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Interview with

GEORGE HARGENS

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Place of Interview:	San Francisco, California
Interviewer:	Dr. Ronald E. Marcello
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Caltex Oral History Project

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Dr. Marcello: This is Ron Marcello interviewing George Hargens for the Caltex Oral History Project. The interview is taking place on September 14, 1985, in San Francisco, California. I'm interviewing Mr. Hargens in order to get his reminiscences and experiences relative to his career in the oil industry. More specifically, we're interested in Mr. Hargens's experiences with Caltex.

Mr. Hargens, to begin this interview, just very briefly give me a biographical sketch of yourself. In other words, just tell me when you were born, where you were born--things of that nature.

Mr. Hargens: I was born in San Francisco on May 21, 1911. I went to Saint Paulus Parochial School here, which is a little German Lutheran school, which had been founded by my grandfather. My grandparents came out to California to found the Lutheran Church, Missouri Synod. From the Saint Paulus Lutheran School, I went into Polytechnic High School, and upon graduation from Polytechnic, I immediately went to work as an office boy for Pillsbury, Madison, Sutro, who counseled for Standard Oil of California. They're one of the world's very highly regarded law firms.

Marcello: At that time, did you perhaps have ambitions of becoming a lawyer?

Hargens: I did. Yes, I did. I had intended to become a lawyer. Of course, this was 1929, and you know that some things happened in 1929 (laughter), i.e., the Depression. So I continued to stay at Pillsbury's, and Pillsbury's was very kind. They let me work there all the time I went to school. In 1930 I started at the University of California, but I worked at Pillsbury's the whole time, from 1929 until I went with Standard Oil of California in 1935. At the University of California, I took two parallel courses--history and economics--and I graduated with my honors in history and used my economics.

Marcello: I see from the record that you were Phi Beta Kappa.

Hargens: Yes, Phi Beta Kappa.

Marcello: Congratulations.

Hargens: Yes, Phi Beta Kappa. That's my only claim to fame. I was working forty-five or fifty hours a week and commuting over to Berkeley, so it was a pretty rough go. On graduation from the University of California, I immediately went to work for Standard Oil of California.

Marcello: Describe how this all came about, that is, your employment with Standard Oil of California.

Hargens: Well, Pillsbury, Madison, Sutro was counsel for Standard Oil of California. Standard Oil of California, as such, does not have a legal department. They're one of the few large corporations that use retained counsel for all of their work, and that's Pillsbury, Madison, Sutro. Pillsbury, Madison, Sutro has two directors on the board of Standard Oil of California and actually gets far more into the client relationship than most firms because there is no legal department. While I was going to school and working at Pillsbury, I would get into actual problems that Pillsbury was having. So actually, even though I was going to school, in these early days of the formation of the Arabian-American Oil Company, I was participating in a clerical capacity at Pillsbury, so that the formation of Arabian-American Oil Company was very familiar to me.

When I graduated in 1934, I felt that with my financial problems, I could not go on to graduate school. The Depression was hell on everybody. So Pillsbury said, "Why don't you come to work for Standard Oil of California?" I was one of the first people so employed in a long period of time because of the Depression at that time. Even then it was bad. I don't know how long I was there, but from a five-and-a-half day workweek, they reduced our salary, and we went on a five-day week. But it seemed logical to leave

Pillsbury. Had I not done so, I would probably have ended up in their legal section since I continued to take courses in law at night.

As I continued, I could see that my career was not going to follow the legal end. It was going to follow the economic or sales end--marketing end--of the business, and that's where I have been. I have been in what you might call business development right from the time I started at Standard Oil of California until today. It has not necessarily been all geographic. I've been involved in introducing heating oils all through the Northwest--sales promotion, this kind of thing. That's where Oscar Fish and I met. He worked for me. Of course, I was always very much identified with the geographical expansion of Standard Oil of California.

Marcello: Now you say that you went to work for Standard Oil in 1935?

Hargens: February, 1935.

Marcello: I assume you went to work for Standard Oil in San Francisco?

Hargens: That's right.

Marcello: According to the record, you spent the first approximately five years in various clerical jobs in the Marketing Department.

Hargens: That's correct.

Marcello: Can you be more specific about what some of the activities were that you followed at that time?

Hargens: Well, of course, the thing I spent more time on than anything was the development of the heating oil markets. Nineteen thirty-five was just about the beginning of the development of home heating with oil. There were the little kerosene stoves, which were never practical, but which were replaced with the circulating-type of heater. I traveled all throughout the five western states promoting sales with dealers--a very unusual thing. We hit on the idea of converting hay and ice dealers because you must remember that people bought ice. We had this idea: "Look, we'll take these people and help finance them. Then they will have oil to sell in the winter, and they'll have their hay and ice, too." So I spent a great deal of time developing this market.

Marcello: I was going to ask you how you went about setting up a dealer network for the sale and distribution of fuel oil.

Hargens: That's just the way we did it. We went to these little towns all over and worked through the ice companies--Union Ice Company, for instance. Union had a whole chain of ice companies up and down the Sacramento-San Joaquin Valley, so they were a logical choice. But it was not just a matter of signing them up. You had to work with them to promote the use of oil. I spent a great deal of time doing this.

Then I spent a great deal of time, also, on helping dealers in their own businesses from an administrative stand-point--cuting costs by more efficient methods. We had about three hundred of these dealers throughout the five western states, and I'd go out and work right with them on little things.

