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## **INSIDE DEAL THE UNTOLD STORY OF OIL IN ALASKA CITY LEADERS STRUCK A DEAL FOR OIL**

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The day dawned slowly behind a haze of clouds as Ruby Coyle set off from her Kenai River homestead for the drive to Anchorage on Aug. 14, 1958.

Her husband, Waldo, was too busy fishing to go along, so Ruby had to make the trip by herself. She wanted to get an early start.

"It took a good half a day," remembers Waldo. "The roads were crooked as a dog's hind leg."

Ruby piloted the couple's Chevrolet station wagon along the gravel road to town, dodging monster potholes and boulders. But the trip was pleasant, the sun soon shone, and Ruby was on her way to stake a fortune for her and Waldo.

Her destination was the Federal Building on Fourth Avenue. She went straight to the Bureau of Land Management office and joined a long line of people.

Ruby and Waldo weren't the only ones trying to get in on the latest boom. Other homesteaders, longtime Anchorage residents and some who had just flown in were there to file the paperwork to claim a piece of the brand new Alaska oil industry.

A little over a year before, Richfield Oil Corp. had struck oil on the shore of the Swanson River in the heart of the 2 million acre Kenai National Moose Range.

The discovery was welcomed as the dawn of a new era for Alaska an era of wealth. But in the year since the strike, no boom had materialized. In fact, since Richfield had brought in its well, no other drilling, exploration or production had taken place on the Kenai.

Interior Secretary Fred Seaton had allowed only Richfield into the moose range, supposedly a protected wildlife area, as a test to see whether oil development and moose mixed.

Seaton had said public leasing and production could begin after federal wildlife officials decided which part of the range to save for moose alone and which to give over to oil, and the conditions for that oil development.

Those decisions were made and approved on Aug. 4. About half the range was to be opened for leasing on Aug. 14, and that was why Ruby Coyle had come.

Among the crowd in line with her that Thursday was a young doctor named Michael Beirne and an Anchorage lawyer named James Tallman.

They knew that some of the land had already been leased. Richfield and two minor partners had discovered oil on a 70,000-acre lease issued in 1956. But Beirne, Tallman, Coyle and the others also believed another million acres or so were still available.

They filed their applications, paid a \$10 fee and a one year advance rent payment for each 2,500-acre tract, and went home to wait for the leases to be issued. Once they had them, they hoped an oil company would be interested in a drilling partnership.

They waited and waited. Though they were the first that day to apply for their chosen lease tracts, they were too late. The leases went instead to a California oil company and its local backers, who had applied for them five years earlier when the moose range was closed to leasing. In fact, the Coyles soon learned, a great deal of the available land in the moose range had been quietly claimed years earlier.

So instead of homesteaders Ruby and Waldo Coyle getting to invest in what was essentially their backyard oil field, the leases went to Richfield and a clique of powerful and prominent businessmen in Anchorage, including the president of the largest bank, editor and publisher of the largest newspaper, and owner of the largest hotel.

The men had gotten the leases by colluding with Richfield in an inside, apparently risk free deal. Richfield had told them what areas to lease, promised to buy the leases later, and may even have provided the money for their investment.

All this was done while the moose range was officially closed to leasing by an Eisenhower administration with close ties to top Richfield officers.

Richfield's efforts paid off in 1958 when Eisenhower's interior secretary opened the range and accepted the Richfield group's applications over those of Tallman, Coyle, Beirne and others. "I think that the only conclusion you can come to is that politics prevailed," Beirne said. "Something was going on."

Looking back over 30 odd years, Waldo Coyle says he now understands what happened, though he's not sure he can explain it to a young interviewer.

"You have to understand a little bit more about politics, son," he said recently from his Kenai homestead. "There's quite a bit of history behind all this."

#### OF MOOSE AND MEN

Alaska in 1954 was a territory in search of its next boom.

Industrial ruins were all that remained of the copper and gold mines that had enriched their Outside owners in the early 1900s.

Because of overfishing and poor federal management, the salmon industry was in danger, too. What money was made from fish went to Seattle, where the owners of the territorial canneries plotted Alaska's future.

Early white settlers had quickly discovered that Alaska was no way to easy wealth. It wasn't that Alaskans opposed the exploitation of nature's bounty to fuel the economy, but they had been repeatedly pushed aside in the scramble for territorial riches.

Since white men first arrived in Alaska, the territory had served as a resource colony for faroff capitalists. Most residents had to settle for scraps through copper booms and gold booms, timber booms and fish booms as the money and resources went Outside. The federal government not local residents decided who took what from the territory and how much they paid for it.

That was still true in the early 1950s, a period of unprecedented prosperity for most of the United States. After the war, unemployment had plunged to levels it would never reach again. Marriage was popular, divorce wasn't, and the Baby Boom was well under way. New houses sprouted in record numbers.

The national economy experienced deflation for the first time ever. With some of the biggest paychecks they'd ever seen, Americans bought big, powerful cars and barrelled across the continent on new interstate highways.

Stalin was dead and America liked Ike.

But that prosperity was mostly bypassing Alaska.

The answer, argued many Alaskans, was statehood. With statehood, Alaskans could rule their own affairs. A state could tax the resource extractors, especially the Seattle based salmon industry, and force them to share the wealth with residents.

#### A PIECE OF THE ACTION

But as statehood boosters talked of putting Alaska into Alaska hands, and threatened to boot the cannery owners out the front door, they quietly opened the back door to the next group of industrialists casting a hungry eye on Alaska.

This time it would be different. Alaskans would take a piece of the action. No Marxist redistribution of wealth, though, just a few prominent Alaskans cutting themselves in on the boom to be.

The boom first appeared as a seep.

Oil had been spotted in Alaska as early as the turn of the century but never found in commercial quantities. The search for oil had become a quixotic adventure of exploration parties facing down bears and boats trapped in the winter ice pack.

Oil men searched all of Alaska, from the Arctic Ocean to the Southeast Panhandle. In 1953, crews from at least eight major oil companies were exploring the Iniskin Peninsula, Cape Yakataga and Icy Bay.

Most of the companies also had crews on the Kenai Peninsula, then best known as the home of giant moose.

The moose had moved in after a 1910 wildfire wiped out the caribou herd and much of the forest and opened the area for moose grazing.

When the oil companies came 40 years later, it was the rejoining of an old struggle for survival between man and moose.

Man usually won those fights, especially when he had guns and a fondness for hanging antlers on the wall. As early as 1916, some people felt the moose should be protected by creation of a refuge or reserve on the Kenai.

But by the 1940s, there was still no formal protection for the moose and the heart of the Kenai was threatened by global unrest. The U.S. Army wanted to use it as a bombing range. Federal agencies thought it might be a good place to settle European refugees fleeing the Nazi war machine.

President Franklin Delano Roosevelt sided with the moose. On Dec. 16, 1941, he set aside 2 million acres for a Kenai National Moose Range.

Except for a small strip of land, Roosevelt's order said, none of the range would be "subject to settlement, location, sale, or entry, or other disposition (except for fish trap sites) under any of the publicland laws applicable to Alaska," although trapping and hunting could continue.

The order did not prohibit oil development. Federal law allowed leasing on designated wildlife lands with approval of the Bureau of Sport Fish and Wildlife in the Department of Interior. Because oil had not been found on the range, federal law said leases, if approved by Fish and Wildlife, would be issued on a first come, first served basis to any applicant.

That seemed simple enough, but oil leasing in the moose range would become much more complicated on Aug. 3, 1953.

On that day, Interior Secretary Douglas McKay said he wanted the Bureau of Land Management to review federal practices for oil leasing in wildlife lands. He told officials in land offices across the U.S. that, until the study was done, "you will suspend action on all pending oil and gas lease offers and applications for lands within such refuges."

This was out of character for McKay, a former governor of Oregon. From its earliest days, the administration of Dwight Eisenhower had gained a reputation for generosity toward the oil industry. In large part, that reputation was the result of McKay's actions.

#### IKE AND THE OIL MEN

Eisenhower's election strongly indicates "endorsement of a great deal of what the petroleum industry stands for and believes in," a Texas oil company wrote to its stockholders shortly after the November 1952 election.

That analysis was quickly validated.

"Dwight Eisenhower's administration in 1953 had shown complete deference to private enterprise and profit," wrote political scientist Robert Engler in his book, "The Brotherhood of Oil."

"What oil wanted it generally received," he said.

Indeed. Before the end of his first week in office, Eisenhower ordered the Justice Department to drop a major antitrust suit against the seven largest U.S. oil companies.

One of McKay's first assignments was to convince Congress to give federal offshore land to the states. The states, everyone assumed, would open the land to oil drilling.

The New York Times called the initiative "one of the greatest and surely the most unjust giveaway programs in all the history of the United States."

McKay denied it was a giveaway. "All we're doing is giving it back to the people where it belongs," he said.

When McKay suddenly ordered a halt to oil leasing, there was no explanation for his newfound interest in conservation. He gave little indication of what he meant by saying leasing would cease until he was satisfied that wildlife could be protected.

McKay's announcement was bad news for the oil exploration parties on the Kenai. Even without political complications, exploration was tough.

Geologists were restricted to walking the moose range no bulldozers, no roads and no explosive charges for seismic readings.

There were rumors of more substantial, clandestine explorations, but even if they were true, the scouting parties brought back disappointing geological reports.

Companies began to pull out.

But not Richfield.

"We were the last of the Mohicans, so to speak," recalled Ray Arnett, one of two Richfield geologists on the project. "We thought we would just give it one more shot."

Richfield stayed on the moose range, and even remained enthusiastic about the prospects for oil. It's unclear why. Richfield's geological reports were similar to those convincing other companies to abandon the Kenai, according to Bill Bishop, Richfield's other Alaska geologist at the time.

But Bishop and Arnett told the company's land man to apply for leases throughout the moose range. BLM apparently would accept their applications, but would not issue leases until McKay's "stop order" was lifted.

So, on Nov. 29, 1954, Richfield applied to lease more than 50,000 acres in the heart of the moose range. Arnett said that with other pending applications, Richfield had filed on a total of nearly 100,000 acres in Alaska, the maximum allowed to one company. Congress had set a limit to prevent a single company from monopolizing oil development through noncompetitive, first come first served leasing.

#### RICHFIELD SEEKS HELP

But Richfield was optimistic enough to want more than 100,000 acres, Arnett said, so the company went looking for someone to lease even more land on the company's behalf.

Richfield found a group of Alaska businessmen some of the territory's most prominent and politically powerful men eager to help.

"We were asking them to go in there and lease that land," Arnett said. "We kind of gathered those people together."

Not only could the businessmen assist the leasing scheme, but they would become economically and politically influential allies of Richfield's in the battle to pry open the wildlife refuge to oil development.

The men Richfield called upon were the same ones many Anchorage residents went to for help. Bob Atwood, editor and publisher of the Anchorage Daily Times, then the largest paper in the territory, and Elmer Rasmuson, Atwood's brother in law and president of the National Bank of Alaska, the territory's largest bank.

The Richfield inspired partnership eventually included Atwood, Rasmuson and a dozen other men, most of them local movers and shakers somehow connected to the bank or the newspaper. They included prominent businessman Fred Axford, owner of Yukon Office Supply and a former city councilman; former city councilman George Jones, an accountant and onetime head of the Chamber of Commerce; City Planning Commissioner John "Mickey" McManiman, partner in the downtown Army Navy Store; and Wilbur Wester, a coowner with Rasmuson and others of the Anchorage Westward Hotel.

The group also included Willard Nagley, another coowner of the Westward Hotel and son of a famous Alaska gold miner; Glenn Miller, coowner of the Army Navy Store; Richard Cruver, another coowner of the Army Navy Store; Locke Jacobs, a clerk at the Army Navy Store; Phil and Ray Rakovich, owners of a Fairbanks sporting goods store; C.R. "Kelly" Foss, a contractor; and Rodney Johnston, vice president of NBA.

How much each of the 14 men knew about the circumstances of the deal with Richfield, or who actually negotiated the agreement, isn't known.

Phil Rakovich said from his home in Renton, Wash., that he doesn't know anything about the arrangement with Richfield. He said his brother Ray brought him into the deal but never told him the details. Ray died last year.

Most of the surviving partners refuse to talk about it. Others who say they know such details won't discuss them.

That reluctance to talk for the record about 35 year old events is not unusual. Many people have claimed intimate knowledge of the arrangement between Richfield and these men, but few have talked candidly about it.

That suggests how powerful the men were, and how today they still wear that mantle of power.

#### THE SPIT AND ARGUE CLUB

In 1955, they were the men who ran Anchorage a town of some 40,000 people just emerging as the political and commercial center of the territory.

If you wanted to run for public office, particularly as a Republican, you went to see Bob Atwood. If you wanted to start a business or buy a home, you saw Elmer Rasmuson.

They were the downtown forces. The men of the Chamber of Commerce and the Rotary. The Establishment.

Atwood had been a 28 year old former courthouse reporter when he arrived in Anchorage in 1935. His father in law, banker Edwin Rasmuson, loaned him the money to buy the Anchorage Daily Times, the town's only daily newspaper.

Atwood was a gracious and gentle man, no cigar chomping, ink stained wretch of a newspaperman. He knew how to use his paper. He played it like a Stradivarius to serenade his friends and fired it like a howitzer to mow down his enemies, which included anyone he thought stood in the way of Alaska progress progress as charted by Bob Atwood.

