, accepted Ericson's offer to acquire his company, and then made him head of Apache's new Upper Midwest Telephone Company, plus giving him a free hand in acquiring other independent telephone systems for sale. Moving fast, and sometimes more independently than the home office had bargained for, Ericson did some judicious picking and choosing among the independents, many of whom — afflicted with delusions of grandeur — were asking as much as 50 times gross earnings as a selling price. By 1966, Apache's holdings had grown to 12 telephone companies, operating as North American Communications. A few years later, North American, now with 22 phone companies in its network, politely declined a huge credit line joint enterprise offer from International Telephone and Telegraph, opting instead to close out the Apache connection by accepting a purchase tender from Continental Telephone.

One year after starting its telephone companies network, Apache transacted the much larger \$6 million purchase of Seneca Steel Service, Inc. Seneca, a Buffalo, New York-based, 120-employee steel warehousing and cold rolling plant, was headed by Harry Kurzman, a former superintendent of the body division of Hudson Motor Car Company.



Harry S. Kurzman was the well-liked and thoroughly respected head of Seneca Steel Services, Apache's first industrial subsidiary, whose operations contributed steady profits to its parent company for many years.

Truman Anderson saw real estate as deserving the lion's share of all future investments. Plank, however, favored a wider range of acquisitions that could capitalize upon existing high-caliber managements and a diversity of goods or services sold that might be more recession-proof. The differences in outlook between the two had finally surfaced, and, as one of their colleagues from that period puts it, "the sound of doors slamming after a meeting between the two was getting to be commonplace."

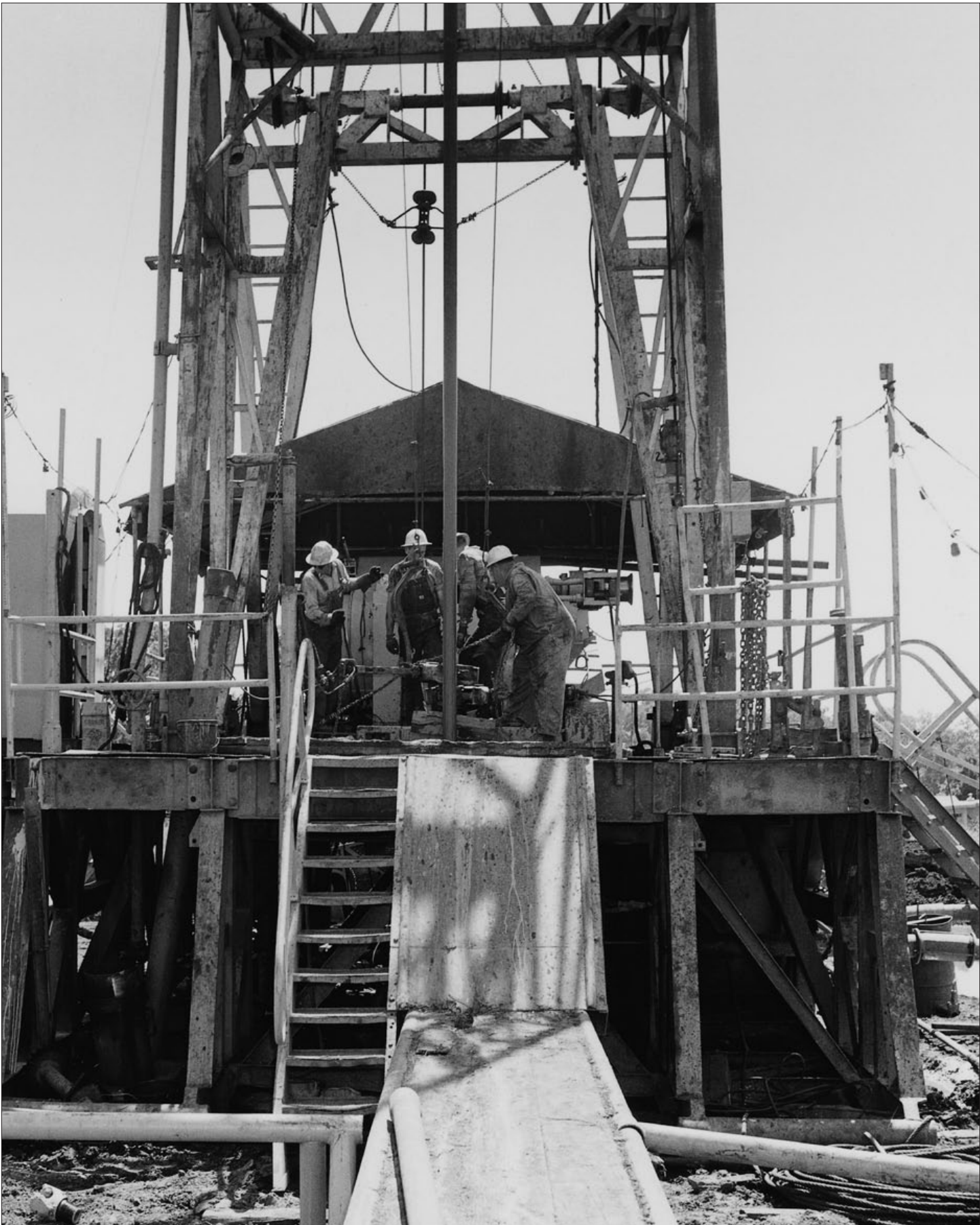
In mid-1963, Apache's Board of Directors traveled to Buffalo for a look at their new Seneca Steel Acquisition. While there, they also elected Anderson chairman of the board, thereby honoring Plank's preference to remain as president where he could stay close to Apache operations.

Sometime between the June board meeting in Buffalo and the next regular meeting in Minneapolis in September, Anderson decided upon a showdown between himself and the man who had brought him into the company. Plank, who was returning from a meeting in the east, had stopped overnight in Chicago. Anderson located him there, and with characteristic directness, stated the purpose of his call.

"Raymond, I want to inform you about something," he told the astonished Plank. "Tomorrow morning, I am going to ask the board of directors to fire you."

Before placing his call, Anderson had already spent some earnest hours in informal sessions with some of the Apache directors who had arrived early from distant points for the September meeting. To them, Anderson suggested that Plank appeared to be showing signs of overwork, and should probably be given a year's leave of absence, or else requested to relinquish all or part of his present management responsibilities.

The only outside director still living from the period who will discuss that 48-hour crisis in Apache's top management is Fenelon Boesche, the Tulsa attorney who had become a board member shortly after he had helped steer Apache through the necessary steps to acquire SEC registration for the company's first limited partnership offerings. Boesche had arrived in Minneapolis later than some of his other colleagues. From them, he heard of Anderson's misgivings about Plank and his opinion that the Board of Directors would have to face the "who's on top" issue squarely and openly in the formal meeting to follow.





Carl Hanson was one of a number of young University of Minnesota graduates who were attracted to the company in its early days because of innovations it was bringing to the financing of oilfield operations through the sale of limited partnerships. He eventually became Apache's treasurer.

Boesche, who admired equally the abilities of both of the firm's top operating principals, nevertheless summarized his reaction to Anderson's contention that Plank's mental condition was questionable as one of being "incensed and outraged."

"I told every board member that if Raymond Plank was unstable, then I was unstable also. I don't know when I've ever been as angry as I was that night. I must have made my point, for the matter came to a vote the next morning, and the 'oust Plank' idea died right there."

At the same meeting, Apache's board accepted the resignation of Truman Anderson as chairman and transferred all top management responsibilities to Plank. Five months later, Anderson resigned from the board. Although his bid for total operating control of Apache had been blocked, he later achieved another successful career in oil and gas operations after leaving Minneapolis.

Before too many more years had passed, the merits of multi-diversification versus concentration in realty acquisitions and sales were apparent to most of the directors, as well as to investment houses following the company's progress. Apache's real estate properties stubbornly resisted all efforts to yield reasonable earnings, but Plank refused then and today to fault his former

colleague, Anderson ("a brilliant man"), for the decision to enter that area of business. "Overall, while we did rather poorly in real estate, the problem was not the choice we made," Plank says today. "Our fault was our lack of real estate competence, with myself very much included in that indictment."

Former Apache Treasurer Carl Hanson is not quite as charitable:

"Apache Realty's shares were always hard to market, and most of the time we were playing the role of a reluctant big brother, taking care of 'junior' by buying back all of the unsubscribed shares. And as for Apache Plaza, the shopping center — getting that built and rented was like trying to lay down a picnic blanket in high wind — get three corners down and the fourth blows up in your face. Everything went topsy-turvy; cost-over runs, higher-than-anticipated taxes, rents pegged higher than prospective tenants would pay, and lots more grief like that. The best face we can put on it is that real estate gave us good identity in our hometown where many citizens still weren't sure just what kind of animal we were. You couldn't see oil wells in operation some states away, but everyone in the Twin Cities eventually knew we owned the landmark building, the Foshay Tower."



The block of frozen earth was symbolic, but Raymond Plank's heave of a pickaxe was genuine enough at the groundbreaking ceremony for the Apache Mall Shopping Center on a frigid winter day in Rochester, Minnesota.

WILBUR B. FOSHAY:

“All this, once, was mine.”

No building in the United States has ever been surrounded by such glittering hoopla on its dedication day as the Foshay Tower, which for 22 years was the headquarters building for its principal tenant, Apache Corporation, and for an even longer time span, 42 years, was the tallest office building between Chicago and the Pacific coast.

In an earlier age, Wilbur B. Foshay, its builder, would have been the logical successor to Phineas T. Barnum, whose promotional flair for his circus made him the master showman of the nineteenth century. Wilbur Foshay, a small, friendly man who piled up a personal fortune from his utilities empire before the 1929 stock market crash, never had anything like Jumbo — Barnum’s immense elephant — with which to work. He received his notoriety instead from his 32-story Foshay Tower, patterned after the monument in the nation’s capital that honors Foshay’s lifelong hero, George Washington.

There was never anything like the Foshay Tower in Minneapolis.

There may never be again.

Simply stated, Foshay thought big and paid big for the headquarters building of his utilities linkup that extended from Pennsylvania to California, Alaska to Nicaragua.

One marvel followed another as construction of the Tower commenced in 1927. Extra wide sidewalks were specified by Foshay so that business aircraft, which would land near downtown Minneapolis, could taxi directly to the street entrance. Workmen dug 50 feet down to solid rock, then anchored the skyscraper’s steel frame there so that the building could withstand winds up to 400 miles per hour. A street floor arcade utilized Violette de Brignolles marble from France, Botticini marble from Italy, a ceiling plated in gold and silver, a terrazzo floor laid by Tuscan stonemasons, and a magnificent statue of a nude woman for the courtyard by Harriet Frismuth, a popular sculptor of the day.

Tabloids across the country speculated on the cost of Foshay’s own offices on the 27th and 28th floors, and his adjacent apartment. Rumor had it that the bathtub was pure gold. Not quite — but the floors were made of African mahogany; Italian Siena marble lined the baths;



The Foshay Tower, which for nearly half a century was the dominant feature of the Minneapolis skyline, served as Apache’s corporate headquarters until late 1984.

and one enraptured visitor erupted into print with the revelation that “through glass panels in the ceiling drifts a pale mysterious light, as if the chamber were under the sea.”

— Not bad for good, old Minnesota sunshine.

Such tidbits were, however, only grace notes in a prelude of activities that led up to the climactic dedication day on August 30, 1929. That day dawned just three months before the 1929 stock market crash that would send the Foshay Tower into receivership with a debt of over \$3 million, unpaid heat and light bills, and a monthly rental loss of \$8,500.

On August 30, however, there was nothing but fireworks, generous doses of hokum, dignitaries from all over the U.S. whose complete travel costs were covered by their generous host, and the 75-piece concert band of an authentic American hero, John Philip Sousa.

Sousa gave not one but seven concerts over the three days of dedication ceremonies, and premiered his “Foshay Tower Washington Memorial March,” (which had been commissioned by Foshay especially for the occasion) just before rattling the arcade roof with the band’s playing of “The Stars and Stripes Forever.” Prize winners were announced. A St. Paul woman won \$100 for the closest guess on the tower’s height (5,443 inches); a Taylors Falls, Minnesota man took another prize for claiming he saw the tower’s beacon (the one installed to guide visiting

aircraft to the front entrance) from 74 miles away. At 11 a.m., aerial bombs erupted all over downtown Minneapolis, and thousands of tiny American flags floated down from the observation deck as mementos for the spectators jamming the streets below.

Prose and poetry also reached unusual pinnacles during the dedication. One writer stared goggle-eyed as a score of young Minneapolis maidens helped unveil “Scherzo,” Harriet Frismuth’s statue. “Scherzo is as adorable as Phryne, as vivacious as Lais of Corinth, as divinely slim as Sappho, as mysteriously ravishing as Aspasia,” the writer wrote, thereby utilizing a nice mix of courtesans and emancipated women from the ancient world. Secretary of War James W. Good, chief speaker and the personal representative of an absent President Herbert Hoover, also mounted Olympian oratorical heights. “We are met today in the shadow of a mighty edifice, a shining monument situated in a fair and fertile country,” he intoned, before zeroing in on Minneapolis proper. “Here the Creator, using the majestic glaciers as puny men would use a plow, molded a jewel in the diadem of an empire.

And so on, as Sousa, the March King, waited patiently to strike up “Semper Fidelis” with his band.

Foshay’s empire burst as the stock market crashed.

The bankrupt entrepreneur, who had sunk his own fortune into his company, as well as the funds of thousands of small investors, was convicted of mail fraud and served three years in Leavenworth Penitentiary before being pardoned by President Harry S. Truman. The final years of his life were peaceful and uneventful, and included a single sentimental journey back to the Foshay Tower eight years after the dedication.

“All this, once, was mine,” he told reporters, but he added that he wouldn’t and couldn’t come back. “Mind you, I wouldn’t kick at having to pay the kind of income taxes I used to, but just piling up money is not enough to make me enjoy life.”

Wilbur Foshay died in 1957 at the age of 76, on the same day in August on which he had once nodded to John Philip Sousa years before and said, “Let’s get the party started.”



The unveiling of “Scherzo,” a graceful sculpture commissioned for the courtyard of the Foshay Tower, was but one event in the three-day dedication of the building in 1929. Three months later came the Wall Street crash that signaled the start of the Great Depression.



In the Sixties, no grand opening was really official unless graced by the presence of an authentic beauty queen. Not one, but three were on hand for the opening of Apache's first shopping center in a Minneapolis suburb.

Even a typographical error seemed to point up trouble ahead where Apache real estate was concerned. In one prospectus that advertised 250,000 square feet for development, the phrase “square feet” came out of the Linotype as “bare feet.” An office wit promptly declared “bare feet” to be perfectly appropriate, as it appeared that the land in question would indeed remain bare, with prospective buyers exhibiting colossal indifference to the offer.

At the same time, it was becoming increasingly clear that over-concentration on oil and gas exploration and program sales could lead to corporate oblivion. The irony of the situation was that Apache could not capitalize on the fresh successes of its drilling programs to date. One of Apache's new gas wells, which Keplinger analysts estimated could yield a billion cubic feet of natural gas, was nevertheless plugged because profits from sales would fall short of paying for the well's operations. Up in British Columbia, where the company owned a 28,000-acre lease-block at Fort Nelson, \$3 million was realized in gross sales from one well. Looking back today on his tour of duty as Apache's vice president – Canadian operations, Jaye Dyer believes that the same well, with an identical production flow, would have grossed over \$100 million in sales in 1984.



“I compare the diversification years that began for us in the Sixties to the path of a meandering stream,” Plank says in his own look backwards. “When a stream's path is blocked by a landslide or other natural event, it goes around the obstacle. Had we not gone around the problems that caused the number of U.S. oil companies to shrink from 30,000 to about 13,000 in that particular decade, we would almost certainly have become one of the casualties. Without the earnings of the various companies we acquired, and the strong operating positions most of them achieved through infusions of Apache cash, I doubt if we could have held to the course of becoming a major, significant and useful American corporation.”

THE RELUCTANT DEBUT OF A MINI-CONGLOMERATE

During the years of World War II, and shortly before his appointment as executive vice president of Honeywell, Inc., the late Charles W. Sweatt often enjoyed stepping up to a company headquarters window to train the sights of a new test piece of Honeywell combat telescopic equipment on the tallest, most familiar object on the Minneapolis skyline. The object was the beacon light of the Foshay Tower. Some years after his frequent sightings of the tower, Charlie Sweatt — most likely to his surprise — found himself to be making regular arrivals to that same building as the new chairman of the board of its owner and principal tenant, Apache Corporation.

Anyone in the management circles of corporate Minneapolis — St. Paul who suspected that Apache had requested Sweatt to take the top board position mainly because of the respect which the Sweatt family was held in the Upper Midwest had made a faulty reading. In the first quarterly meeting of the board that he chaired, Charlie Sweatt made it quite clear that he was in charge, and that prompt decisions from his directors would be part and parcel of his administration.

Just as direct was Charlie Sweatt's own leadoff statement in the 1963 annual report that indicated why he had moved into the top post.

"During much of 1963, Apache was confronted with the problem of opposing management philosophies which handicapped the efforts of its people," he wrote. "This question was met and resolved by your board of directors. In September, with reluctance and extreme regret, the board accepted the resignation of Mr. Truman E. Anderson as chief executive officer and transferred those duties to Raymond Plank, president. In February of 1964, Mr. Anderson resigned as board chairman and director, and I agreed to succeed him as chairman...."

Behind Raymond Plank's desk today is a near-century-old framed statement by William R. Sweatt (Charlie's father) who shaped Honeywell into one of the corporate giants of U.S. industry after he took over top management duties in 1893. Whatever the statement lacks in eloquence is balanced by its directness. It reads: "Shall we do this definitely, clearly, sincerely, and above all immediately, or shall we continue to drift, talk and bicker and then do it?"

According to his fellow directors at Apache, Charlie Sweatt agreed wholeheartedly with his father's sentiments. Debate at the boardroom table was often cut off with a warning from the



Chairman of the Board Charles B. Sweatt usually called a spade a spade — and quickly. He served on Apache's board for 19 years.

chairman that a vote would be called in one minute. The brusqueness often concealed a kinder humor, as that which surfaced when Beatrice Huston was appointed corporate secretary. At her first appearance with the board of directors in her new role, Mrs. Huston took a seat in a corner of the room.

Charlie Sweatt peered at her over his glasses.

"You'll be coming up to the table, of course?" Sweatt asked her.

No, thank you, Ms. Huston said, she was quite comfortable where she was.

A few minutes later, with the meeting underway, Sweatt repeated his invitation, and again Bea Huston demurred.

On his third attempt, Charlie Sweatt became board Chairman Sweatt in earnest.

"You will move here where you rightfully belong, Mrs. Huston," he boomed, and the advice was heeded immediately.

"It was the only way he was comfortable in trying to tell me that I was not an outsider, and that I belonged up at the long table where the decisions were being made," Bea Huston said later.

Even with his declared intention to keep all matters moving briskly (a favorite phrase was “I think this board is making a mistake, but let’s get a motion to vote on it anyway”), Charlie Sweatt recognized almost immediately at the outset of his tenure that the company must soon face up to a steadily worsening earnings prospect for the U.S. petroleum industry.

Any offhand look at Apache’s financial statements of that period did not appear to support such a prediction. In 1964, for example, gross revenues were \$9.2 million; net income had climbed 29 percent to just over \$600,000. In that 10th anniversary year, program investors had placed over \$9.3 million in new drilling programs — a predictable response to a 72 percent gain in payout (\$4.7 million returned to participants, compared with \$2.7 million the year before). Oil and gas exploration offices were well staffed and firmly established in the key centers of Tulsa, Houston, and Midland, Texas, and Calgary, Alberta. The Houston office alone had increased its drilling activity 20-fold in its four years of existence, and good news was being sent over the teletype from there to Minneapolis. The Apache #1 at Tripp, Texas, was reporting a daily flow potential of 1,200 barrels; another well in Schleicher County was making 750 barrels daily; and over in New Mexico’s Lea County, a discovery well was yielding 1,200 barrels a day, with a 400,000 barrel reserve forecast for its full producing life.

Although its still relatively small but sparkling financial returns were healthy, Apache could not long continue to be an exception to what was taking place in the domestic petroleum industry. In November of 1964, a leading trade magazine, the *Oil and Gas Journal*, was observing soberly that “one fact stands out in the welter of earnings reports now coming from the major companies; the profit performance of the oil industry so far in 1964 is nothing to cheer about.” A year later, the same publication underscored the harsh fact that the United States was no longer the world’s leading oil and gas producer. That distinction had passed to the Mideast petroleum nations, which had shown a 7 percent production gain for the year, while the U.S. had mustered only a 1.5 percent increase from its wells. Another journal, *Oil and Gas Review*, declared in 1966 that governmental regulation of both prices and production was running directly counter to a 4 percent increase in consumer

demand, and any new drilling was certain to be inadequate if the economic incentives for exploration were cut any more deeply than they already were.

Industry spokesmen were equally worried. At the beginning of the Sixties, Michael Halbouty, a respected consulting geologist in Houston, declared, “I can safely predict that between now and 1975 we will have an energy crisis in this country. Then the people will say ‘the industry is to blame; why weren’t we told?’ Well, I’m telling them right now.” Joseph Swidler, chairman of the Federal Power Commission, emphasized that gas producers could not be expected to keep drilling at high risk with no greater chance of profit return than that enjoyed by the largely risk-free public utilities which were dependent upon producers for adequate gas supply. The top management of Phillips Petroleum, calling steadily for the right to charge adequate prices, also echoed a similar prediction being sounded by Apache’s Plank, who in 1963 warned, “Today there is only a 20-year known reserve of crude oil and natural gas in our country. If we stopped production for a period of just weeks, there would be a shortage.”