Marcello: Was Standard Oil of California one of the pioneers in this particular area, that is, in the establishment of these fuel oil outlets?

Hargens: Yes, absolutely. They were the pioneer--just like they had pioneered liquified bottled gas. Standard Oil of California was an agressive outfit and was always trying new things. It was innovative, and that's what this was.

Marcello: Who was your superior there at Standard Oil at this time? I'm referring to the person in the Marketing Department.

Hargens: Well, Hollis Fairchild was the general sales manager and the man who employed me. The man with whom I was very close was Darwin Godfrey, but that comes a little later, when we got into more geographic work. Earl Livingston, Douglas Smith, and Ted Wellman were people who were superior or parallel--who were active in the same field in which I worked. Most of this, of course, was in the five western states because that's the only territory Standard Oil of California had. Standard Oil of California did not expand into the other areas until about the end of World War II. At the beginning of the war, the Rocky Mountain states were its farthest extension. It was a West Coast company. I can remember when Standard Oil of California did 100,000 barrels a day in the refinery, and we thought that was the end of the world. It was just fantastic to be that big (chuckle).

Marcello: Did you actually start out at Standard Oil in this area of promoting the use of fuel oil?

Hargens: Yes. I started in...I guess the name of the department was the Fuel Oil Department. I've forgotten what it was. Of course, at first it was just clerical work at a desk and answering inquiries from the field. Then it was going into the field. The bulk of the work was actually in the field. I've stayed in every little tank town hotel throughout this area. You had to; that was the way it was done.

Marcello: What were some of the special problems that you encountered in establishing this distribution network?

Hargens: Well, of course, the biggest problem we had was the newness. Heating your house with oil was something new. This was not industrial use; this was residential use. I would say there was not any one real problem. Our goal was to convert people into a more convenient form of heat. You have to convince people. Like going from ice to refrigeration, it was that kind of a thing.

Marcello: What kind of problems did you encounter with the potential dealers, that is, the ice and the hay people?

Hargens: Well, those people were taking risks. They were in a brand new business. We weren't supplying a demand; we had to create the demand. We had to teach our dealers how to merchandise. We'd lend them money to build new display rooms, and we'd help them to get lines of appliances that they could sell. We had to work with the banks, so the banks would help people finance the buying of a stove. We did this kind of thing. That's the promotional end of the business, and it's quite different to promote something where you are creating a demand versus just serving a demand. It's real development work.

Marcello: I'm sure that a great many of these people still had the Depression mentality, too. That was still in the middle of the Great Depression.

Hargens: Yes.

Marcello: Obviously, things may have been getting a little bit better, but the Depression continued right up until World War II.

Hargens: Oh, it was real, real rough, believe me. People weren't going to pay for conveniences. It was difficult marketing, but we kept at it.

Marcello: How successful do you feel Standard Oil was in setting up that network by the time you left that area?

Hargens: Very successful. Very successful. After I left Socal in 1956, I had occasion to go back and see many of those dealers still in existence. They got big. Some had bought up smaller dealers around them and became very, very large.

Especially in the Seattle and Portland area and up in through that area in there, those were the very ones we set up.

Some dealers became good friends of mine--Sheldon Oil Company in Sacramento and others. There's a fellow we worked with. The unreliability of delivering oil was of such a nature that he decided he would truck oil himself because he was an orchard grower and needed this heating oil for smudging. So he began to haul oil himself, and then the people around him asked him if he would haul oil for them. When he came to us we suggested setting him up, etc. We said, "Look, why don't we set you up as a distributor?" So he just built up a business that became probably one of Standard Oil Company's largest agricultural/commercial accounts in California: It's up and down all the Sacramento Valley. It's an agricultural and commercial account; it's not an industrial account.

Marcello: You mentioned just a moment that there were difficulties in finding reliable people to haul and so on. What was the problem here?

Hargens: Trucking. You will find that the oil industry does a great deal more of its own delivery than other businesses. Oil is a commodity. When you need it, you have to have it. So reliability of supply is not enough. It's reliability of supply where you need it, so the oil industry does much more of its own trucking than other businesses of that type. It's a characteristic of the oil business.

Marcello: Again, going back to the ice and the hay dealers, how did you determine which ones to select and which ones to reject? What were the criteria used at that time?

Hargens: Each one more or less would stand on its own feet. It was a question of availability. There wasn't that much choice. This was a matter of converting people. For example, there was a man in Yuba City who had been very much interested in promoting mechanical things for farms. He was an equipment dealer. We picked him because he had the money and the display rooms. We used different standards for different people. In other places we used people who were known to be aggressive. The Depression, as you know, influenced many determinations. You just sort of had to look it over and see what you could do. Word of our activities became known. Heating oil dealers began to know us, and competitive companies began to take notice. Shell and the other oil companies were aware of what we were doing, but Standard Oil of California was quite the first one to develop the area.

Marcello: Were you one of the people who was primarily responsible for selecting these various dealers?

Hargens: Yes. But, of course, not single-handed. My management helped, too. By and large, the field knew what we were trying to do. The district offices would more or less have culled out a group of people whom they thought might be potential dealers. Then we'd call on them, and we'd work it out, and they'd approve it. But we didn't work out of a carpetbag. Standard Oil of California had a big organization out here.

Marcello: In 1936, Caltex was formed. Of course, you were still working for Standard Oil of California at that time, but I need to ask the question, anyhow. What did you know about the background relative to the formation of Caltex?

