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\*\*\* START OF THE PROJECT GUTENBERG EBOOK THE HISTORY OF THE STANDARD OIL COMPANY \*\*\*

THE HISTORY OF

THE STANDARD OIL COMPANY

[Illustration:

\_Copyright, 1904, by Ames\_

JOHN DAVISON ROCKEFELLER IN 1904

Born July 8, 1839

]

THE HISTORY OF

THE STANDARD OIL COMPANY

BY

IDA M. TARBELL

AUTHOR OF THE LIFE OF ABRAHAM LINCOLN, THE LIFE OF NAPOLEON BONAPARTE,

AND MADAME ROLAND: A BIOGRAPHICAL STUDY

ILLUSTRATED WITH PORTRAITS, PICTURES AND DIAGRAMS

[Illustration]

VOLUME ONE

NEW YORK

McCLURE, PHILLIPS & CO.

MCMV

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SECOND IMPRESSION

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“\_An Institution is the lengthened shadow of one man.\_”

EMERSON, IN ESSAY ON “SELF-RELIANCE.”

“\_The American Beauty Rose can be produced in its splendor and fragrance

only by sacrificing the early buds which grow up around it.\_”

J. D. ROCKEFELLER, JR., IN AN ADDRESS ON TRUSTS,

TO THE STUDENTS OF BROWN UNIVERSITY.

PREFACE

This work is the outgrowth of an effort on the part of the editors of

McClure’s Magazine to deal concretely in their pages with the trust

question. In order that their readers might have a clear and succinct

notion of the processes by which a particular industry passes from the

control of the many to that of the few, they decided a few years ago to

publish a detailed narrative of the history of the growth of a

particular trust. The Standard Oil Trust was chosen for obvious reasons.

It was the first in the field, and it has furnished the methods, the

charter, and the traditions for its followers. It is the most perfectly

developed trust in existence; that is, it satisfies most nearly the

trust ideal of entire control of the commodity in which it deals. Its

vast profits have led its officers into various allied interests, such

as railroads, shipping, gas, copper, iron, steel, as well as into banks

and trust companies, and to the acquiring and solidifying of these

interests it has applied the methods used in building up the Oil Trust.

It has led in the struggle against legislation directed against

combinations. Its power in state and Federal government, in the press,

in the college, in the pulpit, is generally recognised. The perfection

of the organisation of the Standard, the ability and daring with which

it has carried out its projects, make it the pre-eminent trust of the

world—the one whose story is best fitted to illuminate the subject of

combinations of capital.

Another important consideration with the editors in deciding that the

Standard Oil Trust was the best adapted to illustrate their meaning, was

the fact that it is one of the very few business organisations of the

country whose growth could be traced in trustworthy documents. There is

in existence just such documentary material for a history of the

Standard Oil Company as there is for a history of the Civil War or the

French Revolution, or any other national episode which has divided men’s

minds. This has come about largely from the fact that almost constantly

since its organisation in 1870 the Standard Oil Company has been under

investigation by the Congress of the United States and by the

Legislatures of various states in which it has operated, on the

suspicion that it was receiving rebates from the railroads and was

practising methods in restraint of free trade. In 1872 and again in 1876

it was before Congressional committees, in 1879 it was before examiners

of the Commonwealth of Pennsylvania and before committees appointed by

the Legislatures of New York and of Ohio for investigating railroads.

Its operations figured constantly in the debate which led up to the

creation of the Interstate Commerce Commission in 1887, and again and

again since that time the Commission has been called upon to examine

directly or indirectly into its relation with the railroads.

In 1888, in the Investigation of Trusts conducted by Congress and by the

state of New York, the Standard Oil Company was the chief subject for

examination. In the state of Ohio, between 1882 and 1892, a constant

warfare was waged against the Standard in the courts and Legislature,

resulting in several volumes of testimony. The Legislatures of many

other states concerned themselves with it. This hostile legislation

compelled the trust to separate into its component parts in 1892, but

investigation did not cease; indeed, in the last great industrial

inquiry, conducted by the Commission appointed by President McKinley,

the Standard Oil Company was constantly under discussion, and hundreds

of pages of testimony on it appear in the nineteen volumes of reports

which the Commission has submitted.

This mass of testimony, all of it submitted under oath it should be

remembered, contains the different charters and agreements under which

the Standard Oil Trust has operated, many contracts and agreements with

railroads, with refineries, with pipe-lines, and it contains the

experiences in business from 1872 up to 1900 of multitudes of

individuals. These experiences have exactly the quality of the personal

reminiscences of actors in great events, with the additional value that

they were given on the witness stand, and it is fair, therefore, to

suppose that they are more cautious and exact in statements than many

writers of memoirs are. These investigations, covering as they do all of

the important steps in the development of the trust, include full

accounts of the point of view of its officers in regard to that

development, as well as their explanations of many of the operations

over which controversy has arisen. Hundreds of pages of sworn testimony

are found in these volumes from John D. Rockefeller, William

Rockefeller, Henry M. Flagler, H. H. Rogers, John D. Archbold, Daniel

O’Day and other members of the concern.

Aside from the great mass of sworn testimony accessible to the student

there is a large pamphlet literature dealing with different phases of

the subject, and there are files of the numerous daily newspapers and

monthly reviews, supported by the Oil Regions, in the columns of which

are to be found not only statistics but full reports of all

controversies between oil men. No complete collection of this voluminous

printed material has ever been made, but several small collections

exist, and in one or another of these I have been able to find

practically all of the important documents relating to the subject. Mrs.

Roger Sherman of Titusville, Pennsylvania, owns the largest of these

collections, and in it are to be found copies of the rarest pamphlets.

Lewis Emery, Jr., of Bradford, the late E. G. Patterson of Titusville,

the late Henry D. Lloyd, author of “Wealth \_vs.\_ Commonwealth,” William

Hasson of Oil City, and P. C. Boyle, the editor of the Oil City Derrick,

have collections of value, and they have all been most generous in

giving me access to their books.

But the documentary sources of this work are by no means all printed.

The Standard Oil Trust and its constituent companies have figured in

many civil suits, the testimony of which is still in manuscript in the

files of the courts where the suits were tried. These manuscripts have

been examined on the ground, and in numerous instances full copies of

affidavits and of important testimony have been made for permanent

reference and study. I have also had access to many files of private

correspondence and papers, the most important being that of the officers

and counsel of the Petroleum Producers’ Union from 1878 to 1880, that

covering the organisation from 1887 to 1895 of the various independent

companies which resulted in the Pure Oil Company, and that containing

the material prepared by Roger Sherman for the suit brought in 1897 by

the United States Pipe Line against certain of the Standard companies

under the Sherman anti-trust law.

As many of the persons who have been active in the development of the

oil industry are still living, their help has been freely sought. Scores

of persons in each of the great oil centres have been interviewed, and

the comprehension and interpretation of the documents on which the work

is based have been materially aided by the explanations which the actors

in the events under consideration were able to give.

When the work was first announced in the fall of 1901, the Standard Oil

Company, or perhaps I should say officers of the company, courteously

offered to give me all the assistance in their power, an offer of which

I have freely taken advantage. In accepting assistance from Standard men

as from independents I distinctly stated that I wanted facts, and that I

reserved the right to use them according to my own judgment of their

meaning, that my object was to learn more perfectly what was actually

done—not to learn what my informants thought of what had been done. It

is perhaps not too much to say that there is not a single important

episode in the history of the Standard Oil Company, so far as I know it,

or a notable step in its growth, which I have not discussed more or less

fully with officers of the company.

It is needless to add that the conclusions expressed in this work are my

own.

I. M. T.

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THE HISTORY OF

THE STANDARD OIL COMPANY

CHAPTER ONE

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PETROLEUM FIRST A CURIOSITY AND THEN A MEDICINE—DISCOVERY OF ITS REAL

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OVERCOME—THE NORMAL UNFOLDING OF A NEW AND WONDERFUL OPPORTUNITY FOR

INDIVIDUAL ENDEAVOUR.

One of the busiest corners of the globe at the opening of the year 1872

was a strip of Northwestern Pennsylvania, not over fifty miles long,

known the world over as the Oil Regions. Twelve years before this strip

of land had been but little better than a wilderness; its chief

inhabitants the lumbermen, who every season cut great swaths of primeval

pine and hemlock from its hills, and in the spring floated them down the

Allegheny River to Pittsburg. The great tides of Western emigration had

shunned the spot for years as too rugged and unfriendly for settlement,

and yet in twelve years this region avoided by men had been transformed

into a bustling trade centre, where towns elbowed each other for place,

into which three great trunk railroads had built branches, and every

foot of whose soil was fought for by capitalists. It was the discovery

and development of a new raw product, petroleum, which had made this

change from wilderness to market-place. This product in twelve years had

not only peopled a waste place of the earth, it had revolutionised the

world’s methods of illumination and added millions upon millions of

dollars to the wealth of the United States.

Petroleum as a curiosity, and indeed in a small way as an article of

commerce, was no new thing when its discovery in quantities called the

attention of the world to this corner of Northwestern Pennsylvania. The

journals of many an early explorer of the valleys of the Allegheny and

its tributaries tell of springs and streams the surfaces of which were

found covered with a thick oily substance which burned fiercely when

ignited and which the Indians believed to have curative properties. As

the country was opened, more and more was heard of these oil springs.

Certain streams came to be named from the quantities of the substance

found on the surface of the water, as “Oil Creek” in Northwestern

Pennsylvania, “Old Greasy” or Kanawha in West Virginia. The belief in

the substance as a cure-all increased as time went on and in various

parts of the country it was regularly skimmed from the surface of the

water as cream from a pan, or soaked up by woollen blankets, bottled,

and peddled as a medicine for man and beast.

Up to the beginning of the 19th century no oil seems to have been

obtained except from the surfaces of springs and streams. That it was to

be found far below the surface of the earth was discovered independently

at various points in Kentucky, West Virginia, Ohio and Pennsylvania by

persons drilling for salt-water to be used in manufacturing salt. Not

infrequently the water they found was mixed with a dark-green,

evil-smelling substance which was recognised as identical with the

well-known “rock-oil.” It was necessary to rid the water of this before

it could be used for salt, and in many places cisterns were devised in

which the brine was allowed to stand until the oil had risen to the

surface. It was then run into the streams or on the ground. This

practice was soon discovered to be dangerous, so easily did the oil

ignite. In several places, particularly in Kentucky, so much oil was

obtained with the salt-water that the wells had to be abandoned. Certain

of these deserted salt wells were opened years after, when it was found

that the troublesome substance which had made them useless was far more

valuable than the brine the original drillers sought.

Naturally the first use made of the oil obtained in quantities from the

salt wells was medicinal. By the middle of the century it was without

doubt the great American medicine. “Seneca Oil” seems to have been the

earliest name under which petroleum appeared in the East. It was

followed by a large output of Kentucky petroleum sold under the name

“American Medicinal Oil.” Several hundred thousand bottles of this oil

are said to have been put up in Burkesville, Kentucky, and to have been

shipped to the East and to Europe. The point at which the business of

bottling petroleum for medicine was carried on most systematically and

extensively was Pittsburg. Near that town, at Tarentum in Alleghany

County, were located salt wells owned and operated in the forties by

Samuel M. Kier. The oil which came up with the salt-water was sufficient

to be a nuisance, and Mr. Kier sought a way to use it. Believing it had

curative qualities he began to bottle it. By 1850 he had worked up this

business until “Kier’s Petroleum, or Rock-Oil” was sold all over the

United States. The crude petroleum was put up in eight-ounce bottles

wrapped in a circular setting forth in good patent-medicine style its

virtues as a cure-all, and giving directions about its use. While it was

admitted to be chiefly a liniment it was recommended for cholera morbus,

liver complaint, bronchitis and consumption, and the dose prescribed was

three teaspoonfuls three times a day! Mr. Kier’s circulars are crowded

with testimonials of the efficacy of rock-oil, dated anywhere between

1848 and 1853. Although his trade in this oil was so extensive he was

not satisfied that petroleum was useful only as a medicine. He was

interested in it as a lubricator and a luminant. That petroleum had the

qualities of both had been discovered at more than one point before

1850. More than one mill-owner in the districts where petroleum had been

found was using it in a crude way for oiling his machines or lighting

his works, but though the qualities of both lubricator and luminant were

present, the impurities of the natural oil were too great to make its

use general. Mr. Kier seems to have been the first man to have attempted

to secure an expert opinion as to the possibility of refining it. In

1849 he sent a bottle of oil to a chemist in Philadelphia, who advised

him to try distilling it and burning it in a lamp. Mr. Kier followed the

advice, and a five-barrel still which he used in the fifties for

refining petroleum is still to be seen in Pittsburg. His trade in the

oil he produced at his little refinery was not entirely local, for in

1858 we find him agreeing to sell to Joseph Coffin of New York at 62½

cents a gallon 100 barrels of “carbon oil that will burn in the ordinary

coal-oil lamp.”

Although Mr. Kier seems to have done a good business in rock-oil,

neither he nor any one else up to this point had thought it worth while

to seek petroleum for its own sake. They had all simply sought to

utilise what rose before their eyes on springs and streams or came to

them mixed with the salt-water for which they drilled. In 1854, however,

a man was found who took rock-oil more seriously. This man was George H.

Bissell, a graduate of Dartmouth College, who, worn out by an experience

of ten years in the South as a journalist and teacher, had come North

for a change. At his old college the latest curiosity of the laboratory

was shown him—the bottle of rock-oil—and the professor contended that it

was as good, or better, than coal for making illuminating oil. Bissell

inquired into its origin, and was told that it came from oil springs

located in Northwestern Pennsylvania on the farm of a lumber firm,

Brewer, Watson and Company. These springs had long yielded a supply of

oil which was regularly collected and sold for medicine, and was used

locally by mill-owners for lighting and lubricating purposes.

Bissell seems to have been impressed with the commercial possibilities

of the oil, for he at once organised a company, the Pennsylvania

Rock-Oil Company, the first in the United States, and leased the lands

on which these oil springs were located. He then sent a quantity of the

oil to Professor Silliman of Yale College, and paid him for analysing

it. The professor’s report was published and received general attention.

From the rock-oil might be made as good an illuminant as any the world

knew. It also yielded gas, paraffine, lubricating oil. “In short,”

declared Professor Silliman, “your company have in their possession a

raw material from which, by simple and not expensive process, they may

manufacture very valuable products. It is worthy of note that my

experiments prove that nearly the whole of the raw product may be

manufactured without waste, and this solely by a well-directed process

which is in practice in one of the most simple of all chemical

processes.”[1]

The oil was valuable, but could it be obtained in quantities great

enough to make the development of so remote a locality worth while? The

only method of obtaining it known to Mr. Bissell and his associates in

the new company was from the surface of oil springs. Could it be

obtained in any other way? There has long been a story current in the

Oil Regions that the Pennsylvania Rock-Oil Company received its first

notion of drilling for oil from one of those trivial incidents which so

often turn the course of human affairs. As the story goes, Mr. Bissell

was one day walking down Broadway when he halted to rest in the shade of

an awning before a drug store. In the window he saw on a bottle a

curious label, “Kier’s Petroleum, or Rock-Oil,” it read, “Celebrated for

its wonderful curative powers. A natural Remedy; Produced from a well in

Allegheny Co., Pa., four hundred feet below the earth’s surface,” etc.

On the label was the picture of an artesian well. It was from this well

that Mr. Kier got his “Natural Remedy.” Hundreds of men had seen the

label before, for it went out on every one of Mr. Kier’s circulars, but

this was the first to look at it with a “seeing eye.” As quickly as the

bottle of rock-oil in the Dartmouth laboratory had awakened in Mr.

Bissell’s mind the determination to find out the real value of the

strange substance, the label gave him the solution of the problem of

getting oil in quantities—it was to bore down into the earth where it

was stored, and pump it up.

Professor Silliman made his report to the Pennsylvania Rock-Oil Company

in 1855, but it was not until the spring of 1858 that a representative

of the organisation, which by this time had changed hands and was known

as the Seneca Oil Company, was on the ground with orders to find oil.

The man sent out was a small stockholder in the company, Edwin L. Drake,

“Colonel” Drake as he was called. Drake had had no experience to fit him

for his task. A man forty years of age, he had spent his life as a

clerk, an express agent, and a railway conductor. His only

qualifications were a dash of pioneer blood and a great persistency in

undertakings which interested him. Whether Drake came to Titusville

ordered to put down an artesian well or not is a mooted point. His

latter-day admirers claim that the idea was entirely his own. It seems

hardly credible that men as intelligent as Professor Silliman, Mr.

Bissell, and others interested in the Pennsylvania Rock-Oil Company,

should not have taken means of finding out how the familiar “Kier’s

Rock-Oil” was obtained. Professor Silliman at least must have known of

the quantities of oil which had been obtained in different states in

drilling salt wells; indeed, in his report (see Appendix, Number 1) he

speaks of “wells sunk for the purpose of accumulating the product.” In

the “American Journal of Science” for 1840—of which he was one of the

editors—is an account of a famous oil well struck near Burkesville,

Kentucky, about 1830, when drilling for salt. It seems probable that the

idea of seeking oil on the lands leased by the Petroleum Rock-Oil

Company by drilling artesian wells had been long discussed by the

gentlemen interested in the venture, and that Drake came to Titusville

with instructions to put down a well. It is certain, at all events, that

he was soon explaining to his superiors at home the difficulty of

getting a driller, an engine-house and tools, and that he was employing

the interval in trying to open new oil springs and make the old ones

more profitable.

[Illustration:

E. L. DRAKE

In 1859 Drake drilled near Titusville, Pennsylvania, the first

artesian well put down for petroleum. He is popularly said to have

“discovered oil.”

]

The task before Drake was no light one. The spot to which he had been

sent was Titusville, a lumberman’s hamlet on Oil Creek, fourteen miles

from where that stream joins the Allegheny River. Its chief connection

with the outside world was by a stage to Erie, forty miles away. This

remoteness from civilisation and Drake’s own ignorance of artesian

wells, added to the general scepticism of the community concerning the

enterprise, caused great difficulty and long delays. It was months

before Drake succeeded in getting together the tools, engine and rigging

necessary to bore his well, and before he could get a driller who knew

how to manipulate them, winter had come, and he had to suspend

operations. People called him crazy for sticking to the enterprise, but

that had no effect on him. As soon as spring opened he borrowed a horse

and wagon and drove over a hundred miles to Tarentum, where Mr. Kier was

still pumping his salt wells, and was either bottling or refining the

oil which came up with the brine. Here Drake hoped to find a driller. He

brought back a man, and after a few months more of experiments and

accidents the drill was started. One day late in August, 1859,

Titusville was electrified by the news that Drake’s Folly, as many of

the onlookers had come to consider it, had justified itself. The well

was full of oil. The next day a pump was started, and twenty-five

barrels of oil were gathered.

There was no doubt of the meaning of the Drake well in the minds of the

people of the vicinity. They had long ago accepted all Professor

Silliman had said of the possibilities of petroleum, and now that they

knew how it could be obtained in quantity, the whole countryside rushed

out to obtain leases. The second well in the immediate region was

drilled by a Titusville tanner, William Barnsdall—an Englishman who at

his majority had come to America to make his fortune. He had fought his

way westward, watching always for his chance. The day the Drake well was

struck he knew it had come. Quickly forming a company he began to drill

a well. He did not wait for an engine, but worked his drill through the

rock by a spring pole.[2] It took three months, and cost $3,000 to do

it, but he had his reward. On February 1, 1860, he struck

oil—twenty-five barrels a day—and oil was selling at eighteen dollars a

barrel. In five months the English tanner had sold over $16,000 worth of

oil.

[Illustration:

THE DRAKE WELL IN 1859. THE FIRST OIL WELL.

]

A lumberman and merchant of the village, who long had had faith in

petroleum if it could be had in quantity, Jonathan Watson, one of the

firm of Brewer, Watson and Company, whose land the Pennsylvania Rock-Oil

Company had leased, mounted his horse as soon as he heard of the Drake

well, and, riding down the valley of Oil Creek, spent the day in leasing

farms. He soon had the third well of the region going down, this too by

a spring pole. This well started off in March at sixty gallons a minute,

and oil was selling at sixty cents a gallon. In two years the farm where

this third well was struck had produced 165,000 barrels of oil.

Working an unfriendly piece of land a few miles below the Drake well

lived a man of thirty-five. Setting out for himself at twenty-two, he

had won his farm by the most dogged efforts, working in sawmills, saving

his earnings, buying a team, working it for others until he could take

up a piece of land, hoarding his savings here. For what? How could he

know? He knew well enough when Drake struck oil, and hastened out to buy

a share in a two-acre farm. He sold it at a profit, and with the money

put down a well, from which he realised $70,000. A few years later the

farm he had slaved to win came into the field. In 1871 he refused a

million dollars for it, and at one time he had stored there 200,000

barrels of oil.

A young doctor who had buried himself in the wilderness saw his chance.

For a song he bought thirty-eight acres on the creek, six miles below

the Drake well, and sold half of it for the price he had paid to a

country storekeeper and lumberman of the vicinity, one Charles Hyde. Out

of this thirty-eight acres millions of dollars came; one well alone—the

Mapleshade—cleared one and one-half millions.

On every rocky farm, in every poor settlement of the region, was some

man whose ear was attuned to Fortune’s call, and who had the daring and

the energy to risk everything he possessed in an oil lease. It was well

that he acted at once; for, as the news of the discovery of oil reached

the open, the farms and towns of Ohio, New York, and Pennsylvania poured

out a stream of ambitious and vigorous youths, eager to seize what might

be there for them, while from the East came men with money and business

experience, who formed great stock companies, took up lands in parcels

of thousands of acres, and put down wells along every rocky run and

creek, as well as over the steep hills. In answer to their drill, oil

poured forth in floods. In many places pumping was out of the question;

the wells flowed 2,000, 3,000, 4,000 barrels a day—such quantities of it

that at the close of 1861 oil which in January of 1860 was twenty

dollars a barrel had fallen to ten cents.

Here was the oil, and in unheard-of quantities, and with it came all the

swarm of problems which a discovery brings. The methods Drake had used

were crude and must be improved. The processes of refining were those of

the laboratory and must be developed. Communication with the outside

world must be secured. Markets must be built up. Indeed, a whole new

commercial machine had to be created to meet the discovery. These

problems were not realised before the region teemed with men to wrestle

with them—men “alive to the instant need of things.” They had to begin

with so simple and elementary a matter as devising something to hold the

oil. There were not barrels enough to be bought in America, although

turpentine barrels, molasses barrels, whiskey barrels—every sort of

barrel and cask—were added to new ones made especially for oil.

Reservoirs excavated in the earth and faced with logs and cement, and

box-like structures of planks or logs were tried at first but were not

satisfactory. A young Iowa school teacher and farmer, visiting at his

home in Erie County, went to the region. Immediately he saw his chance.

It was to invent a receptacle which would hold oil in quantities.

Certain large producers listened to his scheme and furnished money to

make a trial tank. It was a success, and before many months the school

teacher was buying thousands of feet of lumber, employing scores of men,

and working them and himself—day and night. For nearly ten years he

built these wooden tanks. Then seeing that iron tanks—huge receptacles

holding thousands of barrels where his held hundreds—were bound to

supersede him, he turned, with the ready adaptability which

characterised the men of the region, to producing oil for others to

tank.