With these unsettling petroleum prospects before him, Plank continued to advocate a heavy and immediate dose of corporate diversity in meetings with his directors and staff. His memories of those meetings are sober ones. “Our oil and gas people were sure they would lose their identity in a conglomerate, and I had full respect and sympathy for that viewpoint,” Plank says today. “My argument was that the equity of the business had to grow, and without that equity we probably couldn’t stay afloat in the high seas and turbulence I saw ahead. But two of our key officers, Ted Bartling and Jaye Dyer, didn’t like what they saw coming, and neither did many of our directors, who felt we were too weak financially and too thin in management talent to run a group of unrelated businesses.”

With an untypical display of patience, Charlie Sweatt encouraged Apache’s directors to have their say. Reluctantly, Malcolm Mackay, who had never kept it a secret that he liked the tension and risk of the oil business far better than more staid forms of industrial operations, said he would support any future diversification. Mackay carried immense respect in Minneapolis: He was and still is generally credited with putting Northwest Orient Airlines on a solid financial footing shortly after



On a warm summer afternoon in the mid-Sixties, Apache's directors adjourned their meeting to enjoy a cruise down the St. Croix River outside Minneapolis on fellow director Curt Carlson's boat. Directors in this group (seated left to right) are: Bardon Higgins, George McLernon, Curt Carlson (the host), Charles Sweatt, Raymond Plank, H.Y. Engeldinger, A.E. Baron, Malcolm Mackay and (standing third from the right) M.S. Belzer. Officers included (standing left to right) James DeVille, John Black, Jaye Dyer, Henry G. Lykken and Charles Hann.

World War II. He also is regarded today as the deeply respected “elder statesman” of the Apache board of directors. “We learned our corporate manners and lots else from Bud Mackay,” Bea Huston says. “Moreover, he’s got a nice, quiet sense of humor. He saw me leaving a meeting one afternoon with an extra-heavy briefcase, and he offered to carry it for me if I promised not to turn him in to the women’s rights movement.”

Two other particularly influential board members indicated they were ready to support the Apache president’s contention that the company might need to be strengthened with sales and earnings from non-petroleum subsidiaries. One of the two was Curtis L. Carlson, who started Gold Bond Trading Stamps in 1938 and whose present Carlson Companies group was recently rated by *Forbes* magazine as one of the most successful privately held firms in the U.S. Carlson, a steady and heavy

investor in Apache drilling programs, eventually resigned from the board because of a conflict in business interests, but in his active years there, he leaned toward at least temporary diversification as a necessary step. “For the long pull, however, diversification would not have been good for Apache,” Carlson said recently. “Most people choose a company with a recognizable image in which to invest. When Apache began piling up small individual companies from the outside, many people weren’t sure what kind of company it was.”

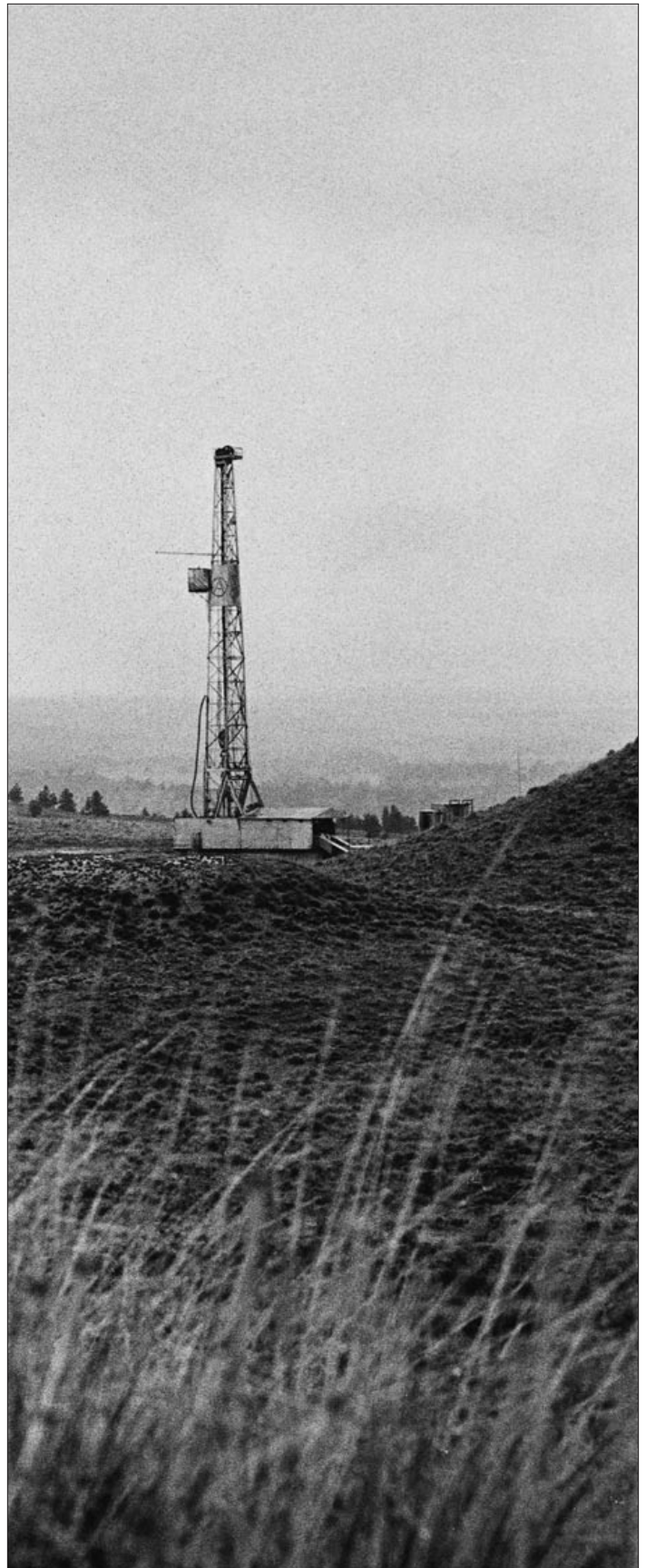
Howard Alkire, another exceptionally successful business leader (he built Country Club Markets into the biggest independent food retailing chain in the Twin Cities), also supported the move toward diversification. As Robert Henretta put it, “taking chances didn’t bother him one iota. He viewed Apache as a hard-working company, and he thought hard work could usually win out.”

Henretta, who was then corporate secretary and who held a directorship himself, recalls today, “Howard Alkire was the kind of merchant-manager who knew the shelf location of every product line and the in-stock position of those lines in every one of his stores. He could move goods around in them like a general deploying his troops. We never held board meetings on Wednesday — because that was the day that Howard closed his office door, shut off the phone and then proceeded to write all his advertising copy, lay out the ads, and set up the media schedule for all the specials that would be on sale the following week.”

Alkire’s appointment to the Apache board also led to a lifetime friendship with Plank, who still mourns the passing of his friend in October of 1981. “He was a wonderful counselor,” Plank has said. “As a professional, he achieved the highest profit margins of any retail grocery operation in the U.S. For 20 years, whenever we were both in Minneapolis, we talked together virtually every day. On our time off, we hunted together all over the country. In his quiet way, he was the best of friends, and his death has left a big hole in my life.”

Until 1967, Apache retained its widely perceived identity as an oil and gas company, deriving most of its own revenues from seeing to it that its program investors got the best possible cash returns and tax relief from their own contributions. Additional earnings support was coming from a second echelon of operations; its real estate holdings and investment program; the 20 independent telephone companies that had established their own group identity as North American Communications; and Seneca Steel, the steel service center in Buffalo, New York. But that year was to become a landmark year for the company for two reasons. First, it rolled into a diversification program in earnest with the purchase of six additional and well-established industrial firms. Second, its Oil and Gas Division made one of the industry’s most important finds in midsummer. In the windswept, sparsely settled Powder River country of northeastern Wyoming, where sheep, cattle, pronghorn antelope and mule deer shared range pastureland in summer and braved Wyoming’s sometimes unbelievable snowstorms in winter, Apache drilled a well near the tiny town of Recluse in Campbell Country. It was this discovery that was to lift the Minneapolis company into the authentic big-time petroleum producer class.

Sporadic and largely unsuccessful drilling had taken place in Wyoming’s Campbell Country long before John Woncik, Apache’s principal geologist, had advocated



This was the 1967 Wyoming discovery, U.S. Fagerness #1, whose production potential of 1,000 barrels of oil per day ranked it as one of the most important discoveries ever made by Apache.



Petroleum engineer Herbert Swarhout (right) talks with ranchers in the Recluse drilling area, sometime after Apache's first 12 wells in the area were producing nearly 3,000 barrels of oil daily.

entering the area. Woncik held that the Powder River Basin had a strong geological resemblance to the famed Anadarko Basin of Western Oklahoma, where fortunes had been made by integrated and independent petroleum companies alike — Apache among them with over 100 productive wells. Although there were some misgivings with the company, Apache began to lease Powder River land in 1966 and drilled five wells in succession in early 1967. On a Minneapolis Sunday afternoon in late July, a jubilant Jaye Dyer telephoned Raymond Plank at his home to tell him, “We’ve just hit the big one!” Apache’s U.S. Fagerness #1 well at Recluse was flowing at 50 barrels per hour. The original discovery well was followed by 11 others as fast as they could be drilled. Before the year’s end these wells would be piping 2,800 barrels daily into the nation’s petroleum supply from the Muddy Sandstone producing zone in the Powder River Basin.

John Woncik, recently promoted to the post of senior exploration geologist, was jubilant. He flew into Minneapolis a short time later to deliver an exultant prelude to his main remarks to Apache stockholders assembled for the annual meeting.



Apache's gas plant at Recluse

“Fellow stockholders, each of us likes to discover — be it a four-leaf clover, a bird on a window sill, or an oilfield,” Woncik said. “The satisfaction of discovery is such that it is in itself a motivation to keep looking. The financial reward of an oil field to shareholders is, of course, the prime motivation in our exploratory work, but love of labor is [also] a motivation in itself.”

After this brief trumpet call, Woncik paraded forth some highly satisfying facts. This time around in a drilling area, a more seasoned Apache had protected itself with sufficient leasehold land to enable it to drill production wells in any direction from the original discovery well. (In the 14 square miles thus held near Recluse, Apache would eventually complete 28 wells — 24 of them making oil and two, natural gas, with only two dry holes.) Moreover, Woncik added, Apache had corralled a second tract of land, almost as large, two and a half miles northwest of the Recluse block at Deadhorse Creek, and it, too, was yielding oil.

“The dimensions of the Recluse–Deadhorse pool are rapidly approaching the giant-size field proportion,” the Apache geologist continued. “A large oil field is one with greater than 10 million barrels of oil. We have found production in the Recluse area that meets the criteria of the large oil field. Relating this to a \$3 per barrel price, this means that [our] average well has a potential recovery approaching \$1 million each. Because of the rapid payout, we are able to recoup our total investment per well in less than one year.”

Even though Apache was initially unprepared to handle a strike of the dimension of Recluse, it did have, as Bill Lundberg observed, “the right people.” Production vice president, George J. McLernon, Jr., began puddle-jumping through the Southwest to dig up second hand equipment — all that Apache could then afford — to build the essential gas plant for the new field. McLernon, an imposing, well-liked man throughout his life, had a terrible time keeping track of his luggage during his frequent road trips, and was occasionally compelled to start a new business day on such trips by early morning shopping for a shirt with a 17 1/2-inch collar for his 230-pound, 6’4” frame. At Recluse, McLernon pieced together what one of his colleagues called “a brilliantly organized, faultlessly functioning pile of junk” that, under the direction of Allen Magee, reliably processed a daily output of 15,000 gallons of propane, 10,000 of butane, and 10,000 of natural gasoline.



Directors at the site of the first Recluse well get a rundown from Jaye Dyer on its production history.



In the beautiful creek that meanders past Apache's guest ranch at Ucross Ranch, a board member plays hooky from meetings on the Recluse site.



Under a double row of cottonwoods near Ucross, Apache directors are shown some new drilling locations in the Recluse field.



It is highly doubtful that the general store where the "Recluse Petroleum Club" was founded was ever included in any roster of national landmarks. The combination post office and general store still serves the local community.

Another regular appraiser of progress at Recluse was Lloyd Somers, the company's ranking field drilling authority, who had started with Apache in 1956 when a well could be drilled for just a few dollars a foot. Before retiring from the company in 1984, Somers was supervising deep drilling ventures that ran as high as \$99 per foot. No well at Recluse came anywhere near that cost. Somers recalls that period as one where a walk around the rig was still the best way to gauge what was happening

underground — "sometimes by checking the rpm of the drilling string or counting the strokes of the pumper."

Everyone at Recluse worked hard in response to the challenge and excitement of a major petroleum strike, but few could match the performance of Herb Swarthout, production superintendent and the individual generally credited with the successful development of Recluse. During one stretch of operations, Swarthout worked four days straight with only an occasional catnap thrown in, and most of his driving to new wells was over raw terrain that only the local pronghorn antelope could manage with any degree of assurance. In wet weather, provisions bought at the Recluse general store had to be carried out of town on foot, for no automobile could navigate in the mud that surrounded the town's only retail outlet. Mud or no mud, the store's owner, Jim Oedekoven, rejoiced at a 300 percent increase in his over-the-counter sales.

The giant thrust the Recluse strike generated for Apache's staying power and growth in petroleum during the Sixties is still appreciated today by company veterans, some of them now retired. For Carl Hanson, then Apache's treasurer, "Recluse came at a time when the oil business was on its tail, but our common stock climbed on the news of the Wyoming strike and gave us the wherewithal to acquire our various subsidiaries."

Also, the company had some fun. Apache's board of directors, meeting once in the little town that was rimmed on the west by the majestic peaks of the Big Horns, were promptly made card-carrying members of the "Recluse Petroleum Club," located in the area's only store that also functioned as the local post office. In deference to U.S. Postal Service regulations that frowned on any on-site mix of mail sorting and alcohol, drinks after the meeting were passed out through a store window.

Moreover, Recluse has shown itself to be in no hurry to alter its ways, perhaps because, as a one-time Apache employee recently observed, "Change doesn't come very fast out here."

"As a kid, I remember riding through Recluse and seeing an old Dodge pickup truck chassis that had been abandoned at the end of town," recalled John Gibbs, a former manager of Apache's Ucross Guest Ranch. "Well, the chassis is still in the same place, the kerosene's in the same place, the canned goods are in the same place as they were when I was growing up. Recluse hasn't quite caught up to modern merchandising yet!"



Gathering in Minneapolis for a 1962 board meeting are Apache directors, (seated left to right), Truman E. Anderson, George J. McLernon, Jr., C.B. Sweatt, Mack L. Salisbury, A.E. Barton and (standing), Ben B. Sutton, T. C. Bartling, Raymond Plank, Malcolm S. Mackay, Bardon Higgins, H.Y. Engeldinger, Robert L. Henretta, and Howard W. Alkire. Not shown are directors Fenelon Boesche and Curtis L. Carlson.

At the 1968 annual meeting where shareholders first received a comprehensive rundown about the good news in Wyoming, another Apache directional signpost was being firmly planted by a new manager carrying a new job title. Henry G. Lykken, Jr., formerly with Honeywell, had recently been named manager of Apache's growing group of industrial companies whose beginnings harked back to 1962 with the purchase of Seneca Steel in Buffalo, New York. Vice president Lykken gave his audience a rapid-fire listing of these new arrivals in the Apache fold:

- Jet-O-Matic Engineering, Inc., of Minneapolis, specializing in precision machining and grinding of piece parts and sub-assemblies and headed by Harry J. Fuerstenberg.
- Mach Engineering Corporation of Minneapolis, also a manufacturer of precision-machine products; headed by Mack L. Salisbury, one of the members of the original Apache board.
- Beals McCarthy & Rogers, Inc. and Follansbee Metals Corporation, both of Buffalo, New York, both of which were added to buttress supply capabilities in the so-called "Niagara Frontier" marketing area served by Seneca Steel with in-sheet and coils (through Follansbee)

and heavy bar and structural steels (through BM&R); with William M. York as president of the merged subsidiaries.

- Petroleum Electronics Manufacturing Company, Inc. of Tulsa, a specialist in cathodic protection of underground and underwater metal installations headed by Thomas P. Wilkinson; and Corrosion Services, Inc., of Atlanta, providing engineering, design and installation of the types of cathodic protection systems fabricated by Petroleum Electronics; Yale W. Titterington, president.

To those subsidiaries noted above, which added approximately 500 new employees and nearly \$25 million in annual gross revenue to Apache, another newcomer was introduced at the same annual meeting. Gits Bros. Mfg. Co., a 65-year-old Chicago-based firm, was voted into Apache by its 7,500 shareholders for 230,000 shares of Apache stock.

In 1925, Gits was supplying 32 oil cups per engine for the newest dashing automotive model of Essex Motor Company. By 1968, when it joined Apache, its machining expertise was being directed into the manufacture of rotary shaft seals for jet aircraft, including Boeing's brand new 747 jumbo jet. The contemporary marketing flair



Dale Warner (left), president of Apache's Gits Bros. subsidiary, and Joe Romano, vice president-manufacturing, inspect a component of a chemical pump seal that Virgie Henderson has just produced on a new computer controlled Swede-Turn machine at Gits' Chicago plant.

that so many of Chicago's fast-moving retail giants — Jewel Tea, Sears, Kraft, Marshall Fields, and others — had perfected did not go unnoticed by the ambitious Gits Bros. president, Remi Gits, who told his Minneapolis business audience that “success in the Sixties and Seventies will have more to do with market penetration — the ability to move goods rather than just make them.”

Gits added that he had sought out the new business linkage with Apache for mutually shared gains through more adept marketing of his company's products. It was also apparent to some at the meeting that the visiting Chicagoan had set his sights higher than simply falling dutifully into line as just another subsidiary president. No one was particularly surprised when, a year later, Gits was selected by Apache's president to be one of four officers responsible for planning all of the company's future operations, growth and direction — the other three being Plank himself, executive vice president Dyer and industrial vice president Lykken.

In the fall of 1968, Plank appeared momentarily to abandon his usually clear and candid overview of Apache (“The facts are friends,” was one of his favorite adages). The Apache chief executive then told a *Minneapolis Star* reporter that all acquisitions to date “were highly interrelated and we would expect them to continue to be so.” Time has revised that earlier appraisal, but Plank still believes today that Apache instinctively followed the right course in building a group of largely non-petroleum-

affiliated companies that, in the early Seventies, totaled 24 separate subsidiary firms.

“What was common to all those companies was their continuing and vigorous entrepreneurial spirit,” Plank has subsequently pointed out. “If we had insisted upon putting a big and complicated overlay of corporate management over them, we would have made an awful mistake. If Apache had a virtue then, it was in knowing when to keep the reins light on our subsidiaries. We recognized that most of these new managements looked for, and certainly deserved, some liquidity benefits from us. They had all worked hard; they wanted a little more freedom from the total responsibilities they had carried; they wanted to be able to pass something along to their families without selling plants and then having their employees or themselves removed from the premises by new owners. Also, we recognized our own limitations — no one was bright enough to handle all the many diverse businesses we eventually acquired. The oil business is tough enough in itself.”

In spite of the move toward diversification through acquisition, Apache stood as staunchly then as it does today in planning oil and gas exploration for the benefit of its high tax bracket program investors, for its own benefit and that of its shareholders. In 1970, G. Charles Hann, then Apache's vice president and general manager for program sales, was quoted by *The New York Times* as noting that this policy had attracted over 1,500 special investors to date — some of them placing millions of dollars in Apache oil and gas partnerships, and others opting for only single unit subscriptions at \$15,000, or for one-third of a unit at \$5,000.



Few people within the company have been held in greater respect than Ervin Schrum, who — until his recent retirement — headed the Apache Plastics manufacturing operation in California. (The subsidiary was sold in 1983.) There was a handshake agreement between Schrum and Apache's chairman that the former would never leave the firm for any reason until his successor had been found.

CHARLES SWEATT:

"...then why don't you dress like one?"



Apache's chairman for 12 years was a true believer in getting it said — whatever had to be said — in the shortest possible time.

Charlie Sweatt once closed off a short note to a colleague with the scorcher that, "You have made one of the stupidest recommendations I've ever heard."

Nor was he exactly charmed by the casual sports attire that Bob Henretta, another Apache director, sometimes wore to board sessions.

"You're a lawyer, aren't you?" he once asked Henretta at the beginning of a meeting.

Henretta cheerfully admitted that he was, indeed, a lawyer.

"Then why don't you dress like one?" Sweatt barked.

But the terseness could travel in two directions.

During the Apache directors' visit to Recluse, Wyoming, in 1967, Sweatt observed the tiny schoolhouse that served the community, and the dearth of facilities for study or recreation.

Thinking that he was unobserved by any of his associates, Sweatt lingered behind them, quickly wrote out a check for \$500, and then pressed it into the hand of the teacher. "Here," he told her. "For books or baseball bats or whatever..."

"Anyone in this business knows it is sufficiently complex so that no investor can make a judgment on what is good to do and what isn't," Hann told the *Times* business desk. "The investor must trust the company, and the company that accepts the money must accept the responsibility of the trust."