Hargens: Well, I knew more about that from being at Pillsbury than at Standard Oil of California. The oil was discovered by Socal, I guess, around 1932 or 1933, and that was the California-Arabian Oil Company, which was Standard Oil of California alone. Standard Oil, working alone, had discovered oil in Bahrain. When Standard Oil saw that the big field was actually in Arabia--not in Bahrain--it became apparent this would be far more than Standard Oil alone could handle. But they were out there all by themselves. Don't ask me why Texaco was picked. I think it was probably because they were the only ones that were interested in getting a supply of oil overseas. Anyhow, Standard Oil of California and Texaco got together for the development in Saudi Arabia. Now remember, this is not marketing; this is just purely the discovery of oil. Initially, the oil that was discovered was sold directly to other refiners like Fina and some of these other foreign outfits.

Texaco had always been in Europe; they had a network there--never too big, but a network. Standard Oil of California had always supplied Asia with exported fuel from California. So there was kind of a logical development. Socal was in the eastern part of the Eastern Hemisphere, and Texaco was in the western part. So K.R. Kingsbury, who was the president of Standard Oil of California, and, I believe, "Curly" Olmstead, the man from Texaco, came out to San Francisco, where they put together a deal. The following is apocryphal, but I think it's really true. Here in San Francisco, in the Pacific Union Club, they put together a deal, resulting in the formation of the California Texas Oil Company. Of course, the original deal was to be all east and west--Europe as well as East of Suez. About the time the new company was ready to go, Hitler marched into Poland, so that the whole development of Caltex West, which is the area West of Suez, just was deferred until after the war. Then, of course, World War II broke out, and that was the end of it, that is, Standard Oil of California was virtually doing nothing as far as Caltex was concerned. It was all being done by Texaco or by the Caltex organization.

Marcello: Let me back up a minute. You mentioned the importance of Bahrain in this whole setup, but I don't think you really followed up with the importance of Bahrain. You mentioned the Saudi Arabian discovery.

Hargens: Well, Bahrain was a discovery of oil in the Persian Gulf in large quantities. From that island, after they hit the discovery there, which was very significant, it then confirmed that that was not the bright place in the field. The real field lay over in Arabia, just across the strait, just a short way away.

With reference to Bahrain island. The Seven Sisters story is probably the most accurate. Why that concession came to Standard Oil of California, which was not in the international field in any way whatsoever, goes back to the U.S. Navy. The U.S. Navy wanted somebody in the Persian Gulf who was not tied in with the British. Gulf was too committed, and so were Shell, BP (British Petroleum), and the rest of them. Esso had its own cup of tea. So Standard Oil of California, as a strong company but non-linked, was picked to make the concession. It wasn't Texaco. This was Standard Oil of California. Mr. Lombardi was our vice-president in charge of development, and he is the man who made the concession in Bahrain island.

Marcello: Does this go back to the so-called Red Line Agreement?

Hargens: Right. This is all part of the Red Line Agreement.

Marcello: In your words, what is the Red Line Agreement, which I've heard from other people, but I still want to get your ideas about it.

Hargens: An area monopoly. That's about the easiest way to describe it. Below that line it didn't go. Anything on one side of that line was confined to that group of companies who were there. It was a middle-century agreement between countries. That's what it was.

Marcello: In other words, if Standard Oil of California wanted to explore for oil in that area of the world, it had to go beyond the Red Line.

Hargens: That's correct. For all practical matters, it couldn't. No new people were brought into the Red Line. It was the threat of Hitler. Churchill was well aware that the Hitler situation could lead to something that required the British Navy to obtain something more efficient than coal. Churchill encouraged the United States to develop the oil on its own. The bulk of the oil at that time came from the British Petroleum Company. All of the oil of the Middle East then being produced was under Britain's control, and Churchill wisely saw the need for American development. These are things that I can't prove, but these are observations from years of living with it and that you come to believe. This is why he urged the United States to get into oil production in the Middle East.

Marcello: In other words, the United States would have been technically a neutral at that time and would have been able to ship the oil.

Hargens: Very much so, sure. Very much so. God knows who would have developed that oil if this country hadn't. There were concerns, of course, that the Germans and the others might move in. Iran was very friendly with the Russians and the Germans and there was that concern, too.

Marcello: Was there any other bits and pieces and tidbits or rumors that you heard floating around Pillsbury relative to this formation of Caltex?

Hargens: In Standard Oil of California, the real interest was in the development of Arabian oil, and the marketing was left pretty much to Texaco. Standard Oil of California was interested in looking for oil, so they did very little participation in the development of Caltex Oil Company as a marketing company, although they did put in a lot of the refining people. Howard Nichols, senior vice-president of Caltex on retirement, did transfer from Socal. Some of those people did come in, and they're all from a refining background. I was one of the first marketers there was ever transferred into Caltex.

Marcello: Okay, in 1940 you evidently had received a promotion, I suppose. You were appointed as the special representative in the Gasoline Division of the Marketing Department.

Hargens: Yes. At that time that was really all because of World War II. You know, after the war started a lot of products were beginning to be under allocation. Aviation gasoline was controlled, and heating oil was controlled--where it was going and so forth. At that time, then--I would say from late 1939 until 1942--I was working almost exclusively on the administration of rules and regulations that were being promulgated. You know, it was informal at that time; it couldn't be enforced. You know, a cargo ship would report back as to what the Japs are doing, etc. So I was doing all of that. We called that the Allocations Committee, and we had to keep track of every drop of aviation gasoline we had--where it went--careful control of where the fuel oil was sent.