Elmer Rasmuson, two years younger than Atwood, was clearly the more worldly of the two. He had graduated magna cum laude from Harvard, studied in France and returned to get a master's degree from his alma mater.

Rasmuson worked in Manhattan for a while, but in 1943 returned to Anchorage to take the reins of the family bank.

Both men would go on to great wealth and prominence. Both tried political careers. Atwood's failed early. Rasmuson served a term as chairman of the city planning commission and then mayor, but never achieved his goal of higher office.

In the 1950s the attention of Atwood and Rasmuson was focused on Alaska's biggest civic project ever: the long and frustrating battle to make the territory the 49th state.

They hoped that the prospect of oil, or more specifically revenue from oil, could convince Congress and the president that Alaska would support itself. That was certainly one reason they agreed to help Richfield, according to Arnett, the geologist.

In turn, the embrace of politically well connected local businessmen was valuable to the California based Richfield. Alaskans had learned to be suspicious of Outside corporations.

But the businessmen openly supported the efforts of the oil companies and were willing to fight the industry's fights.

Oil became a frequent topic of conversation when Rasmuson, Atwood and their friends gathered each noon at their regular table in the Third Avenue Elks Club.

The Elks Club was where business deals were cut, political careers launched and gossip swapped. But just being an Elk wasn't enough to warrant admission to Atwood's table. One had to be invited to sit with the Spit and Argue Club.

That's what they called themselves, the self anointed knights of the Elks table. It was nothing fancy, once you pulled up a chair. "We'd just talk about what was going on," recalls John McManiman. Others would gather around the table, McManiman said, to hear what the power brokers talked about.

"The Spit and Argue Club? They knew what the hell was going on," he said.

Of the group of 14 recruited to buy Kenai leases, McManiman said, "We were just a few guys who had a little common sense who tried to do something about the economy."

At 78, McManiman today is affable and talkative though not when it comes to the moose range and Richfield Oil.

"I don't think you are going to get a damn piece of information," McManiman told the Daily News. "I think you ought to work on a new story and get the hell away from this."

Rasmuson refused repeated requests to discuss moose range development.

"I don't choose to be interviewed," Atwood said to one of several requests this fall. "I don't trust your newspaper, the way you slant stories."

Atwood referred a reporter to previous accounts of Kenai oil development. While declining to vouch for their accuracy, he said, "You'd be happy with what was published if you didn't mean to slant it." Those accounts, mostly in books published in the 1970s during the great Prudhoe Bay oil rush, have a common theme: the man responsible for the Spit and Argue Club's success wasn't a Richfield geologist, it was a 26 year old, parttime clerk at the Army Navy Store.

#### THE FAIRY TALE VERSION

Locke Jacobs certainly seemed an unlikely person to tell Anchorage's elite how to invest their money.

He worked afternoons at McManiman's downtown Army Navy store. On the side he had a job reporting to some oil companies what the other companies were doing in Alaska. Jacobs would go to the Bureau of Land Management office each day and copy down the list of applicants for oil leases. Then he called his clients and told them who was doing what.

Jacobs has told interviewers that his knowledge of oil exploration was selftaught with assistance from a geologist turned riverboat captain for whom he worked one summer.

In Anchorage, Jacobs said, he read a book on how to file oil leases and went to work.

Author Heindon Bouton tells the story this way in his 1971 book, "The Great Land":

"A group of local businessmen who took their coffee break together and called themselves the Spit and Argue Club heard about his activities. 'What do you know about oil?' one of them asked him. 'Nothing, but nobody else does either,' Locke said. The group rounded up \$65,000 for him to play with."

That is one of about a dozen times the story of the birth of the Alaska oil industry has been told, with credit given to a group of independent, farsighted Alaska businessmen who gambled on a new industry.

But history has not been kind to the truth.

With each telling, the story of the Spit and Argue Club comes out a little differently, although Jacobs always appears as the mastermind.

In Jacobs' account, after he convinced the Spit and Argue Club to invest in leases, he went to the Lower 48 and "marched into the offices of some 50 companies, trying to stir up interest in Alaska, but got nowhere."

The one company he missed, as his version of the story goes, was Richfield, which was then exploring leases near those of Jacobs and his friends. When Richfield applied for a lease and found the Spit and Argue Club had the land already, Jacobs has said, Richfield came to him and bought out the partnership.

But BLM records show that Richfield actually staked out a large tract of the moose range two months before the Spit and Argue Club began its largescale leasing. Jacobs and his partners applied for acreage adjacent to Richfield's, not the other way around.

Atwood told one interviewer the group offered to give Richfield the leases for nothing, but the company insisted on paying.

Atwood and Jacobs have consistently said they leased first and approached Richfield later. It's true that some of the men who later participated in the Spit and Argue Club partnership with Richfield had applied for Kenai leases earlier, but those had been small, sporadic and unsuccessful ventures. It was not until Richfield arrived, and began working with Locke Jacobs, that the 14 member partnership was formed and their fullscale moose range leasing scheme begun.

Richfield applied for its first 50,000 acres on the moose range on Nov. 29, 1954.

On Jan. 25, 1955, armed with geological reports, the Alaskans filed a stack of lease applications for nearly 50,000 acres just south of and adjacent to Richfield's claim. The application was made in the name of Fred Axford, a member of the Spit and Argue Club.

On Nov. 1, 1955, Richfield and Axford signed an agreement giving the company first rights to buy his leases if they were eventually issued by the federal government. The deal also guaranteed Axford 5 percent of the royalty payments if oil was ever produced on any of those leases.

Two weeks later, Axford signed an agreement with his partners in the Spit and Argue Club giving each of them an equal share in his deal with Richfield. The contract shows only that Axford's Spit and Argue friends paid \$10 or more for their shares.

In a 1957 court case, Atwood testified that Jacobs, then working for Richfield, selected leases for Atwood and others with little direction from them. He said he told Jacobs the "general area" he wanted to lease.

But Atwood also said the group had access to geological reports, as well as the publicly available government surveys. Such reports, normally the most jealously guarded of oil company documents, came from Rodney Johnston, a Spit and Argue Club member and vice president at National Bank of Alaska, he said.

Atwood wouldn't say where the reports came from, but the leases were next to Richfield's huge tract and in an area the company had explored more thoroughly and more recently than any other firm.

One published version of the Spit and Argue Club story says the group was helped by a "friendly geologist," but there was no elaboration or suggestion that the information came from Richfield.

#### AN UNUSUAL AGREEMENT

It may also have been a no money down, no risk venture, according to Bureau of Land Management documents, interviews and the personal correspondence of some of the men involved in the deal.

The November 1955 agreement giving Richfield an option to take over the leases says that if the leases should be rejected and the filing fee and advance payments refunded, the money would go to Richfield, not the men who supposedly paid it.

That's an unusual clause in an option agreement. The section is the only part of a standard fourpage agreement that appears to have been specially modified.

One Anchorage man recently told the Daily News he was invited by the Spit and Argue Club to join the Richfield deal. He said he was told he wouldn't have to put up any of his own money, that Rasmuson's National Bank of Alaska would advance it. The man would tell his story only if he remained anonymous.

During this period, Richfield was making substantial deposits at NBA, according to Ray Arnett, the Richfield geologist, and the personal papers of one of the men involved in the lease deal.

Like Atwood and McManiman, Jacobs refuses to discuss his role in the deal. He says he has nothing to gain from trying to reconcile the various stories about his activities.

"It's nice to have them all confused," he said recently from his home in Caldwell, Idaho. "I just don't want to be bothered with people. I have a nice life."

Indeed he does, traveling between Idaho and homes in at least two other states, raising race horses and collecting money from oil and mining interests all founded on the proceeds of his early involvement with Richfield and the Spit and Argue Club.

"We got Locke started," Arnett said. "I wanted somebody who could follow the lease activity in Alaska. . . . We paid him a certain amount of money and Locke was capable of doing the job."

Arnett and Jacobs were also friends. Arnett said that when he came to Anchorage, it was Jacobs' beatup Buick he drove down the wide, gravel streets.

When Richfield needed someone to apply for oil leases on behalf of the company, Jacobs would have been an obvious choice.

No one directly involved in making the deal between Richfield and the Spit and Argue Club will talk about it. However it happened, Richfield emerged in a position to control Alaska's first big oil field. The year after Richfield and the Alaskans signed their agreement, Congress and the Justice Department began investigating oil leasing practices in the Lower 48.

Sen. Clinton Anderson, himself an oil man, supervised a sixmonth investigation and held hearings in the fall of 1956 in his home state of New Mexico.

"It is obvious that industrywide 'straw men' and 'dummies' are being used and that the amount of lease acreage which can be controlled is dependent not upon the Mineral Leasing Act but upon the

number of employees, attorneys, or persons friendly to the company, who will lend the use of their names for a small consideration," Anderson reported to the Senate. When the straw men didn't even put up their own money, Anderson said, "this approaches . . . a conspiracy to evade and avoid the intent of the Congress."

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## **INSIDE DEAL THE UNTOLD STORY OF OIL IN ALASKA OIL INDUSTRY BUILT CLOSE TIES WITH PRESIDENT EISENHOWER**

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Famous muckraker Drew Pearson had a message for Congress in his Jan. 11, 1956, column in the Washington Post and Times Herald:

"If a Senate committee ever digs deep enough it will find some interesting White House friends in the background of the oil lease recently given to the Frankfort Oil Co. . . . in the Lacassine Wildlife Refuge, hitherto barred for oil exploration."

Pearson was right. Eisenhower intimates were behind the leases issued in Louisiana. The column sparked a congressional investigation.

But Pearson and Congress missed an important, similar connection in Alaska, where oil leasing on territorial wildlife lands also benefited pals of Eisenhower's, as close or closer than those in Louisiana.

Those friends helped run Richfield Oil, and Richfield would soon become the only company to get permission to drill in the Kenai National Moose Range, where oil leasing had been prohibited since 1953.

In Alaska, if Congress had looked, it might have learned how one oil company and its businessmen allies succeeded in acquiring public land for private gain while others failed.

Congress might also have had to look to Mamie Eisenhower's nesting instincts.

### **A NEW HOME FOR MAMIE**

When the Eisenhowers moved into the White House, the First Lady felt out of place yet again.

Throughout her marriage to Ike, she had lived in other people's homes.

She had waited in America as Ike led Allied troops in World War II. When he came home, they moved into the official residence of the president of Columbia University for the two years he held that job. They set up house in borrowed chateaus when Ike returned to Europe as chief of NATO forces.

Now she was in the White House. Nice, but still not home.

The closest thing they had to a home was a rundown farmhouse in Gettysburg, Pa., which the Eisenhowers had bought in 1950 while Ike was at Columbia.

As First Lady, Mamie wanted the house restored.

"I had an engineering survey made and found, much to Mamie's dismay, that she could not really rebuild," Eisenhower wrote after leaving office. "The logs were worm eaten, about 200 years old. There was nothing to do but tear the place down. So anxious was she to retain even a fragment of the original that when she found one portion of the wall and a Dutch oven in which no logs had been used, she built a complete house around them."

Well, not exactly. Mamie didn't build the house and neither did Ike.

Three wealthy oil men, including one instrumental in the exploration of Alaska and soon to make a great profit from Interior Department favors, stepped in to help. The tycoons paid to build a new house around the single salvaged wall.

They also built a new barn, installed a putting green and bought horses, a herd of Angus cattle and a tractor with a radio in it (quite the novelty in 1953).

A schoolhouse on the grounds was renovated as a home for John Eisenhower, the president's son, and his family.

In addition to the half million dollar renovation, the oil men agreed to pay all operating costs of the farm, including the salary of the farm manager.

Eisenhower claimed the farm was leased to the businessmen as a commercial venture, according to his correspondence with the farm manager. When the farm manager had a question about an expense, Eisenhower would tell him to check with "our leasees" before spending any money. The oil men wrote off the farm expenses as business deductions on their federal income taxes at least until the Internal Revenue Service investigated and concluded that nobody was working very hard to make a profit and therefore the farm operations were a gift, not a business expense.

#### GOOD CLOSE FRIEND

The man who arranged the rebuilding was one of Ike's closest friends, W. Alton "Pete" Jones, chief of the executive board of Cities Service Oil Co.

He was an old school tycoon, the kind of man with which Ike liked to surround himself. Jones was there whenever Eisenhower needed him. One night while Eisenhower was on an official visit to Scotland, a bored and restless president made a predawn call to Jones and another man back in New York. Ike asked them to take the next flight across the Atlantic to play golf. They did.

The Gettysburg farm raised some eyebrows, but there was no apparent payoff to Eisenhower's benefactors.

But Jones' company owned 30 percent of Richfield Oil, the firm that, by the time the Gettysburg house was completed, had applied for thousands of acres of oil leases in the Kenai National Moose Range. The project couldn't proceed until Eisenhower's Interior secretary lifted his order suspending all leasing on wildlife lands.

Jones was an important man at Richfield. He had arranged the deal that saved Richfield from bankruptcy in 1937. In the 1950s, he remained active in company affairs as an adviser, board member and corporate officer. He would become chairman of Richfield in 1956.

But in 1953 and '54, Jones had reason to worry about Richfield, whose profits were faltering.