After the storing problem came that of transportation. There was one

waterway leading out—Oil Creek, as it had been called for more than a

hundred years,—an uncertain stream running the length of the narrow

valley in which the oil was found, and uniting with the Allegheny River

at what is now known as Oil City. From this junction it was 132 miles to

Pittsburg and a railroad. Besides this waterway were rough country roads

leading to the railroads at Union City, Corry, Erie and Meadville. There

was but one way to get the oil to the bank of Oil Creek or to the

railroads, and that was by putting it into barrels and hauling it.

Teamsters equipped for this service seemed to fall from the sky. The

farms for a hundred miles around gave up their boys and horses and

wagons to supply the need. It paid. There were times when three and even

four dollars a barrel were paid for hauling five or ten miles. It was

not too much for the work. The best roads over which they travelled were

narrow, rough, unmade highways, mere openings to the outer world, while

the roads to the wells they themselves had to break across fields and

through forests. These roads were made almost impassable by the great

number of heavily freighted wagons travelling over them. From the big

wells a constant procession of teams ran, and it was no uncommon thing

for a visitor to the Oil Regions to meet oil caravans of a hundred or

more wagons. Often these caravans were held up for hours by a dangerous

mud-hole into which a wheel had sunk or a horse fallen. If there was a

possible way to be made around the obstruction it was taken, even if it

led through a farmer’s field. Indeed, a sort of guerilla warfare went on

constantly between the farmers and the teamsters. Often the roads became

impassable, so that new ones had to be broken, and not even a shot-gun

could keep the driver from going where the passage was least difficult.

The teamster, in fact, carried a weapon which few farmers cared to face,

his terrible “black snake,” as his long, heavy black whip was called.

The man who had once felt the cruel lash of a “black snake” around his

legs did not often oppose the owner.

With the wages paid him the teamster could easily become a kind of

plutocrat. One old producer tells of having a teamster in his employ who

for nine weeks drew only enough of his earnings to feed himself and

horses. He slept in his wagon and tethered the team. At the end of the

time he “thought he’d go home for a clean shirt” and asked for a

settlement. It was found that he had $1,900 to his credit. The story is

a fair illustration both of the habits and the earnings of the Oil Creek

teamsters. Indispensable to the business they became the tyrants of the

region—working and brawling as suited them, a genius not unlike the

flatboat-men who once gave colour to life on the Mississippi, or the

cowboys who make the plains picturesque to-day. Bad as their reputation

was, many a man found in their ranks the start which led later to wealth

and influence in the oil business. One of the shrewdest, kindest, oddest

men the Oil Regions ever knew, Wesley Chambers, came to the top from the

teamster class. He had found his way to the creek after eight years of

unsuccessful gold-hunting in California. “There’s my chance,” he said,

when he saw the lack of teams and boats, and he set about organising a

service for transporting oil to Pittsburg. In a short time he was buying

horses of his own and building boats. Wide-awake to actualities, he saw

a few years later that the teamster and the boat were to be replaced by

the pipe-line and the railroad, and forestalled the change by becoming a

producer.

In this problem of transportation the most important element after the

team was Oil Creek and the flatboat. A more uncertain stream never ran

in a bed. In the summer it was low, in the winter frozen; now it was

gorged with ice, now running mad over the flats. The best service was

gotten out of it in time of low water through artificial freshets.

Milldams, controlled by private parties, were frequent along the creek

and its tributaries. By arrangement these dams were cut on a certain day

or days of the week, usually Friday, and on the flood or freshet the

flatboats loaded with barrels of oil were floated down stream. The

freshet was always exciting and perilous and frequently disastrous. From

the points where they were tied up the boatmen watched the coming flood

and cut themselves loose the moment after its head had passed them. As

one fleet after another swung into the roaring flood the danger of

collision and jams increased. Rare indeed was the freshet when a few

wrecks did not lie somewhere along the creek, and often scores lay piled

high on the bank—a hopeless jam of broken boats and barrels, the whole

soaked in petroleum and reeking with gas and profanity. If the boats

rode safely through to the river, there was little further danger.

The Allegheny River traffic grew to great proportions—fully 1,000 boats

and some thirty steamers were in the fleet, and at least 4,000 men. This

traffic was developed by men who saw here their opportunity of fortune,

as others had seen it in drilling or teaming. The foremost of these men

was an Ohio River captain, driven northward by the war, one J. J.

Vandergrift. Captain Vandergrift had run the full gamut of river

experiences from cabin-boy to owner and commander of his own steamers.

The war stopped his Mississippi River trade. Fitting up one of his

steamers as a gun-boat, he turned it over to Commodore Foote and looked

for a new stream to navigate. From the Oil Region at that moment the

loudest cry was for barrels. He towed 4,000 empty casks up the river,

saw at once the need of some kind of bulk transportation, took his hint

from a bulk-boat which an ingenious experimenter was trying, ordered a

dozen of them built, towed his fleet to the creek, bought oil to fill

them, and then returned to Pittsburg to sell his cargo. On one alone he

made $70,000.

But the railroad soon pressed the river hard. At the time of the

discovery of oil three lines, the Philadelphia and Erie, the Buffalo and

Erie (now the Lake Shore), connecting with the Central, and the Atlantic

and Great Western, connecting with the Erie, were within teaming

distance of the region. The points at which the Philadelphia and Erie

road could be reached were Erie, forty miles from Titusville, Union

City, twenty-two miles, and Corry, sixteen miles. The Buffalo and Erie

was reached at Erie. The Atlantic and Great Western was reached at

Meadville, Union City and Corry, and the distances were twenty-eight,

twenty-two and sixteen miles, respectively. Erie was the favourite

shipping point at first, as the wagon road in that direction was the

best. The amount of freight the railroads carried the first year of the

business was enormous. Of course connecting lines were built as rapidly

as men could work. By the beginning of 1863 the Oil Creek road, as it

was known, had reached Titusville from Corry. This gave an eastern

connection by both the Philadelphia and Erie and the Atlantic and Great

Western, but as the latter was constructing a branch from Meadville to

Franklin, the Oil Creek road became the feeder of the former

principally. Both of these roads were completed to Oil City by 1865.

The railroads built, the vexatious, time-taking, and costly problem of

getting the oil from the well to the shipping point still remained. The

teamster was still the tyrant of the business. His day was almost over.

He was to fall before the pipe-line. The feasibility of carrying oil in

pipes was discussed almost from the beginning of the oil business. Very

soon after the Drake well was struck oil men began to say that the

natural way to get this oil from the wells to the railroads was through

pipes. In many places gravity would carry it; where it could not, pumps

would force it. The belief that this could be done was so strong that as

early as February, 1862, a company was incorporated in Pennsylvania for

carrying oil in pipes or tubes from any point on Oil Creek to its mouth

or to any station on the Philadelphia and Erie Railroad. This company

seems never to have done more than get a charter. In 1863 at least three

short pipe-lines were put into operation. The first of these was a

two–inch pipe, through which distillate was pumped a distance of three

miles from the Warren refinery at Plumer to Warren’s Landing on the

Allegheny River. The one which attracted the most attention was a line

two and one-half miles in length carrying crude oil from the Tarr farm

to the Humboldt refinery at Plumer. Various other experiments were made,

both gravity and pumps being trusted for propelling the oil, but there

was always something wrong; the pipes leaked or burst, the pumps were

too weak; shifting oil centres interrupted experiments which might have

been successful. Then suddenly the man for the need appeared, Samuel Van

Syckel. He came to the creek in 1864 with some money, hoping to make

more. He handled quantities of oil produced at Pithole, several miles

from a shipping point, and saw his profits eaten up by teamsters. Their

tyranny aroused his ire and his wits and he determined to build a

pipe-line from the wells to the railroad. He was greeted with jeers, but

he went doggedly ahead, laid a two–inch pipe, put in three relay pumps,

and turned in his oil. From the start the line was a success, carrying

eighty barrels of oil an hour. The day that the Van Syckel pipe-line

began to run oil a revolution began in the business. After the Drake

well it is the most important event in the history of the Oil Regions.

The teamsters saw its meaning first and turned out in fury, dragging the

pipe, which was for the most part buried, to the surface, and cutting it

so that the oil would be lost. It was only by stationing an armed guard

that they were held in check. A second line of importance, that of

Abbott and Harley, suffered even more than that of Van Syckel. The

teamsters did more than cut the pipe; they burned the tanks in which oil

was stored, laid in wait for employees, threatened with destruction the

wells which furnished the oil, and so generally terrorised the country

that the governor of the state was called upon in April, 1866, to

protect the property and men of the lines. The day of the teamster was

over, however, and the more philosophical of them accepted the

situation; scores disappeared from the region, and scores more took to

drilling. They died hard, and the cutting and plugging of pipe-lines was

for years a pastime of the remnant of their race.

If the uses to which oil might be put and the methods for manufacturing

it had not been well understood when the Drake well was struck, there

would have been no such imperious demand as came for the immediate

opening of new territory and developing methods of handling and carrying

it on a large scale. But men knew already what the oil was good for,

and, in a crude way, how to distil it. The process of distillation also

was free to all. The essential apparatus was very simple—a cast-iron

still, usually surrounded by brickwork, a copper worm, and two tin- or

zinc-lined tanks. The still was filled with crude oil, which was

subjected to a high enough heat to vapourise it. The vapour passed

through a cast-iron goose-neck fitted to the top of the still into the

copper worm, which was immersed in water. Here the vapour was condensed

and passed into the zinc-lined tank. This product, called a distillate,

was treated with chemicals, washed with water, and run off into the

tin-lined tank, where it was allowed to settle. Anybody who could get

the apparatus could “make oil,” and many men did—badly, of course, to

begin with, and with an alarming proportion of waste and explosions and

fires, but with experience they learned, and some of the great

refineries of the country grew out of these rude beginnings.

Luckily not all the men who undertook the manufacturing of petroleum in

these first days were inexperienced. The chemists to whom are due

chiefly the processes now used—Atwood, Gessner, and Merrill—had for

years been busy making oils from coal. They knew something of petroleum,

and when it came in quantities began at once to adapt their processes to

it. Merrill at the time was connected with Samuel Downer, of Boston, in

manufacturing oil from Trinidad pitch and from coal bought in

Newfoundland. The year oil was discovered Mr. Downer distilled 7,500

tons of this coal, clearing on it at least $100,000. As soon as

petroleum appeared he and Mr. Merrill saw that here was a product which

was bound to displace their coal, and with courage and promptness they

prepared to adapt their works. In order to be near the supply they came

to Corry, fourteen miles from the Drake well, and in 1862 put up a

refinery which cost $250,000. Here were refined thousands of barrels of

oil, most of which was sent to New York for export. To the Boston works

the firm sent crude, which was manufactured for the home trade and for

shipping to California and Australia. The processes used in the Downer

works at this early day were in all essentials the same as are used

to-day.

In 1865 William Wright, after a careful study of “Petrolia,” as the Oil

Regions were then often called, published with Harper and Brothers an

interesting volume in which he devotes a chapter to “Oil Refining and

Refiners.” Mr. Wright describes there not only the Downer works at

Corry, but a factory which if much less important in the development of

the Oil Regions held a much larger place in its imagination. This was

the Humboldt works at Plumer. In 1862 two Germans, brothers, the Messrs.

Ludovici, came to the oil country and, choosing a spot distant from oil

wells, main roads, or water courses, erected an oil refinery which was

reported to have cost a half million dollars. The works were built in a

way unheard of then and uncommon now. The foundations were all of cut

stone. The boiler and engines were of the most expensive character. A

house erected in connection with the refinery was said to have been

finished in hard wood with marble mantels, and furnished with rich

carpets, mirrors, and elaborate furniture. The lavishness of the

Humboldt refinery and the formality with which its business was

conducted were long a tradition in the Oil Regions. Of more practical

moment are the features of the refinery which Mr. Wright mentions: one

is that the works had been so planned as to take advantage of the

natural descent of the ground so that the oil would pass from one set of

vessels to another without using artificial power, and the other that

the supply of crude oil was obtained from the Tarr farm three miles

away, being forced by pumps, through pipes, over the hills.

Mr. Wright found some twenty refineries between Titusville and Oil City

the year of his visit, 1865. In several factories that he visited they

were making naphtha, gasoline, and benzine for export. Three grades of

illuminating oils—“prime white,” “standard white,” and “straw

colour”—were made everywhere; paraffine, refined to a pure white article

like that of to-day, was manufactured in quantities by the Downer works;

and lubricating oils were beginning to be made.

As men and means were found to put down wells, to devise and build tanks

and boats and pipes and railroads for handling the oil, to adapt and

improve processes for manufacturing, so men were found from the

beginning of the oil business to wrestle with every problem raised. They

came in shoals, young, vigorous, resourceful, indifferent to

difficulties, greedy for a chance, and with each year they forced more

light and wealth from the new product. By the opening of 1872 they had

produced nearly 40,000,000 barrels of oil, and had raised their product

to the fourth place among the exports of the United States, over

152,000,000 gallons going abroad in 1871, a percentage of the production

which compares well with what goes to-day.[3] As for the market, they

had developed it until it included almost every country of the

earth—China, the East and West Indies, South America and Africa. Over

forty different European ports received refined oil from the United

States in 1871. Nearly a million gallons were sent to Syria, about a

half million to Egypt, about as much to the British West Indies, and a

quarter of a million to the Dutch East Indies. Not only were

illuminating oils being exported. In 1871 nearly seven million gallons

of naphtha, benzine, and gasoline were sent abroad, and it became

evident now for the first time that a valuable trade in lubricants made

from petroleum was possible. A discovery by Joshua Merrill of the Downer

works opened this new source of wealth to the industry. Until 1869 the

impossibility of deodorising petroleum had prevented its use largely as

a lubricant, but in that year Mr. Merrill discovered a process by which

a deodorised lubricating oil could be made. He had both the apparatus

for producing the oil and the oil itself patented. The oil was so

favourably received that the market sale by the Downer works was several

hundred per cent. greater in a single year than the firm had ever sold

before.

The oil field had been extended from the valley of Oil Creek and its

tributaries down the Allegheny River for fifty miles and probably

covered 2,000 square miles. The early theory that oil followed the

streams had been exploded, and wells were now drilled on the hills. It

was known, too, that if oil was found in the first sand struck in the

drilling, it might be found still lower in a second or third sand. The

Drake well had struck oil at 69½ feet, but wells were now drilled as

deep as 1,600 feet. The extension of the field, the discovery that oil

was under the hills as well as under streams, and to be found in various

sands, had cost enormously. It had been done by “wild-catting,” as

putting down experimental wells was called, by following superstitions

in locating wells, such as the witch-hazel stick, or the spiritualistic

medium, quite as much as by studying the position of wells in existence

and calculating how oil belts probably ran. As the cost of a well was

from $3,000 to $8,000,[4] according to its location, and as 4,374 of the

5,560 wells drilled in the first ten years of the business (1859 to

1869) were “dry-holes,” or were abandoned as unprofitable, something of

the daring it took to operate on small means, as most producers did in

the beginning, is evident. But they loved the game, and every man of

them would stake his last dollar on the chance of striking oil.

With the extension of the field rapid strides had been made in tools, in

rigs, in all of the various essentials of drilling a well. They had

learned to use torpedoes to open up hard rocks, naphtha to cut the

paraffine which coated the sand and stopped the flow of oil, seed bags

to stop the inrush of a stream of water. They lost their tools less

often, and knew better how to fish for them when they did. In short,

they had learned how to put down and care for oil wells.

Equal advances had been made in other departments, fewer cars were

loaded with barrels, tank cars for carrying in bulk had been invented.

The wooden tank holding 200 to 1,200 barrels had been rapidly replaced

by the great iron tank holding 20,000 or 30,000 barrels. The pipe-lines

had begun to go directly to the wells instead of pumping from a general

receiving station, or “dump,” as it was called, thus saving the tedious

and expensive operation of hauling. From beginning to end the business

had been developed, systematised, simplified.

Most important was the simplification of the transportation problem by

the development of pipe-lines. By 1872 they were the one oil gatherer.

Several companies were carrying on the pipe-line business, and two of

them had acquired great power in the Oil Regions because of their

connection with trunk lines. These were the Empire Transportation

Company and the Pennsylvania Transportation Company. The former, which

had been the first business organisation to go into the pipe-line

business on a large scale, was a concern which had appeared in the Oil

Regions not over six months before Van Syckel began to pump oil. The

Empire Transportation Company had been organised in 1865 to build up an

east and west freight traffic \_via\_ the Philadelphia and Erie Railroad,

a new line which had just been leased by the Pennsylvania. Some ten

railroads connected in one way or another with the Philadelphia and

Erie, forming direct routes east and west. In spite of their evident

community of interest these various roads were kept apart by their

jealous fears of one another. Each insisted on its own time-table, its

own rates, its own way of doing things. The shipper \_via\_ this route

must make a separate bargain with each road and often submit to having

his freight changed at terminals from one car to another because of the

difference of gauge. The Empire Transportation Company undertook to act

as a mediator between the roads and the shipper, to make the route

cheap, fast, and reliable. It proposed to solicit freight, furnish its

own cars and terminal facilities, and collect money due. It did not make

rates, however; it only harmonised those made by the various branches in

the system. It was to receive a commission on the business secured, and

a rental for the cars and other facilities it furnished.

It was a difficult task the new company undertook, but it had at its

head a remarkable man to cope with difficulties. This man, Joseph D.

Potts, was in 1865 thirty-six years old. He had come of a long and

honourable line of iron-masters of the Schuylkill region of

Pennsylvania, but had left the great forge towns with which his

ancestors had been associated—Pottstown, Glasgow Forge, Valley Forge—to

become a civil engineer. His profession had led him to the service of

the Pennsylvania Railroad, where he had held important positions in

connection with which he now undertook the organisation of the Empire

Transportation Company. Colonel Potts—the title came from his service in

the Civil War—possessed a clear and vigorous mind; he was far-seeing,

forceful in execution, fair in his dealings. To marked ability and

integrity he joined a gentle and courteous nature.

The first freight which the Empire Transportation Company attacked after

its organisation was oil. The year was a great one for the Oil Regions,

the year of Pithole. In January there had suddenly been struck on

Pithole Creek in a wilderness six miles from the Allegheny River a well,

located with a witch-hazel twig, which produced 250 barrels a day—and

oil was selling at eight dollars a barrel! Wells followed in rapid

succession. In less than ten months the field was doing over 10,000

barrels a day. This sudden flood of oil caused a tremendous excitement.

Crowds of speculators and investors rushed to Pithole from all over the

country. The Civil War had just closed, soldiers were disbanding, and

hundreds of them found their way to the new oil field. In six weeks

after the first well was struck Pithole was a town of 6,000 inhabitants.

In less than a year it had fifty hotels and boardinghouses; five of

these hotels cost $50,000 or more each. In six months after the first

well the post-office of Pithole was receiving upwards of 10,000 letters

per day and was counted third in size in the state—Philadelphia,

Pittsburg, and Pithole being the order of rank. It had a daily paper,

churches, all the appliances of a town.

The handling of the great output of oil from the Pithole field was a

serious question. There seemed not enough cars in the country to carry

it and shippers resorted to every imaginable trick to get

accommodations. When the agent of the Empire Transportation Company

opened his office in June, 1865, and demonstrated his ability to furnish

cars regularly and in large numbers, trade rapidly flowed to him. Now

the Empire agency had hardly been established when the Van Syckel

pipe-line began to carry oil from Pithole to the railroad. Lines began

to multiply. The railroads saw at once that they were destined speedily

to do all the gathering and hastened to secure control of them. Colonel

Potts’s first pipe-line purchase was a line running from Pithole to

Titusville, which as yet had not been wet.

When the Empire Transportation Company took over this line nothing had

been demonstrated but that oil could be driven, by relay pumps, five

miles through a two–inch pipe. The Empire’s first effort was to get a

longer run by fewer pumps. The agent in charge, C. P. Hatch, believed

that oil could be brought the entire ten and one-half miles from Pithole

to Titusville by one pump. He met with ridicule, but he insisted on

trying it in the new line his company had acquired. The experiment was

entirely successful. Improvements followed as rapidly as hands could

carry out the suggestions of ingenuity and energy. One of the most

important made the first year of the business was connecting wells by

pipe directly with the tanks at the pumping stations, thus doing away

with the expensive hauling in barrels to the “dump.” A new device for

accounting to the producer for his oil was made necessary by this

change, and the practice of taking the gauge or measure of the oil in

the producer’s tank before and after the run and issuing duplicate “run

tickets” was devised by Mr. Hatch. The producers, however, were not all

“square”; it sometimes happened that they sold oil by a transfer order

on the pipe-line, which they did not have in the line! To prevent these

the Empire Transportation Company in 1868 began to issue certificates

for credit balances of oil; these soon became the general mediums of

trade in oil, and remain so to-day.

One of the cleverest of the pipe-line devices of the Empire Company was

its assessment for waste and fire. In running oil through pipes there is

more or less lost by leaking and evaporation. In September, 1868, Mr.

Hatch announced that thereafter he would deduct two per cent. from oil

runs for wastage. The assessment raised almost a riot in the region,

meetings were held, the Empire Transportation Company was denounced as a

highway robber, and threats of violence were made if the order was

enforced. While this excitement was in progress there came a big fire on

the line. Now the company’s officials had been studying the question of

fire insurance from the start. Fires in the Oil Regions were as regular

a feature of the business as explosions used to be on the Mississippi

steamboats, and no regular fire insurance company would take the risk.

It had been decided that at the first fire there should be announced

what was called a “general average assessment,” that is, a fire tax, and

to be ready, blanks had been prepared. Now in the thick of the

resistance to the wastage assessment came a fire and the line announced

that the producers having oil in the line must pay the insurance. The

controversy at once waxed hotter than ever, but was finally compromised

by the withdrawal in this case of the fire insurance if the producers

would consent to the tax for waste. They did consent, and later when

fires occurred the general average assessment was applied without

serious opposition. Both of these practices prevail to-day. By the end

of 1871 the Empire Transportation Company was one of the most efficient

and respected business organisations in the oil country.

Its chief rival was the Pennsylvania Transportation Company, an

organisation which had its origin in the second pipe-line laid in the

Oil Regions. This line was built by Henry Harley, a man who for fully

ten years was one of the most brilliant figures in the oil country.

Harley was a civil engineer by profession, a graduate of the Troy

Polytechnic Institute, and had held a responsible position for some time

as an assistant of General Herman Haupt in the Hoosac Tunnel. He became

interested in the oil business in 1862, first as a buyer of petroleum,

then as an operator in West Virginia. In 1865 he laid a pipe-line from

one of the rich oil farms of the creek to the railroad. It was a

success, and from this venture Harley and his partner, W. H. Abbott, one

of the wealthiest and most active men in the country, developed an

important transportation system. In 1868 Jay Gould, who as president of

the Erie road was eager to increase his oil freight, bought a

controlling interest in the Abbott and Harley lines, and made Harley

“General Oil Agent” of the Erie system. Harley now became closely

associated with Fisk and Gould, and the three carried on a series of

bold and piratical speculations in oil which greatly enraged the oil

country. They built a refinery near Jersey City, extended their

pipe-line system, and in 1871, when they reorganised under the name of

the Pennsylvania Transportation Company, they controlled probably the

greatest number of miles of pipe of any company in the region, and then

were fighting the Empire bitterly for freight.

