IN THE PUBLIC INTEREST
THE OIL AND GAS INDUSTRY
OF SASKATCHEWAN, 1905-1950

ROY SCHAEFFER
1983
IN THE PUBLIC INTEREST

The Oil and Gas Industry of Saskatchewan, 1905-1950

A Thesis
Submitted to the College of Graduate Studies and Research
in Partial Fulfillment of the Requirements
For the Degree of
Master of Arts
in the
Department of History

by
Roy Schaeffer
Saskatoon, Saskatchewan

© 1988, R. Schaeffer
The author has agreed that the Library, University of Saskatchewan, may make this thesis freely available for inspection. Moreover, the author has agreed that permission or extensive copying of this thesis for scholarly purposes may be granted by the professor or professors who supervised the thesis work recorded herein or, in their absence, by the head of the Department or the Dean of the College in which the thesis work was done. It is understood that due recognition will be given to the author of this thesis and to the University of Saskatchewan in any use of the material in this thesis. Copying or publication or any other use of the thesis for financial gain without approval by the University of Saskatchewan and the author's written permission is prohibited.

Requests for permission to copy or to make any other use of material in this thesis in whole or in part should be addressed to:

Head of the Department of History
University of Saskatchewan
Saskatoon, Saskatchewan
Canada S7N 0W0
INTRODUCTION

In the fall of 1930, in an action anticipated as "nothing less than the consummation of Confederation itself"¹, the natural resources of Saskatchewan and Alberta were transferred from federal to provincial jurisdiction. Professor Chester Martin noted that changes in the use and management of those resources were inevitable. "Federal purposes are not provincial purposes neither are federal ways provincial ways for their achievement."²

The people of Saskatchewan, having agitated for the return of resources for decades, did indeed perceive specific provincial objectives in their exploitation. These included the enhancement of the wealth, economic self-reliance and power of the province, and their utilization in the creation of a new prairie society, an "alternate economic and political order."³ Resources such as agricultural land and the forests were well known, their potential tested; others, such as oil and gas, remained speculative but nonetheless appealing. For decades they held an alluring but elusive promise of prosperity and economic transformation.

The hopes and objectives of Saskatchewan with regard to natural resources were often represented in the statements of public men and women. The question of oil and gas development was continually being addressed in this period. The provincial government was bound, however, by practical reservations, ideological constraints, and in the case of oil, ...¹
by the priorities and needs of a powerful industry. Despite the real changes in the life of Saskatchewan in the decades before and after the transfer - a period of growth followed by prolonged depression and drought, the dislocations of war, the opportunities of post-war prosperity, and the shifts in political power - public policy with regard to resources maintained a remarkable consistency. This consistency was paralleled in the discontents and demands of an influential sector of the agrarian community. Within the context of this conflict of attitudes, dreams and ambitions, the oil industry of Saskatchewan emerged.

Faced with an array of physical and structural economic difficulties, it never entirely fulfilled the hopes of its promoters. Nor did it succeed in securing the province the independence and industrial strength it coveted. Only after many years of effort and investment did it become a major resource component of the provincial economy.

The purpose of this study is to trace the evolution of the oil and gas industry from its origins through the first two decades of provincial control of natural resources. It will involve examining the ambitions attached to it, the nature of the changes that overtook it, and the forces that ultimately determined those "provincial ways" for its development.
Footnotes

1. Chester Martin, The Natural Resources Question (Winnipeg: King’s Printer, 1920), p. 120.


The great economic fact of Saskatchewan in the period under investigation was its almost exclusive reliance upon agriculture and the production of a single export staple, wheat. In 1931 over 70% of the population was rural and grain growing represented by far the largest source of local income. The National Policy had established the role of agricultural hinterland for the province and had sown the seeds of a profound sense of economic vulnerability and political powerlessness. As C.B. Macpherson noted in his Democracy in Alberta: "The prairies, peopled by producers of grain and other primary products, were developed as an area for the profitable investment of capital, as a market for manufactured goods and as a source of merchandising and carrying profits." The inability of the farmers to control their own economy, whether in the handling, transportation or sale of grain, and the need to purchase manufactured goods from powerful eastern interests, were the hallmarks of what Macpherson referred to as the "quasi-colonial" status of the region.

The perception of exploitation, the sense that grain growers were neither receiving a fair price for their product nor paying a fair price for consumer goods, united agrarians. This was manifest in the creation of large and influential farmer organizations designed to effect a measure of direct involvement in critical areas of economic activity. These groups provided a political voice, mobilized cooperative
activity, and created a source of policy analysis and local management expertise. In the first years of the twentieth century, the farmers battled the same corporate and political enemies identified by progressive forces elsewhere in the country and the continent. As W.L. Morton observed: "Never was the Canadian West more part of the world." ⁴

Among the inequities imposed upon the region by the National Policy was the retention of the natural resources of the West by the federal government. The determination to retain the lands in the interests of a transcontinental economy were regarded by westerners as an alienation of their birthright in the interests of an essentially eastern scheme of nation-building. The resources question forcefully symbolized the colonial relationship and remained "inseparable from the subordinate political situation" of the farmer.⁵

Awareness of the fiscal and developmental potential of resources preceded by decades the circumstances of the 1930's that made the economic vulnerability of Saskatchewan and the other prairie provinces so painfully apparent. In the Bill of Rights for the North-West prepared by Louis Riel in 1885, the request was made for "the control of our resources, that we may build our railroads and other works to serve our own interests rather than those of the Eastern provinces." ⁶ These sentiments were repeated in the autonomy demands of the turn of the century and in the resolutions of the Saskatchewan Grain Growers Association and the provincial legislature after 1905.

Initially, the interest was in the revenue potential
of the agricultural lands, forests and minerals. Even with generous federal grants, provincial financial resources were pressed to the limit by the developmental demands of the period. The Saskatchewan Grain Growers expressed its concern that "Saskatchewan has hitherto been called upon to sustain the full responsibilities of a province, without having its land as a source of revenue." To the farmers, the control of resources meant primarily the easing of taxation. It promised the enhancement of the provinces' ability to provide needed services including roads, schools and telephones. As the land filled and prairie society stabilized, there gradually developed an awareness of the value of resources other than land as a basis for economic diversification and ultimately industrialization.

In the case of Saskatchewan, the real potential of those resources was viewed with some scepticism. Stephen Leacock pronounced his verdict in My Discovery of the West: "The great plains are lacking in water, in wood, in diversity .... All that can be done then, is to go ahead and raise wheat like all possessed." However, "in Saskatchewan the obvious has never been accepted readily" and a rising confidence in the promise of natural resources prompted a desire to see them developed locally. There was an appreciation that an abundance of cheap and accessible resources could be used as a means of overcoming the "institutional weight" of the older industrial areas and bring more varied sources of prosperity to the West.
To the practical agrarian, the growth of industry in the province promised not only a broader tax base, but a larger local market for a variety of agricultural products and a source of employment. Ideally a locally controlled industry designed to serve local interests could enhance the self-reliance of the province and its people. Such industry, utilizing local resources and sharing prairie values, could provide goods free of tariffs, inflated prices and exorbitant transportation costs. A more socially responsible resource and manufacturing sector might permit the realization of the utopian vision of the west: a land without the evils of monopoly or the corruption of an alien money-power.11

The suspicion and hostility of the farm community to urbanization and industrialization were evident in certain of the policies established by their organizations and have been thoroughly documented.12 For prairie populists, in both the United States and Canada, much of the hostility was based on the nature and uses of industry by the 'eastern interests'. Like producers anywhere, the grain growers of Saskatchewan wanted to ensure that their resources would serve their interests. "What the movement was resisting was not progress per se ... but an historically specific form of progress led by a minority class, a form of unregulated capitalist modernization that threatened the very existence of the class of small producers."13 Agrarian objectives with regard to the industrial development of resources were thus a blend of regionalism, idealism and economic self-interest.
This can be seen in attitudes toward the development of an oil and natural gas industry specifically. At no time did the farm interests of Saskatchewan formulate a concise or comprehensive policy with regard to oil or any other natural resource. Their first concern was inevitably that of the consumer, a simple desire to secure fuels and lubricants cheaply. Costs of kerosene for home lighting, gasoline and greases for the operation of farm machinery, automobiles and trucks, were important elements of every farm budget. But beyond mere consumer consciousness was some appreciation of the value of oil and gas as a revenue generator. These resources could create more than a new primary industry in the province. Medicine Hat, Alberta, had shown what could be done with cheap fuels to entice secondary industries in search of new forms of motive power.

A question remained: who would develop the resource? Action by the major oil companies, the organizations most capable, was inevitably regarded with some reservation. For many years agrarians had viewed the great Standard Oil Company as the epitome of the exploitative monopoly. In the words of one American populist writer, inflammatory, but reflective of popular attitudes:

Trusts are the outgrowth of plutocratic rule. Almost everything we eat or wear is controlled by some trust. The Standard Oil Trust is, perhaps, the most powerful and absolute trust in the country. It not only controls the oil traffic in the United States, but is now reaching its grasping fingers to control the whole world, and there is but little doubt that what it will succeed.  

Imperial Oil Limited, the major that dominated the region
and the nation in refining, marketing and ultimately
production, was a subsidiary of this 'evil' combination.

The alternatives to unrestrained private development
were public ownership or private development under strict
regulation and a measure of community involvement. That the
former was an attractive option is not surprising. The
provincial government was the only local institution with the
financial power to undertake major projects. In addition,
populists commonly looked to the state to protect the interests
of the community. Encouraged by agrarian socialists such as
A.E. Partridge, a distinct public ownership bias emerged among
a segment of the population. More conservative members of the
farm movement resisted the move to increased functional demands
upon the province but echoed the call for local control of
local resources as the value of these resources became known.
The Saskatchewan view was entirely consistent with the national
desire for a 'made at home' fuel policy and a planned programme
for self-sufficiency in coal and oil.

Writing from the Prairies in 1919, G.C. Potter, a
 correspondent with the Toronto Telegram, noted prairie
attitudes to oil:

There are some disinterested persons in this
part of the west who do believe that the
federal government should take warning by the
way in which others of the Canadian great natural
resources have been exploited by a few capital
combinations to save this treasure. It is here
for the people. This view increases with the growth
of rival interests. The idea is crystallizing that
the investigation should be handled by the
government and the product, if discovered,
handled as a public asset.
Such concerns were repeated in innumerable public and press statements through the years by politicians and journalists of all political stripes. Speaking in praise of the many small operators active in the search for oil and gas in Saskatchewan in the 1920's, J.T.M. Anderson, leader of the provincial Conservative Party, stated that they "should be commended for their efforts and protected against monopolists who come from outside." 19

The agrarian determination to prevent monopoly control and ensure the use of resources in the interests of the province was reflected in a Saskatchewan Grain Growers Association convention resolution of 1907 which stated: "That in the opinion of the Association oil fields and coal lands not at present exploited should be owned and controlled in the interests of the people." 20 This resolution indicated a profound concern over the Department of the Interior policy of outright sale of oil lands. The policy was continued until 1910 and handicapped the development of a national oil strategy and optimum revenue generation. There was debate at the convention as to whether the government should do more than merely control the lands and regulate their exploitation. There was agitation to change the wording of the oil lands resolution to read "owned and operated in the interests of the people." 21 Government ownership of resource extractive industries was ultimately rejected, for in the words of the Secretary, the SGGA "always made it a practice to be moderate and to ask for what we could get." 22

...10
Tension on the issue between the pragmatic and radical elements of the agrarian movement was apparent, and it was to continue, yet a general agreement emerged on the desirability of Saskatchewan management for Saskatchewan purposes. In 1909 the SGGA advocated government ownership of "coal, oil or other mines," and that resource enterprises be worked by the public in order that "the profits and benefits be shared by all alike." The same concern would be repeated in public ownership resolutions produced by the successor to the SGGA, the United Farmers of Canada (Saskatchewan Section), particularly after the onset of the depression.

The determination to change the direction of development entered the political realm as well. Demands for provincial administration were made by the national and provincial Progressive Party, and in more militant fashion in nationalization policies enunciated by the Saskatchewan Co-operative Commonwealth Federation.

Agrarian concern over the appropriate development of an oil industry waxed and waned, affected by changes in fuel prices, supply conditions, and the general state of the economy. With larger and more immediate issues of grain marketing, rail freight rates and tariffs at stake, oil was rarely a focus of farm attention. Nonetheless, the popular attitudes toward oil and other natural resources that have been discussed were constant. They had to be recognized and dealt with by the provincial government in the design of public policy and, by the industry, in the development of plans of
exploration and exploitation.

The provincial government had an important role to play in the encouragement of an oil industry. It was the preeminent public body locally and, after 1930, the owner of most of the mineral rights of the province. In lands and resource management, the federal government had established a precedent for activity since, as David Breen has noted, the Department of the Interior was "the largest and perhaps the most dynamic of all government departments." The activities of both the federal and provincial governments were wide ranging, but generally did not follow the directions stressed by many agrarians. The thrust of federal policy was to attract foreign investment to the development of resources and to interfere as little as possible with private exploitation - a policy which drew regular fire from the West.

The Saskatchewan government was inevitably more sensitive to farm demands. The intimate connection between farm organizations and the province's political parties has been thoroughly documented in other studies. The authorities were, however, confronted with contradictions. Agrarians insisted upon a high level of government involvement in the economy, appealing at one time or another to every rationale for state intervention: to provide services which private enterprise could not profitably maintain; to undertake projects that presented too great a risk to business; and to prevent "possession by an enterprise of monopoly power and/or exceptionally rich natural resources, either of which [could]
produce substantial 'unearned profits' or rents."²⁷ At the same time the government faced demands for economy and suffered repeated attacks for its "reckless spending."²⁸ While the province may have sympathized with the desire of farmers to control their own resources and maintain local direction of the oil industry, they questioned the feasibility of these objectives given the fiscal circumstances of the province and the unwillingness of the population to sanction risk-taking with public funds.

The Liberal and Conservative-Progressive administrations that governed the province until 1944 had little ideological sympathy with the notion of public development of resources. They did move gradually from a concentration on the revenue potential of natural resources to industrial development. However, to have successfully participated in the search for oil and effectively controlled it as an agent of industrialization would have required a high rate of expert involvement and a willingness to pursue a much slower and more orderly development. A province eager for revenues for more immediate (and politically attractive) purposes found little allure in such an approach. Instead, they were inclined to follow the more traditional paths of providing a healthy climate for investment and attracting the private funds necessary for a broad economic take-off. As Richards and Pratt have observed in their work Prairie Capitalism, they adopted the classical rentier approach of trading resources for external investment and returns in the form of jobs, taxes, and
the hope of industrial linkages. Ultimately, "although populist pressures impinged", dealings over natural resources involved "institutional bargaining between government and various corporate combinations."

Every Saskatchewan government, regardless of its ideological bias, was faced with certain practical realities, not the least of which being the tenuous (at times desperate) state of provincial finances. The burdensome public debt created by the effort to maintain extensive services acted as a constant disincentive to investment in resource endeavors. In addition, the province suffered a chronic dearth of local capital for projects and extraordinary difficulty in securing funds from the capital markets of the East. Entrepreneurial expertise and technical skills in resource fields were also slim and difficult to attract from more promising and profitable areas. An argument has been offered that the funding and the expertise could have been acquired had the province demonstrated the necessary commitment. As far as oil and natural gas were concerned, however, both governmental and popular priorities were elsewhere, particularly as the real potential of the province as a producing region remained in doubt.

The prospects for oil and gas in Saskatchewan were never entirely discouraging. A small but growing local market served as an incentive for activity conducted by small, independent, speculative operators, wildcatters who relied upon modest local financing. This element, occasionally aided by
professionals from Alberta or the United States, but usually controlled by local businessmen and farmers, were regarded as the best hope of the province for a genuine provincial industry dedicated to local ends. The independents, in turn, were happy to play the local control card when seeking government aid to stave off bankruptcy. The financial difficulties and the lack of success of the independents served to deter the government from active participation and provided sobering experiences for investors. They did provide the people of the province with insights into the problems of the industry and established a small pool of skilled labour.

The major oil companies, Imperial Oil Limited in particular, were in a more commanding position. To the extent that the discovery of oil is a product of size and economic muscle and not luck, the majors had enormous advantages. They had access to extensive internal capital resources generated through other elements of the industry and to financing from parent corporations outside of Canada. In addition they had ready access to Canadian capital. Unlike the small western independents they could borrow against refining and marketing assets or have loans guaranteed by parents. These same refining and marketing assets made the majors an industrial force on the prairies and the major purchasers of crude oil. Their extensive transportation and marketing networks gave them a stake in the discovery and development of local supplies. While they never monopolized exploration, they could secure expertise had the ability to maintain exploratory activities...
and maximize the productive potential of a region. Though never popular in Saskatchewan, the majors could offer the province certain benefits: extensive expenditures in development with a greater likelihood of success and no financial commitments from either the provincial government or local shareholders. While they required concessions in the form of relaxed exploration, leasing and royalty regulations, these presented no initial costs to the government. However, whatever appeals the majors may have had for the province, Saskatchewan remained to them a high risk area. Until local, national, or international factors warranted it they had no more than mild investment interest.

In Saskatchewan, the perceived needs and corporate realities of modern oil and gas development, combined with the political and fiscal limitations and pragmatic objectives of the provincial government, came into conflict with a deep rooted desire for regional self-reliance and a popular determination to create a new society free of 'monopoly power'. Agrarian opinion did affect the development of public policy and could be effective so long as there was no counterweight. The provincial government was genuinely sympathetic to the ideal of local development through oil, but quickly abandoned the ideal when the prospect of sustained development through the agency of the majors appeared. The province eventually adopted the position that oil could not be effectively utilized as a lever and that economic diversification in Saskatchewan would have to be pursued though other means. While they were not to disappear entirely, populist objectives were overwhelmed
by the prosperity of the 1940's and the practical benefits that eventually accrued from large scale oil and gas development. As W.L. Morton was to observe of Alberta's loss of innocence: "If one must travel to Nowhere, there is no more comfortable way than on a tide of oil."34
Footnotes

1. J. Howard Richards, "The Status of Saskatchewan vis a vis the Western Interior", in Henry C. Klassen, The Canadian West (Calgary: University of Calgary, 1977), p. 130


3. Ibid., p. 6


5. John Richards and Larry Pratt, Prairie Capitalism (Toronto: McClelland and Stewart, 1979), p. 17


7. Saskatchewan Archives Board (SAB), United Farmers of Canada (Saskatchewan Section) Papers, IX 199, Convention Resolutions 1929.

8. Stephen Leacock, My Discovery of the West (Toronto: Thomas Allan, 1937), p. 87


12. A valuable account of the influence of agrarian attitudes on urban-related policies is to be found in James Struthers' "Prelude to Depression", Canadian Historical Review, 58, 3, p. 288


14. Richards and Pratt, Prairie Capitalism, p. 75


19. SAB, United Farmers of Canada Papers, IX 341, Speech by J.T.M. Anderson.


23. Quoted in Martin Lipset, *Agrarian Socialism*, p. 73


29. Richards and Pratt, *Prairie Capitalism*, p. 71


31. Revealed in even a casual perusal of the lease files of the Saskatchewan Department of Natural Resources, SAB, NR8

32. The federal Department of the Interior and subsequently the Saskatchewan Department of Natural Resources were compelled to cancel numerous leases for failure to comply with performance requirements. Lack of funds was the common explanation offered.

33. Crane, *Controlling Interest*, p. 4
34. Morton, "The Bias of Prairie Politics", p. 299
Chapter 2 THE INDUSTRY TO 1930

The modern oil industry experienced its beginnings in the fields of south-western Ontario and Pennsylvania in the late 1850's. Within a decade, refined petroleum in the form of kerosene had replaced whale oil as the source of domestic lighting and black oils were lubricating the world-wide extension of the industrial revolution. In the first years of the twentieth century with the conversion of shipping from coal to fuel oil and the increasing consumption of natural gas as an industrial and domestic fuel, the demand for hydrocarbons grew at a remarkable rate.

It was, however, the advent of the internal combustion engine that revolutionized the industry, fundamentally altering its production requirements, refinery techniques and market structure. Due in some measure to the growth of automobile traffic the energy needs of the United States grew two and a half times between 1899 and 1919, with over 12% of these needs being met by petroleum. By the end of World War I every industrial state in the world shared a reliance on oil for domestic and military purposes; it had become one of the key strategic commodities of the age. As Robert Engler notes in *The Politics of Oil*, the increasing use of petroleum as an energy source "marks the transition from a simple rural society paced by the speed and inclination of man and nature to an industrial complex where the conquest of time and space have created a dynamic of their own."
By the nineteen-twenties the internal structure of the industry had taken on its modern shape. It was dominated by a handful of large, integrated and international firms with a commanding share of the world's transportation, refining and distribution capacity and effective control over global production. This concentration was in part due to historical circumstances, but largely an inevitable response to certain "objective conditions in that particular industry."

Through the nineteenth century entrepreneurial access to the industry through the 'upstream' production end was relatively easy. While exploration and drilling were exceedingly risky, they required only modest capital outlays for tools and a modicum of expertise. Petroleum finds were made periodically, each resulting in a brief boom and the rapid exploitation and exhaustion of the field. Drillers would descend upon a site, acquire leases, and encouraged by the rule of capture which grants oil in a field to whoever produces it, draw off the resources as quickly and extensively as possible. The incentive was to overproduction rather than rational development as each producer sought to gain profits before the field declined. The process resulted in wildly erratic oil prices as the flow of oil waxed and waned. Waste and financial instability characterized this dimension of the industry.

The oil refining community was a more exclusive one, stable and capital intensive, it observed the erratic behavior of the producers with dismay. Uncontrolled production affected both their manufacturing potential and profit picture. It was
from this community that John D. Rockefeller emerged, a man with "the powerful imagination to see what might be done with the oil business if it could be centred in his hands - the intelligence to analyse the problem into its elements and to find the key to control." The key that Rockefeller found was management of the market through the consolidation of refining and the control of transportation. Large scale processing granted Rockefeller unparalleled economies of scale. Agreement with railways for rate advantages in return for steady patronage gave him rates up to 50% below those enjoyed by competitors. Through these techniques the first of the great American combines, Standard Oil, was constructed, "the prototypical modern business organization." By the end of the century the trust controlled 90% of the continent's refining capacity, owned the pipelines that carried much of the product from distant fields, and had negotiated special arrangements with the railways that carried the rest. Producers found themselves faced with a powerful monopoly that could and did impose prices and influence levels of production. While competitors complained of unscrupulous business practices and consumers suspected price-fixing, Standard Oil could claim to have imposed some measure of order upon chaos.

Order in the American industry meant secure profits for Standard Oil, capital with which to ensure its preeminence, keep pace with new developments, and acquire both the technology and talent necessary to counter external challenges. Oil, in virtually all of its components became the "first of
the science based industries." This extended to oil transportation with the construction of tankers to carry product or crude around the world, rail tank cars, and the laying of a network of pipelines.

The production field ultimately gave way to science and heavy capital investment as well. Geologists had been collecting data on underground strata since the mid-nineteenth century and the identification of anticlines (potential oil bearing structures) was possible by the turn of the century. With the need to go farther into the hinterland, costs increased and the value of scientific investigation was enhanced. "Oil firms welcomed a chance to narrow the risk burden by determining in advance the probability of success in finding oil in various locations before sinking the heavy capital investments that were involved in the process." Producers increasingly engaged in intensive geological investigations, detailed surface mapping, and the collection of data from related sites. By the early twentieth century companies such as Standard had established internal geology departments and begun experimenting with sophisticated exploratory methods.

Similarly, extensive engineering and technical skills were devoted to the perfection of new drilling equipment and methods. The traditional, steam powered cable tool drill gradually gave way to the hydraulic rotary drill which permitted faster and deeper penetration. "Drilling depths were increased to bring in new and deeper producing horizons... Both
manufactureres and operators realized the problem and recognized the fact that entirely new, improved and heavier drilling machinery was necessary to meet the requirements of the oil industry. The sophistication of equipment, the professionalism of drillers, and the need to drill ever deeper to find production resulted in mounting costs. By 1919 the average well could consume over $40,000 with no guarantee of results.

As the methods used to bring oil to the surface were increasingly capital intensive, so too were the facilities required to get the finished product to the consumer. Effective forward integration led the majors to establish marketing network complete with product pipelines, bulk plants and local warehouses and delivery vehicles. Gradually the sale of product to the customer was removed from the local grocer and jobber and placed in the hands of corporate representatives and the modern service station.

Thus at all levels the industry had become extremely difficult to penetrate. Though small independents continued to operate and remained a significant factor particularly in exploration and production, their existence was often tenuous and their survival ensured only through agreements with the majors. The fact that the industry had become international in scope could only confirm the concentration of power. To stabilize world markets in the wake of the discovery of major new fields and an international price war the Achnacarry, or 'As Is' Agreements was reached in 1928. These were "complex
agreements to shape and regulate production and marketing so as to minimize competition while maintaining prices."

The agreement established a number of practices of importance: a guarantee of established market shares among the majors, the exchange of crudes where economically beneficial, and the setting of the U.S. price as the base price for oil. "To protect American oil, the oil from anywhere else was fixed at the price in the Gulf of Mexico, whence most United States oil was shipped overseas, plus the standard freight charges for shipping the oil from the Gulf to its market." The industry, composed of a select number of large corporations, was thus in a position, both nationally and internationally, to control the supply and movement of petroleum and dictate prices at the wellhead and on the street.

The growth of the power of the majors prompted a reaction in the form of anti-trust actions, but the logic of the industry almost immediately reasserted itself. State action was more effective in the prevention of overproduction, as government supervision of production and marketing gained a foothold in the controls introduced in the fields of the southwestern United States in the 1930's.

Monetary and strategic concerns led to more intimate ties between oil companies and governments, as both became increasingly sensitive to the exigencies of world supply. The concentration of power and expertise in the majors, once a source of public suspicion and hostility become a source of strength as companies joined hands with the state in the
pursuit of national goals. As consistent supply and price maintenance was a common objective, the planning power of the companies gained a measure of approval and "self-regulation became the desired goal of business and government." As World War I drew to a close a premium continued to be placed upon the energies and skill of the majors. By the end of the war there were warning that reserves were low in the United States, the world's preeminent supplier, and there was little hope that new domestic reserves would be discovered to "modify seriously the estimates given." With the encouragement and support of their governments, American, British and Dutch firms began a comprehensive search for oil reserves world-wide. This resulted in a rapid increase in overseas public and private investment.

Canada was not unaffected by global changes in the oil industry or in the structure of energy needs. By the early twentieth century it had become one of the world's largest per capita consumers of petroleum products. Not only was the automobile becoming a prevalent aspect of domestic life, but new manufacturing and natural resource processing industries were burgeoning, demanding abundant and low cost sources of power. Aside from a small residue of production in the Lambton County, Ontario fields the country had virtually no domestic supply and was compelled to import a large volume of crude oil, 680 million barrels per annum by 1928. Refining and marketing activities were almost completely controlled by Imperial Oil Limited, a subsidiary of Standard Oil since 1898, which held an 85 to 95% share of the market in major centres.
Protected by tariffs, manufacturing and distribution plant and equipment were established throughout central Canada and the industry proceeded west along the railway lines erecting warehouses and sales offices. Despite the apparent downstream strength of the industry, however, domestic production of crude proved an elusive goal.

From the end of the nineteenth century the Canadian West was viewed as the most promising area for oil discovery, and it remained a region in which the federal government retained exclusive control over most of the mineral lands. The disposal of mineral rights with the sale of Crown Lands ceased in 1887 on lands west of the Third Meridian, and in 1890, on lands east. Thus extensive rights in Saskatchewan and Alberta were available to Ottawa to be managed or exploited "for the purposes of the Dominion." These purposes were defined as the rapid settlement and economic development of the region. For the Department of the Interior, whose task it was to see that the lands were exploited rapidly and comprehensively, a laissez-faire approach was adopted, "an approximation of the retail business philosophy that the customer is always right." Investment capital was encouraged through the publications and publicity tours of the Natural Resources Intelligence Branch. Few questions were asked of potential developers and resource exploration and development policy remained "tentative and experimental."

Only as the burden of immigration and settlement eased was the department able to direct its energies to the
statutory and bureaucratic needs of the resources other than land. As the Minister noted in the Departmental report of 1925:

[T]he whole effect of western development during the past twenty-five years has been to place upon the Department of the Interior an administrative task which is not only in many respects much heavier but which generally calls for much broader administrative services and more varied departmental organization than were required in the early years of the century.28

Departmental attention to the administrative requirements of oil and gas was encouraged by significant external factors as well. The mounting British concern to secure oil supplies for strategic purposes was reflected in a letter from the secretary of state for the colonies to "officer administering to Government of Canada" in 1913 which stated: "It is highly important both for the industrial and commercial interests of the Empire, as well as the efficiency of the Royal Navy, that the source of fuel supplies shall be in British territory."29 The British government insisted that for Imperial purposes it was essential for Canada to exercise more control over potential sources of crude, a policy that was consistently resisted by officials of the Department of the Interior. Crown reserves in national parklands were established in 1914, more complete oil and gas regulations compiled, and a provision introduced that required that "any company acquiring by assignment or otherwise a lease under the provisions of these regulations, shall at all times be and remain a British company."30 Thus throughout the war the Canadian government performed its duty in the protection of the resource interests
of the motherland, and as David Breen has noted in his article "Anglo-American Rivalry and the Evolution of Canadian Petroleum Policy to 1930", it was Britain that promoted "a policy of economic independence (for Canada), in so far as it related to the key area of petroleum resources."

Such a policy did not take root, however, and changes in approach were observable shortly after the war. Opposition to restrictions from the oil industry, fears of U.S. retaliation, and recognition that Americans controlled "the most important source of capital with which to prospect and develop the oil resources of the Canadian West," prompted the federal government to reconsider its policy position. The evasion of the British-only rule by the creation of Canadian exploration subsidies of American firms, the growing jurisdictional battles with the provincial governments, and the promise of the north encouraged the Department of the Interior to abandon the battle to maintain Canadian ownership or strict administrative control of oil lands.

In 1920, in the "interests of a continued flow of American capital", Section 40 of the oil and gas regulations, the British-only provision, was relaxed to permit subsidiaries of American corporations to operate in the country. In the following year, at the instance of Imperial Oil and under the threat of an exploration halt, a plan was devised whereby all taxes owing by the company were to be partially covered by expenses already incurred by the company, the application of 40% of the total monies expended in "settlement pro-tanto of
rentals due subsequent to the 1st day of July, 1921, on Crown
Lands other than school lands. . . . "34 Chester Martin observed in
"Dominion Lands" Policy: "In effect the Department was bonusing
the prospecting for oil in the interests of national policy,
with little regard for revenues." 35

Development at the expense of either control or
revenues remained the hallmark of Interior administration of
oil. Exploration and production were to be encouraged not
through government participation or direction, but rather
leasing policies, the amendment of regulations to meet the
needs of development, and their generally lax enforcement. The
regulations devised in 1910 to cover exploration and drilling
on oil leases (until that date oil rights were disposed of by
sale) provided for the acquisition of a minimum of 160 acres
and a maximum of 1940 acres at 25 cents per acre for the first
year and 50 cents per acre thereafter for twenty-one years. The
legislation required that boring commence within fifteen months
and that $5,000 worth of equipment be erected on the site, but
permitted exploration and drilling expenditures incurred during
the second and third years of operations to be applied to
rentals. 36 Though rescinded in 1919, the original regulations
also stipulated that no royalties were to be paid on petroleum
sales until 1930. 37 In 1914 it was recognized that the maximum
acreage provisions of the regulations did not permit producers
effective control of a field and was a disincentive to
development. Under revisions of that year the acquisition of
several leases and their grouping to 20,000 acres was
permitted, and with the demands of war and the dangers of shortage due to cuts in American supplies, further allowances were made to encourage the search.38

Through the Petroleum Engineer's office in Calgary the Department of the Interior maintained close ties with independents and majors and maintained data on operations. While it observed the industry and noted fraudulent practices, little action was taken to ensure efficient exploration or prevention of waste. Small operators were shown exceptional lenience in the collection of rentals, but there was no effort to provide assistance and many operators admitted to being "almost at a loss for want of expert advice."39 Regulation extended only to a minimum of public protection and the creation of an attractive environment for business activity. The private development of resources by those with the capital and the skill was the ultimate objective and it could best be achieved by a policy of benign neglect.

The federal government was not insensitive to the practical requirements of the oil industry. Ottawa was much on the ground in quiet and unobtrusive ways. It had become almost traditional by the twentieth century for both federal and provincial governments to establish "an industrial research program and provide at public expense a variety of industrial services."40 The Geological Survey of Canada represented one of the first of such service programs. Designed as a scientific information gathering body it was sensitive to the technical requirements of the mining industry. Through exhaustive field
work it identified potential ore bearing areas, assessed the
economic potential of regions, and publicized its findings
through articles and conferences. Its expertise was devoted
to the development of improved exploratory techniques and
equipment and many of its discoveries were highly valuable to
industry. It was a geologist of the Survey who evolved the
anticlinal theory of oil accumulation and paved the way for a
more rational scientific method of detection. By the turn of
the century the geologists had "outlined the basic geological
framework of the sedimentary basin of western Canada" and were
positive about the potential discovery of "commercial pools of
fluid oil." During and after World War One the attention of
the Survey was directed almost exclusively to "efforts to
discover and assist the development of coalfields, oil and gas,
bituminous sands and shales...." To investors, the work and
assistance of the Survey represented part of the attraction of
Canadian resources and they could rely on ever more detailed
and comprehensive studies.