At about the same time that Hann, in New York, was stressing Apache's responsibility to the investor, the national economic impact of this investor-oriented petroleum explorer was widely reported from a speech made by Jaye Dyer before the North Dakota Oil and Gas Association. Dyer pointed out to his audience that the \$100 million entrusted by investors to Apache had contributed to more than 300 million barrels of proven petroleum reserves.

By 1970, Apache's total operating receipts were at the all-time high of \$86 million, but net income was not keeping pace. A severe drop of 24 percent in the net reflected a sharply sagging U.S. economy that had hit particularly hard the company's customers in the automotive, computer and aerospace industries. One other disappointment was also in the offing, and beginning to bite deeply into reserves. The company had already spent \$6 million to develop a distinctive, high-strength, seamless aluminum aerosol container, but could not keep the assembly line in operation because of vexing system breakdowns occurring almost daily along the line.



As it did in all offices across the country, the "midi" length came to Apache at the start of the Seventies, and skepticism seemed to be the order of the day. Here, in the Foshay Tower offices, Elaine Brahm shows off a coat in the new length that receives a dubious reaction from (left to right) Tami Ehler, Diane Miedtke and Judy Schwartz.



Phillip West, a vice president of the New York Stock Exchange (second from right), gave Apache officials their first look at the company's symbol (APA) and stock quotation as it showed up on the ticker for the first time on May 27, 1969. In the delegation were (left to right) Charles Hann, Jaye Dyer, Carl Hanson, Raymond Plank and Henry Lykken.

Nevertheless, at the close of its 16th year, 1970, Apache also had an abundance of plusses to report. An admittedly diverse and proliferating list of subsidiary companies and ventures — ranging from a 2,000-acre farming operation near Fresno, California, to a group of seven water supply utilities scattered throughout the U.S. — had kept corporate growth moving sharply upwards through the decade just ended. It was a decade, moreover, in which one of every two petroleum exploration or production companies had expired. In 1969, almost as a reward for surviving and growing through difficult times, President Plank made the customary but always-stimulating purchase of the first 100 shares of Apache stock on one of the country's most frenetic pieces of floor space, the New York Stock Exchange, on the date that the company's stock was first listed on the Big Board.

With the formation of another new subsidiary that combined hopes for future profits with an out-and-out love affair with a uniquely scenic and historic portion of America, Plank announced that the company was acquiring nearly 16,000 acres near the city of Sheridan in northeastern Wyoming. Apache's president, an ardent outdoorsman, personally headed the sale of 25 limited partnerships of land near the juncture of Pine and Clear

Creeks, not far away from the great Recluse oilfield. There, Apache intended to direct, and hoped to benefit from, agricultural diversification and the management of mineral potential in the area, as well as taking a leadership role in the preservation and enhancement of the natural environment.

It was also becoming apparent that Apache was breeding a baker's dozen or more of exceptional young executives who had developed the same degree of personal confidence that had led Plank and Fields to open for business in 1954. John D. Hanson was 18 years into his sales career with Apache, during which he had sold over \$30 million of limited partnership investment. John Black, who would shortly assume charge of all Apache oil and gas exploration, admits he achieved his own professional goal with that responsibility, along with the confidence to handle annual drilling budgets that would soon approach the \$100 million mark.

Apache's future president, John A. Kocur, also had arrived on the scene — coming from Pittsburgh and legal duties there for a steel company. Kocur was soon to help shape for Apache one of the most unusual new corporate formations in the petroleum industry, and others were moving up almost as fast. To work with the diverse

employee groups that expansion had brought into Apache (the all-time employment high was just under 4,000 in 1974), the company brought in Dean G. Newman — already well-seasoned from industrial relations duties at General Electric — who is now Apache’s vice president — human resources and communications.

Roland E. Menk, currently vice president — internal audit, joined Apache from a local food company to manage, along with other duties, the pre-acquisition studies of a potential subsidiary’s fiscal soundness. Philip C. Byers, who had been a young exploration geologist with Shell Oil, brought that expertise, along with his broader abilities, to Apache to manage its oil and gas investment programs.

Some old habits, however, are hard to give up. Many evenings on the 17th floor of the Foshay Tower, Plank grilled hamburgers on a two-burner portable stove that he shared with other staff members working late in the building. During these late hours, discussions frequently centered on one of Apache’s most critical problems. The company was being pressed, and understandably so, by program investors who wanted some form of liquidity for program units that could not be traded and whose true market value could, therefore, not be accurately ascertained.

The solution, when it finally emerged from the 17th floor of the tower in 1971, was almost instantly hailed by Wall Street and the national business press as one of the most ingeniously created corporate offsprings in the petroleum industry’s history. Only Apache’s own home town of Minneapolis took the creation of Apache Exploration Company (quickly to be shortened into the more manageable contraction, Apexco) in stride, partly because of the company’s already respectable record of innovation, but also perhaps because of the city’s own pace-setting record in urban affairs and management.

For Minneapolis, too, seemed to thrive on risk and chance-taking. Early in the Thirties, the board of the Minneapolis Symphony had hired Eugene Ormandy, a virtually unknown former theater pit violinist from New York as its conductor, and what thereafter happened to the former fiddler became contemporary international music history. City planners were already at work in the Fifties on designs for the downtown district’s skyways — the now-famous system of interconnected, elevated, weatherproof, temperature-controlled walkways that connect 25 blocks of retail stores and restaurants above vehicular and street level pedestrian traffic. In 1967, Nicollet Avenue —



Where the competition is and what it is doing out in the oil patch is graphically pictured in an office display in Raymond Plank’s office in 1963. Joining him that year to run a company whose assets totaled over \$28 million was Charles B. Sweatt, the new chairman of the board.

the connecting thoroughfare for four large department stores — was transformed into a long greenway containing and displaying the best the city had to offer in artwork, restaurants, fountains, craft and specialty stores. Among the many cultural amenities that characterize Minneapolis is the Guthrie Theater, hailed by critics in other cities as the finest classic repertory theater in America.

For Minnesota’s creative thinkers, not all projects and solutions to problems are in the multimillion dollar league. A year ago, in the town of Henderson, city fathers faced up to an annually recurring street potholes problem with ingenuity and panache. For a \$10 donation from caring citizens, the city announced it would not only fill in one authentic pothole, but would also reward a certificate of appreciation to the donor. For a \$20 donation, an absolutely gorgeous color photograph of the filled pothole, guaranteed to adorn any den or game room, would be added on to the deal.

The shortest summary of the impact the formation of Apexco had within and without Apache was delivered by the man whose mind conceived it and whose originating company, Apache, eventually controlled 60 percent of the stock.

“Everyone — our employees, shareholders and program investors — was supposed to win,” Ray Plank said. “And everybody did.”

JAYE DYER:

*“I was fond of western Canada.
I thought it was the place of real opportunity.”*

Throughout the Sixties, Apache held high hopes for expansion and profit from its holdings in Central Alberta and British Columbia. It had placed three experienced overseers in Calgary: Robert Stevenson, general manager; Gordon Ward, area landman; and Robert Edwards, head geologist. Overseeing the total Canadian operations was Jaye Dyer, who was eventually to side with Apache’s directors when they decided that increasingly stringent governmental regulation and taxation trends in Canada would soon eliminate any realistic hopes for profitable operations there insofar as Apache was concerned.

Dyer’s recollection of his Canadian management stint indicates not only the basic quality of Calgary’s business climate in its “early oil” days, but also the speed with which Apache moved its key people up, and the equal speed with which they responded to new business challenges:



Jaye Dyer in his Calgary headgear

“From 1960 through 1962, I was in Western Canada more than I was in the U.S. It seemed as if the airlines were always on strike, so I did my commuting by railroad from Minneapolis to Winnipeg, and then Trans-Canada to Saskatoon, Regina and Calgary. The trips were usually 15 to 22 hour events, and although they wore me out, I was fond of Western Canada. I thought it was the place of real opportunity.

“The city of Calgary was nothing then. It had one old railroad hotel and a couple of little rooming houses. I didn’t even have an office. I shared a third floor walkup space with a firm that was the predecessor of Mesa Petroleum. Now, of course, Calgary looks like a Canadian version of Manhattan between its two rivers.

“When I was called back to Minneapolis to take over the marketing of programs for investors, my only experience in that line had been following Ray Plank around occasionally when he did the selling. He encouraged me to make some presentations on my own, and then suddenly I was asked to carry the whole responsibility. I even took the Dale Carnegie course to get myself going, and then I was asked to take on other divisions, including real estate and accounting. Fortunately, we already had fine people in those areas, and I just learned from them...”

For anyone looking for the shortest possible summation of any given period or event in this planet's recorded history, the World Almanac is an obliging, no-nonsense source. The Almanac described the Sixties, for example, as “a period in which a long-predicted tide of rising expectations throughout the world had been satisfactorily answered by the longest sustained economic boom in modern history.”

But the Almanac's editors needed only one word for their section heading for the Seventies.

The word was “Disillusionment.”

For many living through that decade, 1969 was already beginning to seem like ancient history. It was the year in which Walter Cronkite's voice had been heard under almost every American roof on a wonderful day in May detailing the careful descent of one Neil Armstrong toward a silent satellite. After that first giant step forward for mankind, everything seemed to be headed downhill. The agony in Vietnam intensified. With Watergate, the U.S. presidency lost some of its sheen. And after Three Mile Island, it became evident that no new direction in nuclear science or technology would probably ever go unchallenged again. A severe 1974-75 recession in Europe fanned out across the world, generated in part by a group of oil-producing nations whose decisions on production and pricing in 1973 virtually guaranteed that the initials of their cartel — OPEC — would have a permanent spot in world history. Many U.S. businesses, plagued by energy and other raw material shortages, also found themselves being held accountable for almost everything that went wrong in the environment.

Puzzlement, however, rather than disillusionment would be a more accurate word to describe the feelings of many who were involved with Apache Corporation's entrance into the new decade. Few seemed comfortable with what appeared to be a headlong rush by Raymond Plank and his two principal diversification managers, Henry Lykken and Remi Gits, to turn the company into a conglomerate. The new Apache landscape, made up of a score of companies that were involved in widely unrelated activities that ranged from telephone service to corrosion control, perplexed many Wall Street analysts who had spent years learning the gas and petroleum business.

Those at Apache who had also spent most of their working lives in petroleum were suspicious — and occasionally resentful — of corporate newcomers whose combined roster of people, plants and products appeared to overshadow their own contributions. Many investors were becoming restless; the spectacular production achievements of the wells at Recluse were being diminished by government-imposed price limits on oil and gas. Those who had purchased Apache limited partnerships felt even more abused, for there was no ready liquidity for their holdings.

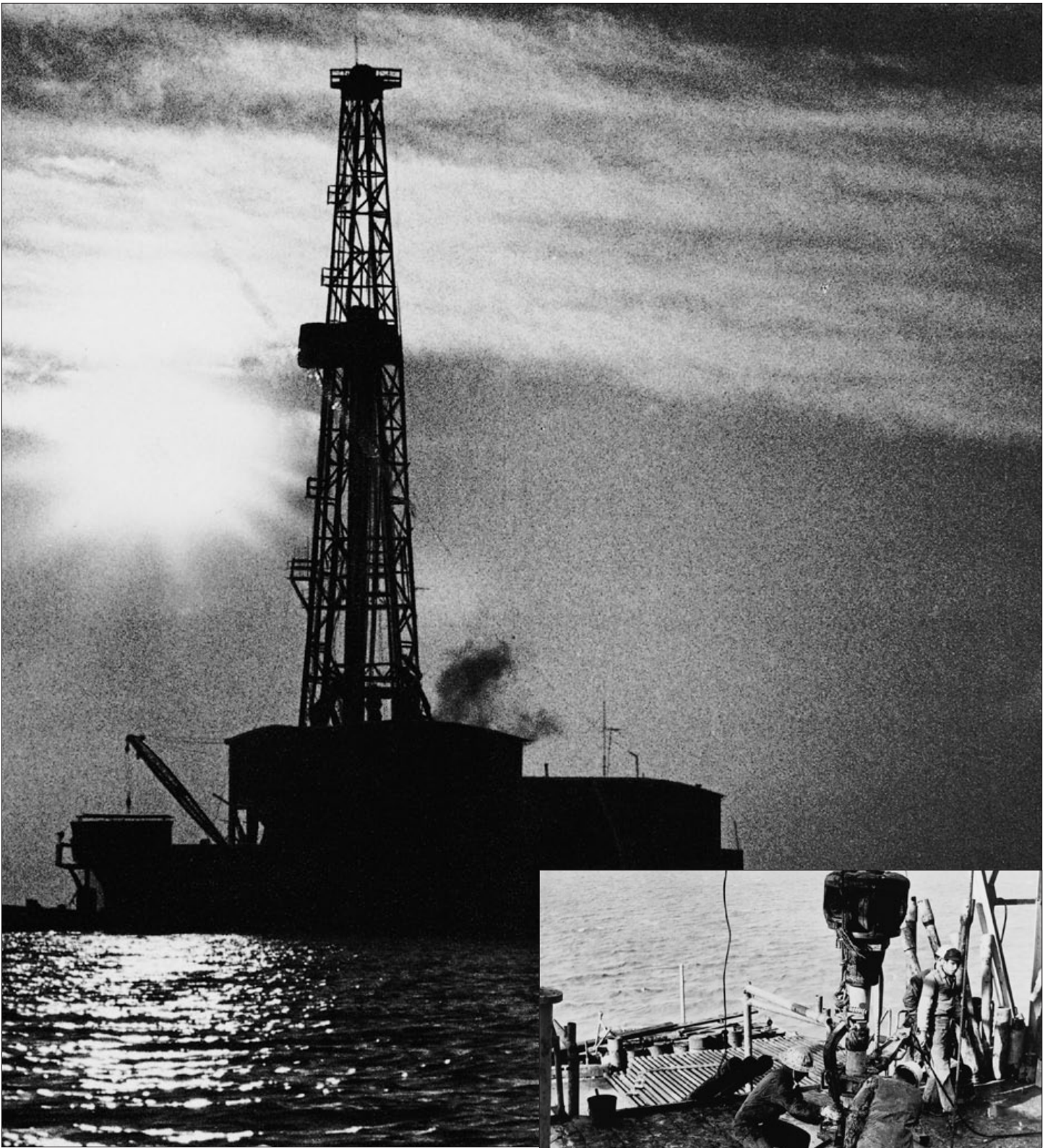
“It was time to re-orient the company,” Plank says today, and he adds quietly, “So I did.”

In 1971, Apache announced the formation of Apache Exploration Company (it was formally changed to Apexco, Inc. in 1973) as a separate, publicly held company in which Apache was the major stockholder.

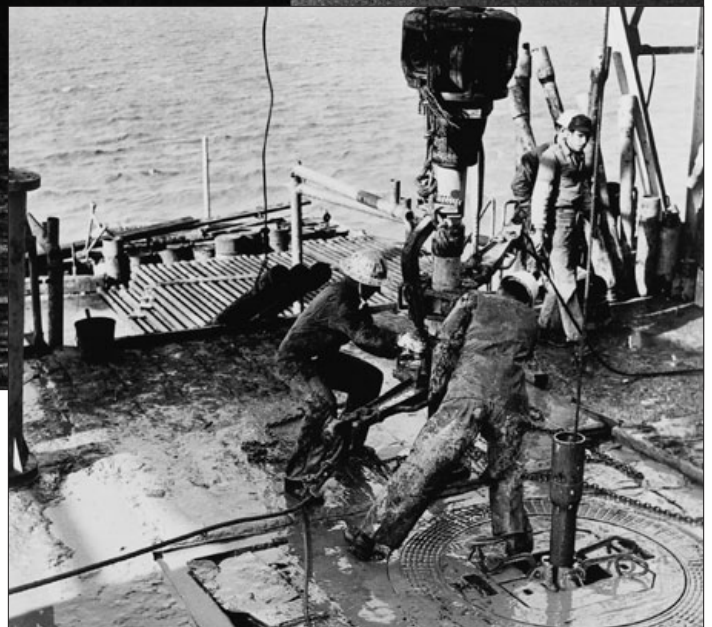
Set up as it was to operate solely as an independent oil and gas exploration and production enterprise, Apexco rekindled the morale of Apache's entire exploration and production staff — 94 geologists, engineers and landmen — who came together in the new Apexco headquarters in Tulsa. Within three years, the spark that the establishment of Apexco provided helped light a renewed sense of spirit and drive throughout Apache that lifted it to the \$200 million mark in sales.

Externally, Apache was now seen as a corporation that had jumped in front of most of its competitors by (1) correctly sensing that a major domestic energy crisis was on the way; and (2) realizing that U.S. private investors would need reassurance if they were to continue placing funds into exploration efforts for new petroleum reserves.

Plenty of others were also providing their own estimate of the size of the job to be done by domestic energy suppliers. *Fortune* magazine predicted that the U.S. would have to adjust to an unprecedented power and fuel shortage that would last at least two years, and maybe longer. Department of the Interior statisticians pointed out that even the immense new reserve field on Alaska's North Slope was not large enough to restore America's position as the world's leading producer of petroleum energy; that day was forever departed. *Nation's Business* estimated that domestic producers had to find 105 billion new barrels of oil by 1985, and pointed out that another whirlwind was



Although Apache's drilling activities in the mid-Seventies were centered primarily on land, the company also took a small interest in various exploratory ventures offshore in the Gulf of Mexico.



With the blue waters of the Gulf as a backdrop, the crew on an offshore rig during the early Sixties adds another length of pipe to the drill string.

forming in the guise of a natural gas shortage. Prices for gas had been held so low by the Federal Power Commission, the magazine added, that producing companies could not persuade investors to come aboard nor find the banks to lend them the money to develop new gas supplies for thousands of consumers apparently ready to make a switch from oil to gas.

Whatever else, Apexco was not making a timid debut. From its parent company it received a full complement of trained personnel ready to get going just as soon as its members found their offices and desks in the Tulsa headquarters. Turned over outright to Apexco were Apache's interests in 1,166 wells, scattered through 10 states and three Canadian provinces, that were producing 6,700 barrels of oil daily. Leasehold land and lots of it was also transferred to Tulsa's control — 357,000 acres in Canada and the U.S. that included properties on the North Slope of Alaska.

The Alaskan acquisitions in particular had accounted for a legitimate display of chest-thumping in Apexco's land department. Apache had picked up its leaseholds for \$192,000 while its next-door neighbor on the Slope, Atlantic Richfield, had paid out \$3.5 million for roughly the same amount of property.

There were other plusses. The new company was practically debt-free from its beginning. Fifteen hundred investors who had been participants in Apache's exploration programs could and did exchange their interests for an aggregate 1.3 million shares in the new company, which was shortly to achieve broad visibility on the national over-the-counter market. "This brainchild of Ray Plank's was indeed a turning point for Apache shareholders," said Curt Carlson, one of the largest of them.

The main store at Apache, however, still needed minding, as well as a continuation of the \$98 million in sales momentum the company had achieved the same year Apexco was formed. To avoid lending all of his top management to Apexco, Plank turned once again to the Tulsa attorney and law firm partner, Fenelon Boesche, as he had done in Apache's formation days.



Kenneth G. Reed, president of Apache's former Apexco subsidiary.



Three of Apexco's principal officers (left to right): Kenneth Reed, president; John Black, vice president-exploration, and William Lundberg, treasurer and controller, meet.

Boesche had retired from Apache's board of directors in 1969 ("I didn't want to take those long commutes between Tulsa and Minneapolis much longer"), but he had a good knowledge of possibly available executive manpower in the Tulsa area. His recommendation to Plank for the Apexco presidency was Kenneth G. Reed, an experienced oilman who had spent over 22 years with the hard-driving Amerada-Hess Corporation, where he had risen from the entry post of landman to become executive vice president of the Amerada division of the company.

Plank then proceeded to assemble an Apexco board of directors, some from Tulsa, who brought their own expertise in petroleum management and exploration to the new organization. The Tulsa contingent included John P. Hammond, R.C. Brown, John E. Roth and Fenelon Boesche — back at Apache once again, but this time much closer to his home. Minneapolis contributed four other directors, including Raymond Plank, who became chairman of Apexco's board. Sharing the flights into Tulsa with him were two Apache directors who also assumed double duty service by joining Apexco's board — the food retailer Howard Alkire, and Dr. M.S. Belzer, a physician and senior partner of the Belzer Clinic in Minneapolis.

Belzer's presence on the board was all the guarantee anyone needed that stockholders' interests would be prudently and — if need be — aggressively represented. For some years, his predictable question at the final year-end meeting of the Apache board was, "Can we increase the dividend and split the stock?"

J. Robert Collins, who came to Apache from General Electric to be Apache's vice president — finance, was the ninth and final Apexco board member.

In contrast to the national attention the formation of Apexco received on Wall Street and in the offices of petroleum specialists within banks and pension funds, another new Apache venture destined to flourish long beyond Apexco's corporate life span received hardly any notice at all. In the same years that Ray Plank and Brooks Fields were scurrying through Minneapolis and St. Paul to find new customers for their small-business accounting service, what was to grow into a 2,000-acre ranch was being formed north of the San Joaquin River near Fresno, California, for the purpose of growing and



Since 1970 Rodger Jensen has headed Apache's California operations that include S&J Ranch, which now operates over 10,000 acres of tree crops for Apache, its Grove Land Program investors and outside owners. He also oversees two citrus packing plants that together represent the largest single ownership within the Sunkist system, as well as a nut processing and packing operation.

marketing figs. To manage the properties, the owners chose a tall Fresno State agricultural sciences graduate named Rodger Jensen, who had hands like a football tackle, a solid physical frame to match and a lifelong respect and feeling for the San Joaquin Valley, the country's largest producer of fruits and vegetables.