The company's problems also worried another man named Jones, Charles Stone Jones, president of Richfield. C.S. Jones was also a good friend of Eisenhower.

While not related by family, the two Joneses were among a handful of Eisenhower friends who often socialized with the president at the White House, Camp David or aboard the Columbine, Ike's official airplane.

Both Joneses got to know Eisenhower when they joined other businessmen in convincing him to run for president, and to do so as a Republican.

White House files also show that Charles Jones served as Ike's political operative in the West, reporting on the progress of congressional campaigns and raising much needed, last minute money for Republican candidates.

But mostly they were friends and did the things friends do. They spent weekends together at Gettysburg, Camp David, the White House or golfing in Augusta, Ga.

They exchanged gifts: Ike gave Charlie Jones an expensive British shotgun, and Charlie gave the president special eyeglasses. Pete Jones gave the president a gold pocket watch and the First Lady a gold bracelet.

Letters and telephone calls between Eisenhower and the two Joneses flowed easily from questions about children to the growing crisis in the Middle East and what it meant to the oil industry, according to White House records. They wrote about golf and bridge, congressional campaigns and oyster gumbo recipes, according to Eisenhower's papers at the presidential library in Abilene, Kan. The oil industry, Eisenhower wrote to Charlie Jones, "includes more of my close and valued friends than does any other one."

#### FINANCING THE CAMPAIGN

After Ike decided to run for president, the oil tycoons had paid for much of his campaign.

Eisenhower's reelection in 1956 was also heavily financed by oil interests. Officials of the 29 largest oil companies provided nearly \$350,000 to Ike, compared to \$14,000 for his Democratic challenger. The investments paid off. Eisenhower's eight year administration often blurred the line between government and industry.

Oil executives, including Alton Jones, were appointed to government positions from which they could influence U.S. oil policy. Eisenhower's choice to head the Defense Department's Division of Petroleum Logistics held that job while still on the payroll of Esso Oil Co., the predecessor of Exxon. Eisenhower maintained his strong support of the oil industry to the end of his term. One day before he turned over the White House to John Kennedy, Eisenhower signed an agreement that allowed companies that had not been allowed to import foreign oil to begin doing so. One of the biggest benefactors of the deal was Alton Jones's Cities Service.

But the friendship between Eisenhower and Alton Jones came to a tragic and somewhat mysterious end soon after Eisenhower left office. In March 1961, Jones died in the crash of the private plane he was flying to Palm Springs, Calif., to visit Eisenhower. Rescuers searching the wreckage found \$61,000 in cash and traveler's checks in Jones' briefcase.



His company said Jones was carrying the money to buy art. Others said the money was for contributions to California political candidates.

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## **INSIDE DEAL THE UNTOLD STORY OF OIL IN ALASKA BLM AIDED CHOSEN FEW**

**David Postman**  
**Daily News Reporter**  
**Staff**

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The oil industry was welcomed to Alaska in the 1950s with the help of a Bureau of Land Management dogged by charges of corruption, conflict of interest and malfeasance. For more than 30 years, details of the controversy have been kept quiet. But an investigation by the Daily News shows two top officials of the Anchorage BLM office, both instrumental in allowing oil drilling in the Kenai National Moose Range, were removed from their jobs because of their scandalously close relationship to the industry and its supporters among Anchorage's business elite. The moose range was supposed to be closed to leasing at the time, but the two men with primary responsibility for oil leasing in Alaska granted several questionable leases on the moose range. When word of those leases reached Washington, D.C., Congressman Thomas Pelly, R Wash., warned the secretary of the interior, "We may well have a national scandal in the making, rivaling any in our past history."

The secretary launched two investigations in two years. The results of the inquiries were never made public. The reports were destroyed, according to officials responsible for the Interior Department archives.

But interviews, White House files and territorial court records show:

- \* Chester McNalley, the BLM's regional adjudicator in Anchorage was removed from his job after allegations that he had taken bribes from the oil industry.
- \* Virgil Seiser, manager of BLM's Anchorage Land Office, gave his approval for leases to Richfield Oil Corp. and its Anchorage backers, known as the Spit and Argue Club, while denying other applications.
- \* Seiser allowed Locke Jacobs, a parttime lease broker working for Richfield and the Spit and Argue Club, to install himself, along with his own mimeograph machine, in the BLM office.
- \* Bob Bartlett, the territory's delegate in Congress, leaked confidential information about the Seiser investigation to Anchorage Times Publisher Robert Atwood, a member of the Spit and Argue Club, which had agreed to front for Richfield.
- \* A low level Anchorage BLM employee left her job to work for Jacobs' oil leasing outfit and then returned to work at BLM this time as a land law examiner handling oil and gas lease applications. After the investigation of Seiser began, she resigned to return to work for Jacobs.
- \* Seiser met privately with Jacobs and passed on oil lease information.
- \* Seiser and Jacobs contacted investors in companies competing with Richfield and the Atwood partners in an attempt to get them to back out of the deals.

### **SPECIAL TREATMENT**

At least two years before any complaints about Seiser or McNalley became public, the Anchorage BLM office was giving special treatment to the Spit and Argue Club and a chosen few oil companies. On Oct. 1, 1954, a 2,460 acre oil lease was issued in the Kenai National Moose Range. Records at BLM say the lease went to West Central Corp., an Anchorage company owned by members of the Spit and Argue Club, including Bob Atwood, Elmer Rasmuson, John McManiman, Fred Axford and Locke Jacobs.

However, territorial corporation files show the company was not formed until Sept. 15, 1955. There is no record showing who first received the lease or when it was transferred to West Central. The lease was issued even though in August 1953 Interior Secretary Douglas McKay had indefinitely suspended all leasing on federal wildlife lands.

In January 1955, the West Central group received leases on another 11,000 acres of the moose range.

But McKay continued to say the leasing prohibition was still in effect. On Aug. 23, 1955, McKay told the Portland, Ore., Rotary Club that his order was "still in effect. Leasing will not be resumed until we can arrive at a practical solution to the problem" of oil development on wildlife lands.

Whether McKay was lying, or was himself unaware of what his subordinates in Anchorage were doing is not known. But Congress blamed McKay.

At a January 1956 hearing of the House Merchant Marine and Fisheries Committee, Chairman Herbert Bonner, DN.C., wanted to know how McKay could allow leases to be issued when his stop order was supposedly still in effect.

McKay did not appear at the hearing, so it fell to Donald Chaney, chief counsel for the Fish and Wildlife Service, to try to explain.

McKay "issued the stop order and he had the right to change the stop order if he wanted to," Chaney said.

Bonner: "Did he give any notice of lifting the stop order?"

Chaney: "No, not that I know of, no public notice."

Bonner: "So that other people who wanted to get this property could come in and make the same claim?"

Chaney: "Not that I know of." **LOVER OF THE GOOD LIFE**

The first person in the long line of government officials who would have to approve Richfield's and the Spit and Argue Club's lease applications was Chester McNalley.

Chester McNalley liked to fish. He liked to drink wine. He liked to eat caviar. He especially liked to do all three at the same time.

What McNalley didn't like to do was what the Interior Department paid him to do: decide what lands in Alaska could be leased for oil development, homesteads or other purposes.

So he drank and ate and fished, pursuits financed by bribes that McNalley took from the oil industry, according to Edgar Paul Boyko, the former state attorney general who, as regional counsel for BLM, worked alongside McNalley.

"He was a little potentate in his own thieftom," Boyko says.

As regional adjudicator, McNalley played an important role in deciding whether moose range land could be leased. His job was to review each lease application, interview the applicant, and present the case to the land office manager, who made the actual decision.

Boyko said he was sent from Washington to Alaska in 1953 in part to keep an eye on McNalley, who had been accused of "being in the pocket of the big oil guys" arriving in Alaska.

In early 1956, after Boyko had left BLM, the Interior Department dispatched Special Agent Edward Shaner to Alaska to investigate McNalley. Shaner worked directly for the Interior secretary and not an independent investigative agency.

Records of the investigation have been destroyed and Shaner, long retired in Georgia, no longer remembers the details.

But by December 1956, McNalley was gone, quietly shipped off to Seattle to train other adjudicators. He died the next year. **FAVORITISM AT ISSUE**

Soon after New Year's 1957, complaints about McNalley's boss, Virgil Seiser, reached Washington, D.C.

"Many of these complaints went so far as to charge that the Land Office Manager was engaged in a scheme of deliberate favoritism and abuse of office," according to a memo in the files of Sherman Adams, assistant to President Eisenhower.

What the memo, now a part of the Eisenhower Presidential Library, didn't say is that Seiser was accused of doing those things in his efforts to secure leases for the Spit and Argue Club, the group of prominent Alaskans who had leased land on behalf of Richfield, according to interviews and territorial court records.

Other Alaska businessmen who didn't belong to the Richfield sponsored group had certainly found it difficult to get Seiser's cooperation.

"Ever since the earliest days of my contacts with the Anchorage Land Office . . . Seiser has discriminated against our efforts," wrote Herb Hilscher, the Anchorage representative for three companies competing with Richfield.

"Many arbitrary and unauthorized actions were taken by him to hinder, impede and block our efforts to put together straightforward groups of leases which might start a great petroleum development in the Territory of Alaska," Hilscher said.

Seiser died in 1988 in Portland, Ore.

The controversy over Seiser's running of the land office first became public when he refused to grant leases to two companies that wanted to drill for oil at the Malaspina Glacier, near Yakutat. Other projects were going through, including Richfield's on the Kenai, but the two Seattle based companies said Seiser conspired with members of the Spit and Argue Club to kill the Malaspina development.

Seiser said drilling on ice wasn't feasible and refused to issue the leases.

Seiser warned investors that the proposal by the Malaspina speculators was "questionable from a practical standpoint" and might be a sham. He said if the investors wrote a letter asking him to cancel their lease applications he would get them their money back.

The Seattle companies fighting with Seiser hired Boyko to press their case. They believed much of the obstruction by Seiser was orchestrated by Atwood.

Atwood and Seiser were buddies, Boyko said.

In July 1957, on behalf of his clients, Boyko filed a lawsuit in territorial district court against Atwood, Seiser and Jacobs.

Boyko alleged that the three had conspired to defame the reputations of his clients in an effort to protect the Richfield and Spit and Argue Club leases. PAPERS REVEAL RELATIONSHIP

But depositions taken in the suit outline the relationship between BLM and the Spit and Argue Club.

The court records show that Betty Spelta jumped between jobs at the BLM and with Locke Jacobs. Seiser said in his deposition that he was aware Spelta worked for Seiser but when she came back to work at BLM he never asked if there was a potential conflict.

After the Seiser investigation began, Spelta resigned her job as an adjudicating clerk at the BLM and returned to work for Jacobs.

The court case also shows the close relationship between Seiser and Jacobs. Seiser said he often saw Jacobs privately and that, on occasion, he gave the lease broker advice on oil leasing.

Testimony in the case also showed the Seiser publicly criticized the plans of Boyko's client as a "promotional measure with little value as oil land." Others, including Hilscher, gave testimony that Seiser had gone as far as contacting investors in the companies to say the plan was a sham.

The suit also gave Boyko a chance to grill Atwood on the publisher's involvement with the early Alaska oil industry. In a lengthy deposition, Boyko said Atwood had evidence about the Seiser investigation that could have come only from Bob Bartlett, who had been briefed by top Interior Department officials. Atwood denied Bartlett leaked him any information.

The deposition is perhaps the only time Atwood has been questioned under oath about these activities.

Atwood was not forthcoming or completely truthful. He routinely dodged Boyko's questions. The two men disliked each other, and their quick wits and sarcasm often led the deposition into an Abbott and Costello who's on first type of interrogatory. They accused each other of mental illness.

Atwood clearly didn't take it seriously, and didn't tell the truth when Boyko asked him, "Does anyone else have an arrangement in connection with your oil and gas leases?"

Atwood said no.

In particular, Boyko wanted to know if Atwood had made any deals with Jacobs or Rasmuson or others to coordinate their leasing activities, something they had done for at least three years.

More recently, Atwood and Jacobs have acknowledged that they coordinated their leasing activities.

Records still on file with the Bureau of Land Management show that in 1955 Atwood, Rasmuson, Jacobs and 11 other men owned leases together. But on Sept. 18, 1957, Atwood took an oath in Boyko's office in front of three attorneys and a notary public, and told a different story.

Boyko: "Did you ever discuss oil and gas leases in the same area as a joint venture?"

Atwood: "No. What do you mean by a joint venture?"

Boyko: "Going into adjoining areas and filing adjoining leases."

Atwood: "What do you mean no, the answer is no. We there is no joint venture."

Boyko: "So if Mr. Rasmuson and Mr. Locke Jacobs and you filed your applications and if you are together at various points in the territory it is merely a coincidence?"

Atwood: "I don't know that we are together."

Boyko: "It would be a coincidence if you are?"

Atwood: "As far as I'm concerned."

Shortly after Boyko filed the suit, Seiser was demoted and transferred to Portland, Ore.

Officially, the Interior Department investigation found no corruption, just "frequent instances of administrative bungling and inefficiency," according to a summary received by Sherman Adams, Eisenhower's assistant and, after the president, the most powerful man in the White House.

Gerald Morgan, special counsel to the president, wrote, "The decision of the Secretary of the Interior to make one or more personnel changes in the Anchorage Land Office was based solely upon consideration of management efficiency, a matter of internal administration."