Marcello: As a historian, this brings up an interesting question. In July of 1941, Roosevelt embargoed the sale of oil and, I think, even before that had embargoed the sale of aviation gas to the Japanese. How did that affect Socal and your department specifically?

Hargens: Oil was under allocation--every drop of it--to anybody. My work was the administration end--applying the rules as to what could be done and what could not be done. Supply was allocated. These were really allocation committees. Everything was tight at this time--who got oil, who didn't get oil, how much oil, what specifications. This is the administrative work that I was doing.

Marcello: In other words, I guess you had unlimited demands and a limited supply at this point.

Hargens: Definitely, yes.

Marcello: How did you determine allocations?

Hargens: All kinds of rules and regulations would have to be set up. We had committees set up to do this. I remember a Fuel Oil Allocation Committee, a Gas Oil Allocation Committee, a Gasoline Allocation Committee. We'd have the representatives of the various departments in there, and they'd make their pitch. It was close to rationing. That's about what it amounted to.

Marcello: Who did receive top priority?

Hargens: Well, it had to be war-related. This was the administration of limited supply.

Marcello: Top priority went to the various military services.

Hargens: Oh, sure. Oh, yes. Oh, yes, they took it right off, but at all times we had to keep the economy going. That's where I spent a great deal of my time. I was in Washington from February 1942 until June of 1946--one year after the war was over--and at that time I was chairman of District Five, OPA Advisory Committee. I was essentially working with the War Production Board, the military, and the Office of Price Administration--keeping those three in balance. It was essential to keep some semblance of an economy going. You couldn't give all the priority to the military. I spent five years just doing that.

Marcello: I'm sure that in a capacity of that nature, you don't make too many friends because you're not making anybody happy. Nobody's getting what they think they need.

Hargens: (Chuckle) No, no. It was the war effort. I was just put on loan to the government. I stayed in the employ of my company, but, of course, I spent my time in Washington or back and forth. Some of the time I was working with the people in District Four or District Three. As the war in Europe ended and the Pacific became the crunch, we had to move more of the refining and supplies from the Middle West to the West Coast. That meant changing refinery assignments and all that type of thing to get the supply allocated equitably. That's what I spent my time on, again, the allocating of a supply.

Marcello: What lessons did you learn during that period, so far as working with the federal government was concerned?

Hargens: (Chuckle) That's a broad question. I don't know that I could answer that. I learned that it was a horrible bureaucracy. Of course, we could damn near override anything because of the priorities for the war effort. But, of course, remember, a great deal of what we had to work with was the bureaucracy that was already in place in the government. We'd have to work through these various groups that had been set up--Office of Price Administration and the like. The greater part of these groups were from some other departments, for example, Agriculture or some other office or bureau.

But they were fruitful years. Actually, I wanted to be in uniform, like anybody did. But the company said, "That's where we want you to be," and that's where I was.

Marcello: In this particular capacity, in working with these various people in government, the name of James Byrnes comes to mind. Do you have very much contact with Mr. Byrnes?

Hargens: No. My biggest contact at that time was with Chester Bowles, and, of course, Harold Ickes.

Marcello: Chester Bowles was with the Office of Price Administration, was he not?

Hargens: That's correct. Ickes was with the PWA.

Marcello: According to the record, between 1942 and 1947, you also had a new title--special assistant to the vice-president of Socal, Ellis J. McClanahan.

Hargens: Right.

Marcello: What exactly did that job embody?

Hargens: Mr. McClanahan was responsible for oil distribution. He was head of marketing. I was handling all of the government-related work--trying to supply the civilian economy and at the same time working with the military. That's part of this work that I was doing, so obviously to him that was a very key job. All of it was spent in Washington. I spent most of four or five years in Washington. I'd just fly back out here and work with him. Basically, what I was doing was working to see to it that Mr. McClanahan had something for the rest of his operations--that it wasn't just all military.

Marcello: In 1948, you were appointed as director of the Standard Oil Company of British Columbia.

Hargens: This was the beginning of my development work on a territorial basis.

Marcello: And this is what you're referring to in our pre-interview conference when you said that one of your specialities was development work.

Hargens: Development work.

Marcello: Okay, first of all, give me the background as to how you got this position relative to British Columbia.

Hargens: Well, all right. The British Columbia company had been formed earlier as a potential market and expansion of the western territory. At the end of World War II, it was put with Ellis McClanahan, and I was working with Ellis McClanahan, so the very logical thing to do was to have me work on that one because the wartime work was more or less petering out. So he used me, and I spent, I guess, half of my time working with the local people--Ralph Baker, the president of British Columbia--building it up. We expanded the refinery; we built terminals; we built service stations. It was pretty much conventional marketing. I was the one between the management on the ground and the shareholder, which was Standard Oil of California. Standard Oil of

British Columbia was a wholly owned, separate B.C. company with its shares owned by Standard Oil of California. My job was to work as the liaison between the operating people and the shareholder--Standard Oil of California.

Marcello: So this was virgin territory, in other words, so far as Socal was concerned.

Hargens: Oh, yes. It started a little bit before World War II, and then it dropped. It was a big potential outlet for fuel oil. The West Coast has always had an excess supply of fuel oil because of the heavy crudes out here, so British Columbia was a great potential outlet for fuel oil--the big logging companies and so forth and so on. So it was logical to look upon it as a market. As soon as we could build a market, we built a refinery which tapped crude up there, and we supplied that market. The rest followed.