There is no part of this rapid development of the business more

interesting than the commercial machine the oil men had devised by 1872

for marketing oil. A man with a thousand-barrel well on his hands in

1862 was in a plight. He had got to sell his oil at once for lack of

storage room or let it run on the ground, and there was no exchange, no

market, no telegraph, not even a post-office within his reach where he

could arrange a sale. He had to depend on buyers who came to him. These

buyers were the agents of the refineries in different cities, or of the

exporters of crude in New York. They went from well to well on

horseback, if the roads were not too bad, on foot if they were, and at

each place made a special bargain varying with the quantity bought and

the difficulty in getting it away, for the buyer was the transporter,

and, as a rule, furnished the barrels or boats in which he carried off

his oil. It was not long before the speculative character of the oil

trade due to the great fluctuations in quantity added a crowd of brokers

to the regular buyers who tramped up and down the creek. When the

railroads came in the trains became the headquarters for both buyers and

sellers. This was the more easily managed as the trains on the creek

stopped at almost every oil farm. These trains became, in fact, a sort

of travelling oil exchange, and on them a large percentage of all the

bargaining of the business was done.

The brokers and buyers first organised and established headquarters in

Oil City in 1869, but there was an oil exchange in New York City as

early as 1866. Titusville did not have an exchange until 1871. By this

time the pipe-lines had begun to issue certificates for the oil they

received, and the trading was done to a degree in these. The method was

simple, and much more convenient than the old one. The producer ran his

oil into a pipe-line, and for it received a certificate showing that the

line held so much to his credit; this certificate was transferred when

the sale was made and presented when the oil was wanted.

One achievement of which the oil men were particularly proud was

increasing the refining capacity of the region. At the start the

difficulty of getting the apparatus for a refinery to the creek had been

so enormous that the bulk of the crude had been driven to the nearest

manufacturing cities—Erie, Pittsburg, Cleveland. Much had gone to the

seaboard, too, and Boston, New York, Philadelphia and Baltimore were all

doing considerable refining. There was always a strong feeling in the

Oil Regions that the refining should be done at home. Before the

railroads came the most heroic efforts were made again and again to get

in the necessary machinery. Brought from Pittsburg by water, as a rule,

the apparatus had to be hauled from Oil City, where it had been dumped

on the muddy bank of the river—there were no wharfs—over the

indescribable roads to the site chosen. It took weeks—months

sometimes—to get in the apparatus. The chemicals used in the making of

the oil, the barrels in which to store it—all had to be brought from

outside. The wonder is that under these conditions anybody tried to

refine on the creek. But refineries persisted in coming, and after the

railroads came, increased; by 1872 the daily capacity had grown to

nearly 10,000 barrels, and there were no more complete or profitable

plants in existence than two or three of those on the creek. The only

points having larger daily capacity were Cleveland and New York City.

Several of the refineries had added barrel works. Acids were made on the

ground. Iron works at Oil City and Titusville promised soon to supply

the needs of both drillers and refiners. The exultation was great, and

the press and people boasted that the day would soon come when they

would refine for the world. There in their own narrow valleys should be

made everything which petroleum would yield. Cleveland, Pittsburg—the

seaboard—must give up refining. The business belonged to the Oil

Regions, and the oil men meant to take it.

A significant development in the region was the tendency among many of

the oil men to combine different branches of the business. Several large

producers conducted shipping agencies for handling their own and other

people’s oil. The firm of Pierce and Neyhart was a prominent one

carrying on this double business in the sixties and early seventies. J.

J. Vandergrift, who has been mentioned already as one of the first men

to take hold of the transportation problem, early became interested in

production. As soon as the pipe-line was demonstrated to be a success he

began building lines. He also added to his interests a large refinery,

the Imperial of Oil City. Captain Vandergrift by 1870 produced,

transported and refined his own oil as well as transported and refined

much of other people’s. It was a common practice for a refinery in the

Oil Regions to pipe oil directly to its works by its own line, and in

1872 one refinery in Titusville, the Octave, carried its refined oil a

mile or more by pipe to the railroad. Although most of the refineries at

this period sold their products to dealers and exporters, the building

up of markets by direct contact with new territory was beginning to be a

consideration with all large manufacturers. The Octave of Titusville,

for instance, chartered a ship in 1872 to load with oil and send in

charge of its own agent into South American ports.

The odds against the oil men in developing the business had not been

merely physical ones. There had been more than the wilderness to

conquer, more than the possibilities of a new product to learn. Over all

the early years of their struggle and hardships hovered the dark cloud

of the Civil War. They were so cut off from men that they did not hear

of the fall of Sumter for four days after it happened, and the news for

the time blotted out interest even in flowing wells. Twice at least when

Lee invaded Pennsylvania the whole business came to a stand-still, men

abandoning the drill, the pump, the refinery to make ready to repel the

invader. They were taxed for the war—taxes rising to ten dollars per

barrel in 1865—one dollar on crude and twenty cents a gallon on refined

(the oil barrel is usually estimated at forty-two gallons). They gave up

their quota of men again and again at the call for recruits, and when

the end came and a million men were cast on the country, this little

corner of Pennsylvania absorbed a larger portion of men probably than

any other spot in the United States. The soldier was given the first

chance everywhere at work, he was welcomed into oil companies, stock

being given him for the value of his war record. There were lieutenants

and captains and majors—even generals—scattered all over the field, and

the field felt itself honoured, and bragged, as it did of all things, of

the number of privates and officers who immediately on disbandment had

turned to it for employment.

It was not only the Civil War from which the Oil Regions had suffered;

in 1870 the Franco-Prussian War broke the foreign market to pieces and

caused great loss to the whole industry. And there had been other

troubles. From the first, oil men had to contend with wild fluctuations

in the price of oil. In 1859 it was twenty dollars a barrel, and in 1861

it had averaged fifty-two cents. Two years later, in 1863, it averaged

$8.15, and in 1867 but $2.40. In all these first twelve years nothing

like a steady price could be depended on, for just as the supply seemed

to have approached a fixed amount, a “wildcat” well would come in and

“knock the bottom out of the market.” Such fluctuations were the natural

element of the speculator, and he came early, buying in quantities and

holding in storage tanks for higher prices. If enough oil was held, or

if the production fell off, up went the price, only to be knocked down

by the throwing of great quantities of stocks on the market. The

producers themselves often held their oil, though not always to their

own profit. A historic case of obstinate holding occurred in 1871 on the

“McCray farm,” the most productive field in the region at that time.

Prices were hovering around three dollars, and McCray swore he would not

sell under five dollars. He bought, hired and built iron tankage until

he had upward of 200,000 barrels. There was great loss from leakage and

from evaporation and there were taxes, but McCray held on, refusing four

dollars, $4.50, and even five dollars. Evil times came in the Oil

Regions soon after and with them “dollar oil.” McCray finally was

obliged to sell his stocks at about $1.20 per barrel. To develop a

business in face of such fluctuations and speculation in the raw product

took not only courage—it took a dash of the gambler. It never could have

been done, of course, had it not been for the streams of money which

flowed unceasingly and apparently from choice into the regions. In 1865

Mr. Wright calculated that the oil country was using a capital of

$100,000,000. In 1872 the oil men claimed the capital in operation was

$200,000,000. It has been estimated that in the first decade of the

industry nearly $350,000,000 was put into it.

Speculation in oil stock companies was another great evil. It reached

its height in 1864 and 1865—the “flush times” of the business. Stocks in

companies whose holdings were hardly worth the stamps on the

certificates were sold all over the land. In March, 1865, the aggregate

capital of the oil companies whose charters were on file in Albany, New

York, was $350,000,000, and in Philadelphia alone in 1864 and 1865 1,000

oil companies, mostly bogus, are said to have been formed. These

swindles were dignified by the names of officers of distinction in the

United States army, for the war was coming to an end and the name of a

general was the most popular and persuasive argument in the country. Of

course there came a collapse. The “oil bubble” burst in 1866, and it was

nothing but the irrepressible energy of the region which kept the

business going in the panic which followed.

Then there was the disturbing effect of foreign competition. What would

become of them if oil was found in quantities in other countries? A

decided depression of the market occurred in 1866 when the government

sent out reports of developments of foreign oil fields. If there was oil

in Japan, China, Burmah, Persia, Russia, Bavaria, in the quantities the

government reports said, why, there was trouble in store for

Pennsylvania, the oil men argued, and for a day the market fell—it was

only for a day. Men forgot easily in the Oil Regions in the sixties.

An evil in their business which they were only beginning to grasp fully

in 1871 was the unholy system of freight discrimination which the

railroads were practising. Three trunk lines competed for the business

by 1872—the Pennsylvania, which had leased the Philadelphia and Erie,

the Erie and the Central. (The latter road reached the Oil Regions by a

branch from Ashtabula on the Lake Shore and Michigan Southern division

to Oil City; this branch was completed in 1868.) The Pennsylvania

claimed the oil traffic as a natural right; for the Oil Regions were in

Pennsylvania, and did not Tom Scott own that state? The Erie road for

about five years had been in the hands of those splendid pirates, Jay

Gould and “Jim” Fisk. Naturally they took all they could get of the oil

traffic and took it by freebooting methods. “Corners” and “rings” were

their favourite devices for securing trade, and more than once their aid

had carried through daring and unscrupulous speculations in oil. The

Central in this period was waging its famous desperate war on the Erie,

Commodore Vanderbilt having marked that highway for his own along with

most other things in New York State. All three of the roads began as

early as 1868 to use secret rebates on the published freight rates in

oil as a means of securing traffic. This practice had gone on until in

1871 any big producer, refiner, or buyer could bully a freight agent

into a special rate. Those “on the inside,” those who had “pulls,” also

secured special rates. The result was that the open rate was enforced

only on the innocent and the weak.

Serious as all these problems were, there was no discouragement or

shrinking from them. The oil men had rid themselves of bunco men and

burst the “oil bubbles.” They had harnessed the brokers in exchanges and

made strict rules to govern them. They had learned not to fear the

foreigners, and to take with equal \_sang froid\_ the “dry-hole” which

made them poor, or the “gusher” which made them rich. For every evil

they had a remedy. They were not afraid even of the railroads, and

loudly declared that if the discriminations were not stopped they would

build a railroad of their own. Indeed, the evils in the oil business in

1871, far from being a discouragement, rather added to the interest.

They had never known anything but struggle—with conquest—and twelve

years of it was far from cooling their ardour for a fair fight.

More had been done in the Oil Regions in the first dozen years than the

development of a new industry. From the first there had gone with the

oil men’s ambition to make oil to light the whole earth a desire to

bring civilisation to the wilderness from which they were drawing

wealth, to create an orderly society from the mass of humanity which

poured pell-mell into the region. A hatred of indecency first drew

together the better element of each of the rough communities which

sprang up. Whiskey-sellers and women flocked to the region at the

breaking out of the excitement. Their first shelters were shanties built

on flatboats which were towed from place to place: They came to

Rouseville—a collection of pine shanties and oil derricks, built on a

muddy flat—as forlorn and disreputable a town in appearance as the earth

ever saw. They tied up for trade, and the next morning woke up from

their brawl to find themselves twenty miles away, floating down the

Allegheny River. Rouseville meant to be decent. She had cut them loose,

and by such summary vigilance she kept herself decent. Other towns

adopted the same policy. By common consent vice was corralled largely in

one town. Here a whole street was given up to dance-houses and saloons,

and those who must have a “spree” were expected to go to Petroleum

Centre to take it.

[Illustration:

FAC-SIMILE OF A LABEL USED BY S. M. KIER IN ADVERTISING ROCK-OIL

OBTAINED IN DRILLING SALT WELLS NEAR TARENTUM, PENNSYLVANIA

]

[Illustration:

FAGUNDUS—A TYPICAL OIL TOWN

]

Decency and schools! Vice cut adrift, they looked for a school teacher.

Children were sadly out of place, but there they were, and these men,

fighting for a chance, saw to it that a shanty, with a school teacher in

it, was in every settlement. It was not long, too, before there was a

church, a union church. To worship God was their primal instinct; to

defend a creed a later development. In the beginning every social

contrivance was wanting. There were no policemen, and each individual

looked after evil-doers. There were no firemen, and every man turned out

with a bucket at a fire. There were no bankers, and each man had to put

his wealth away as best he could until a peripatetic banker from

Pittsburg relieved him. At one time Dr. Egbert, a rich operator, is said

to have had $1,800,000 in currency in his house. There were no

hospitals, and in 1861, when the horrible possibilities of the oil fire

were first demonstrated by the burning of the Rouse well, a fire at

which nineteen persons lost their lives, the many injured found welcome

and care for long weeks in the little shanties of women already

overburdened by the difficulties of caring for families in the rough

community.

Out of this poverty and disorder they had developed in ten years a

social organisation as good as their commercial. Titusville, the hamlet

on whose outskirts Drake had drilled his well, was now a city of 10,000

inhabitants. It had an opera house, where in 1871 Clara Louise Kellogg

and Christine Nilsson sang, Joe Jefferson and Janauschek played, and

Wendell Phillips and Bishop Simpson spoke. It had two prosperous and

fearless newspapers. Its schools prepared for college. Oil City was not

behind, and between them was a string of lively towns. Many of the oil

farms had a decent community life. The Columbia farm kept up a library

and reading-room for its employees; there was a good schoolhouse used on

Sunday for services, and there was a Columbia farm band of no mean

reputation in the Oil Regions.

Indeed, by the opening of 1872, life in the Oil Regions had ceased to be

a mere make-shift. Comforts and orderliness and decency, even

opportunities for education and for social life, were within reach. It

was a conquest to be proud of, quite as proud of as they were of the

fact that their business had been developed until it had never before,

on the whole, been in so satisfactory a condition.

Nobody realised more fully what had been accomplished in the Oil Regions

than the oil men themselves. Nobody rehearsed their achievements so

loudly. “In ten years,” they were fond of saying, “we have built this

business up from nothing to a net product of six millions of barrels per

annum. We have invented and devised all the apparatus, the appliances,

the forms needed for a new industry. We use a capital of $200,000,000,

and support a population of 60,000 people. To keep up our supply we

drill 100 new wells per month, at an average cost of $6,000 each. We are

fourth in the exports of the United States. We have developed a foreign

market, including every civilised country on the globe.”

But what had been done was, in their judgment, only a beginning. Life

ran swift and ruddy and joyous in these men. They were still young, most

of them under forty, and they looked forward with all the eagerness of

the young who have just learned their powers, to years of struggle and

development. They would solve all these perplexing problems of

over-production, of railroad discrimination, of speculation. They would

meet their own needs. They would bring the oil refining to the region

where it belonged. They would make their towns the most beautiful in the

world. There was nothing too good for them, nothing they did not hope

and dare. But suddenly, at the very heyday of this confidence, a big

hand reached out from nobody knew where, to steal their conquest and

throttle their future. The suddenness and the blackness of the assault

on their business stirred to the bottom their manhood and their sense of

fair play, and the whole region arose in a revolt which is scarcely

paralleled in the commercial history of the United States.

CHAPTER TWO

THE RISE OF THE STANDARD OIL COMPANY

JOHN D. ROCKEFELLER’S FIRST CONNECTION WITH THE OIL BUSINESS—STORIES

OF HIS EARLY LIFE IN CLEVELAND—HIS FIRST PARTNERS—ORGANISATION OF

THE STANDARD OIL COMPANY IN JUNE, 1870—ROCKEFELLER’S ABLE

ASSOCIATES—FIRST EVIDENCE OF RAILWAY DISCRIMINATIONS IN THE OIL

BUSINESS—REBATES FOUND TO BE GENERALLY GIVEN TO LARGE SHIPPERS—FIRST

PLAN FOR A SECRET COMBINATION—THE SOUTH IMPROVEMENT COMPANY—SECRET

CONTRACTS MADE WITH THE RAILROADS PROVIDING REBATES AND

DRAWBACKS—ROCKEFELLER AND ASSOCIATES FORCE CLEVELAND REFINERS TO

JOIN THE NEW COMBINATION OR SELL—RUMOUR OF THE PLAN REACHES THE OIL

REGIONS.

The chief refining competitor of Oil Creek in 1872 was Cleveland, Ohio.

Since 1869 that city had done annually more refining than any other

place in the country. Strung along the banks of Walworth and Kingsbury

Runs, the creeks to which the city frequently banishes her heavy and

evil-smelling burdens, there had been since the early sixties from

twenty to thirty oil refineries. Why they were there, more than 200

miles from the spot where the oil was taken from the earth, a glance at

a map of the railroads of the time will show: By rail and water

Cleveland commanded the entire Western market. It had two trunk lines

running to New York, both eager for oil traffic, and by Lake Erie and

the canal it had for a large part of the year a splendid cheap waterway.

Thus, at the opening of the oil business, Cleveland was destined by

geographical position to be a refining center.

Men saw it, and hastened to take advantage of the opportunity. There was

grave risk. The oil supply might not hold out. As yet there was no

certain market for refined oil. But a sure result was not what drew

people into the oil business in the early sixties. Fortune was running

fleet-footed across the country, and at her garment men clutched. They

loved the chase almost as they did success, and so many a man in

Cleveland tried his luck in an oil refinery, as hundreds on Oil Creek

were trying it in an oil lease. By 1865 there were thirty refineries in

the town, with a capital of about a million and a half dollars and a

daily capacity of some 2,000 barrels. The works multiplied rapidly. The

report of the Cleveland Board of Trade for 1866 gives the number of

plants at the end of that year as fifty, and it dilates eloquently on

the advantages of Cleveland as a refining point over even Pittsburg, to

that time supposed to be the natural centre for the business. If the

railroad and lake transportation men would but adopt as liberal a policy

toward the oil freights of Cleveland as the Pennsylvania Railroad was

adopting toward that of Pittsburg, aided by her natural advantages the

town was bound to become the greatest oil refining centre in the United

States. By 1868 the Board of Trade reported joyfully that Cleveland was

receiving within 300,000 barrels as much oil as Pittsburg. In 1869 she

surpassed all competitors. “Cleveland now claims the leading position

among the manufacturers of petroleum with a very reasonable prospect of

holding that rank for some time to come,” commented the Board of Trade

report. “Each year has seen greater consolidation of capital, greater

energy and success in prosecuting the business, and, notwithstanding

some disastrous fires, a stronger determination to establish an

immovable reputation for the quantity and quality of this most important

product. The total capital invested in this business is not less than

four millions of dollars and the total product of the year would not

fall short of fifteen millions.”

Among the many young men of Cleveland who, from the start, had an eye on

the oil-refining business and had begun to take an active part in its

development as soon as it was demonstrated that there was a reasonable

hope of its being permanent, was a young firm of produce commission

merchants. Both members of this firm were keen business men, and one of

them had remarkable commercial vision—a genius for seeing the

possibilities in material things. This man’s name was Rockefeller—John

D. Rockefeller. He was but twenty-three years old when he first went

into the oil business, but he had already got his feet firmly on the

business ladder, and had got them there by his own efforts. The habit of

driving good bargains and of saving money had started him. He himself

once told how he learned these lessons so useful in money-making, in one

of his frequent Sunday-school talks to young men on success in business.

The value of a good bargain he learned in buying cord-wood for his

father: “I knew what a cord of good solid beech and maple wood was. My

father told me to select only the solid wood and the straight wood and

not to put any limbs in it or any punky wood. That was a good training

for me. I did not need any father to tell me or anybody else how many

feet it took to make a cord of wood.”

And here is how he learned the value of investing money:

“Among the early experiences that were helpful to me that I recollect

with pleasure was one in working a few days for a neighbour in digging

potatoes—a very enterprising, thrifty farmer, who could dig a great many

potatoes. I was a boy of perhaps thirteen or fourteen years of age, and

it kept me very busy from morning until night. It was a ten-hour day.

And as I was saving these little sums I soon learned that I could get as

much interest for fifty dollars loaned at seven per cent.—the legal rate

in the state of New York at that time for a year—as I could earn by

digging potatoes for 100 days. The impression was gaining ground with me

that it was a good thing to let the money be my slave and not make

myself a slave to money.” Here we have the foundation principles of a

great financial career.

[Illustration:

JOHN D. ROCKEFELLER IN 1872

]

When young Rockefeller was thirteen years old, his father moved from the

farm in Central New York, where the boy had been born (July 8, 1839), to

a farm near Cleveland, Ohio. He went to school in Cleveland for three

years. In 1855 it became necessary for him to earn his own living. It

was a hard year in the West and the boy walked the streets for days

looking for work. He was about to give it up and go to the country when,

to quote the story as Mr. Rockefeller once told it to his Cleveland

Sunday-school, “As good fortune would have it I went down to the dock

and made one more application, and I was told that if I would come in

after dinner—our noon-day meal was dinner in those days—they would see

if I could come to work for them. I went down after dinner and I got the

position, and I was permitted to remain in the city.” The position, that

of a clerk and bookkeeper, was not lucrative. According to a small

ledger which has figured frequently in Mr. Rockefeller’s religious

instructions, he earned from September 26, 1855, to January, 1856, fifty

dollars. “Out of that,” Mr. Rockefeller told the young men of his

Sunday-school class, “I paid my washerwoman and the lady I boarded with,

and I saved a little money to put away.”

[Illustration:

Fragment of a page in the city directory of Cleveland, Ohio, for 1857.

This is the first year in which the name John D. Rockefeller appears

in the directory. The same entry is made in 1858. The next year,

1859, Mr. Rockefeller is entered as a member of the firm of Clark

and Rockefeller.

]

He proved an admirable accountant—one of the early-and-late sort, who

saw everything, forgot nothing and never talked. In 1856 his salary was

raised to twenty-five dollars a month, and he went on always “saving a

little money to put away.” In 1858 came a chance to invest his savings.

Among his acquaintances was a young Englishman, M. B. Clark. Older by

twelve years than Rockefeller he had left a hard life in England when he

was twenty to seek fortune in America. He had landed in Boston in 1847,

without a penny or a friend, and it had taken three months for him to

earn money to get to Ohio. Here he had taken the first job at hand, as

man-of-all-work, wood-chopper, teamster. He had found his way to

Cleveland, had become a valuable man in the houses where he was

employed, had gone to school at nights, had saved money. They were two

of a kind, Clark and Rockefeller, and in 1858 they pooled their earnings

and started a produce commission business on the Cleveland docks. The

venture succeeded. Local historians credit Clark and Rockefeller with

doing a business of $450,000 the first year. The war came on, and as

neither partner went to the front, they had full chance to take

advantage of the opportunity for produce business a great army gives. A

greater chance than furnishing army supplies, lucrative as most people

found that, was in the oil business (so Clark and Rockefeller began to

think), and in 1862, when an Englishman of ability and energy, one

Samuel Andrews, asked them to back him in starting a refinery, they put

in $4,000 and promised to give more if necessary. Now Andrews was a

mechanical genius. He devised new processes, made a better and better

quality of oil, got larger and larger percentages of refined from his

crude. The little refinery grew big, and Clark and Rockefeller soon had

$100,000 or more in it. In the meantime Cleveland was growing as a

refining centre. The business which in 1860 had been a gamble was by

1865 one most promising industries of the town. It was but the

beginning—so Mr. Rockefeller thought—and in that year he sold out his

share of the commission business and put his money into the oil firm of

Rockefeller and Andrews.

In the new firm Andrews attended to the manufacturing. The pushing of

the business, the buying and the selling, fell to Rockefeller. From the

start his effect was tremendous. He had the frugal man’s hatred of waste

and disorder, of middlemen and unnecessary manipulation, and he began a

vigorous elimination of these from his business. The residuum that other

refineries let run into the ground, he sold. Old iron found its way to

the junk shop. He bought his oil directly from the wells. He made his

own barrels. He watched and saved and contrived. The ability with which

he made the smallest bargain furnishes topics to Cleveland story-tellers

to-day. Low-voiced, soft-footed, humble, knowing every point in every

man’s business, he never tired until he got his wares at the lowest

possible figure. “John always got the best of the bargain,” old men tell

you in Cleveland to-day, and they wince though they laugh in telling it.