Similarly, the Mines Branch of the federal Department
of Mines maintained information gathering and disseminating
services. It produced a manual of operations for those in the
oil industry, responded where possible with technical advice,
and provided laboratory facilities for the analysis of core
samples. Where drillers lacked the equipment, the Branch would
provide the tools necessary for the extraction of samples and
subsequently return detailed reports on the oil bearing
potential of strata tested. The information gathered from
directors was retained by the branch as a data bank for the use of all organizations involved in oil exploration.

Direct financial encouragement to the oil industry by the federal government was provided briefly through the Department of Trade and Commerce. A series of petroleum bounty acts between 1904 and 1908 introduced bounty payments of 1 1/2 cents per gallon of crude oil produced. By the 1920's the government faced a potential oil boom in the West and as William Fielding, the Minister of Finance, observed: "from the Dominion Treasury's point of view that which might seem to be a blessing would be little less than a disaster." In 1923 a phase out of the bounty began and it had completely disappeared by 1925. While it at no time resulted in payments in the West it did serve as an incentive for exploration in the two decades it was in place.

Despite their significance, national supply considerations and global fuel strategies were not the only factors at work in determining the development of the oil industry in western Canada. Local demand became a critical factor in the twentieth century, for while the prairie market remained small and seasonal it showed remarkable growth. Between 1900 and 1930 the population of the region expanded at an unprecedented rate, by the end of the period the population of Saskatchewan alone was 8% of the national total. An essentially agricultural population had proven from the earliest period of settlement to be steady market for illuminating oils, axle and harness greases, and with the
successful introduction of power machinery a considerable demand for tractor distillates and lubricants emerged.

By 1910 the internal combustion engine had won the battle in all fields, and most tractors and other farm machinery were driven by this means. The giant Hart-Parr and Rumely tractors, weighing as much as thirty tons, began to lumber up and down the furrows of the wide plains, until in due time they were replaced by smaller, more efficient equivalents. The early machines burned refined oils, which helped to compensate refiners for reduction on the use of that product as an illuminant. Western Canada had become the world's largest tractor market, and fuels and lubricants were needed in great quantities.48

During the last economic boom of the period, the years 1926 to 1929, over 59,000 tractors and 9,500 combines were purchased in the Prairies.49 With this intensive mechanization one farm might consume as much as 500 gallons of fuel per day in harvest season. To the marketer, each farm was viewed as possessing the consumption capacity of a small industrial establishment.50

The ever expanding railways provided an additional outlet for refined product. The small towns and cities of the region required fuels for domestic and industrial purposes. The automobile had also become a profoundly important element in prairie life, easing the difficulties of travel, transport and community interaction. The popularity of the motor car resulted in demands for more and better roads and as a result road improvement became a priority for every provincial government, consuming millions of dollars every year.51 The oil companies thus enjoyed growing demands for both gasolines and asphalts, and this diversity of product demand permitted full utilization of the product and more efficient production runs. By 1918 the
region was consuming five million barrels in oil products annually and by 1928 Imperial Oil's regional marketing manager was predicting it would soon become the nation's leading oil market.

This optimism was reflected in energetic efforts on the part of Imperial Oil to secure the market through active publicity and extension of facilities. In 1914, the company constructed at a cost of 2.5 million dollars the largest oil refinery in the west, a 1500 barrel a day facility in Regina capable of serving the entire region. In 1923 it brought on stream an additional plant in Calgary. The number of Imperial Oil bulk stations, the local railside storage and distribution units, was increased from 187 in 1918 to 548 in 1930 in Saskatchewan alone. Thus one international major, Standard Oil, had developed a strong presence in the prairies through the investment of considerable capital. Its only competitors were a number of small, local refiners who operated somewhat primitive 'topping plants' skimming light automobile and tractor fuels from high gravity crudes to market directly to local farmers or independent distributors.

All the refiners of the region drew supplies from the United States, mainly Wyoming and Montana. Despite local demand there was little local production. Alberta had experience with oil and gas exploration from the late nineteenth century, and by 1900 both Medicine Hat and Calgary were supplied with gas from the southeastern fields. Gas strikes at Oil City in the Waterton Lakes district and in the north near Fort McMurray
resulted in brief, minor booms that attracted little national attention.

The same could not be said for the Dingman No. 1 strike in Turner Valley in 1914. It turned Calgary into an overnight boom town and excited the interest of major oil companies and the British government. The strike uncovered a wealth of gas and a flow of very high gravity oil. There was a renewed appreciation of the geological promise of the West for it lay almost entirely within the great mid-continent sedimentary basin. In 1922 major finds were made in the Kevin-Sunburst field in Montana, in structures identical to those found in Alberta and only eighteen miles from the border.

A number of independent drillers were active in the field, but after Turner Valley the industry was plagued with speculators and amateur operators. World War One and the depression that followed dried up the available capital, prompted numerous bankruptcies and all but destroyed public confidence in the industry. Following the halcyon days the Dingman boom, during which millions in oil shares were traded, financing became the great and ever present concern of the independent oil man. The only organization capable of large scale concerted effort in the region was Imperial Oil or one of the other majors with access to extensive capital reserves.

Imperial had demonstrated little interest in seeking Canadian reserves prior to World War One, but a number of the corporate and political changes in the period were to propel it
into a leading role in exploration.

In the period immediately after the Standard Oil breakup in 1911, Standard Oil of New Jersey, the Imperial parent was deprived of much of its domestic producing reserves. It had not participated in some of the major discoveries of the early years of the century and now wanted to integrate back into production and develop secure sources of supply. Imperial could serve as a convenient agency for overseas development. At the command of Walter Teagle, Imperial's new president (soon to be president of Standard Oil of New Jersey) an exploration program for Alberta was set up in 1914.

Corporate objectives to secure reserves were combined, as already noted, with national desires, both in Canada and the United States, for supply security. The find at Turner Valley was sufficiently encouraging to warrant the acquisition of leases if only to safeguard the corporation's position in the region, though "Jersey directors simply did not believe there was much oil in Canada, and Jersey geologists were inclined to agree." It was not until 1918 that the West witnessed the first major exploratory drive in the form of a comprehensive geological survey by Imperial Oil. This program involved the acquisition of extensive mineral rights on the lands owned by the railways, the selection of 200,000 acres in Crown petroleum leases, and the dispatch of twelve geological parties throughout the region. This activity had the desired effect of preventing an exploration monopoly by rivals and increased
public knowledge and industry interest in the West.

While the Imperial program brought a high level of activity and encouraged exploratory drilling by independents, the results were less than spectacular. Another significant find of crude and natural gas by Imperial's Royalite No. 1 well in Turner Valley in 1924 helped to revive that field, but also led to the dangerous overproduction of natural gas and the wide-spread flaring of waste product. The field became a focus of provincial concern over Department of the Interior neglect and unregulated waste. In 1925 Edmonton began to receive its supplies from the new Wainwright field and small finds were being reported throughout the province. The finds in Alberta were of little note compared to the discoveries that were then being made in the United States and fundamentally altering the oil price and demand structure.

The emergence of the giant Seminole and North Dome fields in the United States in the late 1920's brought prices down, renewed optimism regarding domestic supply, and correspondingly diminished the interest in overseas and Canadian potential.

By 1924 all talk of oil shortage, all immediate fears had ended, submerged in a flood of oil from the new ... fields. From an annual production of around 350 million barrels during the years 1917-1918, U.S. production had gone to 723 million barrels in 1923, and in 1929 it was to cross the billion mark for the first time. Many American companies that had gone into foreign exploration withdrew in favor of home operations.

While Imperial and the other explorers did not cease operations in Canada, the concern over supply and the price
potential incentive had largely disappeared.

Thus the first western oil boom, quiet though it was, passed. Saskatchewan, for its part, was never regarded by the industry with enthusiasm. While virtually the entire south and central west area of the province lay in the same sedimentary basin as Alberta and was underlain with potential oil bearing rock, the area was relatively flat and covered with a thick layer of glacial drift. Surface examination for anticlines was difficult to impossible, and test drilling highly speculative and costly. There was some interest in the exposed oil shales of the Pasquia Hills in the east central part of the province in the early years of the century, but this quickly passed as lessees discovered the costs of extraction and the difficulties of transportation. Geological Survey scientists covered the entire region and produced numerous reports and papers on the oil potential of the province, usually inconclusive. The cautious nature of these analyses is reflected in the conclusion of a significant 1928 report produced by G.S. Hume, the petroleum geologist most active in the province:

...[A]lthough the Geological Survey and others have regarded Saskatchewan as a hopeful prospect from the standpoint of the occurrence of folds suitable for gas fields, as far as is known no such fields have been located. The failure to locate such folds may mean that no favourable folds are present but the more likely explanation seems to be that such folds have not been found owing to the difficulties encountered in trying to locate them. It seems highly probable that the finding of any folds, if some are present, will be dependent on accidental location of deep test wells at favourable localities or on an extensive and hence very expensive campaign of drilling test holes to determine structure. There is, of course, always the possibility that further field work might reveal favourable gas structures but as field work has
progressed the possibility has become more and more remote."

There was little advice the Geological Survey could provide, discoveries might be made but exploration in Saskatchewan was apparently "strictly a wildcat proposition."

Despite the evident practical difficulties and the disappointing geological diagnosis the industry in the province was never moribund nor untouched by the excitement generated by both Alberta and American finds. From the drilling of the first well in the province in 1906, Langham No. 1, for the Canadian Northern Railway, there was always some measure of activity. Imperial Oil had a geological party in Saskatchewan in 1919, though it stayed only a short time, drilled no test holes, and presumably relegated the province to a low priority as a potential development region. Local oil enthusiasts were not so easily discouraged, and between 1906 and 1930 innumerable small exploration and development companies were incorporated and some 32 holes were drilled, all dry. The titles of these companies reveal their local origins: the Unity Valley Oil Company, the North Battleford Oil and Gas Company, Lloydminster Oil and Gas Company, Riverhurst Oil and Gas Company, Hanley Development Company. Few survived for more than a few years and many saw their lease files closed with the note that there was "no record that the company has carried out development work on its location."

Lack of expertise was always a source of difficulty, for the locals often depended on the questionable oil knowledge of water well drillers or one of the numerous oil diviners that
travelled the region. Drilling often commenced on the basis of an oil or gas seepage, common throughout the province, but rarely indicative of genuine prospects. Scientific support at this time did not go beyond the reports and memoirs of the Geological Survey.

Capital, however, was the critical requirement for oil development in the province and its accumulation proved almost impossible. Oil entrepreneurs often appealed to "local capital for the investigation and development of local resources" and drew upon the savings of farmers and small businessmen. Accumulation proved particularly arduous during World War One and the post-war depression and pleas for extension of leases and moratoria on rent collections were often accompanied by complaints that it was "impossible to obtain or secure the necessary capital" or that it was "practically impossible to finance Joint Stock Companies". A dependence on a farm community also meant a dependence on general agricultural conditions. The low yield and low grain price years of the early twenties presented lean times for the oil companies, witness the admission of the secretary of the Hanley Development Company that he had "failed to secure the necessary funds on account of poor crops." The Department of the Interior was not insensitive to the problems of the independents and generally extensions on leases were permitted if some effort to develop the resource could be proved. There was an acknowledgement not only of the capital accumulation difficulties but also of the costs involved in drilling in
Saskatchewan, particularly in the more inaccessible parts.

The return of prosperity in the late twenties resulted in renewed activity in oil drilling and greater public confidence in the resource potential of the province. Each drilling site was heralded as the first step on the way to a great new industry, and each independent made it known that it was "struggling against many difficulties to open ... one of the largest oil fields in the west." Minor booms were sparked at Maple Creek, Swift Current, Lloydminster and Realyn. Considerable excitement was aroused by the Unity-Vera drilling of 1926; it was claimed that $85,000 was being expended on 3000 acres of extremely promising territory. Even the Alberta press prematurely reported that the "first producing well to be brought in in Saskatchewan" was operating.

Such media attention was often accompanied by intense stock sale campaigns to local residents by less than scrupulous operators. However, lessons had been learned from the frauds of the Turner Valley boom and the Western Producer warned farmers about "wildcat ventures, impossible promotions, crooked deals, stock sold by misrepresentation and wild speculation in producing properties." Surveying the scene, the newspaper pessimistically reported that "Saskatchewan is about to be done in oils." Nonetheless, a level of local enthusiasm was maintained sufficient to keep a number of legitimate drillers in the field, some of them genuine community ventures.

Enthusiasm was enhanced by statements by the Minister of the Interior late in the decade that "drilling operations were..."
carried out in Manitoba and over a wide area of Saskatchewan with indications of favourable results in the near future."

Despite the difficulties and general lack of success of the Saskatchewan oil industry, optimism regarding the commercial potential of the oil lands remained. This confidence was closely connected with a new awareness in the region, and the nation, of the potential of forest, rock and water resources. The recovery of the world economy following the post-war depression resulted in increasing demand for Canadian raw materials and an influx of foreign investment, particularly American direct investment in natural resources. New production techniques, rising prices, cheap power and improved transportation facilities made mining and mineral producing feasible, even in the hinterland.

The age of steam and steel within which Canadian economic development had hitherto taken place had to make way for the age of alloys, hydro-electric power and internal combustion engine. The new techniques, the development of which had been forced by the war, opened up vast new Canadian resources for development and heavy investments were made for their effective exploitation.

In the prairies, the old desire for complete equality with the other provinces of the Dominion in the ownership and control of natural resources was now combined with the promise of real development of new raw materials. To the farmers of Saskatchewan, not directly involved in resource exploitation beyond 'the first six inches of the soil', the first hope of development was the generation of revenue to permit an easing of the land tax burden. During the 1920’s 50-70% of provincial revenues were derived from land taxes and
hard pressed agrarians insisted that their governments, self-proclaimed 'farmer governments', find an alternative. The Saskatchewan Grain Growers Association and subsequently the United Farmers of Canada (Saskatchewan Section) produced a number of research reports, memoranda and speeches pointing out the importance of local control of resources for the wheat producer:

All provinces are called upon to assume the same load of responsibilities and outside of the public domain of natural resources unalienated, the only other means of revenues under our constitution is direct taxation in some form or other notable among which is direct provincial property taxation. It is significant that we have had a direct provincial tax for some time, while this has been unknown in Ontario, except for a few years in the post-War period.

Control of resources, and their proper regulation and exploitation, it was assumed would result in more than reduced taxation. The revenues to be generated would also permit the province to undertake road building projects and additional services.

The farmers shared with local businessmen, and provincial officials, the concern that the Department of the Interior was neither maximizing the revenue potential of the resources nor administering their alienation in the best interests of the people of the region. J.G. Gardiner, the provincial minister of highways in 1920, questioned the wisdom of the province investigating or publicizing resources when they would be "immediately snapped up by speculators under existing Dominion regulations." The farm community was less guarded in its suspicion that few benefits were accruing to
Saskatchewan from the federal program of development and that "boundless natural wealth is lying dormant in our country and is guarded as a reserve by foreign bankers to feed foreign industries the fruits we can never enjoy." Implicit in the stated grievances of farm, business and government was the assumption that there were provincial objectives in resource exploitation beyond the garnering of public funds. The development of resources promised the long awaited and much sought diversification of the economy, the products of the forest or subsoil could serve as a lever to bring not only primary but secondary manufacturing industries to the region.

To the farm community the immediate benefits of economic diversification were readily apparent: a broader tax base for the province leading to greater stability, the creation of a larger local market for foodstuffs, and a greater degree of economic self-reliance. The agrarians demonstrated a hostility to industry born of exploitation and the perception that commerce and manufacturing were distant and unassailable powers. They were viewed as responsible for the allocation of an agricultural role to the west and the tariff which sustained that role. If the tariff could not be eliminated, and it became increasingly apparent that industrial protection was inviolable, then the creation of strong local industries was the only answer in breaking "the chain of exploitation linking the periphery to the metropolis." As the Regina Leader-Post noted in 1919: "The West has sometimes been accused of being narrow in its outlook, yet it has never sought to work an
injury to any legitimate industry even though it has contended vigorously for its own rights. West\'n agriculture welcomes industry, which brings an important source of supply close at hand and helps to round out the economic life. skeptical.

Local industry utilizing local resources could supply needed manufactured goods more cheaply and without the added costs of transcontinental transportation. Local control and awareness of local interests was the critical consideration. Industry was necessary and could be beneficial, but more was required than mere location in Saskatchewan. Industry had to share the values and the objectives of the farm community. Agrarians wanted a manufacturing sector that would be sensitive to community needs, offer fair prices and reasonable credit terms. A civilized and socially responsible industry had to be created which did not exploit those who depended upon it. It had to be industry in concert with the utopian vision of the West: a new, morally upright society free of the machinations of party politics, corporate intrigue and the concentration of wealth and influence.

These same interests and concerns extended to resource development. There too, exploitation by local interests was the critical issue. The Saskatchewan Grain Growers Association stated at their 1907 convention that "we do not want to be up against a monopoly" and that neither oil lands nor any other valuable resources should be alienated in perpetuity to large outside corporations. By 1911 the SGGA was making no specific mention of oil, but demanded that key
resources be held by the federal government for the province and that upon the ultimate transfer of control to the province they "shall be operated by the government in the interests of the people." Though government control and operation of resource industries appeared to be the favoured option, there were others debated. As one farmer writing to the Western Producer noted: "What the West needs now is the development of its natural resources ... There are two ways of doing this. By individual or private enterprise for private gain or by cooperative enterprise for the benefit of the people of the West." Agrarian experience with cooperative enterprise was extensive and with the creation of the Wheat Pool confidence in the power of cooperative action was enhanced. In the case of either state or cooperative development, the participation of the community was central. The ownership of mineral and other resource rights by government contributed to the sense that these were a community asset. There was a determination to prevent "the selling of our birthright for a mess of pottage to U.S. capitalists." The desire to create a local oil industry was thus but one part of a much broader desire to escape the inequities of the national policy and to create a viable regional economy.

While this desire was based upon a very real experience with exploitation and economic disadvantage, it was not accompanied by a thorough analysis of potential. In the case of oil, there was a perception that the resource was there (indeed a suspicion that the resource had already been proved...
in commercial quantities, but was being shut in by the major oil companies in the interests of price maintenance) and a farm market existed. The economics of oil production were not examined: the costs of drilling and providing adequate transportation; the need to have access to a large and consistent market to maximize field efficiency; the problems associated with the variable qualities of crude produced. There was simply a strong and idealistic insistence on the part of many of the more radical agrarian leaders that resources such as oil be a prime area for public investment. As A.E. Partridge, a founder of the Grain Growers and one of the more militant farm activists, wrote to J.G. Gardiner in 1922: Why wait for the complete failure of capitalism before making experimentation of state action as owner and operator of industrial enterprises that include state ownership of natural resources that are yet available for ownership without lavish outlay to secure proprietorship. The emotional importance of the resource issue can be observed in the use the Conservative Party made of Liberal lack of energy in the area of resource transfer in the 1929 election campaign. Patrick Kyla, in his "Ballots and Burning Crosses", suggests that the imminent possibility of oil finds in Saskatchewan heightened the importance of the resource question and contributed to the Liberal defeat in that election.

Not all of the farm community shared the idealism or the optimism of the militants with regard to resources. The more conservative leadership of the Grain Growers, while
sympathetic to the desire for a greater degree of regional economic integrity, were skeptical about the practical possibilities of local development of resources through government ownership. The members of the agrarian left, both within the Association and outside were warned: "We are prone to forget that, after all, the progress of civilization is by slow and easy stages, rather than drastic and revolutionary short cut methods." The left-right split in the farm movement led to bitter battles over the political direction of agrarians and the objectives of public policy. By the 1920's moderation had come to mark the demands of the Grain Growers as well as the national farmers organization and its political arm, the Progressive Party. Demands for large scale public ownership programs were largely abandoned, prompting critics to charge that the Farmers Platform, the agrarian manifesto, had fled the dream of a new society. Nationalization of natural resources had given way to more complete regulation under "short term leases in which the interests of the public shall be properly safeguarded." Public ownership was required only for those industries in which farmers had a direct reliance, such as electricity. The leadership of the old movement, with close connection to the commercial and financial world, had little ideological sympathy with the grand designs of the radicals. Close to the provincial government they were fully aware of both the fiscal limitations of the province and the hostility of its leaders to any unnecessary gamble.

Indeed the province was extremely reluctant during
the 1920's to assume any additional obligations. The ruling Liberal Party had never placed a priority on the return of natural resources to provincial care; this had been the rallying cry of the opposition Provincial Rights-Conservative Party. The Liberals contended that the province was suffering few disadvantages from the absence of control. They were content with "an assured source of revenue, in the form of the federal subsidy paid in lieu of the resources, especially since [control] might have involved the province in costly development schemes." The Saskatchewan Liberals had also learned something from the experience of their Alberta counterparts who had taken an active interest in the development of their natural assets and had suffered severe financial losses as a result. However, by the mid 1920's political opinion regarding the desirability of the return of resources had changed. As already mentioned, the potential of the resources as a generator of revenue and growth was now keenly appreciated. As Premier J.G. Gardiner stated to the Saskatchewan Legislature at the beginning of 1929:

Now there is a real reason why this Government or any other Government in power at the present time, whether in Manitoba, Alberta, or Saskatchewan, should be more anxious to have control of their lands and resources at this present period than at previous times; and this is to be found in a development that is taking place from one end of Canada to the other in connection with resources other than lands....

Certainly the fiscal needs of the province were mounting rapidly in the decade as public demands for highways, improved schools, hospitals, and other social services mounted. The
government had no choice but to attempt to cope with the 
"insistent pressure to acquire, without delay, the capital 
equipment of a modern community, and ... a demand for a high 
standard of social services." The total debt of Saskatchewan 
had reached $69,000,000 by 1929 as a result, and there was 
little hope of relief through increased taxes or additional 
federal support. 

These revenue concerns were combined with a new 
appreciation of the need for diversification in the wake of the 
post-war depression. "The decline in export values in the early 
twenties, and again at the end of the period made clear the 
overwhelming dependence of Prairie government finance on 
wheat." The further expansion of the agricultural frontier 
was now clearly impossible and the negative effects of over 
eager expansion onto marginal lands in the war years were 
becoming apparent. Whatever economic and political power the 
Prairies had enjoyed was being eroded by the decline of the 
transcontinental wheat economy and the rise of distinct 
regional economies based on resources. With the need for new 
forms of capital investment in the West and the advent of a 
"new mentality" more sympathetic to industrialization, the time 
had come to seek a viable, more independent local economy. 

Charles Dunning had given an indication of the new 
confidence and changing emphasis of provincial interests in a 
speech delivered early in the decade:

There is an idea commonly held in some parts of 
Canada that our motive is a financial one; that 
is to say, that we want to get control of our 
resources for purposes of making money out of them.
It cannot be too clearly stated that that is not our motive. We may, by adopting a different policy secure greater revenues than the Dominion authorities have. The most important reason, to myself at any rate, is that after years of Dominion handling of our resources in Saskatchewan there is no industrial development of them. 104

Given the buoyancy of the economy as the decade progressed and the seemingly inexhaustible nature of American demand and capital strength, the development of even so distant and unpromising a region as Saskatchewan seemed possible, if not certain.

In 1920 the Liberal government of Saskatchewan provided a bureaucratic response to the need for resource development. A Bureau of Labour and Industries was created to conduct a

... survey of all industries dependent for raw materials upon natural resources, ascertaining capital invested, details of plant and staff, coverage output, capacity and reason for output being less than capacity, markets.... Survey of underdeveloped natural resources especially those which can readily be developed. Index all such resources showing full details as to analysis; extent; location; accessibility and possibility of development, including costs of and availability of labour, motive power, markets, etc.... 108

The activities of the Board in many respects merely complemented the resource related functions of the Department of the Interior and the Department of Mines (and was perhaps a reflection of provincial dissatisfaction with the development policies of those central agencies). It worked closely with the University of Saskatchewan in geological and other scientific investigations of resources and provided professional advice to potential investors. It accumulated statistics, publicized...
findings and attempted to bring entrepreneurs and capital together. The Bureau’s approach was described by George Spence in an address to the Saskatchewan Legislature in 1928:

"To the capitalist we say: 'Here are our minerals, here our water powers, and here is our coal. We are here to help you develop these resources, to cooperate with you in every possible way.'"

The government was prepared to co-operate but stopped far short of participation in or active support for resource ventures. The reluctance of the province to involve itself in resource projects was in part motivated by practical and traditional considerations. Revenues were tight, precluding heavy investments in developmental ventures, particularly those that involved a degree of risk. Risk taking with public funds, in Saskatchewan or elsewhere, was regarded as both fiscally and politically irresponsible. The government was ideologically committed to a process of private development as the most effective means of securing economic progress.

The government could not be indifferent to the desire for a measure of local control, or the deep rooted hostility to alien corporations and financiers. It was also not unaware that despite all its talk of the province’s "tremendous wealth and variety of natural resources", it was largely unsuccessful in securing funds for development from the major capital markets.

In 1922, Thomas Molloy, director of the Labour and Industries Board, reported a small British house was "probably the only investment company interested in Saskatchewan's
natural resources." While capital was relatively plentiful in the period, Saskatchewan was compelled to deal with the reality that resources in other parts of the nation were more attractive. The response of the province was to encourage the establishment of a local capital base, however small, for the development of resources. In a speech to the provincial retail merchants association, Premier Dunning stated:

I am not suggesting to you that when someone comes along to try to sell you stock in an oil well that it is you duty to buy it. Not for a moment! Do not buy anything without knowing about it. I do not mean that. First we need as a people to appreciate the need and the benefit to ourselves of endeavoring to develop and utilize our resources other than the resources contained in the top six inches of the soil. A realization of that is the first thing. Second, we need a degree of patience in connection with the scientific problems connected with their development. Third, we need a willingness to invest ourselves, not in a speculative way, but to invest moderately in any properly recommended and vouched for enterprise having for its development something other than the top six inches of the soil. Those in my mind are the three essentials in the public mind. It was impossible to generate locally the money required for large scale and consistent resource development, however, and the reluctance of the province to invest did not serve to encourage the speculation of the ever-cautious farm and small business interests of Saskatchewan. The opportunities to invest in feasible and competently managed ventures were rare and the province's traditions of individual or community entrepreneurship lay entirely within the familiar sphere of agriculture and wholesale consumer product distribution.

The provincial government's general optimism...
regarding resources did not extend to the specific area of oil and gas. There was, without question, an interest in the development in the development of an industry and an appreciation of the importance of a variety of inexpensive fuels to encourage the growth of secondary industries. As the controller of the Mining Lands Branch noted to the Deputy Minister of the Interior in 1919:

The western provinces have found it difficult to compete with the east in the production of manufactured goods, and in order to encourage and promote the establishment of manufacturing industries in the west the argument was used that a supply of cheap gas fuel was to some extent an offset to the cheaper labour and motive power of the east.\textsuperscript{113}

The province did hold out hope for development, assisted in the investigation of prospects, and maintained close ties with the Geological Survey to secure expert advice when required. The government even went so far as to finance the occasional test drilling where chances of success seemed particularly promising.\textsuperscript{114} In general, however, the authorities were sceptical about the prospects of such an industry. They kept a close watch on firms proposing to enter the field and refused to grant "leave to sell stock unless there is a gambler's chance of success."\textsuperscript{115}

According to the advice the province received, a gambler's chance at very long odds was the best oil men could expect in the region. It was aware that to prove the commercial potential of gas and oil would require luck and a large investment in exploratory drilling. Even if discovered, there were doubts as to the long term viability of fossil fuels as a...
source of industrial fuel: the lifetime of any field was limited and ultimately residential users would place the greatest demands on the product. The province lodged far greater hope in the development of the more certain lignite deposits of the south, as they would serve to provide more extensive and stable employment prospects and create a number of subsidiary industries. As a capital intensive industry, oil would never employ more than a few hundred skilled workers and it was unlikely that specialized inputs into the industry, in the form of manufacture of drilling equipment, casing or pipelines would ever be drawn into Saskatchewan.

While the creation of a local industry might remain an ideal, in an enterprise so fraught with uncertainty and with such dubious returns to the province, the wisest course appeared to be to encourage development by those large interests with the expertise capable of minimizing the risk and the capital and organizational structure necessary of optimize whatever discoveries were made. The best that could be expected would be a return to the province, in the form of taxes and royalties, of earnings on oil and gas development sufficient to permit provincial investment in social and economic infrastructure.

With many other priorities, and with little indication that commercial oil production was imminent, the province did not pursue the matter diligently through the 1920's. Until the resources were transferred and full authority placed in the hands of the province, there was no need and
little opportunity to develop a local policy position with regard to resource development. Nonetheless the inclination of provincial policy was evident, as were the attitudes of the farm population and the industry. The transfer to provincial jurisdiction and the economic conditions of the ensuing years were to shape them.
Footnotes


4. The establishment and ramification of the capture rule are described in several works including Williamson, et. al., The Age of Energy, and M. Crommelin, P. Pearse and A. Scott, Management of Oil and Gas Resources in Alberta (Vancouver: University of British Columbia Press, 1976).


6. Ibid., p. 31.


15. Ibid., p. 223.


17. Anthony Sampson, The Seven Sisters (New York, Bantam, ...59


34. Martin, "Dominion Lands", p. 196.


...60
39. SAB, Department of Natural Resources (DNR) Papers, NR 8, 1939, Robert J. Lee to C.C. Ross, Senior Mining Inspector, November 26, 1924.
41. The most complete description of the range of Geological Survey activities can be found in Morris Zaslow, Reading the Rocks (Ottawa: Macmillan, 1975).
42. George de Mille, Oil in Canada West (Calgary, 1969), p. 23.
43. Ibid., p. 28.
44. Zaslow, Reading the Rocks, p. 234.
45. SAB, DNR Papers, NR 8, 163020, Superintendent of Mining Lands Branch to J.W. Norton, North Battleford Oil and Gas Co., March 15, 1924.
46. PAC, RG 20, 101D, P. Slyfield, "Payment of Bounties by the Department of Trade and Commerce", p. 30.
50. "Oil Powered Agriculture", Imperial Oil Review, Volume 8, No. 5, May 1924, p. 5.
52. Ewing, Imperial Oil Limited, Volume 2, Chapter IX, p. 72.
53. Saskatchewan Department of Natural Resources, "Oil in Saskatchewan" (Regina: Queen's Printer), p. 40.
54. Ewing, Imperial Oil Limited, Volume 2, Chapter IX, p. 16.
55. George de Mille's Oil in Canada West provides an extensive narrative description of exploration activities in Alberta...
in the early years.


57. F.K. Beach, History of Alberta Oil (Edmonton: King’s Printer, 1939), p. 19.

58. de Chazeau, Integration and Competition, p. 98.

59. Ewing, Imperial Oil Limited, Volume 2, Chapter IX, p. 16.

60. Gibb and Knowlton, The Resurgent Years, p. 89.

61. Ewing, Imperial Oil Limited, Volume 2, Chapter IX, p. 17.


64. Geological Survey of Canada, Summary Report (Ottawa: King’s Printer, 1926), p. 38B.

65. Several Department of the Interior files of the first decade of the century cover oil leases for shales in northern Saskatchewan. See SAB, NR 8 Files.


67. Ibid., Charles Camsell, Deputy Minister of the Interior, to T.C. Davis, Attorney General of Saskatchewan, June 11, 1927.

68. Oil in Saskatchewan, p. 39.

69. Ibid., p. 40.

70. SAB, DNR Papers, NR 8, A192972, Lloydminster Oil and Gas Company File, J.W. Marker to W.P. Geary, June 29, 1929.


72. SAB, DNR Papers, NR 8, A165229, Pasquia Hills Oil Company File, Henry J. Bethell to H.H. Rowatt, November 14, 1922.

73. SAB, DNR Papers, NR 8, A142565, Saskatchewan General Development Company File, C.L. Locke, Secretary, Saskatchewan General Development Company Limited, to H.H. Rowatt, May 22, 1918.
74. SAB, DNR Papers, NR 8, A138273, J.L. Gessell to Department of the Interior, December 1, 1922.

75. SAB, DNR Papers, NR 8, A187728, Great Plains Oil and Gas Co. File, S. Graham to Superintendent of Mining Lands Branch, Department of the Interior, August 23, 1927.


77. "Oil and Gas Boom", Western Producer, April 8, 1926, p. 4.

78. "Oil Drilling Over a Wide Area in Saskatchewan", Regina Leader Post, January 6, 1928, p. 3.


81. SAB, United Farmers of Saskatchewan Papers, File IX 199, "The Natural Resources Problem in Saskatchewan", ND.

82. SAB, Charles Dunning Papers, Y-11-1, J.G. Gardiner to Dr. W. Macmillan, January 30, 1928.


84. Conway, "To Seek a Goodly Heritage", p. 78.

85. "Western Psychology", Regina Morning Leader, April 25, 1929, p. 4.

86. An analysis of agrarian attitudes to industry and urban society is found in Norman Pollack's The Populist Mind (New York, Bobbs-Merrill, 1967).

87. SAB, UFC(SS) Papers, I3, Report of the Annual Convention, United Farmers of Canada (Saskatchewan Section), February 21, 1907, p. 23, Resolution 2.