Marcello: I'm gathering that your area of expertise was marketing and distribution.

Hargens: That's right.

Marcello: How did you go about setting up a marketing and distribution network in British Columbia?

Hargens: Pretty much as an extension of what we already had on the West Coast. We knew how to do it, and we followed the patterns of--what should I say--working with people. Essentially, we had to use Canadians; that was part of the deal. So it was largely to take what we knew already as how we functioned in the United States, what modifications were necessary to apply there, and set up a regular conventional company. Bill Bramstead was up there for a while--the same one who was chairman of the board of Caltex.

Marcello: I always think of Canadians as being rather sensitive to the business activities of Yankees. What efforts did you make in order to soothe their sensibilities, so to speak?

Hargens: Well, we must distinguish British Columbia from Canada because British Columbia at that time was still very much Great Britain-oriented, and it did not have that antipathy toward the United States that was present throughout the rest of Canada. So it was quite easy; we were quite well-accepted. It's a different breed of cat, so we didn't even have that problem. It just wasn't there. We were accepted, and we used Canadians. Largely, the liaison was through myself. Instead of bringing in a whole bunch of people, we largely used Canadians. I was working with the top man, Ralph Baker, the president. He was an American citizen, and he ran the show. But he was very adamant in using Canadians all the way through.

Marcello: Was it a standard operating procedure with Socal to involve nationals as much as possible in the managerial positions of these various subsidiaries?

Hargens: Very much so. Also, they were a great believer in using the local people at all levels, I mean, not just managerial.

They were great believers of using the people on the ground. As we worked throughout these smaller towns and larger towns, we used the local people--the high school graduate and that type of person. They always have been that way. Maybe it's a western friendliness-type of thing.

Marcello: Were the ice dealer and the hay dealer important in establishing this network, also, in British Columbia?

Hargens: No, no. That was quite different. Up there, we basically handled most of that right out of our own operations, and there was more of a company operation in Canada or a distributor who was a commission agent. It was a slightly different. There wasn't the existence of the independent dealer who you could take. You just sort of had to do it yourself. No, that was not significant. We did a substantial volume of heating oil business, but the biggest thing we were driving for, of course, was to come up with a network of service stations. We concentrated on that--to acquire sites throughout British Columbia and build service stations.

Marcello: How much leeway or independence did you have from Socal in terms of making all these decisions?

Hargens: Ellis McClanahan was the contact director, and he had almost unlimited authority, and I worked through him at all times. I was a staff man, but he'd more or less approve what I'd recommend. So we'd have to tread very carefully between the home office and the local management. On frequent occasions the local management might want to do something. It might be a substantial capital investment or a change in policy--the use of more working capital or something like that. I'd go up, and I might not agree with the local people. If I didn't, maybe they wouldn't push it further. If they did, Ellis McClanahan might fly up there, or they'd come down and make a case to us, and we'd resolve that. That's human relations.

Marcello: Now were you still working out of San Francisco as opposed to some location in British Columbia?

Hargens: I was working out of San Francisco.

Marcello: Was there any reason for that as opposed to not being in British Columbia?

Hargens: Oh, it was just one of my assignments. About that time I also was a director of Signal Oil Company; also, a director of California Spray Chemical Company. Ellis McClanahan was the contact director of all of those companies. I worked with all of those companies in that same liaison capacity between the operating management and the policy management.

Marcello: You mentioned that you were one of the directors of Signal Oil Company. What was the other organization?

Hargens: California Spray Chemical Company.

Marcello: California Spray Chemical Company.

Hargens: Right.

Marcello: And this all occurred at the same time that you were director of Standard Oil of British Columbia?

Hargens: Yes, these were at the same time. These were all development activities. Signal Oil was here competing with Standard Oil of California with a private brand--wholly owned by Standard Oil of California.

Additionally, at that time I introduced private brand marketing, where we signed big, big groups of retail dealers who operated and sold under their own brand name and in competition with us. Bootleggers, you might call them, but on a big scale. So this was all part of marketing; this was all part of the development. A large part of this occurred because at the end of World War II we had lost the East Coast market. We were not into it yet, and we had lost some. From the West Coast, we supplied great quantities of light products to Sun Oil Company on the East Coast. So when that was gone, we had to develop our own markets out here. You can only develop so much market percentage under your own brand, so you do expand. British Columbia was an expansion of territory; Signal Oil was a secondary company that could take on 3 to 4 percent of the market without upsetting it; private brand marketing was maybe another 2 percent. That was all part of this effort.

Marcello: And this was a decision that you played a significant role in making.

Hargens: Yes. Well, the part I played in was to help develop a program for disposing of the excess supply we had on the West Coast. These process facilities in the refinery had been built and financed; they had to get rid of the excess production. You couldn't expand in the conventional way that quickly, so you had to do these other steps.

Marcello: That's an interesting situation because, you know, we hear the talk about excess capacity today relative to refining, and that obviously would have been a real problem following World War II.

Hargens: How to adjust to excess production was very acute immediately after World War II. Oh, boy! All kinds of teapots were functioning, and how could you adjust to it without having to promote price wars; that was a problem for me. But as you can see, whether advertising to increase demand or whether you're going to heating oil and other new uses, all of this is development, a different type of development.

Marcello: And in this case, one of the outlets for that excess capacity became the supplying of oil to these various independents or whatever you want to call them--private brands.

Hargens: Exactly.

Marcello: In 1955, you became manager of the Marketing Research Division at Socal. I assume that was a rather significant promotion, so far as you were concerned.

