

# Failure and fortune

The Governor General, a gambling promoter, and  
the failed 40-year search for an oil fortune  
that fell into the hands of a philanthropic lawyer.

BY EARLE GRAY

## CHAPTER 9

### The Anatomy of an Oil Philanthropy

*During a period of four decades, Eric Harvie and his family gave more than \$100 million — probably closer to \$120 million — to cultural projects ranging from Charlottetown's Confederation Theatre to a Chinese garden in Vancouver. Measured in today's money, the value of the Harvie contributions would easily exceed a quarter of a billion dollars.*

They were the odd couple of Edwardian England, Albert Henry George Grey and Arthur Morton Grenfell.

Grey was the fourth Lord Grey, governor general of Canada from 1904 to 1911. Grenfell was his son-in-law. Together they set the stage for Canada's most spectacular personal oil fortune and one of its biggest philanthropies. Not that it did them any good: all that Grey and Grenfell reaped was financial ruin.

Grey was out to do good, or at least an aristo-

cratic and imperialistic perception of doing good. Grenfell was out to make money. Grey was universally held as a man of impeccable integrity. Grenfell was a desperate gambler whose financial dealings twice placed him in danger of being thrown in prison.

But they worked together. Grey thought his imperial cause could be advanced by Grenfell's financial promotions. Grenfell wanted to please his father-in-law, needed his unstinting support, and envisioned Grey's cause as supporting his own financial endeavours.

It was Africa that brought Grey and Grenfell together, but it was Canada they would later focus on.

The Grenfell family had interests in both these parts of the world. The family dynasty, based on the copper mines of Cornwall, had been established by Pascoe Grenfell in the final years of the 18th

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century, and the family entered the ranks of British aristocracy when he established a 3,000-acre estate in Buckinghamshire. Pascoe Grenfell's many progeny were noted primarily as bankers and military men: three generations of Grenfells were directors of the Bank of England while the many military Grenfells included a field marshal and a vice-admiral of the Brazilian navy. Other Pascoe progeny included a poet, historian, politicians, and Wilfred Grenfell, the medical missionary who built hospitals, nursing stations, an orphanage, and a medical ship to serve the isolated coastal communities of Newfoundland and Labrador.

Arthur Morton Grenfell was a great-grandson of the dynasty's founder and the sixth of eight sons and five daughters of Pascoe du Pre Grenfell, a partner in the merchant bank of Morton, Rose and Company, the Canadian Pacific Railway Company's biggest initial underwriter. The other partners were Levi Morton and Sir John Rose. Morton was a New England storekeeper who established a New York banking firm before becoming a governor of the state of New York and later a vice-president of the United States. Rose was a confidant of John A. Macdonald and a former finance minister of Canada. When the CPR in 1881 raised its initial \$5 million in Britain, it was Morton, Rose and Company that subscribed for the largest single block of shares, \$766,000 worth.

The Grenfell connection with South Africa was initiated in 1859 when Francis Wallace Grenfell, Arthur's uncle, then a young ensign and later Field Marshal Lord Grenfell, began nearly half a century of military service there that helped expand the British Empire from Cape Horn to the Mediterranean. All of Arthur's seven brothers would later see action in Africa, either as full-time professional soldiers or part-time reservists. The action wasn't all military. Even the field marshal became a director of the Bank of Egypt, and other Grenfell commercial interests in South Africa soon followed.

Grey's interest in South Africa stemmed from his staunch support of the fortune-seeking, colonizing, Empire-building Cecil Rhodes. Grey viewed Rhodes' and other British firms as instruments of foreign policy in bringing the advantages

of British civilization to a benighted world. Serving a one-year term as colonial administrator of Rhodesia, Grey viewed a native rebellion there "as an inevitable result of the white settlement — a last struggle of a people who stubbornly but naturally resisted what was good for them, white civilization."<sup>1</sup> Grey assumed a leading role in three of Rhodes' most important companies, as chairman of the Charter Trust and Agency Limited, vice-president of the British South Africa Company, and director of the African Transcontinental Telegraph Company.

It was at Chaplin, Milne, Grenfell & Co., successor to the Morton, Rose and Company bank, that Albert Grey and Arthur Grenfell became associated, financially and as staunch friends. Grenfell joined the bank in 1898 as a junior partner, shortly after his father's death. The 25-year-old Arthur by this time had six years of training at what became the large Morgan Grenfell bank where an uncle was a partner, and had served as London director of Willoughby's Consolidated Company, an Anglo-African mining company. The two English managing directors of Willoughby's were in prison over their role in a paramilitary raid that had attempted to overthrow the Boer government of South Africa. Among the 500 who rode in that ill-fated Jameson raid, a precursor of the South African War that soon followed, was one of Arthur's brothers. Arthur Grenfell was also active in financing mining ventures in Spain, the United States, and especially Africa, among other endeavours.

With their shared African interests, it doesn't seem surprising that Albert Grey would do business with the Chaplin, Milne, Grenfell & Co. bank. Grenfell managed Grey's investment portfolio. Grenfell also became a director of the Charter Trust and British South African Company, the Rhodes companies in which Grey was very active. In 1901, Grenfell married Lady Victoria Sybil Mary Grey, Albert Grey's daughter and Queen Victoria's god-daughter.

There is nothing to suggest that Grenfell was anything other than successful in managing his father-in-law's financial affairs. His own speculative investments were an entirely different matter.

He may have been born into a wealthy family but under the English custom of primogeniture there is precious little left for a sixth son. It may have been because he was determined to build his own fortune that Grenfell became a bold, speculative investor, and when these speculations turned sour, a desperate gambler driven to unsound action.

Arthur Grenfell had a “craze for speculation [that] has unbalanced his judgment,” his brother-in-law, Major Guy Stewart St. Aubyn, a director in Grenfell’s biggest enterprise, would later complain to Earl Grey. St. Aubyn wrote that “Arthur suffers from a sort of financial megalomania. Figures, facts, transactions, ideas appeal to him because they are big rather than because they are sound. Consequently facts are often confused with fiction — with disastrous result.”<sup>2</sup>

That craze for speculation put Grenfell £111,000 in debt in 1902, in trouble with the London Stock Exchange, and in danger of prison over alleged misconduct by an associate. He was rescued by a family board of trustees that took over the management of his troubled finances, with the help of a £65,000 loan from his father-in-law. Grenfell vowed to mend his ways, recover his lost fortune, and redeem his reputation. Possibly his biggest reform was to speculate on a bigger scale. The next time he was bankrupt, his debts were not a mere £111,000, but more than £1 million.

Two years after he had helped rescue his son-in-law, Grey left London for his seven-year term as governor general of Canada. His interests continued to hopscotch among the many causes he enthusiastically promoted, from the Garden Cities movement aimed at bringing sunshine to the “streets upon streets of sunless slum” in the smog, smoke and squalor of early-20th-century big cities, to the theatre, the arts, and Canadian football, to which he donated the Grey Cup. To his biographer, Grey was “a genius of ideas, fancies, and imaginations.” No man, said a close associate, “had more babies than Albert Grey, but he was always leaving them on the doorsteps of his friends — he simply hadn’t the time to bring them up himself.”<sup>3</sup>

Chief among the causes promoted by Grey as governor general of Canada was strengthening British ties by importing British capital and “young

Englishmen of the right class.” He even saw “young Englishmen of character and good manners” as a means to provide both Britain and Canada with a commercial advantage in Latin America. “The Latin races do not like Americans, whom they regard as cads and bounders,” he wrote. “They will prefer to give what they have to give to men whom they regard as gentlemen.”

Just as Grey saw Rhodes’ companies as an instrument to carry British interests and civilization to Africa, so too could British enterprises bring the same benefits to Canada. What Rhodes was to Africa, Grey apparently envisioned his son-in-law being to Canada. It was at Grey’s urging that Arthur Grenfell organized an investment agency that would become the unsuspected owner of billions of dollars worth of oil and gas hidden under the prairie soil of central Alberta.

### **The Canadian Agency and the CPR lands**

The vehicle which Grey and Grenfell hoped would bring both British money and young Englishmen of the right class to Canada was the Canadian Agency. Organized in 1906, it was Grenfell’s personal investment company: he held 50,000 of the 51,007 issued shares, with his brother, Riversdale Nonus, and brother-in-law Major Guy Stewart St. Aubyn, each holding 500.