88. Ibid., Convention Report, 1911, p. 35.


91. Ibid.
92. SAB, Dunning Papers, Y-11-1, E.A. Partridge to J.G. Gardiner, August 16, 1922.

93. Patrick Kyba, "Ballots and Burning Crosses", in Politics in Saskatchewan, p. 117.

94. SAB, UFC(SS) Papers, Minutes of the 1921 Convention, United Farmers of Canada, p. 43.


96. Ibid.


102. Royal Commission on Dominion-Provincial Relations, p. 126.

103. "Western Psychology", Regina Morning Leader, April 25, 1929, p. 4.

104. Royal Commission on the Natural Resources of Saskatchewan, Transcript of Proceedings, Volume 4, p. 972.

105. SAB, Dunning Papers, X-11-1, T.W. Molloy to C. Dunning, April 8, 1920.


107. Legislative Assembly of Saskatchewan, Sessional Papers, Speech by George Spence, February 13, 1928.

108. SAB, Dunning Papers, Y-11-1, Dunning to L.C. Merrill, June 2, 1922.


111. SAB, Dunning Papers, [Q]Y-11-1, T.W. Molloy to C. Dunning, May 28, 1924.

112. Ibid., Speech Delivered to the Retail Merchants Association of Saskatchewan.

113. PAC, RG 85, Volume 1855, File 141295, H.H. Rowatt to Deputy Minister of the Interior, November 24, 1919, p. 3.

114. SAB, William Martin Papers, I124, 34595, W. Martin to V. Lackner, June 10, 1920.

115. PAC, RG 45, Volume 32, 4445, T.C. Davis to Dr. Charles Camsell, June 21, 1927.


117. The expectations of the Saskatchewan government were essentially those of any developing state of non-revolutionary character, as indicated by the description offered by Ann Seidman in Natural Resources and National Welfare (New York: Praegar, 1975), p. 11: "The investment of foreign funds in the 'modern' export enclave of the economies of underdeveloped countries is expected to provide an 'engine of growth', setting off a multiplier effect that will, over time, lead to development throughout the country."
Chapter 3

The Transfer of Natural Resources and Oil and Gas Policy

The 'Co-operative Government' of Premier J.T.M. Anderson, an alliance of Conservatives and Progressives, came to power in Saskatchewan in 1929 promising an immediate return of the resources of the province for the purposes of development. The manifesto of the Saskatchewan Conservative Party stated unequivocally:

Believing that we cannot have a thoroughly rounded out and prosperous province based on agriculture alone, the Conservative Party hereby pledges itself to direct its energies towards and gives every encouragement to a balanced industrial development of agriculture, of such secondary industry as can profitably be established in the province, and with natural resources with particular reference to the mining industry, the pulp industry, the lumber industry and forest conservation....

On March 14, 1930, after a series of negotiations with a willing federal government, a compromise agreement for transfer was developed. Under the terms of the agreement the control of resources was to be returned to the province together with the subsidy in lieu of lands. The question of compensation for lands already alienated and revenues lost remained unresolved. Both parties agreed to the creation of a royal commission to study the matter.

Despite cautions from the government that the costs of the resources might initially outweigh the benefits, the return was warmly welcomed. It was assumed that Saskatchewan would now develop a natural resources program distinctively its own, that the goal of "industrial development from the
manufacture within our province of our own raw materials" would be pursued with greater energy. It was assumed that the provincial authorities would have a keener interest in investigating and promoting the specific resources of the area. It was argued that they were closer to the scene and thus better able to assess the practicality and ramifications of exploitation. Further, the province was less encumbered with bureaucracy, more accessible and flexible. Business would naturally prefer to deal with one government, and were more accustomed to dealing with provincial officials based on eastern experience. The local press put it succinctly: "There is no doubt that the much needed development of our natural resources would be expedited greatly as well as much more economically and satisfactorily by our provincial government."

The desire and the intention to develop resource policies to serve provincial interests was legitimate and understandable. It did not, as soon became apparent, imply any fundamental difference in philosophy between federal and provincial authorities. The one notable variation lay in the provincial concern to make the resources pay. In the hearings of the Royal Commission on the Natural Resources of Saskatchewan, the federal government was accused of gross incompetence in the handling of revenues. Officers of the Department of the Interior were the "Rip Van Winkles" of modern times. The "somnolence" of Ottawa went beyond the collection of fees and royalties to the enforcement of rules of operation guaranteeing practical and productive work. This too
the province was determined to change.

In none of these criticisms was there any suggestion that the province was entitled to a significantly larger share of the earnings gained from resource exploitation. The resources would continue to be developed by private capital and the province would make the investment climate healthy and inviting. There was no desire to alienate "perfectly good American money" or any other form of funding, indeed the province would be more aggressive in the design of policies to attract resource entrepreneurs. This was particularly the case as the decade of the 1930's progressed. There was never serious consideration given to the possibility that controlled resource development might be sufficiently important for its own sake to warrant direct provincial investment in the creation of resource industries.

Even had it been so inclined the provincial government would have found it difficult to strike off in new directions. It lacked professionals in the various resource fields and possessed little experience with the unique difficulties of the lumbering or mining industries. In creating the new Department of Natural Resources, established under the Mineral Resources Act introduced in the spring of 1930, the government had to draw upon the staff of the Department of the Interior already in the field. Of an initial staff of 135, one hundred were drawn from the federal service, including the deputy minister, Major John Barnett. These men and women provided experience and administrative continuity, but were not
inclined to tamper with familiar methods. The new provincial bureaucrats suggested that time was needed to assess the resources, to amend policy to bring it into conformity with provincial objectives, and to draft the many specific regulations required. Thus, as Major Barnett notified a correspondent: "As largely as possible during the first year and until we acquire more experience, we did have in mind, not only in quartz mining, but in coal, petroleum and other matters, to follow the existing regulations."¹¹

The Saskatchewan public were advised to expect no dramatic innovations. The province had inherited some 15 million acres of Crown Lands and 25,000 open accounts for leases, exploration permits or timber berths, and the first step was to assess them, establish an organizational structure, and set departmental strategies.¹² "For the present there is something of a stock taking, a checking up on the actual heritage Saskatchewan has come into and this no doubt will be followed by aggressive plans for development and exploitation in the public interest."¹³

The same cautious adaptation of federal approaches applied to the development of policies for oil and natural gas. The management of these resources came under the purview of the Mines Branch of the Department of Natural Resources, under the care of the Supervisor of Mines, Edgar Swain. An energetic and determined man, Swain had served with the Department of the Interior, Mining Lands Branch, since 1905 and was intimately familiar with the potential and problems of the province.¹⁴ He
represented, however, a one man operation with responsibilities that covered all forms of mineral land leasing, exploration and development. He had neither the expertise nor the staff support to permit the implementation of innovations or the supervision of more imaginative or comprehensive rules.

The Petroleum and Natural Gas Regulations, drawn up under the Mineral Resources Act by Swain and Barnett, closely followed the federal regulations with some significant changes in emphasis. The desire to make resources remunerative, and the perceived necessity of making the new department self supporting, if not profitable, resulted in the publication of a new fee schedule. The leasing charges remained the same, 50 cents per acre for the first year in advance and one dollar per annum for the remaining twenty years of the lease. However, the application fee for leases increased from five dollars to ten, with a five dollar cancellation fee. With regard to exploration permits:

...instead of depositing 10 cents per acre in cash, the sum of 20 cents will now be required and instead of paying a cash bond of 40 cents per acre, the amount is been changed to 30 cents an acre and the applicant is given a period of thirty days from the date of the application within which to furnish ... a guarantee bond for this amount. A fee of two per cent of the value of the bond was also required.

These measures brought a number of protests from small prospectors who claimed the sums required 'up front' discouraged those without initial capital. The burdens did not stop there; a twenty five dollar drillers fee was also

...
established, a permit to commence operations fee, and various filing and application charges. Accumulated fees and charges for a basic 1950 acre oil lease on Crown Lands would usually total $880, making the oil lands lucrative holdings for the province. The old federal performance regulations remained in force as drillers were required to install a minimum of $5,000 worth of machinery in one year and commence drilling within fifteen months. The lease was forfeit if a minimum of $2,000 worth of drilling was not completed within each year.

The new regulations reflected more than an interest in securing adequate revenues. They indicated a desire on the part of the province to exercise greater control and regulation over development and establish guarantees that work would actually progress. As noted in the previous chapter, the province had frequently criticized Ottawa for its permissiveness and its indifference to speculative and even fraudulent resource promotions. The farm community, sensitive to questionable conduct in any business dealing, would tolerate no such laxity from the provincial administration. It was essential that both the regulations and the fee structure "secure a bona fide operation" at all times. It was not, of course, entirely a response to community values. The province wanted to reassure investors and legitimate corporations that Saskatchewan was secure territory in which to operate and to exclude earnest but amateur entrepreneurs who might become a burden. Higher fees were designed to discourage all but the most committed prospectors and drillers.
The neglectful policies of pre-1930 were not to be continued in either word or deed. The province would supervise operators more carefully, secure payments of fees, and regulate development operations with greater diligence. As one senior official of the Department of Natural Resources subsequently observed:

...it would be fair to say that most of the policies of the Department of the Interior were pursued by the province all through the period of the '30's, with the qualification that the provisions of the various acts and the regulations under the acts were more vigorously enforced by the new department.

This supervision began with the licensing of oil and gas drillers. Full information on the experience and training of the driller was required before a license would be supplied, a procedure designed to prevent unprofessional and potentially destructive work. It would also guarantee performance to the shareholders of small companies. According to Section 55, "The Supervisor of Mines and officers of the Department shall have access to all wells, records, plant and equipment...", thus permitting entry and examination of all sites. An obligation was placed upon drillers to maintain complete records of their activities and provide the Mines Branch with monthly progress reports, a complete log, and all geological data acquired. The federal power of expropriation with compensation was claimed by the province in the event of emergency or non-compliance with the requirements of the lease.

In the interests of avoiding incomplete or inaccurate testing of wells, rotary drilling, by far the most inexpensive...
and effective method of drilling on the plains, was prohibited. While it allowed much faster and deeper testing and had become the most widely used technique in the great fields of the United States, it prevented effective core sampling and the careful and scientific analysis of horizons passed through. To ease the popular fear that producing wells might be shut in by major oil companies or speculators, the regulations provided that if production was found "the lessee shall pump and work the wells faithfully and uninterruptedly with due vigour and skill...." 24

The regulations also evidenced the oil and gas conservation concerns of the period. The grievous waste of surplus natural gas in Turner Valley and in the American fields, amounting to billions of cubic feet, posed challenges to natural resource authorities. In Saskatchewan the Mines Branch was to inspect and closely monitor all producing wells, though at the time the regulations were issued there was no production of either oil or gas in the province. Meters were to be installed on all wells, monthly returns of production were required, and the flow of production was to be restricted to "twenty-five per cent of the potential capacity of the well, as shown by the latest monthly gauge, provided that the minister may, in his discretion, allow such additional percentage to be used as he may deem expedient." 25 An uncontrolled flow of oil or gas for over 24 hours was prohibited. The Saskatchewan regulations also authorized prorationing of production to market demand to prevent waste and to allocate a fair
proportion of production to all drillers in a field. Such a procedure was still quite novel in North America and was not to be implemented in the major American fields or in Turner Valley for a number of years.

The array of regulations and the stated commitment to their enforcement formed the reply of the government to suggestions "that the provincial government is allowing private capital to 'filch' the Natural Resources of Saskatchewan ...." Yet the regulations did not represent only restrictions and financial imposts. They also continued certain long established policies of encouragement, with a few new measures added. The leasing charges followed federal precedents and were comparatively low. Extensions of leases and permits were readily granted and it was considered wise to continue the Interior policy of being "very lenient with regard to granting extensions of time within which to pay the second, or even the third year's rental, and provided the Company show that they are making a bona fide attempt to prospect the area acquired under lease." The practice of applying credits against rentals for the costs of exploration work (costs exclusive of the actual drilling rig and well casing) was also continued, one of the key incentives under federal policy and one which effectively deprived the province of revenues under oil and gas leases. In addition, the province continued the practice initiated at the behest of Imperial Oil a decade earlier, of permitting exploration expenditures in excess of rentals to be accumulated and placed against future rentals, should ...
commercial production be realized. These regulations allowed
the inclusion of costs incurred in exploration of lands other
than Crown Lands, thus permitting costs incurred in the
development of freehold properties to be covered by provincial
charges. While these measures permitted the small operator to
write off much or all of his expenditures against rents they
had particular appeal to more substantial developers with
extensive holdings and high costs of operation. While the
province expressed some misgivings about the revenue impact of
the "surplus credit" program, it seemed an essential investment
incentive, and as Chester Martin noted: "...it can scarcely be
doubted that the substantial measure of success that has since
attended the development of both petroleum and natural gas may
fairly be attributed in no small measure to this preliminary
encouragement."

Not only did the regulations make lease holding
financially accessible, but the dimensions of permissable
leaseholds were also altered. On the one hand, the minimum
lease acreage was reduced from 160 acres to 40 acres, allowing
even the smallest operator to acquire lands and satisfying the
desire of many in the province to prevent the domination of
mineral lands by large corporations. On the other hand,
provisions were included to permit the grouping of a number of
leases to an area of 20,000 acres or more. In his public
description of the regulations the Deputy Minister of Natural
Resources stated that there would be available "unlimited
acreage of oil and gas territory but work credits are only

...75
given by the government on an area up to 20,000 acres. While the legislation had provided that the maximum lease was 1920 acres and "no person will be permitted to acquire in his own name more than three locations", the officers of a company could acquire the maximum number of leases and assign them to the firm. Thus large scale assemblies were possible. The measure appears to have been in part motivated by requests from investment houses and resource companies. In a letter to the Deputy Minister on October 10, 1930, the president of Associated Securities Limited of Moose Jaw, stated:

...we believe it would be decidedly advantageous to the development of Petroleum and Natural Gas resources of Saskatchewan if provision could also be made in the regulations governing the issuing of permits to prospect for Oil and Natural Gas to allow the permittee, at the discretion of the Minister, to group a number of permits totalling approximately 20,000 to 30,000 acres and do the prospecting required, such as the core drilling other like operations, for the determination of the underlying structure, upon the most desirable locations anywhere in the group and be entitled to receive credit for the money so expended upon any portion on all the permits so grouped."

While the grouping provisions of the regulations applied to leases rather than exploration permits, and did not go as far as the new Alberta regulations which permitted groupings of 600 square miles, they represented an appreciation of the difficulties of development given the and incoherence of the underlying strata of much of the province. The ability to accumulate a wide territory would, it was hoped, permit more extensive, scientific exploration. It would, as well, promise an entrepreneur a greater measure of control over a producing field and prevent the rapacious and environmentally damaging
over-drilling of a field by a number of small leaseholders. It was clear, however, that the province was not prepared to transfer extensive rights for exploratory purposes only. The potential developer had to be prepared to commit to a lease with all the drilling and other performance requirements attached. The Department of Natural Resources was not to be accused of frustrating access to a producing area.

The royalty provisions of the regulations can also be seen as positive inducements. Royalties were based on the sales of products and in the first five years of production were not to exceed five per cent of the value of sales. For the next five years royalties were to remain between five and ten per cent and were thereafter pegged at ten per cent. The proration provisions were also positive inasmuch as they assured large operators that ruinous overproduction would not be permitted, and guaranteed small companies that whatever production was allowed would be fairly allocated throughout the field.

Encouragement and support to development went beyond the measures contained in the regulations. As exploration and drilling remained speculative and often haphazard undertakings, the province was expected to provide more active and interested assistance. Technical guidance and advice was the most sought after form of support, particularly as much of the work was conducted by local men with little oil experience. The supervisor of mines regularly toured all drilling sites and remained in constant touch with drillers. The returns and reports provided by the drillers were analysed and the...
geological findings were made available to the interested public. In 1932, the introduction of the Water Wells Act required that water well drillers submit all samples encountered to the Mines Branch, providing information of "great value from an oil and gas standpoint." These samples were retained and the data provided to geologists or "anyone interested in drilling or desiring to ascertain the structure of any part of the province under review." After 1933 core samples were sent to the Borings Division of the federal Department of Mines for thorough examination, improving the extent and quality of geological information available in the province.

Initially the Department of Natural Resources remained highly dependent upon support and expertise from outside the province. Alberta acquired the petroleum engineering staff of the Department of the Interior and loaned their services to Saskatchewan for the supervision of drill sites and review of applications. Pertinent publications, detailed scientific field work, and laboratory facilities were only available in Ottawa through the Mines Branch and the Geological Survey.

Though the services of these agencies were available, the federal government reminded the province that control of resources implied full responsibility. As the transfer had been in part motivated by a desire to economize, the central authorities could see no reason to maintain costly programs in resource development. When the Department of Mines threatened
to cut back on geological work and direct efforts to areas of exclusive federal interest, developmental work in Saskatchewan was threatened. An irate Deputy Minister wrote to Premier Anderson, who also served as Minister of Natural Resources, that the province had not the means to develop the calibre of expertise acquired by the federal government over many years. Angered that other provinces were receiving far greater support from the Department of Mines and other federal offices, Major Barnett contended that Saskatchewan needed "more and not less of this class of service." Premier Anderson dispatched a letter to the Minister of Mines insisting that federal services be retained not only in the interests of the specific needs of the province, but in the interests of national unity as well.

Since the transfer to us of our Natural Resources, a very considerable number of federal services previously carried on have been withdrawn on the grounds that such were connected with the administration of the Natural Resources. We do not think that many of these withdrawals are justified on such grounds but, without entering into any argument on the point it does seem to us that, as a matter of fairness and to offset many services which are being rendered at very great expense to the Federal Treasury, to business and industry, particularly in the Eastern provinces, we should receive compensating services in matters of research and investigation, as far as our mineral, timber, and water resources are concerned. Unless this is done a very disproportionate amount of Federal expenditure will be devoted to matters which vitally concern the Eastern provinces and British Columbia, and which are of little direct importance to us in Saskatchewan, and this in turn will give rise in the minds of the people of this Province to a feeling that they are being discriminated against."

Despite these protestations federal resources programs were reduced and little assistance was forthcoming with relation to oil and gas in the early 1930's. As reliance
upon scientific support from that quarter appeared unwise, the provincial government formalized a working relationship with the University of Saskatchewan. The Saskatchewan Research Council Act of 1930 was an outgrowth of a Conference on Resources Development held in 1926 which committed the province to the creation and utilization of scientific expertise and facilities in conjunction with the province. The Council was composed of the Premier, the President of the University, and a number of senior civil servants and faculty members, with the Deputy Minister of Natural Resources sitting as secretary. It was provided with an initial allocation of $2000 by the province and charged with responsibility to advise on resource policy matters and direct the resource investigations of the faculty.

J.B. Mawdsley, chairman of the Department of Geology, and his associate, Professor F.H. Edmunds, were to become leading actors in the search for oil and gas in Saskatchewan. Their interests and concerns, and those of the government, are revealed in a memo regarding possible field work during the first year of operations, 1931: "The public interest in oil is, of course, great and it seems highly advisable that the whole situation should be investigated, if for no other reason than to deter, through the circulation of authoritative reports, those unacquainted with the hazards of oil finding...." The geologists conducted surveys across the province, inspected drilling sites with the supervisor of mines, and produced regular reports on the oil or gas bearing potential of...
localities. The University also made its laboratories available to the Department of Natural Resources for the analysis of core samples provided by drillers. The work of the Council was evidence of the keen awareness of the need for scientific support for the oil industry and the value of indigenous expertise.

The Department of Natural Resources and the Research Council were not alone in offering expert assistance. The Industries Branch of the Department of Railways, Labour and Industries (formerly the Bureau of Labour and Industries) continued its efforts in collecting and disseminating information for the business community, promoting the resources of the province, and maintaining contacts with sources of investment. In terms of oil and natural gas this branch was concerned with more than encouraging exploration. It took a hand in publicizing the market and refining potential of the province, assessing the potential of hydrocarbons as industrial fuel, and maintaining communications with oil companies operating in the province. A further array of provincial services were mobilized in the interests of industry, resource exploitation and economic growth, notably provincial highways and railways departments intimately involved in making resources accessible.

The year of the transfer of resources also saw the creation, with provincial government encouragement, of the Saskatchewan Industrial Development League. It was composed of local businessmen and professionals and asserted "that the time
had come for Saskatchewan to develop an industrial consciousness, that an effort should be made to develop the natural resources of the province and realize the value of these resources. Examining the darkening economic clouds of 1930 the members of the League were warned that: "There would appear to be no area in Canada which has a greater need for the broadening of its scale of production than the province of Saskatchewan." It set itself the task of overcoming agrarian suspicion with industry and resource development through private capital, and actively sought outside investment in the province. One of its key objectives was to lure resource companies, including majors in the oil and gas field, from what were apparently more attractive areas of endeavor.

Yet the intense interest and confidence that characterized the embrace of the natural resources appeared misplaced as the decade of the thirties dawned. It was the supreme irony of the resources transfer that the provinces, after decades of debate and recrimination, acquired the public domain at the very moment its economic potential seemed to disappear. W.L. Morton noted that "the achievement of equality in 1930 was at once made a mockery by depression and drought." As the Great Depression descended the province had not only to deal with ruined crops and dust blown farmlands, but with a collapsing market for timber and minerals. The Prairies discovered, as the Rowell-Sirois Commission observed, that "our 'boundless natural resources' are only worth what we
can sell them for."

As the provincial debt grew and the burdens of social services mounted, Saskatchewan became increasingly a ward of the federal government and dependent upon special grants in aid. Initially the Anderson government attempted to maintain a high level of services and hold employment levels in government, but by 1932 deficits had mounted to the point that the federal government and the financial community insisted that the province retrench. The Department of Natural Resources and the other provincial agencies faced the realities of declining business activity and diminishing revenues and were forced to restrict activities. Instead of an agency for the commercial exploitation of resources the Department found itself a relief agency, supervising agricultural settlement schemes in the north, and coping with constant demands for "free coal, free wood, free timber, free hay, free grazing, free land." In spite of the fact that it was an active and revenue producing organization, the Department faced "radical curtailment" in its first year of operations totaling 22% of expenditures. By 1932 the Provincial Treasurer requested that it reduce expenditures by 35%, and as John Barnett noted in a letter to Sir Joseph Flavelle: "a policy of rigid and intensive economy of operation was introduced."

Any desire to create innovative programs and introduce new policies were abandoned as the government struggled to survive. All "pious theories" with regard to the conservation or use of natural resources were cast aside in the

...83
desperate need to secure revenues and rebuild the economy.\textsuperscript{27}

With the recovery of agriculture uncertain, the natural resources remained one fragile hope for the future. The almost frantic desire to see their industrial development can be observed in a speech by the Deputy Minister to the northern district field officers in 1932:

Unless our administration is able to make some progress toward bringing commercial values out of our Northern mature stands of timber; unless we are able to see ahead, even if distant the time, when our hydro sites will be used; unless we are doing something to ensure that if a mineral strike of value is made, the business in and out will be transacted on North and South lines instead of East and West; unless our plans are such that we are opening out the great waterways and scenic and sport possibilities of the North to general common use; and unless our whole administration plans have a definite objective in increased revenues; then in these times we must consider the necessity of curtailing our Northern administration.\textsuperscript{40}

The Royal Commission on Dominion-Provincial Relations noted that across the country the "outlay on public domain ... was decreased to a point which hampered development and conservation of resources."\textsuperscript{41}

The Mines Branch and Edgar Swain remained active, with oil and natural gas not being the least of their concerns. The Branch had inherited 588 petroleum leases from the Department of the Interior and according to the supervisor's contribution to the first annual report of the Department:

"During the current year, the greatest mining activity has been in the search for petroleum and natural gas."\textsuperscript{42} Nonetheless priorities were placed upon more accessible and immediately commercial resources, coal in particular.\textsuperscript{43} With exploration

...84
activities in decline across the West and lease payments commonly in default, the oil and gas industry seemed destined for a decade of insignificance.

Yet the first years of the decade witnessed a dispute over the direction of public policy in the petroleum and natural gas field that was to set the tone for agrarian and government battles over the next few years. In 1929 the City of Regina renewed its interest in securing natural gas for domestic and industrial use. Within two years the need for cheap fuel became acute, indeed it ranked with the crisis of unemployment. The city's consulting engineer, Herbert R. Davis, advised no delay in the granting of a franchise for gas: "The industrial future of the city" depended on it. A number of options were available, however, including the development of a local gas supply in the Cypress Hills area, the importation of gas from the Kinsella Field in Alberta and the movement of surplus gas from the fields of Montana. In the course of the debate the province let it be known that it desired the utilization of internal resources. There was concern that the granting of a franchise to an out of province firm with an outside source of supply would "for some time adversely affect the taking of leases for gas and oil prospecting in the province of Saskatchewan." Even the Prime Minister, R.B. Bennett, looked askance at the idea of importation of American gas as "it would be a calamity to create industrial activity under circumstances that would permit it being destroyed at the caprice of a foreign country." In August of 1930 the four
cities most vitally concerned with the gas question, Regina, Saskatoon, Moose Jaw, and Swift Current, met in conference and "requested the government to endeavor to secure further authoritative information on the likelihood of obtaining gas from within the province instead of drawing it from outside." The government's response was to bring in G.S. Hume of the Geological Survey to report on prospects, an action hailed as a positive step toward the discovery of gas in the province. The Hume Report, based on studies carried out by the Survey in previous years, was not encouraging. It stated that "a wildcat well drilling on the evidence of a seepage alone may at some locality be on a favourable structure from which the gas is escaping ... but it is safe to say that the majority of wells so drilled are likely to be failures." The provincial government, not feeling that it could do more, left the question of gas franchises up to the municipalities, though stating emphatically that "we are in favour of a Saskatchewan first policy."  

In 1931 the cities finally decided in favour of a proposal by the Tri-City Company which promised a 10 to 15 million dollar pipeline to serve Saskatoon, Regina and Moose Jaw from the Ribstone-Kinsella field south-east of Edmonton. The franchise question was to be put to a vote of the ratepayers in the cities that spring. In the meantime, a political battle raged between those in favour of the franchise and those who supported a program of public ownership. In both Regina and Saskatoon the Independent Labour Party and the
United Farmers joined hands to denounce any project that would place the control of natural gas in private hands.\(^7^1\) The connected issues of private ownership and foreign control (Tri-City had substantial American capital support) had some impact. As the President of a local resource firm was to write to Premier Anderson in that year, public involvement appeared a political necessity.

It certainly is an apparent fact that the policy of Western Canada should follow along these lines, at least that is the conviction of the majority of the people everywhere, and if the policy of turning our resources over to Power Corporations of a foreign country, were placed side by side with the policy of part and ultimate Public Ownership to be voted upon by the people of these Western provinces, no one would likely be in doubt of the result of such a choice.\(^7^2\)

The franchise battles were bitter ones, however, with the local Chambers of Commerce and the Tri-City company financing extensive media campaigns. The pro-franchise politicians assured voters that they believed in "public ownership on principle" but that the cities "must look to private capital to build up this gas utility with the development that it will bring."\(^7^3\) The province had informed the cities that it was not interested in pursuing any public ownership program and that neither the province nor the cities were in any position to invest funds in gas exploration or the laying of pipelines. By 1931 the cities had acquired a significant debt and priorities centred upon relief administration and, in the case of Regina and Moose Jaw, a safe
water supply. The private development of gas would bring money and employment into the province at a critical moment. In addition, it was argued, the province could not justify to the majority of citizens in the rural areas an extensive capital project "for the benefit of the urban areas mainly". The daily press dismissed the notion of gas as a public utility as "so academic as to be outside the field of reality."

The public ownership concept did have many aggressive promoters, nonetheless, including the mayor of Saskatoon, a number of local aldermen and the officers of the United Farmers. They proposed that the gas be developed by the municipalities or preferably as an arm of the Saskatchewan Power Corporation. They warned that the alienation of one energy source to a private corporation would lead inevitably to the abandoning of public electric power to private interests in the name of economic expediency. On practical lines, Alderman M.J. Coldwell of Regina, leader of the Independent Labour Party, argued that public ownership would prove more economical in the long run, that "if the city could find a source of gas nearer to the city than the Kinsella field and the gas was to be brought to Regina under a public ownership ... the government could borrow the necessary funds at five per cent, which would be a saving of 2 per cent on the total cost of the project." The honesty of the Tri-City management was questioned in the course of the debate, and the Anderson government assailed for permitting outside capital to monopolize a significant resource. It was suggested that the
importation of outside gas would end hope of local gas production before any effort had been made to conduct exploration. Further, there was no guarantee that Alberta supplies could be secured for twenty or thirty year periods. If the UFC(S) was critical of the importation of gas under private auspices, the United Farmers of Alberta were no less hostile to the notion of export of a vital fuel. As the franchise date drew near it became apparent that the UFA government in Edmonton might well reject the Saskatchewan plan, forcing the province to rely on Montana supplies.

In both provinces the farmers were concerned with what at first glance was an urban issue. Saskatchewan farmers objected to the threat the franchise posed to the creation of an indigenous industry and the potential of other low cost public services, and to the control of these services by outside organizations. Just as Alberta farmers were vitally interested in protecting resources for their use and profit, so Saskatchewan farmers wished to see the resources they believed to be present exploited in their province's interests. Restating the 1906 resolution of the Saskatchewan Grain Growers, the UFC demanded "operation and control of the property of the people for the public welfare" and decried the "bartering of the natural resources for the mere payment of a royalty." On the question of the lack of provincial and municipal funds the farmers replied that "private corporations themselves have not the money. They obtain it from the public on the strength of the security of the public, and we see no
reason why the government cannot obtain it in the same way." (M.J. Coldwell noted to Frank Eliason that "we must get busy if we are going to prevent frequent raids on our natural resources and franchise rights." The objective was "to make a thorough survey of the province with a view to determining the extent, if any, of our gas and oil resources with a view to their development under public ownership".)

The franchise proposals failed to gain the necessary two thirds approval, though in both Regina and Saskatoon a majority of ratepayers voted in favour. The results were as follows:

Regina

For 2974
Against 2319

Saskatoon

For 2827
Against 2645

In both cases it was hailed as a victory for public ownership, and indeed the public versus private question had been forcefully debated. The issue's importance to the coal industry should not be overlooked, however, and indeed the financial contributions of the Western Canadian Fuel Association balanced the media debate. The gas question threatened the southern
Saskatchewan coal mines, the local coal dealers, and the jobs of hundreds in mining, marketing and transportation. The support of the TLC for the ILP's anti-franchise campaign was probably motivated more by the concerns of their rail and coal workers than by ideological commitments to public enterprise. Nonetheless, the issue was decided and the market for Saskatchewan gas was preserved, with a significant level of public sympathy for the notion of public development and distribution indicated.

As the provincial government settled into its administration of the natural resources and as the Depression deepened there were few new departures from the approaches taken by either the Department of the Interior or the provincial Liberal government of the 1920's. The province's interest in having resources developed by native talent and capital, where possible, was apparent in its policies and regulations. Measures were introduced to assist and provide opportunities to the small local operator. But encouragement was also present for the large oil company and capital sources from outside the province. In its regulations the Department of Natural Resources had shown itself sensitive to concerns about oil and gas development and to the requirements of the industry itself. As yet, however, it was receiving little advice or direction from the industry, and its orientation was conditioned by the precedents established by both Ottawa and Edmonton and by the needs of the Prairie farm community and local entrepreneurs. The decade of the thirties promised to be
difficult and controversial from a developmental perspective. The circumstances of the Depression were to shape public attitudes towards all facets of community life, including natural resource exploitation, and to influence political choices and policy-making well into the years of recovery.
Footnotes

1. Saskatchewan Archives Board (SAB), G7, 1934.18, "Manifesto and Platform, Saskatchewan Conservative Party, 1929".


4. Royal Commission on the Natural Resources of Saskatchewan, Transcript of Proceedings, Volume 4, p. 972.


6. SAB, NR 1/1 P-800-C, "250,000,000 Claim for Saskatchewan Resources to be Heard Monday", Regina Leader-Post, March 24, 1934.

7. Ibid.

8. SAB, DNR Papers, NR 1/1, P-800-C, Edgar Swain to Deputy Minister of Natural Resources, March 26, 1931.


10. Ibid.

11. SAB, DNR Papers, Deputy Minister’s Files, NR 1, B 1, John Barrett to F.G. Whitaker, January 2, 1931.

12. SAB, NR 2.14, "Natural Resources and the Department of Natural Resources".

13. Regina Leader-Post, October 3, 1930

14. SAB, M11, File 120, Minutes of Meeting of the Special Committee to consider proposals for supplying the City with Natural Gas, October 12, 1938


16. SAB, NR 1 IV, Edgar Swain, Supervisor of Mines to the District of Superintendent, Department of Natural Resources, Prince Albert, March 21, 1931.
17. Regulations for the Disposal of Petroleum and Natural Gas Rights, p. 2-4

18. Ibid., p. 20, calculated from schedule of fees.

19. Ibid., p. 5

20. SAB, NR 1/1, M-500-0G(2), Deputy Minister of Natural Resources, Memo for the Honourable J.T.M. Anderson, September 7, 1933.