Jensen has won many professional awards and honors for his agricultural acumen, but in Apache he is particularly admired for his patience — a quality that stood him in good stead in his early career when, for two years straight, grasshopper hordes systematically stripped the ranch's fig trees in perfectly timed invasions. After the grasshoppers were finally brought under control and new fig orchards planted, Jensen and his staff decided, in 1958, that various thermals moving across the ranchlands were producing humidities and predictable temperature ranges that seemed favorable for citrus production. That year, S&J Ranch set out its first citrus trees, but, by 1969 Jensen found himself in a major management dilemma. The family that owned the controlling interest was reluctant to invest additional funds in citrus when the trees needed 20 years to reach maturity. Jensen was authorized to seek out a partner who would.



This barren-looking land is now the site of the lush citrus and nut groves at S&J Ranch, where modern agricultural methods are brought into play. The groves (opposite page) now yield several million cartons of Sunkist-quality fruit each year.

In 1970, Apache, which was looking for limited partnership possibilities other than oil, concluded the acquisition of S&J Ranch, with Jensen agreeing to remain as manager of the operation for the next five years — a handshake agreement that has continued into the present. Apache's financial interests were represented by Ron Wiedman, who made his first trip to the Fresno-area properties with Raymond Plank. Wiedman liked what he saw there so well that he has since become a California resident and a member of S&J's management team. Investment opportunities in the ranch's operations were put together by Charlie Hann at Apache through three Grove Land Partnerships.

The ranch has since expanded its growing operations to include five crops — citrus (most of which is sold under the Sunkist label), figs, pistachios, almonds and olives. All have been reliable and important contributors to Apache's annual net income. Jensen himself is one of the most popular incoming visitors to Minneapolis, where he quietly distributes generous samples of excellent S&J pistachios to those behind the desks along the routes of his meetings at company headquarters. The samples won't be missed, Jensen tells his associates at Apache. For while it is now understandably difficult to get comparison figures, S&J Ranch probably grows and sells more pistachios than any other producer in the U.S.

It was not all serene sailing for Apache at the start of the new decade, however. One of its most valuable senior executives, Jaye Dyer, resigned after a policy difference concerning the future direction of the firm. Remi Gits also left the company, after his displeasure with some management decisions led him to make his own bid for the Apache presidency. It was also decided to sell off, if possible, a new operation, Apache Container, for which Apache had held perhaps too-extravagant hopes.

The sale represented a triumph of sorts for a new member of the Apache management team, Richard E. Christie, vice-president — industrial products and services, some time after Apache Container began racking up troubles approaching deluge proportions.



G. Charles Hann (left), vice president — product and program development, has been a frequent visitor to the company's California agricultural operations. He is greeted here by S&J Ranch President, Rodger B. Jensen, in one of S&J's citrus groves.



Apache had formed its container unit in 1970 to develop and market a seamless aerosol container (the “Apachecan”) for both industrial and consumer use. A new drawing and ironing process for metals had been developed by Edward G. Maeder, a Swiss engineer with an internationally recognized record of accomplishment in his field, who had been engaged to put that technique into the manufacture of the Apachecan. Fifty companies, an understandably optimistic Ray Plank told stockholders, were already testing the product. Apache soon would be able to offer the finished container in either aluminum or tinfoil — another big plus. And if pilot production runs blossomed into the real thing, Apache’s CEO continued, the plant could roll out 35 million cans a year, return as much as 25 percent on investment and thereby justify a start-up expenditure that had recently hit \$3.5 million, already \$1 million over original cost projections.

By late 1971, it was obvious to Plank and Christie that Apache Container was draining off an unfair share of operating funds from the company because of breakdowns on the line that required frequent substitutions of new machinery or alterations in the production sequences. So frequent, in fact, were shutdowns that one not-so-respectful observer declared that the plant’s management “seemed hell-bent to reinvent everything.” Finished containers also refused to cooperate during shutdowns by mysteriously turning oval while resting, so that container covers wouldn’t fit over their ends.

Christie, a former General Electric executive who favored a forthright problem-solving approach, summarized the situation with the maxim that “you can get paralysis from analysis,” and decided that severe measures had to be taken. By early 1972, Apache Container had swallowed up over \$6 million in company reserves. One day, in desperation, Christie ordered that no change in operation of the line could be made henceforth (“and I mean no nut tightened, no screw turned”) without his permission. The next day, in equal desperation, he realized he had completely alienated Apache Container’s plant management and that some other prescription was needed.

The prescription, fortunately, did not have to be tested. Word reached one of the country’s biggest breweries, then planning to increase its own container capabilities, that an almost-functioning new plant facility and a knowledgeable but frustrated technical staff in St.



Every company sooner or later takes its lumps, and at Apache it was in the form of the Apachecan. The samples looked great on the desk of vice president Henry G. Lykken, Jr., but problems with the manufacturing process were never resolved.

Paul might be available. Anheuser-Busch was the brewery; its visiting representatives liked what they saw; and August Bush III himself dropped in by company jet for a look (“Santa Claus is arriving early this year!” somebody said.) After hurt feelings were somewhat mollified, and handshakes had made the rounds, Apache Container was sold to the brewery. The sales terms were gratifying under the circumstances. Apache received the same amount, \$6 million, it had invested in the venture, plus an after-tax gain of \$450,000, and the possibility of additional payments if the plant eventually reached a mutually agreed-upon efficiency plateau.

After the problem with the container subsidiary had reached this satisfactory conclusion, Dick Christie enjoyed smoother sailing as head of all Industrial Products and Services operations, which combined the former Apache Enterprises group managed by Remi Gits and the Apache Industrial group headed by Henry G. Lykken. Three years after his arrival, the companies in Christie’s management area recorded \$160 million in sales, or over \$62 million more than the entire company had reported the year he arrived. Although he still winces at the recollection of his travel schedule (two or three weeks out of every month on the road), Christie thinks diversification saved the day for Apache in the Seventies.

W. BROOKS FIELDS:

“No one turns down an invitation like that!”

*“W*hen you have a friend like Brooks Fields, you’ve experienced one of the most joyous experiences you can get from life,” one Apache staff member says. Another one calls him “a big Teddy bear.” Still another says he is the Great Reconciliator on the Apache board of directors, using his influence as head of the executive committee to smooth ruffled feelings, encourage board support of new Apache ventures, and persuade young Apache planners to heed advice from people on the board who have been through it all before. In the Minneapolis Club, just across the avenue from Apache headquarters, it is always easy to tell which room is housing an Apache board meeting from the sound of a voice that bears a resemblance to a calliope getting started and a deep, distinctive laugh. Brooks Fields, who went into partnership with his friend, Raymond Plank, immediately following their Yale years and World War II service, lets his love of life and his incessant curiosity about it come through in any interview, as here:

“How did Ray and I get together? Well, we both came from Minneapolis, and we both went to Yale, where we became good friends before we were caught up in World War II. Ray was always kind of a free spirit, and I don’t even know if he’d ever flown a plane before he joined the Air Corps. But we were caught up in our times; Pearl Harbor had been hit, and patriotism surged out of every pore. Raymond was ahead of me in getting into service. He was a very successful pilot, but that’s not unusual. Whatever he undertakes, he gives it his best.

“Different route for me, let me tell you. For awhile, they kept me in the horse cavalry. The general disposition of the horse they gave me was always consistent: — ears laid back in attack position, red eyes opened wide, and always aligning himself when being saddled to be in the best field position for a quick kick. The cavalry experience was to help get me ready for field translator work overseas. I did speak halfway decent Spanish, and was really hoping to do translation work on the Italian front, but when I reported for the interview, I found that one fellow GI on one side of me was named Spazzeroni and the one on the other side was named Casseroni. So I said to myself, ‘I’m done for here,’ and then I walked over to the Chinese section where there wasn’t an oriental face in the crowd.

“I spent two years in China doing translator and intelligence work in Chunking. Mao was there, also the Chiang Kai-sheks, Madame Sun Yat Sen, the widow of the first president of mod-



W. Brooks Fields

ern China who was sympathetic to the Communist elements, and many other movers and shakers. Chiang Kai-shek had a summer home on the Yangste, and he occasionally invited some of us out for weekends. Only 20 miles away, but three hours by Army jeep over the mud roads out of Chunking. A welcome invitation, let me tell you, for while our enlisted man’s compound wasn’t as primitive as the Chunking shacks, it wasn’t the Taj Mahal, either.

“I think I learned compassion over there during the war. I hope so. I stopped one time on the way to Chiang’s summer home to speak with a farm couple. The man was pulling the plow and his wife was guiding it. They were in their forties, I guess, and neither one had ever been to Chunking, which was, as I’ve said, only 20 miles away. Every day we saw bodies floating down the river beside the city. A small dead baby lay outside in snowdrifts beyond our barracks at one interval. Hard to take and hard to believe.

“Ray and I have had a superb friendship over the years. It was never ruptured, even during our early partnership, when, at the end of our second year of providing small business accounting services, I told him, ‘Raymond, this is just not my bag, and I want to sell out and go into the grain business.’ Which I did, but all that time our families grew up together; we vacationed together; we met together regularly as friends.

I hope it can come across that Raymond Plank is the biggest ‘give it back’ man among my affluent friends. He saw things in the war, too, that touched him, and I think that’s part of the reason he worked so hard to help minority groups in Minneapolis, and why he started all the Ucross projects on behalf of the state of Wyoming as well as in Apache’s interests.

“In 1973, I got a call from Raymond. He said, ‘Brooks, we started out together, and we ought to finish up together. Will you come on the Apache board?’

“Who can turn down an invitation like that?”



Richard E. Christie served as vice president – operations overseeing all of Apache's industrial subsidiaries during the peak period of the company's diversification.

"I don't believe the company could have been held together without it, even with Apexco's strong thrust toward early profitability," Christie says today. "In addition to building capital for Apache that would be needed for the attack on the energy crisis that we could all see coming, management of corporate diversity of this size and scope was also superb training for our younger personnel for the heavier responsibilities they would carry as they moved up in the company."

Raymond Plank's 1974 statement to shareholders was uncharacteristically downbeat as it listed such factors inhibiting both individual and corporate well-being as double digit inflation, crippling material shortages, inventory gluts and heavy-handed governmental action or regulation. "Oil companies, attacked and repudiated by their own government, are unable to mobilize sufficient leverage to bargain effectively with sovereign states acting in their own self interests," Plank said, before adding the somber postscript, "Our nation suffers."

Plank ended his review by adding that "the most salient management challenge today is to innovate and be immediately responsive to rapid change. We will continue to innovate and improve data and management information systems to enable us to confront this challenge."

It was not a casual viewing-with-alarm. The following year, 1975, was tagged by economists as the worst recession period since the end of World War II. Even as

Apexco moved out toward greater profitability, most of Apache's industrial units were struggling to achieve modest profits, or for some, simply to break even. These were some of the ways:

In Los Angeles, the biggest winner, Chief Auto Supply, kept opening new retail outlets for the do-it-yourself auto repair market — a market favored by a climate permitting year-round work in a state that held five percent of all the country's automobiles. Les Weisz, Chief Auto's president, had been a highly successful retail food operator before buying an ailing auto parts business and then setting it to rights in a hurry. Weisz knew how to target and schedule so-called "blitz" advertising campaigns; he instituted excellent inventory control procedures; and he quickly earned the loyalty and patronage of owners of older cars by keeping excellent stocks of hard-to-get parts on hand.

Weisz and his wife, Mildred, practiced what was a most striking example of low-cost market analysis. On weekends, they used their time to find the most heavily traveled intersections in and around Los Angeles. They then promptly opened negotiations to build a new store at that location if it combined high traffic density with the availability of convenient parking.



The common denominator of all Apache's engineered products subsidiaries was the high degree of craftsmanship present in the shops and factories. Year after year, for example, Juno Tool & Plastics' output of a "million little parts for things" made it one of Apache's most consistently profitable subsidiaries.



The Chief Auto Supply in southern California featured a vast inventory of parts and supplies for the growing number of “do-it-yourself” car owners who handled their own automotive maintenance and repairs.



Chief Auto president Les Weisz not only ran one of Apache’s most successful subsidiaries, but brought a quiet sense of humor to the operation as well. In Raymond Plank’s mail one morning was this photo of Weisz, along with his handwritten note: “Dear Ray. Hard at work. Everything under control.”

If Weisz' pattern of operations never changed, the results from it did, for year after year, Chief Auto kept increasing its net income. By 1976, the chain's 98 stores (Apache had bought the operation when it had only 20) were grossing \$22.6 million and adding \$1.1 million to Apache's net income a year. In 1978, Chief Auto, which Apache had acquired for \$2 million, was sold for \$35 million.

- Commercial drip irrigation, a new method of watering land to eliminate erosion, had become big news in California, and was also being adopted by large agricultural complexes in Israel, Australia, South Africa and Mexico. With three subsidiaries involved in irrigation-related services, Apache stood to gain from supplying pipe and other accessories to systems that could now automatically measure soil moisture, carry liquid fertilizer directly into root zones, and — also automatically — provide or withhold water in various sections of a crop growing area.

- National Crane, of Waverly, Nebraska, developed a new 85-foot-high contraption that could traverse the fragile permafrost terrain where the Alaska Pipeline was being built in America's newest and largest state.

- President Dale Warner and Vice Presidents Joe Romano and Ed Wahl led 140 employees into a new Gits Bros. Mfg. plant that had been built for \$1.3 million in a southwestern suburb of Chicago. New products to be made there included high-performance engine seals that could withstand up to 150,000 rpm, for Apollo spacecraft engines, in addition to the patented snap-lid oilcups that Gits had invented and continued to sell by the millions every year throughout the world.

- Goettl Brothers Metal Products, facing heavy competition for the climate-control systems market in the Sun Belt, cut the number of model variations on its air conditioning units in a move to help keep its prices in line.

The cutback was the first retrenchment ever made by William Goettl, one of the most arresting and talented of all the entrepreneurs who were assembled under the Apache roof in the corporation's intensive industrial operations years. Goettl was widely credited with applying the principles of heat pump technology to home air conditioning. One of Goettl's close friends was the land developer, Del Webb, who placed Goettl air conditioning units throughout his vast Sun City retirement community.

Bill Goettl was, until his recent death, one of the most widely-known citizens of Phoenix, Arizona, where he opened most of the local rodeos by leading the contestants' procession on a white horse while attired in a specially tailored black cowboy suit. The rugged individual-



Apache's National Crane subsidiary designed and manufactured this special equipment for use in building the Alaskan pipeline. The design allowed equipment to work without sinking into and damaging the fragile permafrost terrain.

ism depicted in the Western novels of Zane Grey appealed so much to Goettl that he bought and restored a cabin near Phoenix that once belonged to the author. That individualism also carried over into his business life. Goettl had no confidence in the stock market; he issued the barest of financial reports on his operations to Apache; and he saw no particularly good reason to visit Minneapolis and the corporate headquarters, even though he was on continuing amicable terms with Apache management.



An unabashed booster of all things southwestern, Bill Goettl, president of Goettl Brothers leads another holiday parade in Phoenix.



The fast growth of Goettl Bros. Metal Products, a leading manufacturer of climate control systems for the Southwest, coincided with the population explosion in the Sun Belt states. Large developments like this Sun City retirement community in Arizona featured Goettl air conditioning units that were designed and engineered specifically for that region of the country.

Despite many such efforts made by these and others, it was becoming evident — dramatically and rapidly — that expansion of oil and gas development and exploration within Apache would overshadow any possibility of new spurts in industrial diversification. Another crossroads decision was in the making, and no one put that need for decision in clearer perspective than Bea Huston.

“As early as 1970, I remember, we were trying to figure out just how far we should go in continuing to accumulate an amalgamation of largely unrelated businesses,” she said. “The more we looked at them, the more we could see that they were contributing to earnings we needed when oil and gas was unable to do so. We saw just as sharply, however, that we did not have the capacity to move any of our industrials into a leadership role that would have significant impact. Our return to petroleum was inevitable.

“Even before the 1973 oil embargo that practically guaranteed a slowdown within basic industries here and abroad, we could see that oil prices had to rise. So we faced up to the difficult job of selling off our industrial entities to build cash for a really significant return to the

oil business, where drilling and other production costs were also certain to be higher than anything we had ever experienced before.”

In the spring of 1977, John Kocur, by now a strong presidential prospect within Apache, set forth an orderly timetable for the sale of most of the remaining industrial companies that would provide the most equitable possible futures for the managements and employees of those companies. They had, Kocur agreed, been essential to Apache’s survival.

“If we hadn’t built up an income-generating group of industrials when the bottom fell out of the oil business, we wouldn’t have been able to create Apexco,” Kocur believes. “Then, if we hadn’t sold Apexco when we did for a total of \$127 million — of which Apache’s share was \$76 million — we couldn’t have swum Apache directly back into oil and gas in the late Seventies. Exploration costs were very high then, but excellent earnings possibilities were waiting for the risk-takers. It took Apexco five years to succeed. Yet it took Apache only two years to replace all oil and gas reserves we sold with Apexco. We could now finance a major drilling thrust, you see.”

APACHE EMPLOYEES:

Walking the extra mile...

As Apache management worked through the mid-Seventies to help keep the company's subsidiaries profitable and their employees feeling they were part of what was now a far-flung mini-conglomerate, many of the latter were adding their own distinguishing touches to the company record. In articles appearing in Apache ARROWS, the employee publication, and over lunch tables in the subsidiaries, it was apparent from both the written and spoken word that whatever passes for Yankee ingenuity and basic courtesy in America were still very much alive.

Some examples:

■ In Phoenix one morning, a housewife almost went into shock after phoning the Goettl Bros. plant to inquire about an air conditioning repair she needed in her home. At Goettl, the dispatcher taking the call happened to remember that a repairman was working that morning in the home next to that of the caller. Using the field intercom, he asked the repairman to step next door to hear her visitor say, "I'm from Goettl, lady. What seems to be the trouble?"

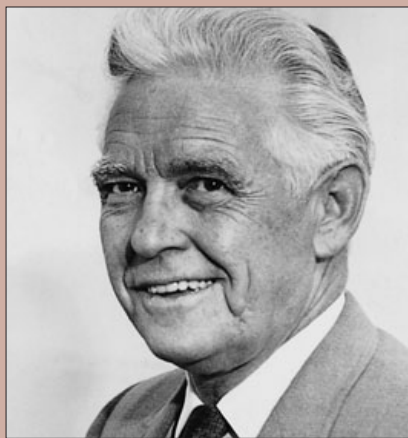
■ In Buffalo (NY), Jim Forsaith, an employee at Seneca Steel, managed to turn the plant almost upside down to fill an order for special alloy steel coils requested by Coleman Lantern Company. Coleman had asked for any possible extra speed on a normal four-week delivery to avoid a complete Coleman plant shut-down. Forsaith had the order there in two days.

■ Computer programmers in Apache's Foshay Tower headquarters in Minneapolis were fascinated by the way a colleague, Julius Spainhower, came to them. Spainhower, a one-time Iowa dairyman who built grandfather clocks in his spare time, became intrigued with the way his herd's milk production records were being processed by computer at Iowa State University. Next step: computer technology courses at Florida State University, where Spainhower had originally intended to study through one winter, but stayed on for two additional years. He then joined the University of Minnesota to help in the school's computer processing of state dairy records. Four years later, as a full-fledged professional, he joined the data processing operation at Apache.

■ Back at the ranch — Apache's S&J Ranch, that is — a young vice president for production, Jim Powell, took time off to join a California Agricultural Extension Foundation program that was evaluating economic and agricultural systems in other parts of the world. With 30 others, Powell visited Israel, Kuwait, Iran, and Russia, and topped off a vigorous and friendly Moscow restaurant discussion by accepting the dinner orchestra's invitation to lead a song. Powell took his associates through "America the Beautiful" to generous and non-competitive applause from his Russian hosts.

■ Stewart Young, a salesman for Kerona Inc. (which manufactured plastic pipe), reported that the ghost town of Jerome, Arizona, was refusing to play dead.

Once a prosperous mining center for copper, iron, gold and silver, the town finally had to replace its 70-year-old water pipeline that led from a 7,000-foot-high mountain to a pool down in Deception Gulch that functioned as Jerome's reservoir. Women in the town had become financing partners for the pipeline by putting together a Copper Town Cookbook to help cover the cost of the new Apache pipe. Young ruefully noted that 68,640 cookbooks would have to be sold to cover payments, but there was no particular hurry anyway, because burros had to carry the pipe up an otherwise impassible mountainside, and hurrying anywhere was not a notable burro trait. The pipe order, Young admitted candidly, was not going to be his banner sale of the year.



Stewart Young



Stewart Young of Kerona, Inc., walks a precarious path — the water supply line for Jerome, Arizona, that ends in Deception Gulch.

■ No hometown booster within Apache ever approached the effectiveness of Ron Swanson, a young man with an oversupply of adrenalin and a lively sense of community. Swanson managed the small radio station (KICS-AM/FM) in Hastings, Nebraska, that Apache had bought in 1975 to forestall any possible takeover by a foreign investor. A former theater major in college, he put together a summer children's theater on an initial investment of \$50, then took the troupe into 10 nearby cities to entertain thousands of children and build

additional sponsorship for his station. With energy still left over to spare, Swanson next pulled together additional funds from foundations and other sources to finance a nine-hour, commercial-free, non-stop program on his station that carried the unblushing town tribute title of "Thumbs Up For Hastings!" Apache eventually sold the station, but kept its most valued asset, Ron Swanson, to staff one of its important oil and gas program sales offices on the East Coast. Today Ron is president of Apache Programs, Inc.