The Canadian Agency’s main focus was in Canada but it was also involved in financing an oil company in Russia, railway construction in Chile, mining in South Africa, Mexico, and California, and other endeavours. In Canada, it sold bonds for provincial and municipal governments, and was involved in such enterprises as Ogilvie Flour Mills, Algoma Steel, Canada Cement, Lake Superior Paper, the Algoma Eastern, Algoma Central and Hudson Bay Railway companies, a mortgage company, and various real estate development and land settlement ventures. The Agency — that is to say, Grenfell — at one point controlled more than three million acres in Canada. In Saskatoon, the Canadian Agency sought to develop a hydroelectric project, a railway streetcar system and a new residential subdivision, all aided by bribes to appropriate city aldermen.<sup>4</sup>

The Canadian Agency and the Chaplin, Milne,

Grenfell bank shared premises at 6 Princess Street in London. It was a cozy relationship. Grenfell was both the Canadian Agency and a director and senior partner in the bank. Grenfell introduced wealthy friends who deposited money with the bank, and the bank loaned the money to Grenfell for investment — or speculation.

The Canadian Agency's ventures seem, for the most part, to have been successful, but perhaps none more so — at least for Grenfell and his friends — than the Western Canada Land Company. The Agency and the land company were formed within weeks of each other. In January, Grenfell had helped negotiate the purchase of half a million acres of land and mineral rights in central Alberta from the CPR. The purchase price was \$2 million, with a down payment of \$50,000; the rest was to be raised by shares sold by Chaplin, Milne, Grenfell. The purchase agreement with the CPR was assigned to Western Canada Land, for which it issued 150,000 shares to Grenfell and his associates. Since they had put up only the \$50,000 down payment, their holdings in Western Canada Land cost them 33 cents per share. Later shareholders brought in by Chaplin, Milne, Grenfell paid \$15 each for 300,000 shares to cover the remaining purchase price of the land and mineral rights. In a matter of weeks, Grenfell and his partners had a profit of \$700,000 on an investment of \$50,000.<sup>5</sup> They also retained a substantial interest in one of the largest spreads of freehold oil and gas rights in Alberta, on a thousand parcels of farm land scattered throughout central Alberta.

Profits were not as swift for Western Canada Land. It reckoned the cost of its property at \$5.30 per acre, and it hoped to sell the land at between \$6.50 and \$15 per acre. This was at the peak of the Western Canada land boom, when more than a million immigrants from the United States, Europe and Britain flooded into the prairie provinces to settle on government and railway land grants during three decades before the First World War.

In 1910, the Canadian Agency and Western Canada Land obtained the services of a new representative in Edmonton, Harry Marshall Erskine Evans, later a mayor of Edmonton, who would be associated with the affairs and misfortunes of the

half-million-acre property for the next 33 years.

By 1912, Western Canada Land had sold nearly 300,000 of its 500,000 acres and an additional 150,000 acres was said to be subject to a firm purchase commitment. Significant profits had been distributed by way of dividends. Cash in the bank amounted to £160,000, while investments in mortgages and other assets were valued in excess of £285,000 — large sums in 1912.<sup>6</sup> The future of Western Canada Land looked rock solid — until the craze for speculation once more gripped Arthur Grenfell.

That year, Grenfell began accumulating shares in the Grand Trunk Railway, then building a third, ill-fated railway across Canada to the Pacific coast. His plan was to acquire control of Grand Trunk, using money borrowed from the Chaplin, Milne, Grenfell bank. That Christmas, he suffered a serious injury in an accident while horseback riding. His brother Riversdale took temporary charge of affairs at the Canadian Agency, St. Aubyn having by this time left in despair over Grenfell's financial speculations. Rivvy was neither very knowledgeable nor interested in financial matters: what he really wanted was to be a soldier, but lacked the money to buy a commission. By the time Grenfell had recovered from his accident, four months later, the price of Grand Trunk shares had crashed, and his ruin was just a matter of time.

There was not only financial ruin, but, again, a risk of prison. Natomas, the California land and mining syndicate in which Grenfell had been involved, had started court action against both Arthur and Rivvy, charging them with misappropriation of funds. The Canadian Agency had held a £125,000 trust fund for Natomas, which alleged that Arthur and Rivvy had used the money to invest in such blue-sky ventures as the Western Ocean Syndicate. Natomas backed off when it discovered there was no money in the Canadian Agency to collect. Russian creditors couldn't be held off, and Grenfell and his empire collapsed, despite the efforts of Earl Grey to once more rescue him.

The venerable Times of London reported the collapse on August 6, 1914, with proper British restraint under a small headline that read simply,

“The City Failure.” The front page of the New York Times was more explicit: “BIG LONDON BANKING HOUSE SUSPENDS. Chaplin, Milne, Grenfell & Co. Hard Hit by Canadian Commitments. Earl Grey is a heavy loser.”

By the time the dust finally settled, Arthur Grenfell wound up more than £1 million in debt. The Canadian Agency brought down with it not only the Chaplin, Milne, Grenfell bank but brokerage houses and many of the firms Grenfell was involved with and owed money to (he was on the board of 14 firms and chairman of eight). Among those brought down was the Western Canada Land Company. It had £54,000 on deposit with the bankrupt bank, without any security, and was placed in receivership.

The final humiliation, perhaps, occurred when Christie’s auctioned off 67 of Grenfell’s pictures, Old Masters by such artists as Gainsborough, Reynolds, and one that was possibly by Titian. They brought less than half of what Grenfell had paid for them.<sup>7</sup>

Long before the receivers had wound up matters, Grenfell and his brothers were in the thick of action in the First World War. Two of the eight brothers had been killed some 15 years earlier in the South African War. Two more would be killed in the war that was supposed to end all war.

### **Raking the ashes over half a million acres**

Eventually, Western Canada Land would, like a phoenix, rise again from the ashes, under a new corporate mantle, British Dominions Land Settlement Corporation Limited. The resurrectionists included Mervyn A. Brown, a go-getter former mayor of Medicine Hat; Herbert Greenfield, the homesteader from England who became the first non-Liberal premier of Alberta; John C. Dallas, a hustling Calgary oil promoter; and such English investors as Sir Edward Manville, chairman of the Daimler car manufacturing company and Phoenix Oil and Transport.

By the time the First World War was over, it was clear that the boom in Western Canada farm lands was finished. At the crest of the flood, in 1914, 400,000 immigrants had arrived in Canada; between the two world wars the number of new

arrivals averaged barely more than 40,000 a year. Crop failures, lower produce prices, unemployment and restrictive immigration policies were all factors.

Mervyn Brown spent five years promoting a grand vision of settlement on 30 million acres of still unsold railway lands on the prairie provinces. He imagined the sale of these lands creating 100,000 new farms which would support half a million people on the farms and another half million in prairie towns and cities. Farms and factories would flourish everywhere and the “national wealth” would be increased by \$2.6 billion. All that was needed, Brown preached, was a co-operative effort by the railways, provincial and federal governments, and business.

Brown’s “national land settlement plan” never got off the ground, but it did lead to the formation of British Dominions Land Settlement Corporation. Organized in 1925 with British financing, British Dominions acquired from the receiver for Western Canada Land title to some 488,000 acres of mineral properties and 260,000 acres of unsold farm lands in Alberta. Debenture holders of Western Canada Land recovered £100,000 of their investment of £500,000: 20 cents on the dollar after going without interest payments or dividends for 12 years. British Dominions then embarked on what Canadian Press called “a colonization scheme for central and northern Alberta which exceeds in magnitude anything of the kind which has been put into effect in this province.”<sup>8</sup>

It took British Dominions nearly two decades to sell the rest of its Alberta farm lands. Searching for oil and gas under these lands proved even more frustrating. The mineral rights under the 488,000 acres of the farm lands consisted of 996 separate parcels scattered throughout much of central Alberta.

A new venture, Anglo-Western Oils Limited, was organized in 1931 to look for oil on these and other Alberta oil properties. Recruited to manage this venture was Herbert Greenfield, the English-born farmer and homesteader who for four years to 1925 had been premier of Alberta as leader of the new United Farmers of Alberta. Greenfield was soon managing director of Anglo-Western, British

Dominions, and Calmont Oils, a job he held until his death in 1949. It was not an easy task.