21. This aspect of resource policy is discussed thoroughly in John McLeod, "Provincial Administration of Natural Resources in Saskatchewan", unpublished M.A. thesis, Department of Economics and Political Science, University of Saskatchewan, 1955

22. Ibid., p 62

23. Regulations, Section 59, p. 15

24. Regulations, Section 55, p. 14

25. Regulations, Section 67, p. 17

26. Regulations, Section 48, p. 11

27. Regulations, Section 83, p. 19

28. Regulations, Section 88, p. 20

29. "No Filching of Resources, Says Dr. Anderson", Regina Leader-Post, July 25, 1931, p. 1

30. SAB, Mines: Oil and Gas, M-500-0G, J.A. Reid, Department of the Interior to J. Barnett, October 9, 1930.


32. Regulations, Section 24, p. 6.


34. SAB, NR 1/1, P800, "Barnett Explains New Rules Made to Govern Lands in Saskatchewan", Regina Leader-Post, March 4, 1931.

35. Regulations, Section 22, p. 6.

36. "Barnett Explains New Rules"

37. SAB, NR 1 IV, Edgar Swain to District Supervisor, Prince Albert, March 31, 1931
38. SAB, NR 1/1, M-500-0G., W.R. Bennett, Associated Security Ltd. to Deputy Minister, Department of Natural Resources.

39. SAB, NR 1, 1E6, "Royalty on Mineral Production", Department of Natural Resources.


42. Annual Report of the Department of Natural Resources, 1933-1934


44. SAB, NR 1/1, M-500-DR(1), John Barnett to J.T.M. Anderson, November 20, 1931.


46. SAB, NR 1/1, M-500-DR(1), "Re Letter of Professor T. Thorvaldson and J.B. Mawdsley of the University of Saskatchewan on the Subject of Chemical Analysis, Mineral Determination and Geological Field Investigation".

47. Saskatchewan Order-in-Council, 1607/30.

48. SAB, NR 1/1, M-500-DR(1), Memorandum re the Possible Geological Field Work That Might Be Done During the Summer of 1931 by Members of the Geological Department of the University of Saskatchewan.

49. "Re Letter of Professor T. Thorvaldson"

50. SAB, RL 1, Annual Report, Department of Railways, Labour & Industries, April 30, 1929.

51. SAB, RL 2, File 101, "Dr. S.E. Moore is Elected President", Regina Daily Star, February 22, 1930.

52. SAB, RL 2, File 101, "Need Shown to Broaden Industries", Regina Daily Star, April 26, 1930.

53. "Dr. S.E. Moore is Elected President"


55. Royal Commission on Dominion-Provincial Relations, p. 152
56. Annual Report of the Department of Natural Resources, 1932, p. 152

57. SAB, NR 1/1, D-114-F, John Barnett to Hon. M.A. MacPherson, Provincial Treasurer, April 13, 1932.


59. SAB, NR 1/1, D-100-RO/G, Memorandum, Deputy Minister of Natural Resources, September, 1932.

60. Ibid.

61. Royal Commission on Dominion-Provincial Relations, p. 181


64. "Early Action on Gas Forecast at Council Meeting", Regina Leader-Post, January 6, 1931, p. 3.

65. "Proposed Natural Gas Supplies for City of Regina", Regina Leader-Post, July 16, 1931, p. 1

66. SAB, NR 1/1, M-500-0G, Memorandum, A.A. Rogers to Minister of Natural Resources, August 18, 1930.

67. SAB, NR 1/1, T-100-G, F.W. Turnbull to R.B. Bennett, December 29, 1931.

68. "Government Seeks Gas in Province", Regina Leader-Post, August 2, 1930, p. 1

69. "Hume Sees No Immediate Gas Prospects", Regina Leader-Post, September 3, 1930, p. 1


71. "Proposed Natural Gas Supplies"

72. SAB, B2 IX 202, Frank Eliason to M.J. Coldwell, April 4, 1931.

73. SAB, NR 1/1, M-500-0G(2), R.C. Ghostly, Canadian Resources Limited, to J.T.M. Anderson, August 7, 1931.

74. "Will Consider Second Scheme of Gas Supply", Regina Leader-Post, January 13, 1931, p. 9
75. "Not Much Chance", *Regina Leader-Post*, February 17, p. 4.


77. "Will Consider Second Scheme"


79. SAB, NR 1/1, P-800-C, "UFC Attacks Anderson Again on Mine Leasing", *Regina Leader-Post*, August 12, 1931.

80. Ibid.


82. "Gas Franchise Lost", *Regina Leader-Post*, April 2, 1931, p. 1

83. SAB, NR 1/1, M-500-OG(2), W.R. Kell to J.T.M. Anderson, August 8, 1931.
Chapter 4 The Thirties

A dearth of public and private investment funds in the 1930's discouraged capital intensive, speculative undertakings throughout North America. Enterprises as risky as oil exploration were virtually impossible to finance, particularly in an unpromising area such as Saskatchewan. The small exploration companies that operated in the province found that loans could not be secured from banks or investment houses, and that sale of shares to local farmers and shopkeepers was now out of the question. The small firms, as they had during the post-war depression of 1919-1923, began to default on their lease rentals and loans and fold.¹ Heedless of the warning that "there is no money in oil for the little man" a number of wildcat drillers persevered with antique and worn out equipment and an almost complete absence of scientific support.²

The wildcatter faced not only capital problems, but a sharp decline in the market. While the consumption of gasoline in Saskatchewan stood at 76,000,000 gallons in 1929, this figure had slipped to 50,000,000 gallons in 1931 and 32,000,000 gallons in 1933.³ Downturn in demand, due to the collapse of the agricultural economy, was extended across the region and the continent. At the same time an oil glut appeared, occasioned by the new market situation and a dramatic increase in production. By 1929 Venezuela had become a major producer...
for the American market and in 1930 the mammoth East Texas field was discovered, the largest to date in North America. The price of oil, which had stood at $2.29 a barrel in 1926, plummeted to $1.28 in 1930 and 33 cents the next year. With the support of the oil majors the American oil situation was stabilized as prorationing (accompanied by a state of martial law) was imposed on East Texas with rules for the production and marketing of crude. In the first years of the decade the interest of the majors was fixed upon controlling production and defending their market position, not on adding to the flood of oil by pursuing development in Western Canada.

Oil prices in Canada were maintained at profitable levels even during the American crisis due to a number of factors: tariffs on crude and refined product, the almost complete control of refining by the majors and the accepted price leadership of Imperial Oil. In their joint desire to see prices maintained at profitable levels "the Imperial Oil price structure [was] followed immediately by all the other companies doing business." The price levels themselves were largely artificial, based not on the costs of production, but on the Gulf plus transportation charges as determined in the 1928 Achnacarry Agreement. As the Royal Commission on the Oil Industry in Alberta reported at the end of the decade "there is not a present relationship between the cost of production and price."

Drillers in Saskatchewan were aware that profitable production meant production costs lower than those in the Texas
fields, whatever the difficulties of exploration and drilling on the Canadian plain. It also meant production of light gravity crude that could be readily refined into gasoline; there was little demand for the heavier crude products such as fuel oil or asphalts.

There were, despite the difficulties, certain local incentives. As indicated in the previous chapter, the cities were anxious for a cheap source of domestic fuel and the competitive edge that natural gas might bring in the search for secondary industries. As well, the importance of gasoline to the farmer had increased greatly since 1929 in spite of the almost 60% drop in demand. In order to re-establish or maintain profitable levels of farm production during those years of crop failure and low prices it was essential for grain farming to become more extensive and efficient. To produce more, the average farm grew to 408 acres by 1931. To produce efficiently a greater reliance was placed upon farm machinery and motorized transport. By that date there were 81,000 tractors in Saskatchewan, 21,000 trucks; farm machinery made up almost 7% of farm capital. According to G.E. Britnell's analysis of the wheat economy published in 1935: "[T]he investment in farm implements and machinery ($185 million), the value of farm implements per farm ($1,359) and the proportion of total farm capital invested in them were all considerably greater than in any other province." This reliance upon farm machinery was made all the more complete by the dearth of fodder necessary to permit a return to horse-powered farming. The tractor and the
combine, however aged and trouble prone, were the essential tools for large scale and labour efficient production.

As farm machinery might prove the economic salvation of the region it also represented costs. By 1935 the costs of maintaining machinery reached almost 20% of the farm budget, with fuel representing 16.6%. To the average farmer, pushed to the margin and beyond, concern over the costs of petroleum products mounted, along with the conviction that he was not enjoying fair and reasonable prices. With gasoline selling at distress levels south of the border it was evident that costs were unnecessarily high in Canada. Professor Evan Hardy of the University of Saskatchewan reported in 1935 that "the Saskatchewan farmer is competing with the North Dakota farmer and pays fifty-five percent more for tractor distillate of similar quality than does the North Dakota farmer." The blame was placed squarely upon the major oil companies for maintaining high prices despite lower costs of crude, and on the federal government for protecting the industry with tariffs.

In the 1920's and early 1930's a number of small refineries, essentially distilling operations or topping plants, were established in Saskatchewan to take advantage of the distress prices of American oil and the local demand for low cost tractor fuels. These operations imported light crudes from Montana and Oklahoma at a cost so low that dumping duties presented no real barriers. They removed the heavy residue to produce a high volume of low quality gasoline. This they sold
directly to the farmer from the plant, through truck delivery or by sale to co-operatives. In 1929 there were sixteen refineries in all of Canada, by 1936 there were eighteen in Saskatchewan alone, almost all small operations producing 200 to 300 barrels a day of tractor distillate. By undercutting the prices of the majors they threatened the price leadership of Imperial and became a target for takeover. Far from financially resilient, the small refiner was vulnerable. As one American student of the industry observed:

... if it is a topping plant, merely supplying gasoline from the residual, it is no competitor at all. It has neither wells, pipelines, nor marketing operations of its own, it is an orphan of the industry. Everything it buys or sells, will be at a disadvantage with the integrated majors and its survival a tribute to the ingenuity of its owners or to some peculiarity of location.

Location on the fringe of the continent and in close proximity to the market no doubt contributed to the survival of the independent refiner in Saskatchewan. Their continued existence was hotly defended by the farm community. They were very much Saskatchewan's own refining industry, "independent of the big interests." They served the needs of the consumer well and appeared to prove the inequity of the price structure established by the majors. As the Regina Leader-Post reported in 1934: "Without their competition for the so-called combine, they claim the price in Saskatchewan would be four to seven cents a gallon higher than at present."

As the government of Saskatchewan reported in 1935, "it is safe to say that wherever the dominance of the Imperial and the British American is threatened, you find these..."
companies, either by purchase or competition, quickly regain their complete dominance of the price structure.19 Certainly the majors took the competition of the topping plants seriously, as evidenced by the quick reduction and takeover of two independents operating in Coutts, Alberta, in 1930.20 Price wars were waged against the Saskatchewan independents along with efforts to discredit the quality of their product. Imperial Oil objected to the federal government that the topping plants were depressing the market unduly as they had the advantage of producing the low cost, high priced gasoline exclusively. Unlike the large refiners who generated a range of materials, maintained extensive plant and equipment, oil exploration departments, and elaborate distribution and sales operations, the independents operated their stills seasonally and without any attempt at integration. As a Vice-President of Imperial Oil was to write to R.B. Bennett: "They will merely get the cream of the Gasoline business and cease to operate when the tops are not available." When increased tariffs or dumping duties failed to discourage the small plants the majors took action to protect their market and halt what they considered unfair competition.21

One of the most effective weapons possessed by Imperial Oil was the level of railway freight rates, heavily influenced by industry interests. In Alberta, pressure had successfully been exerted on the railways in order to prevent invasion of the region by the Union Oil Company in British Columbia and refiners in Montana and Wyoming.22 In
Saskatchewan, Imperial/Standard Oil of New Jersey, using the threat of a pipeline, convinced the Great Northern Canadian Pacific and Canadian National in 1922 to "arrange a rate that would make it unnecessary for these companies to construct a pipeline from Casper, and Greybull, Wyoming to Regina to handle their crude oil against rail transportation." The differential that had been established between standard crude and light crude and refined product in the rate structure amounted to several cents a gallon and gave the major refiners a considerable cost advantage at the outset.

By 1933 it had become apparent that the oil companies special relationship with the railways had to be utilized once again. In March of that year the Canadian Freight Association submitted an application to the Western Truck Lines Association in the United States for a rate change. They requested a 21 cent per hundred weight additional charge on all oil moved to refiners who did not reship by rail at least 65% of the finished product. The railways claimed that they had set low rates "on the understanding that they would get heavy re-shipments on the finished product." It was not a coincidence, however, that the small refiners distributed their product by truck and that only Imperial and British American utilized rail transport to move gasoline to bulk plants across the region.

A howl of protest went up that "the new rate would be of the most serious and discriminatory character both against the consumer of oil in this province as well as against the
independent refiners doing business." The Saskatchewan Independent Oil Refiners Association was formed to lobby against the proposal of the freight association and public opinion was mobilized. The farmers were informed that the rate changes could mean the destruction of the independents and the immediate increase in oil prices of perhaps 25%. As one small refiner noted: "With wheat netting the farmer from 25 cents to 35 cents a bushel anything which adds to their costs of production is to be deplored."

Animosity toward the majors and the railways was fanned by the issue and the provincial government was well aware that the death of the independents could be both economically and politically damaging. There was no question "...that, other things being equal, the consumer of petroleum products in this province would sooner purchase from the local companies...." The province, through the efforts of the Department of Railways, Labour and Industries, came to the defence of the independents, protesting to the federal government, the Canadian railways, and ultimately to the Western Trunk Lines Association. This official resistance, combined with the fact that rate manipulation was unpopular with American producers, resulted in the rejection of the rate change application.

The matter did not end there, however, for within weeks the Canadian Freight Association had returned with another proposal. They recommended a 21 cent per hundredweight
rate increase on all light gravity crudes. Light gravity crude included "practically all the crude oil used by the small refineries. The larger refineries are capable of cracking and using the heavier forms of crude oil."31 Once again the independents roused the public and government charging that "the effect on the independent plants is the same in each case - namely extinction.32 A form letter was distributed to all co-operative associations for submission to the Board of Railway Commissioners and other interested parties which stated: "We have every reason to believe that when this rate comes into force, all opposition will be killed in Saskatchewan and we will return to the deplorable days when the gasoline combine charged extravagant prices for their products and refused to make tractor fuels for the use of the farmer."33 Again the provincial government lodged "vigorous protests ... in opposition to the proposed increased freight rates..." and succeeded in securing delays and finally a rejection of the rate increase.34

A third proposal appeared in the Spring of 1934. The Canadian carriers requested that the American Southwest Freight Bureau, which dealt with all crude shipments from Oklahoma and Texas, abolish all special through rates for crude oil altogether. The small refiners would "no longer enjoy the benefit of the present commodity through rate and will have to pay the ordinary classified through rates."35 This, the railways argued, could not be described as discriminatory as it affected all refiners importing from the Texas fields. The
independents pointed out that they alone imported light Texas and Oklahoma crude. Imperial Oil, with more sophisticated refining facilities imported heavier crude from the Seminole field and shipped it via the Rock Island Line which was not covered by the rate alteration of the Southwest Freight Bureau.\textsuperscript{34}

The charge of discrimination was taken to the Board of Railway Commissioners, a "court" empowered to enforce the Railway Act of 1927 with "full jurisdiction to inquire into, hear and determine any application by or on behalf of any party interested" in an issue relevant to the act.\textsuperscript{37} The Board was particularly concerned with any charges of freight rate discrimination. It had no power to rule on American freight tariffs, but where traffic was being carried from the United States to Canada a joint tariff had to be submitted for approval.\textsuperscript{39} After a hot legal debate, the Board determined that the railways had not demonstrated a need for the proposed rate changes, that the American carriers were not enthusiastic, and the new tariff was denied.\textsuperscript{39}

Inequitable freight rates were a traditional concern of the prairie farmer and he was naturally sympathetic with any industrial concern that appeared victimized by the railways. The rates controversy was not limited to crude rates from the United States. The independent farmers and the agrarians also protested the unreasonably high charges within the region that discouraged the movement of industrial commodities. The rates on crude from Oklahoma and Texas to Regina were between 46 and

\ldots 107
51 cents per hundredweight, while the rates to Saskatoon were 35 cents over Regina and to Prince Albert, 42 cents over Regina.40 This made the establishment of small local refineries extremely difficult, but contributed to the strength of the one large refinery operating in Regina. Protests over the general rate conditions were far less effective, however, and as the President of Hi-Way Refineries, the largest independent in Saskatchewan, noted to Railways Minister J.A. Merkeley in 1933, "both railways continue to pursue their well known policy of 'charging more than the traffic can bear'."41

The issue of freight rates added fuel to the fire already burning over the domination of the western market by the major oil companies. A firm belief that oil charges were too high was shared across the country and reflected in investigations of the industry by provincial governments (including a committee of the Saskatchewan Legislative Assembly) and federal authorities.42 An oil pricing investigation by the federal House of Commons Banking and Commerce Committee concluded that prices in Canada were "not unreasonably high".43 Western opinion was revealed in a minority report prepared by prairie MP's which insisted that an artificial level was indeed being maintained.44

Within Saskatchewan demands grew for resistance to the control of the major oil companies, a more consistent effort to establish local supplies, and an independent refining industry. As the Regina Leader-Post reported in September, 1933, at the height of the freight rate controversy:
Increases in gasoline prices in western Canada during the last two weeks have made 'gas' a live topic in Saskatchewan, with suggestions that more vigorous work should be done toward locating oil in the province and to discussion as to where oil supplies might be obtained if crude oil became too expensive in the United States.*

The extent of public resentment was reflected in numerous protest meetings, submissions to government, and individual letters to newspapers and political representatives. As one native of the province observed:

Is it not time that the people of western Canada ceased to be at the mercy of a foreign country and equally at the mercy of their own dearly bought railways, and in some comprehensive, national way went out to probe for their own supply of petroleum? Up to this date this has been left to private enterprise and for some time the American gasoline combine with its hundreds of millions of capital has been the great explorer, but the people of Canada have never benefited from any discovery made by the great organization.**

Despite the anger, there were few suggestions at this juncture of practical action the people of Saskatchewan or its government might take. The province was to continue its efforts to defend the independents against unfair rail charges or attempted takeovers, and was urged to encourage oil and gas exploration in the province. The most dramatic suggestion, and one pursued with energy by the independent refiners, was the importation of Soviet crude which the refiners claimed could be secured at a trans-Atlantic freight cost of only 1 cent a gallon.*** This oil could be used to replace high cost American oil and be transported cheaply to the Prairies in the high-demand summer months by the Hudson's Bay line, the railway...
recently opened to serve the interests of the West. Though correspondence mounted regarding importation, the construction of facilities at Churchill, and the preparation of the railway for action, the recommendation appeared to be little more than an attempt to pressure the railways into lowering their regular commodity rates. Ultimately the Soviet oil concept ran afoul of government resistance and the unwillingness of the railways to grant special rates to oil being shipped from Hudson's Bay.

The federal government evidenced a determination from the outset of the Depression to protect the established oil companies as an essential element in the nation's industrial infrastructure. As part of the Bennett government's high tariff policy, oil entering the country was given a 2 1/2 cent a gallon duty, a 150% increase, along with a special dumping duty that was removed within two years. The duties were in part a response to the need to avoid the chaos born of overproduction then plaguing the United States, and preserve Canadian refining and distribution systems. They were imposed with a promise from the major companies that they would not be used to increase prices or in any way to exploit the consumer. The oil companies insisted that tariffs were necessary if an integrated industry was to survive in Canada. If costs were high in the West this was not due to tariff increases, but rather to the transportation costs in the region, the state of Canadian and American monetary exchange, and the higher costs of production in the region. To the charges of being irresponsible and
insensitive to the needs of the West the majors claimed that they were maintaining unprofitable services in the region and providing a steady and dependable supply.

These arguments carried little weight with the grain farmer, with a fifty year tradition of opposition to tariffs of any kind. The farmer well knew that the price of gasoline was not as low as it could be, and certainly higher than in the United States. If industry needed protection at all - and that was doubtful - it should not be protection on the backs of agriculturalists carrying the full burden of drought and depressed prices. The text of a resolution to R.B. Bennett from the Riceton Cooperative Association in 1933, demanding a return to the 1 cent tariff, is revealing:

Whereas: Farmers are now forced either to produce wheat at a price far below cost or to abandon their farms and other assets that it has taken many years to acquire and,
Whereas: Many districts in Western Canada, on account of scarcity of water are forced to farm chiefly with power machinery as most of us are doing...
Whereas: We are now paying 30% more for our tractor fuels than in prewar years, although crude oil has been selling in the United States Oil Fields at distress prices, while our farm products are selling at levels one third of pre-war.
Whereas: United States and our Canadian National railways are now charging Farmers and Independent dealers a freight rate of $1.32 per 100 lbs. for tractor fuels from the Oklahoma oil fields to Regina. Yet they are willing to, and do, bring on the Crude Oil to refineries in Regina from the same Oklahoma field at a freight rate of 0.48 1/2 cents per 100 lbs.
Whereas: Oil Refineries are allowed to bring in crude oil duty free, while we must pay duty, dumping duty or a price in the United States fixed by our Government.

The farmers took action in the form of an application for tariff reduction by the Co-operative Trading Association of...
Saskatchewan in 1935. Travelling to the province to conduct hearings in that year the Tariff Board confronted what the provincial government brief described as a total "solidarity of public opinion" on the oil question.** The arguments presented by the province, the cooperatives, the farmer organizations, and the independent refineries were both practical and political, and telling on both counts. There could be no question that the tariff had resulted in higher oil prices in the West, and that the co-operative oil distributors had suffered from being cut off from low-cost sources of supply in the United States. The standard arguments in favour of free trade and the elimination of all tariffs were presented once again, and all the information on major oil company price leadership and freight rate advantages were marched before the public. With the rail rate advantages that the majors enjoyed, what further need had they of protection? The industry was profitable and relatively healthy. Oil company profits during the entire Depression period demonstrated remarkable firmness.** As the Saskatchewan government factum stated:

> It must be kept in mind that the wiping out of the tariffs on these items would not ... destroy the ability of the oil companies to continue to secure a very large portion of the business in this province. Their comparatively immense strength, the fact that they are well entrenched as a distributive business in this province, their control over crude supply, their ownership of large and efficient refineries, and the general efficiency that experience and organization has given them, should enable the major oil companies, without any protection from the tariff, to continue to conduct a very profitable business in this province.**

The profitability of the oil industry was contrasted...
with the desperate condition of the farmer. The Tariff Board
was called upon to accept some responsibility for ameliorating
the effects of agricultural disaster. The lawyer for the
province was emphatic:

I think that I am correct in saying that all
governments, regardless of their political complexion,
realize the urgent necessity of placing agriculture
in a better position. It is only in the policy of
achieving this that the difference appears, and I
strongly urge that the removal of tariffs on petroleum
and derivatives would be a concrete and tangible method
of assisting in achieving this so much desired purpose.

The interests of 110,000 farmers, and voters, in the province
of Saskatchewan was placed against the interest of 4200
refinery workers in the nation as a whole, and the profits of
one industry.

In 1936, the Tariff Board decided in favour of
reduction, consistent with the lower tariff policy of the
returned Liberal administration, and in part in recognition of
the need to assist the wheat grower. However, under the new
Board ruling a reduction was not applied to high gravity crudes
- a compromise designed to satisfy the majors. As a
Saskatchewan M.P. observed, it was "the hand of the government
but the voice of the big oil companies." Protests were again
submitted that the ruling discriminated against the small
refineries without the technical capabilities to crack heavy
crudes. The Tariff Board regretted that "its action is
unpopular ... in southern Saskatchewan" but insisted that "in
the long run you will come to the conclusion that our action in
making the report which we did was at least an honest attempt
to deal with a national situation. The decision stood, but discontents in Saskatchewan were not easily assuaged.

In his study, *Agrarian Socialism*, Seymour Lipset identified a progression in organized rural response to economic grievances. The first course of action is the development of lobby power through farmers' associations, "educational organization ... to put pressure on governments to aid farmers." The next step is cooperative organization in order to do battle with economic enemies and attack the source of the discontent. A cooperative response to high fuel costs came soon after the situation began to appear critical. Since the 1920's farmers had complained about the spread between crude oil and gasoline, as wide as 22 cents per gallon, and in 1929 began to organize petroleum cooperatives throughout the province in conjunction with other consumers cooperative ventures. They depended for supplies on the small independent refiners in Saskatchewan, Alberta and Montana, altering supply sources with changes in distillate prices. Savings were produced through bulk purchases and the absence of dealers margins. Low-cost supply, however, was critical to the successful operation of the co-ops and with the commencement of the campaign of the majors against the independents this supply became increasingly precarious. By 1934, a number of the independents had been purchased or were facing financial ruin and the price structure for refined product began to change.

Almost coincidental with the purchase of these plants, the wholesale, or tank car, price of gasoline or other tractor fuels were increased - in some cases as high as 3 cents per gallon - although it could not
be demonstrated that increases were caused by increased prices of crude or increases in manufacturing costs.

The decreases in the profits of the petroleum co-operatives prompted commitment to a more secure supply of refined product through the construction of a cooperative refinery. The idea was discussed thoroughly by the Regina area cooperatives, and despite the prevailing agricultural circumstances $25.00 shares were sold to area farmers to raise the $30,000 in initial capital. On August 9, 1934, at a meeting of the Provisional Board of Consumers Cooperative Refineries, a vote "passed unanimously, that a refinery with a minimum daily capacity of 350 barrels be built, which will later form the nucleus of a cracking unit." In May, 1935, the new refinery came on stream in Regina. Dwarfed by the Imperial Oil plant, it was technically primitive, utilizing a discard from a defunct brewery as a boiler and whatever equipment could be accumulated in the region. It did acquire managerial and operational expertise, and became the most enduring independent refining operation in the province. First year sales totalled a not insignificant $253,000, and ultimately the refinery became the supplier to not only local petroleum co-operatives, but to locals of the Saskatchewan Cooperative Wholesale Society and the Saskatchewan Pool Elevators.

The cooperative refinery, the first such operation in the world, had sources of strength not shared by the other independents. It enjoyed the patronage and financial support of a large number of members, could extend markets through the
regional network of consumers cooperatives, and could secure assistance through the resources of the Wholesale Society. Its distribution system was relatively simple, managed in the localities, and its operational expenses were kept low. It did not, however, escape many of the same problems faced by the independents. The minutes of the refinery board regularly announced that "major oil companies had inaugurated a price cut at many of the points being served by the refinery, and that their price cut did not go beyond the confines of the Refinery distribution." The intermittent price wars compelled the refinery to offer increased refunds to maintain member loyalty and request short-term economic sacrifices from the farmers in order to ensure that independent refining operation continued. They also lacked the capital strength to advertise their products and diversify markets. Concern about the marketing tactics of the majors is revealed in the following board minute:

The Secretary then pointed out that competitive oil companies were spending tremendous sums in advertising and other propaganda in direct opposition to co-op manufacture and distribution and that in fairness our members throughout the territory should be kept informed as to the refinery operations and other matters."

The co-op was able to make only modest use of the media and relied upon public meetings and the activities of local activists.

By far the most serious problem for the Consumers Co-operative Refinery, and all the other independents, were secure economical sources of crude oil. The refinery was
acutely sensitive to shortages of necessary light crude, changes in rail rates and tariff structures. The refinery board thus took an active part in fighting the high crude tariff, and subsequently the continued tariff on light crudes. As the refinery was not capable of producing a variety of products, the cost of sufficiently high grade raw material was essential. This dependence on a particular grade of crude and lack of production flexibility prompted the refinery to advocate as early as 1936 "that the energies of the association should be directed to the building of a cracking plant." This would permit the purchase of cheap heavy crudes and more efficient utilization of all refinery products, but was beyond the resources of the community during the Depression.

While the tariff remained a problem the refinery was more successful in attacking what it viewed as discriminatory freight rates. In 1937, in Consumers Co-operative Refineries Limited vs. CNR and CPR, an attempt by the railways to lower rates on crude shipments of 25 cars or more was defeated as "unjustly discriminatory against small refineries which could not bring in such large quantities." This was at a time when the shift in supply sources was taking place between the United States fields and Turner Valley, and the Alberta producers were anxious to extend their markets for crude through low rail rates. This local source of crude was attractive to the CCR as well, but could not be easily exploited except by agreement with the major oil companies. Supplies from the majors were occasionally cut off if demand by the companies own marketing
systems were high, though Imperial Oil assured the independents that "no person was refused Turner Valley naptha with an ulterior motive."73

Insecurity of supply thus became a perpetual concern for the Co-op and one that could not be rectified simply by developing more sophisticated refining capabilities. While it is true that the co-ops demonstrated a "limited consumer perception", and were primarily concerned with maintaining low prices for products, they could not escape anxiety regarding local supplies.75 They were compelled to consider backward integration, the establishment of their own wells, though no action was taken in the Depression period. While the Consumer Co-operative Refinery and its members initially played only a small part in determining the direction of the industry in Saskatchewan, it represented a local commitment to involvement and demonstrated the depth of local concern.

The oil and gas situation found its way into the political changes of the Depression years as well. By 1930 Frank Eliason, the Secretary of the United Farmers, warned that higher oil prices would not be accepted readily and would "ultimately result in a demand on the part of the consumer for state control of the oil business."76 The Depression struck Saskatchewan with great severity and engendered disillusionment and anger. No aspect of the economic or social structure remained untouched and the possibility of radical, if not revolutionary change, seemed very real. In a caution issued to field officers of the Department of Natural Resources, the
Deputy Minister stated that a period of uncertainty and fear was upon them: "Everywhere people are in doubt as to whether the economic system we are following is the right one." The alienation of the grain farmer from the conventional workings of modern industrial capitalism was enhanced. It was evident that the financial, industrial and commercial systems of the nation, those eastern based citadels of power that had exploited the agrarian for decades, were now in a state of disarray. They had failed consistently to recognize the interests of the agricultural sector and had now failed to maintain even their own wealth and stability.

A change was obviously necessary and the logical agency of change, as it had ultimately always been for the farmer, was the government. George Hoffman, in his analysis of the Saskatchewan general election of 1934, makes the following observation regarding the people of the province in this period:

Their situation could hardly be referred to as one of stable poverty. Most of them had experienced something better. They realized that many individuals in the industrial, capitalist society in which they lived were not suffering as they were. Daniel Bell, an American sociologist states 'social tensions are an expression of unfulfilled expectations [and] radical strength is greatest ... in societies where awareness of class difference runs deep.'

An agrarian class consciousness had been developing since the nineteenth century and the Saskatchewan Grain Growers, the Farmers Union and the United Farmers had regularly attacked the excesses of the 'monopolies' and the 'special interests'. The Depression contributed to the growing militancy...
and political activism of the United Farmers and induced them to call for the eradication of the existing economic structure and the creation of a co-operative commonwealth. When the provincial government refused to accept the program of action proposed by the UFC in 1931, it joined hands with the Independent Labour Party and became an openly political organization calling for the nationalization of all key industries. In the following year, with the formal establishment of the Co-operative Commonwealth Federation, a federal socialist party with provincial branches, the UFC insisted that "each delegate going down to the National Convention stand firmly behind the present policy of socialization."

Among the key industries to be nationalized were those in natural resources, including oil and gas. They were to be explored, exploited and produced through public investment with use rather than profit the objective. The UFC strongly held to the view that "it is not business, it is not production, that flourishes by private ownership of natural resources in such conditions, but speculation. And the wilder the speculation the easier it is for the big operator to collect the nickels and pennies of the mass of the people with which he can gamble quite free of risk himself." The resource heritage of the province had to be retained by the province for its own use, and this approach was continued in the program of the provincial CCF. Following the election of 1934, when that party entered the Legislative Assembly as the official
opposition, demands were regularly heard in the assembly for
government ownership of refining, direct involvement in oil and
gas exploration and assessment, and the expropriation of all
mineral rights in the province. Despite the trimming of the CCF
and its program moderation in the years after the disappointing
showing of 1934, the platform of nationalization of natural
resource industries remained constant.

The lack of success of the CCF in the thirties
indicated that despite widespread discontent, the farmers of
Saskatchewan were as yet too cautious to accept genuinely
radical solutions to their problems. They were alarmed by the
apparent threat of nationalization of farm land, and responded
more readily to the more practical promises of debt relief and
assistance from the Liberals. The management of natural
resources and the problem of oil and gas supply did not figure
largely in the election campaigns of the decade. Both the
Co-operative government and the Liberal government that
followed it in 1934, demonstrated concern and support for the
position of the farmer. Little change in policy and approach
was demonstrated in those years. The province remained active
in the fight against high oil prices and the tariff, but given
the state of the provincial economy it had little choice.

They were careful, however, not to alienate the major
oil companies, though they could be bitter in their complaints.
In requesting a reduction in oil prices they appealed to the
enlightened self-interest of the corporations and asked for
their support in promoting the recovery of the agricultural
sector. A statement of the Saskatchewan government lawyer before the Tariff Board hearings in 1935 is indicative of the approach:

I have said I have no intention of unduly, or perhaps I should say unfairly attacking the major oil companies; rather I invite them to sympathetically follow my argument, as I am convinced that in the long run the best interest of the consumer is the best interest of the major oil company, and that they can seize this opportunity of assisting to bring back to the consumer of this province — incidentally their chief customer to a reasonable degree of prosperity that will reflect itself in a larger and more profitable consumption of petroleum products, thus giving the oil companies the greater opportunity to sell at a reasonable profit their commodities.  

The province remained firmly committed to the private development of resources and industry, and the majors were not to be alienated.