Hargens: It was the establishment of a new division.

Marcello: How did that come about?

Hargens: Well, it largely came about through the very things that I've been telling you about, which had all been done by me, more or less individually and more or less ad hoc. When I did it, the rest of the oil industry was doing about the same thing, too. They began to see that marketing was a bit of a science, not just all an art, and that knowing people's habits and going at it from a little more scientific way could only result from studying and improving the methodology. So it could no longer be a one-man show. It had been pretty much all mine, and I would put together teams for these various projects. Then we established a marketing research organization, brought in people professionally trained in research. They would do these esoteric studies--if you adjust the price here, what happens here--that type of thing. Different color schemes were tried in service stations, all of that.

Marcello: What were some of the specific long-range strategies that were developed by you and your organization while you were manager of the Marketing Research Division? Can you think of one or two or three?

Hargens: Oh, I can think of one.

Marcello: Okay.

Hargens: There basically were two grades of gasoline--regular grade and premium grade, with the premium grade handling a four- to five-cent differential. Historically, when there are price wars, the price on both grades were dropped. I said, "Look, the man who is buying the more expensive gasoline--the premium grade--is buying because he justifies it more." Then we introduced a system that when we'd have a price war we wouldn't drop them together; we'd drop only the regular grade. That meant millions of dollars--millions of dollars. I don't think it has ever changed. Now with price wars, they don't let the difference between regular and premium grades get too far apart, but they don't just follow automatically. We found that it could take spreads when, where we thought previously about four cents a gallon being maximum spread, we could go eight or nine cents a gallon during price war times, and it wouldn't affect our volume at all with the premium grade.

Marcello: Who were your major marketing competitors at that time?

Hargens: I guess you'd say Shell was the biggest out here on the West Coast. We were number one. But that's typical of the kind of project we would undertake.

Marcello: You mentioned the color scheme of service stations awhile ago. What did you come up with relative to that during this period?

Hargens: Well, we were very concerned at that time about color confusion. We were red, white, and blue--Standard Oil of

California--and we were very concerned with other companies that would get close to red, white, and blue--as to whether that would have an impact on confusing the public.

Marcello: Mobil and Esso come to mind.

Hargens: Correct. That's right. You'd have to watch it very carefully to see whether or not this did affect us. We constantly checked with the consumers--to see if they were confused.

Marcello: In this case I assume the logo becomes very important, too.

Hargens: Oh, very much so, very much so. The Chevron logo is a story all to its own, and I could go on forever telling you about that. It finally became the name of the company--the Chevron logo.

We'd try all kinds of things--giving away stamps, contests. We were also trying to evaluate whether they were any good. That's all research. There was all kinds of work along that line.

Marcello: I'm even old enough to remember when they gave out the stamps and so on and so forth.

Hargens: Well, remember the trading stamp proposition?

Marcello: Yes.

Hargens: Well, the S and H trading stamp virtually had a monopoly. If the other dealer had one, and you had another dealer nearby and he couldn't get a franchise, what do you do? So we helped build up competitive stamp companies. So that's what you can do (chuckle). Thank God that's gone.

Marcello: In 1956, you were appointed assistant vice-president of marketing for the Western Division of Socal. How did that come about?

Hargens: It was a natural outgrowth of the work I was doing. By that time I was practically the chief of staff, doing all staff work--advertising, sales promotion, all the capital budgets (expense budgets, advertising budgets). All staff work was coordinated through the assistant vice-president. It could have been vice-president in charge of administration, but it wasn't. It was coordinated through the assistant vice-president. It was taking all of the work I had been doing and some which I hadn't been doing, which was of an administrative nature. The details of administration were placed under me. Budgeting, for example, is a terrific field all by itself. The evaluation procedures, the tying in of the quantum of the budget, began then the relationship to other financial departments of the company--your return on capital, your contribution to profits. All of that was included under my responsibilities. Of course, marketing research did many of the evaluations for me, and I stayed in there.

Marcello: Up until this point, you were totally involved in domestic marketing. Am I correct?

Hargens: Yes. I was not restricted to domestic marketing. At that time I was also a consultant as Standard Oil of California spread across the United States. I helped on the surveys to enter into the East Coast market, and I participated in the expansion into the Rocky Mountains and the move down into Louisiana. Though somebody else might be given the assignment, I was brought in to take the Western Division's input into all of the expansion.

Marcello: Along these lines, you mentioned moving into the eastern markets. I would assume that this was a major step for Socal.

Hargens: Oh, tremendous. It was a major step for Socal in the effort to get rid of the excess and to expand our markets. Yes, it was all part of it. The move included the leapfrog to the New York area and the setting up of Calso. At that time it was called California Standard Oil Company. Yes, I participated in that. In that kind of thing, I would participate in the establishment of it. Service Management put together teams. I'd stay with the team until it was started, and then I'd be through. Even in Caltex at that time I was beginning to work on big things that would come back for approval. Caltex might get some idea that they wanted to use some kind of additive to promote sales. Well, Socal had better experience in that field. We were gradually getting into the marketing aspects at that time.

My work at that time was largely devoted to getting ready for expansion. As I told you, they foresaw...I told you before that when World War II came along, the development of Europe was never stopped. Now that Standard of California had all this other stuff out of the way, they foresaw that they wanted to develop Caltex in Europe. It was felt that Caltex knew more about development in Europe than Texaco. It was then that I went over to Europe and became more or less working essentially with Caltex West, not East, on the development of the European market. While I visited the East, most of my time was spent in Europe. I spent about a year in Holland, three years in Germany, half a year or so in Italy. That time all went to developing the market for Caltex. This was in 1957.