Anglo-Western issued a total of 1,350,000 common shares, including eight qualifying shares to the directors; 750,000 shares to Dallas and his associates for leases near the Turner Valley field; and 599,992 shares to British Dominions Land Settlement for the right to obtain 999-year leases on its 488,000 acres of freehold properties. British Dominions would also receive a 10-percent royalty from the sale of any oil or gas that might result.<sup>9</sup>

To finance its search for oil, Anglo-Western planned to issue eight percent, 10-year first mortgage bonds to a total of £100,000, or close to \$500,000. But bonds were hard to sell in 1931, and Anglo-Western raised only \$198,000, with all of this from the shareholders of British Dominions.

Anglo-Western used most of its borrowed capital to buy 100,000 shares of Calmont Oils at a price of \$1.50 per share. Two years later, Calmont shares were trading for less than five cents each. More money was sunk in a dry hole. What was left was used to purchase a one-percent royalty in two Turner Valley oil wells, providing a trickle of revenue that barely paid the rent. The leases near Turner Valley that Anglo-Western had purchased for 750,000 shares were abandoned. By 1938, unpaid interest on the debentures amounted to \$138,000. The debenture holders put the company in receivership.

British Dominions and Anglo-Western fared even worse than Calmont Oils. They were both unmitigated failures.

In late 1932 Greenfield wrote to Manville in London, outlining the difficulties that Alberta farmers and British Dominions faced in the midst of the Great Depression. Immigration had come to almost a complete stop, Greenfield reported, while farm prices had fallen to “the lowest level in the history of Western Canada,” in many cases failing to cover the cost of production. The result, said Greenfield, is a “serious decline in volume of collections on land payments and lease rentals.”

“The man on the land in Western Canada,” Greenfield wrote, “is facing the problem of meeting the liabilities entered into . . . on the basis of

wheat at 25 cents per bushel. In other words, it takes four times the volume of grain to pay a creditor a given amount than it did when most of the company’s lands were purchased.”<sup>10</sup>

British Dominions attempted to cope by closing its Vermilion sales office, re-organizing the field staff, and reducing salaries. In February 1931, the company’s debenture holders had approved a two-year moratorium on interest payments by farmers who had purchased but not yet fully paid for land, but the moratorium was about to expire. “While I regret the impelling circumstances,” Greenfield wrote to Manville, “I desire to urge upon the Board in the strongest possible terms the necessity for a renewal of the moratorium now in effect, for at least a further period of two years.”

There was, however, at least some hope for relief in the search for oil being conducted on the company’s lands. Frontier Developments Limited, with an option to sublease from Anglo-Western, had undertaken “extensive and thorough geological exploration for oil” which was said to have “revealed a promising structure.” A deep well was drilled by Frontier but, like other wildcats on Anglo-Western leases, it turned out to be another dry hole.

In November 1936, Greenfield wrote to the Alberta Companies Branch seeking a reduction in the annual \$500 corporation tax, which was based on the firm’s authorized capital. The company’s only assets, Greenfield explained, were its leases from British Dominions:

I would hesitate to place a value on mineral rights. They have no market value under present conditions. Considerable geological work has been done. Two wells have been drilled in the Brosseaus and Two Hills districts. Both were dry holes. The company is not in a position to undertake any exploratory work. The failure of the test wells drilled renders it difficult to interest capital for investment.<sup>11</sup>

Again in May 1938, Greenfield once more wrote to request a reduction in the corporation tax. “Due to financial difficulties the company has been un-

able to proceed further with the original plans for exploring and developing the petroleum and natural gas rights held by it," Greenfield wrote. He expressed the hope that "at some date its finances can be so arranged that some program of exploration and development of said leases may be undertaken." Geophysical examination of the eastern part of the company's properties was meanwhile being carried out by Toronto and California interests.

On July 28, 1939, a London accountant, Norman W. Wild, was appointed receiver and manager of Anglo-Western Oils by trustees of the debenture holders. Harry Evans and Edmonton lawyer Sem W. Field were subsequently appointed to act as agents for Wild. Trustees for the English investors who had sunk \$198,000 into Anglo-Western were Sir William Cope and Commander Archibald Eaton de Burgh Jennings.

The start of the Second World War did nothing to facilitate administration of Anglo-Western Oils by its London receiver and his two agents in Edmonton.

The problem of the corporation tax levied by the provincial government grew worse; the annual rate was increased to one thousand dollars. By October 1940, Anglo-Western was \$5,000 in arrears. Evans wrote to the Deputy Provincial Treasurer to explain the problems: "Mr. Wild's great difficulty, is that one of the trustees for the debenture holders [Jennings], whose signature is required . . . is a commander in the British Navy, now on active service. Moreover, due perhaps to the bombing of London, even cables which we have sent to Mr. Wild remain unanswered."<sup>12</sup>

Anglo-Western was being kept alive, Evans explained, only because it would cost too much to wind it up. Before the company could be wound up, title to all the 996 mineral properties would have to be vested in the trustee, "and the vesting of the titles in the Receiver would cost much more than the whole thing is probably worth," Evans added.

The oil prospects on this spread of former CPR railway grant lands had never looked bleaker. Yet three years later, these mineral rights would be sold in what would prove to be the most spectacularly

successful gamble in the history of the Canadian oil industry.

### **The \$10,000 gamble**

It took Calgary lawyer Eric Harvie only 20 minutes on a summer morning in 1943 to consider an opportunity from Harry Evans to purchase the freehold mineral properties that lay under nearly half a million acres of farm lands in central Alberta. Then he made an offer, which was soon accepted. Harvie had just agreed to pay \$10,000 for sole ownership of recoverable oil and gas reserves with an ultimate sales value of hundreds of millions of dollars at 1940 prices, and billions of dollars at today's values.

With this acquisition, Harvie would become an oil developer different in an important respect from virtually all other Canadian oil explorers and developers, and more akin to American wildcatters. The fortunes of American oil finders, at least until late in the 20th century, had all been based on individual freehold ownership of the mineral rights. In Canada, of course, most of these rights are owned by the provincial and federal governments, and through them it is the public that has reaped the major share of net profits. Harvie's newly acquired holdings were the third largest spread of freehold oil and gas rights in Alberta, exceeded only by the CPR, the Hudson's Bay Company, and the Calgary and Edmonton Corporation. These rights were thus owned by thousands of shareholders, unlike Harvie's. No one in Canada, before or since, has personally owned as much oil and gas as Eric Harvie.

Harvie, of course, had no idea that he was buying all that oil and gas. No one did. Most Alberta oil experts, in fact, thought that the chances of finding commercial accumulations of oil or gas under these lands was pretty remote. During nearly half a century, 38 wells had been drilled in search of oil or gas on or adjacent to this checkerboard block of mineral properties, without finding anything encouraging.

Nearly every wildcatter and oil company in Alberta had looked at these mineral properties at one time or another. A few had taken reservations or leases from British Dominions, its subsidiary

Anglo-Western Oils, or the predecessor Western Canada Land Company.

One impediment to exploration lay in the great amount of painstaking work required to check and validate the title to 996 individual properties. But even after Harvie and his associates had taken care of that task, the opportunity to acquire these well-hidden petroleum resources was turned down by dozens of oil companies, one after another. It was only because he was unable for several years to get help from the oil companies in exploring his properties that Harvie's \$10,000 purchase turned into a \$100-million public philanthropy.

Harvie may well have guessed why Evans had phoned so early that particular morning, saying he had to catch a train to Winnipeg at 11 a.m. but wanted to see Harvie before he left.

Harvie was very familiar with these properties. He had negotiated leases to a number of the properties for several of his oil clients, starting shortly after the First World War. "I had known of the acreage for a great many years and there was always a question of title," Harvie testified in 1956 during an appeal to the Exchequer Court of Canada against income taxes levied on his subsequent sale of some of the properties. "I had investigations made, or personally investigated, the titles to these lands and I had my own view as to what the title consisted of, so I was really familiar with them."<sup>13</sup>

He had not only negotiated leases for his clients, he had also, in 1941, leased some of these rights for one of his own ill-fated exploration ventures. He knew the precarious position of British Dominions and its subsidiary, Anglo-Western Oils; that they had been placed in receivership by the bondholders; and that they were in arrears in payment on provincial and municipal property taxes. Evans, in fact, had earlier told Harvie that the receiver and trustees for the bondholders hoped someday to be able to unload the property and get some money. Harvie replied (according to his testimony in the tax appeal), "Whenever you feel like that, give me first chance." So Harvie may well have guessed that Evans wanted to see him to give him that first chance to buy the properties.