“Smooth,” “a \_savy\_ fellow,” is their description of him. To drive a

good bargain was the joy of his life. “The only time I ever saw John

Rockefeller enthusiastic,” a man told the writer once, “was when a

report came in from the creek that his buyer had secured a cargo of oil

at a figure much below the market price. He bounded from his chair with

a shout of joy, danced up and down, hugged me, threw up his hat, acted

so like a madman that I have never forgotten it.”

He could borrow as well as bargain. The firm’s capital was limited;

growing as they were, they often needed money, and had none. Borrow they

must. Rarely if ever did Mr. Rockefeller fail. There is a story handed

down in Cleveland from the days of Clark and Rockefeller, produce

merchants, which is illustrative of his methods. One day a well-known

and rich business man stepped into the office and asked for Mr.

Rockefeller. He was out, and Clark met the visitor. “Mr. Clark,” he

said, “you may tell Mr. Rockefeller, when he comes in, that I think I

can use the $10,000 he wants to invest with me for your firm. I have

thought it all over.”

“Good God!” cried Clark, “we don’t want to invest $10,000. John is out

right now trying to borrow $5,000 for us.”

It turned out that to prepare him for a proposition to borrow $5,000 Mr.

Rockefeller had told the gentleman that he and Clark wanted to invest

$10,000!

“And the joke of it is,” said Clark, who used to tell the story, “John

got the $5,000 even after I had let the cat out of the bag. Oh, he was

the greatest borrower you ever saw!”

These qualities told. The firm grew as rapidly as the oil business of

the town, and started a second refinery—William A. Rockefeller and

Company. They took in a partner, H. M. Flagler, and opened a house in

New York for selling oil. Of all these concerns John D. Rockefeller was

the head. Finally, in June, 1870, five years after he became an active

partner in the refining business, Mr. Rockefeller combined all his

companies into one—the Standard Oil Company. The capital of the new

concern was $1,000,000. The parties interested in it were John D.

Rockefeller, Henry M. Flagler, Samuel Andrews, Stephen V. Harkness, and

William Rockefeller.[5]

[Illustration:

Map of Northwestern Pennsylvania, showing the relation of the Oil

Regions to the railroads in 1859, when oil was “discovered.”

]

The strides the firm of Rockefeller and Andrews made after the former

went into it were attributed for three or four years mainly to his

extraordinary capacity for bargaining and borrowing. Then its chief

competitors began to suspect something. John Rockefeller might get his

oil cheaper now and then, they said, but he could not do it often. He

might make close contracts for which they had neither the patience nor

the stomach. He might have an unusual mechanical and practical genius in

his partner. But these things could not explain all. They believed they

bought, on the whole, almost as cheaply as he, and they knew they made

as good oil and with as great, or nearly as great, economy. He could

sell at no better price than they. Where was his advantage? There was

but one place where it could be, and that was in transportation. He must

be getting better rates from the railroads than they were. In 1868 or

1869 a member of a rival firm long in the business, which had been

prosperous from the start, and which prided itself on its methods, its

economy and its energy, Alexander, Scofield and Company, went to the

Atlantic and Great Western road, then under the Erie management, and

complained. “You are giving others better rates than you are us,” said

Mr. Alexander, the representative of the firm. “We cannot compete if you

do that.” The railroad agent did not attempt to deny it—he simply agreed

to give Mr. Alexander a rebate also. The arrangement was interesting.

Mr. Alexander was to pay the open, or regular, rate on oil from the Oil

Regions to Cleveland, which was then forty cents a barrel. At the end of

each month he was to send to the railroad vouchers for the amount of oil

shipped and paid for at forty cents, and was to get back from the

railroad, in money, fifteen cents on each barrel. This concession

applied only to oil brought from the wells. He was never able to get a

rebate on oil shipped eastward.[6] According to Mr. Alexander, the

Atlantic and Great Western gave the rebates on oil from the Oil Regions

to Cleveland up to 1871 and the system was then discontinued. Late in

1871, however, the firm for the first time got a rebate on the Lake

Shore road on oil brought from the field.

Another Cleveland man, W. H. Doane, engaged in shipping crude oil, began

to suspect about the same time as Mr. Alexander that the Standard was

receiving rebates. Now Mr. Doane had always been opposed to the

“drawback business,” but it was impossible for him to supply his

customers with crude oil at as low a rate as the Standard paid if it

received a rebate and he did not, and when it was first generally

rumoured in Cleveland that the railroads were favouring Mr. Rockefeller

he went to see the agent of the road. “I told him I did not want any

drawback, unless others were getting it; I wanted it if they were

getting it, and he gave me at that time ten cents drawback.” This

arrangement Mr. Doane said had lasted but a short time. At the date he

was speaking—the spring of 1872—he had had no drawback for two years.

A still more important bit of testimony as to the time when rebates

first began to be given to the Cleveland refiners and as to who first

got them and why, is contained in an affidavit made in 1880 by the very

man who made the discrimination.[7] This man was General J. H. Devereux,

who in 1868 succeeded Amasa Stone as vice-president of the Lake Shore

Railroad. General Devereux said that his experience with the oil traffic

had begun with his connection with the Lake Shore; that the only written

memoranda concerning oil which he found in his office on entering his

new position was a book in which it was stated that the representatives

of the twenty-five oil-refining firms in Cleveland had agreed to pay a

cent a gallon on crude oil removed from the Oil Regions. General

Devereux says that he soon found there was a deal of trouble in store

for him over oil freight. The competition between the twenty-five firms

was close, the Pennsylvania was “claiming a patent right” on the

transportation of oil and was putting forth every effort to make

Pittsburg and Philadelphia the chief refining centres. Oil Creek was

boasting that it was going to be the future refining point for the

world. All of this looked bad for what General Devereux speaks of as the

“then very limited refining capacity of Cleveland.” This remark shows

how new he was to the business, for, as we have already seen, Cleveland

in 1868 had anything but a limited refining capacity. Between three and

four million dollars were invested in oil refineries, and the town was

receiving within 35,000 barrels of as much oil as New York City, and

within 300,000 as much as Pittsburg, and it was boasting that the next

year it would outstrip these competitors, which, as a matter of fact, it

did.

The natural point for General Devereux to consider, of course, was

whether he could meet the rates the Pennsylvania were giving and

increase the oil freight for the Lake Shore. The road had a branch

running to Franklin, Pennsylvania, within a few miles of Oil City. This

he completed, and then, as he says in his affidavit, “a sharper contest

than ever was produced growing out of the opposition of the Pennsylvania

Railroad in competition. Such rates and arrangements were made by the

Pennsylvania Railroad that it was publicly proclaimed in the public

print in Oil City, Titusville and other places that Cleveland was to be

wiped out as a refining centre as with a sponge.” General Devereux goes

on to say that all the refiners of the town, without exception, came to

him in alarm, and expressed their fears that they would have either to

abandon their business there or move to Titusville or other points in

the Oil Regions; that the only exception to this decision was that

offered by Rockefeller, Andrews and Flagler, who, on his assurance that

the Lake Shore Railroad could and would handle oil as cheaply as the

Pennsylvania Company, proposed to stand their ground at Cleveland and

fight it out on that line. And so General Devereux gave the Standard the

rebate on the rate which Amasa Stone had made with all the refiners. Why

he should not have quieted the fears of the twenty-four or twenty-five

other refiners by lowering their rate, too, does not appear in the

affidavit. At all events the rebate had come, and, as we have seen, it

soon was suspected and others went after it, and in some cases got it.

But the rebate seems to have been granted generally only on oil brought

from the Oil Regions. Mr. Alexander claims he was never able to get his

rate lowered on his Eastern shipments. The railroad took the position

with him that if he could ship as much oil as the Standard he could have

as low a rate, but not otherwise. Now in 1870 the Standard Oil Company

had a daily capacity of about 1,500 barrels of crude. The refinery was

the largest in the town, though it had some close competitors.

Nevertheless on the strength of its large capacity it received the

special favour. It was a plausible way to get around the theory

generally held then, as now, though not so definitely crystallised into

law, that the railroad being a common carrier had no right to

discriminate between its patrons. It remained to be seen whether the

practice would be accepted by Mr. Rockefeller’s competitors without a

contest, or, if contested, would be supported by the law.

What the Standard’s rebate on Eastern shipments was in 1870 it is

impossible to say. Mr. Alexander says he was never able to get a rate

lower than $1.33 a barrel by rail, and that it was commonly believed in

Cleveland that the Standard had a rate of ninety cents. Mr. Flagler,

however, the only member of the firm who has been examined under oath on

that point, showed, by presenting the contract of the Standard Oil

Company with the Lake Shore road in 1870, that the rates varied during

the year from $1.40 to $1.20 and $1.60, according to the season. When

Mr. Flagler was asked if there was no drawback or rebate on this rate he

answered, “None whatever.”

It would seem from the above as if the one man in the Cleveland oil

trade in 1870 who ought to have been satisfied was Mr. Rockefeller. His

was the largest firm in the largest refining centre of the country; that

is, of the 10,000 to 12,000 daily capacity divided among the twenty-five

or twenty-six refiners of Cleveland he controlled 1,500 barrels. Not

only was Cleveland the largest refining centre in the country, it was

gaining rapidly, for where in 1868 it shipped 776,356 barrels of refined

oil, in 1869 it shipped 923,933, in 1870 1,459,500, and in 1871

1,640,499.[8] Not only did Mr. Rockefeller control the largest firm in

this most prosperous centre of a prosperous business, he controlled one

of amazing efficiency. The combination, in 1870, of the various

companies with which he was connected had brought together a group of

remarkable men. Samuel Andrews, by all accounts, was the ablest

mechanical superintendent in Cleveland. William Rockefeller, the brother

of John D. Rockefeller, was not only an energetic and intelligent

business man, he was a man whom people liked. He was open-hearted,

jolly, a good story-teller, a man who knew and liked a good horse—not

too pious, as some of John’s business associates thought him, not a man

to suspect or fear, as many a man did John. Old oil men will tell you on

the creek to-day how much they liked him in the days when he used to

come to Oil City buying oil for the Cleveland firm. The personal quality

of William Rockefeller was, and always has been, a strong asset of the

Standard Oil Company. Probably the strongest man in the firm after John

D. Rockefeller was Henry M. Flagler. He was, like the others, a young

man, and one who, like the head of the firm, had the passion for money,

and in a hard self-supporting experience, begun when but a boy, had

learned, as well as his chief, some of the principles of making it. He

was untiring in his efforts to increase the business, quick to see an

advantage, as quick to take it. He had no scruples to make him hesitate

over the ethical quality of a contract which was advantageous. Success,

that is, making money, was its own justification. He was not a secretive

man, like John D. Rockefeller, not a dreamer, but he could keep his

mouth shut when necessary and he knew the worth of a financial dream

when it was laid before him. It must have been evident to every business

man who came in contact with the young Standard Oil Company that it

would go far. The firm itself must have known it would go far. Indeed

nothing could have stopped the Standard Oil Company in 1870—the oil

business being what it was—but an entire change in the nature of the

members of the firm, and they were not the kind of material which

changes.

With such a set of associates, with his organisation complete from his

buyers on the creek to his exporting agent in New York, with the

transportation advantages which none of his competitors had had the

daring or the persuasive power to get, certainly Mr. Rockefeller should

have been satisfied in 1870. But Mr. Rockefeller was far from satisfied.

He was a brooding, cautious, secretive man, seeing all the possible

dangers as well as all the possible opportunities in things, and he

studied, as a player at chess, all the possible combinations which might

imperil his supremacy. These twenty-five Cleveland rivals of his—how

could he at once and forever put them out of the game? He and his

partners had somehow conceived a great idea—the advantages of

combination. What might they not do if they could buy out and absorb the

big refineries now competing with them in Cleveland? The possibilities

of the idea grew as they discussed it. Finally they began tentatively to

sound some of their rivals. But there were other rivals than these at

home. There were the creek refiners! They were there at the mouth of the

wells. What might not this geographical advantage do in time? Refining

was going on there on an increasing scale; the capacity of the Oil

Regions had indeed risen to nearly 10,000 barrels a day—equal to that of

New York, exceeding that of Pittsburg by nearly 4,000 barrels, and

almost equalling that of Cleveland. The men of the oil country loudly

declared that they meant to refine for the world. They boasted of an oil

kingdom which eventually should handle the entire business and compel

Cleveland and Pittsburg either to abandon their works or bring them to

the oil country. In this boastful ambition they were encouraged

particularly by the Pennsylvania Railroad, which naturally handled the

largest percentage of the oil. How long could the Standard Oil Company

stand against this competition?

There was another interest as deeply concerned as Mr. Rockefeller in

preserving Cleveland’s supremacy as a refining centre, and this was the

Lake Shore and New York Central Railroads. Let the bulk of refining be

done in the Oil Regions and these roads were in danger of losing a

profitable branch of business. This situation in regard to the oil

traffic was really more serious now than in 1868 when General Devereux

had first given the Standard a rebate. Then it was that the

Pennsylvania, through its lusty ally the Empire Transportation Company,

was making the chief fight to secure a “patent right on oil

transportation.” The Erie was now becoming as aggressive a competitor.

Gould and Fisk had gone into the fight with the vigour and the utter

unscrupulousness which characterised all their dealings. They were

allying themselves with the Pennsylvania Transportation Company, the

only large rival pipe-line system which the Empire had. They were

putting up a refinery near Jersey City, and they were taking advantage

shrewdly of all the speculative features of the new business.

As competition grew between the roads, they grew more reckless in

granting rebates, the refiners more insistent in demanding them. By 1871

things had come to such a pass in the business that every refiner

suspected his neighbour to be getting better rates than he. The result

was that the freight agents were constantly beset for rebates, and that

the large shippers were generally getting them on the ground of the

quantity of oil they controlled. Indeed it was evident that the rebate

being admitted, the only way in which it could be adjusted with a show

of fairness was to grade it according to the size of the shipment.

[Illustration:

W. G. WARDEN

Secretary of the South Improvement Company.

]

[Illustration:

PETER H. WATSON

President of the South Improvement Company.

]

[Illustration:

CHARLES LOCKHART

A member of the South Improvement Company, and later of the Standard

Oil Company. At his death in 1904 the oldest living oil operator.

]

[Illustration:

HENRY M. FLAGLER IN 1882

Active partner of John D. Rockefeller in the oil business since 1867.

Officer of the Standard Oil Company since its organization in 1870.

]

Under these conditions of competition it was certain that the New York

Central system must work if it was to keep its great oil freight, and

the general freight agent of the Lake Shore road began to give the

question special attention. This man was Peter H. Watson. Mr. Watson was

an able patent lawyer who served under the strenuous Stanton as an

Assistant-Secretary of War, and served well. After the war he had been

made general freight agent of the Lake Shore and Michigan Southern

Railroad, and later president of the branch of that road which ran into

the Oil Regions. He had oil interests principally at Franklin,

Pennsylvania, and was well known to all oil men. He was a business

intimate of Mr. Rockefeller and a warm friend of Horace F. Clark, the

son-in-law of W. H. Vanderbilt, at that time president of the Lake Shore

and Michigan Southern Railroad. As the Standard Oil Company was the

largest shipper in Cleveland and had already received the special favour

from the Lake Shore which General Devereux describes, it was natural

that Mr. Watson should consult frequently with Mr. Rockefeller on the

question of holding and increasing his oil freight. It was equally

natural, too, that Mr. Rockefeller should use his influence with Mr.

Watson to strengthen the theory so important to his rapid growth—the

theory that the biggest shipper should have the best rate.

Two other towns shared Cleveland’s fear of the rise of the Oil Regions

as a refining centre, and they were Pittsburg and Philadelphia, and Mr.

Rockefeller and Mr. Watson found in certain refiners of these places a

strong sympathy with any plan which looked to holding the region in

check. But while the menace in their geographical positions was the

first ground of sympathy between these gentlemen, something more than

local troubles occupied them. This was the condition of the refining

business as a whole. It was unsatisfactory in many particulars. First,

it was overdone. The great profits on refined oil and the growing demand

for it had naturally caused a great number to rush into its manufacture.

There was at this time a refining capacity of three barrels to every one

produced. To be sure, few if any of these plants expected to run the

year around. Then, as to-day, there were nearly always some stills in

even the most prosperous works shut down. But after making a fair

allowance for this fact there was still a much larger amount of refining

actually done than the market demanded. The result was that the price of

refined oil was steadily falling. Where Mr. Rockefeller had received on

an average 58¾ cents a gallon for the oil he exported in 1865, the year

he went into business, in 1870 he received but 26⅜ cents. In 1865 he had

a margin of forty-three cents, out of which to pay for transportation,

manufacturing, barrelling and marketing and to make his profits. In 1870

he had but 17⅛ cents with which to do all this. To be sure his expenses

had fallen enormously between 1865 and 1870, but so had his profits. The

multiplication of refiners with the intense competition threatened to

cut them down still lower. Naturally Mr. Rockefeller and his friends

looked with dismay on this lowering of profits through gaining

competition.

Another anxiety of the American refiners was the condition of the export

trade. Oil had risen to fourth place in the exports of the United States

in the twelve years since its discovery, and every year larger

quantities were consumed abroad, but it was crude oil, not refined,

which the foreigners were beginning to demand; that is, they had found

they could import crude, refine it at home, and sell it cheaper than

they could buy American refined. France, to encourage her home

refineries, had even put a tax on American refined.

In the fall of 1871, while Mr. Rockefeller and his friends were occupied

with all these questions, certain Pennsylvania refiners, it is not too

certain who, brought to them a remarkable scheme, the gist of which was

to bring together secretly a large enough body of refiners and shippers

to persuade all the railroads handling oil to give to the company formed

special rebates on its oil, and drawbacks on that of other people. If

they could get such rates it was evident that those outside of their

combination could not compete with them long and that they would become

eventually the only refiners. They could then limit their output to

actual demand, and so keep up prices. This done, they could easily

persuade the railroads to transport no crude for exportation, so that

the foreigners would be forced to buy American refined. They believed

that the price of oil thus exported could easily be advanced fifty per

cent. The control of the refining interests would also enable them to

fix their own price on crude. As they would be the only buyers and

sellers, the speculative character of the business would be done away

with. In short, the scheme they worked out put the entire oil business

in their hands. It looked as simple to put into operation as it was

dazzling in its results. Mr. Flagler has sworn that neither he nor Mr.

Rockefeller believed in this scheme.[9] But when they found that their

friend Peter H. Watson, and various Philadelphia and Pittsburg parties

who felt as they did about the oil business, believed in it, they went

in and began at once to work up a company—secretly. It was evident that

a scheme which aimed at concentrating in the hands of one company the

business now operated by scores, and which proposed to effect this

consolidation through a practice of the railroads which was contrary to

the spirit of their charters, although freely indulged in, must be

worked with fine discretion if it ever were to be effective.

The first thing was to get a charter—quietly. At a meeting held in

Philadelphia late in the fall of 1871 a friend of one of the gentlemen

interested mentioned to him that a certain estate then in liquidation

had a charter for sale which gave its owners the right to carry on any

kind of business in any country and in any way; that it could be bought

for what it would cost to get a charter under the general laws of the

state, and that it would be a favour to the heirs to buy it. The

opportunity was promptly taken. The name of the charter bought was the

“South (often written Southern) Improvement Company.” For a beginning it

was as good a name as another, since it said nothing.

With this charter in hand Mr. Rockefeller and Mr. Watson and their

associates began to seek converts. In order that their great scheme

might not be injured by premature public discussion they asked of each

person whom they approached a pledge of secrecy. Two forms of the

pledges required before anything was revealed were published later. The

first of these, which appeared in the New York Tribune, read as follows:

I, A. B., do faithfully promise upon my honour and faith as a

gentleman that I will keep secret all transactions which I may have

with the corporation known as the South Improvement Company; that,

should I fail to complete any bargains with the said company, all

the preliminary conversations shall be kept strictly private; and,

finally, that I will not disclose the price for which I dispose of

my product, or any other facts which may in any way bring to light

the internal workings or organisation of the company. All this I do

freely promise.

Signed..............................

Witnessed by..............................

A second, published in a history of the “Southern Improvement Company,”

ran:

The undersigned pledge their solemn words of honour that they will

not communicate to any one without permission of Z (name of director

of Southern Improvement Company) any information that he may convey

to them, or any of them, in relation to the Southern Improvement

Company.

Witness..............................

That the promoters met with encouragement is evident from the fact that,

when the corporators came together on January 2, 1872, in Philadelphia,

for the first time under their charter, and transferred the company to

the stockholders, they claimed to represent in one way or another a

large part of the refining interest of the country. At this meeting

1,100 shares of the stock of the company, which was divided into 2,000

$100 shares, were subscribed for, and twenty per cent. of their value

was paid in. Just who took stock at this meeting the writer has not been

able to discover. At the same time a discussion came up as to what

refiners were to be allowed to go into the new company. Each of the men

represented had friends whom he wanted taken care of, and after

considerable discussion it was decided to take in every refinery they

could get hold of. This decision was largely due to the railroad men.

Mr. Watson had seen them as soon as the plans for the company were

formed, and they had all agreed that if they gave the rebates and

drawbacks all refineries then existing must be taken in upon the same

level. That is, while the incorporators had intended to kill off all but

themselves and their friends, the railroads refused to go into a scheme

which was going to put anybody out of business—the plan if they went

into it must cover the refining trade as it stood. It was enough that it

could prevent any one in the future going into the business.

Very soon after this meeting of January 2 the rest of the stock of the

South Improvement Company was taken. The complete list of stockholders,

with their holdings, was as follows:

William Frew, Philadelphia 10 shares

W. P. Logan, Philadelphia 10 〃

John P. Logan, Philadelphia 10 〃

Charles Lockhart, Pittsburg 10 〃

Richard S. Waring, Pittsburg 10 〃

W. G. Warden, Philadelphia 475 〃

O. F. Waring, Pittsburg 475 〃

P. H. Watson, Ashtabula, Ohio 100 〃

H. M. Flagler, Cleveland 180 〃

O. H. Payne, Cleveland 180 〃

William Rockefeller, Cleveland 180 〃

J. A. Bostwick, New York 180 〃

John D. Rockefeller, Cleveland[10] 180 〃

—————

2,000 shares

Mr. Watson was elected president and W. G. Warden of Philadelphia

secretary of the new association. It will be noticed that the largest

individual holdings in the company were those of W. G. Warden and O. F.

Waring, each of whom had 475 shares. The company most heavily interested

in the South Improvement Company was the Standard Oil of Cleveland, J.

D. Rockefeller, William Rockefeller and H. M. Flagler, all stockholders

of that company, each having 180 shares—540 in the company. O. H. Payne

and J. A. Bostwick, who soon after became stockholders in the Standard

Oil Company, also had each 180 shares, giving Mr. Rockefeller and his

associates 900 shares in all.

It has frequently been stated that the South Improvement Company

represented the bulk of the oil-refining interests in the country. The

incorporators of the company in approaching the railroads assured them

that this was so. As a matter of fact, however, the thirteen gentlemen

above named, who were the only ones ever holding stock in the concern,

did not control over one-tenth of the refining business of the United

States in 1872. That business in the aggregate amounted to a daily

capacity of about 45,000 barrels—from 45,000 to 50,000, Mr. Warden put

it—and the stockholders of the South Improvement Company owned a

combined capacity of not over 4,600 barrels. In assuring the railroads

that they controlled the business, they were dealing with their hopes

rather than with facts.