Marcello: Okay, so in 1957, then, you were transferred to Caltex.

Hargens: Right.

Marcello: At this point describe what kind of relationship that existed, first of all, between Socal and Texaco, the parent companies.

Hargens: Very good. Very good. Very good. Standard Oil of California and Texaco had agreed that Texaco would not develop into Europe because of this intended relationship in Caltex. Texaco did develop in Sweden independently--I won't say in violation--contrary to the spirit of the agreement. Texaco was doing this by itself, so in some ways, there was a bit of antagonism and the feeling by Standard Oil of California that Texaco had skirted the agreement, so Socal had better get in there and do it themselves, and it did so through Caltex.

Marcello: And then the vehicle for doing this was Caltex.

Hargens: Yes, through Caltex. Standard Oil of California believed in doing it through Caltex.

Marcello: That's what I meant.

Hargens: That's when they brought more of our marketing people in.

Marcello: Okay, describe your role in the development of the Caltex markets in western Europe.

Hargens: It was pretty obvious very soon that the place to select for priority was Germany because it was a huge market, and neither one of them had anything there. Texaco had some relationships, but not big. Obviously, here was the biggest market untouched by Caltex. There was nothing there--no Caltex in Germany at all. Obviously, that was the place to concentrate.

I was brought in there and told to put together a position in Germany. There had been a loose relationship with a group (BRABAG) in East Germany which had three refineries in East Germany, and they thought that maybe one day Germany would be put together, and if we acquired the group, we'd have the use of these three refineries. So I was sent there to buy up all that was there and set up a new company. And at that time, we knew we couldn't build up a chain of service stations fast enough, so we made the deal with Farbwerke-Hoechst to use all of our light products for petrochemicals. During this time we built a refinery at Frankfurt.

Marcello: What role did you have in putting together the deal for the building of the Frankfurt refinery?

Hargens: Oh, the whole thing.

Marcello: Give me some of the details of this. How did you go about doing this?

Hargens: We needed a petrochemical company. Farbwerke-Hoechst was also ready to go and needed a refinery. So there was a logical place to start: with somebody who was there, who had the capability, and who had the money to put into the business. It was not to be a joint venture. They were to put up all the money for the petrochemical end, and we were to put up all the money for the refinery, and that's the way it worked.

So once we got the concept going, then, of course, there was terrific negotiation because, uniquely, the biggest competitor we had was Amoco, which wanted to get that Farbwerke-Hoechst project. Their desire to have a refinery was known by everybody in the industry; there was a lot of competition for it. But we were successful.

Marcello: Why did they decide to go with Socal, as opposed to Amoco?

Hargens: I think we did a better job of analyzing the project. We did not have as good a price as Amoco. We had a higher price. In supporting my position I said, "Look, they can't afford to live out that deal. If you accept it, they'll lose money all the way through. You don't want a partner that's going to lose money." I think we had a better, more logical presentation supporting our position.

Marcello: When you say you had a lower price than Amoco, what do you mean by that?

Hargens: The whole package--what really was the cost going to be to produce the ethylene. This involved feedstocks and how much you were going to contribute. All those things go together. It's hard to reduce it to one number, but the package was a more attractive package.

Marcello: Describe what it was like working with the Germans.

Hargens: One of the most pleasant experiences I've ever had.

Marcello: Why?

Hargens: By background I'm German, and I guess that's part of it. I got along with them fine. I liked the way they did business.

Marcello: Can you be more specific?

Hargens: Well, I can only reduce it to one thing--I liked their values; I understood their values. I reduce everything in the international field to one word--values.

Marcello: Is it their precision? Their specificity?

Hargens: Their discipline, the values they put on material and immaterial things. It's just a good place to do business.

They drove a hard bargain; they were very, very tough, but they had integrity.

Marcello: Now relative to the decision to build the refinery in Frankfurt, did you also get involved relative to the building of pipelines and so on?

Hargens: In addition to building the refinery, there was the problem of pipelines. That was a major portion of the negotiation because there were no crude oil pipelines down there. They stopped up in the Ruhr; they did not come down to the Frankfurt area. The big battle at that time was whether the pipelines from the Rotterdam area should be extended down to Frankfurt or whether the pipelines from the Marseilles area should be extended up to Frankfurt or should the pipelines from Bavaria be brought over. I had to sort all of that thing out.

Marcello: And which one was utilized?

Hargens: After many studies it was finally decided that the most economical and the best for all concerned was to extend the Rotterdam-Ruhr pipeline down to Frankfurt.

Marcello: Why was that? Why was it considered to be the best?

Hargens: Studies up to your neck--economic. There were also a lot of tangible and intangible considerations. That was the most logical choice, and it was in the best interests of both Färbwerke-Hoechst and ourselves.

Marcello: Did the fact that the Rotterdam had the ability to handle the large tankers enter the decision?

Hargens: No, we figured that would happen one way or the other. Rotterdam had the best port--Europort--and the most agressive people to develop it. If you were going to have a contact on the seas, it was most important that the port have the aggressiveness that was necessary. Now that was a contributing factor, but also a contributing factor was that the line up to the Ruhr had the offtakers to fill the line and so forth and so on, and the southeast pipeline from France did not. So there were just all these economic considerations.