### **The man from Orillia**

If Eric Harvie had been a conventional oil man he might never have bought the half million acres of mineral properties, with their tangled titles and tax obligations. But Harvie was more lawyer than oil man, and anything but conventional.

He was a lawyer with a passion for painstaking detail, a penchant for the complexity of the smallest business problem, and a love of bold ventures on a grand scale. He made quick, almost impulsive decisions on big gambles, but studied small deals endlessly. Horace (Hod) Meech, one of his closest business associates, recalled that Harvie had no difficulty deciding to gamble millions of dollars on an Arctic drilling venture, but could not make up his mind about drilling a shallow well on the outskirts of Calgary. His vision encompassed vast undertakings but his managerial style was that of a small town prairie lawyer who had never learned how to delegate responsibility. When Charles Barlow, in charge of Harvie's drilling operations in the Redwater field, was informed that he had been authorized to approve expenditures of up to several hundred dollars, Barlow exploded, "Hell, my cigar bill is more than that."

Harvie had served in the trenches during the First World War and patrolled Calgary's Glenmore reservoir on horseback during the Second World War. He became reputedly the wealthiest man in Canada, but lived in the same modest bungalow for more than half a century and drove an even more modest Studebaker. He was fascinated by the prospects promised in the development of the West's resources, particularly oil and gas, but abhorred public stock promotions.

He never spoke to journalists. He was married to a Southam, was a director of the Southam newspaper chain, and had been an associate and long-term close friend of a former publisher of Southam's Calgary Herald. Yet such was his passion for privacy and anonymity that when he officially opened the Glenbow museum for public display of his collection of thousands of artifacts, the news media were explicitly excluded from those invited to attend. When a Herald reporter was discovered hiding behind an antique to record the event, he was "unceremoniously ousted" with the

quip, "Too bad they outlawed the whip."<sup>14</sup>

Many of his staff viewed him as the most compassionate and generous man they knew, while others viewed him as a penny-pincher; a man who paid all the medical expenses for an employee with an extended illness then offered him a month-long vacation anywhere in the world, but who reputedly deducted \$5 from the final pay of retiring caretakers at his ranch for groceries they had taken with them. He was an avid collector of things — some 140,000 things that wound up in Calgary's Glenbow museum, from the Duke of Bedford's collection of moths, birds' eggs, and stuffed animals, to a pair of bloomers once worn by Queen Victoria. It was, perhaps, Eric Harvie's idiosyncrasies as much as his millions that, for Calgarians, made this tall man with the clipped, regimental mustache and intense brown eyes, an enduring, and even an endearing, legend.

Harvie was born on April 2, 1892, in Orillia, Ontario, the small town made famous as Mariposa by Stephen Leacock. The Harvie family was well known in Orillia, where Eric's father was a dentist and other family members included doctors, lawyers, and a judge.

Eric Harvie was 19 when he first arrived in Calgary in the winter of 1911 to live in the home of his uncle, Dr. J.D. Lafferty, a former mayor of the city, and to article in law with another uncle, James Short of the law firm of Short, Ross, and Soldwood. Harvie studied law at Osgood Hall in Toronto and had articulated to read law with John Thomas Mulcahy in Orillia, but the articles had been assigned to James Short and Harvie began his service with the Calgary firm on November 20, 1911.

The Calgary law firm included a number of newly formed oil ventures among its clients, and Eric Harvie soon found his interest absorbed by the fascinating quest for petroleum wealth. Calgary's first oil boom would not explode for more than another two years, with the completion of the first small oil discovery at Turner Valley, but already it was gathering steam. The wildcaters, promoters, visionaries, adventurers, and fortune seekers were all drifting into this frontier cow

town, with the smell of oil in their nostrils, when Harvie arrived to article in law. Forty-five years later he recalled,

I have been interested in oil and gas since 1911. Ever since a boy, ever since I started practicing law . . . I had a bent to acquire basic natural resources and during my career I have acquired a lot and I always have held them where I could or surrendered them where I couldn't afford to keep them, or to develop them, but my approach was always to try and develop them ourselves . . . I always had a fascination for the development of these [resources]. I never did any public financing.<sup>15</sup>

Harvie's career as a young corporate lawyer and oil speculator was interrupted by the First World War. June 1917 found him in the trenches of France, a lieutenant with the 49th Battalion, Canadian Expeditionary Force. That fall, in the battle at Courcallete on the Somme Front, Harvie was severely wounded by an exploding shell, and buried under mud and debris. Wounded in the elbow, knee and hip, pinned down by sniper fire, Harvie crawled from shellhole to trench to shellhole. Two of his rescuers were killed, and Harvie was left with a lifelong recurring fever. He was hospitalized for more than a year, first in England and then in Toronto, before being seconded to the Royal Flying Corps in August 1918, serving as an adjutant at flight training camps in Ontario and Texas, and finally discharged in January 1919 with the rank of captain.

While stationed in Ontario he met Dorothy Jean, daughter of Frederick Neil Southam of Montreal, scion of the wealthy Southam family, and soon after he had returned to the practice of law in Calgary, they were married.

Harvie was now a junior law partner of Clinton J. Ford, later chief justice of Alberta, and Leo H. Miller. During the next quarter of a century, his oil industry clients included such firms as British American Oil Company, Okalta Oils, Hughes Tool Company, Dow Chemical, drilling contractors Newell and Chandler, Barber Machinery,

Schlumberger, National Supply Company, and E.L. Cord, a Californian who had made his name as the maker of the Cord automobile and who, in the 1930s and early '40s, searched for oil and gas in Alberta.

In acting for private syndicates or public companies, where he sometimes served as corporate secretary, Harvie often took a piece of the action, investing in more than 80 different oil ventures, according to Hod Meech. He was a founding director of Okalta Oils, formed in 1925. He helped finance the Turner Valley Royalties oil discovery in 1936, and a later northern extension of the field drilled by S.C. Nickle's Northend Petroleum, and a number of ventures at Ribstone, Wainwright and Lloydminster where accumulations of heavy oil yielded small wells that were, at best, economically marginal. In 1926 he incorporated Managers Limited under a federal charter to provide corporate and management services for oil, ranching, and land interests, and to manage his own expanding interests in these areas. Like any wildcatter — and especially Alberta wildcatters before 1947 — Harvie's ventures included only a few winners and a lot of losers. Among the losers he founded was Ribstone Oil Company, in which he, many of his office staff, and some of his friends lost all that they had invested.

In his work for the oil companies and in his own investments, Harvie was able to make use of his expertise in the legalities of land titles in Western Canada. After the First World War, he had won the contract for the legal work in connection with the transfer of land grants throughout the prairie provinces to returning soldiers under the Veterans Land Administration Act. The work involved checking titles to thousands of properties. Harvie hired a staff of more than 30 lawyers to process the grants, working around the clock at his Calgary office on a three-shift basis. To oversee the work, Harvie was at his office for a part of each of the three eight-hour shifts, five days a week. "He was a very, very hard worker," his son, Don, later recalled. His thorough understanding of the Western Canada land tenure system was especially useful in his later study of the British Dominions properties, their purchase, and the work involved in clear-

ing the titles.<sup>16</sup>

Harvie may have been a corporate lawyer with an enormous capacity for detailed paperwork, but he was far more than a desk jockey. He loved the outdoors. He was an expert hunter, fisherman, marksman, and trail rider, as well as an active rancher. He was a close friend of George Hume of the Geological Survey of Canada, probably Canada's most acknowledged expert on petroleum geology during the 1930s and '40s. On summer weekends the Harvie family often packed picnics and drove out to join Hume at fly camps in the mountains or foothills. "We would spend the day in the country and Dad would go off hiking with George and sometimes we (Don, his brother, and his sister) would tag along," Don recalled. "They loved to talk about the possibilities of oil and gas reservoirs that lay along the front of the foothills."<sup>17</sup>

As a government geologist, it was certainly not any expectation of personal wealth that motivated George Hume to scramble over mountain outcrops and envision the development of petroleum resources in the foothills and plains of Alberta. Nor was it likely the thought of wealth that primarily motivated Harvie to share the same vision. They were both witness to the struggle and hardship of Alberta's early settlers in an empty land, and driven by the frontier religion that was called "development."