The raw, wet winter winds in the Texas Panhandle didn't delay pipeline hookup of this Anadarko Basin gas discovery.

Shortly after its founding, Apexco was providing an oblique corporate example of the “I’ve got good news; I’ve got bad news” jokes that had become a staple of most TV, radio and night club routines about that time. The good news at Apexco, of course, was multifold. In its first full year of operation, total revenues equaled a full third of its original assets. In 1975, despite \$92 million in gross income chalked up by Apache’s industrial companies, a disappointed Dick Christie was compelled to report a red ink loss of almost \$1 million from those companies. Apexco, on the other hand, was responsible for two-thirds of Apache’s total net income. The rapid rise in Apexco’s net worth was also welcome news to those former Apache drilling program investors who had exchanged their Apache program units for readily tradable shares of Apexco. And the other good news coming from Apexco’s Tulsa headquarters was that its personnel had first identified, and then put together a controlling interest in a 30-mile strip of gas-rich terrain in Grady County, Oklahoma, that was quickly to become known in petroleum circles as the Springer Trend.

Charting the Springer Trend was a principal accomplishment of John Black, Apexco’s vice president of exploration. Running counter to the advice of many of his peers inside and outside Apexco, Black secured 27,600 acres on a trend line that ran through the town of Chickasha, one of whose somewhat muted claims to fame was that it was the headquarters location for Oklahoma’s biggest producer of frozen waffles.



John Black visits an Apache drilling site in Oklahoma’s Anadarko Basin, which his colleagues said amounted to “John’s backyard, he knew it so well.”



With the pounding of an auctioneer's gavel, the equipment, tools, supplies and accessories of Apache's American Machine & Tool subsidiary in suburban Minneapolis were sold in late 1976. Despite its industry-wide reputation for excellence in precision machining, the prospect of decreasing profitability from declining markets forced the decision to close AM&T and sell off its equipment at auction.

Along this trend line, Black proceeded to drill three very dry wells. Those who dropped into his office to offer condolences found him in a characteristic pose especially familiar to his colleague, Reid French, who now heads exploration activities for Apache's Houston office.

"I never knew anyone who could study a stratigraphic map with the intensity that John gave to it," French says today. "He would tack a map up on a wall and then stare at it — just stare at it — for hours. About the most he ever said then was something like, 'But production really shouldn't stop here.' Then he would go back to poring over a formation in Grady or Caddo counties where he thought we should drill our next well."

Betty Watson, a senior member of Apache's corporate communications staff, concurs. "The most difficult man in the company to photograph for an annual report is the way I remember him," she has noted. "Totally uncomfortable in front of a camera. But put a new oil map in front of him, and he'd light up, looking like one of the best petroleum geologists in the country — which he is!"

Black's legacy at Apache (he left the company in 1983) is a rich one. For one thing, more than 60 productive gas wells were drilled along the Springer Trend. "John Black made lots of millionaires out of our investors," Ray Plank says. The momentum Black established is still felt today in the Tulsa office, which oversees approximately 1,100 wells in which Apache holds an interest — most of them located in Black's old stomping grounds, the Anadarko Basin.

And for the bad news:

Apexco's policies — and profitability — were creating some touchy differences between Apache in Minneapolis and Apexco in Tulsa.

Leaning toward overseas exploration, as he had done earlier at Amerada-Hess, Kenneth Reed led Apexco into exploratory ventures for its own account in the North Sea off the Scottish coast, in Peru and in the Gulf of Suez between Egypt and the Sinai Peninsula. When a wildcat well discovered oil in the North Sea (the two other areas proved to be unproductive), neither Apexco nor Apache had sufficient financial resources to participate in the development of the field or in building a full-scale production platform on the site. The stock market, however, reacted positively to the North Sea discovery, as well as to the growing Springer Trend, correctly sensing that oil



Apache's board enjoyed a good laugh while posing for a picture for the 1977 annual report. Seated (left to right): Dr. M. S. Belzer, Howard W. Alkire, Raymond Plank, Curtis L. Carlson and Malcolm S. Mackay. Standing (left to right): John A. Kocur, William F. Foss, Virgil B. Day, and W. Brooks Fields. Missing from the group was Stanley K. Hathaway, former Governor of Wyoming

and gas reserves in both might be making Apache's 60 percent stake in Apexco worth more than the rest of the corporation.

Also, while Apexco was riding high with these developments, the benefits from them were of scant help to the company that had formed Apexco.

Apache had no access to its robust offspring's growing cash flow and could share in its financial success only through the dividends paid on Apexco's common stock.

Apache, with many of its industrial subsidiaries still treading recession waters, had to approach prospective lending sources "on our hands and knees" as former Apache treasurer Carl Hanson tartly observed, even as Apexco was placing its own considerable surplus cash flow in high-interest, short-term securities.

It was the growing vulnerability to outside takeover, however, that was the primary concern of Plank, Kocur and the other key officers in the Foshay Tower. As Plank summarized the situation at one of their meetings: "Any purchaser of Apache in a hostile takeover would probably buy us at a discount and then succeed in having Apexco thrown in at zero cost." In contrast, he pointed out, if Apexco could be sold, rather than taken over by another company at a bargain basement price in a raid on Apache, Apexco shareholders would still receive full value for their holding. Moreover, if Apache could find a buyer willing to pay what its 60 percent take in Apexco was worth, the company would then have the needed funds for a full-scale and timely re-emphasis of its oil and gas exploration activities.



The treacherous and often stormy waters of the North Sea were uncharacteristically calm when this photo was taken of the semi-submersible rig that drilled the 1974 oil discovery off the Scottish coast in which Apache's former Apexco subsidiary held an interest.

THE KEY #1:

“The world’s biggest gas leak.”

Texas are particularly partial to statistics, big statistics pertaining to their state. In the history of the state, the hands-down winner is undeniably the 100,000 barrels of oil that gushed daily from Spindletop when that now-fabled discovery came into being on January 10, 1901. Two days after it came in, a crowd of 10,000 had gathered near Beaumont to watch mighty Spindletop heave oil 175 feet into the air.

Eighty years later, crowds gathered again to witness what one Texas newspaper described as “The world’s biggest gas leak.” On October 4, 1981, in Wheeler County, just over the Oklahoma line, Apache and a co-partner, El Paso Exploration Company, became the involuntary owners of perhaps the largest gas well blowout in U.S. history. Without any advance warning the Key #1 — which was a completed well ready to be connected to a pipeline — suddenly heaved skyward a mix of tubing, casing and components of the “Christmas Tree,” along with a mighty flow of natural gas estimated at over 30 million cubic feet per day.

As Apache technical personnel and some of the country’s most experienced trouble-shooters worked round-the-clock for the next 16 months to throttle the monster blowout, the well became a tourist attraction, with busloads of school children swelling the numbers of those arriving to get a first-hand look at the phenomenon. Even as a steady stream of mud, gas, sand, rocks and water remained in permanent eruption, a huge man-made crater was dug in an attempt to try to reach the top of the casing some 106 feet below ground. The tourists, along with journalists, representatives of the worried Texas Railroad Commission, Apache’s management and others, also witnessed another attempt to kill the flow of gas from the surface with special liquids and 2,500 sacks of cement — a mixture that held for just over an hour before the well blew everything sky-high again.

At the same time, attempts were being made to kill the well below ground by drilling an offset well 700 feet away to connect with the Key #1 at its bottom depth — a ticklish detection job in which advanced magnetic and electronic sensing equipment would locate, if possible, the 75/8-inch diameter well casing that was buried more than three miles underground. Actually,



Temporary production facilities at Apache’s Key # 1-11 in Wheeler County, Texas, included this structure on the wellhead and a series of mechanical scrubbers and compressors. The well produced over 30 million cubic feet of gas per day as a controlled blowout for eight months until it was killed below ground through a relief well in early 1983. A replacement well was completed several months later.

it took until February of 1983 to locate and finally kill underground the flow of gas from the Key #1.

The blowout dramatized once again the risk element always so exceptionally present in all oil and gas exploration. Yet throughout the long months when hundreds of workers and technicians labored at the site, and costly salvage vehicles rumbled through the mud and dust, no lives were lost and no serious injury or permanent property damage was sustained during the first blowout ever to occur at an Apache-operated well.



Phillip C. Byers (left) is congratulated by John Kocur (back to camera), David Olson, now director – operations accounting in Denver, and Darrell Egertson at an office get-together to celebrate his election as vice president in 1976. He headed the company's oil and gas operations until his resignation in early 1982.

On the first business day of 1977, Apache sold Apexco to the Natomas Company for \$127 million — the biggest single transaction Apache had ever made. The \$76 million, before taxes, that Apache received for its 60 percent interest, enabled the company to undertake a major expansion of its internal oil and gas operation.

The dry spell for many Apache shareholders had ended. Within three years, the value of Apache shares on the NYSE rose from a \$50 million aggregate worth (their value on the day of the sale to Natomas) to a half billion dollars. Investors who had risked much when Apache, a newcomer to the oil business, sank its first wells at Cushing, Oklahoma, in 1955 now saw every \$1,000 of their original investment worth \$121,000. Over the next few years following the sale, Apache split its stock, and increased the size of the cash dividend several times, until the owners of the original Apache stock were receiving four times their initial capital investment in every quarter. And best of all, Apache found enough oil and gas reserves so that it accomplished in virtually two years what Apexco had done in five.

In 1978, Apache was reported as one of the leading deep drilling companies in the U.S., participating in one of every 13 wells drilled below 15,000 feet in the country. In John Black's favorite exploration area, the Anadarko

Basin of Oklahoma, another potentially promising trend, the Upper Morrow, had been charted. Shareholders heard Raymond Plank declare that Apache intended to put 72 percent of its total drilling budget into the Anadarko because, in Plank's words, "something like this does not occur in the lifetime of most oil men."

Once, on a vacation trip with some friends in the company, geologist Reid French observed that "Apache seems to come up with something big about every five years that just about sets the oil industry on its tail."

The year 1981 proved that French's prophecy was at least temporarily true. Two things happened that year to fulfill French's observation. Suddenly, in the middle of the night on October 4 in Wheeler County, Texas, a completed 16,000-foot gas well erupted to create the record blowout in the history of the U.S. petroleum industry. The Key #1 became a roaring monster that would take 16 months of round-the-clock work and \$42 million of Apache funds to bring under control.

But the news of that calamity could not cancel out another kind of Apache "first." Wall Street (as Raymond Plank is still fond of pointing out) said it couldn't be done. And then, in a complete turnabout, the Big Board welcomed its newest listing on the New York Stock Exchange, Apache's landmark creation, Apache Petroleum Company, a new kind of publicly held entity.

As Reid French said, once about every five years...



Howard W. Alkire's 19-year contribution to the company as a director ended abruptly with his death in 1981. As chairman of the executive committee, he devoted much of his energy and attention to Apache, in constant touch with his good friend, Raymond Plank.

APACHE HISTORY:

At Diversification's Peak

In its 1970 annual report, Apache required an entire page to list its operating units that were, by that time, occupying 76 locations in 19 states and Canada. Most of them were located in selected regional growth markets. In the ensuing years, Apache added to the list, but in 1975 it began a series of divestitures that enabled it once again to concentrate an increasing share of its resources in people and assets on oil and gas exploration and production. Following are the various operations that Apache owns or has owned in the past.

INVESTMENT SALES

(Apache's investment products are marketed in all 50 states and the District of Columbia on both a direct basis through Apache Programs, Inc. and a selling group of national and regional brokerage firms.)

Apache Programs, Inc.

*Minneapolis, Minnesota

OIL & GAS OPERATIONS

(Oil and gas exploration and production)

Apexco, Inc. (60%)

Formed through exchange offer – 1971 Sold – 1977

*Tulsa, Oklahoma

Denver, Colorado

Houston, Texas

Lafayette, Louisiana

Calgary, Alberta, Canada

Apache Petroleum Company (APC) (5.4%)

Formed through exchange offer – 1981

*Minneapolis, Minnesota

AGRICULTURAL OPERATIONS

California:

(Farm Management; Citrus and nut crops; Citrus packing;

Nut processing, packing and marketing)

S&J Ranch, Inc.

Land Acquisition Begun – 1970

Fresno, California

Earlibest Orange Association, Inc.

Acquired – 1972

Exeter, California

San Joaquin Citrus Association

Acquired – 1981

Clovis, California

T.M. Duche' Nut Company, Inc. (50%)

Acquired – 1979

Orland, California

Wyoming:

(Cattle ranching; Guest ranch)

Ucross Land Company

Acquired – 1969

Clearmont, Wyoming

Paradise Ranch

Acquired – 1981

Buffalo, Wyoming

INDUSTRIAL OPERATIONS

Metal Products and Services (Steel and aluminum processing and distribution; Roll-up truck doors)

Seneca Steel Services

Acquired – 1962 Sold – 1975

Buffalo, New York

Follansbee Metals

Acquired – 1967 Sold – 1975

Rochester, New York

Whiting Roll-Up Door Mfg.

Acquired – 1969 Sold – 1976

*Akron, New York

St. Louis, Missouri

San Jose, California

Oakville, Ontario, Canada

Plastic Products (Extruded plastic pipe and fittings;

Agricultural irrigation systems; Precision molded plastic parts)

Apache Plastics

Formed by Merger – 1975 Sold – 1984

*Stockton, California

California: Fresno, Lindsay, Santa Ana

Formerly: **Kerona, Inc.**

Acquired – 1969 Merged – 1975

Phoenix, Arizona

*Santa Ana, California

Kerona Plastic Extrusion

Acquired – 1969 Merged – 1975

Stockton, California

Dixie Plastics

Acquired – 1973 Sold – 1977

*New Orleans, Louisiana

Slidell, Louisiana

Perma Rain Irrigation

Acquired – 1972 Sold – 1977

Lindsay, California

Subsidiary: **Bud-Wil, Inc.**

Acquired – 1972 Sold – 1977

Santa Ana, California

Juno Tool and Plastic Corporation

Acquired – 1969 Sold – 1984

Alexandria, Minnesota

*Minneapolis, Minnesota (relocated to Lakeville, Minnesota)

Rock Hill, South Carolina

Subsidiary: **Donnelly Plastics**

Acquired – 1969 Merged – 1976

Alexandria, Minnesota

Corrosion Engineering Products and Services (Cathodic protection systems for underground pipelines)

General Corrosion Services Corporation

Formed by merger – 1968 Sold – 1977

*Atlanta, Georgia

Denver, Colorado

Sand Springs, Oklahoma

Formerly: **Corrosion Services, Inc.**

Acquired – 1967 Merged – 1968

Tulsa, Oklahoma

Petroleum Electronics Manufacturing, Inc.

Acquired – 1967 Merged – 1968

Tulsa, Oklahoma

Steel and Associates, Inc.

Acquired – 1968 Merged – 1968

Atlanta, Georgia

*Precision Engineered Products (Precision-machined chemical pump seals and jet aircraft engine seals and hardware; Metal parts & assemblies)***Gits Bros. Mfg. Co.**

Acquired – 1968 Sold – 1983

*Chicago, Illinois

Creston, Iowa

Tampa, Florida

Subsidiary: **Scott Engineering Co.**

Acquired – 1968 Sold – 1977

Phoenix, Arizona

American Machine and Tool

Acquired – 1968 Assets Sold – 1976

Minneapolis, Minnesota

Subsidiary: **Special Parts, Inc.**

Acquired – 1968 Assets Sold – 1976

Minneapolis, Minnesota

Apache Precision Machining, Inc.

Formed by Merger – 1972 Closed – 1978

Minneapolis, Minnesota

Formerly: **Airmac Corporation**

Acquired – 1969 Merged – 1972

Minneapolis, Minnesota

Jet-O-Matic Engineering

Acquired – 1967 Merged – 1972

Minneapolis, Minnesota

Mack Engineering

Acquired – 1967 Sold – 1973

Minneapolis, Minnesota

*Materials Handling Products (Truck-mounted cranes; solid waste disposal systems)***National Crane Corporation**

Acquired – 1972 Sold – 1978

Waverly, Nebraska

Mid-Equipment, Inc.

Acquired – 1974 Assets Sold – 1977

*Grundy Center, Iowa

Iowa: Mason City, Sioux City

*Forest Products (Wooden shipping crates and wholesale lumber; Hardwood gunstocks and furniture components)***Burns Manufacturing Company**

Acquired – 1970 Sold – 1984

Aitkin, Minnesota

Woodland Container Corporation

Acquired – 1970 Sold – 1984

Aitkin, Minnesota

Burns-Kneeland Lumber Company

Acquired – 1970 Closed – 1971

Aitkin, Minnesota

Midwest Walnut Company

Acquired – 1974

*Council Bluffs, Iowa

Willow Springs, Missouri

*Container Products (Aluminum aerosol packaging)***Apache Container Corporation (55%)**

Incorporated – 1970 Sold – 1972

St. Paul, Minnesota

BROADCASTING**KICS AM/FM Radio Station**

Acquired – 1975 Sold – 1978

Hastings, Nebraska

RETAIL AUTO PARTS*(Chain of 119 retail auto parts stores in southern California)***Chief Auto Supply, Inc.**

Acquired – 1970 Sold – 1978

Cerritos, California

Chieftech Industries, Inc.

Acquired – 1970 Sold – 1978

Cerritos, California

PUBLIC UTILITIES*(22 individual telephone operating companies; 7 water and sewer utility companies)***North American Communications Corporation**

Acquired – 1961 Sold – 1970

*Minneapolis, Minnesota

Operations in ten states including:

Alabama, Georgia, Kansas, Minnesota, Missouri, Nebraska, North Carolina, South Carolina, Texas, Wisconsin

Consolidated Water Company (75%)

Acquired – 1968 Sold – 1971

*Chicago, Illinois

California, Florida, Indiana, Michigan, Missouri, Ohio

REAL ESTATE*Shopping Centers***Apache Plaza**

Developed and Opened – 1961 Sold – 1969

St. Anthony, Minnesota

Apache Mall

Developed and Opened – 1969 Sold – 1977

Rochester, Minnesota

*Office and Apartment Buildings***Foshay Tower**

Acquired – 1959 Sold – 1977

Minneapolis, Minnesota

Reiman Building

Acquired – 1968 Sold – 1974

Minneapolis, Minnesota

Rand Tower

Acquired – 1959 Sold – 1962

Minneapolis, Minnesota

Apache Medical Complex

Developed and Opened – 1966 Sold – 1977

St. Anthony, Minnesota

Bankers' Building

Acquired – 1959 Sold – 1964

Milwaukee, Wisconsin

Lyndale Manor

Developed and Opened – 1958 Sold – 1961

Richfield, Minnesota

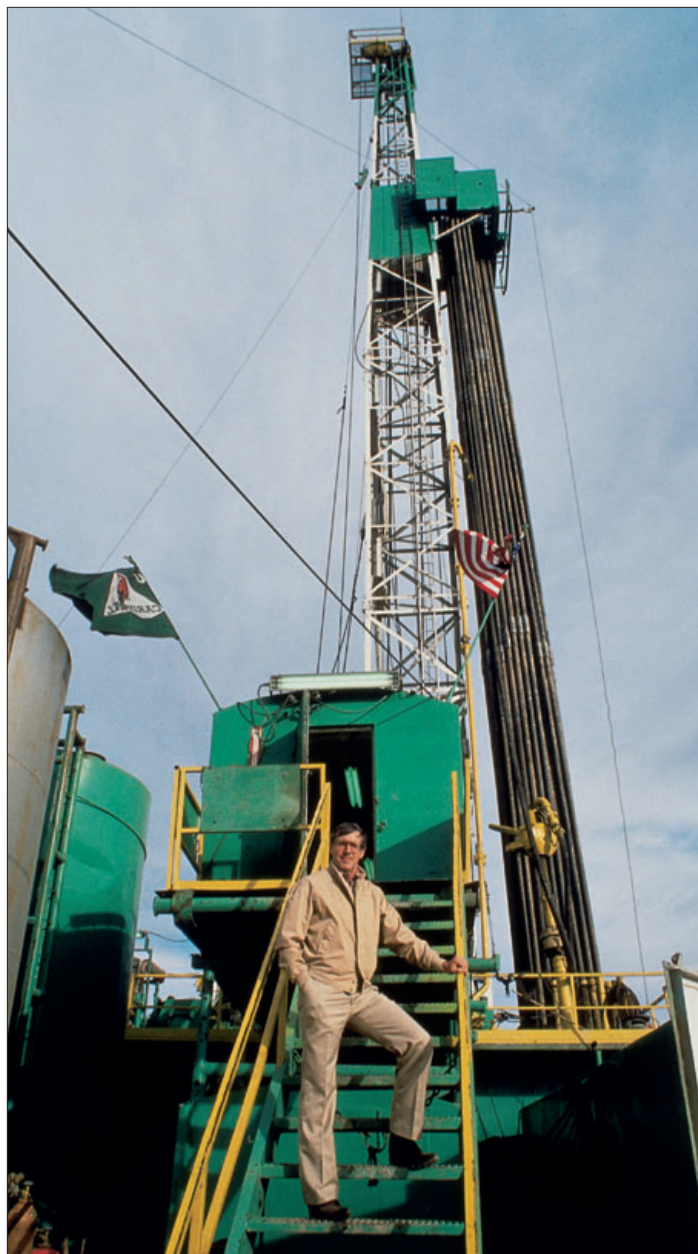
*Headquarters location

THE BREAKTHROUGH INTO BIGTIME

The year 1980 was not a good one for young Herefords trying to bed down for sleep in the grazing lands that ring the airport at Elk City, Oklahoma. Long before dawn every morning that year, car headlights began crisscrossing the farms and roads of Comanche, Custer, Washita and Roger Mills counties, as roughnecks and roustabouts left their beds and homes to drive toward the distant clusters of lights on the horizon that marked the locations of oil rigs working around the clock. High above them, planeloads of managers, geologists and landmen from 123 oil companies drilling that year in the Anadarko Basin waited for landing orders from a harassed Elk City control tower trying to clear runway and parking space at a field that had not been designed for such a volume of traffic.