The sensitivity of the province to business pressure and the limitations of its power to act in the area of oil were revealed in the case of the Bill to Prohibit Discrimination in Sales of Gasoline. Introduced initially in 1931, and withdrawn under pressure from the majors, the Bill was reintroduced at the height of the freight rate controversy in 1933. It was an attempt to standardize pricing in the province and thus protect the independent refiners and distributors from price wars. The Bill was strongly opposed in the press and by the Regina business community. Imperial Oil threatened to close its refinery and British American to halt plans to establish a plant in Moose Jaw. It was also opposed by the co-ops on the grounds that it would prevent competitive pricing by their
The Bill was put to the Legislative Assembly and defeated.

While the Depression failed to induce either the Conservative or Liberal parties to embrace public ownership or development of oil, gas or other natural resources, or to abandon reliance on conventional forms of private development, there was an awareness that there should be some response to "changed and changing conditions." The demand for a local exploration program and the discovery of accessible supplies of crude oil was loud and persistent during the recurring oil price confrontations. The domestic and industrial market for natural gas in the urban centres remained unsatisfied. At the very minimum the province was expected to take some action to encourage and assist development where possible, and this the government attempted to do.

Where evidence of a possible field existed but no private development could be secured the province actually undertook, under the auspices of the Department of Natural Resources, exploratory drilling. The development of the site, had a find been made, would have been turned over to an established oil company. Of more practical benefit to drillers were alterations in the schedule of fees for oil permits and leases. Application fees for leases were reduced from ten dollars to five and permits to prospect for oil and gas were
reduced to five from fifty dollars. The rates for exploration bonds were returned to their levels under the Department of the Interior, 10 cents per acre immediately with 40 cents due if the permit were transferred to a lease. On evidence of expenditures oil and gas lessees were granted extensions on payments of rentals indefinitely, rather than the second and third years as per the original regulation.  

Scientific and technical assistance continued to be provided, though the Saskatchewan Research Council reported in 1932 that on "account of economic difficulties, it has not been found possible to carry on any active operations or investigations involving the expenditure of money in specific research problems." In the following year the Council was virtually disbanded as funding for university related projects was cut back. The Geology Department, however, became increasingly tied to the Department of Natural Resources and continued as the scientific arm of that body. The faculty of the department remained active in exploration and analysis activities, indeed government funding of petroleum and research was a necessary supplement to meagre Depression-era academic earnings. With severe restraint in the federal Department of Mines there was danger that scientific support from Ottawa would be cut off completely. By 1934 it was reported that "no geological parties" were operating "to report on oil and gas possibilities in Saskatchewan." This situation was to change dramatically in 1935 as the Geological Survey received a special one million dollar allocation to conduct thorough
mineral investigations across the country. Five major survey parties with a number of sub-parties were sent to Saskatchewan to conduct general investigations of the area and examine "the oil and gas possibilities of the Wainwright-Lloydminster region lying both in Saskatchewan and Alberta." Within a few years the Geological Survey was, in conjunction with the university geologists, scouring the province, conducting extensive mapping programs and subsurface testing to "add to the bed rock information and aid the evolution of the oil and gas situation of the province."

Despite the deplorable economic conditions the scientific reports did find a small but eager readership. However, as the Supervisor of Mines reported at the end of the decade, "most of the the efforts have failed because of lack of finances, poorly chosen locations, inadequate equipment, inexpert officials, passing through shows without adequately testing and not drilling deep enough." Lack of expertise and the capital necessary to acquire expertise contined to be the bane of the local industry. Many small operators continued to rely upon funds scraped together from local farmers and utilized outmoded equipment handled by former water well drillers. The services of 'oil diviners' were used extensively, along with the techniques of 'scientific experts' of questionable honesty." The government discouraged primitive methods and to a certain extent succeeded. The findings of the professional parties were widely publicized and every positive report, however guarded in its evaluation, was consumed by the
In 1931 the Department of Natural Resources reported three operating wells and six idle or abandoned. By 1933 there were seven wells drilling and 1934, sixteen. At the same time the revenues from leases and fees had climbed from $4,437 to $13,895, or almost 25% of total Mines Branch earnings. The continuing optimism regarding oil and gas prospects was reflected in operations statistics, the pronouncements of the provincial government and the occasional letter from concerned farmers:

I know of no good reason why our Sister Province should have all the oil fields we not have any. I believe during the 1932 Session our Premier made the statement on the floor of the Legislature to the effect, that he didn’t think the Provincial boundaries should also designate the oil fields.

Many agreed, and developmental work progressed in virtually every region of the province. Initially the objective was natural gas, easier to locate and with a ready market in Regina and Saskatoon. The Regina basin was tested and drillers searched for anticlines in the undulating terrain around Swift Current and Maple Creek. A group of Regina businessmen formed the Blackfoot Oil Company and acquired 20,000 acres in petroleum leases in the Wilcox area in 1931. In Simpson, farmers funded a well which finally stuck sodium chloride and was touted as the possible site of a provincial salt industry. At Riverhurst, where heavy oil leakages along the bank of the South Saskatchewan, the Riverhurst Oil Company had been "struggling to bring in a producing well since 1926."
Most of the wells drilled in the period were extremely shallow, many under five hundred feet in depth as the cost of deep test drilling was high and any complications or loss of tools could effectively bankrupt a small operator. Hopes rested largely with near surface finds of gas. The most intensive activity was often centred on areas where easy finds were unlikely and where geological prospects were not encouraging. One such area was the Vera-Unity region in west central Saskatchewan. The Department of Mines reported that: "From a geological standpoint there is nothing in the Unity Valley area to recommend it as an oil or gas prospect." Yet the Unity Valley Oil and Gas Company proceeded to sink three of the deepest wells in the province in the early 1930's each to a depth of over two thousand feet, each without success.

The real focus of provincial interest was on three areas: Kamsack, Hudson Bay Junction and Lloydminster. Each of these areas had attracted the active interest of oil prospectors and was watched by geologists. For many years they were no less disappointing than any other location, but in 1934 the first commercial gas strike was made in Lloydminster. The well was located just south of the town and on a site that had been identified as early as 1919 as a possible oil bearing location. In 1933 a group of local businessmen pooled their resources to form the Lloydminster Gas Company, proclaimed as "local men with local capital only." They purchased an aging cable tool drilling rig at a sheriff's sale and employed a drilling crew prepared to accept shares in the company in lieu
of salary. After less than five months of drilling the well blew in at 1794 feet on March 30, 1934. An open flow of 16,750,000 cubic feet per day was recorded at the well, indicating a find of major proportions. Within months pipelines were laid and several businesses in Lloydminster were receiving gas service. The excitement was great and the Department of Railways, Labour and Industries began to visualize "possibilities of industrial development following in the wake of the strike" and the extension of pipelines to other communities. As one Regina alderman stated:

If there is a field there it would remove many of the difficulties which Regina has faced in the past in connection with gas. Most of the propositions put before us in the past have been vague: the promoters seldom were specific. Then again there was the disadvantage in most of the proposals of having to bring the gas and piping across the international boundary. Even with Alberta gas fields there were difficulties in the matter of export. If we have a field in our own province these difficulties would be removed and the news from Lloydminster is certainly interesting and all steps should be taken by the proper, competent authorities to investigate the whole area.

Interest in a potential Lloydminster field spurred additional geological investigations and the careful analysis of all findings from local wells. A number of new wells were drilled in the area. One blew in at over 42 million cubic feet per day, making it the largest producer in the British Empire. There were soon four producing wells with an output more than sufficient to meet immediate local needs. One of the Lloydminster wells, Colony No. 3, also struck a non-commercial find of crude oil, encouraging speculation that the field might be more than a gas producer, particularly as a number of small
oil producing wells had been drilled on the Alberta side of the field.\textsuperscript{108}

In 1937, Kamsack became the second community in the province to secure natural gas supplies. The Coal Gate Company drilled a number of shallow test wells in the area in the mid 1930's and five were ultimately producers. The field was never a major one, however, and was consistently plagued with problems of inefficient production, erratic flows, and uncertain long-range supply.\textsuperscript{108}

The search for crude oil in the province remained frustrating. There appeared to be some promise for the Hudson Bay - Kakwa region where small natural gas strikes had been made and where a bituminous substance with crude oil content was discovered. A larger, better financed, Winnipeg based firm, Petroleum Engineering Limited, employed a geologist to conduct a thorough study of the area and select a site for the well.\textsuperscript{110} In November of 1934 a heavy oil strike was made, sending Regina briefly "into the throes of an oil boom."\textsuperscript{111} The company promised a major program of development and informed the government that a modern and specially constructed drilling rig would be moved to the site.\textsuperscript{112} While the first strike did not prove to be commercial, the company did plan for a number of test wells. The president of Petroleum Engineering, J.A. McVicar, a long time oil promoter, requested special assistance from the province in the form of a reservation of 100 square miles "from the operation of the [Mineral Resources] Act for a period of at least one year so that we can make our
investigation with a free hand." The problem that the company faced, and shared with all drillers, was that any strike was accompanied by media and business attention. The available leases around a possible producer were immediately taken up for speculative or drilling purposes and, in Petroleum Engineering's case, there was a hectic "rush to secure oil leases in the Hudson Bay Junction area." This blanketing of an area made coordinated and comprehensive exploration impossible unless the developer had grouped the maximum number of leases on the site.

Requests for reservations as necessary preconditions for effective scientific drilling were not uncommon. The Blackfoot Oil Company of Regina had made a similar request for 450,000 acres in the Wilcox area in 1933. Both the Blackfoot and Petroleum Engineering companies were ultimately turned down, the province stating that the regulations were quite specific and that there were enormous difficulties in establishing such a precedent. The government was no doubt sensitive to the controversy that might erupt if special concessions were made to oil companies while leases were denied to small drillers or the public. The Deputy Minister of Natural Resources regretfully informed Petroleum Engineering that...

...the Department sincerely appreciates the difficulty in determining structure in the vicinity of your prospecting operations and that it may be necessary to do considerable test well drilling at widely separated points to determine whether or not structural conditions exist, I regret that we cannot at this time go any further than making the reservation mentioned above.
As the decade progressed and the search for oil and gas grew in scale and promise the pressure on the government to grant special concessions and relax the regulations concerning fees and performance also mounted. Drilling companies complained that "as these government fees and rentals now stand, they are a veritable millstone around the neck of any company that is attempting to locate gas or petroleum in this province." It was recommended that the government further reduce lease charges, increase the allowable area under petroleum and natural gas leases to 50,000 acres, and as in Alberta, to rebate royalties payable "sufficient to refund the development company's total cost in locating gas and petroleum in marketable quantities."

The province remained relatively firm in defending the regulations and rejecting special arrangements. Leases and permits were regularly revoked for non-payment and non-performance despite an admitted leniency if some effort was indicated. Speculators were issued harsh warnings, and drillers operating without a licence were dealt with quickly. A letter from the Department of Natural Resources to a particularly recalcitrant driller is indicative of the attitude: "The Province has a continuing interest in the mineral resources and cannot permit wasteful depletion of such resources through bad workmanship or neglect." The Supervisor of Mines investigated cases of non-payment and issued warnings if drilling work or production did not meet standards. In 1936, as the production of natural gas became a
potentially important aspect of the economy, a bill was introduced giving the provincial government authority "to appoint an advisory committee to enquire into technical or scientific matters in relation to oil and gas resources, management or conservation."\textsuperscript{123} It was essentially a duplicate of Alberta legislation and was designed to provide additional assurance that resources were developed efficiently and without undue waste. Stricter supervision of drilling operations was to be imposed and a deposit of a $10,000 bond was required before exploration could commence, despite the protestations of drillers that such action was "prohibitive" and would "hamper development at a time when activity is most needed."\textsuperscript{122} Though in the opinion of the Supervisor of Mines, Edgar Swain, there was "no occasion at present to enforce the regulations in Saskatchewan", the new rules did indicate a concern for more effective control on development.\textsuperscript{123}

Oil and gas activity in Saskatchewan did not require the kind of regulatory attention seen in Alberta. Neither the promise of oil and gas fields, nor the public policies designed, were to have much effect on the developmental strategies of the major oil companies. The exploration activities of Imperial Oil had all but ceased nation-wide by 1934 with the budget for exploration down to $15,900 from $519,000 in 1930.\textsuperscript{124} With sales in a slump and little apparent...
chance of significant discoveries, the company was content to import crude and devote its resources to maintaining its refining and marketing operations. By 1936, however, the focus of concern of the majors had been altered. By that date a state of relative stability had been imposed on American production and prices were held at reasonably high levels. At the same time Alberta had experienced its first major discovery of crude oil. Turner Valley Royalties No. 1, partly funded by both the province of Alberta and Imperial Oil, blew in on June 16, 1936, with a flow of 850 barrels a day. While the well was a modest producer by North American standards, subsequent drilling in the valley soon raised production to the point where all local demand could be met. Within two years 30,000 barrels a day were being pumped from a number of Turner Valley properties, while the consumption of the entire Prairie region stood at 20,000 barrels a day. The problem for Alberta and Imperial Oil then became control of production in the interests of conservation and price maintenance, and extension of the market. The first problem was remedied by the establishment of the Conservation Board in 1938 and the introduction of prorationing of production to market demand.

The second problem, expansion of market, proved more difficult. A report on the oil situation to the Alberta Department of Lands and Mines commented:

Alberta produced a record year in 1939 with her total oil production of 7,599,411 barrels. It is well to remember, however, that this figure, without any danger to the Turner Valley field, could have been a considerably larger one if a market had been established to absorb the addi-

...133
Rather than encourage exploration and production in Saskatchewan, the majors and the established independents sought instead to make the province a market for surplus Alberta crude. They enjoyed some success, but due to production and transportation costs American oil remained competitive for the small refiners of Saskatchewan. In 1937, with a concerted effort by Alberta producers, railway rates were altered to permit large scale shipments of oil from Turner Valley to Regina. The railways agreed at that time to cut rates on crude petroleum from 68 to 27 cents per hundredweight and later to 19 cents for single shipments of twenty-five carloads or more. As previously noted, these rates were successfully opposed by the Consumers’ Co-operative Refineries in their protective action against discriminatory rates for large consumers.

The producers next bid to make Saskatchewan an extension of the Alberta market came in the form of proposals for interprovincial and even international pipelines. A number of American and Canadian firms suggested pipelines to Regina, Winnipeg and south to the American Mid-West. In 1939, Imperial Oil began to talk seriously about a line to its Regina refinery. The Second World War, and the alterations in demand and materiel shortages that accompanied it, were to temporarily put an end to all pipeline projects.

Political difficulties associated with the export of Alberta natural gas and practical limitations on the movement of oil preserved the integrity and momentum of the infant...
Saskatchewan industry. By the end of the decade the province was producing a few hundred barrels of crude from the Lloydminster field and plans were afoot to expand natural gas production and marketing in that area. These plans were to again generate debate on the locus of control of the industry and the direction of provincial public policy.

By 1939 the production of gas at Lloydminster had shown considerable growth and drilling for additional wells was proceeding at an impressive pace. The potential of the field, as already noted, preserved the interest in the pipeline and distribution schemes of 1931. One noted American geologist (who also held property in the Lloydminster area) assured local authorities that: "In my opinion there is plenty of gas in the Lloydminster, Vera-Ribstone and adjacent regions to supply the city of Saskatoon and their available markets .... The quicker they develop these markets, the quicker they will find the gas to furnish them." Investigations into the short and long term capacities of the Lloydminster field were conducted, but the results were inconclusive. Dr. F.H. Edmunds of the University of Saskatchewan, the geologist with the greatest familiarity with the area (but also a man with investments in the oil industry), reported very favourably on the field reserves. His views were challenged by experts from the federal government, but the Supervisor of Mines assured municipal authorities that no geologist "is justified in saying that the Lloydminster field is incapable of supplying Saskatoon with an adequate supply of natural gas because that field has ..."
Anxious to encourage the further development of the industry, the province urged the city to establish franchises for the private supply and distribution of natural gas. Convinced that a supply of cheap fuel could be secured, Saskatoon designed a franchise and put it up for a vote of the ratepayers. Writing to F.H. Edmunds early in 1939, Edgar Swain observed that "the citizens are thereby placed in a unique position, one in which it must be realized that on their actions depends whether or not a great deal of additional drilling will be done." Once again the gas franchise was promoted as a means to entice secondary industry and to generate additional revenues.

Again, however, the coal industry came out strongly against the introduction of the new fuel, pointing to the dangers inherent in gas and the effects on employment in the coal industry. The CCF and the UFC again opposed the franchise, arguing that natural gas should be developed and distributed under a program of public ownership. United Farmers' press statements suggested that the creation of a gas monopoly would be no less dangerous than the creation of any other monopoly and would have an "unwholesome influence on society in general." UFC locals were polled on the question, for the solidarity of the organization had been challenged by the gas promoters who suggested many farmers had invested in natural gas and were not opposed to private development. The response was almost unanimously in favour of continuing the
campaign for public ownership, with one farmer stating that "private ownership of natural resources and key industries is one of the main causes of our present poverty." 137

The province made it clear, as it had throughout the decade, that it did not feel that natural gas distribution was an appropriate or feasible area for public involvement: "this is a matter which the Department has not gone into and one which is left strictly to the pipeline companies who make a speciality of this kind of project." 138 The franchise was approved and granted to Franco Oils Limited, despite suggestions that the company had been involved in questionable gas deals in Alberta and Montana. 139 The promise of a $5,000,000 pipeline project and additional exploratory activities in the Saskatoon and Lloydminster areas was too attractive to be denied. 140 Full approval was not achieved until 1940, however, by which time neither material nor funds were available for an extensive pipeline system. Once again the promise of development was deferred.

While the Depression years represented lean times for drillers and resource investors, it remained a period of growth and increasing sophistication in the Saskatchewan oil and gas industry. The provincial government was compelled to abandon any ambitions it might have had for the decade, but the direction of public policy with regard to resource development were nonetheless clearly outlined and did not change substantially even with the change in government in 1934. Public concern over the growth of the industry and the power of
the major oil companies also emerged. The desire for local
development and local control was clearly stated with, in some
circles, the desire for a more direct and active role by
government. The war years were to make the oil industry all the
more visible, the commitment to public ownership more relevant,
and the power and influence of the major oil companies in the
province significantly greater.
Footnotes

1. The annual reports of the Department of Natural Resources detail abandoned wells and drilling sites. There are also numerous letters in the general correspondence of the Deputy Minister that reflect the difficulties of drillers. In a letter to Mrs. H. Fisher of Saskatoon Local Council of Women in 1936, John Barnett laments: "It is regrettable that of the numerous well drilled to date, many of them did not reach producing horizon for lack of capital.


6. Saskatchewan Government Factum, p. 17


9. A.A. MacGillivray, Alberta's Oil Industry (Toronto, 1940), p. 43

10. SAB, AG 12 I2, "Economic Aspects of the Situation Relating to Farm Machinery and Equipment in Saskatchewan", Statement Prepared by the Farm Management Department of the University of Saskatchewan for the Ministry of Agriculture of the Province, p. 2


14. "Power on the Saskatchewan Farm", p. 11

15. Terry Phalen, Cooperative Leadership (Saskatoon, 1977), pp. 89-94
19. SAB, B2 IX 325, "Ready to Fight Move to Cancel Crude Oil Rate", Regina Leader-Post, May 2, 1934.
21. Ibid.
22. Ewing, Imperial Oil Limited, p. 76.
23. PAC, Bennett Papers, Oil File, Microfilm Reel M932, 39930, Victor Ross to R.B. Bennett, February 6, 1928.
25. SAB, RL 2 71(1), HiWay Refineries to Railway Commissioners, March 27, 1933.
26. Ibid.
27. SAB, RL 2 71 Crude Oil Rate (1), F.B. Bagshaw to J.A. Merkeley, Minister of Railways, March 30, 1933.
28. SAB, RL 2 71(4), "Crude Oil Shipment from USA to Western Canada", Memorandum prepared by J.M. Stevenson, KC, President, Saskatchewan Traffic Council.
29. SAB, RL 2 71 Crude Oil Rate (1), Hi-Way Refiners to H.D. Cartwright, Secretary, Railway Commission, March 27, 1933.
31. SAB, RL 2 71(1), Hi-Way Refiners to J.A. Merkeley, Minister of Railways, April 22, 1933.
32. "Crude Oil Shipment from USA"
33. Board of Railway Commissioners for Canada, Judgements, Orders, Regulations and Rulings, Volume 24, Number 11, Ottawa, September 1, 1934, p. 199. The Judgement provided contains a full review of the dispute.
34. SAB, RL 2 71(3), C.B. Keenleyside, HiWay Refiners, to A.D. Cartwright, Secretary, Board of Railway Commissioners, January 16, 1934.
35. SAB, RL 2 71(1), Press Statement, November 8, 1933.

36. "Crude Oil Shipment from USA"


38. Ibid., p. 157.

39. Board of Railway Commissioners, Judgement, September 1, 1934. Also, SAB, RL 2 71(4), C.B. Keenleyside, HiWay Refiners, to Charles H. Ireland, Department of Labour and Industries, April 6, 1934.

40. SAB, B2 IX 325, "Ready to Fight Move to Cancel Crude Oil Rate", Regina Leader-Post, May 2, 1934.

41. SAB, RL 2 71(1), George Smith, Freight Traffic Representative, to John Cuisson, Secretary, Prince Albert Board of Trade, 1933.

42. SAB, RL 2 71(1), HiWay Refiners to J.A. Merkeley, April 22, 1933.

43. Saskatchewan Government Factum, p. 42.


45. Ibid.

46. SAB, RL 2 71(1), "Ship Crude Oil by Hudson Bay Route Regina Man's Plan", Regina Leader-Post, September 18, 1933.

47. Ibid.


49. "Ship Crude Oil"

50. "Prairie Rail Costs"

51. Ewing, History of Imperial Oil Limited, p. 79

52. Ibid.

53. Tariff Board Report, 1936, p. 186

55. Saskatchewan Government Factum, p. 64.
56. SAB, B2 IX 341, "Huge Profits Realized by 'Big Four' Oil Companies", Saskatoon Star-Phoenix, February 19, 1936.
57. Saskatchewan Government Factum, p. 60.
58. Ibid.
60. PAC, RG 79, Volume 21, File 84-1, George Sedgewick, Chairman, Tariff Board, to F.W. Ferguson, May 27, 1936.
63. Sedgewick to Ferguson, May 27, 1936.
67. Minutes, Consumers Co-operative Refineries, November 3, 1934.
68. Ibid., August 9, 1934.
70. Minutes, Consumers Co-operative Refineries, November 22, 1934.
71. Ibid., April 22, 1936
72. Ibid., April 20, 1938
73. Ibid., July 6, 1936
75. PAC, RG 79, Volume 23, File 84-14 Pt. 4, R.V. LeSeuer, Vice-President, Imperial Oil Limited, to George Sedgewick, Chairman, Tariff Board, August 13, 1936.

76. John Richards and Larry Pratt, *Prairie Capitalism* p. 75.

77. SAB, RL 2 101, "State Control is Mooted for Oil Business", *Regina Leader-Post*, September 25, 1930.

78. SAB, NR 1/1, D-117-CM, Revised Notes of an Address to Field Officers Conference at Prince Albert, November 17, 1933.


80. Lipset, *Agrarian Socialism*, p. 112

81. SAB, CCF Papers, I-1, Minutes - Farmer-Labour Group, Minutes of the Political Directive Board, July 7, 1933.

82. SAB, NR 1/1, P-800-C, "The Natural Resources", *Manitoba Free Press*, May 21, 1931.

83. Lipset, *Agrarian Socialism*, p. 137

84. Saskatchewan Government Factum, p. 47.


87. Address to Field Officers Conference at Prince Albert.

88. The Department of Natural Resources arranged and supervised the drilling of test holes in various areas of the province and on occasion loaned drills to individuals. See SAB, NR 1/1, Deputy Minister, General.

89. SAB, NR 1/1, L-100-OC, Legislative Orders-in-Council, OC 1431/31 and OC 390/37.

90. SAB, NR 1, DNR III, Department Organization Files, 6, General, Annual Report, Research Council of Saskatchewan, 1932.

91. SAB, NR 1/1, 1B 1935(2), W.W. Amos, Deputy Minister of Natural Resources, to F.W. Simpson, June 25, 1935.

93. SAB, NR 1/1, M-500-DR(2), J.B. Mawdsley, Department of Geology, University of Saskatchewan, to Dr. G.A. Young, Chief Geologist, Geological Survey of Canada, October 26, 1939.

94. SAB, NR 8, A 36, Review of Oil and Natural Gas Outlook in Saskatchewan, July 5, 1939.

95. SAB, M11, Kerr Papers, File 120, Memo to Deputy Minister, September 16, 1938.


97. Ibid.

98. SAB, NR 1/1, 1B, Letter to John Barnett, April 10, 1933.


100. SAB, NR 1/1, D-100-S/0(7), Edgar Swain to Deputy Minister of Natural Resources, January 17, 1936.


102. Ibid.

103. SAB, NR 1/1, P-800-C, "10,000,000 ft. as Daily Output", Regina Leader-Post, April 2, 1934.


105. Ibid.

106. SAB, NR 1/1, P-800-C, "Provincial and Civic Officials Will Watch Lloydminster Project", Regina Leader-Post, April 2, 1934.


110. SAB, NR 1/1, IB 1934(2), J.A. McVicar to W.W. Amos, November 26, 1934.

111. SAB, NR 1/1, P-800-C, "Incipient Boom Seen as Crude Struck at Hudson’s Bay Junction", Saskatoon Star, November 7, 1934.

112. Ibid., "Second Well Brings Gas at Junction", Regina Leader-Post, March 2, 1934.

113. "Incipient Boom"

114. SAB, NR 1/1, IB 1934(2), J.A. McVicar to W.W. Amos, November 14, 1934.

115. SAB, NR 1/1, M-500-0G, Memo re Application of Ira Bowman and Associates for Reservation of Oil Rights, September 7, 1933.

116. SAB, NR 1/1, IB 1934(2), W.W. Amos to J.A. McVicar, November 30, 1934.

117. SAB, NR 1/1, D-100-S/O(8), Twin Provinces Oil Company to W.F. Kerr, Minister of Natural Resources, February 11, 1936.

118. Ibid.

119. SAB, NR 1/1, IB, John Barnett to Allen Fisher, August 4, 1931.

120. SAB, NR 1/1, IB, Edgar Swain to Harry Flagler, August 30, 1935.

121. "Control Over Oil Resources Given in Bill", Regina Leader-Post, February 12, 1936, p. 11.


123. SAB, NR 1/1, M-500-R, Edgar Swain to Deputy Minister, May 2, 1938.


125. Floyd Beach, Oil and Gas in Western Canada Prior to 1947, Historical Material for the Royal Commission on Energy 1948.


127. Beach, Oil and Gas, p. 16.

129. PAC, RG 79, Volume 23, File 84-14 Pt. 4, R.V. LeSueur, Vice-President, Imperial Oil, to George Sedgewick, Chairman, Tariff Board, September 14, 1937.

130. SAB, NR 8, Clippings, "Pipeline to Regina", *Regina Leader-Post*, October 24, 1939.


132. SAB, NR 8, A 67, Edgar Swain to Deputy Minister, May 17, 1938.

133. SAB, MI1, Kerr Papers, File 120, Meeting of the Special Committee to Consider Proposal for Supplying the City with Natural Gas, Saskatoon City Council, 1939.

134. SAB, NR 8, A 67, Edgar Swain to Edmunds, January 27, 1939.

135. SAB, Retail Merchants Association Papers, File 158, Western Canada Fuel Association brochure, 1939.


137. Ibid., Survey Return, December 31, 1938.

138. SAB, NR 1/1, IB, J.R. Hill, Deputy Minister of Natural Resources to City Clerk of North Battleford, September 29, 1937.

139. SAB, B2 IX 202, "Criticism of the Thorn Interests' Application for Gas Franchise in Saskatoon".

140. SAB, Retail Merchants Association Papers, File 158, Citizens Committee on Gas to the Burgesses of Saskatoon, March 30, 1940.
Chapter 5 The War

The coming of war and the coincidental return of favourable crop conditions in 1939 dramatically changed the economic complexion of Saskatchewan. The farms and ranches of the devastated south-west began their slow process of recovery. The more prosperous park belt geared for a promising harvest under improved grain prices. Both personal incomes and provincial revenues began to climb to pre-Depression levels. Fueled by military and consumer spending the demand for manufactured goods and natural products of all kinds escalated. Shortage, rather than surplus of raw materials, quickly became the central concern of government. Capital became available for the exploitation of all real or potential assets.

Within the first months of war the availability of secure oil supplies, particularly in the West, attracted the attention of federal authorities and led to the introduction of an array of measures designed to encourage exploration and production of this critical strategic resource. For the provincial government, less concerned with the broad policies of a wartime economy, the activity generated by the need for additional oil reserves promised both immediate capital investment and long range opportunity. The searing Depression experience, the acute awareness of economic vulnerability, and the potential for development, motivated a co-operation with the major oil companies. The province now had an opportunity to...
develop a genuine oil policy and to deal actively in the complex sphere of scientific exploration and land accumulation. Though the eventual results of wartime oil activity were disappointing, the province was brought into the orbit of modern resource development. Discussion and analysis was prompted in both government, business, and the community at large as to the future of resource development and the appropriate role of government and the majors.

At the outset of the war the West represented not only the nation’s most promising oil producing region, but also a rapidly expanding and increasingly diverse market for petroleum products. The disappearance of drought conditions by 1940 increased the level of farm activity, enhanced farm earnings and led to a greater use of machinery. There was a boom in tractor and combine sales as farmers replaced equipment in use for over a decade; the 1940 level of tractor sales was 100% greater than that of the previous year. The volume of purchases hovered around the record 1929 levels through most of the war. As larger farms were worked by more sophisticated equipment, the demand for fuel inevitably increased. The return of good times also led to renewed use of the farm and commercial truck, the family automobile, and the domestic fuel oil furnace. The record crop of 1940 and the livelier tempo of regional life placed a burden of the supply capabilities of the refiners and oil producers, ill-prepared for the sudden change in circumstances. The oil and gas market situation in Saskatchewan was...
affected by the demands of the war itself. Though the province was not to become a significant locale for war industry, there was some increase in secondary manufacturing stimulating the demand for fuel. The British Commonwealth Air Training Plan focused much of its activity on Prairie bases. By 1941 the national consumption of aviation fuels reached 1,592,000 gallons, much this requirement in the West due to the Air Training Plan. An oil Controllers report in 1943 reflects the new demands and attendant concern:

The demand for aviation gasoline is constantly on the up. Outside of training requirement, the demand for 100 octane gasoline to patrol the sea lanes, for ferry bombers, etc., is becoming stupendous.... our railroads are being called upon to haul more and more freight, and their requirement of fuel oil in the mountain sections of the West have been 'upped' by some 400,000 barrels this year.

The war had certain negative implications for the local oil and gas industry initially, despite the growth in demand. The Saskatoon natural gas pipeline project, as mentioned, was cancelled as "wartime conditions cut off the necessary supply of pipeline." Oil supply did not at first appear a concern for the province. The prorationing of production in Turner Valley was relaxed and local refiners had their immediate requirements satisfied. After one year of war, however, and the regional production "of one of the largest crops in its history", Alberta oil resources proved barely capable of meeting the needs of that province. Saskatchewan was forced to turn to suppliers in Montana and Wyoming. But even these sources became uncertain as the capacity of fields
declined and American demand revitalized. One Alberta observed noted: "Crude oil was being imported into Regina at the end of the war period from as far away as Oklahoma at a rail transport cost of nearly two dollars per barrel."

The independents and the cooperative refineries were caught in the initial Turner Valley squeeze and immediately began to insist on guaranteed supply at reasonable cost. This involved a call for increased developmental activity in Saskatchewan. Concern about both the supply and price of oil was best reflected in the decision of Consumers Cooperative Refineries Limited to opt for backward integration into exploration. The Cooperative was badly stung by the decision to halt exports from Alberta and it lost earnings due to the need to import from the United States. They feared that this was one further element in the campaign of the majors to drive out the independents. In its annual report for 1940 the company reported:

"It will be remembered that the July 2nd issue of the 'Saskatchewan Cooperative Consumer' carried a story of how the American major oil interests had managed to cut off the crude supplies of the world’s second cooperative refinery at Phillipsburg, Kansas. The general effect was the same, though the pattern differed, and the result was that the earnings of the Cooperative Refinery at Phillipsburg were greatly reduced.... The cooperators of Kansas and adjoining states have met this challenge by entering the field of crude oil production and on October 12th last, the world’s first Co-operative Oil Well came into production in north-west Kansas.... We review the above circumstances to indicate the time may very soon come when the co-operators of Saskatchewan may have to spend a certain amount each year in crude production activity."

In the following year the company established a "crude
exploration fund" and invested $15,000 in a well drilling operation, admittedly "a very small proportion of the total investment." A total of 15% of the co-op's net earnings were set aside for exploration, though it preferred to invest in established operations rather than set out on its own.

Demand, supply and price anxieties, and encouraging developments in the late 1930's did combine to inspire local entrepreneurs and mobilize what little Saskatchewan capital was available for the oil hunt. There were a number of small but active projects at the outset of the war. Lloydminster, Vera, Simpson and Maple Creek were regarded as promising sites for development. They attracted the few well established local operators such as Franco Oils, Bishopric Oils and others. These firms set out on ambitious exploration and drilling ventures and found a new regard in the provincial Department of Natural Resources. The government evidenced a spirit of cooperation in national crisis and promised even greater flexibility in the enforcement of rules. As the Supervisor of Mines remarked to one local prospector: "The Department...desires to see bona fide development carried out along practical lines and is disposed to be lenient."