The documents do not explain why top level presidential assistants like Adams and Morgan concerned themselves with the efficiency of the Anchorage BLM office.

For Adams, it was not the first time he had personally handled a sensitive oil matter. Shortly before the Seiser investigation, according to a Washington Post story at the time, Adams pressured the Interior Department to issue oil leases in a Louisiana wildlife refuge to a company with close ties to the president.

Adams was later forced to resign when it was learned he had accepted gifts from companies trying to do business with the government.

Ted Stevens, now Alaska's senior U.S. senator, was then an aide to the Interior secretary and the department's Alaska expert. He said the White House operation was much smaller than it is now and Adams just wanted to know everything that was going on.

Stevens says the charges were no big deal, "no Washington Post sort of thing."

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## **INSIDE DEAL: THE UNTOLD STORY OF OIL IN ALASKA TERRITORIAL DELEGATE AIDED OIL COMPANY, BUSINESSMEN**

**David Postman**

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**Staff**

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Third of eight parts.

In February 1956, Anchorage City Manager George Shannon has just arrived in Washington, D.C., when he picked up rumors in the Capitol hallways of a plan to drill for oil in the Kenai National Moose Range, a federally protected wildlife area.

Shannon, one of the more powerful government officials in Alaska, knew nothing about the proposal. To find out what was going on south of his town, Shannon turned to Alaska's man in Congress, nonvoting territorial Delegate E.L. "Bob" Bartlett.

Shannon wanted to know what "all this business of oil drilling in the Kenai Peninsula was about," according to a letter Bartlett wrote that day to a friend back in Anchorage.

Bartlett knew all the answers if he chose to provide them. By 1956 he was well aware of the plans of Richfield Oil Corp. and its Anchorage backers to open the moose range to oil leasing.

Since 1954, Richfield had been applying for leases in the 2millionacre range. They had been helped by the Spit and Argue Club, 14 prominent Alaska businessmen who colluded with the company in an effort to lock up as much of the moose range as possible.

Several leases had been issued by the Bureau of Land Management despite a longstanding suspension on oil leasing in federal wildlife lands. By the time Shannon went to Bartlett, Richfield and the Spit and Argue Club had applications pending for hundreds of thousands of acres in the range, but they needed the Interior secretary to lift his suspension before any more leases would be issued or drilling could go forward. Bartlett had already begun to fight on their behalf.

It's not known how much Bartlett told Shannon. But one of the first things he did was to get word to the Spit and Argue Club that at least part of their secret was out.

"This is reported only to demonstrate how impossible it is to keep the word from getting around. It's not easy or even possible . . . to keep everything under wraps," Bartlett wrote on Feb. 10 to Wilbur Wester, a friend, source, manager and coowner of the Anchorage Westward Hotel. Wester was also a key member of the Spit and Argue Club.

**A HARD WORKER FOR OIL**

Tipping Wester that the Kenai secret was out was just one of the uncountable favors Bartlett did as he worked to bring oil development to Alaska, and to do it with as little public notice as possible. He worked as hard for the oil industry as any Alaska politician before or since, either in Juneau or Washington.

He pushed for drilling in the moose range and supported bills to allow drilling in Alaska tidelands, to increase the amount of acreage an oil company could hold, and to preserve the extraordinarily low rent and royalties paid by oil companies in Alaska.

By making partners of the Spit and Argue Club, Richfield Oil had also secured in Bartlett a valuable ally on Capitol Hill.

When it appeared he might lose a fight, Bartlett would try to amend legislation to exclude lease applications already filed primarily those of Richfield and the Spit and Argue Club.

Bartlett, a Democrat, was first elected delegate to Congress in 1944, after serving five years as Alaska's appointed secretary of state, now called lieutenant governor.

He had been a reporter for the Fairbanks Daily NewsMiner in the 1920s and early '30s before entering politics in 1933 as an aide to Delegate to Congress Anthony Dimond. He liked to call himself a gold miner, like his father, but he spent little time at his claim in Circle once he found his true love of politics.

As delegate in Congress, Bartlett sat in the House of Representatives and could participate in debate, but could not vote.

Bartlett, though, was a brilliant politician, as smooth and quiet as he was homely. He was a behindthescenes man who worked his will during 24 years in Washington by persuasion and compromise. By 1956 he had gained a reputation for admirably representing Alaska and making himself a player, a tough job for a man without a vote.

One of Bartlett's keys to success, at least his success in getting reelected nine times, was his network of sources, spies and vassals throughout Alaska and Washington.

They reported back to him by telephone, mail, telegram or in person on political doings, problems back home or sometimes just the latest insipid gossip about Mamie Eisenhower's drinking, or what Alaska Democratic Party official was fooling around on his wife.

He was always sure to write back promptly.

#### KEEPING IN TOUCH WITH WESTER

One of Bartlett's most frequent correspondents was Wilbur Wester. In 1956, Wester was 52 years old. As coowner and manager of the Anchorage Westward Hotel, he was a big player in downtown Anchorage business and political circles.

He was close to Elmer Rasmuson, president of the National Bank of Alaska, and Bob Atwood, editor and publisher of the Anchorage Daily Times. Rasmuson owned part of the Westward with Wester, at the time Anchorage's premier hotel.

Wester belonged to Atwood's and Rasmuson's downtown business clique, the group that held down the same table at the Elks Club each noon. The men in the Spit and Argue Club were among the most prominent and powerful businessmen in the territory. They were the men through whom Richfield Oil gained the backing of the political and commercial power structure of Alaska.

Because of his close relationship with Bartlett, Wester took charge of the political side of Richfield's work. He was in constant communication with Bartlett on any federal matter dealing with the oil industry as well as any Alaska political situation that threatened the group's sweetheart deal with Richfield.

"Wilbur Wester deserved all the credit in the world," said John McManamin, former owner of the downtown ArmyNavy Store and a partner with Wester in the Richfield deal. McManamin is now retired in Anchorage. "He had the ability and the energy, as far as I'm concerned."

Bartlett kept in touch with other oil industry representatives. But no one was as close to Bartlett as Wester.

Bartlett and Wester talked almost daily on the telephone, according to Joe Josephson, the former state senator who got his start in politics as an aide to Bartlett. Josephson, though, said he knows little about Bartlett's involvement with the early Alaska oil industry because his boss did that work himself with little help from his small staff.

Bartlett's papers at the University of Alaska Fairbanks show how hard he worked to satisfy Wester and his partners. Bartlett sent Wester draft copies of legislation, copies of letters to and from other people and frequent updates on oil legislation sometimes including several telegrams in a single week.

Bartlett was always concerned about how the Spit and Argue Club felt about any proposed oil legislation.

In January 1957, for example, Bartlett wrote Wester a series of letters with different versions of tideland leasing bills, asking which Wester thought would be best. Wester's influence was so great that in his files Bartlett refers to the legislation as "the Wester Bill."

Bartlett sent Wester a copy of a letter Sen. Henry "Scoop" Jackson, DWash., sent the Interior secretary about an Alaska oil bill, and Bartlett's own letter back to Scoop.

When it appeared Jackson was not going to support an Alaska oil bill, Bartlett had advice for Wester.

"It would be my suggestion now that you and your group contact any big shots you know in Seattle who have influence with Scoop to urge him on and egg him on."

Bartlett also asked Wester for help in getting a resolution of support for the bill from the territorial legislature. The resolution had been written for Bartlett by Robert Patton, a Shell Oil Co. official and lobbyist for the Western Oil and Gas Association.

"Instead of sending it directly on to some member of the legislature at Juneau," Bartlett wrote Wester, "I paused for reflection and came to the conclusion that it might be best to put it in your hands as you might have some more positive ideas than I as to who should introduce it and push it."

## WORKING WITH LOBBYISTS

It wasn't unusual for Bartlett to work with oil industry lobbyists. Lobbyists drafted several bills that Bartlett introduced or considered introducing. The letter he wrote to Sen. Jackson was suggested by an oil lobbyist.

Bartlett's main contact with the oil industry itself, as opposed to his contacts with Wester or lobbyists, was Frank McPhillips, land manager for Richfield. Based in the company's home office in Los Angeles, McPhillips oversaw the Spit and Argue Club's arrangement with Richfield.

McPhillips, like Wester, received regular updates on oil legislation and copies of correspondence between Bartlett and other people. This allowed McPhillips to know what was being said, including letters to Bartlett from other oil companies without anyone knowing that he knew.

Bartlett worked hard to keep McPhillips informed. When McPhillips traveled, his secretary would call to let Bartlett's office know how to reach him if they needed him.

Bartlett was also called on to help Atwood quiet the voices of Alaskans who opposed the oil industry's designs on the state.

In December 1957, Anchorage resident Hank Ostrosky wrote to Atwood's Daily Times to protest federal legislation to allow oil drilling in submerged lands in Alaska.

Ostrosky said that because of the "influence of Big Oil interests and a greedy few "flatland foreigners," the bill would probably pass and he worried that "our oil would be exploited as we have our fish, gold and copper."

But it wasn't just Big Oil and flatlanders who would benefit. So would Bob Atwood and his friends in the Spit and Argue Club. When the bill passed Congress it gave them preference on leasing submerged lands such as lake beds adjacent to their claims in the moose range.

Atwood didn't publish the letter. Instead, he wrote back to Ostrosky. "This bill is entirely too technical for me to discuss as I am no expert on these subjects." He said he was sorry he couldn't be more helpful, but he would forward the letter to Delegate Bartlett.

Atwood sent the letter to Bartlett, with a short handwritten note on the bottom:

"Bob This guy Ostrosky seems a little mixed up. Rather than publish his letter, I am handling it this way. Hope you can do one of two things:

"(1) Enlighten him, or

"(2) Send him enough dope so he will discover he doesn't know what he is talking about and will shut up!

"Regards, Bob."

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## **INSIDE DEAL THE UNTOLD STORY OF OIL IN ALASKA NEW INTERIOR SECRETARY ACCELERATED OIL DEVELOPMENT ON MOOSE RANGE**

**David Postman**  
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**Staff**

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By the spring of 1956, Interior Secretary Douglas McKay had done so much for the oil industry at such a great cost to public lands, he was forced to resign.

Even though his warm hearted attitude toward the big oil companies reflected President Eisenhower's wishes, McKay had become too controversial.

In fact, he had become a source of embarrassment. Political cartoonist Herblock regularly skewered him in the Washington Post and Times, and columnists took to calling him "Giveaway McKay" and "Generous Doug."

McKay's attitude stretched to Alaska. One of the things Congress learned shortly before McKay's departure was that under the secretary's watch in 1954 and 1955 oil leases had been issued in federal wildlife lands, including the Kenai National Moose Range. That was done despite McKay's own 1953 order suspending leasing in wildlife lands.

In May 1956, McKay resigned. He returned to his home state of Oregon to run for the U.S. Senate.

McKay's departure only accelerated Alaska oil development. With the heat off, a huge tract of the moose range would soon be leased to Richfield Oil Corp., and the company would be allowed to drill in the heart of what was supposed to be a protected wildlife area.

McKay's replacement was Fred Seaton, who artfully managed to continue many of McKay's prodevelopment policies while winning the praise of conservationists.

Seaton was a newspaper publisher by trade. He owned newspapers in his home state of Nebraska, as well as in Kansas, Colorado, Wyoming and South Dakota. He also owned three radio stations and Farm Life Magazine.

A Republican, he had been appointed in 1951 to a vacant U.S. Senate seat but decided not to run for reelection and returned to Nebraska. He was a top aide in Eisenhower's 1952 campaign. In 1953, he was named assistant secretary of defense for legislative and public affairs and later promoted to presidential assistant.

Seaton didn't have much of a reputation outside the government, but he espoused a more moderate approach than McKay.

This allowed Eisenhower to replace McKay with someone who was closer to him personally, knew Congress and wouldn't be a magnet for controversy.

Seaton had another advantage in dealing with the Alaska problems his department faced. He was good friends with Anchorage Daily Times Publisher Bob Atwood and C.W. Snedden, publisher of the Fairbanks Daily NewsMiner.

The three men got to know each other through newspaper associations and a common interest in Republican Party politics. With the endorsement of Snedden, Seaton picked as his Capitol Hill lobbyist a young Ted Stevens, then assistant U.S. attorney in Fairbanks and a close Snedden friend. This provided Seaton with a way to keep up with goings on in the territory and gave Alaskans, particularly Snedden, a direct line to the secretary.

Seaton also involved himself in Alaska politics. He raised money for Republican candidates in the territory and, according to a note in his personal files, sent the checks to Snedden at Stevens' request.

In June 1956, just a month into Seaton's tenure, Alaska landed on the secretary's desk in the form of two proposals for oil development inside the moose range. At this point, a few scattered leases had been issued in the range but no development had taken place. Richfield and its secret partners in Anchorage had lease applications pending for about 150,000 acres of the range.

Richfield and two minor partners Ohio and Union oil companies wanted Seaton to approve 30 leases covering 71,680 acres running north from the Swanson River.

#### HEARINGS ON LEASES

Because McKay had angered Congress by issuing oil leases in wildlife lands supposedly closed to development, Congress had ordered the Interior Department to bring any new development proposals to the House Merchant Marine and Fisheries Committee for review.