When the Second World War came, Eric Harvie organized the Calgary Mounted Constabulary, serving first as troop leader, then assistant commandant and finally commandant. Members of the Calgary Mounted Constabulary equipped themselves with horses and 30-30 rifles in scabbards, donned shiny, black riding boots, held frequent rides and drills and patrolled the Glenmore reservoir to safeguard Calgary's water supply. Don and his younger brother, Neil, kept their father's boots and buttons shined.

### **The properties under new management**

Service with the Calgary Mounted Constabulary did not halt Harvie's quest for oil and gas, particularly in the Rusylvia area near the eastern edge of the British Dominions land block.

Harvie began to assemble a block of oil and gas leases at Rusylvia, which he later said “took a good many years to put together.”<sup>18</sup> Included were leases from the Alberta government, the CPR, and Anglo-Western Oils. From August 8, 1941 to November 26, 1942, Harvie made five payments to Anglo-Western totalling \$2,840.64 for leases at Rusylvia.

Harvie later said that he had “arranged financing for a large development program [at Rusylvia] but I had done a lot of seismic work at my own expense. It was all at my own expense.” His work at his own expense included a geological study by Hume, summarized in a report dated October 28, 1940; a further geological survey by Hans Lundberg Limited in 1941; and a seismic survey by Heiland Research Corporation in 1942. But with the wartime shortages, Harvie was forced to surrender much of the acreage, “because we couldn’t get the equipment, we couldn’t get the pipes, we couldn’t get the money, we couldn’t get the personnel, we couldn’t get anything.”

But Harvie did manage to keep some of the leases, including three sections from Anglo-Western, and put this acreage into Rusylvia Oils Ltd., which he incorporated on March 4, 1943. Rusylvia was owned almost entirely by Harvie.

His venture at Rusylvia had brought Harvie into contact with another speculator in oil ventures who later became an important partner. Bill de Koch was a consulting petroleum geologist from California, a veteran hunter who had searched for oil throughout much of the United States, sometimes searching for clients and sometimes on his own. One of the firms with which he had long been associated was the Barnsdall Oil Company of Los Angeles.

De Koch came to Alberta in 1940 to look for oil in the Lloydminster-Vermilion region, including Rusylvia. Like Harvie, he had leased a few sections of land from Anglo-Western, as well as from others. De Koch was a “lone wolf,” according to Harvie, who described his partner in these words:

He is quite an outstanding oil man of long standing. I think that for a long term view

of a geologist he is the best thinker in the world. I have seen him work up North and I had made inquiries about him. The companies he was employed by described him as a thinking geologist and . . . I think his thinking was way ahead of any geologist I have known. He was up there with his own money . . . and I thought it was invaluable to have an associate like that.<sup>19</sup>

The play at Rusylvia, however, was in a state of limbo when Harry Evans hurried over that morning in the summer of 1943 to the office of Eric Harvie and his two law partners, Ed Arnold and George Crawford (who was then in Europe on active service with the Canadian Army). Harvie recalled what happened after Evans reached his office:

He had to leave for Winnipeg at eleven that morning to meet people from New York that were interested in it and just wanted to have a talk and give me the first right of refusal . . . I asked him what kind of deal he had in mind with these people and he told me. I said, “Aren’t you getting from the frying pan into the fire?” He said, “Yes, but these people want to get rid of it at any cost.” I said, “I can do better than that. I think a deal like this might appeal to you,” and we discussed the thing and within 20 minutes, half an hour, we had a deal, subject to it being confirmed by old-country liquidators, and I might say that I really didn’t have much time to decide what I was going to do [with the property] or why.

Subject to acceptance by the liquidators in England, Harvie had agreed to pay \$10,000 for the properties, and to assume the arrears in provincial mineral taxes and municipal taxes, which turned out to amount to an additional \$7,942.49. He also faced the task and cost of transferring titles, which added another \$5,797.00. Thus the total cost of the properties, including the purchase price, back taxes and fees to transfer titles, amounted to \$23,739.49. But \$10,000 was all that Eric Harvie and his office as-

sociates ever invested, and even this investment was recovered in a matter of months. From then on, it was all profit.

After Harvie had concluded a handshake deal with Evans, he offered his office associates — Arnold, Crawford, and his secretary, Nettie Cooper — a total of 10 percent interest in the properties. The sale was quickly agreed to by the English interests, and the agreement was signed on September 7, although it was another 10 months before the deal was completed and Harvie took possession of the properties.

After Harvie had agreed to a deal with Evans, Arnold later said:

The first and big job that we had to do was to prove our titles and that was a tremendous task. In searching back through those thousand titles we found a considerable number of errors that had been made. We also found that the description of a lot of the lands had reference to boundaries of certain lakes. The lakes had changed their locations in the meantime . . . that involved nearly a year and a half.<sup>20</sup>

Still, it must have seemed like a pretty good buy, all things considered. Although the chance of finding oil and gas by this time seemed remote, it was still a long-shot possibility, and long-shot ventures were the very essence of the oil business. Meanwhile, there were good possibilities for other resources, including salt, coal, sand, and gravel. The carrying charges were modest, the main item being the annual provincial tax on freehold mineral properties; this was half a cent an acre, or less than \$2,500 per year for the entire spread, although by 1946 the tax had been tripled to nearly \$7,500 per year. Against this, Anglo-Western had collected \$6,739.61 in lease rentals and fees during its last fiscal year. A few months after the purchase, Harvie wrote to de Koch: “I believe it is possible that this income can be maintained if not considerably increased if only a definite policy of handling the minerals is adopted.”

Whatever risks Harvie and his office associates faced were soon eliminated by a deal made

with de Koch less than a month after the purchase agreement had been signed. It was de Koch, apparently, who approached Harvie, seeking to acquire an interest in the British Dominions lands. Harvie agreed to sell up to a half interest in the lands for \$120,000 — 24 times his per-acre purchase price. De Koch also agreed to pay rent on Rusylvia’s leases (\$49,000 for three years) and to drill three wells, all of which later turned out to be dry holes.

Meanwhile, de Koch and his partner, George Bauerdorf of Los Angeles, seemed either to have had problems in finding the money to buy into the British Dominions lands, or to have lost interest. In any event, the option to acquire 50-percent ownership was extended six times, from November 15, 1943, to April 17, 1944, when they finally purchased not a half interest, but a one-eighth interest, for \$30,000.

Nevertheless, the \$30,000 allowed Harvie and his associates to recover their initial \$10,000 investment, with \$20,000 left over. This \$20,000 was then loaned to finance two new companies that Harvie incorporated on April 21, 1944. Western Minerals was organized as the holding company to take title to the half million acres of mineral properties, while Western Leaseholds, intended as the active company, acquired the option formerly held by Anglo-Western Oils to lease any or all of the subsurface properties for up to 999 years.

It was probably the most unique financing that Canada’s oil industry has ever seen. All of the shares of Western Minerals were issued to the Harvie syndicate (Harvie family 78.9 percent; Harvie’s office associates, 8.6 percent; de Koch and Bauerdorf, 12.5 percent) in return for title to the properties. All of the shares of Western Leaseholds were issued to the same syndicate in return for the right to lease the properties. In addition, Western Leaseholds issued \$250,000 in debentures to the syndicate members. Neither Western Minerals nor Western Leaseholds ever sold shares for money. The entire financing for their operations came from the \$20,000 loan from the shareholders, and from revenues generated by the properties, as well as later bank loans.

It was a few years before the money started

rolling in, years in which Harvie, de Koch, and Bauerdorf scoured the continent in search of an oil company willing to explore their holdings.

Harvie was eager to make an arrangement with a substantial-sized oil company because no one else could afford to gamble the amount of money required to properly explore such a large block of properties. But he was not interested in granting a typical oil concession, which he was afraid would permit an oil company to simply sit on its holdings. What he wanted was an arrangement that would ensure an active program of exploration and development. Unfortunately, it was not a seller's market. There were, after all, tens of millions of acres of potential oil and gas lands in Western and Northern Canada readily available to the oil companies from the governments of Canada, Manitoba, Saskatchewan, Alberta, British Columbia, and from other owners.

It was not until after the war that interest picked up a little. On October 2, 1945, Harvie wrote to a Mr. Hunter of Shell Oil in Calgary, summarizing discussions held that day. In return for a payment of \$90,000, Harvie had offered to refrain from leasing any of the oil and gas rights to others, except 20,000 acres already leased, for a period of nine months, during which Shell was to undertake a program of geophysical and geological work and to make the results available to Western Minerals. No deal was made at the time, but discussions continued.