The province was particularly encouraged by the enhanced professionalism the local companies demonstrated in the early war years. Companies such as Bobjo Mines sought greater exploration reservations, employed experienced professionals with modern equipment, and engaged in extensive preliminary scientific investigations. The Department of
Natural Resources could state with some satisfaction that "a desirable change has taken place, and instead of haphazard methods being employed, qualified geologists are given scope in selecting sites for geological and deep test wells and in interpreting material recovered in such borings."¹⁴

Intelligent and scientific exploration was highly valued by the province. It was not only critical to success in oil development, but essential to the process of building a geophysical data base. The geology of the province had not been thoroughly tested and in its surface structure posed enormous difficulties to the driller. The level of doubt about Saskatchewan potential has been noted; the province could not provide the kind of information or technical support necessary to attract interest. In a high risk area professional operators expected detailed information on structure and the prospects of oil bearing strata.¹⁵ This hunger for scientific data was reflected in the pressure exerted on the federal government to provide the kind of support enjoyed by other potential oil producing areas.

Saskatchewan, of course, benefited to some extent from federal fiscal encouragement of the oil industry. Particularly after American entry into the war, Ottawa was sensitive to the need for increased national reserves, though as Saskatchewan officials discovered, not critically concerned with supply considerations.¹⁶ Industrial activity was boosted by amendments to the Income Tax Act that permitted up to 40% of the cost of exploration and drilling to be deducted from income...

...152
and excess profits tax payable, with the opportunity to carry over creditable expenditures from year to year. In 1943 "a further facilitation was offered by the Canadian government when ... it permitted duty-free importation into Canada of all machinery and equipment used in bringing oil and gas to the surface." This was particularly important as exploration firms, large and small, struggled to repair rigs or introduce modern devices. In more direct action the office of Oil Controller was created in 1940 with the responsibility to supervise the industry, insure efficient production and distribution of product, and administer a number of government investment and granting programs. The central government also created Wartime Oils Limited, a crown corporation devoted to financing struggling Canadian firms involved in oil exploration. The relatively urgent nature of wartime needs resulted in a number of innovative ventures, but also focused attention on areas of proven potential. Alberta and the north inevitably attracted the bulk of private and public capital and expertise.

There was considerable anxiety on the part of the Saskatchewan Department of Natural Resources that the province be included in the wartime resources boom. This was motivated by the desire to make a real contribution to the war effort and by an ambition to make war generated wealth an engine of diversity and stability. These hopes were enunciated in a 1944 government document titled "Development of Industries":

...153
It is not the desire of the province to become a self-contained unit within Confederation, or what might be termed 'industrially independent' of Eastern Canada. However, it is felt that the development of secondary industries processing the products or by-products of primary industries would in a very large measure stabilize our economy and help mitigate the violent fluctuations in income so prevalent in the past.

Early in the war the executive assistant to the Minister of Natural Resources urged the people of the province not to "get into the rut of thinking we are administering these resources for the sake of the resources alone." Development was intended to create jobs for those who would eventually return from service, to generate funds for social services and civic improvements, and to assist in the elimination of the burden of debt under which the province still struggled. The Supervisor of Mines was perhaps the most optimistic in this regard. "I have stated and repeated many times for a number of years that if Saskatchewan is ever to become a better balanced province economically it will largely be brought about by discovery of commercial supplies of natural gas and oil." The war presented an opportunity to be seized, particularly as the fate of the economy in the post-war years was uncertain.

Saskatchewan thus actively pursued federal government support and assistance. No sooner had an oil controller been appointed than the Department of Natural Resources began investigating programs of potential benefit to the province. Attempts were made to gain direct funding for firms involved in oil and natural gas. In 1943 a 1.2 million dollar allotment for the "investigation of oil sources" and the development of an
industrial infrastructure was announced. Observing that Alberta would be the prime beneficiary, Saskatchewan hastened to stake its claim on the federal bounty. As the Supervisor of Mines noted during an expedition to Ottawa: "We all know that, so far, little attention has been given to our own province and it seems to me as if some pressure will be needed to convince the right party that Saskatchewan should participate in any part of the estimate." Mr. Swain spent several days in the capital in interviews with the Oil Controller and members of his technical staff, the Deputy Minister of Mines, and scientists of the Geological Survey. He expressed the concern that the country

... did not produce 5% of its peace time requirements, that we could not be sure that other nations or countries would supply us with crude oil or its products and that it was up to Canada to find its own resources as possible because of the vital need of the present and the vital need of the future and that oil and gas will play in our economic set-up.

He requested that Saskatchewan be granted a share of any appropriation for oil exploration, but Ottawa remained non-committal on the subject of active aid.

If political interest in and financial assistance to the province's oil industry was elusive, technical support seemed a more immediate and realistic goal. The Geological Survey of Canada after 1940 devoted itself "entirely to the examination and search for potential sources of oil, gas and strategic minerals, and to other projects closely associated with the war effort." In the Survey's "Progress Report of War Activity" for 1941 it described the extensive geological

...155
mapping program it had undertaken in all potential oil
producing areas in the West.27 The Department of Natural
Resources challenged the glowing account and claimed unfair
treatment. The provincial view was expressed to the Chief
Geologist of the Survey in a letter from Edgar Swain:

It does appear to me that the Geological Survey for
various reasons, all more or less having some weight,
has not given the possibility of oil and gas in Sask-
atchewan the attention that the province should have
received.... By this I mean that more parties and more
money have been devoted to oil and gas surveys in the
province of Alberta and the possibilities of this
province has been almost relatively speaking neglected.
I would, therefore, like to see an increase in the
number of parties working in Saskatchewan from now on.28

Plain speaking did not achieve the desired results.
The dearth of technical data available to the province remained
a major aggravation. The frustration of the Mines Branch
mounted through 1941 and 1942. In a letter of January, 1943,
Swain again complained to the Survey about discrimination.

The Government of the Province is encouraging pros-
ppecting for oil to well financed parties who will
undertake the necessary work within a limited time
as a war effort. Some companies are at work using
their own technical staffs, but it is very much
regretted that in many sections we are unable to
offer very much assistance because of the lack of
detailed geological information when one comes to
compare the work done in other Provinces, in view
of which may I suggest that in future a fair quota
of the parties and the work be devoted to the needs
of this Province providing that such does not inter-
fere with the work of vital necessity for the
successful prosecution of the war.30

The Department of Natural Resources did keep the
geological staff of the University of Saskatchewan active in
the accumulation and dissemination of data, though the
Supervisor of Mines had to inform operators that the faculty did not "undertake work for the benefit of any particular private company...." Professors Mawdsley and Edmunds undertook extensive studies in all parts of the province and produced numerous positive reports on prospects. They also urged consideration of the potential reserves in oil shales and oil sands that outcropped through the north.\(^3\) Their analyses of the sedimentary basin, and their faith in both traditional and innovative geophysical techniques were echoed in the reports of independent and speculative researchers. The province's potential was persuasively stated in an article by the Ontario journalist and publicist, Victor Lauriston, "Are Oil Men Missing Best Bet in Saskatchewan." Lauriston assured investors that:

Saskatchewan and Alberta are geographically and geologically related. There is no reason why oil production should halt at Saskatchewan's western boundary. In fact, the Saskatchewan end of the Lloydminster field ties in with an Alberta end where one or two wells have secured a small commercial production.\(^3\)

Lauriston went on to observe that Saskatchewan possessed an extensive geosyncline promising an extensive oil field.

In the Saskatchewan syncline a great thickening of the sedimentary formations has taken place, so that deep drilling may be required to test all the probable beds containing oil down to the granite. This, while it involves deep drilling, also favours the existence of thick porous horizons favouring more extensive and lasting reserves.\(^3\)

Though this analysis was in aid of speculative development, the thesis was echoed in official reports. It became increasingly clear as the war progressed that despite
significant advances in scientific exploration the geology of
the province demanded deep test drilling. Oil bearing horizons,
if they existed, would be 10,000 or more feet below, beyond the
limestone, perhaps in the Devonian strata. Drilling to that
level could only be undertaken by experienced crews and well
financed operators willing to assume substantial risk. Despite
its most energetic efforts, neither the province nor its
affiliated experts could provide the kind of information
necessary to reduce the uncertainty involved in Saskatchewan
drilling.

While there were local companies engaged in deep test
drilling the best hope for substantial development continued to
rest with the major oil companies.\textsuperscript{34} Wartime fiscal incentives,
new market demands, supply stress, and the promise of major
finds in western Canada combined to generate a great increase
in the volume of spending on exploration on the part of the
majors. Interest in Saskatchewan appeared early in the war and
did not entirely represent, as in forays of the previous
decade, an extension of activity across the Alberta border.

In 1940 a firm was incorporated in the name of
Norcanols Oil and Gas Limited under Dominion charter explicitly
"for the purpose of exploring for oil and gas in the Province
of Saskatchewan."\textsuperscript{38} The partners included the Winnipeg arm of
the brokerage firm of Osler, Hammond and Nanton. No stranger to
resource development, the firm had been active in
transportation, mining and oil for half a century. It was
joined by Imperial Oil Limited, a long time associate in
Alberta ventures, and The Canadian Western Gas, Light, Heat and Power Company Limited of Calgary. Osler and Imperial Oil, the key principals, had already acquired extensive freehold rights in Saskatchewan by April, 1940, when Norcanols approached the province with a proposal for a major program of exploration.36

The company requested a one million acre exploration reservation in an area running diagonally south-east of Regina, along the Soo rail line between Torquay and Avonlea to the United States border. It was a reservation of unprecedented dimensions in Saskatchewan, but similar agreements had been made in Alberta.37 In exchange for the agreement Norcanols promised to finance a comprehensive survey of oil possibilities in the area and to expend a total of $180,000.38 The extent of the reservation was defended as necessary for orderly exploration and development, unhampered by speculative intrigues and land plays.

The Department of Natural Resources was excited by the offer and within a month was prepared to sign a document. Under the agreement Norcanols was granted "full license and authority" to explore for petroleum and natural gas though it was clearly not "deemed to have acquired from the Crown any rights of ownership in, or other rights in relation to Petroleum and/or Natural Gas discovered in its survey or other operations."39 The company promised to follow the usual procedures and take out drilling permits and leases once the preliminary work was completed and also agreed to report fully on the progress of the program and any substantive results.
Unitization of freehold land and Crown land was to take place once likely oil producing areas were established. A board of selection, with government membership, would determine the lands to be unitized and the province would receive a royalty of 10%, the payment "to be of such proportion as the acreage of Crown lands bears to the total acreage comprised within the unitized area." In addition to the performance guarantee, Norcanols agreed to "use only materials and supplies which are produced, manufactured or purchased in Saskatchewan" and to employ as far as possible Saskatchewan natives.

The project was appealing in virtually all respects. It would inject capital into the province, introduce a high level of expertise, provide valuable scientific data, and require virtually no financial commitments from the province. The latter fact was carefully noted and applauded by the local press. Despite the fact that the agreement involved the transfer of exploration rights over an area of fifty townships, it occasioned little comment and no apparent anxiety. If the government was apprehensive regarding possible public response to the entry of a major oil company into the province the only indication lay in the timing and the nature of the announcement. Though the agreement was finalized in the spring of 1940, an announcement was not made until December, well after the program was underway. The press release made no reference to Norcanols corporate connections, referring to it only as a "recently organized Canadian company." The list of executives made reference to their wealth of experience, but
neglected to note that the Vice-President, O.B. Hopkins, was also Imperial Oil's vice-president for exploration. The public was presented with a fait accompli, a program that was enthusiastically identified as one more provincial contribution to the war effort.

Larger supplies of oil and gasoline are required to meet the demands of Canada's steadily mounting war effort.... It will be highly gratifying, therefore, to the people of Saskatchewan to learn that, for some months past, intensive and extensive exploration work for the discovery of oil and natural gas has been in progress over a large area of southern Saskatchewan. In its scope the program is the largest in the history of the province and in all probability will extend over a period of two or three years.

Norcanols had considerable assets to offer the province. The company had access to geologists and drillers with decades of experience in the West as well as virtually unlimited funds. During negotiations, L.D.M. Baxter, the President of Norcanols, and vice-president of Osler, Hammond and Nanton, forcefully put the case for connections with a major integrated corporation. In a letter to the Minister of Natural Resources he stated:

In considering our proposal I respectfully suggest that consideration should be given to the fact that the interests associated with our group have in the event of oil land gas both being discovered in commercial quantities, to finance the distributing system and sell the products obtained, have had a long experience in this type of enterprise.

The sophisticated downstream facilities available to Norcanols made the company's potential for long term viability and success far greater than any local independent organization.

The key justifications for the reservation lay in the
avoidance of the "obstructionist practice of some speculators" and the introduction of the most modern and sophisticated research tools. 

Where surface conditions exist, as is the case over most of our Canadian prairies, with relatively few outcrops, intelligent work calls for the use of highly scientific equipment in the operation of which the area worked must be extended over a fairly large territory; otherwise the subsurface conditions cannot be clearly portrayed.

The technology that Norcanols brought to bear in Saskatchewan was not insignificant. In the first year of the program the company had 65 men in the field and not only accomplished a thorough surface examination of the province, but probed the subterranean structures extensively. Gravity meter crews were brought into the province, a pioneering venture as "this was the first occasion in which a gravity meter was introduced in the search for oil in Canada." This was followed by extensive seismic testing of the area and thorough analysis of seismic shot hole products. The high risk nature of the Saskatchewan terrain required the utilization of every innovation. In a letter to the Minister of Natural Resources, the President of Norcanols outlined the importance of the scientific preliminaries to the drilling program:

While it has not been possible as yet to develop any known means by which oil in place can be discovered except through the medium of the drill, the oil industry has progressed to the point where it has been definitely established that by the use of the latest scientific equipment vast areas of unproductive acreage can be eliminated, and those areas most likely to contain traps where oil and gas might be found can be defined, and this scientific search now being conducted in Saskatchewan is with a view to locating those areas which seem
most favourable for deep test drilling. It is anticipated that when the survey has been completed a deep test to explore all possible productive horizons will be undertaken. 4

After one year of testing on the initial reservation the company returned to the province for an increase in their acreage, arguing again that effective exploration required the maximum of territory. The 1941 request was made in association with the North-West Company, the western exploration subsidiary of Imperial Oil Limited. It was truly remarkable in its scope. The application was for a total of 20,000 square miles (559 townships), comprising much of south-central Saskatchewan and representing approximately 30% of the total area of the province considered to have oil bearing potential. 5

The Supervisor of Mines outlined the magnitude of the decision that was now to be made:

The Government is confronted with an application to reserve a huge area of the sedimentary part of Saskatchewan for private exploitation. It is time for decision as to what its policy will be and it warrants the most serious thought which can be given. The effect of the policy might be widespread and concern the whole Dominion of Canada as well as the United States. No such huge area has been granted for prospecting to my knowledge anywhere else in the world excepting Iraq and Ethiopia. 6

Reject the request, Swain warned, and “the province would have lost for some time to come any chance equal to this, to properly prospect its oil and gas resources.” 7 As a final prod the anxious Supervisor of Mines noted that there was no time to be wasted as “the totalitarian countries will not wait to subdue the democracies if they can possibly help it.” 8
Wartime hyperbole aside, the decision was a significant one. A reservation of the size proposed would inevitably limit the number of actors in the exploration field. At the time of the 1940 reservation the province had promised to provide extensive reservation privileges to all companies prepared to undertake complete programs. A number of local firms had accepted the challenge: three Saskatchewan firms, underfinanced and struggling, operated in the proposed new reservation area. There were political risks and legal difficulties inherent in shunting aside the rights of these companies and ensuring the predominance of one large multinational, but the promise was great. As Swain pointed out, encouragement would be offered in the first place to those companies that have experience in the work and "will do it immediately and are financially and technically able to carry it out." The North-West Company obviously possessed the technology, and could offer a guarantee of $100,000 per annum expenditures.

An agreement identical to that prepared for Norcanols was signed with the North-West Company in January, 1942. Within a year, Imperial Oil Limited had signed an agreement under its own name and gained an additional extensive reservation. By 1943 the Norcanols - North-West - Imperial Oil combination held the exploration rights over much of southern Saskatchewan. They had only been possible as a result as a result of extensive revisions to the exploration and leasing regulations in 1941 and 1943 which, it was suggested, would
allow for effective "exploration of large tracts of raw land."**

Preliminary scientific work did proceed and Imperial Oil opened a permanent project office in Moose Jaw, complete with laboratory. In conjunction with similar efforts in Alberta, the companies tested and analysed a complete cross section of the sediments of the entire Prairie region.**

The results of two years of testing were less than dramatic. Though the geology could be mapped, it produced few clues to the oil potential of the territory. No promising formations were located, but this was no guarantee that deposits did not exist. The Department of Natural Resources described the situation:

While the value of geological and geophysical surveys and the results obtained by these methods in other fields in locating gas and oil structures or traps, cannot be minimized, it becomes increasingly evident that such efforts have not met with any great degree of success in the Province. The gas and oil prospecting companies will have to rely more and more on actual drilling programs supported by a minimum of scientific discovery methods.**

Early in 1943, Colonel Baxter, still President of Norcanols, but now representing Imperial Oil directly, approached the province with a request that the obligations under the agreements regarding the prohibition of deep test well drilling be set aside in order that drilling should commence. The province responded with alacrity that "we are quite prepared to waive the strict interpretation of this paragraph and to not only permit but welcome deep test drilling."**
With the spudding in of Radville No. 1 by Imperial Oil, Saskatchewan's first concerted program of deep drilling was under way. As the large rigs entered the expenditures of the majors mounted. By 1943, Baxter could report to the Minister of Natural Resources that Imperial and Norcanols together had expended $755,000 in the province, and promised further exploratory spending of $400,000 in that year alone.

Both Imperial and Norcanols are making a conscientious effort to secure oil and natural gas in Saskatchewan in commercial quantities if it can be located and I know you will agree with me that the sums we have already expended and have made commitment to expend this year confirm that statement. 61

There is little question that the province was encouraged and gratified by the level of investment. The agreements were extended or revised and there were few questions asked about company operations. The province demonstrated a repeated willingness to assist the companies where possible, as in the case of core sample analysis at the University of Saskatchewan. Provincial authorities promised on more than one occasion to "co-operate in every reasonable and proper manner in the promotion of your undertaking." 62 However, the province was not prepared to be more than "reasonable and proper" in furthering the interests of the companies. Though prepared to alter the regulations to permit more effective action, they stopped short of actual amendments to the Natural Resources Act or other legislation that touched the people of Saskatchewan directly. They did not abdicate their role of supervisor despite a desire to create an attractive investment
climate. In February of 1942, for instance, the government rejected a Norcanols request that Workmen's Compensation payments be reduced to Alberta levels. In the same month Colonel Baxter approached Kerr with a suggestion that the Homestead Act be changed to omit provisions requiring the wife's consent to the alienation of mineral rights. Baxter pointed out that the exploratory and land assembly work would be expedited by the elimination of all party agreements. The government considered the proposal, but came to the conclusion that the efficiency effected could not outwiegh the negative political consequences. As Kerr explained:

We regret that the requirements of the Act will impose upon your company a considerable amount of work which was not anticipated, but inasmuch as the women of Saskatchewan through their various organizations are very much alive to their rights under the Homestead Act, it would not appear to be in the public interest to introduce the proposed amendment.

The major corporations nonetheless found the province hospitable, and as the war progressed Imperial/Norcanols was joined by Shell, Standard Oil of British Columbia, and by the Canadian-owned British American Oil Company. The latter announced its intention to shift from a purely refinery and marketing operation to exploration and production in the fall of 1943. The activities undertaken by these corporations were impressive even by American standards. By 1943 the Imperial group had geologically surveyed and core drilled over twenty million acres and deep tested some 49,000 sub-soil feet. By the end of the war a total of 123 wells had been drilled in the
province. The costly and difficult process of deep test drilling began with Imperial Oil's Radville #1 well which went to a depth of 8000 feet at a cost of $256,000, but turned up "nothing of a commercial nature." Imperial drilled a number of wells to more than 5000 feet, at Dahinda, Ogema and Parry, all without result. Extensive work in promising areas such as the Cypress Hills yielded no more than the drilling on the prairies south of Regina. The land revealed nothing to the most advanced scientific techniques. The Minister of Natural Resources expressed disappointment to Colonel Baxter at Norcanols that "notwithstanding all your intensive work and very large expenditures, neither yourselves nor the province have been rewarded with the discovery of commercial oil or gas. I sincerely trust that such discovery will ultimately be made." The minister was regularly reassured that despite all the handicaps and hardships results were all but certain.

The exploration companies were well aware of the geographical and geological difficulties of Saskatchewan before they began their activities. They did not anticipate the number of technical and supply problems they were to face. In the early war years, new equipment and replacement parts were difficult to acquire and many of the smaller firms survived with outdated rigs and worn drilling tools. Ultimately the Wartime Prices and Trade Board granted priorities to exploration materials and restrictions on imports from the United States were lifted.

Even with greater accessibility to modern tools,
Saskatchewan was plagued by a number of operational problems. Tools were lost in core drilling, drill holes were flooded and rigs malfunctioned, adding additional financial burdens to the oil companies. These difficulties were largely attributable to the siphoning off of skilled workers to the military, and were compounded by the concentration of available expertise in the Alberta fields. In an August, 1943, letter to an Imperial Oil senior manager, a geologist with Norcanols described the problem:

The Drilling Departments are really being hit badly. It may be that you have not attributed the drilling trouble that we have had in Saskatchewan to the personnel but that is largely the trouble. They are able to get deferment for Drillers and Tool-pushers but not for Roughnecks. It is however, the experienced Roughnecks who are made into drillers.... The result is that green Roughnecks are dropping equipment into the hole and committing other sins of commission as well as omission..... The only solution to the problem, as I understand it, is to make the National War Service Board see that it is not good business to give us every assistance in our exploration for oil and gas by using high priorities to enable us to secure the most up to date equipment and supplies, without allowing us to maintain the men necessary to run that equipment with a reasonable degree of efficiency.72

The situation was not rectified, however, and the activities in the province continued to be hampered by drilling site difficulties until 1945.

Though the problems and delays were to some extent the product of war circumstances, the results of the exploration activities were undoubtedly sobering for the provincial government. As the disappointments mounted and the prospects of realizing the ambitions of 1940 receded, the

...169
government became ever more reluctant to make financial commitments to resource development. Confidence remained that private enterprise, left to its own devices, would ultimately realize commercial production. The effects of the Depression lingered through the war years and despite revival of the wheat economy the province lacked the fiscal strength to participate in capital intensive projects. The level of public debt, which had reached $145,000,000 in 1934, remained in the neighbourhood of $200,000,000 for the years 1940 to 1944, precluding, in the eyes of the Liberal Patterson government, anything more than moral support and a minimum of technical assistance to the oil industry. In 1942 the Minister of Natural Resources warned his critics in the CCF "of the situation that would face any government which undertook the development of its own Natural Resources." The consequences included the withdrawal of private capital and technology and the loss to the province of substantial funds in exploration.

Due to wartime conditions and the limited funds available for resource development the activities of the major oil companies were accepted as never before. Parochial concerns were set aside for the duration. This acceptance under crisis was not universal, however. Many in the community were concerned about the extension of eastern and American corporate power. Those who had traditionally objected to external and capitalist control of the Saskatchewan economy did not let their resolve be affected by wartime conditions. This is reflected in the natural resource policy statements issued by...
the CCF and the United Farmers throughout the war years. "The CCF demands that our natural resources, now being used to bring about Victory, shall be used in peacetime to bring about security and a higher standard of living." In 1943 the CCF established a Planning Committee to prepare policies on all aspects of public concern. Joe Phelps, the party resource critic in the Legislature, chaired the Natural Resources and Industrial Development sub-committee and commenced several months of studies. The sub-committee ultimately called for "the socialization of Natural Resources... under a CCF administration." Although the natural resources nationalization issue, or specifically the government takeover of geological surveys and oil exploration, never became major issues, they were integral to the CCF promise to secure diversification and economic growth. In *Prairie Capitalism*, Richards and Pratt describe the thrust of CCF policy.

Surpluses generated by public development of resources ... were perceived as a means of financing expanded government programs. The 1944 program drew the obvious parallel between land and other natural resources all served as the foundation of staple-led economic development. It would henceforth be the government's responsibility to plan the development of such industries, and bargain for 'the lion's share' of rents arising from them."

The objectives of CCF policy, diversification and the generation of revenues to finance programs, did not differ appreciably from those of the Liberals. The difference lay in the extent of government direct involvement in resource exploitation.

The prescriptions of the CCF began to appear more
practical and desirable as the war progressed and public confidence in the management ability of government mounted. The Liberals were increasingly perceived as a party incapable of defending the province's interests, reducing the deficit, or making the most of the natural resources. The need to plan for growth, to create a viable provincial economy for those returning from service, became critical concerns which the CCF could readily exploit. The warnings of the government and the daily press that a socialist administration would frighten business and produce a "stultifying dictatorial system" did not make an impression on an electorate that had warmed to the visions of a new populism. The CCF victory of June, 1944, promised substantial revisions in resource policy and a far less inviting environment for the major oil companies at a moment of unprecedented investment.
Footnotes

1. SAB, AG12 - I2, Saskatchewan Department of Agriculture, *Annual Sales Report on Tractors and Harvesting Machinery*.


6. SAB, Mr 2.4, p. 43, *Report of the Oil Controller, 1940*

7. Eric J. Hanson, *Decisive Decade* (Toronto, 1958), p. 64.

8. Richards and Pratt in *Prairie Capitalism*, p. 75, state that: "The farm cooperatives were unwilling to integrate further backward into oil production. The capital requirements, the risks, the alien technology, the power of the major oil companies were forbidding obstacles. Instead they formulated demands for government intervention." This is not entirely borne out by the events in Saskatchewan.


11. Saskatchewan Department of Natural Resources, *Annual Report, 1942* (King's Printer, Regina), p. 43-44


16. SAB, Kerr Papers, M11, File 136, Edgar Swain to J.R. Hill, Deputy Minister of Natural Resources, April 6, 1943.

173


20. SAB, Kerr Papers, M15, Brief re Development of Industries, 1944.

21. SAB, NR1/2, File 1, Speech by R.Y. Young, Administrative Assistant to the Deputy Minister of Natural Resources.

22. SAB, Kerr Papers, File 47, Edgar Swain to F.H. Edmunds, Professor of Geology, University of Saskatchewan, March 22, 1943.

23. SAB, Kerr Papers, File 136, Edgar Swain to W.F. Kerr, Minister of Natural Resources, April 6, 1943

24. Ibid.

25. SAB, NR 1/2, File 207(2), Edgar Swain to Hill, April 8, 1953.


29. PAC, RG 45, Volume 256, File 125c, Edgar Swain to Hanson, January 11, 1943.

30. SAB, NR 1/2, File 205, Edgar Swain to Doake, April 13, 1942.


32. SAB, Kerr Papers, File 47, Victor Lauriston, "Are Oil Men Missing Best Bet in Saskatchewan".

33. Ibid.

34. SAB, NR 1/1, M-500-0G(3), "Saskatchewan Review - Oil and Gas", May 8th, 1940.

...174
35. SAB, T.C. Douglas Papers, R 33.5, L.D.M. Baxter to C.D. Howe, December 17, 1943.

36. SAB, NR 1/2, File 216(1), L.D.M. Baxter to W.F. Kerr, April 22, 1940.

37. SAB, NR 1/2, File 216(1), W.F. Kerr to L.D.M. Baxter, May 13, 1940.

38. Ibid.

39. SAB, NR 1/1, M-500-06(3), Agreement Between the King and Norcanols Oil and Gas Limited, p. 2.

40. Ibid., p. 8.

41. Ibid., p. 5.

42. "Needs of War Revive Search for Oil, Gas", Regina Leader Post, August 9, 1941.

43. SAB, NR 1/2, File 216, Press Statement, Dec. 11, 1940.

44. "Oil Search Announced for Province", Regina Leader Post, December 16, 1940, p. 3.

45. SAB, NR 1/2, File 217, L.D.M. Baxter to W.F. Kerr, April 22, 1940.

46. SAB, NR 1/2, File 217, Baxter to Kerr, November 5, 1941.

47. Ibid.


49. SAB, NR 1/2, File 217, Baxter to Kerr, September 16, 1941.

50. SAB, NR 1/2, File 217, Swain to Kerr, October 21, 1941.

51. Ibid.

52. Ibid.

53. Ibid.

54. "Needs of War Revive Search for Oil, Gas"

55. SAB, NR 1/2, File 207, Swain to E.J. Carlyle, February 10, 1942.

56. See Appendix.


...175

59. SAB, NR 2 E5, Department of Natural Resources, "Natural Resources of Saskatchewan", p.42.

60. SAB, NR 1/2, File 163, Kerr to Baxter, February 5, 1943.

61. SAB, NR 1/2, File 216(3), Baxter to Kerr, February 12, 1943.

62. SAB, NR 1/2, File 216, Kerr to Baxter, February 22, 1940.

63. SAB, NR 1/2, File 216(2), Baxter to Kerr, February 25, 1942.

64. SAB, NR 1/2, File 216(2), Baxter to Kerr, March 4, 1942.

65. SAB, NR 1/2, File 216(2), Kerr to Baxter, March 17, 1942.

66. "Intensive Search for Oil in West", Regina Leader Post, October 4, 1943, p. 3.


69. SAB, NR 1/2, File 216(3), Baxter to Kerr, February 12, 1943.

70. SAB, NR 1/2, File 216(3), Kerr to Baxter, November 24, 1943.

71. PAC, RG 21, Vol 36, File 161.36, Dr. H.L. Keenleyside, "Statement on Activities in Canada for Purpose of Increasing the Production of Crude Petroleum", August 23, 1943.

72. SAB, NR 1/2, File 216, J.C. Sproule to O.C. Wheeler, August 17, 1943


74. "Kerr Expects Oil, Gas to be Found in South", Regina Leader Post, March 28, 1942, p. 3.

75. Lipset, Agrarian Socialism, p. 180

76. SAB, CCF Papers II-43, Minutes of the Natural Resources Committee, CCF, February 6, 1944.

...176

Chapter 6  The CCF in Power

The Cooperative Commonwealth Federation came to power in 1944 with a promise to create a more active role for the provincial government in resource and industrial development. This did not represent an entirely radical departure from the norms of the Canadian political culture. A long tradition of government economic involvement had been established on the federal level, and intervention was, as Aitken suggests, not only legitimate but appropriate where "a key to future development" was concerned. This legitimacy was considerably enhanced by the circumstances of war and the unquestioned need for government direction, regulation and investment. The federal government produced useful precedents in the resource field, notably the formation of Wartime Oils Limited and the allocation of resources and production priorities under the Wartime Industries Control Board. There was a new national faith in the competence of the state and the value of its intervention that could only be stronger in Saskatchewan, a province which had always depended upon its legislators to defend local interests and monitor powerful external agencies. As Evelyn Eager observed in her article "The Conservatism of the Saskatchewan Electorate": "In an era of increasing government activity and participation, CCF performance showed a difference more in degree and timing than in kind."

The election of the CCF, as many students of the
period have noted, represented a renewal and an extension of the populist agrarian objectives of the early twentieth century. The government was to protect the resources of the province and the wealth of the people from exploitation by the 'monopolies'. As the CCF put it, to halt "the enrichment of a few powerful corporations" at the expense of Saskatchewan. The CCF victory also reflected a continuing preoccupation with the central lesson of the Great Depression, that a one crop economy was incapable of producing sustained prosperity. While the desire for diversification was far from new, and indeed had been sought by every government since 1905, the Cooperative Commonwealth Federation promised its pursuit through direct government investment, public regulation, and intelligent state planning.

The development of natural resources represented one possible area of immediate provincial action. The lands and resources were already in provincial hands and it was hoped their effective exploitation would ensure local control, spur supplementary investment and serve to create allied industries. The revenues generated by these long neglected resources would ultimately finance other programs in the social and economic fields. The rhetoric of the CCF in 1944 emphasized a halt to the province's economic exploitation by external interests with immediate, though unspecified, returns for the people of Saskatchewan. The "CCF Program for Saskatchewan", the election platform for 1944 stated the

... CCF maintains that our natural resources must henceforth be developed in the public interest and...
for the public benefit. They cannot continue to be exploited in a hit-and-miss manner for the benefit of promoters, investors, and absentee capitalists. The CCF stands for the planned development of the economic life of the province and the social ownership of natural resources.4

The platform did not lay out a detailed program of action for the provincial control of resource industries, but promised a thorough analysis to reveal the true potential of the resources and inform policy making.

The first thing to do here is to find out exactly what we have in the way of natural resources. We need a survey and a stock taking conducted by geologists, chemists, engineers and other specialists. There is much windy talk about 'our vast mineral wealth', and our 'immense natural resources' but nobody seems to know definitely what these phrases mean or else nobody wants to tell.5

It was at the same time apparent that the nationalization of resource industries was not a top priority.