Marcello: By this time there had been several rounds of wars between Israel and the various Arab powers.

Hargens: Right.

Marcello: What role did those Middle East struggles have relative to your specific operations in Caltex?

Hargens: In Germany?

Marcello: Yes.

Hargens: None at that time. Later on, when I was with Amoco, I did; but at that time--not in those years--I had no problems.

Marcello: Caltex was moving into Europe during this period. You were on the ground floor of that move into western Europe. What long-term strategies were being developed in the marketing area during that time?

Hargens: During the time I was with Caltex West, we were trying to look upon Europe as a whole, not as a series of individual companies. For example, we did marketing research--coordination of advertising, studying the passageway between countries to be certain that their service stations linked up the various states. I went from shareholder representative in Germany to vice-president of Caltex West, and that was when we began to look upon Europe as a whole rather than as the individual countries.

Marcello: Sometime along this time, Caltex changed its logo, did it not? Didn't it make some modifications in its logo?

Hargens: No, not that I know of.

Marcello: I'm trying to find that in the notes. Maybe this was actually before your time, but there was a changeover to a Caltex trademark from Texaco's trademark. Maybe this occurred before you were there.

Hargens: It must have been before. I didn't get involved in any of that. There were some battles on the use of the Texaco logo when they were advertising. See, the lubricating oils always stayed each with their own. Standard Oil of California and Texaco each kept their own. Texaco used the Texaco symbol for its lubricating oils, and it was felt that it impinged, or gave the impression, that it was Caltex. I was not in on that; that was before I came in.

Marcello: In your capacity with Caltex, where were you stationed?

Hargens: Germany.

Marcello: You were in Germany this whole time.

Hargens: Three years in Germany. As I said I was in Holland for almost a year, and while in Holland I was exposed to Belgium and some time in Denmark, down in Switzerland, and some time over in Norway and Sweden. This was all kind of a background to decide where we were going to emphasize first in a big way, and that turned out to be Germany.

Marcello: You had very little contact, then, with what was happening in France.

Hargens: I had very little contact with France. The main contact with France was whether we were going to put the pipeline down there. That was all. Herb Fish was in France. We'd swap ideas, but the French play was completely different than the German play. With the French we were in a secondary position and tolerated by the government. They did have that one refinery, but it never was going to be permitted to go like Germany. I had some contact with Italy, but basically my job was to build the German refinery and negotiate that deal. Believe me, that was a full-time job (chuckle).

Marcello: I guess, in one sense, an advantage that you had was that the government in Germany was pretty stable...

Hargens: Oh, very stable.

Marcello: ...as compared to France at that time or Italy at that time or some of the other European countries.

Hargens: Germany was very stable. Adenauer was there, and the miracle recovery of Germany was going on while I was there.

Marcello: I'm sure that that, in a sense, made your job quite a bit easier. You mentioned that you left Caltex in 1963. How did that come about, and why?

Hargens: When I got back to Caltex West, the consent decree had been accepted by Esso and Mobil. There was no question that sooner or later Caltex was going to have to accept the same thing or some modification. That early, Caltex foresaw that the possible breakup would come under which they would be permitted to retain East of Suez but have to give up West of Suez. So all development work in Germany stopped. The thing I was brought to do was stopped. There would be no expansion. There wasn't going to be anymore development work--nothing for me other than administration.

Well, that was it. I was brought over to assist in expansion, and there was to be no further expansion. Right after that, Socal and Texaco were on their own. Texaco was already in Germany competing with Caltex and supplying independent jobbers. Socal at that time was getting ready to go overseas. So it was obvious there was going to be nothing in Caltex. I had had no experience East of Suez other than visits. I could have stayed; I had a job. They wanted to continue the advertising, sales promotions, and that type of thing, but that wasn't what I wanted.

Standard Oil of California offered me the opportunity to come back with them. They were considering development in Europe, and with my background, if I would come back here and wait, I'd be part of it. Well, I was fifty-three years old; I couldn't be taking chances on anything like that. At that time, the headhunters came around. Amoco was just going into international refining and marketing. I had a reputation of knowing the business of development, so Amoco made me a proposal, and I left Socal. I was still very close to Caltex, still very close to Socal. I'm a specialist in development. That's a specialized business. Not too many people like it because your name's right on the line all the time.

Marcello: When you developed the German market--going back to your experience in Germany--in general, were you using the same procedures there in establishing a dealer and a distribution network?

Hargens: That was McMillan's job, not mine.

Marcello: I see.

Hargens: My job in Germany was to set the foundation. The foundation was to make the joint venture with Farbwerke-Hoechst to justify the refinery. To get rid of the light ends of the barrel, you had to have a network of service stations.

At the time we couldn't have built it up that fast, so we made the deal with Farbwerke-Hoechst concerning the light products that we did have. Then McMillan came in and developed them on a conventional basis. But I was out by that time. That was not my cup of tea.

Marcello: Well, Mr. Hargens, I think that's probably a pretty good place to end this interview.

Hargens: Well, yes, because I've got to get dressed and go to dinner (laughter).

Marcello: I want to thank you very much for taking time to participate. I am most appreciative, since I know your time was limited. I'm sure that the people at Caltex will appreciate your efforts.

Hargens: I hope this will help you. As I say, I still have very close associations with Caltex. Of course, as you know, we're partners with Caltex out in Singapore--one-third, one-third, one-third. It's one-third British Petroleum, one-third Caltex, and one-third the Singapore Petroleum Corporation. That's another venture that we just set up.