The organisation complete, there remained contracts to be made with the

railroads. Three systems were to be interested: The Central, which, by

its connection with the Lake Shore and Michigan Southern, ran directly

into the Oil Regions; the Erie, allied with the Atlantic and Great

Western, with a short line likewise tapping the heart of the region; and

the Pennsylvania, with the connections known as the Allegheny Valley and

Oil Creek Railroad. The persons to be won over were: W. H. Vanderbilt,

of the Central; H. F. Clark, president of the Lake Shore and Michigan

Southern; Jay Gould, of the Erie; General G. B. McClellan, president of

the Atlantic and Great Western; and Tom Scott, of the Pennsylvania.

There seems to have been little difficulty in persuading any of these

persons to go into the scheme after they had been assured by the leaders

that all of the refiners were to be taken in. This was a verbal

condition, however, not found in the contracts they signed. This

important fact Mr. Warden himself made clear when three months later he

was on the witness stand before a committee of Congress appointed to

look into the great scheme. “We had considerable discussion with the

railroads,” Mr. Warden said, “in regard to the matter of rebate on their

charges for freight; they did not want to give us a rebate unless it was

with the understanding that all the refineries should be brought into

the arrangement and placed upon the same level.”

\_Q.\_ You say you made propositions to railroad companies, which they

agreed to accept upon the condition that you could include all the

refineries?

\_A.\_ No, sir; I did not say that; I said that was the understanding

when we discussed this matter with them; it was no proposition on

our part; they discussed it, not in the form of a proposition that

the refineries should be all taken in, but it was the intention and

resolution of the company from the first that that should be the

result; we never had any other purpose in the matter.

\_Q.\_ In case you could take the refineries all in, the railroads

proposed to give you a rebate upon their freight charges?

\_A.\_ No, sir; it was not put in that form; we were to put the

refineries all in upon the same terms; it was the understanding with

the railroad companies that we were to have a rebate; there was no

rebate given in consideration of our putting the companies all in,

but we told them we would do it; the contract with the railroad

companies was with us.

\_Q.\_ But if you did form a company composed of the proprietors of

all these refineries, you were to have a rebate upon your freight

charges?

\_A.\_ No; we were to have a rebate anyhow, but were to give all the

refineries the privilege of coming in.

\_Q.\_ You were to have the rebate whether they came in or not?

\_A.\_ Yes, sir.

\* \* \*

“What effect were these arrangements to have upon those who did not

come into the combination...?” asked the chairman.

“I do not think we ever took that question up,” answered Mr. Warden.

A second objection to making a contract with the company came from Mr.

Scott of the Pennsylvania road and Mr. Potts of the Empire

Transportation Company. The substance of this objection was that the

plan took no account of the oil producer—the man to whom the world owed

the business. Mr. Scott was strong in his assertion that they could

never succeed unless they took care of the producers. Mr. Warden

objected strongly to forming a combination with them. “The interests of

the producers were in one sense antagonistic to ours: one as the seller

and the other as the buyer. We held in argument that the producers were

abundantly able to take care of their own branch of the business if they

took care of the quantity produced.” So strongly did Mr. Scott argue,

however, that finally the members of the South Improvement Company

yielded, and a draft of an agreement, to be proposed to the producers,

was drawn up in lead pencil; it was never presented. It seems to have

been used principally to quiet Mr. Scott.

[Illustration:

THOMAS A. SCOTT

The contract of the South Improvement Company with the Pennsylvania

Railroad was signed by Mr. Scott, then vice-president of the road.

]

[Illustration:

JAY GOULD

President of the Erie Railroad in 1872. Signer of the contract with

the South Improvement Company.

]

[Illustration:

WILLIAM H. VANDERBILT

The contract of the South Improvement Company with the New York

Central was signed by Mr. Vanderbilt, then vice-president of the

road.

]

[Illustration:

COMMODORE CORNELIUS VANDERBILT

President of the New York Central Railroad when the contract with the

South Improvement Company was signed.

]

The work of persuasion went on swiftly. By the 18th of January the

president of the Pennsylvania road, J. Edgar Thompson, had put his

signature to the contract, and soon after Mr. Vanderbilt and Mr. Clark

signed for the Central system, and Jay Gould and General McClellan for

the Erie. The contracts to which these gentlemen put their names fixed

gross rates of freight from all \_common points\_, as the leading shipping

points within the Oil Regions were called, to all the great refining and

shipping centres—New York, Philadelphia, Baltimore, Pittsburg and

Cleveland. For example, the open rate on crude to New York was put at

$2.56. On this price the South Improvement Company was allowed a rebate

of $1.06 for its shipments; but it got not only this rebate, it was

given in cash a like amount on each barrel of crude shipped by parties

outside the combination.

The open rate from Cleveland to New York was two dollars, and fifty

cents of this was turned over to the South Improvement Company, which at

the same time received a rebate enabling it to ship for $1.50. Again, an

independent refiner in Cleveland paid eighty cents a barrel to get his

crude from the Oil Regions to his works, and the railroad sent forty

cents of this money to the South Improvement Company. At the same time

it cost the Cleveland refiner in the combination but forty cents to get

his crude oil. Like drawbacks and rebates were given for all

points—Pittsburg, Philadelphia, Boston and Baltimore.

An interesting provision in the contracts was that full way-bills of all

petroleum shipped over the roads should each day be sent to the South

Improvement Company. This, of course, gave them knowledge of just who

was doing business outside of their company—of how much business he was

doing, and with whom he was doing it. Not only were they to have full

knowledge of the business of all shippers—they were to have access to

all books of the railroads.

The parties to the contracts agreed that if anybody appeared in the

business offering an equal amount of transportation, and having equal

facilities for doing business with the South Improvement Company, the

railroads might give them equal advantages in drawbacks and rebates, but

to make such a miscarriage of the scheme doubly improbable each railroad

was bound to co-operate as “far as it legally might to maintain the

business of the South Improvement Company against injury by competition,

and lower or raise the gross rates of transportation for such times and

to such extent as might be necessary to overcome the competition. The

rebates and drawbacks to be varied \_pari passu\_ with the gross

rates.”[11]

The reason given by the railroads in the contract for granting these

extraordinary privileges was that the “magnitude and extent of the

business and operations” purposed to be carried on by the South

Improvement Company would greatly promote the interest of the railroads

and make it desirable for them to encourage their undertaking. The

evident advantages received by the railroad were a regular amount of

freight,—the Pennsylvania was to have forty-five per cent. of the

East-bound shipments, the Erie and Central each 27½ per cent., while

West-bound freight was to be divided equally between them—fixed rates,

and freedom from the system of cutting which they had all found so

harassing and disastrous. That is, the South Improvement Company, which

was to include the entire refining capacity of the company, was to act

as the evener of the oil business.[12]

It was on the second of January, 1872, that the organisation of the

South Improvement Company was completed. The day before the Standard Oil

Company of Cleveland increased its capital from $1,000,000 to

$2,500,000, “all the stockholders of the company being present and

voting therefor.”[13] These stockholders were greater by five than in

1870, the names of O. B. Jennings, Benjamin Brewster, Truman P. Handy,

Amasa Stone, and Stillman Witt having been added. The last three were

officers and stockholders in one or more of the railroads centring in

Cleveland. Three weeks after this increase of capital Mr. Rockefeller

had the charter and contracts of the South Improvement Company in hand,

and was ready to see what they would do in helping him carry out his

idea of wholesale combination in Cleveland. There were at that time some

twenty-six refineries in the town—some of them very large plants. All of

them were feeling more or less the discouraging effects of the last

three or four years of railroad discriminations in favour of the

Standard Oil Company. To the owners of these refineries Mr. Rockefeller

now went one by one, and explained the South Improvement Company. “You

see,” he told them, “this scheme is bound to work. It means an absolute

control by us of the oil business. There is no chance for anyone

outside. But we are going to give everybody a chance to come in. You are

to turn over your refinery to my appraisers, and I will give you

Standard Oil Company stock or cash, as you prefer, for the value we put

upon it. I advise you to take the stock. It will be for your good.”

Certain refiners objected. They did not want to sell. They did want to

keep and manage their business. Mr. Rockefeller was regretful, but firm.

It was useless to resist, he told the hesitating; they would certainly

be crushed if they did not accept his offer, and he pointed out in

detail, and with gentleness, how beneficent the scheme really

was—preventing the creek refiners from destroying Cleveland, ending

competition, keeping up the price of refined oil, and eliminating

speculation. Really a wonderful contrivance for the good of the oil

business.

That such was Mr. Rockefeller’s argument is proved by abundant testimony

from different individuals who succumbed to the pressure. Mr.

Rockefeller’s own brother, Frank Rockefeller, gave most definite

evidence on this point in 1876 when he and others were trying to

interest Congress in a law regulating interstate commerce.

“We had in Cleveland at one time about thirty establishments, but the

South Improvement Company was formed, and the Cleveland companies were

told that if they didn’t sell their property to them it would be

valueless, that there was a combination of railroad and oil men, that

they would buy all they could, and that all they didn’t buy would be

totally valueless, because they would be unable to compete with the

South Improvement Company, and the result was that out of thirty there

were only four or five that didn’t sell.”

“From whom was that information received?” asked the examiner.

“From the officers of the Standard Oil Company. They made no bones about

it at all. They said: ‘If you don’t sell your property to us it will be

valueless, because we have got advantages with the railroads.’”

“Have you heard those gentlemen say what you have stated?” Frank

Rockefeller was asked.

“I have heard Rockefeller and Flagler say so,” he answered.

W. H. Doane, whose evidence on the first rebates granted to the

Cleveland trade we have already quoted, told the Congressional committee

which a few months after Mr. Rockefeller’s great coup tried to find out

what had happened in Cleveland: “The refineries are all bought up by the

Standard Oil works; they were forced to sell; the railroads had put up

the rates and it scared them. Men came to me and told me they could not

continue their business; they became frightened and disposed of their

property.” Mr. Doane’s own business, that of a crude oil shipper, was

entirely ruined, all of his customers but one having sold.

To this same committee Mr. Alexander, of Alexander, Scofield and

Company, gave his reason for selling:

“There was a pressure brought to bear upon my mind, and upon almost

all citizens of Cleveland engaged in the oil business, to the effect

that unless we went into the South Improvement Company we were

virtually killed as refiners; that if we did not sell out we should

be crushed out. My partner, Mr. Hewitt, had some negotiations with

parties connected with the South Improvement Company, and they gave

us to understand, at least my partner so represented to me, that we

should be crushed out if we did not go into that arrangement. He

wanted me to see the parties myself; but I said to him that I would

not have any dealings with certain parties who were in that company

for any purpose, and I never did. We sold at a sacrifice, and we

were obliged to. There was only one buyer in the market, and we had

to sell on their terms or be crushed out, as it was represented to

us. It was stated that they had a contract with railroads by which

they could run us into the ground if they pleased. After learning

what the arrangements were I felt as if, rather than fight such a

monopoly, I would withdraw from the business, even at a sacrifice. I

think we received about forty or forty-five cents on the dollar on

the valuation which we placed upon our refinery. We had spent over

$50,000 on our works during the past year, which was nearly all that

we received. We had paid out $60,000 or $70,000 before that; we

considered our works at their cash value worth seventy-five per

cent. of their cost. According to our valuation our establishment

was worth $150,000, and we sold it for about $65,000, which was

about forty or forty-five per cent. of its value. We sold to one of

the members, as I suppose, of the South Improvement Company, Mr.

Rockefeller; he is a director in that company; it was sold in name

to the Standard Oil Company, of Cleveland, but the arrangements

were, as I understand it, that they were to put it into the South

Improvement Company. I am stating what my partner told me; he did

all the business; his statement was that all these works were to be

merged into the South Improvement Company. I never talked with any

members of the South Improvement Company myself on the subject; I

declined to have anything to do with them.”

Mr. Hewitt, the partner who Mr. Alexander says carried on the

negotiations for the sale of the business, appeared before an

investigating committee of the New York State Senate in 1879 and gave

his recollections of what happened. According to his story the entire

oil trade in Cleveland became paralysed when it became known that the

South Improvement Company had “grappled the entire transportation of oil

from the West to the seaboard.” Mr. Hewitt went to see the freight

agents of the various roads; he called on W. H. Vanderbilt, but from no

one did he get any encouragement. Then he saw Peter H. Watson of the

Lake Shore Railroad, the president of the company which was frightening

the trade. “Watson was non-committal,” said Mr. Hewitt. “I got no

satisfaction except, ‘You better sell—you better get clear—better sell

out—no help for it.’” After a little time Mr. Hewitt concluded with his

partners that there was indeed “no help for it,” and he went to see Mr.

Rockefeller, who offered him fifty cents on the dollar on the

constructive account. The offer was accepted. There was nothing else to

do, the firm seems to have concluded. When they came to transfer the

property Mr. Rockefeller urged Mr. Hewitt to take stock in the new

concern. “He told me,” said Mr. Hewitt, “that it would be sufficient to

take care of my family for all time, what I represented there, and

asking for a reason, he made this expression, I remember: ‘\_I have ways

of making money that you know nothing of\_.’”

A few of the refiners contested before surrendering. Among these was

Robert Hanna, an uncle of Mark Hanna, of the firm of Hanna, Baslington

and Company. Mr. Hanna had been refining since July, 1869. According to

his own sworn statement he had made money, fully sixty per cent. on his

investment the first year, and after that thirty per cent. Some time in

February, 1872, the Standard Oil Company asked an interview with him and

his associates. They wanted to buy his works, they said. “But we don’t

want to sell,” objected Mr. Hanna. “You can never make any more money,

in my judgment,” said Mr. Rockefeller. “You can’t compete with the

Standard. We have all the large refineries now. If you refuse to sell,

it will end in your being crushed.” Hanna and Baslington were not

satisfied. They went to see Mr. Watson, president of the South

Improvement Company and an officer of the Lake Shore, and General

Devereux, manager of the Lake Shore road. They were told that the

Standard had special rates; that it was useless to try to compete with

them. General Devereux explained to the gentlemen that the privileges

granted the Standard were the legitimate and necessary advantage of the

larger shipper over the smaller, and that if Hanna, Baslington and

Company could give the road as large a quantity of oil as the Standard

did, with the same regularity, they could have the same rate. General

Devereux says they “recognised the propriety” of his excuse. They

certainly recognised its authority. They say that they were satisfied

they could no longer get rates to and from Cleveland which would enable

them to live, and “reluctantly” sold out. It must have been reluctantly,

for they had paid $75,000 for their works, and had made thirty per cent.

a year on an average on their investment, and the Standard appraiser

allowed them $45,000. “Truly and really less than one-half of what they

were absolutely worth, with a fair and honest competition in the lines

of transportation,” said Mr. Hanna, eight years later, in an

affidavit.[14]

Under the combined threat and persuasion of the Standard, armed with the

South Improvement Company scheme, almost the entire independent oil

interest of Cleveland collapsed in three months’ time. Of the twenty-six

refineries, at least twenty-one sold out. From a capacity of probably

not over 1,500 barrels of crude a day, the Standard Oil Company rose in

three months’ time to one of 10,000 barrels. By this manœuvre it became

master of over one-fifth of the refining capacity of the United

States.[15] Its next individual competitor was Sone and Fleming, of New

York, whose capacity was 1,700 barrels. The Standard had a greater

capacity than the entire Oil Creek Regions, greater than the combined

New York refiners. The transaction by which it acquired this power was

so stealthy that not even the best informed newspaper men of Cleveland

knew what went on. It had all been accomplished in accordance with one

of Mr. Rockefeller’s chief business principles—“Silence is golden.”

While Mr. Rockefeller was working out the “good of the oil business” in

Cleveland, his associates were busy at other points. Charles Lockhart in

Pittsburg and W. G. Warden in Philadelphia were particularly active,

though neither of them accomplished any such sweeping benefaction as Mr.

Rockefeller had. It was now evident what the stockholders of the South

Improvement Company meant when they assured the railroads that all the

refiners were to go into the scheme, that, as Mr. Warden said, they

“never had any other purpose in the matter!” A little more time and the

great scheme would be an accomplished fact. And then there fell in its

path two of those never-to-be-foreseen human elements which so often

block great manœuvres. The first was born of a man’s anger. The man had

learned of the scheme. He wanted to go into it, but the directors were

suspicious of him. He had been concerned in speculative enterprises and

in dealings with the Erie road which had injured these directors in

other ways. They didn’t want him to have any of the advantages of their

great enterprise. When convinced that he could not share in the deal, he

took his revenge by telling people in the Oil Regions what was going on.

At first the Oil Regions refused to believe, but in a few days another

slip born of human weakness came in to prove the rumour true. The

schedule of rates agreed upon by the South Improvement Company and the

railroads had been sent to the freight agent of the Lake Shore Railroad,

but no order had been given to put them in force. The freight agent had

a son on his death-bed. Distracted by his sorrow, he left his office in

charge of subordinates, but neglected to tell them that the new

schedules on his desk were a secret compact, whose effectiveness

depended upon their being held until all was complete. On February 26,

the subordinates, ignorant of the nature of the rates, put them into

effect. The independent oil men heard with amazement that freight rates

had been put up nearly 100 per cent. They needed no other proof of the

truth of the rumours of conspiracy which were circulating. It now

remained to be seen whether the Oil Regions would submit to the South

Improvement Company as Cleveland had to the Standard Oil Company.

CHAPTER THREE

THE OIL WAR OF 1872

RISING IN THE OIL REGIONS AGAINST THE SOUTH IMPROVEMENT

COMPANY—PETROLEUM PRODUCERS’ UNION ORGANISED—OIL BLOCKADE AGAINST

MEMBERS OF SOUTH IMPROVEMENT COMPANY AND AGAINST RAILROADS

IMPLICATED—CONGRESSIONAL INVESTIGATION OF 1872 AND THE DOCUMENTS IT

REVEALED—PUBLIC DISCUSSION AND GENERAL CONDEMNATION OF THE SOUTH

IMPROVEMENT COMPANY—RAILROAD OFFICIALS CONFER WITH COMMITTEE FROM

PETROLEUM PRODUCERS’ UNION—WATSON AND ROCKEFELLER REFUSED ADMITTANCE

TO CONFERENCE—RAILROADS REVOKE CONTRACTS WITH SOUTH IMPROVEMENT

COMPANY AND MAKE CONTRACT WITH PETROLEUM PRODUCERS’ UNION—BLOCKADE

AGAINST SOUTH IMPROVEMENT COMPANY LIFTED—OIL WAR OFFICIALLY

ENDED—ROCKEFELLER CONTINUES TO GET REBATES—HIS GREAT PLAN STILL A

LIVING PURPOSE.

It was not until after the middle of February, 1872, that the people of

the Oil Regions heard anything of the plan which was being worked out

for their “good.” Then an uneasy rumour began running up and down the

creek. Freight rates were going up. Now an advance in a man’s freight

bill may ruin his business; more, it may mean the ruin of a region.

Rumour said that the new rate meant just this; that is, that it more

than covered the margin of profit in any branch of the oil business. The

railroads were not going to apply the proposed tariffs to everybody.

They had agreed to give to a company unheard of until now—the South

Improvement Company—a special rate considerably lower than the new open

rate. It was only a rumour and many people discredited it. \_Why\_ should

the railroads ruin the Oil Regions to build up a company of outsiders?

But facts began to be reported. Mr. Doane, the Cleveland shipper already

quoted, told how suddenly on the 22d of February, without notice, his

rate from the Oil Regions to Cleveland was put up from thirty-five cents

a barrel to sixty-five cents, an advance of twenty-four dollars on a

carload.[16] Mr. Josiah Lombard of the New York refining firm of Ayres,

Lombard and Company was buying oil for his company at Oil City. Their

refinery was running about 12,000 barrels a month. On the 19th of

February the rate from Oil City to Buffalo, which had been forty cents a

barrel, was raised to sixty-five cents, and a few days later the rate

from Warren to New York was raised from eighty-seven cents to $2.14. Mr.

Lombard was not aware of this change until his house in New York

reported to him that the bills for freight were so heavy that they could

not afford to ship and wanted to know what was the matter.[17]

On the morning of February 26, 1872, the oil men read in their morning

papers that the rise which had been threatening had come; moreover, that

all members of the South Improvement Company were exempt from the

advance. At the news all oildom rushed into the streets. Nobody waited

to find out his neighbour’s opinion. On every lip there was but one

word, and that was “conspiracy.” In the vernacular of the region, it was

evident that “a torpedo was filling for that scheme.”

In twenty-four hours after the announcement of the increase in freight

rates a mass-meeting of 3,000 excited, gesticulating oil men was

gathered in the opera house at Titusville. Producers, brokers, refiners,

drillers, pumpers were in the crowd. Their temper was shown by the

mottoes on the banners which they carried: “Down with the

conspirators”—“No compromise”—“Don’t give up the ship!” Three days later

as large a meeting was held at Oil City, its temper more warlike if

possible; and so it went. They organised a Petroleum Producers’

Union,[18] pledged themselves to reduce their production by starting no

new wells for sixty days and by shutting down on Sundays, to sell no oil

to any person known to be in the South Improvement Company, but to

support the creek refiners and those elsewhere who had refused to go

into the combination, to boycott the offending railroads, and to build

lines which they would own and control themselves. They sent a committee

to the Legislature asking that the charter of the South Improvement

Company be repealed, and another to Congress demanding an investigation

of the whole business on the ground that it was an interference with

trade. They ordered that a history of the conspiracy, giving the names

of the conspirators and the designs of the company, should be prepared,

and 30,000 copies sent to “judges of all courts, senators of the United

States, members of Congress and of State Legislatures, and to all

railroad men and prominent business men of the country, \_to the end that

enemies of the freedom of trade may be known and shunned by all honest

men\_.”

They prepared a petition ninety-three feet long praying for a free

pipe-line bill, something which they had long wanted, but which, so far,

the Pennsylvania Railroad had prevented their getting, and sent it by a

committee to the Legislature; and for days they kept 1,000 men ready to

march on Harrisburg at a moment’s notice if the Legislature showed signs

of refusing their demands. In short, for weeks the whole body of oil men

abandoned regular business and surged from town to town intent on

destroying the “Monster,” the “Forty Thieves,” the “Great Anaconda,” as

they called the mysterious South Improvement Company. Curiously enough,

it was chiefly against the combination which had secured the

discrimination from the railroads—not the railroads which had granted

it—that their fury was directed. They expected nothing but robbery from

the railroads, they said. They were used to that; but they would not

endure it from men in their own business.

When they began the fight the mass of the oil men knew nothing more of

the South Improvement Company than its name and the fact that it had

secured from the railroads advantages in rates which were bound to ruin

all independent refiners of oil and to put all producers at its mercy.

Their tempers were not improved by the discovery that it was a secret

organisation, and that it had been at work under their very eyes for

some weeks without their knowing it. At the first public meeting this

fact came out, leading refiners of the region relating their experience

with the “Anaconda.” According to one of these gentlemen, J. D.

Archbold—the same who afterward became vice-president of the Standard

Oil Company, which office he now holds—he and his partners had heard of

the scheme some months before. Alarmed by the rumour, a committee of

independent refiners had attempted to investigate, but could learn

nothing until they had given a promise not to reveal what was told them.

When convinced that a company had been formed actually strong enough to

force or persuade the railroads to give it special rates and refuse them

to all persons outside, Mr. Archbold said that he and his colleagues had

gone to the railway kings to remonstrate, but all to no effect. The

South Improvement Company by some means had convinced the railroads that

they owned the Oil Regions, producers and refiners both, and that

hereafter no oil of any account would be shipped except as they shipped

it. Mr. Archbold and his partners had been asked to join the company,

but had refused, declaring that the whole business was iniquitous, that

they would fight it to the end, and that in their fight they would have

the backing of the oil men as a whole. They excused their silence up to

this time by citing the pledge[19] exacted from them before they were

informed of the extent and nature of the South Improvement Company.