Committee Chairman Herbert Bonner, DN.C., scheduled hearings for July 20 and 25, 1956. At the first hearing, Alaska's nonvoting delegate, Bob Bartlett, spoke in favor of leasing in the moose range.

"This is a very important matter to the economic development of Alaska," Bartlett said. But he said he only supported the plan because he was confident there would be no environmental damage to the range.

A few conservationists said they worried that oil development would hurt the moose, but they had few facts to back up their fears and were given short shrift by the committee.

Members of the committee clearly supported Richfield's plan and questioned why they were being asked to approve it.

"This is the result of the fact, it seems to me, that certain partisan fingers are pointed at the administration," said Rep. Thomas Pelly, RWash.

Pelly said that because Democrats had attacked Eisenhower and McKay for issuing leases in wildlife lands, Congress was being asked to rubberstamp proposals that otherwise would have gone through without congressional review.

Records of the committee show no vote on the proposals. But on July 25 Bonner wrote to Seaton to say the committee unanimously supported issuance of the leases.

Seaton quickly signed the Richfield lease agreement. On July 31, 1956, two years after first applying for a lease, Richfield got the go-ahead to explore and drill for oil on the Kenai National Moose Range.

This gave Richfield and its minor partners a drilling monopoly on the moose range. Federal officials quickly approved their plan to develop what later became the Swanson River Oil Field.

This was a key moment for the Alaska oil industry. In fact, it was a key moment in Alaska history.

But the event went all but unnoted in Alaska. There was no press coverage of the Bonner committee hearings and the transcripts have never been published. Several questions have never been answered.

Why, if a leasing suspension was supposed to be in place until new regulations were drafted, were the leases issued?

"That was strange business," said Dave Spencer, moose range manager at the time. "I guess we really didn't understand what they were up to."

Why didn't Seaton open the entire area to leasing or bring other proposals to Congress?

"The position that Fred Seaton took was, 'Let's do the exploration on a contained scale. Let's find out if oil is there,' " remembered George Abbott, a former top aide to Seaton who is now a lawyer in Nevada.

RICHFIELD DISCOVERS OIL Richfield soon found that the actual exploration was as difficult as the political footwork that had made it possible.

The company was not allowed to build roads and had to fly in small drills by helicopter to set seismic charges, according to Bill Bishop, the Richfield geologist in charge of the project.

What geological reports the company did get were disappointing. "I'm sure most companies wouldn't have drilled based on that," Bishop said.

But the crews kept working and on the day before Thanksgiving 1956, Bishop kicked his size 10 1/2 boot into the forest cover near the Swanson River and said, "Drill here."

Before they could start, Richfield needed a road. Company geologist Ray Arnett said the spruce was so thick that to mark the route for a bulldozer, a plane flew it at low altitude, trailing toilet paper. A bulldozer followed the paper trail from the highway to the well site.

Drilling began in April 1957. For the next month or so Richfield issued periodic progress reports. But in June the company fell silent.

On July 19, 1957, Richfield's "Discovery Well" hit oil. Bill Bishop's toe mark in the dirt paid out big time.

It was a major strike, but the find was kept a secret for five days, until July 23 when Richfield President Charles Jones announced the strike from company headquarters in Los Angeles.

"News of the first oil discovery of commercial significance in Alaska, announced by the Richfield Oil Corp., hit the territory today like a bomb, scattering reports and predictions in all directions," reported the Anchorage Daily Times.

The discovery was on one of Richfield's own leases. Bob Atwood, the Times' publisher, and the Spit and Argue Club had also applied for leases throughout the range, which they had agreed to turn over to Richfield if the leases were issued.

Atwood was still thrilled. On the editorial page of his paper, he had this to say: "The best advice for Alaskans today is that of the San Francisco cable car conductor to his passengers: 'Hang on, we're going around a curve.' Alaska is turning a sharp curve and is starting down a new road of development such as has never been seen before."

People poured into the moose range to see for themselves the Discovery Well and Alaska's future. "It was a madhouse," remembered Ray Arnett, a Richfield geologist. "We had to keep barricades up on the road to keep people out."

"Downtown Anchorage was a madhouse, too," Arnett said. People lined up at the Bureau of Land Management office to file for oil leases on the peninsula.

When they arrived they found the Kenai moose range closed to leasing. Any future leasing would have to wait for new regulations on oil development in federal wildlife lands to be issued.

But the discovery spurred a rush on other areas in Alaska. Soon, a BLM official would say, applications were pending for leases covering an area "as large as the combined acreage of Delaware, Rhode Island, New Hampshire, New Jersey and Massachusetts."

Atwood joined the rush, too, applying that day for leases on 38,520 acres near Mount Susitna, across Cook Inlet from Anchorage.

The discovery of oil on the shores of the Swanson River meant many things to many people:

\* To Richfield and the Spit and Argue Club, it meant a concerted push to get the moose range opened to further leasing and to make sure they got the leases. The Anchorage businessmen still had lease applications pending on acreage near the Richfield strike.

With Richfield's help, they had been the first to apply for that land and they felt the Interior Department should stick to its policy of first come first served leasing. This was in question because federal law required leases to be issued by competitive bidding in any area where oil had been found.

\* For Standard Oil Co. of California, now known as Chevron, it meant buying out half of Richfield's Swanson River project soon after the strike and forming a joint venture for further development. This was necessary for Richfield because it couldn't afford fullscale production.



\* For the other oil companies interested in the Kenai but so far locked out of the moose range, it meant they had to convince the Interior Department to open the moose range to competitive leasing so they might get leases.

\* For conservationists and federal wildlife officials, it meant incredible pressure on the government to surrender more wildlife lands to development. FIGHT OVER THE MOOSE RANGE But again everything was put on hold. Interior Secretary Seaton said he wanted to turn his administrative order prohibiting oil and gas leasing on national wildlife lands into permanent, formal regulations. It appeared Richfield might never be able to produce its new found oil field. The company said its Kenai crews had stopped work.

Conservationists called Seaton's proposal to protect wildlife "a Magna Carta for the sanctity of wildlife refuges."

Oil companies said it made no sense to close an area of proven oil deposits.

Alaskans said such a ban could doom prospects for statehood because the territory had no other major source of revenue.

The rules Seaton ordered to be drafted would regulate oil and gas leasing on all national wildlife lands. But the Kenai moose range quickly became the center of the controversy.

Publicly, development of the moose range was supported by the Fish and Wildlife Service, the branch of the Interior Department charged with protecting wildlife lands. But in private, officials of the service vehemently opposed letting oil companies into the moose range, and worked secretly with conservationists to stop such development.

"There is much pressure in Anchorage, backed by the Chamber of Commerce and oil interests, to convince everyone oil exploration and development will not harm moose habitat in any way and might even enhance it on the Kenai moose range," Clarence Rhode, regional director of the Fish and Wildlife Service, wrote to his friend Olaus Murie, president of the Wilderness Society.

Rhode said he didn't think that was true, but "it is difficult to convince these hungry promoters. . . . They will twist statements referring to adequate cropping for range protection, and roads for fire protection, into statements that make such proposals beneficial for moose and man."

Rhode said any help Murie could offer would be welcome.

Conservationists did pitch in to protect the Kenai.

"Kenai has now become one more issue of conservation by crisis where the preservation of our American heritage is pitted against the 'fastbuck' desires of one or two oil companies and local business interests for expansion and profit," wrote the National Wildlife Federation in its December 1957 newsletter.

The Wildlife Management Institute was harsher in its newsletter of the same month: "Vociferous political and business leaders in Alaska actually are gushing in their frenzied and almost fanatical demands that the entire Kenai National Moose Range be thrown wide open to exploration and exploitation as the result of an oil strike in one part of the area this summer. . . . Thoughts of quick dollars rather than good judgment and consideration for the longrun public good dominate the scene."

But one conservation group dissented: the Izaak Walton League.

A year earlier, in January 1956, J.W. Penfold, national conservation director of the league, had told a congressional committee that wildlife refuges "are a very, very important part of our broad scheme of things in this country. . . . We do not see at the present time that there is any need for oil and gas leases on our wildlife refuges."

But after a September 1957 "on the spot investigation," the league's national secretary issued a two page report on drilling in the moose range as part of a larger report on Alaska.

Not only did the league now support leasing, it believed drilling on the refuge would be good for moose, hunters, the territory and the nation.

The national secretary who wrote the report was Burton Atwood, whose brother was Bob, publisher of the Anchorage Daily Times and an investor in moose range oil leases.

"Driving over the oil well road, one cannot help being impressed by the many beautiful lakes and potential recreation areas which the new road has made accessible to the ordinary sportsman the man who cannot afford to charter a plane for his fishing or hunting trip," Burton Atwood wrote. The moose don't seem to mind, he said, and "they enjoy browsing on the newly felled trees."

"Oil from Alaska could be the savior of Western civilization," he concluded, "if the Soviet influence . . . continues to grow."

While the report was ridiculed by some, Alaska's honorary U.S. senator, Ernest Gruening, used it to attack conservationists who opposed opening the moose range to oil wells.

In front of a packed Interior Department auditorium on Dec. 9, 1957, Gruening established himself as the No. 1 proponent of drilling in the moose range. He quoted at length from Burton Atwood, whom he described as a "nationally known and dedicated conservationist."

Gruening said he worried that Alaska would be left out of the emerging oil industry by over burdensome federal regulations. Alaska, he said, "has lost the coal age. It has, so far, with slight exception, lost the hydroelectric age. We do not want it to lose the oil age. We do not want history to repeat itself."

PHOTOS BY FRAN DURNER AND BOB HALLINEN

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## **INSIDE DEAL THE UNTOLD STORY OF OIL IN ALASKA A NASTY SCHISM RIVAL BUSINESSMEN BATTLE OVER LEASING**

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**Staff**

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Fifth of eight parts

Anchorage appeared to be a pretty happy place as 1957 drew to a close.

It was an All America City, with a new library, a Methodist college rising on the outskirts of town and its first ever opera performance. A three bedroom home in the South Addition went for \$28,160, Piggly Wiggly sold five frozen dinners for a buck, and the Anchorage High School basketball team led the Railbelt Conference.

There were also signs of a town caught in the awkward adolescence between frontier town and modern city: Packs of wild dogs chased students at a Spenard elementary school, a suspicious fire destroyed Jimmy Sumpter's Last Chance Club, a new jail had just opened, and parallel lines and parking meters replaced diagonal parking downtown.

What wasn't noticeable to a visitor or the average resident was the struggle between two groups of Anchorage power brokers for control of Alaska. A struggle with all the subtlety of professional wrestling was being discreetly fought in board rooms, bars and fancy homes.

It was a fire fueled by oil.

Richfield Oil Corp.'s discovery of oil in the Kenai National Moose Range in July 1957 had set off a miniboom in Anchorage as oil company representatives and speculators applied for federal oil leases throughout Alaska.

But the moose range, the only place where oil had been found, remained closed to leasing as the Interior Department debated what to do about oil development on federal wildlife lands. It was the latest in the now you see it now you don't leasing suspension first announced in 1953.

While applications had been filed for leases on hundreds of thousands of acres in the range, only Richfield had been allowed to drill for oil there.

The oil strike was hailed by the chamber of commerce as a boon to business. Statehood advocates saw in the industry a way to finance a new state and avoid the welfare status their critics predicted. The discovery also meant the likelihood of windfall wealth for a small group of Anchorage businessmen who, at the direction of Richfield, had applied for leases in the heart of the moose range.

That shook up the established power structure of the town and created problems for Anchorage's elite.

The fight was nasty and childish. Businessmen trying to protect their investments threatened critics, spread rumors and, when all that failed, tried to buy off their opponents.

At the heart of the conflict were the two groups that ran Anchorage. Each centered on one of the state's largest banks: Elmer Rasmuson's National Bank of Alaska and Dan Cuddy's First National Bank.

Rasmuson's group included his brother in law, Bob Atwood, editor and publisher of the Anchorage Daily Times. Rasmuson and Atwood were the pinnacle of Anchorage's ruling class. Atwood, Rasmuson and a dozen other downtown movers and shakers, including recently retired city councilmen, a planning commissioner and chamber of commerce officials, had joined to do Richfield's bidding.

They met each noon at the Fourth Avenue Elks Club. The clique within a clique called itself the Spit and Argue Club.

This was the group Richfield officials had approached three years earlier with a scheme to lease up the Kenai moose range. As Richfield's applications approached the maximum amount of land it was legally allowed to lease, the company told members of the Spit and Argue Club that if they would apply for additional acreage, Richfield would buy the leases later. If oil were found on any of that land, Richfield would pay them royalties as well.

In this case, Atwood, Rasmuson and the Spit and Argue Club were the Haves.

Dan Cuddy led the Have nots. Like a player in a life sized game of Monopoly, Cuddy had his own bank and his own hotels or at least the mortgages on the hotels Wally Hickel was building and was financing home construction and other businesses. He also had his own newspaper to counter the Anchorage Daily Times, having helped finance the Anchorage Daily News. He was close to publisher Norman Brown.

The two groups were friendly to each other, at least in public. But they didn't do a lot of business together.

That's why Bob Baker thought it strange when he was invited to a meeting in Bob Atwood's office sometime late in 1957.

Baker was vice president of Cuddy's First National Bank and, many said at the time, one of the city's shrewdest businessmen. When Baker got to Atwood's Fourth Avenue office that day, Ernest Gruening was already in the publisher's inner office. Gruening had been territorial governor from 1939 to 1953 and was a member of the honorary congressional delegation sent to Washington to lobby for Alaska statehood.