The tough, if folksy, statements of the party on resource issues emanated largely from Joseph Phelps, the CCF's resource critic in opposition and first minister of Natural Resources. A genuine populist radical, Phelps was a dedicated advocate of public ownership. His message to the business community, including the mineral resource sector, was direct and uncompromising:

Saskatchewan, Canada's first socialist government, is committed to a policy of development of natural resources consistent with true socialism.... It is the intention of the government to effect an orderly change to social ownership in the industrial development of our natural resources. The transition will be gradual and individual enterprise will no doubt continue to play a large part in the development of Saskatchewan's natural resources for some time to come. Eventually, it is hoped to establish complete social ownership and management of key industries in the development of our resources.6
To pave the way for eventual social ownership the Department of Natural Resources Act was amended in October, 1944, to permit the government to "acquire any land or works, or land and works, by purchase, lease or otherwise or, without consent of the owner thereof ... by expropriation." The revised Act also permitted the minister to "operate, extend, alter, improve and maintain" any resource operations taken over by the government.

Though the new 'expropriation provisions' shocked the business community and appeared to confirm their worst fears about the prairie socialists, Phelps and the Department of Natural Resources and Industrial Development (the new name created in 1944) did not engage in wholesale nationalization or public investment. Indeed, they demonstrated little interest in non-renewable resources. As Richards and Pratt observe in their detailed study of CCF resource policies, Phelps devoted the first years of his administration to the encouragement of import substitution manufacturing and the revitalization of the northern economy. The Department was active in the takeover or operation of a shoe factory in Regina, a brick plant in Estevan and a box factory in Prince Albert. Diversification was to be secured through the encouragement of secondary industry and these small crown companies were the initial cornerstones of this policy. They were the foci of development, and as their fiscal fortunes wavered, they became the chief political preoccupation of the Department.

Closer to the minister's heart were new corporations...
designed to encourage the exploitation of the northern resources of fish, fur and forest. The efforts to establish and sustain all these enterprises and initiatives demanded enormous energy from the Department and sapped what funds were available from a government still struggling under the burden of a Depression era debt. Provincial activity in the uncertain and demanding area of mineral development could not command a high priority.

Oil and gas were not entirely ignored by the CCF, either as government or party. There were early indications that the government intended to go beyond its modest and traditional role in regulation and research. In an early statement, it was asserted that: "The Saskatchewan Government believes that the policy of allowing mineral rights to become alienated from the Crown, as followed out by the Dominion authority in the past, was wrong in the principle; was not in the best interests of the people and militated against the proper conservation of the country’s natural resources." The Mineral Tax Act of 1945 indicated the government’s determination to retrieve subsurface mineral rights, most notably oil and gas rights, which had been lost to the Canadian Pacific Railway and Hudson’s Bay Company in the land grants of the settlement period. The Act was intended to provide an incentive to the companies to return mineral rights to the province. Its general provisions were described in a Department of Natural Resources publication:

The Legislature decided that mineral owners, being owners of real estate should pay a tax on their holdings, over and
above other property taxes.

The Act was framed so as to impose a general levy of 3 cents per acre per year on all owners, with provision to assess on value of minerals in certain areas, the assessment to supersede the levy.

In addition, in mineral production areas, an interim levy of 50 cents per acre per year was imposed pending completion of assessment.

For all owners, large and small, an escape from the tax was provided by a provision to forfeit the mineral title only for non-payment of the tax, as it would imply that the owner felt the rights were worthless.

The Act enjoyed political popularity as an attack upon the 'interests', but further alarmed the resources industries. An eight year legal battle with the CPR ensued, decided in favour of the province in 1952.

The Department of Natural Resources also enacted a number of new oil and gas regulations, some permitting increased acreage for subsurface geological permits and relaxing the restrictions on exploration activity "for the purpose of encouraging and carrying out of drilling operations for the discovery of petroleum and natural gas." The system of checkerboarding crown reserves, already practised in Alberta, was introduced. It permitted the Crown to reserve parcels of land throughout a leasehold area in the event of proven production, preventing complete control of a field by one company and increasing the lease value of Crown properties. This action represented a substantial change in policy for the province, but was consistent with an intention to prevent domination by the major oil companies and generate greater public revenues from resource exploitation.

Apart from the legislative efforts, the first years of CCF administration also witnessed an increase in the level...
of bureaucratic activity surrounding oil and gas development. The budget of the Department of Natural Resources was tripled between 1944 and 1948, and a proportion of this increase was devoted to mineral resources. The primary need was trained personnel to permit intelligent design and implementation of policy. In August, 1944, the Saskatchewan Reconstruction Council urged the province to employ earth science and engineering professionals to conduct a thorough review of resource development procedures.

The new deputy minister of the department, C.A.L. Hogg, was sensitive to the need for expertise and alive to the potential for oil and gas development. After a thorough study, Hogg concluded that the "very sparse" complement of the Mines Branch (one supervisor with three clerical support staff) was entirely inadequate to the needs of the province. In the summer of 1945 he recommended the creation of "separate oil and gas division in Saskatchewan under a competent Petroleum Engineer." Approval was secured and Hogg commenced a search for a director for the new division, a difficult task given the post-war industry demand for experienced professionals. An engineer was located, F.J. Simington, who was to add, along with the other professional staff employed in the following years, to the energy and influence of the Mines Branch.

The responsibilities of the oil and gas director included the inspection of all operations, enforcement of conservation measures, the organization and dissemination of information, supervision of leasing and reservation for
exploration, and the duty to "study existing oil and gas
eregulations of the Province and recommend necessary change
consistent with government policy and standard practice." 20

The oil and gas division also received technical
support from the new Saskatchewan Research Council, advocated
by Hogg as an institution to "conduct applied research on the
development and conservation of the natural resources of the
province." 21 By the end of 1945 the Research Council had a
staff of two at the University of Saskatchewan active in the
chemical analysis of oil and gas drilling core samples. The
development of an in-house data gathering service followed
traditional lines and was, in part, intended to provide
scientific assistance to the industry. It also represented a
reluctance on the part of the government to allow industry a
monopoly of expertise and responded to a government demand for
impartial advice on policy. As one correspondent remarked to
Premier Douglas in 1946:

If private enterprise can maintain as it does that
expenditures of up to three per cent of receipts on
research is profitable, then it seems logical that a
government with a considerably wider range of interests
and responsibilities should make definite provision for
a research organization directed toward the particular
requirements of the province, and with a view to the
policies of a unique form of government. 22

In its first years the CCF government also
surveyed the possibility of direct action to control the
distribution and sale of refined petroleum. In a letter to
Premier Manning of Alberta early in 1948, Douglas noted that:

"For some time the Saskatchewan government has been considering
the advisability of setting up a board similar to the Coal and

...185
Petroleum Production Board of British Columbia with a view to regulating the price, grade and quality of petroleum and petroleum products. Though considerably short of 'social ownership', the establishment of such an agency would have been a significant step toward genuine economic planning. Among the more persuasive critics of the scheme, however, were the co-operatives who felt that state action in the area of petroleum marketing would reduce their freedom of action and possibly their competitive advantage. Though the co-operatives enjoyed a special relationship with the CCF, and were generally viewed as a 'public ownership' alternative to direct provincial government involvement in spheres of economic activity, they were also businesses. They shared with the private sector anxieties regarding over-regulation and intervention. To ease "the feeling of unrest" on the part of the co-operatives on this issue a series of meetings were held early in 1946 during which the government agreed it would not involve itself in the marketing of gasoline, though it might attempt some form of price regulation.

The activities of the Department of Natural Resources and Industrial Development, while substantial when compared to those of previous ministries, did not entirely satisfy the grass roots of the CCF. Many of the movement's supporters had expected more diligence in the pursuit of both socialized industry and diversification. The party's annual conventions continued to press for government ownership of natural resources. A resolution of the 1946 convention indicates a
certain frustration with the legislators for their lack of decisiveness.

Whereas the existence of natural gas and oil in commercial quantities in the province of Saskatchewan has been proven conclusively;
And whereas the CCF as a Socialist Party believes in and advocates the public ownership of the natural resources of this Province for the benefit of the people of Saskatchewan;
And Whereas a resolution was passed at the 1945 Provincial Convention urging the Government of Saskatchewan to undertake the development and distribution of natural gas in this Province;
And whereas natural gas and oil in the Province of Saskatchewan continues to be extensively exploited by private persons and concerns;
Therefore be it resolved that the Government of Saskatchewan be called upon to show cause why the exploitation of these resources has been allowed to fall into private hands;
And be it further resolved that the Government of Saskatchewan be immediately called upon to place these resources under social ownership, control and operation for the immense benefit of the people of Saskatchewan.29

The resolution had the sympathy of the delegates, but was voted down when cabinet ministers dismissed the contention that oil was ready for commercial exploitation and insisted that the province did not have the fiscal resources to pursue a development strategy.26 The resolution nonetheless demonstrated the anxiety of many residents of the province experiencing rising fuel prices in the wake of the removal of federal wartime subsidies. The well publicized drilling activities of the oil companies, the assurances that important discoveries were on the horizon, and the suspicion that the major companies were withholding information regarding production potential in the interests of price stabilization, all served to increase the determination of certain activists to pressure for government ownership. The Provincial Council of the CCF in
1946, in asserting that "the more profitable industries, especially of a monopolistic nature" be developed under public ownership, made natural gas and oil their fourth priority.  

The long range objective of greater provincial involvement in oil received an unexpected boost from the new central planning agency established in 1946. The Economic Advisory and Planning Board, under the direction of George Cadbury, produced its first planning document in September of 1946. It criticized the emphasis that Phelps and the Department of Natural Resources had placed on the development of secondary industries and stated:  

It is quite clear that any substantial diversification of the provincial economy is most likely to arise from the development of our own major natural resources. The provincial government should be directing much more time and money to the exploitation of the mineral wealth of the province ... to the research and investigation into the uses to which our natural wealth can be put, and to assisting in the development and marketing of such products.  

There was in this report, and in the subsequent counsel of the EAPB, a new emphasis on the exploitation of non agricultural staples as the road to economic stability. While the Board did not advocate active socialization of resource development it did foresee greater public investment and suggested that control of resources might eventually be "brought back into state rather than private hands." Cadbury recommended that investment in natural resources be made the number two priority in government spending, after agriculture, and insisted that the province be realistic about its potential for industrial
growth and build from its strengths.  

The government made no apologies for its 'interventionism' in its early years. "We believe there is a place for Government in industry, and particularly is there a place in a province like this, where private enterprise has failed lamentably of its own volition to develop the necessary industries of the province."  In oil, the government's desire to take independent action was indicated in its reluctance to grant the large exploration reservations to the majors that had been common in wartime. In 1945 the government declined to renew a reservation agreement with Imperial Oil that covered much of the potential production acreage of the province. F.R. Scott, one of the federal CCF's key policy advisors, was called upon to provide an opinion on the agreement and noted in a letter to T.C. Douglas:

The first problem that rises with regard to this contract is the question of general policy. Does the government wish to use an agency of Standard Oil in the development of Saskatchewan natural resources? As I see the problem, the choice is this: either the government takes the risk of exploring for oil itself, or else it uses private companies.  

Though Professor Scott advised that "the policy of using Imperial Oil is justifiable at this stage" the government decided, presumably for ideological and political reasons, to decline the renewal. The implication was that the government would indeed proceed to undertake development itself.  

That little came of this tentative commitment can partially be explained by the fiscal conservativism of the
government, the risks inherent in oil investment, and actual conditions in the industry. The risks had been readily apparent to all previous governments and increasingly loomed large for the CCF. Douglas had been sensitive to the potential demands of an effective program, and F.R. Scott, in the 1945 letter quoted above, noted that were the Saskatchewan government to undertake... 

... exploration itself, then we know that many years must lapse before the work can be undertaken, and even then the risk of large expenditures without any certainty of discovering oil would still have to be faced. In other words, a policy of government development means that for many years there is no development at all.  

The cost of exploration had been concisely calculated in all reports of the various exploration and drilling reservations and permits; millions had been expended in the previous few years with little result. Clarence Fines, the Provincial Treasurer and the man responsible for reducing the debt load of the government, was compelled, in his own words, to face "the truths of the day." Not the least of these was the necessity of demonstrating fiscal responsibility and discouraging any overt hostility to business in the interest of marketing provincial bonds internationally and encouraging stimulative investment. Fines recommended that the financial resources of the province be husbanded and devoted to popular social programs and works projects. It was, in his view, dangerous to pour needed funds into speculative projects which might bring a vulnerable province into direct conflict with local, national or continental business interests.  

...190
The government ultimately resigned itself to the fact that only the majors possessed the capital accumulations necessary to develop the oil resources of the province and the integration necessary for efficient refining and marketing of petroleum products. Admission of the government's inability to take responsibility for oil development came in an October, 1947, memo to the Premier titled "Oil Policy of the Provincial Government". The memo began: "The present government is committed to a policy of resource development which is based upon the belief that the natural resources of the province belong, rightfully, to the people of the province, and should be developed on their behalf and in their interest." The report went on, however, to observe that the oil potential of the province was far from proven and that the crude thus far discovered was not of good marketable quality. Its final observation on the constraints faced by the provincial government was as follows:

"There is a problem in the overall investment policy of the government. A provincial government, like an individual, has limited means at its disposal for purposes of conducting its regular operations and investing in long term enterprise. In making any investment it must consider all the possible alternatives, for entry into any particular field of investment means that it must forsake other fields for which that money might have been used. In addition to the considerations listed above under one and two, there are others which make it questionable for the government to enter into any program of extensive development in the field of petroleum at the present time. The petroleum industry is controlled by a highly integrated monopoly. To compete, the government would find it necessary to invest a considerable amount to give the assurance of a similar type of integration. And, furthermore, having made such investment would have to be prepared to pit its resources against those of the monopoly should any trade war develop. It is questionable whether or not the resources of the province should at this time be risked in this use at the expense of..."
other more pressing (and more promising) alternatives.\textsuperscript{3e}

The memo's recommendations were that the government devote itself to conservation, the securing of a fair return to the people in the form of royalties, research, and the encouragement of private investment. The recommendations represented a further step in the reestablishment of more conventional and familiar policies and were in conformity with the objectives of Fines and the moderate members of the cabinet.

The proposed policy naturally conflicted with the objectives of the left wing of the CCF which continued to see the private ownership of key industries and the siphoning off of profits to foreign corporations as among the central evils of society, evils they were mandated to challenge in 1944. There was, therefore, considerable soul searching within the party and the government as to the appropriate, feasible and ethical approach to take in resource development and planning. That the risks were ultimately judged to be too great in the area of oil and gas was evident in the eventual return to policy positions virtually indistinguishable from those of the CCF's Liberal and Conservative predecessors. As early as 1946, a year before the oil policy memo, George Cadbury felt compelled to remind his political superiors that Saskatchewan had little constitutional or economic power with which to forge radical public policies. The province, according to the Economic Advisory and Planning Board, had to "function within the framework of a capitalist economy."\textsuperscript{3f} Private enterprise...
would continue to be the principle entrepreneurial force and source of capital, and its activity in the area would have to be encouraged by government loan funds, "promotional facilities, and possibly wage subsidies." 40

Decisions to alter and amend oil policy were not simply the products of isolated discussions in Regina. Pressure to bring policy into line with North American norms derived in some measure from corporate activities and the economic conditions of the industry in the province. It had become apparent by 1947 that special efforts were needed to stimulate activity in Saskatchewan once again.

At mid-decade there was genuine excitement over the oil prospects of the province in the wake of a Lloydminster crude strike. "History was made in the month of April, 1945, when the first oil well, the National Grant No. 1 was put on the pumps near Lloydminster." 41 This first commercial well, owned by a small local concern, produced only 1,000 barrels in its first year, but encouraged great hopes. 42 The total number of wells drilled in Saskatchewan in 1946 was 51, and in 1947, 109. By comparison, the average wartime total was 22 wells per annum. 43 Production of crude increased from 38,917 barrels in 1946 to 172,436 barrels in 1947, and the Department of Natural Resources observed that "only lack of facilities for the storage and handling of the oil prevented even greater increases in these figures, and for this reason twenty-seven potential wells were standing cemented at the close of the year." 44
The Lloydminster field became a hive of activity, development there having by 1947 "overshadowed all previous efforts." The Department was increasingly optimistic and when the first genuine gusher blew in in 1946 a delighted Joe Phelps was prompted to exclaim: "It looks as if we’re going to have a lake of oil up there." He went on to reassure the companies involved in the modest boom that "(i)t is the policy of the government to encourage legitimate development of oil and gas resources and the department of natural resources is assisting and cooperating with the industry."  

The major oil companies, however, were particularly sensitive to threats of nationalization in the uncertain post-war years. They were hesitant to commit resources where the political climate seemed unhealthy. The majors, and notably Imperial Oil, had been stung by the threats of expropriation and the reluctance of the province to grant the generous exploration reservations they had previously enjoyed. Within a year of the formation of the CCF government they were gearing down operations in Saskatchewan. In 1945, C.A.L. Hogg, Deputy Minister of Natural Resources, reported that at least two companies "would not consider working in Saskatchewan because they maintain that it was the avowed intention of the CCF government to 'take over' or confiscate their holdings in the event of discovering oil." By 1947, Norcanol, the most active player in southern Saskatchewan, had almost completely halted its exploratory program. In a memo to the Premier in October, 1947, it was noted that the only major company in the province...
was Husky Oil, an American firm which appeared unperturbed by the province's 'radical' leanings. The memo observed that:

Outside of this company, there are no companies of any significance operating in the [Lloydminster] field or engaged in exploratory work elsewhere. The explanation for this condition is both political and 'economic'. Provincial policy of checkerboarding leases has discouraged certain potential 'exploiters' and certain companies are steering clear for political reasons also, eg Imperial Oil Co. It is interesting to note that several major companies are engaged in exploratory work in Manitoba, a field which is much less promising than Saskatchewan.***

The presumed hazards and irritations of government oil policy, while they were charged with the rhetoric of the political opposition and the business community, do not provide a complete rationale for the decline of activity on the part of the majors. The exploratory activity in the south through the 1940's had been extensive and costly, but the results were meagre. There were no gas or oil finds of significance in the period and the prospects were, even according to the Geological Survey of Canada, "discouraging".*** Though annual oil production showed a dramatic increase by 1948 (842,000 barrels in that year), the totals remained insignificant by continental standards.***

In addition, all of the Saskatchewan production was sulphurous heavy oil from the Lloydminster field, difficult to extract and refine and even more difficult to sell. As Hogg reported early in 1946: "The development of these areas capable of producing low gravity crude is handicapped by lack of a secure and well established market and refining facilities. The flash point of the oil is high enough to permit using it for
locomotive fuel. However, the railways demonstrated little interest in the product. The government briefly considered the construction of its own heavy oil refinery, but ultimately decided to encourage private refiners, such as Husky Oil, to locate in the province. Despite incentives and the commitment to purchase oil for Saskatchewan Power, production and marketing remained severe problems. A Geological Survey Report of 1948 regarding the Lloydminster field suggested that "the development is going through what might be termed growing pains" and stated that proven reserves "and production will probably have to be increased before a refinery can be installed to crack the oil more completely."

While Saskatchewan's geophysical and production problems might alone have discouraged exploration efforts, it was also forced to compete with the rising star of Alberta. With the blowing in of the Leduc No. 1 well outside of Edmonton on February 1, 1947, the complexion of the oil industry in western Canada changed dramatically. Suddenly Alberta became the focus of an unprecedented oil investment boom: as proven fields were added and the extent of reserves became apparent, all available funds, manpower and equipment were transferred to that province. As the president of Imperial Oil was to state two years after the initial discoveries, "the Alberta developments and the continuity of the activity there require much of our available capital and it is important that our operating groups, both technical and productive, be kept busily engaged in areas now being worked and demonstrated to be
productive. Further, as an Economic Advisory and Planning Board memo noted, the majors "having become deeply committed in Alberta it was necessary for them to continue with their exploratory and drilling work in order to protect the discoveries which they made." Alberta, with a more reliable government, more extensive research facilities, and better technical services, became the home of a large community of both major and independent oil operators. Saskatchewan inevitably suffered a decline in activity.

The government attempted to put the best face possible on the situation. Joseph Phelps asserted that the province had been well served by indigenous oil enterprises and that he was "not too anxious" for work by the larger companies. The province returned to a reliance on the small, local exploration companies that had been the mainstay of the oil and gas industry in Saskatchewan in the 1920's and 1930's. The government attempted to promote its 'special regard' for the small operator, the genuine entrepreneur. In a letter to the prominent Ottawa journalist Blair Fraser, Morris Shumichter, an assistant to Premier Douglas, stated:

You will recall speaking of the policy of the Saskatchewan government in respect of oil development in the province. Mr. C.A.L. Hogg, Deputy Minister of Natural Resources would welcome the opportunity of discussing the matter with you. He will be able to show you that this the only province in which the independent prospector and producer can now have anything like a fair show. In Alberta, for example, Imperial Oil controls most of the new oil lands and producing wells. In Saskatchewan, however, the small producer is coming into his own. 

The potential for development with small firms was not
insignificant. A government study of 1946 had indicated that capital resources within the province were providing as much as 70% of the necessary funds at that time. With the renewed pessimism of 1947-1948, Phelps was forced to admit that "the question of interesting small investors in oil development in our Province, as well as providing them with the necessary machinery whereby this might be brought about, has been giving me a good deal of concern." Stating that under the "present political environment the major oil companies who are undertaking wide scale development in Alberta and to some extent in Manitoba are not expected to enter the exploration field in Saskatchewan," the Department proposed in March of 1948 that an investment fund to finance oil drilling and production be established. It suggested that several hundred thousand dollars be allocated and that the province provide management of all oil operations conducted with the support of the fund "free of charge as a public service." The proposal also recommended the creation of "petroleum exploration pools" to encourage citizen participation in the exploration business by gathering private funds for investment in wells on crown reserve acreage, all revenues to go directly to the investors and the government. "Through the principle of retaining a fair proportion of funds for future participation in proven acreage it is anticipated that the degree of risk will be reduced to the extent that the majority of subscribers will at least get their money back within a few years." These recommendations, while imaginative, were ultimately not acted upon as provincial
resource policy was to take a different and more conventional tack. Nevertheless, there is no question that the government did pride itself on its treatment of the small operator and investor, and in some respects felt more atune with them. In the view of many in the government, local capital and entrepreneurship would produce a local industry more sensitive to the peculiar needs and aspirations of Saskatchewan. In addition, a local industry would not be sufficiently powerful to exert pressure upon the government for special concessions or favoured treatment.

Another avenue for the government was support of the oil exploration activities of the co-operatives. In March, 1948, the Saskatchewan Federated Co-operatives, the Alberta Co-operative Wholesale Association and the Manitoba Co-operative Wholesale Limited joined forces to create the Consumers Exploration Company Limited "to embark on an extensive exploration program for oil in the prairie provinces". In April of 1948 "a meeting was held by the Oil Committee of the Economic Advisory and Planning Board and representatives of the Saskatchewan Federated Cooperatives to discuss further developments in the possibility of joint action by the Government and the Co-operative movement in oil exploration and development." The government was sympathetic with the objectives of the new co-operative venture and encouraged by its capital strength and level of expertise. Discussion centred on the creation of a new crown corporation to operate jointly with the cooperatives, or alternatively,
government investment and technical assistance. The province was hesitant about full partnership, in part fearing that a new company might divert "funds to more attractive locations in Alberta." Cadbury and the Planning Board were sceptical of the partnership concept because the resources of the co-ops were "strictly limited" by comparison to those of the major oil companies and their efforts, however energetic, could not be "looked upon as a major solution to the problem of large scale oil and gas development in Saskatchewan." 

Continued appeals for government action provided ammunition for the Liberals and the major newspapers who pointed to the comparatively moribund oil industry as proof of CCF mismanagement. Early in 1948 Phelps announced that the government still retained an interest in oil and suggested it was "possible that the provincial government would get a drilling rig". At the same time a resolution was aired in the Legislature from the CCF MLA from Lumsden, W.S. Thair, that the federal government be pursued to undertake oil exploration to assure that the resource be developed "for the benefit of all Canadian people and not for absentee ownership groups in control of world oil prices." The press seized upon the statement to remind the public of the expense involved in oil exploration, and to point out the contrast between industrial development in Alberta and Saskatchewan. On the editorial pages and over the radio the 'man on the street' was reminded that only business could generate the jobs and economic expansion necessary for stability. The rhetoric did not lack colour,
particularly as the opposition sensed the government’s vulnerability on the issue of economic growth. Liberal MLA A.T. Proctor, in a 1948 address, informed his listeners that “when Premier Douglas welcomes and invites private industry to the Province under these policies it is as effective and as sincere as would have been an invitation from Hitler to the Jews of Europe to establish themselves in business in Berlin.”

Though the government publicly discounted these criticisms, there was a growing sense that the oil industry had to see some revitalization. The Economic Advisory and Planning Board, in a reversal of its previous position, suggested that exploration and development of oil was not a promising area for public investment. In a letter to T.C. Douglas on March 8th, 1948, George Cadbury stated:

The present situation in the province is that there is relatively little exploration proceeding. This is due to a number of factors, the chief of which is the political uncertainty in the mind of the ordinary oil operator who feels that the future prospects in Saskatchewan are less certain than in other places in terms of the regulations, royalties or other controls to which he may have to submit....

The desire of this Government for exploration and development can, therefore, only be met in two ways; one by proceeding to undertake the work for themselves or by enlisting the aid of private enterprise by giving them the necessary guarantees with regard to the future. So far the best opinion available comes to the conclusion that the cost of exploring the whole of the Province would be beyond the financial resources of the Government. 201

He went on to intimate that it was necessary for the government to distance itself from the hard line of the Minister of Natural Resources.

The Government of Saskatchewan is compelled to make...
concessions and firm commitments ... which would never be asked of their neighbours. If, however, the Government of Saskatchewan were prepared to make a definite statement and commitment to the effect that they would not expropriate oil operations and would limit the royalties that they would attempt to collect from such operations, then it is possible that we could get a similar degree of interest in this Province to that in Alberta prior to finding the Leduc field.71

The government ultimately accepted the advice of Cadbury and acknowledged that the growth of the oil industry in the province would be dependent on the actions of the majors. In a letter to one oil company Premier Douglas made assurances that "it is not the government’s intention to socialize the oil industry .... The best proof the oil companies have is to see the treatment we have accorded to oil companies which are already drilling and carrying on exploration work within the province."72

As Richards and Pratt suggest in Prairie Capitalism:

The year 1948 was in many ways the end of the beginning for the CCF, and the beginning of its end. The provincial election that year signalled the end (except for natural gas distribution) of any public investment in the resource sector. From 1948 until the post-1973 controversies, Saskatchewan resource policies paralleled very closely those of any province.73

Innovations in public policy and public investment were not encouraged. The government had been affected detrimentally, both economically and politically, by the problems of the crown enterprises. With the defeat of Joe Phelps in the 1948 election, the leading exponent of state intervention in resource development was removed. Under the less doctrinaire J.H. Brockelbank, the energies of the Department of Natural...
Resources and Industrial Development were directed to securing increased levels of outside investment in resources. Exploitation of resources was to continue to finance social programs and public works, but only through royalties and the income generated by private industry. As Lipset noted, the government was never keen on public ownership of oil and had expended great efforts to deflect criticism in the party ranks over the hesitation to move actively in that sphere. The party's new agenda after 1948, its trend to moderation and circumspection in both policy and statement, marked a decided shift from any consideration of public ownership. It did not, however, end discussion.
Footnotes


4. SAB, G1 1944.9, "CCF Program for Saskatchewan", CCF, 1944.

5. Ibid.

6. SAB, Department of Natural Resources Files, NR 1/2, 1, Planning and Progress by the Department of Natural Resources and Industrial Development, July, 1945.

7. Amendment to the Natural Resources Act, Saskatchewan Legislature Second Session, October-November, 1944.

8. Ibid.


11. Planning and Progress by the Department of Natural Resources.


13. Richards and Pratt argue that the Act did not succeed in securing substantial provincial resource ownership. The province's formal legal victory meant little as it acceded to political pressure from the interested companies and from individual farmers to permit reverting of freehold rights upon payment of mineral tax owing. At the time of the 1948 injunction a large proportion of freehold owners were delinquent on the tax, but the province had conducted forfeiture proceedings on less than a million acres (four per cent of total freehold rights, and virtually all of these later reverted to their former owners). Richards and Pratt, p. 111.

15. SAB, T.C. Douglas Papers, File 43 (9 6 4)a, Gas and Oil Regulations, "Petroleum Regulations", 1948.


17. SAB, Department of Natural Resources Files, NR 1/1, M-500-DR Mines, Saskatchewan Research Council to Department of Natural Resources, August 14, 1944.

18. SAB, DNR Files, NR 1/2, File 144, Reports, C.A.L. Hogg to E.H. Murray, July 9, 1945.


20. SAB, DNR Files, NR 1/2, File 144, Reports, C.A.L. Hogg to H. Lewis, "Re Oil and Gas Division, Duties of Director", August 20, 1945.


24. SAB, T.C. Douglas Papers, R 33.4, EAPB File, Minutes of the Committee of the Economic Advisory and Planning Board on the Relationship Between the Government and Cooperative Enterprise, March 6, 1946.


26. Ibid.


29. Ibid.

30. Ibid.

31. SAB, LA 6.27, Speech From the Throne, 1946.
32. SAB, T.C. Douglas Papers, File 43(9 4 6)a, Gas and Oil Regulations, F.R. Scott to T.C. Douglas, 1945.
33. Ibid.
34. Ibid.
36. Richards and Pratt, p. 128.
38. Ibid.
40. Ibid.
44. Annual Report of the Department of Natural Resources, March 31, 1947 (Regina, King's Printer: 1947)
46. Ibid.
50. Petroleum and Natural Gas Yearbook, p. 31.
51. SAB, DNR Files, NR 1/2, File 144, Hogg to U.B. Timms, March 11, 1946
52. SAB, T.C. Douglas Papers, R 33.1, File 51, Husky Oil Co. to T.C. Douglas, October 24, 1946.
53. "Oil and Gas Development in Saskatchewan, 1948".
54. SAB, T.C. Douglas Papers, R 33.1, File 166, "Oil in Canada", Toronto Telegram, June 6, 1949.
55. SAB, T.C. Douglas Papers, R 33.1, File 140, George Cadbury to T.C. Douglas, August 6, 1948.
56. SAB, M14, Phelps Papers, Natural Resources File, J.L. Phelps to J.H. Brockelbank, March 31, 1948.
57. SAB, T.C. Douglas Papers, File 90, Morris Shumiatitcher to Blair Fraser, June 3, 1948
61. Ibid.
63. Meeting of the Oil Committee with Representatives of the Saskatchewan Federated Co-operatives, April 1, 1948, Committee on Crude Oil Exploration and Development, Economic Advisory and Planning Board, April 6, 1948.
64. Ibid.
65. "The Importance of Incentive", Regina Leader Post, April 21, 1948, p. 11.

70. SAB, T.C. Douglas Papers, 166, George Cadbury to T.C. Douglas, March 8, 1948.

71. Ibid.


73. Richards and Pratt, Prairie Capitalism, p. 143.

74. Lipset, Agrarian Socialism, p. 258.
Chapter 7

THE INDUSTRY COMES OF AGE

A new era was opening for the oil and natural gas industry of Saskatchewan by the late 1940’s, despite the political and economic uncertainties of the post war period. In a few short years the province witnessed a rapid expansion of exploration activity, with extensive land plays and a heightened corporate and public optimism regarding the production potential of the province. It also saw the integration of Saskatchewan into a regional, national, and ultimately continental energy grid. The period was one of continued policy debate within the government, with a measure of experimentation. The innovations, however, were few and far less dramatic that might have been anticipated a few years earlier. The period witnessed a consolidation of the gains of an era of prosperity and the refinement of bureaucratic structures and government-corporate relationships that were to endure for decades.

The nagging fears that Saskatchewan might return to economic stagnation following the war were laid to rest by 1948. European reconstruction and the industrial revitalization of North America produced a boom of unprecedented proportions. The demand for prairie grain, always a gauge to Saskatchewan prosperity, mounted steadily. In 1946 the federal government
negotiated the Canada United Kingdom Wheat Agreement, under the terms of which the country was to supply Britain with 600 million bushels of grain between 1946 and 1950. Farm incomes began to rise and with them a response to the need for increased farm efficiency and productivity.

Farm mechanization ... accelerated after the war, for the farm machinery industry was able to turn to full production for peaceful pursuits. There was a great increase in the production of tractors, gasoline engines, trucks and combines, though the sale of farm implements depended to a large degree on the farm income per year.

From the end of the war to the 1950's that income showed consistent and substantial growth, though admittedly the cost of farm operation also increased.

With increased mechanization the provincial demand for gasoline and automotive oil showed a proportionate increase. By the end of the decade the local agricultural market for fuels amounted to 250,000,000 gallons annually. The new found affluence of the Saskatchewan farmer and town dweller also resulted in an increase in automobile sales and demand for high grade gasoline. While the province did not develop significant industrial capacity in the war years, secondary manufacturing had expanded by 1948 and the industrial fuels market demonstrated a modest potential. The well established refineries, those of Imperial Oil Limited and Consumers Co-operative in Regina, and the British American at Moose Jaw, expanded to meet the demand for more sophisticated fuels. Refinery capacity in the province increased over 300% in the post-war period, making refining the province's fastest growing
industry.

The total oil supply picture for the region was dramatically changed by the Leduc discovery in Alberta. By the end of 1948 the West had regained the self-sufficiency in oil it had enjoyed in the years prior to the Turner Valley decline. The regional refineries of the majors were soon completely supplied at relatively low cost from the Alberta fields, and those fields continued almost monthly to add to their reserve estimates. The promise of ever greater finds, of eventual national self-sufficiency and oil export capacity, prompted both corporations and government to widen the search, extend investment, and enhance technical competence.