Naturally the burning question throughout the Oil Regions, convinced as

it was of the iniquity of the scheme, was, Who are the conspirators?

Whether the gentlemen concerned regarded themselves in the light of

“conspirators” or not, they seem from the first to have realised that it

would be discreet not to be identified publicly with the scheme, and to

have allowed one name alone to appear in all signed negotiations. This

was the name of the president, Peter H. Watson. However anxious the

members of the South Improvement Company were that Mr. Watson should

combine the honours of president with the trials of scapegoat, it was

impossible to keep their names concealed. The Oil City Derrick, at that

time one of the most vigorous, witty, and daring newspapers in the

country, began a black list at the head of its editorial columns the day

after the raise in freight was announced, and it kept it there until it

was believed complete. It stood finally as it appears on the opposite

page.

This list was not exact, but it was enough to go on, and the oil

blockade, to which the Petroleum Producers’ Union had pledged itself,

was now enforced against the firms listed, and as far as possible

against the railroads. All of these refineries had their buyers on the

creek, and although several of them were young men generally liked for

their personal and business qualities, no mercy was shown them. They

were refused oil by everybody, though they offered from seventy-five

cents to a dollar more than the market price. They were ordered at one

meeting “to desist from their nefarious business or leave the Oil

Region,” and when they declined they were invited to resign from the oil

exchanges of which they were members. So strictly, indeed, was the

blockade enforced that in Cleveland the refineries were closed and

meetings for the relief of the workmen were held. In spite of the

excitement there was little vandalism, the only violence at the opening

of the war being at Franklin, where a quantity of the oil belonging to

Mr. Watson was run on the ground.

[Illustration:

JOHN D. ARCHBOLD IN 1872

Now vice-president of the Standard Oil Company. Mr. Archbold, whose

home, in 1872, was in Titusville, Pennsylvania, although one of the

youngest refiners of the Creek, was one of the most active and

efficient in breaking up the South Improvement Company.

]

THE BLACK LIST.

[Illustration:

Behold “The Anaconda” in all his hideous deformity!

]

The sudden uprising of the Oil Regions against the South Improvement

Company did not alarm its members at first. The excitement would die

out, they told one another. All that they needed to do was to keep quiet

and stay out of the oil country. But the excitement did not die out.

Indeed, with every day it became more intense and more wide-spread. When

Mr. Watson’s tanks were tapped he began to protest in letters to a

friend, F. W. Mitchell, a prominent banker and oil man of Franklin. The

company was misunderstood, he complained. “Have a committee of leading

producers appointed,” he wrote, “and we will show that the contracts

with the railroads are as favourable to the producing as to other

interests; that the much-denounced rebate will enhance the price of oil

at the wells, and that our entire plan in operation and effect will

promote every legitimate American interest in the oil trade.” Mr.

Mitchell urged Mr. Watson to come openly to the Oil Regions and meet the

producers as a body. A mass-meeting was never a “deliberative body,” Mr.

Watson replied, but if a few of the leading oil men would go to Albany

or New York, or any place favourable to calm investigation and

deliberation, and therefore outside of the atmosphere of excitement

which enveloped the oil country, he would see them. These letters were

read to the producers, and a motion to appoint a committee was made. It

was received with protests and jeers. Mr. Watson was afraid to come to

the Oil Regions, they said. The letters were not addressed to the

association, they were private—an insult to the body. “We are lowering

our dignity to treat with this man Watson,” declared one man. “He is

free to come to these meetings if he wants to.” “What is there to

negotiate about?” asked another. “To open a negotiation is to concede

that we are wrong. Can we go halves with these middlemen in their

swindle?” “He has set a trap for us,” declared another. “We cannot treat

with him without guilt,” and the motion was voted down.

The stopping of the oil supply finally forced the South Improvement

Company to recognise the Producers’ Union officially by asking that a

committee of the body be appointed to confer with them on a compromise.

The producers sent back a pertinent answer. They believed the South

Improvement Company meant to monopolise the oil business. If that was so

they could not consider a compromise with it. If they were wrong, they

would be glad to be enlightened, and they asked for information. First:

the charter under which the South Improvement Company was organised.

Second: the articles of association. Third: the officers’ names. Fourth:

the contracts with the railroads which signed them. Fifth: the general

plan of management. Until we know these things, the oil men declared, we

can no more negotiate with you than we could sit down to negotiate with

a burglar as to his privileges in our house.

The Producers’ Union did not get the information they asked from the

company at that time, but it was not long before they had it, and much

more. The committee which they had appointed to write a history of the

South Improvement Company reported on March 20, and in April the

Congressional Committee appointed at the insistence of the oil men made

its investigation. The former report was published broadcast, and is

readily accessible to-day. The Congressional Investigation was not

published officially, and no trace of its work can now be found in

Washington, but while it was going on reports were made in the

newspapers of the Oil Regions, and at its close the Producers’ Union

published in Lancaster, Pennsylvania, a pamphlet called “A History of

the Rise and Fall of the South Improvement Company,” which contains the

full testimony taken by the committee. This pamphlet is rare, the writer

never having been able to find a copy save in three or four private

collections. The most important part of it is the testimony of Peter H.

Watson, the president, and W. G. Warden, the secretary of the South

Improvement Company. It was in these documents that the oil men found

full justification for the war they were carrying on and for the losses

they had caused themselves and others. Nothing, indeed, could have been

more damaging to a corporation than the publication of the charter of

the South Improvement Company. As its president told the Congressional

Investigating Committee, when he was under examination, “this charter

was a sort of clothes-horse to hang a scheme upon.” As a matter of fact

it was a clothes-horse big enough to hang the earth upon. It granted

powers practically unlimited. There really was no exaggeration in the

summary of its powers made and scattered broadcast by the irate oil men

in their “History of the Rise and Fall of the South Improvement

Company”:[20]

The South Improvement Company can own, contract, or operate any

work, business, or traffic (save only banking); may hold and

transfer any kind of property, real or personal; hold and operate on

any leased property (oil territory, for instance); make any kind of

contract; deal in stock, securities, and funds; loan its credit,

guarantee any one’s paper; manipulate any industry; may seize upon

the lands of other parties for railroading or \_any other purpose\_;

may absorb the improvements, property or franchises of any other

company, \_ad infinitum\_; may fix the fares, tolls, or freights to be

charged on lines of transit operated by it, or on any business it

gives to \_any other company\_ or line, without limit.

Its capital stock can be expanded or “watered” at liberty; it can

change its name and location at pleasure; can go anywhere and do

almost anything. It is not a Pennsylvania corporation only; it can,

so far as these enactments are valid, or are confirmed by other

Legislatures, operate in any state or territory; its directors must

be only citizens of the United States—not necessarily of

Pennsylvania. It is responsible to no one; its stockholders are only

liable to the amount of their stock in it; its directors, when

wielding all the princely powers of the corporation, are also

responsible only to the amount of their stock in it; it may control

the business of the continent and hold and transfer millions of

property, and yet be rotten to the core. It is responsible to no

one; makes no reports of its acts or financial condition; its

records and deliberations are secret; its capital illimitable; its

object unknown. It can be here to-day, to-morrow away. Its domain is

the whole country; its business everything. Now it is petroleum it

grasps and monopolises; next year it may be iron, coal, cotton, or

breadstuffs. They are landsmen granted perpetual letters of marque

to prey upon all commerce everywhere.

When the course of this charter through the Pennsylvania Legislature

came to be traced, it was found to be devious and uncertain. The company

had been incorporated in 1871, and vested with all the “powers,

privileges, duties and obligations” of an earlier company—incorporated

in April, 1870—the Pennsylvania Company; both of them were children of

that interesting body known as the “Tom Scott Legislature.” The act

incorporating the company was not published until after the oil war; its

sponsor was never known, and no votes on it are recorded. The origin of

the South Improvement Company has always remained in darkness. It was

one of several “improvement” companies chartered in Pennsylvania at

about the same time, and enjoying the same commercial \_carte blanche\_.

Bad as the charter was in appearance, the oil men found that the

contracts which the new company had made with the railroads were worse.

These contracts advanced the rates of freight from the Oil Regions over

100 per cent.—an advance which more than covered the margin of profit on

their business—but it was not the railroad that got the greater part of

this advance; it was the South Improvement Company. Not only did it ship

its own oil at fully a dollar a barrel cheaper on an average than

anybody else could, but it received fully a dollar a barrel “rake-off”

on every barrel its competitors shipped. It was computed and admitted by

the members of the company who appeared before the investigating

committee of Congress that this discrimination would have turned over to

them fully $6,000,000 annually on the carrying trade. The railroads

expected to receive about one and a half millions more than from the

existing rates. That is, an additional cost of about $1.25 a barrel was

added to crude oil, and it was computed that this would enable the

refiners to advance their wholesale price at least four cents a gallon.

It is hardly to be wondered at that when the oil men had before them the

full text of these contracts they refused absolutely to accept the

repeated assertions of the members of the South Improvement Company that

their scheme was intended only for “the good of the oil business.” The

committee of Congress could not be persuaded to believe it either. “Your

success meant the destruction of every refiner who refused for any

reason to join your company, or whom you did not care to have in, and it

put the producers entirely in your power. It would make a monopoly such

as no set of men are fit to handle,” the chairman of the committee

declared. Of course Mr. Warden, the secretary of the company, protested

again and again that they meant to take in all the refiners, but when he

had to admit that the contracts with the railroads were not made on this

condition, his protestations met with little credence. Besides, there

was the damning fact that no refiners had come in except those in

Cleveland, and that they with one accord testified that they had yielded

to force. Not a single factory in either New York or the Oil Regions was

in the combination. The fact that the producers had never been

approached in any way looked very bad for the company, too. Mr. Watson

affirmed and reaffirmed before the committee that it was the intention

of the company to take care of the producers. “It was an essential part

of this contract that the producers should join it,” he declared. But no

such condition was embodied in the contract. It was verbal only, and,

besides, it had never been submitted to the producers themselves in any

form until after the trouble in the Oil Regions began. The committee,

like the oil men, insisted that under the circumstances no such verbal

understanding was to be trusted.[21]

No part of the testimony before the committee made a worse impression

than that showing that the chief object of the combination was to put up

the price of refined oil to the consumer, though nobody had denied from

the first that this was the purpose. In a circular, intended for private

circulation, which appeared in the newspapers about this time explaining

the objects of the South Improvement Company, this was made clear:

“The object of this combination of interests,” ran the circular, “is

understood to be twofold: firstly, to do away, at least in a great

measure, with the excessive and undue competition now existing between

the refining interest, by reason of there being a far greater refining

capacity than is called for or justified by the existing

petroleum-consuming requirements of the world; secondly, to avoid the

heretofore undue competition between the various railroad companies

transporting oil to the seaboard, by fixing a uniform rate of freight,

which it is thought can be adhered to by some such arrangement as

guaranteeing to each road some such percentages of the profit of the

aggregate amount of oil transported, whether the particular line carries

it or not. It is also asserted that a prominent feature of the

combination will be to limit the production of refined petroleum to such

amounts as may serve, in a great measure, to do away with the serious

periodical depressions in the article. Is it also to be expected that,

desiring to curtail the production of refined petroleum in this country,

the railroads will not offer any additional facilities for exportation

of the crude article.”

A writer in the Oil City Derrick, quoted in the Cleveland Herald, March

2, 1872, said: “The ring pretend that they will make their margin out of

the consumers. That is, that they will put refined up to a figure that

will enable them to pay well for crude.... The consumers are the avowed

victims, since they must pay a price which will warrant the ring in

going on with their operations. And the producers’ security for the

price is a mere matter of discretion.”

Wherever the members of the company discussed the subject they put

forward this object as one sufficient to justify the combination. If

refined oil was put up everybody in the trade would make more money. To

this end the public ought to be willing to pay more.

When Mr. Warden was under examination by the committee the chairman said

to him: “Under your arrangement, the public would have been put to an

additional expense of $7,500,000 a year.” “What public?” said Mr.

Warden. “They would have had to pay it in Europe.” “But to keep up the

price abroad you would have to keep up the price at home,” said the

chairman. Mr. Warden conceded the point: “You could not get a better

price for that exported without having a better price here,” he

said.[22]

Mr. Watson contended that the price could be put up with benefit to the

consumer. And when he was asked how, he replied: “By steadying the

trade. You will notice what all those familiar with this trade know,

that there are very rapid and excessive fluctuations in the oil market;

that when these fluctuations take place the retail dealers are always

quick to note a rise in price, but very slow to note a fall. Even if two

dollars a barrel had been added to the price of oil under a steady

trade, I think the price of the retail purchaser would not have been

increased. That increased price would only amount to one cent a quart

(four cents a gallon), and I think the price would not have been

increased to the retail dealer because the fluctuations would have been

avoided. That was one object to be accomplished.”[23]

The committee were not convinced, however, that a scheme which began by

adding four cents to the price of a gallon of oil could be to the good

of the consumer. Nor did anything appear in the contracts which showed

how the fluctuations in the price of oil were to be avoided. These

fluctuations were due to the rise and fall in the crude market, and that

depended on the amount of crude coming from the ground. The South

Improvement Company might assert that they meant to bring the producers

into their scheme and persuade them to keep down the amount of

production in the same way they meant to keep down refined, so that the

price could be kept steadily high, but they had nothing to prove that

they were sincere in the intention, nothing to prove that they had

thought of the producer seriously until the trouble in the Oil Regions

began. It looked very much to the committee as if the real intention of

the company was to keep up the price of refined to a certain figure by

limiting the output, and that there was nothing to show that it would

not go up with crude though it might not go down with it! Under these

circumstances it seemed as if a fluctuating market which gave a moderate

average was better for the consumer than the steady high price which Mr.

Watson thought so good for the public. Thirty-two cents a gallon was the

ideal price they had in view, though refined had not sold for that since

1869, the average price in 1870 being 26⅜ and in 1871 24¼. The refiner

who in 1871 sold his oil at 24¼ cents a gallon cleared easily fifty-two

cents a barrel—a large profit on his investment,—but the refiners in the

early stages of this new industry had made much larger profits. It was

to perpetuate these early profits that they had gone into the South

Improvement Company.

It did not take the full exposition of the objects of the South

Improvement Company, brought out by the Congressional Investigating

Committee, with the publication of charters and contracts, to convince

the country at large that the Oil Regions were right in their

opposition. From the first the sympathy of the press and the people were

with the oil men. It was evident to everybody that if the railroads had

made the contracts as charged (and it daily became more evident they had

done so), nothing but an absolute monopoly of the whole oil business by

this combination could result. It was robbery, cried the newspapers all

over the land. “Under the thin guise of assisting in the development of

oil-refining in Pittsburg and Cleveland,” said the New York Tribune,

“this corporation has simply laid its hand upon the throat of the oil

traffic with a demand to ‘stand and deliver.’” And if this could be done

in the oil business, what was to prevent its being done in any other

industry? Why should not a company be formed to control wheat or beef or

iron or steel, as well as oil? If the railroads would do this for one

company, why not for another? The South Improvement Company, men agreed,

was a menace to the free trade of the country. If the oil men yielded

now, all industries must suffer from their weakness. The railroads must

be taught a lesson as well as would-be monopolists.

The oil men had no thought of yielding. With every day of the war their

backbone grew stiffer. The men were calmer, too, for their resistance

had found a ground which seemed impregnable to them, and arguments

against the South Improvement Company now took the place of

denunciations. On all sides men said, This is a transportation question,

and now is the time to put an end once and forever to the rebates. The

sentiment against discrimination on account of amount of freight or for

any other reason had been strong in the country since its beginning, and

it now crystallised immediately. The country so buzzed with discussion

on the duties of the railroads that reporters sent from the Eastern

newspapers commented on it. Nothing was commoner, indeed, on the trains

which ran the length of the region and were its real forums, than to

hear a man explaining that the railways derived their existence and

power from the people, that their charters were contracts with the

people, that a fundamental provision of these contracts was that there

should be no discriminating in favour of one person or one town, that

such a discrimination was a violation of charter, that therefore the

South Improvement Company was founded on fraud, and the courts must

dissolve it if the railways did not abandon it. The Petroleum Producers’

Union which had been formed to grapple with the “Monster” actually

demanded interstate regulation, for in a circular sent out to newspapers

and boards of trade asking their aid against the conspiracy they

included this paragraph: “We urge you to exert all your influence with

your representatives in Congress to support such measures offered there

as will prohibit for all future time any monopoly of railroads or other

transportation companies from laying embargoes upon the trade between

states by a system of excessive freights or unjust discrimination

against buyers or shippers in any trade by the allowance of rebates or

drawbacks to any persons whatever. This is a matter of national

importance, and only the most decided action can protect you and us from

the scheming strength of these monopolies.”

How the whole question appeared to an intelligent oil man, one, too, who

had had the courage to resist in the attack on the trade in Cleveland,

and who still was master of his own refinery, is shown by the following

letter to the Cleveland Herald:

EDS. HERALD: As I understand, the financial success of this South

Improvement Company is based upon contracts made with the officers

(either individually or otherwise) of all the railroads leading out

of the Oil Region, by which they (the South Improvement Company)

receive as a drawback certain excess of freights, not only on every

barrel of oil shipped out of the Oil Regions by or to themselves,

but also on every barrel of oil shipped out of the Oil Regions by or

to other refiners, or dealers, or consumers.

The first advance in freights to Cleveland has already been made,

viz.: on crude oil, from forty cents to sixty-five cents per barrel.

This seemingly slight advance has already caused one party that I

know of to pay an excess of over $2,000. Other firms have paid

larger or smaller sums, according to the quantity of oil they were

compelled to have. This excess, we suppose, goes directly to swell

the profits of the South Improvement Company.

\_This is only the beginning.\_ The whole extent of the evil that may

be done to producers, refiners, dealers and consumers, and to the

public generally, if this corporation—or rather combination of

corporations—is successful, is so deep and varied and far reaching,

that it cannot be fully comprehended and I will not attempt it in

detail, but only suggest a few inquiries.

Where will be their limits?

How high will they advance freights?

How low will they force the price of crude?

How high refined?

Will they adopt a liberal policy for producers, or will they destroy

their interests and \_crush out\_ the oil production entirely? Will

they be liberal with dealers and consumers and adopt uniform rules

with steady prices, or will they take advantage of times and

circumstances and force ruinous corners upon the trade?

These and many other questions are pertinent, for clearly if they

can control the shipment they can control the price of oil, and if

they can control the price to the extent of twenty-five cents per

barrel, they can control it entirely. If they can control it

entirely, where will be their limit? Who will dictate a line of

policy to them? And may not one of the greatest and most important

industries of this country be destroyed and hundreds of thousands of

business men be made bankrupt if this combination is successful and

has the disposition to work ruin? I do not say that I think they

will work ruin. They undoubtedly will attempt to make all the money

they can and will pursue such a policy as in their judgment will

bring them the utmost amount of profits, regardless of consequences,

but what that policy will be, of course, we can not judge.

It is understood that the parties to this combination excuse

themselves and their action before the public by reciting the

undoubted facts in the case. They are these: that the refining of

oil as a business has been of late and is now overdone; that the

capacity for refining petroleum in this country exceeds the

production in the ratio of three barrels to one; that the railroads

have reduced freights to the lowest extreme, and were even losing

money; that refiners, in spite of all their efforts, could not earn

their running expenses; that the \_special interests of Cleveland\_ as

a refining point were in danger of being lost; and that this great

business might go to other points, and the millions of dollars in

refining property here be sacrificed, and thousands of men thrown

out of employment; that real estate would depreciate, and that many

other collateral troubles connected with the loss of this business

would follow; and that \_now\_, by the consummation of the plans of

this monopoly, all these evils will be avoided.

In answer to this—assuming that the refining interest of Cleveland

is a \_unit\_ in this corporation, that of Pittsburg another, that of

New York another, and that of Philadelphia another—it follows that

it is immaterial to the stockholders of the “South Improvement

Company” whether the oil produced at the Oil Regions is refined by

them at their works in Cleveland, or at Pittsburg, or in New York,

or in Philadelphia. It would not affect their dividends at all,

provided they refined the oil at the cheapest point for them to do

so. That place might be Cleveland; it might be Pittsburg, or it

might \_not\_ be either of them; but it might be New York or

Philadelphia. Therefore, so long as it is for the pecuniary

advantage of this combination to refine at Cleveland they may do so,

but no longer, and should it be for the interest of the combination

to discontinue their works at Cleveland, what would become of the

oil-refining interest at this point? That question everyone can

answer. Therefore I see little weight to the argument used that this

monopoly is for the benefit of Cleveland. Hence, I do not consider

the \_special danger\_ to Cleveland by any means as averted.

But without discussing this position, its advantages or

disadvantages, as an oil-refining center—for it has both in a marked

degree—on general principles I will assert that the laws of business

and manufacturing interests, like the laws of supply and demand, are

unchangeable, and that a prosperity such as this monopoly would

bring us is a forced prosperity, consequently not permanent, but

temporary and fictitious in character, and damaging in its ultimate

results; and more than all this, if the refining prosperity of

Cleveland could be re-established permanently by means of the

success of this monopoly, we could not afford to accept it at the

cost proposed, viz., that of enriching ourselves at the expense of

those who are weaker, but are in power.

We have just refused to build an opera house because we should, by

using the only means we could command to do so, compromise our

morality. How much more emphatically should we refuse to accept any

benefits to our city which have their origin in unmitigated fraud!

In the opera house instance just cited the managers use no

compulsion, no unwilling man was to be forced by them to buy a

ticket and take his chances; but the South Improvement Company force

every producer to take a less price for his oil without rendering

him an equivalent.

They force every refiner who is in their way to prosecute his

business against them as competitors at fearful odds, and perhaps at

the expense of a royalty on every barrel; or to sell his works and

abandon his business to the South Improvement Company at any paltry

price they may dictate.

They also force every consumer of oil on this broad continent, after

paying all the legitimate cost of producing, refining, and

transportation on oil, to pay them also an additional tribute—for

what? Absolutely nothing.

The railroad companies derive their existence and power to act under

charters granted them by the citizens (through their Legislatures)

of the several states in which they exist. This charter is a

contract made by and between the citizens of the one part and the

railroad company on the other, and both parties bind themselves

alike to the faithful performance of the conditions of the contract.

One of the fundamental provisions of this contract is that there

shall be no discrimination shown to any individuals, or body of

individuals, as to facilities or privileges of doing business with

such railroad company; on the contrary, the railroad company is

expressly required in all cases to charge uniform rates for the

transportation of freight and passengers.

They must, if desired, carry the freight for A that they do for B,

AND ALWAYS AT THE SAME PRICE. Any deviation from this stipulated

condition is a wilful and fraudulent violation of their contract. If

it is by means of such violations of contracts on the part of the

several railroad companies connected with them that the South

Improvement Company expects success, then the whole gigantic

STRUCTURE IS ESTABLISHED UPON FRAUD AS A BASIS, AND IT OUGHT TO COME

DOWN.

Very respectfully,

F. M. BACKUS.

CLEVELAND, OHIO, March 5, 1872.

The oil men now met the very plausible reasons given by the members of

the company for their combination more intelligently than at first.

There were grave abuses in the business, they admitted; there was too

great refining capacity; but this they argued was a natural development

in a new business whose growth had been extraordinary and whose limits

were by no means defined. Time and experience would regulate it. Give

the refiners open and regular freights, with no favours to any one, and

the stronger and better equipped would live, the others die—but give all

a chance. In fact, time and energy would regulate all the evils of which

they complained if there were fair play.