Baker, now 77 years old and retired in Friday Harbor, Wash., says he doesn't want to say too much about what happened 32 years ago. But he said Gruening and Atwood talked to him about oil on the moose range.

At that point, Richfield and two minor partners had been issued leases on about 70,000 acres of the range, including the tract where oil was discovered. Spit and Argue members also held a few leases in the moose range but they had not been explored or developed.

Further leasing and full scale development had been suspended while Interior Secretary Fred Seaton considered a permanent ban on oil leasing on federal wildlife lands.

The Spit and Argue Club had filed applications for leases on an additional 100,000 acres in the range, but they had yet to be approved. Nothing had happened on the applications for three years because of a nationwide controversy about oil development on wildlife lands.

If Spit and Argue Club members received the leases they had applied for, they could turn them over to Richfield for a profit and, if oil were discovered, collect millions of dollars each.

Baker left the meeting and walked the few blocks down Fourth Avenue to his office. There, he said, he met Norman Brown, publisher of the Anchorage Daily News.

"We sat in the directors' room and talked. I told him, 'There is something wrong with this thing. The way Gruening talked, the way these people acted, there was something wrong with it.' And I couldn't understand why they would want me implicated in it."

Baker said that was the beginning of the power broker battle because he convinced Brown to investigate. Soon after, Brown wrote an editorial asking who should benefit from development in the moose range.

"Should this handsome profit go to a small segment of people, or to the territory of Alaska for badly needed roads, schools, institutions and other public improvements?"

Until that question is answered, the editorial said, Kenai oil development should be postponed.

"A roomful of leases and some rusty derricks may be our only inheritance if we let ourselves get bowled over again by those frantic cries for haste," the editorial concluded.

That was the first public suggestion that something might not be right with the new Alaska oil industry.

The loudest objection to the Richfield Atwood Rasmuson scheme on the Kenai came from Wally Hickel. Hickel was a young turk at 38 at least a decade younger than Atwood and his friends and something of an upstart.

He had been named Republican National Committeeman for Alaska in 1954, beating out the establishment candidate in a bitter battle. The fight left the party disorganized and allowed the Democrats to win back what they had lost in a Republican landslide two years before.

By 1957, Hickel had expanded his home construction business into hotel development with Travelers' inns in Anchorage and Fairbanks. His political career was also growing. As national committeeman he was soon leading delegations to Washington to lobby for statehood, including private meetings with President Eisenhower.

And he was still at odds with the old guard Republicans.

"In our anxiety and in our sincere wish to get industry in here, let us be sure we do not allow the rape of the country, such as happened in the great Kennecott extraction of ore," Hickel said in a speech to the 1957 Republican Territorial Convention in Fairbanks.

Hickel today says he wanted to make sure the territory got its fair share of any revenues from the development. He argued that annual leasing fees should be doubled in Alaska to the 50 cents an acre charged in the Lower 48.

The HickelCuddy crowd also wanted any future leases issued by competitive bid as the law required in areas where there was known to be oil.

The Richfield leases had been issued on a first come first served basis because oil had not yet been discovered in the area. Because the Atwood Rasmuson crowd, with Richfield's help, had filed their applications first, they opposed competitive bidding.

The Interior Department would have to decide which method applied to future leases issued in the moose range.

"We were trying to do it in the public interest," Hickel said. "I'm not kidding you. I know that sounds like a bunch of bullst, but we were doing what we thought was right."

Hickel said he also suspected the Atwood Rasmuson crowd of operating as a front for Richfield. "This is supposition. But the oil companies figured those Alaskans could get the leases better than they could . . . So they were the front guys."

Hickel's opposition didn't sit well with Atwood and Rasmuson. "They were looking at me very closely," Hickel recalled. "They thought I was stopping it. Goddn that was a hard line to walk."

Wilbur Wester, a coowner of the Westward Hotel and key member of the Rasmuson group and moose range partnership, thought the opposition was being orchestrated by Cuddy and Baker, who were jealous that Rasmuson's National Bank of Alaska was getting new oil money and First National wasn't. Wester claimed that Cuddy forced people who owed him money to oppose the Kenai project. "Wilbur explained that the ire of Cuddy and Baker reached the explosive stage when Standard Oil of California, after entering into a partnership agreement with Richfield, et al, made a very sizeable deposit in the National Bank of Alaska," Bartlett wrote in a Dec. 20, 1957, confidential office memo after a conversation with Wester.

Ray Arnett, the Richfield official in charge of the Kenai project, confirmed that when his company came to Alaska it banked with Rasmuson, and that decision might have angered Dan Cuddy.

"I knew Dan and I respected him," Arnett said last summer. "But damn, we used Rasmuson's bank instead of Cuddy's bank and there is only so much money to go around."

Wester also said Hickel was doing Cuddy's bidding because Hickel was "hugely in debt" to his banker, and the Daily News was editorializing against the project because Norman Brown also owed First National money.

"This makes it understandable in some manner or other why Norman would print whatever editorials he was instructed to," Bartlett wrote.

In the fall of 1957, the Spit and Argue Club made a move to quiet the opposition to noncompetitive leasing.

Bob Baker said he got a call one day from Charlie Barnes, Shell Oil's man in Anchorage. They went to the Jade Room off Fourth Avenue and sat at Baker's regular corner table. Barnes had a message from the Spit and Argue Club.

"They propositioned me," Baker says.

He won't give details, but he said Barnes, as an agent for the Spit and Argue Club, offered him a piece of the Kenai action if he could quiet the opposition.

Baker says he refused. The controversy continued.

The dispute came to a climax in December 1957 when word reached the Spit and Argue Club that the Daily News was preparing a story that named Atwood and Interior Secretary Fred Seaton in a Teapot Dome style scandal.

"I heard that a lot then, Arctic Teapot Dome," Ted Stevens said recently. Now Alaska's senior U.S. senator, Stevens at the time was an aide to Seaton.

Teapot Dome was a 1921 scandal that sent Interior Secretary Albert Fall to jail for taking an oil company bribe to issue oil leases in a naval petroleum reserve, an area reserved for the government's sole use in time of war.

When word of a pending Daily News story spread from Anchorage to Washington, there were a lot of angry and worried people, from members of the Spit and Argue Club to the secretary of the interior.

The Cuddy group had the upper hand at last. But they were willing to talk. A meeting of the warring tribes was called.

One evening, key players from both sides gathered at the Turnagain home of Al Swalling, a contractor close to Hickel and Cuddy.

"It was hot and hostile," Hickel recalls. "Oh golly, they were all Alaskans, basically."

Attending the meeting were Hickel; Cuddy; Swalling; Daily News publisher Norman Brown; John Lloyd, general manager of the Alaska Railroad; Atwood; John McManamin, a Spit and Argue Club member and owner of the ArmyNavy Store; and Max Kirkpatrick, owner of an Anchorage car dealership and Union Oil's representative in Anchorage.

At one point Swalling became so angry he stormed out of his own house, calling everyone a bunch of socialists.

Lloyd broke away from the meeting to make a phone call. He had been appointed manager of the federal railroad by the interior secretary, and he had some important news for his bosses.

He failed to reach his first choice, an Interior Department lawyer in Juneau, but he found Kirkley Coulter, an aide to Seaton. He told Coulter what everyone else at the meeting had known for some time: Bob Atwood had a personal as well as a public interest in oil drilling on the Kenai moose range.

In Washington just three weeks before, Atwood and Wilbur Wester had met privately with Interior Secretary Seaton to lobby for opening the moose range. Not once did Atwood mention that he had leases and lease applications there.

No one remembers exactly how long the volatile peace conference lasted. But after a lot of yelling, a truce was called and no Daily News expose appeared.

There is some question whether there ever was an expose. It may have been a scare tactic. Norman Brown, who sold the Daily News in 1967, says he remembers the controversy over the moose range, but doesn't recall his paper writing a story that was later spiked.

But many people at the time thought the Daily News was plotting with Cuddy to sink his competitor's oil deal.

One territorial legislator who worked behind the scenes to stifle criticism of moose range oil development argued that the Daily News was manipulated by people both uninformed and bitter that they didn't have a piece of the action.

"There was quite a rumpus going on in Anchorage about the moose range," territorial Rep. Irene Ryan wrote in a letter to Bartlett on Dec. 19, 1957. "I understand it was all 'highlevel' and concern by many who did not apply for leases on the Kenai when they had the opportunity that a few people would be making fortunes on the oil down there at a cost to the Territory," she wrote.

Ryan said she traced the complaints to their sources, who she did not identify. "When I pointed out the extreme touchiness of the (Congress) and administration to any suggestion of discontent by the public with oil legislation and the adverse effect a 'local storm' would have on . . . other Alaska oil legislation I think I succeeded in stopping the storm."

Not hardly.

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## **INSIDE DEAL THE UNTOLD STORY OF OIL IN ALASKA GRUENING TOOK UP THE CAUSE OF OIL POLITICS, FRIENDSHIP AND BATTLE FOR STATEHOOD INSPIRED OLD ALASKA LEADER'S SHIFT**

**David Postman**  
**Daily News Reporter**  
**Staff**

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Since arriving in Washington, D.C., to lobby for Alaska statehood at the beginning of 1957, Ernest Gruening had kept out of the battle over oil development in the territory.

Oil issues fell to E.L. "Bob" Bartlett, since 1944 the territory's nonvoting delegate to Congress and a man with important connections on Capitol Hill.

But in December 1957, Gruening, the most prominent member of Alaska's three man honorary congressional delegation, lined up with the oil industry and quickly established himself as the No. 1 proponent for oil development in the Kenai National Moose Range the top prospect for oil in Alaska. For Gruening, it was a surprising shift in position, one propelled by political aspirations, a friend who stood to make a fortune from oil, and his own frustration over Alaska's inability to win statehood.

Richfield Oil Corp. had discovered oil in the moose range in July 1957. But the company couldn't pump it out because Interior Secretary Fred Seaton had suspended all oil operations on federal wildlife lands.

Richfield needed the suspension lifted. So did the group of 14 Alaska businessmen who called themselves the Spit and Argue Club. The group had begun colluding with Richfield in 1954 to lease moose range land on behalf of the company, but their efforts wouldn't pay off as long as development was banned in the moose range. Club members, led by Gruening friend Bob Atwood, publisher of the Anchorage Daily Times, had also taken on Richfield's political fights.

By the end of 1957, the big fight was to convince the Interior Department to allow fullscale production of the Richfield strike and to resume leasing in the rest of the moose range on a first come first served basis.

Gruening seized the issue as his own. While Bartlett had been working for at least two years to bring the oil industry to Alaska, it was done in his customary fashion: behind the scenes. Gruening took the issue and stepped into the spotlight.

When Seaton proposed the new regulations that would have made permanent the ban on oil leasing in wildlife lands, Gruening bashed the Interior Department and demanded "removal of oil development restrictions" on the moose range.

The Seaton proposal quickly generated controversy. Conservationists liked it and the oil companies hated it. A hearing was held in Washington Dec. 9 and 10 so the Interior Department could collect comments on the plan.

Gruening was the star. While repeatedly referring to himself as a conservationist, Gruening went beyond even the oil company representatives by calling for abolition of the entire moose range.

"Speaking as a conservationist, no less concerned than the most ardent of my fellow conservationists for the preservation of that regal specimen of American wildlife which exists preeminently in Alaska, I am convinced, and the available evidence so indicates, that its perpetuation would be enhanced by the abolition of the Kenai National Moose Range."

Gruening had not always been so trusting of big business. In the 1920s he first came to national prominence as editor of the leftwing Nation magazine. From that post he editorialized against large corporations and monopolies, particularly power companies, and called for the government to nationalize some industries, a position he repeated as a contributor to the magazine in the 1930s.

Times were certainly different in the 1950s and Gruening's main concern was statehood for Alaska. If the oil industry could finance statehood, he was willing to give oil what it wanted.

Even the poet in Gruening came out in his advocacy for abolishing the moose range, which was viewed hungrily by Peninsula homesteaders, as well as the oil industry, but who were shut out:

"Two million acres for the moose,  
But much less land for the people's use.  
Onesixty acres for a family's home,  
But 500 on which a moose can roam.  
Five hundred acres for each cow or bull,  
But few more homesteads the area's full.

On the Kenai for Pop, Mom and Kids less than half,  
Since 1,500 acres went to bull, cow and calf."

But Bartlett, for one, believed it was oil interests and political ambition that drew Gruening to the Kenai debate.

In early December 1957, Gruening was on a speaking trip to Los Angeles when a lobbyist for the Western Oil and Gas Association arranged meetings for him with top executives of Richfield.

He returned to Washington just in time for the Interior Department hearing at which he delivered his most strident comments to date on opening the moose range.

In a confidential office memorandum, Bartlett wrote that he was asked why he thought Gruening had visited Richfield executives and then given his proindustry testimony. "I submitted the belief that he did it looking forward to financing in a senatorial campaign."

Gruening, though, may also have been convinced by the difficult statehood campaign he was waging.

He wanted Alaska to be a state and he saw salvation in the oil industry, or at least in the revenue it would provide a new state. (The Kenai development was later credited with saving the new state from bankruptcy.)