The activity at Elk City amounted to a vivid response to earlier warnings from economists and petroleum engineers that domestic oil and gas demand was now running dangerously ahead of foreseeable petroleum reserves. If the industry was to continue to produce at its present annual rate of three billion barrels of oil and 20 trillion cubic feet of gas, the experts agreed, it would have to double its drilling activity over the next decade. That meant that in the Anadarko alone, where Apache — with 35 rigs in operation — was one of the major explorers/producers, it was predicted that the total of 500 rigs operating there could climb to a thousand in number to help meet this goal.

Apache's activity in the Anadarko was only one of several principal reasons any qualified analyst might have listed for the observation that, as Apache entered its second quarter century of operations, it was working on a full plate filled with just about all the protein it could handle. Although the price of most natural gas was still heavily controlled, decontrolled deep gas — a primary target of geologist John Black's painstaking scrutinizing of his Oklahoma maps — was now bringing up to \$7 per thousand cubic feet. Such a potential reward amply justified the 72 percent allotment from a \$62 million annual drilling budget that Apache was spending in the Anadarko Basin. Actually, the Minneapolis independent was now holding significant acreage in three of the four biggest exploration plays in the U.S.



Jim Perry, senior staff geologist, is Apache's expert in the Williston Basin, one of the country's major producing areas that straddles adjoining corners of Montana and the two Dakotas.

In 1979, Raymond Plank initialed an agreement that gave Apache a 30 percent interest in 3 million acres controlled by Amoco, the exploration subsidiary of Standard Oil of Indiana. It was one of the biggest joint drilling ventures undertaken up until that time by an independent in partnership with a fully integrated oil company.



John A. Kocur's election to the Apache presidency at the close of the Seventies coincided with the expansion of the firm's drilling activity in major exploration areas of the U.S. In the early Eighties, Kocur played a key role in the development of the Apache Petroleum Company (APC) partnership and Apache's offshore venture in the Gulf of Mexico with Shell Oil.

The Amoco properties were in the Williston Basin, a stretch of remote land crossing the state lines of North and South Dakota and Montana that had become one of the most active exploration areas in the U.S. The same year that Amoco and Apache began their partnership in the Williston, other companies had already drilled 239 exploratory wells there, and brought in 37 percent of them as producers for one of the highest success ratios in U.S. oil history.

Apache was also drilling in four other important areas — the Powder River and Big Horn Basins in Wyoming, the San Joaquin Basin of California, and along the 200-mile Tuscaloosa Trend in southern Louisiana. For shareholders and limited partnership investors, Apache held out conservatively estimated future gross income of \$319 million from wells already in production.

All that — plus a hefty gain in net income (up 28 percent to \$18 million from the previous year) made Apache's decision in 1976 to phase out its industrial operations and to sell off Apexco in order to resume full control of all oil and gas operations appear to have been particularly sound. It was especially satisfying to Apache director Virgil B. Day, who four years earlier had accepted responsibility on behalf of the Board of Directors for a decision on the pros and cons of possible Apache divestiture

of the industrial properties that had largely pulled Apache through the petroleum-depressed years of the late Sixties and early Seventies. Day, who had been one of General Electric's major management executives and its expert on management development, first recommended engagement of a top outside consultant, the late Richard Hexter, to study the divestiture situation. When Hexter came through with the unequivocal recommendation that divestiture was the right road to take, Day persuaded a number of industrial company loyalists on the board that selling those companies was essential if Apache were to build cash reserves that would position it strongly for future profitability in a rapidly reviving oil industry.

In 1980, however, what worried Raymond Plank was whether such profitability could be satisfactorily passed along to Apache's limited partnership investors, who now numbered nearly 7,000 in all. Although many of those investors had gained liquidity for their investments when the formation of Apexco in 1972 finally established a market value for them, that liquidity had been removed when Apache sold off the exploration subsidiary and assumed direct control of its exploration activities.

Other independents whose participants' assets were similarly frozen were "rolling up" their own accumulated programs into new oil companies so that shareholders could garner the benefits of tax-free exchanges of their holdings and, at the same time, capitalize on rising market appreciation of those holdings if the good news in petroleum prices continued. Plank ruled out that kind of solution. If a new roll-up corporation made money, he argued, that money would be taxed, and investors would thereby be hit twice by the Internal Revenue Service — first, by the tax on corporate profits that cut into shareholder returns, and second, by the later tax to be paid by individuals on the already tax-reduced dividends.

In 1956 a much younger Raymond Plank and his partners had raised \$250,000 to support a drilling program that would give investors a newly conceived, SEC-registered program that held out both good earnings prospects and tax advantages. News of that venture traveled then with high momentum through the business community of the Twin Cities. Now, in 1981, the U.S. financial community was startled when Apache Petroleum Company was formed by Apache Corporation to become the first publicly traded limited partnership to appear on the board of the New York Stock Exchange.



“There it is!” exclaims Diane Presseller, user analyst in Apache’s management information services operation, as Apache Petroleum’s stock symbol (APP) appears on the “Big Board” for the first time. Diane made the trip to the New York Stock Exchange on behalf of the many employees whose hard work brought about the creation of the Apache Petroleum partnership. With her are Beatrice Huston and Michael Valadez, corporation counsel who heads Apache’s legal office in Washington, D.C.

Within three years, Apache Petroleum Company — or APC, as it would be known — had attracted 58,000 unitholders, almost three times the number of those owning stock in Apache. Annual revenues climbed to \$221 million by the end of 1984 and APC could boast over \$1 billion in future gross revenues based on the value of its reserves of oil and gas in the ground, as assigned by Keplinger & Associates. The formation of APC was, as director Brooks Fields characterized it in a typical burst of enthusiasm, “an astonishing program of financial ingenuity that really got Wall Street talking.” *Forbes* magazine listed one key element of that program in its own appraisal of APC as “the drilling game for the little man.” The publication cited the ability of investors of average means to buy APC ownership at \$20 per unit, with the unit guaranteeing greater liquidity and longer life to the tax shelter than previous oil and gas investment programs — Apache’s among them — could offer.

Raymond Plank still thinks of APC as the most significant development in Apache’s history. Others within and without the company characterize it as a first-rate example of planning for growth; but one who is in a particularly good overview position thinks differently, and that person is Beatrice Huston, Apache’s vice president and corporate secretary.

Ever since she arrived in Minneapolis as a teenager from what she describes as “a little rock farm in northern Minnesota,” Bea Huston has managed to keep an admiring, but still reasonably objective eye on the company she first joined as a secretary while taking after-hours studies in school. Long-range planning, Huston says simply, is just not Apache’s forte. The strength she does see, however, is a much more dramatic one. Throughout Apache, she says, and starting with the man at the top, there is “an ability to perceive an opportunity; to convert that opportunity into an almost immediate action response; and then maintain the courage to carry it through.”

Along with this ability, she believes there runs an unshakable commitment to investor interests. The feeling throughout Apache, she says, is that if something is started with a specific investor benefit in mind, almost everything else connected with securing that intended benefit will take care of itself.

“All the significant ‘firsts’ we’ve had to date back this up,” she says. “We were one of the first companies



Vice President and Corporate Secretary Huston: “There is an ability in this company to perceive an opportunity... and the courage to carry it through.”

to register a limited partnership drilling program with the Securities and Exchange Commission, meaning that as far back as the mid-Fifties, Apache recognized a responsibility to furnish precise, concise data to investors that would stand up to investigation by a responsible government agency. Then we developed the industry’s first program in which the exploration and development phases were split so that investors could choose the form of risk they wanted. Third, and with the Apexco spinoff, we were the first company to offer an exchange of program interests for stock in a separate publicly traded oil and gas subsidiary. More recently, with APC, we moved out beyond the liquidity asset to allow investors the opportunity to participate in oil and gas tax-shelter benefits as well. That’s not just theory, either. In 1981, APC’s first year, investors received \$19 million in tax-free distributions, and two years later, the figure tripled. As for the liquidity factor — well, in this past year about 25,000 APC shares on average were traded daily on the NYSE.”

John Kocur, Apache’s president who directed from behind the scenes the delicate and essential discussions with the SEC and the IRS that led to the formation of APC, agrees with his colleague’s assessment of the importance Apache places on the investors’ interest in all its planning.



1984 was a year of major Apache office relocations in Denver, Houston, Tulsa and Minneapolis. Sandra Fahrendorff (right), director – office services, is shown with the headquarters “move team” that included (from left to right): Rick Purcell, Janell Winters, Marie Cromwell, Cindy Ranwick, Ron Nevue, Emmet Gaunitz, Mary Ann Schissler, Chuck Floer and Nancy Richardson.

“That influence is evident in what we did with APC,” Kocur has stated. “If APC profits from a price rise in oil and gas, the unitholder does also, in terms of increased cash flow to that holder. But a price rise in oil and gas will often be translated into a gain of APC units on the Stock Exchange, thereby giving the unitholder a double shot at profitability. Through all this, the unitholder retains the same tax benefits that he or she had as a limited partner in Apache’s traditional drilling investment programs.”

Not only investors were drawn to Apache Petroleum. It was clearly evident to others that what the company had done was to create an entirely new industry — that of the publicly traded master limited partnership (or MLP, as they were rapidly nicknamed). By the end of 1984, there were approximately 20 MLPs with a total market capitalization of \$13 billion.

Through the Seventies, Plank and Kocur had been hiring new, and mostly young, managers to share increasingly complex responsibilities for a corporation that was now active on four operation fronts — oil and gas, its remaining industrial subsidiaries, agricultural operations in Wyoming and California and investment program sales. Whereas APC might have been a difficult dish to

digest for an older management with a “play it safe” mentality formed in the Great Depression years, Apache’s new breed moved full speed ahead into the often uncharted corporate waters that the APC formation involved. Verification of that speed comes naturally to Sandra Fahrendorff. As director – office services, Sandy Fahrendorff (who started with Apache in 1968 as an office worker “doing this and that, you know”), believes that pride in speedy, accurate follow-through is the main non-salaried incentive that fuels most accomplishments in her section.

“It’s an exciting company to work for, and it still amazes me that we come up with these fantastic ideas and none of them ever seems to fall apart,” she explains. “My own feeling was that Apache Petroleum would be a winner, but I still don’t want to take such achievements for granted, or it might take some of the excitement out of the place. You sense this time and again when you see our people come down here on holiday weekends in their blue jeans, roll up their sleeves, and then dig in to get another project launched, or get all the loose ends tied up. Nobody complains. Also, we get to know each other better, because digging in is a revelation of personality as

well as a specific response to a job waiting to be done.”

The need for speedy response carried a \$2 million price tag when APC was formed. The initial exchange in November of 1981 offered participants in 33 of Apache’s older oil and gas programs the chance to exchange their program interests for units of ownership in the new publicly traded APC, on a tax-free basis. By January 1982, 85 percent of the more than 7,000 eligible participants had done so, receiving marketable securities with a total value of over \$181 million. The exchange offer, in itself, required fast footwork, but now the subsequent need was to give these APC unitholders up-to-date tax information that would conform to IRS regulations for partnership tax returns. And — put it in their hands in time for preparation of their 1981 tax returns.

Apache spent \$2 million to perfect the patented 754 tax reporting system. William H. Anderson, vice president – management information services, and William E. Sheridan, vice president and controller, put together a data processing team of 65 analysts and consultants to develop and then put into motion a system of personalized tax reporting that no one had ever thought possible before.

“APC may have made the idea of corporate rollups obsolete, but in a more technical way, we also knew that APC’s existence would compel us to use computer software in ways nobody else had yet tried out,” Sheridan said later. “The only way we could build a new reporting system and have it working in time for our unitholders’ use was for top management to resist the impulse to look over our shoulders. Well, they did it. Good thing, too, for what the new computer system had to do, in brief, was this: It had to take the total year’s operations of APC — oil and gas sales, operating expenses, windfall profits tax, drilling costs, etc. — and allocate them proportionately to each unitholder. Then we had to determine what each investor brought to APC and where it was apportioned out into debt payments, non-producing leasehold, producing wells and other items. Then, at the end of the year, this new masterpiece goes ‘click,’ and with every click, another unitholder gets his depletion figure and his profit figure to merge into his IRS return. ‘Clicks’ that represented thousands of wells, thousands of trades and thousands of units. We put in lots and lots of evening work on the system we eventually called the ‘754,’ so it was somehow appropriate, I guess, that at 10 o’clock in the evening on February 28, 1982, we threw the switch that started the flow of tax information to the 14,000



One of the speakers with the “road shows” that crisscrossed the country in late 1980 to talk to groups of Apache program investors during the initial exchange offer that created APC was Harry (Hank) W. See, now senior vice president – marketing.

APC unit holders that we had at that time.”

The system did, in fact, work so well that, as the MLP industry grew, Apache was able to recover the entire \$2 million cost of building the system by selling it to five other companies.

Even as Apache management was adjusting itself to the idea of running two powerful business entities — Apache Corporation and Apache Petroleum Company — a call came in to Minneapolis from New York one afternoon with an acquisition possibility that could not be put aside until someone with a few free hours down the road could study it. The call came into Minneapolis shortly after Henry W. See, Apache’s vice president – marketing, had completed an upbeat presentation of company prospects to an audience of security analysts in New York.

In the audience was George Baker, whose brokerage firm — Smith, Barney Harris Upham & Co. — had recently been retained by Dow Chemical U.S.A. to find a buyer for its Houston-based oil and gas division, so that Dow could use the sale proceeds to put cash into its steadily expanding chemical operations. When Hank See heard Dow’s asking price, he gulped — and with good reason. The amount Dow sought was almost as large as Apache’s total \$750 million holdings in oil and gas properties that had taken it over a quarter of a century to build.

With See standing by in New York, Baker called Apache headquarters.

“Any interest?” Baker asked Plank after the former had disclosed the asking price, and Plank answered “Absolutely!” — thereby establishing what was probably the shortest reply that day in the U.S. for a major business decision relayed long distance at peak rates.

Three years after Baker's call, the veteran actor John Houseman has been carrying a message over the television networks that while many brokerage firms sidle up to business, Smith Barney makes its money another way. That way, says Houseman with a voice that carries icy disdain for the competition and admiring warmth for his sponsor, is an old-fashioned way: "They *earn* it!" It is safe to say that in the matter of reaching agreement on one of Dow's biggest divestitures and Apache's biggest purchases, both sides earned it as they struggled toward a final contract.

Plank's initial expression of interest, in fact, turned out to be the easiest decision of all in the months of negotiation that followed. To begin with, a Minnesota winter that lived up to the most dire predictions in the *Farmer's Almanac* effectively scrubbed out the first scheduled meeting between Dow's negotiation team in Midland, Michigan, and Plank, Kocur and executive vice presidents Darrell J. Egertson and Philip C. Byers (who was then heading Apache's oil and gas operations). After the Apache group had worked its way through a blizzard from the closed Minneapolis airport to its headquarters downtown, the first contacts had to be made by phone. Both parties came to the negotiating sessions with high hopes, but a big difference surfaced early. Apache said it could not accept Dow's estimate of the value of its oil and gas reserves that were for sale. Dow just as politely and firmly maintained that the price was right.

The negotiations stalled.

The first breakthrough in that impasse was the work of James E. Kneser, who had been brought into Apache as vice president – energy acquisitions. Kneser was not about to lose APC's first large acquisition opportunity, and particularly one of this magnitude and suitability for the Apache Petroleum partnership. He suggested to those on the Dow side of the negotiating table that Apache would pay the equivalent of the current market value of all Dow petroleum reserves — a price that Dow had already said was inadequate. However, Kneser went on, should Dow's conviction that gas and oil prices were headed upward (the rationale to which Dow was holding to buttress its asking price) prove correct, then Dow would receive later and larger additional payments for a pie that could come out of the oven larger than it went in. Kneser's "we'll-pay-now-and-we-may-pay-more-later-on" proposition was initially accepted by Dow and Apache.



James E. Kneser

Later on, however, Kneser and his Apache negotiating partner, senior vice president and general counsel Albert B. Perlin, ran into other buyer/seller difficulties that grew so progressively serious that Raymond Plank reluctantly drafted a letter to his directors telling them that the Dow deal had collapsed. That letter was reviewed in Plank's office by Egertson, who had started with Apache while still in his late twenties, and who had — by the time of the Dow negotiations — moved steadily upward to become executive vice president – corporate development.

Looking up from the letter, Egertson told his CEO that "I think we've lost our perspective. I think this transaction can still be saved."

The guest ranch on Apache's holdings near Ucross, Wyoming, was suggested as the site for a fresh start. In short order the Dow company plane and its negotiations team — David Rooke, Donald Rikard and David Siever — landed at nearby Sheridan, along with a hitch-hiker from Minneapolis, one Darrell Egertson.

A good June morning in Wyoming almost invites something substantial to be accomplished. Immediately after breakfast in the main dining room, Dow's three principals and Apache's two — Plank and Egertson — got down to business. Beyond the picture windows of the building, the trout were moving in nearby Piney Creek, and high above them in the Big Horn foothills, Apache cattle were grazing on the new grass of another summer. The kitchen kept fresh coffee coming. Just after lunch, Dow's David Rooke took a final look at his notes, and then said to Plank, "Raymond, I think we can make this deal on one condition. Darrell has to be in total charge of it from your end, all the way through to the signing."

On September 30, 1982, the deal was closed, and both sides took home good news.

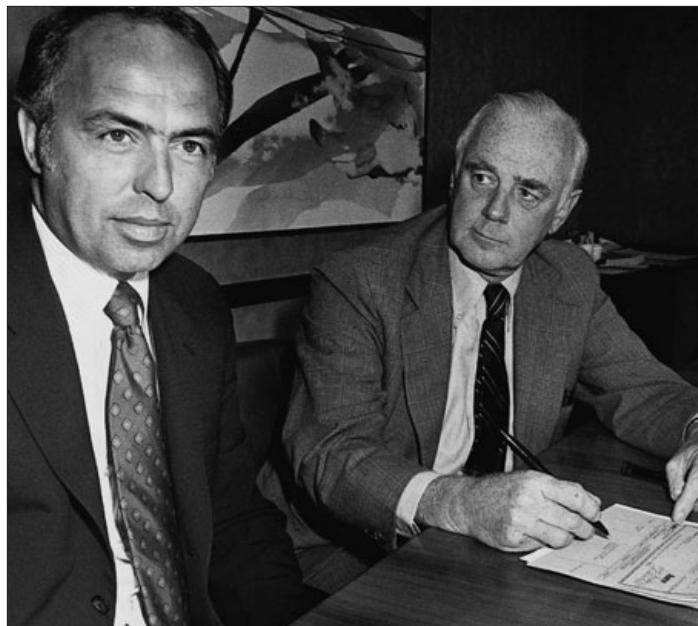
Dow Chemical received the major share of the final selling price of \$402 million, but as part of that amount it also agreed to accept \$180 million in units of Apache Petroleum, which was scheduled to become the new owner and operator of the former Dow holdings. Dow further agreed to contribute \$350 million into a partnership with APC over the next 12½ years in \$7 million quarterly installments. That money would be used to finance new APC drilling.

Helping to keep tabs (as assistant controller) on the expanded Houston office, whose payroll had jumped upwards with the influx of former Dow personnel, was Robert Weis, a one-time Apache employee who had come back home. Weis, who had joined Apache in the early Sixties, later moved to Natomas with the Apexco sale and then returned to Apache after the Dow–Apache transaction, where he helped newcomers from Dow adjust to their new colleagues and surroundings.

The Dow acquisition helped build the future gross income from Apache Petroleum’s own oil and gas reserves to approximately \$815 million by the end of 1982, (and Apache Corporation’s to \$756 million), but another intangible benefit of the acquisition could not be overlooked either. Dow’s acceptance of Apache Petroleum Company’s depository units as partial payment did not go unnoticed by the financial community. “The willingness of a ‘Fortune 100’ company (Dow) to do so gave tremendous early credibility to APC,” John Kocur observed. And the wisdom of the acquisition was additionally demonstrated when 630 former Dow wells contributed — in just one quarter — over half of APC’s total oil and gas sales for 1982.



Darrell J. Egertson



Apache made the headlines in 1979 when it became the first oil and gas company to secure pension fund financing. With Raymond Plank (right) is Larry Nerheim, representing the Bank of America, which arranged the loan.

But, two years before the signatures were inked on the Dow transaction, an even larger venture was receiving its first impetus from two different directions. In 1980, Apache designed a special limited-recourse financing arrangement with several of the country’s largest pension funds that were managed by the Bank of America. The financing would cover the capital costs of wells drilled by Apache on behalf of its 1979 and 1980 oil and gas programs. The pension funds agreed to give Apache access to \$65 million at a then-low 10 percent interest in return for a percentage of the revenues from any oil and gas found on the properties they had helped finance. It was, the financial community agreed, a bold but logical stroke of fiscal creativity. Apache got what it needed with minimal impairment of its borrowing capability; lenders got a potential inflation hedge from the oil and gas reserves they had helped to underwrite.