Interest in western Canada was international as well as national. Demand for petroleum and its by products increased at a rapid rate throughout the western world and the strategic importance of oil and oil reserves was acutely appreciated. The multinationals shared with the U.S. government the "mental climate of anxiety over fuel shortage that prevailed [at] the end of the Second World War." In 1948 the United States, which for decades had been the world's foremost supplier and consumer of oil, became a net importer. Canada's potential as a secure, local source of emergency supply was carefully examined. By the late 1940's the U.S. and Canada were engaged in joint resource planning and American oil companies were enjoying generous tax incentives to explore for oil outside of the United States. This focus of attention ensured an even greater flow of investment capital into exploration and production activities
in Alberta.

Saskatchewan did not suffer long from the post Leduc oil boom. Late in 1948, Premier Douglas could happily report to the Legislature:

I am sure that none of us is going to begrudge Alberta what has been discovered, and it is only natural that in the last few years there has been a concentration of people looking for oil in an area that has been proved. But the fact remains that today the eyes of the oil industry are on Saskatchewan. The head of almost every large oil company has been in my office sometime in the last six months, and one of them said to me the other day: "With the area in Alberta now having been pretty well gone over, Saskatchewan, today, is the hottest spot on the North American continent."

Shortly after the 1948 election, and in response to a perceived need to state provincial policy in the interests of encouraging oil development, Douglas sent a letter to a number of major and independent oil companies. The letter stated that Saskatchewan was committed to active resource development and that cooperation was to be expected in every area from the provincial government. Further, "the Province will stand by all agreements it enters into, and it has no intention of either expropriating or socializing the oil industry."

*Oil in Canada*, which printed Douglas' letter, applauded the good sense of the Saskatchewan government:

So far as Saskatchewan is concerned large scale exploration can be expected when and if the 'big spenders' are satisfied of the good faith of the province's administration. Risks of exploration are high. There must be assurances of profits commensurate with the risks, when and if production is obtained. There is no place for expropriation or socialization."
It was quickly evident that the majors did accept the good faith of the government. Presidents and directors of a number of companies passed through Regina in 1948 and 1949, often to announce regional programs, and to receive the personal good wishes of the premier.12

As the Research Division of the Economic Advisory and Planning Board noted, the revitalization of the oil and gas industry in the province was "purchased at the cost of important concessions to the oil industry."13 The key concessions were the limitations on public policy imposed by the promises to forego the right of expropriation and to cooperate with the private sector, tacit recognition of the pre-eminent place of private enterprise in the resource sector. Associated with the need to make the exploration companies comfortable was the necessity of making the mechanics of leasing and exploration attractive. By January of 1949, the Minister of Natural Resources could boast that "Saskatchewan's mineral development regulations are the simplest and most straightforward in Canada."14

In general they followed the lines of Alberta policy, with drilling and supervision rules comparable and leasing fees and production royalties identical. There were a number of variations, however. The fees charged in surface and sub-surface reservations were lower in Saskatchewan.18 More significant, perhaps, was the province's policy with regard to Crown reserves (the acreage retained by the province with every reservation allotted). As one report observed:
The regulations effective in Saskatchewan are more attractive in one particular than in Alberta, where 50 per cent of the area of discovery is set aside as Crown Reserve after the discovery of oil. Only 25 per cent of the surrounding area is reserved by the Crown in Saskatchewan and selection is made, usually in checkerboard pattern, at the time of the issuance of the initial permit and before the discovery of oil. These provisions granted the oil companies more productive acreage and did not, as in Alberta, threaten to retain to the province for ultimate resale a large section of the productive acreage discovered. The province showed sensitivity to the needs of exploration, as expressed by the private sector, perhaps greater sensitivity than Alberta, which had already established itself as a producing province.

The effects of the new harmony between business and government in Saskatchewan and the increased international flow of exploration dollars were substantial. A renewed drive for oil in the province began with what the government dubbed "the oil land boom" of 1948. Major newspapers from Toronto to Vancouver published glowing accounts of the "heavy influx of risk capital" that Saskatchewan was receiving. The effects of this investment were described in a Toronto Telegram of June 4, 1949:

Saskatchewan's Department of Natural Resources has been swamped with a flood of applications for exploration permits on government-owned Crown lands comprising the lion's share of oil and gas rights in that province. When we visited the department at Regina this week we learned that additional millions of acres of Crown rights have been applied for in recent days, and that the total now under lease or permit or being processed for permit, exceeds 26 million acres.
The number of exploration permits issued leaped from 45 in 1948 to 253 in 1949 and the acreage under permit from 4,461,876 acres to 35,113,815 by the end of 1949. The major players in crown lands included Husky Oil, which had had a long term interest in Saskatchewan, Phillips Petroleum, a large Oklahoma independent, the co-operatives, and a "long list of sizeable and small independent Alberta and Saskatchewan oil companies, syndicates and individuals."

The activity in crown lands was equalled by the acquisition of 18,000,000 acres of freehold oil and gas rights. Eight major and large American independent companies, led by Imperial Oil, were active securing exploration and drilling rights from farmers, the railways and the Hudson's Bay Company. Ultimately the land play resulted in the "solid blanketing of government and private oil rights in a 120,000 square mile region." This region covered the entire south of the province from the United States border to Saskatoon.

The land play was followed, inevitably, by extensive seismic testing and test drilling throughout the area. More than thirty crews were crossing the province by the summer of 1949, and the government reported that almost $200,000 had been expended on magnetometer and gravitimeter surveys alone. The Department of Natural Resources stated without exaggeration that "the tempo of geophysical activity is a matter of national comment." It is a measure of the excitement of the period that the Supervisor of Petroleum Development could exclaim that "the development in the search for oil and gas in the province..."
at the present time is the biggest thing that ever happened in the North American continent."25

In welcoming "the tidal wave of mass exploration", Premier Douglas observed that it was no "wonder that after the long indeterminate years there is a note of exhilaration in our hearts and an awakened feeling of confidence."26 The sources of excitement went beyond the statistics of permits issued. Wells drilled to completion in the years 1948 to 1950 totalled 238, compared to 134 in the six war years. Oil wells capable of production, which had stood at five in 1945, by 1950 numbered 191, while annual production had climbed to 832,000 barrels, compared to 38,000 five years previously. In 1950 the value of oil produced reached the still modest but psychologically significant figure of one million dollars. A similar growth in gas development was also witnessed, although actual production and dollar value figures remained very low.27

The Saskatchewan oil patch, the western margin and south-east corner of the province, were producing small boom towns that benefited from the activities of land agents, seismic crews and drillers. Communities such as Smiley, Wapella, and Minton appeared on the economic map for the first time. The provincial press regularly ran encouraging stories on the progress of exploration, the rise of local confidence, and the promise of future investment. As Brockelbank noted, such "decisive activity", while risky, was preferable to "the deteriorating ease of a stagnant provincial economy.28

The renewed activity of the major oil companies, and
the collaboration of the provincial government, did not earn unanimous praise. The official opposition and the regional press were as critical of the government’s new ‘free enterprise’ approach as they had been of its ‘socialist’ one. The CCF now earned charges that it was a tool of the large corporations. The Albertan of Calgary, in an editorial of April 9, 1949, observed that “the poor misguided Saskatchewan government seems to have sold out to the oil interests!” In criticizing the Saskatchewan policy of pre-selecting Crown reserves rather than taking portions of proven oil land, the piece concluded that the provincial government “has decided to go overboard in encouraging the oil companies back into the province and its main concern seems to be fairness to the companies rather than fairness to the people.”

The press and the Liberal opposition also attacked the royalty provisions of the oil and natural gas regulations and ultimately charged the government with criminal conspiracy in certain “under the table oil and mineral deals.” There were accusations that the Department of Natural Resources had leased vast exploration reservations to certain entrepreneurs with CCF connections, who had allegedly reallocated the acreage to other companies and discouraged legitimate exploration activity by major companies. No proof of wrong-doing was ever produced, but the Minister of Natural Resources was compelled to reassure associates that there was “no hole-in-the-wall racketing (sic)” under the CCF administration.

Within the C.C.F., the more militant members...
continued to press for renewed government activity in the resource sector and strict controls on the operations of the large corporations. Elements of the party and activists in the co-operative movement felt compelled in 1949 and 1950 to remind the cabinet of the objectives of the 'co-operative commonwealth'. In a brief to the government critical of its retreat on oil and gas, J.R. Phelps, now president of the Saskatchewan Farmers' Union, regretted that...

...it would seem we are rapidly moulding our procedures to meet the desires of our opposition, and that the government in practice is simply following or retrenching to a policy of operation which would be pursued by the opposition to a large measure were they to be placed back in power.33

In June of 1949, in a submission to the provincial government, the Co-operative Union of Canada contended that social ownership of at least a significant element of the oil and gas industry should remain a key government objective.

In this field where frequently large aggregations of capital are necessary for exploration and development, care must be exercised to prevent the complete alienation of valuable natural resources to private exploitation.... In this field of operation, it is our contention that Government or Co-operative - or a combination of both types of ownership - is preferred. With these in the field as a 'balance wheel', private control would have no ill effect on the economy as a whole.34

Nine months later the Farmers' Union of Saskatchewan, in special convention, urged that:

Provincial Government Oil Policy be amended to give the farmers a just share of the wealth that the oil Companies are preparing to develop in the Province. Therefore we support the following policy:

1) Public ownership and development of partially proven crown reserves, or as an alternative, joint...
development with the Co-operatives.

(2) An Oil Control Board to regulate the operation of the industry within the province and to set prices of petroleum products for Saskatchewan distribution.38

Reservations about the government's wholehearted response to private oil activity were expressed even within the bureaucracy. The Economic Advisory and Planning Board, in another of the directional changes that seemed to characterize its analysis of oil and gas policy, returned to an advocacy of "a public entrepreneurial role" in the industry.39 Richards and Pratt suggest that the new policy line was prompted by the reduction in risk attendant in oil activity produced by the extensive activity in the field, and a fear that significant revenue losses were being incurred in the development of Crown lands in particular.37 The Board proposed a ten year program of government investment with a capital budget of $500,000 annually to be financed by a tax on the sale of petroleum products. A political campaign was recommended to sell the scheme, based upon the need for government action "to counter the power of the major oil companies over retail prices and to assure the local availability of future supplies."39

The Planning Board renewed its thrust in 1949 with a "Report on Fuel Policy", a thorough analysis of historical and contemporary policies and practices in the oil industry.39 While stating that any policy changes contemplated by the province "must be accommodated within the framework of the understanding which now exists between the government and the private oil companies," it questioned whether the province was
reaping all possible benefits from the potential oil boom.40 At the outset the report stated that the primary objective of provincial policy must be "to make possible the full development of potential wealth for the dual purpose of enhancing the general standard of life and promoting greater stability of income through much needed diversification of the provincial economy."41 It suggested that more rational controls were necessary to prevent reckless competitive activity in the field that might result in the kind of waste witnessed in the Turner Valley field of Alberta decades earlier. It also warned against the concentration of production in the hands of the major corporations that might result in unfair oil practices.

It made the following observation on pricing practices:

"Both the price of crude and of refined products are established, not by historic and incurred costs, but by what, in effect, are opportunity costs, and the result, as stated in a previous study, is to charge what the traffic will bear. Clearly to correct this situation, one of two things must be done. Either the oil industry must be deprived of the ability to determine prices by imposing on it some device such as price regulation, or it must be so reconstructed as to ensure the desired effect under unregulated price determination."42

The recommendations of the report centred upon tough conservation measures including the unitization of oil pools (the sharing of producing acreage among lease holders and the distribution of returns on a pro rate basis according to the acreage held by each party) to prevent competitive offset drilling. It opposed the disposal of leases by cash auction, the policy favoured in Alberta, as it tended to favour the larger and financially stronger companies. Instead, it
recommended the introduction of individual negotiation of leases to ensure a place for the co-operatives. The report also suggested the possibility of a

... crown corporation for the purpose of drilling and operating on crown reserves over proven land. This ... recommends itself most strongly when taken in conjunction with the policy of unitization. In other words, whether or not the necessity of drilling on a section reserved to the Crown would be indicated by the geological characteristics of the structure, the government would participate in the prorated revenue in proportion to the volume of oil estimated to lie beneath the reserve.\(^43\)

On the question of direct government price regulation, Richards and Pratt observe that

... the report arrived at the somewhat Machiavellian conclusion that 'the essential precondition for the regulation of crude prices is the discovery of an actual or potential volume of crude production capable of rendering Saskatchewan self-sufficient as to its petroleum requirements. In the interim nothing should be done to prejudice the program of discovery and development, and until that time, all attempts at regulation will be premature.'\(^44\)

In response to these pressures the provincial government responded that, as the Oil Policy report had indicated, mineral development was the primary objective and this would be more rapidly and efficiently realized through the use of private capital and the working (albeit regulated) of competitive enterprise.\(^45\) The tightening of rules would drive firms back to Alberta, price controls would be difficult to impose in one province, and provincial ownership of an element of the industry, or significant investment in exploration activity, was beyond the means of the province. In a letter to an oil executive in March of 1950, J.H. Brockelbank stated: "I
know you realize that hundreds of millions of dollars will have
to be invested in exploration and development if we are going
to produce oil in this Province. Many people in the Province
have talked about complete public ownership and development but
none have suggested where the capital could be acquired." In
a letter to D.H.F. Black in May, 1950, Premier Douglas made
clear his position should the C.C.F. renege on its assurances
regarding undue intervention or expropriation:

The oil companies that are coming into Saskatchewan
are coming in under agreements that have behind them
the solid undertaking which I gave in the Legislature
that if any attempt were made by the C.C.F. movement
to repudiate these agreements I would resign as head
of the government and leader of the C.C.F. movement
in Saskatchewan.  

Early in 1950 Brockelbank provided further assurances,
particularly to the U.S. majors and large exploration firms,
and also indicated his appreciation of the importance of
economies of scale in exploration as well as production. In a
statement issued by the Department of Natural Resources he
reiterated the "good faith of provincial intentions to place no
obstacle in the way of development by the oil industry." The
statement concluded:

It is realized that successful development is dependent
upon the employment of the highest technical knowledge
and the best and most modern oil finding equipment,
backed by large capital reserves. For this reason the
province is glad to avail itself of the experience and
strength of the larger American and Canadian oil
companies, to supplement the efforts of the many smaller
and independent operators who have joined in the search.
With this combination the oil will be found if it
exists.  

Within three months Imperial Oil announced its first...
major exploration venture in the province since the war years. The Financial Counsel - Oil Letter remarked that the proposed "activity in Saskatchewan would have been undertaken long ago if government policy had been different. 'Political climate' is rated very high on the scale of conditions that influence oil companies in deciding where to search for oil. Apparently the Saskatchewan climate has been rated upwards."

The province had been truly embraced by the oil industry and an enduring and happy relationship established despite the suspicion and criticism of elements within the C.C.F.

The movement of the majors into the province, and their hearty welcome by the Department of Natural Resources, was not the ultimate blow to the long held ambition of a provincially controlled oil industry directed to specific provincial objectives. The end of that dream was to come in 1949 with the announcement of the major oil companies that the first major pipeline in western Canada would be constructed to carry the surplus oil of Alberta to the refineries of central Canada. By 1948 the Alberta market had already been saturated and in February of that year Henry Hewetson, Chairman of Imperial Oil, announced the laying of the first leg of the pipeline to Regina. Pipeline technology had been considerably enhanced during the war and very long distance high volume lines were now feasible. By 1949 it was apparent that the Alberta fields would saturate the 60,000 barrel per day Prairie market, and preliminary designs were prepared for a ninety million dollar, 70,000 barrel a day pipeline to extend to the...
lakehead at Superior, Wisconsin. The oil companies could now look forward to tapping not only the central Canadian market, but also serving the U.S. demand as Canadian oil had a privileged position under American import restrictions. The new transcontinental line, the Inter-Provincial Pipeline, promised a permanent solution to the market problems of Alberta, assured regional self-sufficiency, and promised Saskatchewan an inexpensive carrier for the oil it hoped to generate from its new discoveries.

While certain members of the CCF, including MLA's, condemned the pipeline scheme as "the death knell of small independent refineries", the irritations were assuaged by assurances from the company that the pipeline would accept oil from any source and serve as a "common service" to all producers and refiners in the region. For its part, the provincial government welcomed the pipeline as a boon to the province, despite the fact that it represented a departure from the radical agrarian objectives of the previous decade (and indeed from the Economic Advisory and Planning Board goal of local self-sufficiency in the interests of price control as indicated in the Report on Oil Policy). The acceptance of the pipeline by the province indicated not only a commitment to production of oil for export, but, as observed by Hanson and Shaffer in "The Economics of Oil and Gas", the integration of the region into a continental energy system.

In at least one area the province did remain true to CCF objectives of increased involvement in the energy field.
The province took direct action in the distribution of natural gas, partially for philosophical reasons, but largely because of the perceived economic and demographic requirements. Brocklebank stated in 1949 that natural gas was a "natural monopoly" as it could be transported to market efficiently only by a single network of pipelines. In addition, only a large and coordinated system could provide the stable market that would permit the large scale production of gas. "Almost everyone knows that the distribution and marketing of natural gas in a province as sparsely populated as Saskatchewan is a problem, and that a guaranteed market is of paramount importance to development."

There was a profound sense in Saskatchewan, as in Alberta, that while oil was an industrial product and a legitimate revenue generating export item, natural gas was an essential domestic product that should be conserved for local domestic purposes.

The province rejected a number of proposals for private local and provincial gas distribution schemes and announced in 1949 that Saskatchewan Power would assume control over gas distribution. In its public statement the utility asserted:

Now our policy is to encourage the development of natural gas production in Saskatchewan. We are prepared to negotiate the purchase of gas, if found in sufficient quantity within the province and with wells reasonably accessible. The gas, purchased right in the field at a price sufficiently high to encourage its production, will be used for power production or distribution direct to consumers, depending on the proximity of the gas to populated centres.

Production was to be left in private hands and consideration...
was given to the franchising of pipelines to private carriers under close supervision. The encouragement given to the domestic and industrial use of gas and the incentives to gas exploration and production resulted in a doubling of the volume of gas distributed between 1948 and 1950, though use remained restricted to gas producing areas. The provincial government did take press criticism, however, for their generosity, and collusion with producers was suggested, but never proven.

By 1950, with promising "prospects for the discovery of adequate supplies of gas within the Province", the government began planning a gas distribution system to the major centres of the province, financed by a bond issue through the Power Commission. It was also suggested that a new crown corporation might be established to plan and manage natural gas distribution. In that year the Economic Advisory and Planning Board defined policy objectives with regard to natural gas:

a) that to the extent that the distribution of natural gas is an important and stable public utility, capable of benefiting large numbers of consumers and earning an adequate return upon invested capital, it is an attractive field for the investment of Saskatchewan capital, preferably under public auspices; and

b) that on the assumption that large reserves can be drawn upon in the near future, it is essential that an integrated system of transmission and distribution facilities be developed, having regard to alternative sources of energy and methods of utilization such as electric power, and to the principle of equalizing costs as between consumers in large cities and consumers in rural areas.

With the exception of natural gas distribution the province eschewed a direct role in oil and gas related...
industrial development in the prosperous years of the late 1940's. It retained an active interest in oil exploration and production as a conventional source of revenue to fund social and economic programs. As Conway observed in his study of the CCF in the west, the government in Saskatchewan "sought and achieved a new integration into Canadian capitalism by opening (the province) to new investments in the development of new staple commodities." While oil had yet to become a major export commodity by the end of the decade, policies and positions had been established to encourage both private production and export. While the government took an ever more active interest in the industry, at least insofar as providing services and scientific support, and the cooperatives continued to play an important role in production and refining, at no time did the traditional agrarian objective of local control for local purposes appear on the agenda. By 1950 Saskatchewan had clearly chosen to seek a resource based economy essentially indistinguishable from that of its neighbours.
Footnotes


12. "Forward with Security"


15. SAB, T.C. Douglas Papers, Gas and Oil Regulations, 43(9-4-6)a, "Petroleum Regulations".

16. SAB, T.C. Douglas Papers, File 166, "Licensing and Leasing in Saskatchewan" (Draft of article for World Oil Magazine).


18. SAB, T.C. Douglas Papers, File 166, "Oil Cuts Down Taxes


23. SAB, NR 1/4, 545A, "Interesting Facts About Oil & Gas Exploration and Development in Saskatchewan - 1949".


26. SAB, T.C. Douglas Papers, Gas and Oil Regulations File, 43(9-4-6)a, Press Release.

27. *Petroleum and Natural Gas Yearbook*, p. 31

28. SAB, T.C. Douglas Papers, 43(9-4-6)a T.C. Douglas draft letter, no date.


33. SAB, T.C. Douglas Papers, R33.1, 868a, Saskatchewan Farmers Union File Statement, Joseph Phelps, 1950.

34. SAB, T.C. Douglas Papers, Department of Co-operatives, R33.1, 106, Submission of the Co-operative Union of Saskatchewan.

35. SAB, T.C. Douglas Papers, R33.1, 868a, Saskatchewan Farmers Union File, Resolutions Endorsed by the Saskatchewan Farmers Union at Their Special Convention and Farm Conference Held in Saskatoon, April 4th and 5th, 1950.

...229

37. Ibid.


40. Ibid., p. 2

41. Ibid., p. 1

42. Ibid., p. 21

43. Ibid., p. 27

44. Richards and Pratt, *Prairie Capitalism*, p. 181

45. SAB, T.C. Douglas Papers, File 37, Development of Natural Resources, "The Department of Natural Resources and Industrial Development Reports to the People of Saskatchewan, 1950", p. 4.

46. SAB, T.C. Douglas Papers, Executive Assistant, File 43, J.H. Brockelbank to J. Ross, March 27, 1950.


49. Ibid.


...230
55. "Pipeline Will be Used as Common Carrier", The Leader Post, June 24, 1949

56. Eric Hanson and Eduard Shaffer, Economics of Oil and Gas (Toronto, 1972), p. 10

57. Press Statment, Hon. J.H. Brocklebank

58. Ibid.

59. William Kilbourn, Pipeline (Toronto, 1970), p. 18


61. SAB, T.C. Douglas Papers, R33.4, Economic Advisory and Planning Board Special Meeting of the Industry and Resources Development Committee to review policy with respect to the distribution of natural gas, May 13, 1950.


65. J. Conway, To Seek a Goodly Heritage, p. 3.
Chapter 3  "The Oil Will Finally Prevail"

It was not until the 1950's that the drilling, planning and policy development of the previous decades bore fruit. In that decade Saskatchewan emerged as a significant oil and gas producer and exporter. By 1954 the province was producing 5.4 million barrels of crude annually (this was to be doubled in the following year) and 4.8 billion cubic feet of natural gas. The number of wells drilled to completion in that year had risen to 307 and oil wells capable of production to 1094. As early by 1952 the Industrial Development Office of the province could claim that in "geophysical activity, Saskatchewan ranks fifth in the North American continent." The pace of development was quickened by the steady growth in Canadian and international demand for energy and the equally steady growth in the well-head price of oil.

Saskatchewan's geographical and geological disadvantages, that had loomed so large in the first decades of the century, now appeared to hold benefits. Closer to eastern Canadian and American markets, Saskatchewan crude enjoyed certain transportation advantages over Alberta product, and as Saskatchewan wells were relatively shallow, their production costs were low. Pipeline economics began to dominate the industry, with local crude gradually being devoted entirely to export and Alberta feedstocks entirely serving the needs of local refineries. By 1960 Saskatchewan was exporting more than
twice the demand of provincial refineries.

On a global scale "a great new age of oil" had dawned, "transforming the landscape and way of life". The international dependence on oil and gas was echoed on the domestic scene. One study of the Saskatchewan economy revealed:

Domestic and commercial use of energy has shown almost no change in the province during the postwar period. This is explained by the fact that coal and wood have been replaced by, an ever increasing extent by oil and natural gas, an efficiency of heating equipment for those fuels has been continuously improved. In 1950, coal and wood supplied 82% of the market, in 1957 they supplied only 27%.⁴

Oil also played an important role in meeting industrial energy demands. For Saskatchewan the most significant demand factor was the continuing mechanization of farming. With the advent of the sophisticated high horsepower tractor and combine an increasing volumes of high quality refined fuels and lubricants.

According to the Stanford University "Study of Resources and Industrial Opportunities for the Province of Saskatchewan", a business oriented assessment of the provincial economy, the boom of the 1950's was in large measure due to the "discovery and extensive development of marketable oil".⁵ The oil and natural gas policies of the province continued to be carefully designed to encourage the industry. When the Oil Policy Committee, established in the early 1950's, returned to the concept of direct government involvement in resource development in the form of "a careful and judicious program of government investment in its Crown Reserves," the province...
declined to press the matter. In its own report the Committee noted that:

... if the private oil companies express an active hostility toward the policy, this hostility is likely to be transmitted to ... capital sources through the close-knit relationships of the financial world. In a more general sense investment houses may argue that the policy is an 'unwise' one, which may have unfavourable effects upon the further influx of private investment capital into Saskatchewan, thereby impairing the continued economic development and future credit status of the Province.

These considerations were never far from the minds of policy makers in the period, nor was the need for "good public relations" in the economic field.

Saskatchewan went beyond reassurance to the resource investor that 'unwise' policies would be eschewed. The province did not follow the lead of Alberta and introduce prorationing of oil (allocation of production volumes to individual wells or fields according to market demand), allowing provincial production to rise to meet demand left unfulfilled by the restrictions on Alberta production. This served to make the province more attractive for large producers. Crown reserve checkerboarding, introduced in the 1940's to maintain a level of government involvement and return in producing areas, was eliminated to permit the consolidation of leases. Close cooperation developed between the province and the major Canadian and multinational oil companies. At the same time the Government Co-operative Oil Committee "established about 1948 to discuss ways and means of assisting the cooperatives to establish a position in oil production" was allowed to fold in ...
New or expanded government agencies, such as the Industrial Development Office, the Industrial Development Fund, and the Saskatchewan Research Council, sought to meet the cabinet's commitment to diversification. In the Department of Natural Resources, the Petroleum and Natural Gas Branch was expanded to provide a wide array of programs and services to that industry.\textsuperscript{11} As the Stanford study states:

Government activities have contributed to the development of provincial industry. Among the most notable are the departments of Mineral Resources and Natural Resources. The policy of these departments is to provide information, and regulate and conserve the resources in such a way as to make them attractive prospects for development by private interests.\textsuperscript{12}

An entirely conventional public policy approach to resource development emerged, the direction of which was clearly established in the 1940's and before. The pattern of infrastructure support and legislative and administrative encouragement established by the Conservatives in 1930 was, with some alterations and lapses, followed through the ensuing decades.

According to most analyses, this was due to the fiscal and broad economic realities faced by each successive government. For a province that was for much of the period economically devastated and without any secure income save federal subsidies, investment in costly and high risk ventures was out of the question. Instead, as Richards and Pratt have observed, the province was content to secure the best terms it
could in the form of royalties and leases.\textsuperscript{13} Arguments were offered that more imaginative public policies, in keeping with the original public ownership philosophy of the CCF, might have increased the level of public earnings from the resources and directed those industries in ways suited to the needs of the local economy. There were also laments that the reliance upon the capital and expertise of the major oil companies served to discourage the development of a locally based industry.\textsuperscript{14} Such policies might have included more active cooperation with the Consumers Cooperative Refineries in exploration programs, provincial government investment in local operations, or the creation of a provincial oil company. Such laments reflect the "sense of independence" that W.L. Morton identified as a critical element of the regional psyche.\textsuperscript{15}

Several students of the international oil industry point out, however, that the "possession of a raw material is not a guarantee of success".\textsuperscript{16} There is little evidence that provincial investment or control would have resulted in greater financial returns or appreciable differences in the direction of economic growth. The major oil companies had, as noted in chapter two, control of the internal resources necessary to finance exploration and exploitation in relatively unattractive geographic areas. They did not rely upon conservative financial institutions based outside of the region. They also possessed the sophisticated refining facilities required to produce sophisticated products and controlled the key means of oil transportation, pipelines. The activities of the majors did not
result in the creation of a resource monopoly in the province, and the province was not forced to contend with the public outcry that would have resulted from such a development. Small operators were left room to manoeuvre and the government enjoyed direct involvement in gas distribution and in exploration projects of local entrepreneurs.

As control was gradually abandoned as a goal of the province so too was the management of oil as a tool of planned diversification. Saskatchewan failed to develop locally based oil industry services and processing facilities. As Jack Stabler remarks in the 1968 study "Prairie Regional Development and Prospects": "The petroleum development in Saskatchewan, while raising the value of mineral production substantially for the province has not generated the linkages it did in Alberta because the discoveries were not as extensive and they occurred later in time." With the construction of first the Interprovincial Pipe Line and then the TransCanada Pipe Line the province became part of a regional and ultimately continental energy system. The province, which had only a few years before been able to think in parochial terms of local pipeline networks, small regional refineries, and utilization of resources by resident entrepreneurs, was now overtaken by oil and gas transportation and refining technology. The small topping plants that had once dotted the prairies gradually disappeared as fuel prices stabilized and farm technology required more sophisticated refined products. The province came to rely on two or three major refineries and products imported...
from other areas. Provincial self-sufficiency was no longer discussed and it was generally agreed that economic diversification would have to take other forms than resource processing.

The dream of the development of industry to serve local interests, as a panacea for local problems, changed with the decades. That it did not entirely disappear was evident in the government intervention in the 1970's and the creation of SaskOil. The industry moved from a dream to reality after 1950, and with the large scale production of oil came prosperity. Prosperity, in turn, defused the demands for direct government involvement or the creation of an entirely independent local oil industry. Traditional and conventional farm objectives, cheap fuel, economic stability, effective social services, were met without resort to extensive government intervention in the economy and the edge was removed from populist anxieties and demands. In a message to the farmers of North Dakota in 1951 the government of Oklahoma offered a reassurance that might have been as easily delivered to the people of Saskatchewan:

"The oil will finally prevail. There is nothing so soothing of passions as monthly production of royalty cheques."
Footnotes


4. Ibid.

5. Ibid.


7. Ibid.


11. *Oil in Saskatchewan*, p. 54


BIBLIOGRAPHY

Primary Sources

Consumers Co Operative Refineries

Annual Reports, 1935-1950
Minutes, 1935-1950

Glenbow Archives

Hydro-Pete Oil Limited, BB 2

National Archives of Canada

Department of Energy Mines and Resources, RG 21
Department of Trade and Commerce, RG 20
Geological Survey of Canada, RG 45
Mineral Resources Branch, RG 87
Northern Affairs Program, RG 85
Tariff Board, RG 79
R.B. Bennett Papers

Saskatchewan Archives Board

Department of Natural Resources
  Deputy Minister's Files, NR 1/1, NR 1/2, NR 1/3,
  NR 1/4, NR 2
  Accounts, NR 7
  Industrial Development Branch, NR 12
  Mines Branch, NR 3

Department of Agriculture
  Agriculture Machinery Administration Files, AG 12

Department of Railways, Labour and Industries, RL 1, RL 2

Legislative Assembly, LA

Calder Papers, M2

Co-operative Commonwealth Federation (Saskatchewan) Papers

T.C. Douglas Papers
Dunning Papers, M6
Kerr Papers, M11
Martin Papers, M4
Phelps Papers M14
Retail Merchants Association, B115
George Spence Papers, GR 80
United Farmers of Saskatchewan Papers

Pamphlets

CCF
CCF Provincial Platform, 1936, G 1 1936.4
CCF and Social Ownership, 1944, G 1 1944.2
Progress for Saskatchewan, 1944, G 1 1944.9
Broadcast, 1947, G 1 1947.1
Progress for Saskatchewan, 1948, G 1 1948.1

Consumers Co-Operative Refineries
Annual Reports, 1934-1945, 81.1
Plans for Petroleum Program, 81.4
Proceedings of the 8th Annual Delegates Meeting, 81.2

Conservative Party of Saskatchewan
Manifesto and Platform, 1929, G 7 1934.13

Periodicals and Newspapers

Maclean's Magazine
Regina Leader-Post
Saskatoon Star-Phoenix
Western Producer
Secondary Sources


_______ Oil and Gas in Western Canada Prior to 1917. Ottawa: Royal Commission on Energy, 1948.


Crane, David. Controlling Interest: The Canadian Oil and Gas


de Mille, George. Oil in Canada West. Calgary: George de Mille, 1959.


Hanson, Eric J. Decisive Decade. Toronto: McClelland and Stewart, 1958.


McGillivray, A.A. *Alberta's Oil Industry*. Toronto: Imperial Oil Limited, 1940.


O'Connor, Harvey. *The Empire of Oil*.


Shaffer, Ed. *Canada's Oil and the American Empire.*


Prairie Liberalism.
Toronto: University of Toronto Press, 1975.

Solberg, Carl. *Oil Power.*


Tanner, Michael. *The Race for Resources.*


Thomas, L.G. *The Liberal Party in Alberta.*
Toronto: University of Toronto, 1959.

Travena, Jack. *Prairie Co-Operation - A Diary.*
Saskatoon: Co-Operative College, 1976.

Trofimenkoff, S.M. *The Twenties in Western Canada.*

Tyre, Robert. *Douglas in Saskatchewan.*

______


______

Saskatchewan.


Government Publications


Royal Commission on the Natural Resources of Saskatchewan.