[Illustration:

HENRY H. ROGERS IN 1872

Now President of the National Transit Company and a director of the

Standard Oil Company. The opposition to the South Improvement

Company among the New York refiners was led by Mr. Rogers.

]

The oil men were not only encouraged by public opinion and by getting

their minds clear on the merits of their case; they were upheld by

repeated proofs of aid from all sides; even the women of the region were

asking what they could do, and were offering to wear their “black velvet

bonnets” all summer if necessary. Solid support came from the

independent refiners and shippers in other parts of the country who were

offering to stand in with them in their contest. New York was already

one of the chief refining centres of the country, and the South

Improvement Company had left it entirely out of its combination. As

incensed as the creek itself, the New York interests formed an

association, and about the middle of March sent a committee of three,

with H. H. Rogers, of Charles Pratt and Company, at its head, to Oil

City, to consult with the Producers’ Union. Their arrival in the Oil

Regions was a matter of great satisfaction. What made the oil men most

exultant, however, was their growing belief that the railroads—the crux

of the whole scheme—were weakening.

However fair the great scheme may have appeared to the railroad kings in

the privacy of the council chamber, it began to look dark as soon as it

was dragged into the open, and signs of a scuttle soon appeared. General

G. B. McClellan, president of the Atlantic and Great Western, sent to

the very first mass-meeting this telegram:

NEW YORK, February 27, 1872.

Neither the Atlantic and Great Western, nor any of its officers, are

interested in the South Improvement Company. Of course the policy of

the road is to accommodate the petroleum interest.

G. B. MCCLELLAN.

A great applause was started, only to be stopped by the hisses of a

group whose spokesman read the following:

Contract with South Improvement Company signed by George B.

McClellan, president for the Atlantic and Great Western Railroad. I

only signed it after it was signed by all the other parties.

JAY GOULD.

The railroads tried in various ways to appease the oil men. They did not

enforce the new rates. They had signed the contracts, they declared,

only after the South Improvement Company had assured them that all the

refineries and producers were to be taken in. Indeed, they seem to have

realised within a fortnight that the scheme was doomed, and to have been

quite ready to meet cordially a committee of oil men which went East to

demand that the railroads revoke their contracts with the South

Improvement Company. This committee, which was composed of twelve

persons, three of them being the New York representatives already

mentioned, began its work by an interview with Colonel Scott at the

Colonial Hotel in Philadelphia. With evident pride the committee wrote

back to the Producers’ Union: “Mr. Scott, differing in this respect from

the railroad representatives whom we afterwards met, notified us that he

would call upon us at our hotel.” An interesting account of their

interview was given to the Hepburn Committee in 1879 by W. T. Scheide,

one of the number:

We saw Mr. Scott on the 18th of March, 1872, in Philadelphia, and he

said to us that he was very much surprised to hear of this agitation

in the Oil Regions; that the object of the railroads in making this

contract with the South Improvement Company was to obtain an evener

to pool the freight—pool the oil freights among the different roads;

that they had been cutting each other on oil freights for a number

of years, and had not made any money out of it, although it was a

freight they should have made money from; that they had endeavoured

to make an arrangement among themselves, but had always failed; he

said that they supposed that the gentlemen representing the South

Improvement Company represented the petroleum trade, but as he was

now convinced they did not, he would be very glad to make an

arrangement with this committee, who undoubtedly did represent the

petroleum trade; the committee told him that they could not make any

such contract; that they had no legal authority to do so; he said

that could be easily fixed, because the Legislature was then in

session, and by going to Harrisburg a charter could be obtained in a

very few days; the committee still said that they would not agree to

any such arrangement, that they did not think the South Improvement

Company’s contract was a good one, and they were instructed to have

it broken, and so they did not feel that they could accept a similar

one, even if they had the power.

Leaving Colonel Scott the committee went on to New York, where they

stayed for about a week, closely watched by the newspapers, all of which

treated the “Oil War” as a national affair. Their first interview of

importance in New York was with Commodore Vanderbilt, who said to them

very frankly at the beginning of their talk: “I told Billy (W. H.

Vanderbilt) not to have anything to do with that scheme.” The committee

in its report said that the Commodore fully agreed with them upon the

justice of their claims, and frequently asserted his objections to any

combination seeking a monopoly of other men’s property and interests. He

told them that if what they asked was that the railroads should fix a

tariff which, while giving them a paying rate, would secure the oil men

against drawbacks, rebates, or variations in the tariff, he would

willingly co-operate. The Commodore ended his amiable concessions by

reading the committee a letter just received from the South Improvement

Company offering to co-operate with the producers and refiners or to

compromise existing differences. The oil men told the Commodore

emphatically that they would not treat with the South Improvement

Company or with anyone interested in it nor would they recognise its

existence. And this stand they kept throughout their negotiations though

repeated efforts were made by the railroad men, particularly those of

the Central system, to persuade them to a compromise.

At the meeting with the officials of the Erie and the Atlantic and Great

Western the committee was incensed by being offered a contract similar

to that of the South Improvement Company—on consideration that the

original be allowed to stand. It seemed impossible to the railroad men

that the oil men really meant what they said and would make no terms

save on the basis of no discriminations of any kind to anybody. They

evidently believed that if the committee had a chance to sign a contract

as profitable as that of the South Improvement Company, all their fair

talk of “fair play”—“the duty of the common carrier”—“equal chance to

all in transportation”—would at once evaporate. They failed utterly at

first to comprehend that the Oil War of 1872 was an uprising against an

injustice, and that the moral wrong of the thing had taken so deep a

hold of the oil country that the people as a whole had combined to

restore right. General McClellan of the Atlantic and Great Western and

Mr. Diven, one of the Erie’s directors, were the only ones who gave the

committee any support in their position.

The final all-important conference with the railroad men was held on

March 25, at the Erie offices. Horace Clark, president of the Lake Shore

and Michigan Southern Railroad, was chairman of this meeting, and,

according to H. H. Rogers’ testimony before the Hepburn Committee, in

1879, there were present, besides the oil men, Colonel Scott, General

McClellan, Director Diven, William H. Vanderbilt, Mr. Stebbins, and

George Hall. The meeting had not been long in session before Mr. Watson,

president of the South Improvement Company, and John D. Rockefeller

presented themselves for admission. Up to this time Mr. Rockefeller had

kept well out of sight in the affair. He had given no interviews,

offered no explanations. He had allowed the president of the company to

wrestle with the excitement in his own way, but things were now in such

critical shape that he came forward in a last attempt to save the

organisation by which he had been able to concentrate in his own hands

the refining interests of Cleveland. With Mr. Watson he knocked for

admission to the council going on in the Erie offices. The oil men

flatly refused to let them in. A dramatic scene followed, Mr. Clark, the

chairman, protesting in agitated tones against shutting out his

“lifelong friend, Watson.” The oil men were obdurate. They would have

nothing to do with anybody concerned with the South Improvement Company.

So determined were they that although Mr. Watson came in he was obliged

at once to withdraw. A Times reporter who witnessed the little scene

between the two supporters of the tottering company after its president

was turned out of the meeting remarked sympathetically that Mr.

Rockefeller soon went away, “looking pretty blue.”

The acquiescence of the “railroad kings” in the refusal of the oil men

to recognise representatives of the South Improvement Company was

followed by an unwilling promise to break the contracts with the

company. Another strong effort was made to persuade the independents to

make the same contracts on condition that they shipped as much oil, but

they would not hear of it. They demanded open rates, with no rebates to

anyone. Horace Clark and W. H. Vanderbilt particularly stuck for this

arrangement. Their opposition to the oil men’s position was so strong

that the latter in reporting it to the Union said: “We feel it proper to

say that we are in no wise indebted to these gentlemen for any courtesy

or consideration received at their hands.” So well did the committee

fight its battle and so strongly were they supported by the New York

refiners that the railroads were finally obliged to consent to revoke

the contracts and to make a new one embodying the views of the Oil

Regions. The contract finally signed at this meeting by H. F. Clark for

the Lake Shore road, O. H. P. Archer for the Erie, W. H. Vanderbilt for

the Central, George B. McClellan for the Atlantic and Great Western, and

Thomas A. Scott for the Pennsylvania, agreed that all shipping of oil

should be made on “a basis of perfect equality to all shippers,

producers, and refiners, and that no rebates, drawbacks, or other

arrangements of any character shall be made or allowed that will give

any party the slightest difference in rates or discriminations of any

character whatever.”[24] It was also agreed that the rates should not be

liable to change either for increase or decrease without first giving

William Hasson, president of the Producers’ Union, at least ninety days’

notice.

The same rate was put on refined oil from Cleveland, Pittsburg and the

creek, to Eastern shipping points; that is, Mr. Rockefeller could send

his oil from Cleveland to New York at $1.50 per barrel; so could his

associates in Pittsburg; and this was what it cost the refiner on the

creek; but the latter had this advantage: he was at the wells. Mr.

Rockefeller and his Pittsburg allies were miles away, and it cost them,

by the new contract, fifty cents to get a barrel of crude to their

works. The Oil Regions meant that geographical position should count,

that the advantages Mr. Rockefeller had by his command of the Western

market and by his access to a cheap Eastward waterway should be

considered as well as their own position beside the raw product.

This contract was the first effective thrust into the great bubble.

Others followed in quick succession. On the 28th the railroads

officially annulled their contracts with the company. About the same

time the Pennsylvania Legislature repealed the charter. On March 30 the

committee of oil men sent to Washington to be present during the

Congressional Investigation, now about to begin, spent an hour with

President Grant. They wired home that on their departure he said:

“Gentlemen, I have noticed the progress of monopolies, and have long

been convinced that the national government would have to interfere and

protect the people against them.” The President and the members of

Congress of both parties continued to show interest in the

investigation, and there was little or no dissent from the final

judgment of the committee, given early in May, that the South

Improvement Company was the “most gigantic and daring conspiracy” a free

country had ever seen. This decision finished the work. The “Monster”

was slain, the Oil Regions proclaimed exultantly.

And now came the question, What should they do about the blockade

established against the members of the South Improvement Company? The

railroads they had forgiven; should they forgive the members of the

South Improvement Company? This question came up immediately on the

repeal of the charter. The first severe test to which their temper was

put was early in April, when the Fisher Brothers, a firm of Oil City

brokers, sold some 20,000 barrels of oil to the Standard Oil Company.

The moment the sale was noised a perfect uproar burst forth. Indignant

telegrams came from every direction condemning the brokers. “Betrayal,”

“infamy,” “mercenary achievement,” “the most unkindest cut of all,” was

the gist of them. From New York, Porter and Archbold telegraphed

annulling all their contracts with the guilty brokers. The Oil Exchange

passed votes of censure, and the Producers’ Union turned them out. A few

days later it was learned that a dealer on the creek was preparing to

ship 5,000 barrels to the same firm. A mob gathered about the cars and

refused to let them leave. It was only by stationing a strong guard that

the destruction of the oil was prevented.

But something had to be done. The cooler heads argued that the blockade,

which had lasted now forty days, and from which the region had of course

suffered enormous loss, should be entirely lifted. The objects for which

it had been established had been accomplished—that is, the South

Improvement Company had been destroyed—now let free trade be

established. If anybody wanted to sell to “conspirators,” it was his

lookout. A long and excited meeting of men from the entire oil country

was held at Oil City to discuss the question.

The president of the Petroleum Producers’ Union, Captain William Hasson,

in anticipation of the meeting, had sent to the officers of all the

railroads which had been parties to the South Improvement Company, the

following telegram:

OFFICE PETROLEUM PRODUCERS’ UNION,

OIL CITY, PENNSYLVANIA, April 4, 1872.

We are informed by parties known as members of the South Improvement

Company, now representing the Standard Oil Company, who are in the

market overbidding other shippers, that all contracts between the

railroad companies and South Improvement and Standard Companies are

cancelled. Will you please give us official notice whether such

contracts are cancelled or not? The people in mass-meeting assembled

have instructed the executive committee not to sell or ship any oil

to these parties until we receive such notice. Please answer at

once, as we fear violence and destruction of property.

Signed WILLIAM HASSON, \_President\_.

General McClellan, Horace F. Clark, Thomas A. Scott, and W. H.

Vanderbilt all sent emphatic telegrams in reply, asserting that the

South Improvement contracts had been cancelled and that their roads had

no understanding of any nature in regard to freights with the Standard

Oil Company. “The only existing arrangement is with you,” telegraphed

General McClellan. W. H. Vanderbilt reminded Mr. Hasson that the

agreement of March 25, between the railroad companies and the joint

committee of producers and refiners, was on a basis of perfect equality

for all, and the inference was, how could Mr. Vanderbilt possibly make a

special arrangement with the Standard? From the Standard Oil Company the

following was received:

CLEVELAND, OHIO, April 8, 1872.

TO CAPTAIN WILLIAM HASSON: In answer to your telegram, this company

holds no contract with the railroad companies or any of them, or

with the South Improvement Company. The contracts between the South

Improvement Company and the railroads have been cancelled, and I am

informed you have been so advised by telegram. I state unqualifiedly

that reports circulated in the Oil Region and elsewhere, that this

company, or any member of it, threatened to depress oil, are false.

JOHN D. ROCKEFELLER, \_President\_.

After reading all the telegrams the committee submitted its report. The

gist of it was that since they had official assurance that the hated

contracts were cancelled, and that since they had secured from all the

trunk lines a “fair rate of freight, equal to all shippers and

producers, great or small, with an abolition of the system of rebates

and drawbacks,” the time had arrived “to open the channels of trade to

all parties desiring to purchase or deal in oil on terms of equality.”

The report was received with “approbation and delight” and put an

official end to the “Oil War.”

But no number of resolutions could wipe out the memory of the forty days

of terrible excitement and loss which the region had suffered. No

triumph could stifle the suspicion and the bitterness which had been

sown broadcast through the region. Every particle of independent manhood

in these men whose very life was independent action had been outraged.

Their sense of fair play, the saving force of the region in the days

before law and order had been established, had been violated. These were

things which could not be forgotten. There henceforth could be no trust

in those who had devised a scheme which, the producers believed, was

intended to rob them of their property.

It was inevitable that under the pressure of their indignation and

resentment some person or persons should be fixed upon as responsible,

and should be hated accordingly. Before the lifting of the embargo this

responsibility had been fixed. It was the Standard Oil Company of

Cleveland, so the Oil Regions decided, which was at the bottom of the

business, and the “Mephistopheles of the Cleveland company,” as they put

it, was John D. Rockefeller. Even the Cleveland Herald acknowledged this

popular judgment. “Whether justly or unjustly,” the editor wrote,

“Cleveland has the odium of having originated the scheme.” This opinion

gained ground as the days passed. The activity of the president of the

Standard in New York, in trying to save the contracts with the

railroads, and his constant appearance with Mr. Watson, and the fact

brought out by the Congressional Investigation that a larger block of

the South Improvement Company’s stock was owned in the Standard than in

any other firm, strengthened the belief. But what did more than anything

else to fix the conviction was what they had learned of the career of

the Standard Oil Company in Cleveland. Before the Oil War the company

had been known simply as one of several successful firms in that city.

It drove close bargains, but it paid promptly, and was considered a

desirable customer. Now the Oil Regions learned for the first time of

the sudden and phenomenal expansion of the company. Where there had been

at the beginning of 1872 twenty-six refining firms in Cleveland, there

were but six left. In three months before and during the Oil War the

Standard had absorbed twenty plants. It was generally charged by the

Cleveland refiners that Mr. Rockefeller had used the South Improvement

scheme to persuade or compel his rivals to sell to him. “Why,” cried the

oil men, “the Standard Oil Company has done already in Cleveland what

the South Improvement Company set out to do for the whole country, and

it has done it by the same means.”

By the time the blockade was raised, another unhappy conviction was

fixed on the Oil Regions—the Standard Oil Company meant to carry out the

plans of the exploded South Improvement Company. The promoters of the

scheme were partly responsible for the report. Under the smart of their

defeat they talked rather more freely than their policy of silence

justified, and their remarks were quoted widely. Mr. Rockefeller was

reported in the Derrick to have said to a prominent oil man of Oil City

that the South Improvement Company could work under the charter of the

Standard Oil Company, and to have predicted that in less than two months

the gentlemen would be glad to join him. The newspapers made much of the

following similar story reported by a New York correspondent:

A prominent Cleveland member of what was the South Improvement

Company had said within two days: “The business \_now\_ will be done

by the Standard Oil Company. We have a rate of freight by water from

Cleveland to New York at seventy cents. No man in the trade shall

make a dollar this year. We purpose to manipulating the market as to

run the price of crude on the creek as low as two and a half. We

mean to show the world that the South Improvement Company was

organised for business and means business in spite of opposition.

The same thing has been said in substance by the leading

Philadelphia member.”

“The trade here regards the Standard Oil Company as simply taking the

place of the South Improvement Company and as being ready at any moment

to make the same attempt to control the trade as its progenitors did,”

said the New York Bulletin about the middle of April. And the Cleveland

Herald discussed the situation under the heading, “South Improvement

Company \_alias\_ Standard Oil Company.” The effect of these reports in

the Oil Regions was most disastrous. Their open war became a kind of

guerilla opposition. Those who sold oil to the Standard were ostracised,

and its president was openly scorned.

If Mr. Rockefeller had been an ordinary man the outburst of popular

contempt and suspicion which suddenly poured on his head would have

thwarted and crushed him. But he was no ordinary man. He had the

powerful imagination to see what might be done with the oil business if

it could be centered in his hands—the intelligence to analyse the

problem into its elements and to find the key to control. He had the

essential element of all great achievement, a steadfastness to a purpose

once conceived which nothing can crush. The Oil Regions might rage, call

him a conspirator, and all those who sold him oil, traitors; the

railroads might withdraw their contracts and the Legislature annul his

charter; undisturbed and unresting he kept at his great purpose. Even if

his nature had not been such as to forbid him to abandon an enterprise

in which he saw promise of vast profits, even if he had not had a mind

which, stopped by a wall, burrows under or creeps around, he would

nevertheless have been forced to desperate efforts to keep up his

business. He had increased his refining capacity in Cleveland to 10,000

barrels on the strength of the South Improvement Company contracts.

These contracts were annulled, and in their place was one signed by

officials of all the oil-shipping roads refusing rebates to everybody.

His geographical position was such that it cost him under these new

contracts fifty cents more to get oil from the wells to New York than it

did his rivals on the creek. True, he had many counterbalancing

advantages—a growing Western market almost entirely in his hands, lake

traffic, close proximity to all sorts of accessories to his

manufacturing, but this contract put him on a level with his rivals. By

his size he should have better terms than they. What did he do?

He got a rebate. Seven years later Mr. Rockefeller’s partner, H. M.

Flagler, was called before a commission of the Ohio State Legislature

appointed to investigate railroads. He was asked for the former

contracts between his company and the railroads, and among others he

presented one showing that from “the first of April until the middle of

November, 1872,” their East-bound rate was $1.25, twenty-five cents less

than that set by the agreement of March 25th, between the oil men and

the railroads.[25] The discrepancy between the date Mr. Flagler gives

for this contract and that of Mr. Vanderbilt’s telegram to Mr. Hasson

stating that his road had no contract with the Standard Oil Company,

April 6, and of Mr. Rockefeller’s own telegram stating he had no

contracts with the railroads, April 8, the writer is unable to explain.

How had Mr. Rockefeller been able to get this rebate? Simply as he had

always done—by virtue of the quantity he shipped. He was able to say to

Mr. Vanderbilt, I can make a contract to ship sixty car-loads of oil a

day over your road—nearly 4,800 barrels; I cannot give this to you

regularly unless you will make me a concession; and Mr. Vanderbilt made

the concession while he was signing the contract with the oil men. Of

course the rate was secret, and Mr. Rockefeller probably understood now,

as he had not two months before, how essential it was that he keep it

secret. His task was more difficult now, for he had an enemy active,

clamorous, contemptuous, whose suspicions had reached that acute point

where they could believe nothing but evil of him—the producers and

independent refiners of the Oil Regions. It was utterly impossible that

he should ever silence this enemy, for their points of view were

diametrically opposed.

They believed in independent effort—every man for himself and fair play

for all. They wanted competition, loved open fight. They considered that

all business should be done openly; that the railways were bound as

public carriers to give equal rates; that any combination which favoured

one firm or one locality at the expense of another was unjust and

illegal. This belief long held by many of the oil men had been

crystallised by the uprising into a common sentiment. It had become the

moral code of the region.

Mr. Rockefeller’s point of view was different. He believed that the

“good of all” was in a combination which would control the business as

the South Improvement Company proposed to control it. Such a combination

would end at once all the abuses the business suffered. As rebates and

special rates were essential to this control, he favoured them. Of

course Mr. Rockefeller must have known that the railroad was a common

carrier, and that the common law forbade discrimination. But he knew

that the railroads had not obeyed the laws governing them, that they had

regularly granted special rates and rebates to those who had large

amounts of freight. That is, you were able to bargain with the railroads

as you did with a man carrying on a strictly private business depending

in no way on a public franchise. Moreover, Mr. Rockefeller probably

believed that, in spite of the agreements, if he did not get rebates

somebody else would; that they were for the wariest, the shrewdest, the

most persistent. If somebody was to get rebates, why not he? This point

of view was no uncommon one. Many men held it and felt a sort of scorn,

as practical men always do for theorists, when it was contended that the

shipper was as wrong in taking rates as the railroads in granting them.

Thus, on one hand there was an exaggerated sense of personal

independence, on the other a firm belief in combination; on one hand a

determination to root out the vicious system of rebates practised by the

railway, on the other a determination to keep it alive and profit by it.

Those theories which the body of oil men held as vital and fundamental

Mr. Rockefeller and his associates either did not comprehend or were

deaf to. This lack of comprehension by many men of what seems to other

men to be the most obvious principles of justice is not rare. Many men

who are widely known as good, share it. Mr. Rockefeller was “good.”

There was no more faithful Baptist in Cleveland than he. Every

enterprise of that church he had supported liberally from his youth. He

gave to its poor. He visited its sick. He wept with its suffering.

Moreover, he gave unostentatiously to many outside charities of whose

worthiness he was satisfied. He was simple and frugal in his habits. He

never went to the theatre, never drank wine. He gave much time to the

training of his children, seeking to develop in them his own habits of

economy and of charity. Yet he was willing to strain every nerve to

obtain for himself special and unjust privileges from the railroads

which were bound to ruin every man in the oil business not sharing them

with him. He was willing to array himself against the combined better

sentiment of a whole industry, to oppose a popular movement aimed at

righting an injustice, so revolting to one’s sense of fair play as that

of railroad discriminations. Religious emotion and sentiments of

charity, propriety and self-denial seem to have taken the place in him

of notions of justice and regard for the rights of others.

Unhampered, then, by any ethical consideration, undismayed by the

clamour of the Oil Regions, believing firmly as ever that relief for the

disorders in the oil business lay in combining and controlling the

entire refining interest, this man of vast patience and foresight took

up his work. That work now was to carry out some kind of a scheme which

would limit the output of refined oil. He had put his competitors in

Cleveland out of the way. He had secured special privileges in

transportation, but there were still too many refineries at work to make

it possible to put up the price of oil four cents a gallon. It was

certain, too, that no scheme could be worked to do that unless the Oil

Regions could be mollified. That now was Mr. Rockefeller’s most

important business. Just how he began is not known. It is only certain

that the day after the newspapers of the Oil Regions printed the report

of the Congressional Committee on Commerce denouncing the South

Improvement Company as “one of the most gigantic and dangerous

conspiracies ever attempted,” and declaring that if it had not been

checked in time it “would have resulted in the absorption and arbitrary

control of trade in all the great interests of the country.”[26] Mr.