THE RAYMOND PLANK CHAIR OF
INCENTIVE ECONOMICS:

*“We must build incentives into the institutions
of our society...”*

Since 1972, Raymond Plank has been a trustee of Carleton College, located just south of the Twin cities in Northfield, Minnesota.

Human energy being a finite as well as a highly-prized attribute, Apache’s chairman must someday retire from the board of trustees of one of the most academically selective small colleges in the U.S. His name, however, will continue to be a fixture of every new catalogue issued by the school far into the future. It will appear under the heading of “The Raymond Plank Chair of Incentive Economics,” established in perpetuity by the school on the tenth anniversary of Plank’s service as a trustee.

Although Carleton is noted as a leading Midwestern liberal arts college, student interest in the study of economics has experienced a dramatic resurgence there in the past half-decade. One major reason for the enrollment jump has been the teaching presence of Dr. Robert Will. In the words of Carleton’s president, Dr. Robert Edwards, “There is no other faculty member in this college who has elicited from students and parents more letters testifying to the intellectual awakening he has brought about.” Will was selected to be the first Raymond Plank economics professor, and much of his teaching is centered on the factors that produced and supported the formation of companies like Apache.

The chair’s permanent endowment of three quarters of a million dollars was officially celebrated at a special assembly held just before Carleton’s 1982 commencement exercises. To underscore the chair’s importance in this generally neglected area of economic teaching, Carleton’s President Edwards turned to Michael Novak, the philosopher and theologian, who was the principal visiting guest speaker for the occasion.

Novak, in his book *The Spirit of Democratic Capitalism* and other writing, has long argued that capitalism deserves a far deeper analysis and study than the academic community has ever given it to date. During the program that honored the creation of the new Chair, Novak noted — and somewhat scornfully so — that too many people ascribe the reality of world hunger to the activities of the multi-national corporations “without the faintest comprehension of the fact that every one of the 20



A view of the Carleton College campus

capitalist nations of the world feed themselves and also export food. And the socialist nations of the world, every one of them, import food and are drains on the world’s food supply.”

“A Chair in incentive economics has meaning far beyond the economics department itself,” Novak concluded.

The first chosen occupant of the chair, Professor Will, outlined briefly how he hoped to structure his teaching on the incentive economics theme. “We must build incentives into our personal lives, into our family lives, and into the institutions of our society to balance the desire to spend and consume today with the need to save and invest for tomorrow,” Will said. “That means hard study of the underlying factors necessary to the stimulation of economic growth — savings, capital formation and productivity. Incentive economics (will) analyze the nature and significance of the growth determinants upon which the health of our economy and society largely rest.”

Plank noted that he was content to hold one main hope for the teaching program. If it helped to develop young men and women with the incentive to meet challenging goals in a free society, he said, it could be called successful. Joining him in that wish were 107 other individuals and companies who had earlier made gifts to the Raymond Plank Chair endowment to honor someone who has done a demonstrably notable job of putting incentive economics to work within our free enterprise system.

Even as it shored up on risk, Apache was on the hunt for an entrée into the Gulf of Mexico. Although the company had eyed the Gulf for years, several limitations seemed to rule out any kind of a serious move. These included the lack of sufficient technical personnel, no offshore operating experience to speak of, and — for the clincher — not nearly enough cash on hand to finance offshore leases and operations while continuing to drill on Apache’s onshore leasehold where it had expertise and a successful track record. Nevertheless, the company had not reached its present size by just waiting for opportunity to knock at its front door. In 1980, Phil Byers asked Reid French, the principal geologist in Apache’s Houston office, to “start nosing around” for a possible partnership affiliation with any company currently working in the Gulf.

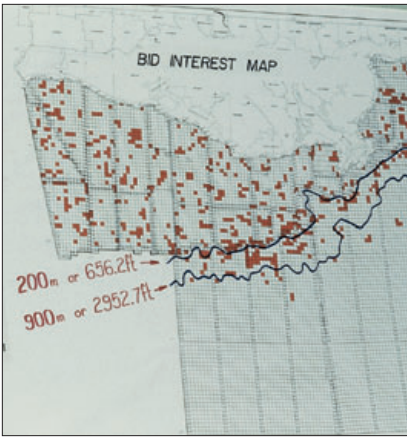
The eventual invitation received by French to test the waters came that year from Florida Exploration Company, which at that time held a minority interest in an offshore Gulf of Mexico venture led by Shell Oil. Florida Exploration was ready to release a portion of its interest and invited Apache to consider joining the venture. A team headed by Hank See met with a Florida Exploration group in Tulsa and was impressed with the presentation Florida made of its finding costs and results over a period of years. The vote of the Apache team was “Yes.”

The projected cost of a 7.4 percent interest in the venture amounted to \$600 million. Even with Apache’s notable track record in financing new drilling programs through limited partnerships, however, it was clear that no standard sales effort could begin to raise that kind of money. To make it more challenging yet, it could take up to five years from the time the funds were spent to begin to realize a return. The magnitude of the potential return, however, provided the incentive for Apache to tax its financial innovators and program sales force to their limits.



Reid French, now exploration manager – Houston region, in a photograph from the early Seventies.





Henry W. See (left) and G. Charles Hann followed the proceedings closely at the May 1982 federal offshore lease sale in New Orleans as the winning bids for offshore tracts were announced by John Ranklin, director of the Department of the Interior's Mineral Management Service (top). The group headed by Shell Oil, of which Apache is a member, that day acquired the right to drill on 23 new tracts .

One of the most vivid perceptions of the size of the job to be done came from Hank See, now Apache's senior vice president – marketing, who had previously served Batten, Barton, Durstine & Osborn Inc., as vice president and manager of its Upper Midwest office. “At the time we made our major decision to go with the Shell opportunity all the way, Apache had a cash flow of \$45 million a year,” See said. “We realized that if we were to utilize all our cash flow, eliminate salaries and other operating expenses, and then forego dividend payments in the bargain, we would still have had only about half the money needed in some years. But we jumped into the Gulf just the same — fully confident of our ability to finance the venture in some unique, creative way.”

A big share of the confidence Apache would be needing over the next few years had been gained from its first pension fund financing in 1980. Now, for part of the financing for its offshore Gulf venture, Apache was ready to knock on identical doors again. Another pension fund group came forth with \$180 million to help finance Apache's share of the leasehold Shell would acquire in the Gulf. A second big segment — \$200 million needed for Apache's share of the capital costs, which would include building production platforms to produce the venture's discoveries — was placed with other pension funds and insurance companies. For the third and largest segment of the total \$605 million financing, Apache, backed by a startled but supportive board of directors, created an investment product that one Wall Street energy analyst has characterized as “classic Plank.” A \$225 million private placement, it offered individuals, companies and partnerships an unprecedented opportunity to participate in drilling in the offshore Gulf of Mexico with Shell. Further, the offering's unique structure offered the investor a percent of the returns that would essentially equal his percent of the costs. Partnership units were offered at \$150,000 each. Brokerage houses, Apache reasoned, could market such units to customers anxious to secure a sizeable tax deduction in the newest Apache venture, even though actual cash returns would be some years away.

Reasoning was one matter; reality another. The realities of initial market reaction were experienced most keenly by David Altstadt and Paul Howey, the respective managers of the retail and wholesale selling groups for Apache Programs, Inc., the company's in-house investment sales operation.



The first discovery made by Apache's offshore venture went on production in early 1985.

“I crisscrossed the country I don’t know how many times,” Howey said later. “We were dropping down into three or four cities a day sometimes, making both daytime and evening presentations, and we couldn’t get favorable brokerage house reaction to our proposition. ‘Very intriguing,’ they would say, ‘but the \$150,000-a-shot unit is too big to sell.’ That’s what our crews kept hearing. But while we were stubbing our toes in financial centers from New York to San Francisco, David’s direct selling group was racking up \$55 million in sales of those same ‘unsellable’ units to individual investors. So our group hustled back to the brokerage houses once again to tell them that a big parade was passing them by, and that some of their own clients had joined that parade without their blessing.

“We still met some resistance,” Paul recounted. “There was, for example, a Baltimore brokerage house where a dealer who specialized in oil and gas stocks asked Dave, ‘What gives you the audacity to think you can raise over half a billion dollars to drill in the Gulf, where you have no experience whatsoever?’ and Dave answered her: ‘Ma’am, it may give you comfort to know that Shell Oil will be doing all the drilling, and they won’t be asking us our opinion, either before or after the drilling begins, to see if they’re picking the right spots.’”



More than 3,000 production platforms now produce crude oil and natural gas in the Gulf of Mexico. Compact, self-contained structures, they rise about 35 feet above water and contain everything needed for offshore operations, including helipad and crew’s quarters.

Between July 1983 and April 1984, a period in the United States when sales of drilling programs plummeted, Apache completed its \$225 million sales effort. Sales of the \$150,000 units were almost equally divided between the brokerage houses and Apache’s own internal sales team. For some individual investors, the purchase involved an unexpected and pleasant bonus — namely, a powerboat ride from Galveston out to a production platform in the Gulf, followed by a luncheon, an inspection tour of the facility and a helicopter trip back to shore.

It was not the amenities of an inspection junket, however, that drew investors to the offshore partnership investment opportunity. The features that attracted their attention and, ultimately, their participation were twofold. First, investors were to receive a percentage of revenues essentially equal to the percentage of costs they paid, giving them virtually the same rate of return as any other partner of Shell. Second, Apache “sweetened the pot” by putting all discoveries it had made from the time it joined the Shell group into the partnership. This meant a running start that further cut down much of the risk shouldered by the limited partner investors.

Within the financial community, John Beck, a principal with Beck, Mack & Oliver of New York City, offered this short analysis: “The event of the year in 1981 was the formation of Apache Petroleum. In 1984 the event of the year industry-wide was unquestionably the marketing of Apache’s offshore program in the Gulf.”

The size of the offshore venture was of such proportions to dwarf, almost unfairly, another important 1984 event, when some familiar prospects returned to Apache’s control. In March of that year, Diamond Shamrock Corporation sold approximately 800,000 net acres of non-producing leasehold and more than 1,000 producing oil and gas wells to the APC partnership for \$160 million.

Diamond Shamrock had acquired these properties when it bought the Natomas Company, which had bought the former Apexco properties in 1977. The 1984 purchase brought the old Apexco properties back to their original developer, Apache.

With the Dow and Natomas acquisitions, the Apache Petroleum partnership leapfrogged into the position of being one of the 50 largest independents in the oil and gas industry. (Apache Corporation was ranked as 51st.) The Dow properties tripled the value of APC's reserves, and the Natomas properties added another 125 percent production boost. Together, they support the recent observation of Jim Kneser and Jim Hansen, vice president – corporate communications, before a New York Society of Security Analysts meeting that “from our own perspective, we see Apache Petroleum as a large independent oil and gas company, and we will continue to operate it as such.”

What has happened in the past year at Kneser's own office location in Denver also bears out his New York City observation. In August of 1984, Apache was required to find new and expanded office space for the 120 employees who now make up the company's second largest operations group. Apache has since centered in Denver the company-wide responsibilities for exploration and production, oil and gas sales, property acquisitions, program management and related accounting functions. Of Apache's senior management, five are located in Denver. They include J.W. (Bill) Cunningham, executive vice president – production; Stanley E. Schindler, vice president – exploration; Roger K. Tromanhauser, vice president – APC and program management; Donald E. Wivchar, vice president – producing and drilling operations; and Kneser, who is vice president – acquisitions and program management.

Bill Cunningham gives a reason that transcends economics for the personnel buildup in Denver. “I've always felt that the closer you can put support people to field operations people, the more effective the latter are. Also, our operations people in the field need to understand the fiduciary responsibility we have to investors, both those who hold Apache stock and those who have become involved with us through purchases in drilling or production programs. Finally, in order to run our business effectively, it is important to have access to oil and gas accounting and the needed expertise that such discipline brings.”

The Denver group appears with some frequency at Apache's board meetings. Well armed with charts and other visuals, Cunningham ticks off some of the current annual expenditures. Stan Schindler, who follows Cunningham to the rostrum, names the key geographical locations where drilling is underway, and the pros and cons of each, insofar as potential returns are concerned.



J.W. (Bill) Cunningham, executive vice president – production, directs Apache's production and oil and gas sales activities from the Denver office.



Vice president – exploration Stanley F. Schindler leads the company's drilling operations.

One of the areas Schindler names is a prospect in Roosevelt County, Montana. Someone in the room recalls a former visit to that area of the country, where one part of American history comes alive in the form of circular groupings of rocks — “teepee rings” — that the U.S. Geological Service and the Bureau of Land Management are trying to hold undisturbed. All of the circles are thousand of years old, left there by various Indian tribes of the Great Plains, who — over the centuries — followed and hunted the once-immense buffalo herds for food and hides, and who anchored the bases of their teepees with stones to hold the temporary dwellings intact before the driving force of the winds of the Great Plains.

The Denver team’s well-organized presentation of exploration expectations prompts Brooks Fields to exclaim, at one point, “This is a super exciting place. I don’t know of another that does more to acquaint its directors first-hand with the full operations of the company.”

Plank agrees that the prospects are exciting, but adds a note of caution as well.

“We’ve just heard from our highly respected Denver contingent, and while optimism is certainly in order, so is some restraint as well,” Plank notes. “If all these exploration prospects come in the way Denver thinks they will, we might have to hold a special director’s meeting just to find a bank that’s big enough to hold all the money.”

At Apache, all forecasting from Denver or from any other area, for that matter, almost inevitably swings around to a discussion of what any impending action may mean in terms of investor benefits. That perspective was announced by Jaye Dyer in 1970 in a speech before the North Dakota Oil and Gas Association that received wide coverage in the business pages. It was reiterated recently by S. James Nelson, Jr., former Apache vice president – finance, when he took his visitors to the \$3.5 million computer center that provides an astonishing array of information totally centered on profit returns and tax benefits for over 100,000 Apache shareholders, APC unitholders and investment program participants.

“If you get into this business, you must intend to stay in it for many years in the interest of the investor,” Dyer had emphasized in his talk before North Dakota’s oilmen. “You must operate it solely for the investor, and profit only as he prospers. That means reports, accounting procedures and the like not used by any other companies, and operations scheduled in a manner that provide cash and tax predictability. Apache was organized because investors without knowledge of the oil and gas industry



Dwayne Schultz, manager – drilling and production, Denver region, (right) and Stan Schindler, vice president – exploration.

were being short-changed, with no one to pursue their interest in the tough-dealing world of oil exploration.”

In the year that Dyer was speaking in North Dakota, Jim Nelson was just beginning a career with Arthur Anderson & Co. that was to lift him rapidly to partner with the big accounting firm. At Apache, Nelson was one of the primary architects of the most sophisticated, and possibly the largest, management information system combining people and computer capabilities among thousands of oil and gas independents in the U.S. Today nearly 250 individuals — 60 of them in Apache’s management information area alone — are busy providing investors with personalized, timely information about the status of their investments.

“At most of the oil and gas exploration companies that offer tax-deferred investment programs, about 25 percent of their total personnel is involved in financial reporting and analysis.” Nelson pointed out. “At Apache, it’s almost 50 percent, or darned near half the company. That seems terribly large until you realize the size of Apache’s three major investor components that need up-to-date information throughout the year. There’s APC with nearly 60,000 unitholders. There are another 25,000 in the company’s drilling and income funds and in the Grove Land agricultural programs, some of whom have been with us since the company got started. Then there are another 25,000 stockholders of the corporation. These are the flesh and blood reasons we spend over \$2 million annually, exclusive of salaries, to keep that vital information flowing to them.”



Carol Lundstrom, manager – participant accounting, and S. James Nelson, Jr. former Apache vice president – finance (left), look on as Chuck Floer, manager – computer operations, demonstrates how the revenue system can produce additional financial information for Apache program investors.

The computerized nerve center that helps guarantee this flow is the province of Charles Floer, manager – computer operations, who shouldered the main responsibility for its physical layout. Carol Lundstrom, manager – participant accounting, readily admits that without such support facilities, her efficiency would be greatly diminished.

Twice a year, the personal status and operations reports are mailed to every individual holding either full or partial units in Apache investment programs. “My unofficial job title should probably be that of ‘manager of the bottom line,’” she says. “We go to great lengths to tailor information for each individual program participant in Apache enterprises that will give accurate pictures of present cash return, tax reduction and income estimates for two years down the road. No investor ends up playing second fiddle. With the staff and equipment we have, any individual who owns only one, or even a partial investment unit, receives the same full disclosure information as someone who has been putting money into Apache for two or three decades.”

The importance that Apache attaches to constantly upgrading the output of information to investors is evident in the job title of Donald D. Brandeau, who is manager – data administration and information center. Brandeau has the task of interpreting the information generated by Apache’s computer in terms of what it means for investors and for managing the company.

When Jim Nelson came to Apache in 1980, the company’s total assets were valued at just under \$337 million. Just 40 months later, the total assets under Apache management had increased to \$2.1 billion. Averaged out, that meant that Apache had been growing since the formation of APC at the rate of approximately \$1.5 million a day.

That is, Jim Nelson added almost unnecessarily, a “breathtaking pace.”

The only extra element in the summary of Apache’s weekly finance newsletter that might have put those figures in even more startling perspective would have been the inclusion of an activity that can still be photographed on the outskirts of Cushing, Oklahoma. That photograph, of course, would have as its focal point one of Apache’s first productive wells, whose pumping arm — still continuing its leisurely rise and fall — exemplifies the steady, reliable strength of entrepreneurial America when more things go right than wrong.

It is a long, long drive between Oklahoma and Wyoming, even when measured in the relaxed distance perspectives of the open West. Without its first success in Oklahoma, however, Apache might never have been able to make the unique financial and management commitment to Wyoming’s future that it is trying to make near Ucross — a tiny hamlet currently populated by 27 persons and one lovesick pet peacock who wanders throughout the town admiring his reflection in cellar windows.

That commitment carries the name of Ucross Foundation, formed June 1, 1981. It is, according to a former governor of Wyoming and an Apache board member, Stanley K. Hathaway, the largest and most completely altruistic contribution to the state’s future that any outside company has yet made.

Although Ucross Foundation’s main thrust is the exploration of a brighter future for Wyoming, its headquarters are rooted in an area with its own lively historical past. The foundation’s offices are housed in the buildings of a large ranch property, whose main structure — built in 1882 and known as “Big Red” — was distinguished in its day by its copper plumbing. Almost equidistant from Big Red and the oilfield that Apache discovered at nearby Recluse is an historical marker commemorating the trail followed by the Astorian Overland Expedition of 1811, when a party of 63 headed westward toward the Columbia River to help establish the Pacific Fur company of John Jacob Astor. It is country that was well known and respected by Buffalo Bill Cody.



Trail riders at Ucross Ranch move out toward the foothills of Wyoming's Big Horn Mountains.



The Ucross Foundation conference center at dusk

(A lady once asked the famed scout and buffalo hunter if he had ever been lost in Wyoming, and the always-polite William F. Cody answered, “No, ma’m, but once for three days out there I was mighty confused!”) Many of the crossroad churches had their foundations laid with the proceeds of pots from high stakes poker games donated by local ranchers — the same ranchers who tried to discourage eager new homesteaders inquiring about the severity of Wyoming winters by answering, “Between here and the North Pole there’s just one little ol’ line of barbed wire — and that blew down last night!”

One of Big Red’s early owners also added his bit of flavor to local lore. He was one Joseph Leiter who — in 1898 — once lost millions trying to corner wheat market futures and, on a lesser scale, lost \$70,000 by midnight one evening while gambling in nearby Sheridan. Undaunted, Leiter won it back by dawn, plus an additional \$4,000 of house money; he then saddled up and rode out to inspect Wyoming’s first irrigation ditch which he had planned and developed.



Stanley K. Hathaway, former Governor of Wyoming

DRILLING ROUND THE CLOCK:

Notes made on a one-day inspection trip to Apache's Walker #1 exploratory well near Elk City, Oklahoma, June 28, 1984:

Six a.m.: Leaving hotel for Tulsa airport to meet Vic Lyster, who heads Apache drilling and production in the Tulsa office. Great day outside — a June morning like the one that Rogers and Hammerstein immortalized in *Oklahoma*.

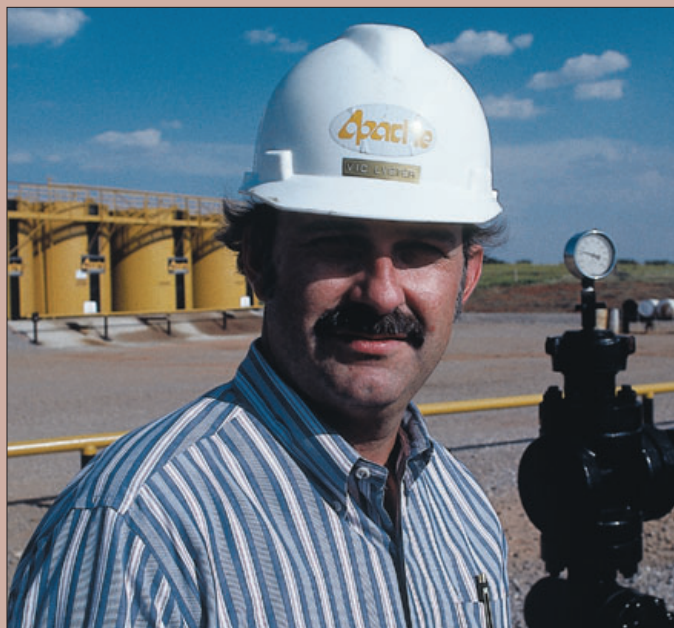
Review notes on Tulsa scribbled out last night. Plenty of individualists still in this city, despite its ultra-modern look. Once of them is Jewel Fisher, aptly named the “pie lady,” who has made over 60,000 pies; still makes about 50 a day; and — according to her — gets at least one proposal of marriage a week.