Whatever the case, it certainly was a change from 1933, when Gruening had said it was inevitable "that in a selfgoverning democracy the people will proceed from control of the political state, and by means of it, to control of the economic superpower."

Such ideas hadn't been too radical to keep Franklin Delano Roosevelt from bringing Gruening into his administration in 1934 as director of the Division of Territories and Interior Possessions.

In 1939, Gruening was appointed governor of Alaska. At first he was viewed with great suspicion as a New Deal radical and, even worse in Alaska, an Outsider.

Gruening stayed on as governor through the Truman years and only reluctantly gave up the seat when Eisenhower forced him out.

In 1956, he and Bill Egan became Alaska's "senatorselect" under the so-called Tennessee Plan, which allowed Alaskans to send an honorary congressional delegation to Washington to lobby for statehood.

Egan and Rep. elect Ralph Rivers concentrated on statehood. Gruening, while claiming the title of Father of Alaska Statehood, also devoted himself to opening the moose range.

But he did so on his own. There was no coordination between him and Bartlett, who continued to work hard behind the scenes to assist the Spit and Argue Club.

The two men had been close, as close as father and son, when Bartlett was secretary of state during Gruening's governorship. But in the late 1950s a major schism developed in the friendship and mentor relationship. The split would last the rest of their lives.

At least part of the problem was stylistic. Bartlett was quiet and preferred to work behind the scenes with congressmen, lobbyists and administration officials.

Gruening would do business not with emissaries of industry, but with industry leaders themselves; not with lowly bureaucrats, but with the interior secretary himself; not with smalltime Anchorage businessmen, but with Bob Atwood himself.

Wielding the full weight of his Daily Times, then the state's largest newspaper, Atwood was the most prominent member of the Spit and Argue Club.

He and Gruening were close as close as a Republican newspaper publisher and a liberal Democratic politician could be. It was a mutual admiration society, with benefits for both.

Atwood wrote editorials calling Gruening the greatest governor the territory had ever seen and endorsing his candidacy for Tennessee Plan senator. Gruening convinced Atwood to run for the other Tennessee Plan Senate seat as a Republican.

They gave each other political advice, their letters show. Before their campaigns began in earnest, Atwood told Gruening they shouldn't campaign together lest it appear they were running as a coalition.

As soon as Gruening won his election and Atwood lost, Gruening began promoting Atwood for appointment as territorial governor.

Interior Secretary Fred Seaton appointed Mike Stepovich instead and explained to Gruening that he couldn't appoint Atwood because "there was too much opposition within the (Republican) party," according to Gruening's autobiography.

Gruening took this to mean that Atwood was considered "too liberal," a label he had been stuck with, in part, because of his strange alliance with Gruening.

But the odd partnership worked well to help bring the oil industry to Alaska.

When Gruening testified in favor of an Alaska oil bill, his remarks were always well covered by Atwood's paper. Gruening was always sure to write a letter thanking Atwood for the prominence given his views.

Gruening would give Atwood advice on how to marshal local support for opening the moose range to oil development.

Other than speeches and testimony, Gruening did little actual work to open the moose range to oil development. However, because he took a high profile, he became a target for those who opposed moose range oil development.

"I am increasingly gaining the impression that in all this the oil companies are quietly sitting back, laughing up their sleeves as it were, while Alaskans fight their battles for them," Kasilof resident George Pollard wrote Gruening in early 1958.

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## **INSIDE DEAL THE UNTOLD STORY OF OIL IN ALASKA POTENTIAL OIL LEASE SCANDAL WORRIED INTERIOR SECRETARY**

**David Postman**  
**Daily News Reporter**

## Staff

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On a cold December day in 1957, Bob Bartlett, Alaska's delegate to Congress, sat alone in his Washington office talking into a tape recorder. The day before, he said, "I was an observer at one of the most adroit performances I have ever witnessed."

What he and a few top officials of the Eisenhower Administration had seen was the curtain rising on the final act of a three year drama, played mostly behind the scenes, to bring the oil industry to Alaska. The star of the day was Wilbur Wester, an owner of the Anchorage Westward Hotel and one member of a group of 14 prominent businessmen trying to install the oil industry in Alaska.

"Long have I admired Wilbur Wester for an ability to collect information and to work his will by altogether devious ways," Bartlett said. "But never before had I seen him playing in a game where the stakes were so high and where his very best efforts were demanded."

Wester was not the most powerful or well connected of the group, which had been recruited to serve as a front for the Richfield Oil Corp. The group called itself the Spit and Argue Club and included Elmer Rasmuson, president of the National Bank of Alaska, and Bob Atwood, editor and publisher of the Anchorage Daily Times.

But Wester was good friends with Bartlett, so it fell to him to do the group's, and Richfield's, political legwork.

Bartlett and Wester spent two days together, catching up on political gossip, eating and drinking scotch.

But Wester had important business as well. He wanted to make sure the Interior Department planned to lease Kenai moose range acreage on a first come first served basis.

If that happened, he and his partners in the Spit and Argue Club were certain to get leases on tens of thousands of acres Richfield had promised to buy from them. Spit and Argue members had applied for their leases in early 1955, while the range was closed to oil leasing, and signed an agreement with Richfield in which the oil company agreed to buy the leases if they were ever issued.

Richfield had discovered oil on the moose range in July 1957. The Interior Department was under pressure to put the leases up for competitive bid, rather than issue them at the set fees to the first applicants.

In Anchorage, a group of businessmen led by Dan Cuddy, president of First National Bank, and hotel owner and contractor Wally Hickel were pushing for competitive lease sales, saying it would mean more money for the territorial government and would give everyone a chance to compete for the oil rich land.

If that happened, Wester and the Spit and Argue Club would lose their chance to make millions of dollars.

### WESTER IN WASHINGTON

During Wester's Washington visit, he wanted Bartlett to set up meetings with two people, Ted Stevens and George Abbott, both top assistants to Interior Secretary Fred Seaton. Wester said he wanted to see Stevens and Abbott separately.

First, Bartlett arranged for him and Wester to have lunch with Abbott.

Wester told Abbott about the Anchorage controversy, including a meeting in which the Cuddy Hickel forces had argued with the Atwood Rasmuson crowd about moose range oil development.

Wester also wanted to be sure there were no hard feelings as a result of a visit Atwood had paid to Seaton about a month earlier. Atwood had lobbied Seaton to open the moose range to leasing, but he hadn't told Seaton of his personal financial interest in the decision.

Wester told Abbott that Atwood hadn't thought it necessary to mention his personal stake in the range because his lease applications were all a matter of public record.

But Wester said Atwood was "deeply troubled" by accusations that he was pushing Seaton in an effort to further his private interests. In fact, Wester said, one oil company offered to buy lease applications from Atwood for \$200,000, but Atwood refused when the company wouldn't guarantee speedy development, which he believed was in the best interest of the Alaska economy.

It's unclear what Atwood had to sell at that point. Two years earlier he and the other Spit and Argue members had sold Richfield the right to explore and develop their most promising moose range leases.

Wester told Abbott that Atwood would cancel all his lease applications if there "should be any thought in the Interior Department that he acted unwisely."

Wester's other important message was that Hickel was a "stinker."

Wester told Abbott that Hickel was criticizing Seaton and implying that the secretary was involved in a scandal to advance Richfield's interests in the moose range. He said Hickel was trying to get back at Seaton because the secretary had not appointed him territorial governor in 1957.



It was true that Hickel had been in the running for the job. But according to a memo Seaton wrote to his files on March 19, 1957, Hickel was his third choice. Seaton's only objection to Hickel was that he was too young.

Again, Bartlett's memo: "The way in which Wilbur handled himself was something to admire and to marvel at. Wilbur said to me when we were alone that since Wally Hickel and company were now demanding competitive bidding, he does not see how Seaton can grant it knowing these men for the true stinkers they are!

"Although it was not so said, I believe Wilbur is deriving a personal, as well as business, pleasure from this. Ever since Hickel went into the motel business, Wilbur has hated his guts."

#### WESTER MEETS STEVENS

The next day Bartlett took Wester to see Stevens, then the Interior Department's legislative counsel and assistant to Seaton.

Wester was suspicious of Stevens. He thought Stevens and other Interior officials including John Lloyd, manager of the Alaska Railroad might have been secretly siding with "the Cuddy crowd."

But, to cover his bases, Wester told Stevens the same story he had told Abbott the day before.

"Ted did not respond particularly one way or another to Wilbur's story until Wilbur came to the part where Wally Hickel was in attendance at the meeting," Bartlett wrote. "This excited Ted. And not, we judged, in manner which gratified him.

"That was that."

But, of course, it wasn't.

Two days after Wester left Washington, word reached Fairbanks that peace still did not reign in Anchorage, and a major scandal could yet erupt.

Bill Snedden, publisher of the Fairbanks Daily NewsMiner, sent immediate word to his long time friend, Interior Secretary Seaton, through his personal emissary, Ted Stevens.

Snedden didn't have any Kenai oil leases, but he favored development as a way to encourage statehood. He feared a scandal would not only damage Seaton, a major statehood backer, but would also undermine his own efforts to get more Alaska Republicans into office.

Stevens wrote to the Interior secretary that Snedden had called and wanted him to know that "the Anchorage reaction to the Kenai leasing problem was getting intense and that a new issue was involved. Apparently someone discovered that Richfield's lease was issued while a stop order on all leasing on wildlife areas was in effect."

That was true. Richfield, two minor oil company partners and Atwood, Rasmuson and their partners, held the only leases in the moose range, all issued while a leasing suspension was supposed to be in effect.

#### FEARING TEPOT DOME

The same day he called Stevens, Snedden also wrote a personal and confidential letter to Seaton.

He urged the secretary to say something about looking into the charges of scandal to "take the wind out of the sails of anyone considering making trouble by crying 'Teapot Dome' in Alaska."

Snedden repeatedly said he wanted to protect Seaton who he called "Alaska's godfather" and "the best friend Alaska ever had" from any taint.

But the publisher was also frank about other, more partisan concerns.

"I believe we are making good headway manufacturing Republicans up here and I certainly don't want anything to interfere with the manufacturing process."

Seaton was uneasy.

"He is very concerned about the effort which was started and then subdued in Anchorage to name him and Bob Atwood in a Teapot Dome sort of conspiracy," Bartlett wrote in another confidential memo after a meeting with Seaton.

"Seaton is apparently keeping a very close watch. He said he had his people examine the lease application (and) unit agreement very, very carefully to see if there were any funny business at all. They found none. But Seaton talked on and on about this. It is obvious that it bothers him."

Two top Bureau of Land Management officials in Anchorage had been removed from their positions in 1956 and 1957 after allegations that they misused their office to help certain applicants get oil leases, including the Spit and Argue Club.

Abbott said in a recent interview that allegations of wrongdoing in the Interior Department bothered Seaton, in part because the secretary had a good sense of history.

"He said to me, 'George, two secretaries of the Interior have been indicted and one has gone to jail. In both instances it involved oil and gas.' "

From then on, Seaton had a plan to make sure nothing improper would happen. He ordered Abbott to read and sign every single piece of paper that came through the office that dealt with oil and gas anywhere in the country, not just in Alaska.

"This way," Abbott said recently, "if there were any executions they would be double hangings. We were watching the tracks of the noose, not the moose."

## ALASKA EXCLUDED FROM RULES

On Jan. 8, 1958, Seaton made public his new wildlife leasing regulations. They prohibited oil and gas leasing in wildlife lands except those in Alaska.

"Because of the extreme interest in Alaskan oil development, the Alaskan refuges were placed in a separate category," according to a memorandum in the files of the Fish and Wildlife Service at the moose refuge headquarters in Soldotna.

In Alaska, the Fish and Wildlife Service would determine which areas of the moose range should be opened to oil development.

The oil companies were impatient. For more than six months, since the discovery of oil in July 1957, they had had crews standing by on the Kenai. Company executives said it would be too expensive to disband the crews and bring them back when leasing was finally allowed.

Since the Richfield strike, Fish and Wildlife personnel had felt pressured by the industry and its local boosters to open the range.

"Even a word of caution is looked on with suspicion," wrote Clarence Rhode, regional director of the service in a Dec. 9, 1957, memorandum.

The Fish and Wildlife Service rushed through its survey of the moose range and proposed to open half of it to development.

Seaton, though, was slow to act. He wanted the Fish and Wildlife Service to take more time to study the moose range.

Seaton's friends in Anchorage weren't happy in 1958. It had been four years since they first applied for leases in the moose range. So far only limited exploration had been allowed. That Richfield had struck oil only made it harder to sit and wait while the Interior secretary fretted over what to do.

## DISPUTE OVER LEASE RENTS

But before Seaton could act, in early February, Congress asked that all oil and gas leasing in Alaska be suspended again while it considered increasing lease rents and royalties in the territory.

"Now it is the tail end of March, two months later, and the leases have not been issued," complained an editorial in the Anchorage Daily Times.

"Explorations have been abandoned for lack of the leases. The territory has lost, at least temporarily, the benefits that would accrue from the greatest discovery since the Klondike gold stampede."

Four days later, a Times reporter wrote, "What few moose live there apparently have more influence in Washington than everyone in Alaska who favors oil development."

The delay in Washington was a continuation of the fight Wally Hickel had pressed the year before: Why should oil companies get leases in Alaska for half what they paid in the Lower 48?