De Koch, meanwhile, held discussions with Barnsdall Oil Company in Los Angeles. On April 18, 1946, Harvie telegraphed de Koch: "Imperial and Shell are pressing us for reply regarding their applications for options and reservations but we do not wish to do anything that would interfere with your negotiations." One week later, Harvie again wrote to de Koch: "We are having daily discussions with Shell." On May 3, Harvie wrote to Bauerdorf at the Park Lane Hotel in New York: "Bill (de Koch) has just phoned from Los Angeles stating that he had a meeting with Barnsdall today and, after a directors' vote that was five to four, the deal was turned down on the ground that they thought they could get quicker turnover on their money on something else they had in mind." Thus

a possible deal with Barnsdall fell through, and on May 15, an agreement was signed with Shell.

Shell paid \$30,000 for an option, good to the end of 1946, to purchase (not lease) up to nearly two-thirds of the properties (299,948.87 acres "more or less"). For a further payment of \$50,000, the option could be extended to the end of 1947. The actual price would vary, depending on the amount of acreage taken and when, but Shell could have purchased the entire 300,000 acres for \$1.8 million plus a gross royalty on production of 2.5 percent.

On December 23, A.W. Henricks of Shell's land department wrote to Harvie to advise that "we do not propose to take up any of the land or obtain an extension of the option." Six weeks later, on February 13, Imperial Oil completed its milestone Leduc discovery. Shell thus missed out on big chunks of both the Leduc and Redwater fields, but others were soon to share a similar fate.

### **Lord, how the money rolled in**

Don Harvie was among the 500 Edmontonians who stood up for six hours on the snow-capped wheat field of farmer Mike Turta as the temperature plunged to -14°F, to watch Imperial Oil bring in its Leduc No. 1 discovery well that Thursday afternoon. The Leduc well was across the road and to the west of a quarter section (160 acres) of Western Minerals' properties. Half a mile north lay another half section of subsurface mineral properties owned by Western Minerals. Beyond that, for scores of miles in every direction, there were scattered farms under which Western Minerals owned whatever oil and gas and other minerals might exist.

Don was thoroughly familiar with these properties. As a student at the University of Alberta, he had spent two summers surveying them, mapping the coal, sand, salt, and gravel deposits, and all the 38 wells that had been drilled on or adjacent to the lands. After obtaining his degree in chemical engineering in 1945, Don had served nearly two years with the Royal Canadian Engineers, and in early 1947 had returned to the University of Alberta as a lecturer and to study geology. In a few months he was scheduled to leave for Harvard and his MBA.

But on the morning of February 13, he had driven down from Edmonton, arriving at the farm of Mike Turta shortly after noon when the crowd began to assemble.

Imperial Oil had sought to obtain a lease on the 480 acres owned by Western Minerals near the site of its Leduc well before drilling started on November 20, 1946. But Harvie would not lease the land unless Imperial made a firm commitment to drill on it. As the Leduc well was drilled it encountered repeated shows of oil and gas — at 3,550 feet, at 3,999 feet, and at 4,286 feet, with enough oil at this latest depth to probably make a modest oil discovery — raising hope that it might be on to something big at a greater depth. With this encouragement in hand, Imperial finally accepted Harvie's terms and in January leased the 480 acres for a term of 979 years.

The discovery of a thin oil section in the Lower Cretaceous sandstone below 4,286 feet had also prompted Walker Taylor, Imperial's general manager at Calgary, to approach Harvie with a bigger deal. On February 4, just nine days before it completed the Leduc well from the Devonian limestone pay section below 5,000 feet, Imperial signed a deal with Harvie under which it committed to pay \$250,000 for a five-year option to 200,000 acres of Western Minerals' properties. Imperial later took up leases on 193,000 acres for a total cash payment of \$2,231,378, including the option payment, plus nine-percent gross production royalty, plus the normal annual rental of \$1 an acre.

After flaring off the first gushing surges of oil, drilling mud, and water — the roar of the 50-foot ball of fire from the flare pit drowning out the applause of the spectators — Alberta Minister of Lands and Mines Eldon Tanner spun a valve and a steady flow of clean oil was directed to the storage tanks. After an 11-year dry spell following the Turner Valley Royalties discovery, Canada's oil producing industry was, in effect, back in business. And so were Western Minerals and Western Leaseholds. Within a few months, 24 oil wells were completed by Imperial on the 480 acres leased from the Harvie companies (12 wells produced from a Devonian section trapped over the reef, initially called the D-2 and later the Nisku section, and 12

produced from the reef itself, initially called the D-3 and later named the Leduc section). Western Minerals and Western Leaseholds started collecting their first royalty revenues.

Near the end of 1947, when Imperial Oil exercised its option agreement with Western Minerals and Western Leaseholds, it decided to pick up only acreage that lay west of the Range 21 survey line, a north-south line that runs about 15 miles east of Edmonton. Harvie later said that he phoned Walker Taylor at Imperial, an old friend, who said to him, 'I see there is only 193,000 acres.' I said that doesn't reduce the purchase price. He said, 'No, our geologists tell us that it is worth it.' They did not have to surrender for another year but rather than go to the trouble of putting it in lease, he said, 'We are not interested in Range 21.' Within nine months that was the Redwater field."<sup>21</sup>

Imperial had given up what soon turned out to be the most valuable parts of the Western Minerals properties.

At Redwater, discovered by Imperial in September 1948, close to one billion barrels of recoverable oil lay trapped some 3,200 feet below the surface in a giant reef structure that looks like a map of Italy, stretching 20 miles in a northwest-southeast direction with a curved toe at the southern end. By the time the field area had been delineated by follow-up drilling, it was found to embrace nearly 41D 2 square miles of Western Minerals properties, on which 72 oil wells would eventually recover more than 50 million barrels of oil.

Imperial Oil, as we have seen, was not the first to pass up this property, nor was it the last. Shortly after the option to Imperial had been granted in 1947, discussions began once more with Barnsdall group on a deal involving close to 150,000 acres — half the properties retained by Western Minerals after its deal with Imperial. The Leduc discovery had obviously whetted the interest of Barnsdall and its partners in the property that it had turned down in 1945, but the negotiations dragged on.

Ed Arnold described what happened during his testimony at the tax appeal case in 1956. Arnold noted that prior to Redwater, Leduc was still the only oil discovery in the region, near the southwest corner of the Western Minerals properties,

“and no one was willing to go in and spend money in an area from which all results to date did not look very attractive. They were clearly wrong about it because the Redwater field was included in this area originally and if Barnsdall had gone through with their deal when we negotiated they would have owned that property.” The terms of the deal had been negotiated, but it was still awaiting confirmation from the Barnsdall directors when Imperial found Redwater. The Western companies advised Barnsdall that they were removing property near the Redwater discovery from the deal and, Arnold said, the Barnsdall group “had to concur with that view because they understood they were not prepared to go ahead with it before.” Thus it was only by default that the two Western companies wound up retaining full ownership of their Redwater properties, their most important asset.

The deal ultimately signed by Barnsdall was dated January 1, 1949. Barnsdall’s partners were the Honolulu Oil Corporation, Seaboard Oil Company, and Los Nietos Company. The deal gave the Barnsdall group a renewable 20-year lease on 146,279 acres, rather than for a period of nearly 1,000 years. Lease payment included the customary annual rental of \$1 an acre, a production royalty of 12.5 percent (2.5 percent for Western Leaseholds and 10 percent for Western Minerals), and a cash bonus payment of \$887,744.

As it eventually turned out, the acreage leased to the Barnsdall group did include 19 wells at Redwater, leaving Western Leaseholds and Western Minerals with full interest in 53 producing wells. Additional wells were drilled by Western Leaseholds on leases acquired from the government.

Leduc put the two Western companies into the oil business but Redwater catapulted them into the big league. Total revenues from lease rentals, royalties, and production climbed from less than \$11,000 in 1947 to nearly \$3.5 million in 1950, while cash bonus payments from Imperial and the Barnsdall group provided an additional \$3 million.

Redwater also changed Western Leaseholds from a land brokerage company into an active oil company. The fact that the property at Leduc had been leased to Imperial meant that the Western

companies had only to sit back and collect the lease rentals and royalty payments. But since they retained full title to most of the properties at Redwater, Western Leaseholds soon found itself in the business of drilling and producing oil wells.