Three Indian tribes — the Creek, Osage and Cherokee — shared sovereignty in the Tulsa area. The city dates back to about 1905, two years before Oklahoma received statehood. In that year, the Glen Pool Field was discovered by Frank Chelsey and Robert Galbreath about 15 miles south of present-day Tulsa (with Chelsey crying aloud, “Oil! Oil! My God, Bob, we got an oil well!”)

Arrive at airport and meet Vic Lyster, who heads the eight-person engineering staff in the Tulsa office. Lyster is tall, polite and cordial. Blue jeans and boots. We'll be flying southwest across the state to Elk City. Outside Elk City, Apache has a 25 percent interest in an exploratory well, Walker #1. Drilling's already passed 12,000 feet; may go down to 18,000.

The plane Lyster has rented is a Cessna Conquest 441. We're aloft. Beneath the plane is the characteristically neat, checkerboard look of the North Central States — towns and fields in squares or rectangles, with the Arkansas and Cimarron Rivers meandering through, their ox-bows and sand shoals gleaming in the early morning sunshine. When world oil prices boomed in the Seventies, some of these farmers below us became millionaires in a hurry: “oilies” — as they were known — who had permitted drilling on their lands.

Tulsa office of Apache is currently managing 1,100 wells in which Apache holds an interest. Lyster himself has a large say about whether or not to close a developed well that may be about played-out, and whether or not to plug a well that may be becoming too costly to operate.



Vic Lyster

On the flight into Elk City, Vic points out some Indian reservation areas. Oklahoma is home to 170,000 Native Americans — more living here than in any other state except California. Sixty tribes call Oklahoma home. Every year, the tribes dance during a festival at Anadarko, drawing visitors from all over the world.

Elk City Airport is a friendly place with free coffee waiting for all arrivals. On the way to the drill site, Vic says that the rig we'll be seeing is worth \$3 million at today's prices, but in boom times, it could go for \$11 million. The particular field in which Walker #1 is drilling had no “hot” producers making 800 or more barrels of oil a day, but a number of wells are doing 400 or 500 barrels daily — and that's not bad.

Suddenly, up ahead, there's the Walker. Some rigs around Elk City are as high as a 17-story building; this one isn't quite that high, but even so, it's already used up 2,000 tons of steel pipe and 20,000 sacks of cement. Today, the drilling crew is making from five to eight feet an hour.

Noise of the big diesels providing the motive power is deafening, but things are better in the control room on the platform floor. There, the foreman monitors a panel of lights that indicates how the various systems — drilling mud, water, cooling, drill string — are functioning. Lyster, of course, is totally at home on a rig. He broke into drilling while still a college student, when he and his friends spent summer vacations in the Kansas oilfields



working for tuition expenses. All of them learned how to work fast. Sometimes, when mud leaked in the oil seams far below ground surface, Lyster was ordered to move out on the double to buy up wood chips, shredded automobile tires, cottonseed hulls, chicken feathers or anything that could be put down into the casing to staunch the mud flow.

On the way back to the Elk City Airport for the return trip to Tulsa, Vic talks about the winter just past. So severe, he says, that Apache had to rent two steam trucks that plowed their way through the snow outside Elk City and then blew steam on the lines at the pumping stations so that the lines wouldn't freeze. Oil patch ingenuity went another step beyond that; the same trucks also loaded up with garden hose that was attached to the trucks' exhaust pipes so that the hot exhaust air could be blown into the unheated meter rooms to keep the recording equipment operating. Subzero cold gripped so much of the nation that on Christmas Day the Apache office got a desperate call from a vice president of Lone Star Gas asking that Apache produce "every cubic foot of gas" it could send into the pipelines.

The Apache pickup Vic Lyster has borrowed from Apache's field office at the edge of Elk City is now passing through rolling terrain that Vic says is great wild turkey country. Indians had lived and hunted on these properties many generations earlier and gave them their names. Cloud Chief, Wild Heron Creek, Red Moon, Beaver Dam and Black Kettle are some of the names that appear on Lyster's field maps of the area. Back in Tulsa, the early settlers also added their contributions to a state already rich with wonderful names. One of their best was Tulsa's first hotel, a hostelry named "The Pig's Ear" that served hot meals and — marvel of marvels — also had an indoor bathroom just off the front hallway. The hotel was built not too far from the first stop made by the Pony Express in what was then called the Indian Territory. Today, Tulsa is home to a population of 370,000 and Apache's busy mid-continent office.



A meeting might as well be held outdoors on a fine spring day at Ucross: (from left to right) James Bauman, vice president – Wyoming operations, Heather Burgess, director – residency program, and Robert Thomas, director – Ucross Foundation.

Apache rebuilt the principal buildings at Big Red. At their dedication, over a thousand Wyoming residents showed up — no small gathering for a state fondly but accurately described by one of its former senators as “a country distinguished by high altitudes and low multitudes.” Until recently, the Ucross Foundation was guided by Dr. Harry P. Day, who was persuaded by Raymond Plank to come north from Florida to get the Foundation under way. Both the site and buildings were in disuse and disrepair when Day arrived (“It was a leap of faith that persuaded me that any good development could happen here,” he said later), but the former university educator, who had earlier established somewhat similar centers in Europe and America, dug in with a will. Early on, he provided a definition of what the new Big Red should be. Its purpose, said Harry Day, is to provide an environment in which “individuals and groups from diverse sectors may interact in a neutral setting and plan together for a wiser use of natural resources, the growth of a sound economy, and a fuller development of the human potential.”

Currently, achieving momentum for that purpose is the responsibility of the Foundation’s new director, Robert Thomas, a former president of Western Montana University who succeeded Day. Thomas is currently overseeing a Stanford Research Institute baseline study

of Wyoming where the end objective is a frank appraisal and recommendation for improving both the economy and quality of life in the Equality State. The “windows of opportunity” that Thomas hopes the study will reveal will be presented to an audience of about a thousand of Wyoming’s leaders sometime later this year.

Although Ucross Foundation is still relatively young, various conferences already have been held there on such wide-ranging topics as water resources, ranching, the development of special arts instruction and participation avenues for older people in nursing homes and hospitals, and technical services for humanities organizations, among others. Stan Hathaway is not only an advocate of the Ucross experience, but has also hit the sawdust trail with Raymond Plank to help find additional non-governmental financial support.

“This kind of teamwork has just got to happen, because government can’t shoulder the load alone,” Hathaway says. “The partnership between government and business probably won’t be a written one — I’d call it more of a psychological sharing proposition. It’s true that extractive companies such as Apache take value from land that can never be returned in identical value form, even though these companies provide jobs and a tax base while doing so. Ray Plank and others at Apache understand this, and are committed to returning another kind of value to this state that we welcome and need.”

In addition to the conference center, the Big Red complex includes studios, where artists and writers who have been given grants by the Foundation come to begin or complete work. Each studio is designed for natural lighting, and includes running water and a private entrance. The artists live in a remodeled schoolhouse that is a short drive away by car, or a shorter walk through a pasture dominated by a somewhat testy bull with no discernible appreciation of the arts and a demonstrated aversion to visitors. As a result, most artists-in-residence prefer to use the road, but a few of the more adventurous ones make a run for Big Red across the pasture when the bull has other matters on his mind.

Both the artist residency program and a lively exhibits schedule that may feature anything from magnificent examples of the western saddler’s art to more standard gallery subjects are directed by Heather Burgess, a young Sheridan resident who returned to her state following her own art studies in New York.



The main camp at Paradise Ranch

Maintaining a fatherly eye on Foundation progress and much more besides is Minnesota native, James Bauman, now Apache's vice president – Wyoming operations. Bauman, a finance graduate from the University of Minnesota, held varying responsibilities at several Apache subsidiaries until he flew into Wyoming's Sheridan airport some years ago to inspect some new ranch lands recently acquired by the company. He made an almost immediate decision to change location and life style ("As soon as I stepped off the plane and saw the Big Horn range in the distance, I was ready to move!"). Understandably, Jim's family experienced some wrenching discomfort leaving the cosmopolitan environs of Minneapolis for the land "where the deer and the antelope play," but time and the challenge have made them enthusiastic converts to Western life and ways. Bauman now oversees Apache's cattle ranching venture plus a separate guest ranch, adjacent to Big Red, that functions alternately and often concurrently as a resort for vacationers, a hunting and fishing lodge during the state's

game seasons, and a housing facility for guests attending nearby Big Red conferences. Once or twice a week, Bauman also drives into the Big Horns west of Buffalo to check on the ongoing restoration and expansion of another Apache property, Paradise Ranch.

In homes across the U.S., views of Paradise Ranch surface regularly in photo albums and slide collections put together by several successive generations, for the place is one of the oldest working dude ranches in the U.S. The ranch had its beginnings late in the last century as a summer grazing area for cattle, but evolved into its present use when friends of its then-owner, Norman Meldrum, were enchanted by the clean streams, beaver ponds, riding trails and the stupendous views of the Big Horn range. His friends declared it to be a paradise — and the compliment stuck. One of the first cabins was occupied by the writer, Owen Wister, who wrote *The Virginian* there — an adventure yarn that was, for many years, the favorite book report choice in most high school English classes across the country.



The Wyoming landmark known as “Big Red,” now carefully restored, is on the National Register of Historic Places and serves as home of the Ucross Foundation and Creativity Center.

The most colorful of successive Paradise owners or managers was a former wrangler named “Wyoming” Jack O’Brien who — according to an imaginative copywriter in the mid-Thirties — “played the banjo, sang like a bird, and could manage dudes.”

In time, the old ranch slid into disrepair until it was bought by Apache in 1981. Since then, under Bauman’s direction and with his wife Judy’s quiet talent for interior decoration and design, it has become an outstanding guest center once again.

“Wyoming simply has to experience stronger economic growth to keep its young people here,” Bauman says. “The Foundation, of course, is a major step in that direction — with various authorities and talents working on that objective at Big Red. But you have to remember also that this is a state with tremendous resources of natural energy and stunning natural beauty, which almost automatically guarantee head-on confrontations between

business and environmental interests. If the Foundation does nothing else but keep the lines of communication open between these two powerful interests, it will more than justify Apache’s investment to get it started. When the big demand for energy comes again to Wyoming, the people making the decisions about where and how much and how it will be distributed will, I hope, already have met many times on the neutral, pleasant grounds of Big Red, and have developed respect for each other as they work out mutually agreed upon guidelines for Wyoming’s future.”

Bauman waves a hand toward a small herd of pronghorn antelope moving through a line of cottonwoods that borders Piney Creek. “If we can make that happen, I’ll feel this is not a bad way to spend one’s days,” Bauman concludes. He gestures again, this time toward some big cumulus clouds developing over the Big Horn mountains to the west. “And what a place to spend them!”

APACHE'S FUTURE: AN OUTSIDE DIRECTOR'S VIEW

The futurist John Naisbitt makes the observation in his bestseller, *Megatrends*, that the most reliable way to anticipate the future is to understand where we are today. In the same sense, the preceding history of events leading to the present may be useful in giving a glimpse of what lies ahead in Apache's near-tomorrow, as well as insights into its boisterous past and successful present.

There is much to be learned from this rollicking recounting of a new company in maturing from the early days of energetic entrepreneurship to becoming an experienced and aggressive winner through innovation.

All of us on the board of directors believe that Apache is out front in responding to today's challenges and in building profitable operations that will benefit shareholders, program investors and the American economy.

The outside directors are particularly pleased with the success of Ray Plank and John Kocur in building an excellent team of younger management executives, as well as creating the climate that makes "Apaches" known for their motivation — and even their passion — to build a leadership enterprise.

The *basics* have been kept: integrity; hard-driving demands on Apache people who have responded to a participative style of leadership; and the building of a team of top performing professionals.

What has been *added* is a combination of understanding of the possibilities for new paths to sound profits, as well as determination and vision. It is a story of working the fundamentals the smart way.

There have been some "dry holes," but the record of "winners" in business concepts, as well as in oil and gas exploration, has kept Apache ahead of the pack.

There are special intangible values one senses at Apache. That is why it is so satisfying to work with Ray Plank and his battle-ready team. It is an enjoyable, lusty work experience.



Virgil B. Day

Not long ago, I heard someone remark that if Ray Plank and these Apaches had been with Custer at the Battle of Little Big Horn, the outcome would have been different. No matter how outnumbered, these fine people will not be out-thought or out-fought.

A handwritten signature in black ink that reads "Virgil B. Day". The signature is written in a cursive style with a long, sweeping horizontal line above the name.

Virgil B. Day
Member, Board of Directors, Apache Corporation,
Minneapolis
Partner, Vedder, Price, Kaufman, Kammholz & Day,
New York

...AS WE GO FORWARD

From our beginnings — when we were struggling to establish values that would enable us to serve people in a better way — I have felt that Apache should be guided by the awareness that fundamentally we were “in the business of creating wealth.”

Fortunately, we were able early on to build professional talent in oil and gas exploration as a basis for profitable performance, and we have been blessed with the addition of other talented people associated with Apache.

Good people and sound concepts have enabled us to achieve good results. This has been possible because Apache’s roots now reach deep and drink deep, and these roots, in turn, have found their strength in:

- the established credibility that 100,000 investors in Apache and our program products have imparted to our lifeline.
- the verve of our people, who care about themselves and can best express their self-interests by caring about the world around them.
- the distinction between the shallow attractions of short-term roots of mediocrity versus a deeper call for excellence — excellence laced with enough disappointments to measure the distinction between success and failure.
- the excitement of innovation and change, in contrast to the defense of a status quo whose hallmark is that of “beaten paths are for beaten men.”
- the self-realization of Apache people who are growing through their contributions and accomplishments.

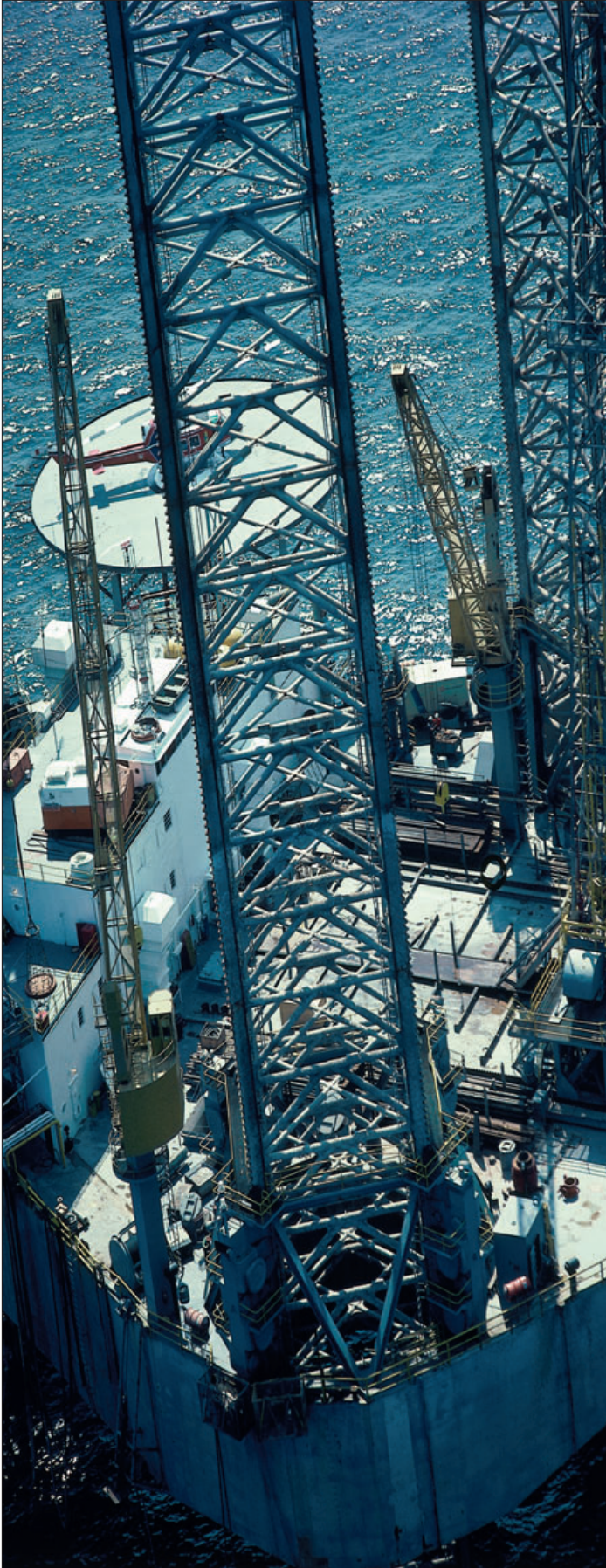
For all these roots, we are thankful. Collectively, they represent our confidence in Apache’s future, and the continuing opportunity within America for expansion of faith in individuals seeking higher goals.



The rate of change throughout our planet accelerates, throwing into sharp relief those who are “with it” and those who are “out of it.” And while one instance of change in the mid-Eighties is evident in a new cadre of buccaneers who would look for and scuttle corporate institutions for short-term plunder, I believe this is a temporary phenomenon whose course is nearly run. Today’s raiders offer mainly short-term pillage rewards versus those achieved and distributed by the longer-range creators of true wealth.

Is there a danger of tipping the balance toward the liquidators of our heritage? In the short haul, possibly, our focus may be distorted by adventurers preying upon the store of wealth created by others. A truer focus reasserts itself when we realize anew our obligation to serve the shareowner, customer, employee, infrastructure, supplier and other societal constituencies we are privileged to represent.

Oil and gas, like other non-renewable resources, are commodities. Our nation’s agricultural commodities, also in surplus, share investor ambivalence. There is a distinction between the two, however, of which we may have generally lost sight.



Non-renewable oil and gas resources command the world's greatest demand. Renewable agricultural commodities can be produced with increasing efficiency. One source becomes ever scarcer — the other more abundant.

Apache's role is to bridge the gap between those who rely upon short-term possibilities, which are appealing to all of us, and those dealing in fundamental intermediate to longer-term value creation and realization. Selectively taking an exploration position today, therefore, at a time when the ratio of costs incurred in finding oil and gas is lower, or purchasing it from those who have seen prices erode, is far more than a simple act of faith. It is also, Apache firmly believes, an act of discretion.

Our company works hard to substitute longer range opportunity for shorter-term perceived expediency. There is an immense market and opportunity between two fundamentally opposed orientations. While our customers may orient both short-term and longer range, we offer a competent, honest and profitable bridge to the future.

Apache has built that bridge with the cumulative support of our various publics — customer, shareowner, employee and infrastructure — over three decades. It's a priceless franchise. It is one we believe that has only gathered a base of strength upon which to grow — in profit, societal responsibility and realization of personal fulfillment — from meeting challenge and opportunity in our fast-changing environment.

Raymond Plank

Raymond Plank
Minneapolis, Minnesota
November 1, 1985

1985 DIRECTORS



Setting the course for Apache's fourth decade is the current board of directors: (Seated left to right) William F. Foss, James Stuart, Raymond Plank, Virgil B. Day and Robert V. Gisselbeck. (Standing) Fredrick M. Bohlen, W. Brooks Fields, John A. Kocur, Curtis W. Mewbourne, Malcolm S. Mackay and Gary T. Alkire. Not included is Stanley K. Hathaway (photo on page 79).

1985 OFFICERS

Raymond Plank
Chairman of the Board and
Chief Executive Officer

John Kocur
President and Chief Operating Officer

J.W. Cunningham
Executive Vice President – Production

Darrell J. Egertson
Executive Vice President –
Corporate Development

Albert B. Perlin
Senior Vice President and General
Counsel

Henry W. See
Senior Vice President – Marketing

William H. Anderson
Vice President – Management
Information Services

James Bauman
Vice President – Wyoming Operations

Edwin E. Cain
Vice President – Government
Relations

G. Charles Hann
Vice President – Product and Program
Development

James W. Hansen
Vice President – Corporate
Communications

Beatrice L. Huston
Vice President and Secretary

James E. Kneser
Vice President – Acquisitions and
Program Management

William N. Lundberg
Vice President – Land Administration

Reggie L. Medley
Vice President – Natural Gas and
Crude Oil Sales

Ronald E. Menk
Vice President – Internal Audit

Dean G. Newman
Vice President – Human Resources
and Communications

Stanley F. Schindler
Vice President – Exploration

William E. Sheridan III
Vice President and Controller

Roger K. Tromanhauser
Vice President – APC and Program
Administration

Donald F. Wivchar
Vice President – Producing and
Drilling Operations

John M. Buske
Treasurer

1985 EDITION

Text

Research associate

Editorial supervision

Graphic Design

Typography

Printing

Revised 2004 EDITION

Printing

Robert M. Brown

Madeleine Meers

Betty E. Watson

Jim Underhill and Jack Deskin

K&K Art & Associates, Inc.

Minneapolis, Minnesota

The Type House + Duragraph, Inc.

Meyers Printing Company, Minneapolis

Western Lithograph, Houston