Leases cost 25 cents an acre a year in Alaska and 50 cents everywhere else in the country. A one year rent advance was required when a lease application was filed. In Alaska that meant putting down an average of \$500.

Oil company lobbyists and territorial officials argued that the lower rates provided an incentive for companies to explore in Alaska.

But now that oil had been discovered, was an incentive really needed? Congress thought not. At a Senate hearing, senators complained not only about the lower rents in Alaska, but also about the Interior Department's plans to issue leases without competitive bidding.

In an April hearing before the Senate Committee on Interior and Insular Affairs, Sen. Clinton Anderson of New Mexico wanted to know why "we have thrown away millions of dollars."

"I think we better have a little investigation of the leasing policies in Alaska, if we are giving away at 25 cents an acre in a proven area without competitive bidding we would be in real trouble."

Anderson was particularly troubled that Alaska officials and politicians, including Bob Bartlett, the territory's delegate to Congress, opposed the higher rents. He said oil companies would get too good a deal on the moose range.

"Why do we have to give this away, just because oil companies have gone up and squatted on it?" asked Anderson.

When Bartlett realized the battle to keep rents at 25 cents might be lost, he lobbied to make sure the higher rates would not apply to lease applications filed before the new law was passed. Most of those applications in promising areas had been filed by Richfield and the Spit and Argue Club several years before the 1957 discovery of oil.

When the law was passed it provided a one year rental break of 25 cents an acre for leases like those later given to Richfield and the Spit and Argue Club on which applications had been filed before May 3, 1958.

Anderson asked: "Are we trying to protect the applicants up there or the people of Alaska? Which is it? If we are trying to protect the people of Alaska, we try to get the greatest revenue."

Edward Woozley, director of the Bureau of Land Management, tried to calm Anderson by telling him: "Much of the Kenai Peninsula will be denied. The lease money will be refunded and there will be no leases issued. That is quite evident."  
But not the truth.

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## **INSIDE DEAL THE UNTOLD STORY OF OIL IN ALASKA OIL UNITED STATEHOOD PROPONENTS, OPPONENTS**

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Seventh of eight parts

As the oil industry and its backers waited for approval to begin production and further exploration in the Kenai National Moose Range, the attention of most Alaskans in 1958 was on Washington, D.C., where Congress was debating whether to admit the territory as the 49th state.

Approval finally came on June 30. There were celebrations and congratulations for the Alaska politicians and civic boosters who had lobbied for statehood on Capitol Hill.

But ignored amid all the celebration were once formidable opponents to statehood whose opposition had either been reversed or muted because of their ties to the Alaska oil industry. This group included conservative Southern senators and the head of the Seattle-based salmon canning industry. After oil was discovered in Alaska, in July 1957, the oil industry decided statehood was in its best interest. Statehood, the theory went, would make it easier to profit from the vast resources of Alaska.

The prospect of tax revenue from oil was also crucial to statehood boosters who needed to prove that Alaska could pay its own way as a state.

But there was something contradictory, if not hypocritical, about it, with Alaska politicians touting the potential of oil money to finance a state while fighting to minimize those revenues.

"If the legislature does not realize or is not interested in trying to get more money for their Territory, then I am disappointed," Sen. Henry "Scoop" Jackson, DWash., said during an April 25, 1958, Senate hearing.

"I want to say further that the biggest obstacle to statehood is their inability to get revenue," Jackson said, adding that money from oil leases appeared to be the territory's best bet.

"There is no desire here on the part of anyone to be punitive toward any company or any group, but our desire is to be fair to the people who are trying to develop the oil resources of Alaska, and at the same time be fair to the people who reside in Alaska . . ."

Even 30 years after President Eisenhower signed the statehood act, little is known about how the oil industry eased the way for statehood. But a great national political figure, well known for his ties to the oil industry, played a key role.

Lyndon Baines Johnson was Senate majority leader in 1958, the year the Alaska statehood bill finally passed Congress. The House of Representatives was run by his mentor and fellow Texan, Sam Rayburn. Both had long opposed statehood for Alaska, primarily because conservative southerners worried that Alaska would elect to Congress people who favored civil rights legislation. But in early 1958, Johnson changed his mind. He announced he would no longer stop a statehood bill from coming to a vote and he guaranteed there would be no filibuster.

There are several theories about why Johnson changed his mind. Some say Johnson had already begun to plot his presidential campaign and needed to push a few pieces of legislation favored by liberals. Or Bob Bartlett, Alaska's delegate to Congress, may have convinced Johnson of the merits of statehood, or offered Johnson a pledge of future support, Alaska historian Klaus M. Naske has written.

But a clearer explanation comes from Ted Stevens, one of the architects of the statehood lobbying effort. Stevens, now Alaska's senior senator, was then the congressional lobbyist for Interior Secretary Fred Seaton.

From that post, Stevens organized the Alaskans who came to Washington to lobby for statehood and helped convince President Dwight Eisenhower to drop his opposition to statehood.

Stevens said Johnson was listening to the oil companies.

"I think that the oil interests were involved heavily with people like Lyndon Johnson and others trying to get the bill scheduled," Stevens said recently.

Johnson and Rayburn were always willing to listen to their friends in the oil business. Both were strong advocates for their homestate oil companies and had long before found ways to funnel Texas oil wealth into Democratic Party politics.

Stevens said it was primarily the Californiabased oil companies which were doing most of the Alaska exploration at the time that worked for statehood.

The oil industry wanted statehood for at least two reasons. First, oil companies would rather deal with a state government than the massive and slowmoving federal bureaucracy. State governments are easier to influence and more interested in generating the jobs and tax revenue that come from oil development.

In 1953, the oil industry's No. 1 political priority had been to get federal offshore land transferred to the states. The states, presumably, could then be persuaded to open the land to oil leasing.

Stevens, though, said the oil companies had a second, littleknown agenda.

"They had high hopes the state would adopt some innovative methods of getting land into private hands, to turn it over to people for tax purposes," Stevens said.

Rather than having to lease land from the state, the oil companies thought they might get outright title to state oil lands.

They had made at least one earlier attempt to get title to Alaska mineral lands. In 1955, President Eisenhower's first Interior secretary, Douglas McKay, proposed a change in the law to allow the sale of federal land for industrial purposes.

"Such disposals will give industrial and commercial development in Alaska the encouragement it needs," McKay wrote to Vice President Richard Nixon on Jan. 3, 1955. "It will also help prepare the Territory for eventual Statehood and contribute to our national defense program."

The prospect of owning oil lands, as opposed to leasing public property, was attractive to the industry because it could mean less regulation and more profit.

Statehood didn't work out that way. Instead, the state and federal governments retained control over most of the land in Alaska, and the oil industry continued to have to deal with bureaucracies and share the revenues from oil.

#### A GENTLEMAN FROM SEATTLE

The most mysterious element in the statehoodoil connection is the role played by W.C. Arnold, chief lobbyist for the Seattlebased Alaska canned salmon industry. Until now his involvement with the early Alaska oil industry has been unknown except to a very few people, all of whom have had good reason not to talk about it.

But government records and the personal papers of Alaska politicians show Arnold had a tie to the oil industry that grew stronger in the late 1950s, at the same time he seemed increasingly resigned to the coming of statehood.

For the Alaska crowd pushing statehood in the late 1950s, Winton Cumberland Arnold was the man to hate.

It was nothing personal. He was universally called a brilliant lawyer and a gentleman, almost Victorian in his manners. But since 1945 he had directed and lobbied for the Alaska Canned Salmon Industry, the group that represented the Seattlebased owners of the territory's canneries, the No. 1 opponents to statehood.

Arnold was rarely criticized personally, at least not in public. But the industry he represented in Alaska and Washington, D.C., was considered corporate evil incarnate, leading an industry that was accused of plundering a public resource while the territory was nearly broke.

Yet the attraction of oil was so strong to the leaders of the prostatehood forces, who stood to make millions from it, they courted Arnold and, in early 1956, began secretly meeting with him to talk about how to launch the oil industry in Alaska.

They had a common interest: Arnold and top statehood supporters were speculating in oil leases in remote Alaska locales.

The statehood boosters were led by Robert Atwood, editor and publisher of the Anchorage Daily Times. He also led a group of 14 businessmen who had applied for Kenai moose range leases on behalf of Richfield and were working to get the range opened to development. They called themselves the Spit and Argue Club.

Atwood was speculating on other oil prospects around the territory as well. Court documents and records of the Bureau of Land Management show he also had applied for oil leases near Yakutat, near Mount Susitna and on the Alaska Peninsula.

Arnold had leases on the Alaska Peninsula, too, a fact he worked hard to keep quiet.

Very few people knew that Arnold had anything to do with the Spit and Argue Club. Those who did, didn't understand it.

"It certainly was odd," said Wally Hickel, then the Republican National Committeeman for Alaska and one of a small group of Anchorage businessmen who criticized proposals to open the moose range to wholesale development.

Even today little is known about Arnold's work with Atwood and his partners. Arnold died Dec. 28, 1989, at the age of 86. He had been bedridden in the Anchorage Pioneer Home for several years, and too stricken with Parkinson's disease to be interviewed this fall.

AN ADMIRABLE ADVERSARY Arnold first came to Alaska in 1927 as a U.S. commissioner, a position similar to a judgeship, in Hyder in Southeast Alaska. He left Hyder in 1933 to open a private law practice in Ketchikan. He stayed there until 1945, then left for Seattle and his position with the salmon industry.

As a lobbyist he gained a reputation as an admirable adversary who "owned" the territorial legislature. From his office in Seattle, he was known as one of the most powerful men in Alaska.

In 1960, after losing the statehood battle, Arnold moved to Anchorage. Until falling ill just before Christmas in 1984, he maintained an active law practice.

But he kept a low profile and said little publicly.

"That's because he was low key, and the second reason is history is basically written by those who succeed and his salmon industry couldn't stop statehood," said R. Eldridge Hicks, one of Arnold's former law partners.

What can be learned today about Arnold comes primarily from his wife and the personal papers of Alaska politicians and top federal officials involved in the statehood battle.

Those sources indicate that Arnold was first approached by the Spit and Argue Club in the spring of 1956. A messenger was sent to Seattle to show Arnold the draft of a bill to be submitted to Congress. The bill proposed to allow oil drilling in Alaska tidelands.

The messenger was Wilbur Wester, manager and coowner of the Westward Hotel. Wester was also the Spit and Argue Club's emissary to Bob Bartlett, Alaska's voteless delegate in Congress.

Wester apparently feared that the politically powerful cannery owners would oppose oil drilling along Alaska's coastline.

"You know the reason (we) have talked with Bill as felt we could not afford to have them fighting as it probably will be difficult enough," Wester wrote to Bartlett.

Arnold said he didn't like the draft Wester had brought, which had been written by an attorney for Richfield Oil Corp., the company that had enlisted the Spit and Argue Club's help.

WRITE YOUR OWN BILL Wester asked Arnold to come up with a draft he did like.

"He did this for me but will deny that he did same as he wanted his part confidential," Wester told Bartlett.

Arnold was also close to Bartlett and later openly showed his interest in oil development. His motives remained a mystery, though.

Bartlett kept Arnold up to date on any congressional action dealing with Alaska oil development and sent him copies of all proposed legislation.

Arnold's interest broadened. In 1957, he appeared to be pushing to open the Kenai National Moose Range to oil development a crusade in which he joined the Spit and Argue Club.

The Anchorage businessmen fronting for the oil industry worked hard to keep Arnold up to date on moose range issues.

This confused Bartlett. He could understand why the fishing industry was concerned about oil leasing on tidelands, but to push for drilling on wildlife lands didn't seem to make sense.

In a December 1957 "confidential office memorandum," Bartlett asked "why Arnold is so interested in everything pertaining to the oil business, which he most assuredly is. In fact, he called me at the house only two nights ago on this."

There were several theories. Wester thought Arnold "wants the oil industry to be created in Alaska in a hurry to take the tax heat from the salmon industry."

Bartlett, though, wondered if Arnold had a more personal reason to be interested.

He did.

Arnold had joined Atwood, Wester and other prostatehood businessmen in making speculative investments in oil leases. "We had oil leases," said Arnold's wife Vivien, who wasn't sure where they were.

"We never got wealthy, though." She said they sold the leases for about \$8,000.

Records at the Bureau of Land Management office in Anchorage show that beginning in 1955 Arnold applied for thousands of acres of oil and gas leases on the Alaska Peninsula. There is no evidence he tried to lease on the Kenai.

Perhaps the most telling connection between Arnold and his supposed enemies came after the statehood fight ended. Statehood was granted in 1959 and Arnold quickly moved from Seattle to Anchorage and began working for the statehood boosters most closely aligned with oil development. Finally the No. 1 opponent and the No. 1 proponent for statehood ended up, publicly this time, on the same side. Bob Atwood hired Arnold to represent the Anchorage Daily Times, according to Hicks, in the "irony of ironies."

Arnold also became close friends with Locke Jacobs, the Spit and Argue Club's personal oil lease broker. The two could often be seen together at the Anchorage Petroleum Club.

For Vivien Arnold, the recognition her husband deserved finally came when "Mr. Atwood recommended my husband for Rotary Club."

It was at a Rotary Club luncheon about five years ago that Atwood told a gathering his only regret in the statehood fight "was that we didn't have a W.C. Arnold on our side."

Arnold sat at the head table and beamed.