By 1949, two months after the Redwater discovery, follow-up drilling by Imperial had proven 32 well sites on the Western Minerals properties. Harvie arranged to have Imperial drill these wells on a cost-plus basis. Each well took an average of only 25 days to drill and complete. Using up to six drilling rigs, Imperial had completed Western Leaseholds’ first 32 Redwater wells before September. For a few months, until the burgeoning supply of oil began to outstrip the demand of prairie refineries, the Western Leaseholds wells were each producing at daily rates of 1,400 to 2,200 barrels. Drilling costs for each well were recovered within a very few weeks.

While this initial drilling was handled by Imperial Oil for Western Leaseholds, the company was rapidly assembling a staff and organization to conduct its own operations. Eric Harvie directed operations as president and managing director. Don Harvie joined the firm on a full-time basis as assistant to the president after obtaining his MBA from Harvard. By fall 1951, Western Leaseholds had a staff of more than 100, of which some 35 were in the field operating the producing wells. Most of the others worked at the company’s head office in Calgary’s Michael Building in administration, geology, land, and accounting activities. Land holdings had been expanded to an interest in nearly 2.2 million acres, including government leases and reservations in Alberta, Saskatchewan, as well as additional freehold properties — although none of this would prove to be as profitable as the property at Redwater.

As Western Leaseholds expanded, the original shareholders gradually sold portions of their holdings. Unchanged, however, was the ownership of Western Minerals. It continued to collect large rental fees and production royalty payments through the ownership of its 488,000 acres of mineral properties. Nearly 80 percent of Western Minerals continued to be owned by the Harvie family.

George Webster, a Toronto mining promoter,

and one of the new directors of Western Leaseholds, thought that the two companies should be merged, an action he urged on Harvie in a letter in June 1949. The main advantage of such a merger, Webster wrote, is that “if you are selling shares to the public you have a nice clean-cut issue and one that would be almost unique in that this company would own the land 100 percent without any royalty to be paid to anyone.”

My experience is that the public likes an issue that is simple and clean. There would be no necessity of explaining to a prospective buyer that there is a parent company to whom a royalty has to be paid and the public is always suspicious of interrelated companies such as Minerals and Leaseholds are. My experience in the courts over the lawsuits between BEAR and Yellowknife [firms with gold mines near Yellowknife, NWT] has made me very wary of such relationships. A director is sometimes faced with having to make a decision in which it is extremely difficult to be absolutely fair to both companies.

As to the effect the merger would have on taxes, Webster was quite sanguine, concluding that “well, like death, they are inevitable and bear equally on the just and unjust.”

Eric Harvie, however, was never known to be sanguine about paying taxes. Moreover, he had no intention of selling any of his interest in Western Minerals to the public. Western Minerals and Western Leaseholds remained two separate companies, with increasingly different ownership.

While the Western companies exploded with growth, Eric Harvie and his associates lost little time in cashing in on their 1943 purchase of freehold mineral properties. Their first return, of course, was the \$30,000 paid the following April by de Koch and Bauerdorf for their one-eighth interest. In 1949, this expanded group of founders collected \$1,280,000 from the sale of 21 percent of their shares of Western Leaseholds, primarily to a group of investors headed by the Empire Trust Company of New York. In 1950, the founders col-

lected a further \$250,000 when Western Leaseholds redeemed the debentures it had issued as part of its payment for the option to lease the freehold properties.

The first public offering of Western Leaseholds shares was made in late 1951, not by the company but by its major shareholders, who sold a further 18 percent interest (1.25 million shares) for \$12.5 million.

This secondary public offering created a market for Western Leaseholds' shares, allowing Harvie and his associates to dispose of more of their holdings. From late 1951 to early 1955 they sold an additional 1,661,579 shares, or nearly 25-percent ownership, on the open market, for which they would have received something in excess of \$15 million.

The final return for the founding shareholders of Western Leaseholds was in June 1955, when they sold their remaining 3,122,736 shares to Belgium-controlled Canadian Petrofina for a cash payment of \$18,736,416 and agreed to swap a further 340,010 shares for Petrofina stock worth some \$2.6 million (including shares acquired from the other owners, Petrofina paid approximately \$50 million in cash and securities to buy Western Leaseholds).

The sale of Western Leaseholds marked a sharp turn in Eric Harvie's career, from oil man to culture collector and philanthropist. But there was still one big play to complete, a classic wildcat gamble on a bold scale involving the first exploratory wells drilled in the Canadian Arctic.

The venture began in 1952 when George Webster's Con West Exploration acquired nearly eight million acres of petroleum reservations from the federal government on the Peel Plateau and Eagle Plains areas in the northern Yukon. Western Leaseholds joined in the play as the major participant and operator. Trajan Nitescu, who headed Petrofina's Canadian exploration and production, had not been impressed at the thought of spending millions of dollars looking for oil and gas in a remote wilderness beyond the rim of the Arctic. Even if oil and gas were found it could be decades before it might be economic to transport it to markets in southern Canada and the United States, Nitescu reasoned. So when Western Leaseholds

was acquired by Petrofina, the Yukon properties were excluded. Western Minerals took over the operation and spent several million dollars — mostly Eric Harvie’s money — to drill two wells on the Eagle Plains block.

It was a formidable operation. Muskeg and permafrost limited the movement of heavy equipment to the winter months when the ground was frozen solid. Winter cold and darkness limited drilling operations to summer months.

In the winter of 1956, a convoy of heavy trucks set out from Edmonton on the Alaska highway bound for Dawson City, carrying a drilling rig, camp, fuel, and other equipment. From here the freight trains moved over snow and ice roads, in Arctic darkness and temperatures that plunged to -60°F, to the site of Western Minerals Eagle Plains No. 1. During a three-year period, 5,500 tons of heavy equipment were moved in by tractor train, while lighter supplies and workers were flown in, to drill the Eagle Plains well and Western Minerals Chance No. 1. As it turned out, Nitescu had been right. The Chance well did discover both oil and gas, but not in the quantities required to build a pipeline from the Arctic. Half a century later, the Chance discovery had still to produce its first drop of oil or gas for sale.

The final return from the 1943 purchase of the mineral properties came exactly 30 years later when Western Minerals was sold to Brascan Limited in 1973. Well before the sale, ownership of Western Minerals had been transferred to the Devonian Foundation, one of the charitable foundations established by the Harvie family. Eric Harvie had asked his son, Don, to head up the management of the foundations. But Don Harvie, then vice-president in charge of exploration and production for Western Leaseholds, did not want to assume the responsibility for a foundation whose principal asset was a competing oil company. He agreed to his father’s request only on condition that the foundation first sell Western Minerals.

The sale price for Western Minerals was \$32.5 million, boosting the total capital gains from the \$10,000 investment of 1943 to about \$80 million. Revenue from annual lease rentals and 10-percent royalties on the production from hundreds of oil

and gas wells was in addition. About three-quarters of these profits were realized by the Harvie family and the foundations they established.

### **The \$100-million giveaway**

During a period of four decades, Eric Harvie and his family gave more than \$100 million — probably closer to \$120 million — to cultural projects ranging from Charlottetown’s Confederation Theatre to a Chinese garden in Vancouver. Measured in today’s money, the value of the Harvie contributions would easily exceed a quarter of a billion dollars. And the value of all the projects would be two or three times as much, since the Harvie foundations typically provided only one-third to half the cost of any endeavour.

While they started much earlier, Harvie’s donations were consolidated in 1955 with the creation of the Harvie Foundation. By 1973 the total donations approached, or possibly even exceeded \$20 million; no precise figure has been reported but one contribution alone was nearly \$12 million. That year, the numerous Harvie foundations were further consolidated into the Devonian Foundation, which in the following 15 years gave away a further \$90 million.<sup>22</sup>

Less than half the money had been given by the time of Eric Harvie’s death in 1975 at age 82. By then, the task of giving away the rest — the capital and the accumulated income — had fallen to Don Harvie as head of the Devonian Foundation.

An enormous collection of artifacts that Harvie eventually contributed to Calgary’s Glenbow-Alberta Institute started in his basement, long before he made his fortune. Don Harvie later recalled that during the 1940s his father began to pick up native artifacts. He had soon collected some 20 or 30 items — beadwork, arrowheads, and the like. “They were just hung up on the basement wall,” Don related. “I don’t think my mother liked all this material coming in very much. We used to tease him because he would never throw anything away. . . . You’d go into his shooting closet and there’d be old boots and vests. He just loved them. I suppose that trait just carried on when he started to collect.”<sup>23</sup>

When this first collection outgrew the Harvie basement it wound up in the Luxton Museum in Banff, a museum of Indian artifacts and natural science pieces founded by Norman Luxton but silently financed by Eric Harvie.

One of Harvie's first charitable works was as a trustee of and contributor to the Woods Foundation, established on the death of former Calgary Herald publisher Colonel J.H. Woods. Harvie had been legal counsel for the Herald, as well as a director of the Southam company. Major undertakings of the Woods Foundation included contributions that helped establish the Banff School of Fine Arts, an aviary conservatory at the Calgary zoo, and Heritage Park, a re-created pioneer village on a 60-acre site that juts out into Calgary's Glenmore reservoir.

His first major undertaking outside of Alberta arose from a discussion with Dr. Frank MacKinnon of Charlottetown, Prince Edward Island, during a meeting of the Canada Council. The result was the \$5.6-million Fathers of Confederation Centre — including theatre, art gallery, museum, and library — built to mark the centennial of the first meeting of the fathers of Confederation at Charlottetown in 1864. Funding came from the provincial and federal governments, and Eric Harvie.

In 1955, with the sale of Western Leaseholds, Harvie established the Glenbow Foundation, "for the primary object," he has said, "of researching, assembling, preserving and displaying the history of our Canadian West." Then he set out to collect in earnest, travelling around the world to examine museum pieces, which he bought by the thousands. There is a widely told story that when Eric Harvie and his wife Dorothy set off for a trip to Egypt, an aide turned to a fellow worker and muttered, "Where are we going to put up the pyramids?"

Harvie's interest in the artifacts of Western Canadian Indians stimulated an interest in native cultures worldwide. Robes, masks, drums, and other items from Central and South America, Africa, and Australia were shipped to Calgary to join their North American counterparts as Harvie's international spending sprees continued.

He was also intensely interested in military history. Statues of military leaders on horseback, guns,

swords, spears, saddles, and uniforms joined the growing collection of native artifacts, Western Canadiana and natural history pieces.

In the early 1960s, Harvie commissioned a pair of four-ton bronze statues of King Robert the Bruce of Scotland. The first was unveiled in 1964 by Queen Elizabeth at the site of the Battle of Bannockburn where Robert's highlanders had defeated the English 700 years before. The replica was mounted in front of the Southern Alberta Jubilee Auditorium on the crest of a hill overlooking Calgary, much to the chagrin of university students who condemned this "monstrosity" as an artistic blight on the city's landscape.

In 1967, a 14-foot statue of General James Wolfe suddenly appeared in front of Calgary's planetarium. It had once stood with two American generals in front of the Astor Building on Lower Broadway in New York. When the Astor Building was demolished, the statues of the American generals were displayed in a park while the statue of the British general was stuck in a warehouse, until Harvie bought it and shipped it to Calgary. At about the same time, the Viscount Woolsey collection arrived at the Glenbow museum, including the field marshal's dress uniform, saddle, several swords, baton, and ermine robes of a peer of the realm. Woolsey is remembered as the soldier who led the Red River expedition against Louis Riel in 1870 and enlisted Canadian boatmen for his 1884-85 expedition up the Nile to rescue General Gordon, besieged at Khartoum. Harvie bought the collection when he learned that a military museum in London was being broken up.

The Glenbow museum started out in 1955 with a staff of one. A dozen years later the staff had grown to 60. The collection filled the city's former courthouse building, the former public library, the former estate of one of Calgary's first millionaires, a church manse, while such large items as a 1912 La France fire engine were housed at Heritage Park.

The Glenbow became a public donation in 1966 under an arrangement that Harvie negotiated with Alberta Premier Ernest Manning. Harvie's contribution to the Glenbow-Alberta Institute included \$5 million cash plus all the assets of the Harvie Foundation, valued at \$5.6 million, includ-

ing buildings, public displays, and the vast collection.

The collection included some 14,000 items of art, 20,000 books and pamphlets, 24,000 natural history specimens, 10,000 pioneer specimens, 20,000 native artifacts, and 500,000 pages of documentary material in the archives. The collection of natural history and archaeological items were considered Canada's finest outside the National Museum in Ottawa, while the library and archives constitute the most extensive source of reference material on Western Canadian history available anywhere.

Harvie had no sooner given away the Glenbow Foundation than he established the Riveredge Foundation, and started collecting again. This collection was smaller than the Glenbow collection, but more costly. By the time the Riveredge collection was donated to the Glenbow-Alberta Institute in January 1979, it had involved expenditures of \$9 million for some 40,000 items.

The Riveredge collection was one of the assets of the Devonian Group of Charitable Foundations when Don Harvie took over as chairman in 1973. In addition to the Riveredge collection, major contributions by the Devonian Group have included:

- \$6 million for Devonian Gardens, 2.5 acres of tropical trees, plants, pathways, benches, waterfalls, and fountains located 46 feet above street-level in downtown Calgary.

- \$1.6 million for 50 miles of footpaths along the Bow and Elbow Rivers in Calgary.

- \$1.5 million for the Maritime Museum of the Atlantic in Halifax.

- \$3.5 million for the Centre for Cold Ocean Resources Engineering at Memorial University, St. John's, Newfoundland.

- \$3.5 million for the Centre for Veterinary Disease Research in Saskatoon.

- \$2.5 million for the Centre for Frontier Engineering Research in Edmonton.

It is quite a legacy from a cluster of 996 titles to mineral rights that virtually no one wanted in the 1940s, except Eric Lafferty Harvie.

## A postscript

And what of Arthur Morton Grenfell, who unknowingly had briefly held those billions of dollars worth of oil and gas in his hands?

Two of the remaining six Grenfell brothers were killed in the First World War. Arthur was one of the survivors. Twice wounded, mentioned in dispatches three times, awarded the Distinguished Service Order, he returned from the war "lamed, half-deaf, bankrupt and on the brink of middle age, with a single-minded resolve to retrieve his fortune and pay his creditors," according to the Times (December 2, 1958). He was once more, despite his bankruptcy, involved in financing a wide range of ventures, including a chrome mine in Serbia, a gold mine in Tanganyika, but focusing mostly on Central and Eastern Europe where he raised money for a shipping venture on the Danube and several railway ventures. Any remote hope of repaying his creditors ended when the Second World War destroyed many of the European assets he had helped assemble. He died in 1958. His first wife, Earl Grey's daughter, had died in 1907, six years after their marriage. His second wife died in 1972. He was the last survivor of the 13 siblings. He had lived long enough to see uncovered the oil wealth he had once unsuspectingly held in his hands. Fortunes had slipped through his fingers. He left behind £10,612.<sup>24</sup>

## ENDNOTES, CHAPTER 9

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F 292.

7 R.P.T. Davenport-Hines, *Dictionary of Business Biography*. London: Butterworths, 1984.

8 Canadian Press, *Calgary Herald*, March 19, 1925.

9 Anglo Western Oil Ltd. Alberta, Registrar of Companies, microfiche file F 1601.

10 British Dominions Land Settlement Corp. Ltd. Alberta, Registrar of Companies. Microfiche file F 1258.

11 Greenfield, sworn statement accompanying an application to the Alberta Registrar of Companies for a reduction in the corporation tax, May 26, 1938.

12 Evans to E. Trowbridge, Alberta deputy treasurer, October 3, 1940. Alberta Registrar of Companies, microfiche file F 1601.

13 Canada, Exchequer Court, *Western Leaseholds vs Minister of National Revenue*, file 263021.

14 Fred M. Diehl. *A Gentleman From a Fading Age: Eric Lafferty Harvie*. Calgary, Devonian Foundation, 1989.

15 *Western Leaseholds vs Minister of National Revenue*.

16 Donald S. Harvie, author interview, December 13, 1983.

17 Ibid.

18 *Western Leaseholds vs Minister of National Revenue*.

19 Ibid.

20 Ibid.

21 Ibid.

22 Fred Diehl in *The Family That Gave It All Back* (Calgary, Devonian Foundation, 1989, provides an account of donations for the period 1973-1988.

23 Donald S. Harvie interview.

24 Davenport-Hines.