Rockefeller and several other members of the South Improvement Company

appeared in the Oil Regions. They had come, they explained, to present a

new plan of co-operation, and to show the oil men that it was to their

interest to go into it. Whether they would be able to obtain by

persuasion what they had failed to obtain by assault was now an

interesting uncertainty.

CHAPTER FOUR

“AN UNHOLY ALLIANCE”

ROCKEFELLER AND HIS PARTY NOW PROPOSE AN OPEN INSTEAD OF A SECRET

COMBINATION—“THE PITTSBURG PLAN”—THE SCHEME IS NOT APPROVED BY THE

OIL REGIONS BECAUSE ITS CHIEF STRENGTH IS THE REBATE—ROCKEFELLER NOT

DISCOURAGED—THREE MONTHS LATER BECOMES PRESIDENT OF NATIONAL

REFINERS’ ASSOCIATION—FOUR-FIFTHS OF REFINING INTEREST OF UNITED

STATES WITH HIM—OIL REGIONS AROUSED—PRODUCERS’ UNION ORDER DRILLING

STOPPED AND A THIRTY DAY SHUT-DOWN TO COUNTERACT FALLING PRICE OF

CRUDE—PETROLEUM PRODUCERS’ AGENCY FORMED TO ENABLE PRODUCERS TO

CONTROL THEIR OWN OIL—ROCKEFELLER OUTGENERALS HIS OPPONENTS AND

FORCES A COMBINATION OF REFINERS AND PRODUCERS—PRODUCERS’

ASSOCIATION AND PRODUCERS’ AGENCY SNUFFED OUT—NATIONAL REFINERS’

ASSOCIATION DISBANDS—ROCKEFELLER STEADILY GAINING GROUND.

The feeling of outrage and resentment against the Standard Oil Company,

general in the Oil Regions at the close of the Oil War because of the

belief that it intended to carry on the South Improvement Company in

some new way, was intensified in the weeks immediately following the

outbreak by the knowledge that Mr. Rockefeller had been so enormously

benefited by the short-lived concern. Here he was shipping Eastward over

one road between 4,000 and 5,000 barrels of refined oil a day—oil wrung

from his neighbours by an outrageous conspiracy, men said bitterly. This

feeling was still keen when Mr. Rockefeller and several of his

colleagues in the South Improvement scheme suddenly, in May, 1873,

appeared on the streets of Titusville. The men who had fought him so

desperately now stared in amazement at the smiling, unruffled

countenance with which he greeted them. Did not the man know when he was

beaten? Did he not realise the opinion the Oil Regions held of him? His

placid demeanour in the very teeth of their violence was disconcerting.

Not less of a shock was given the country by the knowledge that Mr.

Rockefeller, Mr. Flagler, Mr. Waring and the other gentlemen in their

party were pressing a new alliance, and that they claimed that their new

scheme had none of the obnoxious features of the defunct South

Improvement Company, though it was equally well adapted to work out the

“good of the oil business.”

For several days the visiting gentlemen slipped around, bland and

smiling, from street corner to street corner, from office to office,

explaining, expostulating, mollifying. “You misunderstand our

intention,” they told the refiners. “It is to save the business, not to

destroy it, that we are come. You see the disorders competition has

wrought in the oil industry. Let us see what combination will do. Let us

make an experiment—that is all. If it does not work, then we can go back

to the old method.”

Although Mr. Rockefeller was everywhere, and heard everything in these

days, he rarely talked. “I remember well how little he said,” one of the

most aggressively independent of the Titusville refiners told the

writer. “One day several of us met at the office of one of the refiners,

who, I felt pretty sure, was being persuaded to go into the scheme which

they were talking up. Everybody talked except Mr. Rockefeller. He sat in

a rocking-chair, softly swinging back and forth, his hands over his

face. I got pretty excited when I saw how those South Improvement men

were pulling the wool over our men’s eyes, and making them believe we

were all going to the dogs if there wasn’t an immediate combination to

put up the price of refined and prevent new people coming into the

business, and I made a speech which, I guess, was pretty warlike. Well,

right in the middle of it John Rockefeller stopped rocking and took down

his hands and looked at me. You never saw such eyes. He took me all in,

saw just how much fight he could expect from me, and I knew it, and then

up went his hands and back and forth went his chair.”

For fully a week this quiet circulation among the oil men went on, and

then, on May 15 and 16, public meetings were held in Titusville, at

which the new scheme which they had been advocating was presented

publicly. This new plan, called the “Pittsburg Plan”[27] from the place

of its birth, had been worked out by the visiting gentlemen before they

came to the Oil Regions. It was a most intelligent and comprehensive

proposition.

As in the case of the South Improvement scheme, a company was to be

formed to run the refining business of the whole country, but this

company was to be an open instead of a secret organisation, and all

refiners were to be allowed to become stockholders in it. The owners of

the refineries who went into the combination were then to run them in

certain particulars according to the direction of the board of the

parent company; that is, they were to refine only such an amount of oil

as the board allowed, and they were to keep up the price for their

output as the board indicated. The buying of crude oil and the

arrangements for transportation were also to remain with the directors.

Each stockholder was to receive dividends whether his plant operated or

not. The “Pittsburg Plan” was presented tentatively. If anything better

could be suggested they would gladly accept it, its advocates said. “All

we want is a practical combination. We are wed to no particular form.”

The first revelation of the public meetings at which the “Pittsburg

Plan” was presented was that in the days Mr. Rockefeller and his friends

had been so diligently shaking hands with the oil men from Titusville to

Oil City they had made converts—that they had not entered these open

meetings until they had secured the assurance of co-operation in any

plan of consolidation which might be effected from some of the ablest

refiners and business men of the creek, notably from J. J. Vandergrift

of Oil City, and from certain firms of Titusville with which John D.

Archbold was connected. All of these persons had fought the South

Improvement Company, and they all now declared that if the proposed

organisation copied that piratical scheme they would have nothing to do

with it, that their allegiance to the plan was based on their conviction

that it was fair to all—who went in!—and that it was made necessary by

over-refining, underselling, and by the certainty that the railroads

could not be trusted to keep their contracts. It was evident that the

possible profits and power to be gained by a successful combination had

wiped out their resentment against the leaders of the South Improvement

Company, and that if they had the assurance, as they must have had, that

rebates were a part of the game, they justified themselves by the

reflection that somebody was sure to get them, and that it might as well

be they as anybody.

The knowledge that a considerable body of the creek refiners had gone

over to Mr. Rockefeller awakened a general bitterness among those who

remained independent. “Deserters,” “ringsters,” “monopolists,” were the

terms applied to them, and the temper of the public meetings, as is

evident from the full reports the newspapers of the Oil Region

published, became at once uncertain. There were long pauses in the

proceedings, everybody fearing to speak. Mr. Rockefeller is not reported

as having spoken at all, the brunt of defense and explanation having

fallen on Mr. Flagler, Mr. Frew and Mr. Waring. Two or three times the

convention wrangled to the point of explosion, and one important

refiner, M. N. Allen, who was also the editor of the Titusville Courier,

one of the best papers in the region, took his hat and left. Before the

end of the convention the supporters of combination ought to have felt,

if they did not, that they had been a little too eager in pressing an

alliance on the Oil Regions so soon after outraging its moral sentiment.

The press and people were making it plain enough, indeed, that they did

not trust the persuasive advocates of reform. On every street corner and

on every railroad train men reckoned the percentage of interest the

stockholders of the South Improvement Company would have in the new

combination. It was too great. But what stirred the Oil Region most

deeply was its conviction that the rebate system was regarded as the

keystone of the new plan. “What are you going to do with the men who

prefer to run their own business?” asked a representative of the Oil

City Derrick of one of the advocates of the plan. “Go through them,” was

reported to be his laconic reply. “But how?” “By the co-operation of

transportation”—that is, by rebates. Now the Oil Region had been too

recently convicted of the sin of the rebate, and had taken too firm a

determination to uproot the iniquitous practice to be willing to ally

itself with any combination which it suspected of accepting privileges

which its neighbours could not get or would not take.

At the very time the association of refiners was under consideration an

attempt was made to win over the producers by offering, through their

union, to buy all their oil at five dollars a barrel for five years. Oil

was four dollars at the time. The producers refused. Such an agreement

could only be kept, they said, by an association which was an absolute

monopoly, fixing prices of refined to satisfy its own greed. All they

wanted of the producer was to be a party to their conspiracy. When they

had destroyed his moral force and completed their monopoly they would

pay him what they pleased for oil, and the price would not be five

dollars! What could he do then? He would be their slave, there would be

no other buyer—could be none, since they would control the entire

transportation system.

The upshot of the negotiations was that again the advocates of

combination had to retire from the Oil Regions defeated. “\_Sic semper

tyrannis, sic transit gloria\_ South Improvement Company,” sneered the

Oil City Derrick, which was given to sprinkling Latin phrases into its

forceful and picturesque English. But the Derrick underrated both the

man and the principle at which it sneered. A great idea was at work in

the commercial world. It had come to them saddled with crime. They now

saw nothing in it but the crime. The man who had brought it to them was

not only endowed with far vision, he was endowed with an indomitable

purpose. He meant to control the oil business. By one manœuvre, and that

a discredited one, he had obtained control of one-fifth of the entire

refining output of the United States. He meant to secure the other

four-fifths. He might retire now, but the Oil Region would hear of him

again. It did. Three months later, in August, 1872, it was learned that

the scheme of consolidation which had been presented in vain at

Titusville in May had been quietly carried out, that four-fifths of the

refining interest of the United States, including many of the creek

refiners, had gone into a National Refiners’ Association, of which Mr.

Rockefeller was president, and one of their own men, J. J. Vandergrift,

was vice-president. The news aroused much resentment in the Oil Regions.

The region was no longer solid in its free-trade sentiment, no longer

undividedly true to its vow that the rebate system as applied to the oil

trade must end. There was an enemy at home. The hard words which for

months men had heaped on the distant heads of Cleveland and Pittsburg

refiners, they began to pour out, more discreetly to be sure, on the

heads of their neighbours. It boded ill for the interior peace of the

Oil Regions.

The news that the refiners had actually consolidated aroused something

more than resentment. The producers generally were alarmed. If the

aggregation succeeded they would have one buyer only for their product,

and there was not a man of them who believed that this buyer would ever

pay them a cent more than necessary for their oil. Their alarm aroused

them to energy. The association which had scattered the South

Improvement Company was revived, and began at once to consider what it

could do to prevent the consolidated refiners getting the upper hand in

the business.

The association which now prepared to contest the mastery of the oil

business with Mr. Rockefeller and those who had joined him was a curious

and a remarkable body. Its membership, drawn from the length and breadth

of the Oil Regions, included men whose production was thousands of

barrels a day and men who were pumping scarcely ten barrels; it included

college-bred men who had come from the East with comfortable sums to

invest, and men who signed their names with an effort, had never read a

book in their lives, and whose first wells they had themselves “kicked

down.” There were producers in it who had made and lost a half-dozen

fortunes, and who were, apparently, just as buoyant and hopeful as when

they began. There were those who had never put down a dry well, and were

still unsatisfied. However diverse their fortunes, their breeding, and

their luck, there was no difference in the spirit which animated them

now.

[Illustration:

M. N. ALLEN

Independent refiner of Titusville. Editor of the \_Courier\_, an able

opponent of the South Improvement Company.

]

[Illustration:

JOHN FERTIG

Prominent oil operator. Until 1893 active in Producers’ and Refiners’

Company (independent).

]

[Illustration:

CAPT. WILLIAM HASSON

President of the Petroleum Producers’ Association of 1872.

]

[Illustration:

JOHN L. MC KINNEY

Prominent oil operator. Until 1889 an independent. Now member of the

Standard Oil Company.

]

The president of the association was Captain William Hasson, a young man

both by his knowledge of the Oil Regions and the oil business well

fitted for the position. Captain Hasson was one of the few men in the

association who had been in the country before the discovery of oil. His

father had bought, in the fifties, part of the grant of land at the

mouth of Oil Creek, made in 1796 to the Indian chief Cornplanter, and

had moved on it with his family. Four years after the discovery of oil

he and his partner disposed of 300 acres of the tract they owned for

$750,000. Young Hasson had seen Cornplanter, as the site of his father’s

farm was called, become Oil City; he had seen the mill, blacksmith shop

and country tavern give way to a thriving town of several thousand

inhabitants. All of his interests and his pride were wrapped up in the

industry which had grown up about him. Independent in spirit, vigorous

in speech, generous and just in character, William Hasson had been

thoroughly aroused by the assault of the South Improvement Company, and

under his presidency the producers had conducted their successful

campaign. The knowledge that the same man who had been active in that

scheme had now organised a national association had convinced Captain

Hasson of the necessity of a counter move, and he threw himself

energetically into an effort to persuade the oil producers to devise an

intelligent and practical plan for controlling their end of the

business, and then stand by what they decided on.

Captain Hasson and those who were working with him would have had a much

more difficult task in arousing the producers to action if it had not

been for the general dissatisfaction over the price of oil. The average

price of crude in the month of August, 1872, was $3.47½. The year before

it had been $4.42½, and that was considered a poverty price. It was

pretty certain that prices would fall still lower, that “three-dollar

oil” was near at hand. Everybody declared three dollars was not a

“living price” for oil, that it cost more than that to produce it. The

average yield of the wells in the Oil Region in 1872 was five barrels a

day. Now a well cost at that time from $2,500 to $8,000, exclusive of

the price of the lease. It cost eight to ten dollars a day to pump a

well, exclusive of the royalty interest—that is, the proportion of the

production turned over to the land-owner, usually one-fourth.[28] If a

man had big wells, and many of them, he made big profits on

“three-dollar oil,” but there were comparatively few “big producers.”

The majority of those in the business had but few wells, and these

yielded only small amounts.

If he had been contented to economise and to accept small gains, even

the small producer could live on a much lower price than three dollars;

but nobody in the Oil Regions in 1872 looked with favour on economy, and

everybody despised small things. The oil men as a class had been brought

up to enormous profits, and held an entirely false standard of values.

As the Derrick told them once in a sensible editorial, “their business

was born in a balloon going up, and spent all its early years in the

sky.” They had seen nothing but the extreme of fortune. One hundred per

cent. per annum on an investment was in their judgment only a fair

profit. If their oil property had not paid for itself entirely in six

months, and begun to yield a good percentage, they were inclined to

think it a failure. Now nothing but five-dollar oil would do this, so

great were the risks in business; and so it was for five-dollar oil,

regardless of the laws of supply and demand, that they struggled. They

were notoriously extravagant in the management of their business. Rarely

did an oil man write a letter if he could help it. He used the telegraph

instead. Whole sets of drilling tools were sometimes sent by express. It

was no uncommon thing to see near a derrick broken tools which could

easily have been mended, but which the owner had replaced by new ones.

It was anything to save bother with him. Frequently wells were abandoned

which might have been pumped on a small but sure profit. In those days

there were men who looked on a ten-barrel (net) well as hardly worth

taking care of. And yet even at fifty cents a barrel such a well would

have paid the owner $1,800 a year. The simple fact was that the profits

which men in trades all over the country were glad enough to get, the

oil producer despised. The one great thing which the Oil Regions did not

understand in 1872 was economy. As a matter of fact the oil-producing

business was going through a stage in its natural development similar to

oil refining. Both, under the stimulus of the enormous profits in the

years immediately following the discovery of oil, had been pushed until

they had outstripped consumption. The competition resulting from the

inrush of producers and refiners and the economies which had been worked

out were bringing down profits. The combinations attempted by both

refiners and producers in these years were really efforts to keep up

prices to the extravagant point of the early speculative years.

Now the drop in the price of oil everybody recognised to be due to a

natural cause. Where a year before the production had been 12,000

barrels a day, it was now 16,000. The demand for refined had not

increased in proportion to this production of crude, and oil stocks had

accumulated until the tanks of the region were threatening to overflow.

And there was no sign of falling off. Under these circumstances it

needed little argument to convince the oil men that if they were to get

a better price they must produce no more than the world would use. There

was but one way to effect this—to put down no new wells until the stocks

on hand were reduced and the daily production was brought down to a

marketable amount.

Under the direction of the Producers’ Association an agitation at once

began in favour of stopping the drill for six months. It was a drastic

measure. There was hardly an oil operator in the entire region who had

not on hand some piece of territory on which he was planning to drill,

or on which he had not wells under way. Stopping the drill meant that

all of the aggressive work of his business should cease for six months.

It meant that his production, unreplenished, would gradually fall off,

until at the end of the period he would have probably not over half of

what he had now; that then he must begin over again to build up. It

meant, too, that he was at the mercy of neighbours who might refuse to

join the movement, and who by continuing to drill would drain his

territory. It seemed to him the only way of obtaining a manageable

output of crude, however, and accordingly, when late in the month of

August the following pledge to stop the drill was circulated, the great

majority of the producers signed it:

\_Whereas\_, The extreme low price of oil requires of producers that

operations therefor shall cease for the present: Now we, the

producers, land-owners and others, residents of the Pennsylvania Oil

Region, do hereby bind ourselves to each other not to commence the

drilling of any more wells for the period of six months from the

first day of September next, not to lease any lands owned or

controlled by us for the purpose of operations during the same

period, and we also agree to use all honourable means to prevent

others from boring. This we agree to, and bind ourselves to each

other under a forfeiture of $2,000 for each well commenced by either

of us within the period above limited—the same to be collected as

any other debt. It is, however, understood by the undersigned that

this forfeiture is not to apply to any wells where the erection of

rigs is completed or under way, or that may be commenced before the

first day of September aforesaid.

The chief objection to this pledge came from land-owners in Clarion

County. They were the “original settlers,” plodding Dutch farmers, whose

lives had always been poor and hard and shut-in. The finding of oil had

made them rich and greedy. They were so ignorant that it was difficult

to transact business of any nature with them. It was not unusual for a

Clarion County farmer, if offered an eighth royalty, to refuse it on the

ground that it was too little, and to ask a tenth. A story used to be

current in the Oil Regions of a producer who, returning from an

unsuccessful land hunt in Clarion County was asked why he had not

secured a certain lease. “Well,” he said, “farmers wanted seven-eighths

of the oil as a royalty, wanted me to furnish barrels and to paint

\_both\_ heads. I agreed to everything but the last. I could afford to

paint but one head, and so he wouldn’t sign the lease.” When the

proposition to stop the drill for six months was brought to these men,

who at the time owned the richest territory in the oil field, no amount

of explanation could make them understand it. They regarded it simply as

a scheme to rob them, and would not sign. Outside of this district,

however, the drill stopped over nearly all the field on the first of

September.

There was nothing but public opinion to hold the producers to their

pledge. But public opinion in those days in the Oil Regions was fearless

and active and asserted itself in the daily newspapers and in every

meeting of the association. The whole body of oil men became a vigilance

committee intent on keeping one another loyal to the pledge. Men who

appeared at church on Sunday in silk hats, carrying gold-headed

canes—there were such in the Oil Region in 1872—now stole out at night

to remote localities to hunt down rumours of drilling wells. If they

found them true, their dignity did not prevent their cutting the tools

loose or carrying off a band wheel.

Stopping the drill afforded no immediate relief to the producers. It was

for the future. And as soon as the Petroleum Producers’ Association had

the movement well under way, it proposed another drastic measure—a

thirty days’ shut-down—by which it was meant that all wells should cease

pumping for a month. Nothing shows better the compact organisation and

the determination of the oil producers at this time than the immediate

response they gave to this suggestion. In ten days scarcely a barrel of

oil was being pumped from end to end of the Oil Regions. “That a

business producing three million dollars a month, employing 10,000

labouring men and fifty million dollars of capital, should be entirely

suspended, dried up, stopped still as death by a mutual voluntary

agreement, made and perfected by all parties interested, within a space

of ten days—this is a statement that staggers belief—a spectacle that

takes one’s breath away,” cried the Derrick, which was using all its

wits to persuade the producers to limit their production. It was

certainly a spectacle which saddened the heart, however much one might

applaud the grim resolution of the men who were carrying it out. The

crowded oil farms where creaking walking-beams sawed the air from

morning until night, where engines puffed, whistles screamed, great gas

jets flared, teams came and went, and men hurried to and fro, became

suddenly silent and desolate, and this desolation had an ugliness all

its own—something unparalleled in any other industry of this country.

The awkward derricks, staring cheap shanties, big tanks with miles and

miles of pipe running hither and thither, the oil-soaked ground,

blackened and ruined trees, terrible roads—all of the common features of

the oil farm to which activity gave meaning and dignity—now became

hideous in inactivity. Oil seemed a curse to many a man in those days as

he stood by his silent wells and wondered what was to become of his

business, of his family, in this clash of interests.

While the producers were inaugurating these movements, Captain Hasson

and a committee were busy making out the plan of the permanent

association which was to control the business of oil-producing and

prevent its becoming the slave of the refining interest. The knowledge

that such an organisation was being worked out kept the oil country in a

ferment. In every district suggestions, practical and impractical, wise

and foolish, occupied every producers’ meeting and kept the idle oil men

discussing from morning until night. At one mass-meeting the following

resolution was actually passed by a body of revengeful producers:

\_Resolved\_, that to give a wider market throughout the world to

petroleum, to enhance its price and to protect producers from unjust

combinations of home refiners, a committee be appointed to ask the

representatives of foreign governments at Washington to request

their respective governments to put a proper tariff on refined oil

and to admit crude oil free into the ports of their respective

governments.

Toward the end of October Captain Hasson presented the scheme which he

and the committee had prepared. It proposed that there should be

established what was called a Petroleum Producers’ Agency.[29] This

agency was really an incorporated company with a capital of one million

dollars, the stock of which was to be subscribed to only by the

producers or their friends. This agency was to purchase all the oil of

the members of the association at at least five dollars a barrel. If

stocks could be kept down so that the market took all of the oil at

once, the full price was to be paid at once in cash; if not, the agency

was to store the oil in tanks it was to build, and a portion of the

price was to be paid in tank certificates. By thus controlling all the

oil, the agency expected to protect the weakest as well as the strongest

producer, to equalise the interest of different localities, to prevent

refiners and exporters from accumulating stocks, and to prevent gambling

in oil. The agency was to take active means to collect reliable

information about the oil business—the number of wells drilling, the

actual production, the stocks on hand—things which had never been done

to anybody’s satisfaction. Indeed, one of the standing causes for

quarrels between the various newspapers of the region was their

conflicting statistics about production and stocks. It was to make a

study of the market and see what could be done to increase consumption.

It was to oppose monopolies and encourage competition, and, if

necessary, it was to provide co-operative refineries which the producers

should own and control.

The spirit of the agency, as explained by Captain Hasson, was most

liberal, considering the interests of even the drillers and pumpers.

“Advise every employee to take at least one share of stock for himself,”

he said in his address, “and one for his wife and each of his children,

and encourage him to pay for it out of his saved earnings or out of his

monthly pay. If he is not able to keep up his instalments, assure him

that you will help him, and then take care to do it. You will thus do

him a double kindness, and benefit his family by encouraging habits of

thrift and economy. You owe this much to him who so nobly seconded your

efforts to gain control of the market by stopping work. You had all to

gain, and he had nothing to hope for but your benefit. Now show your

appreciation of his acts by this evidence of your regard for his

welfare.”

The plan was received with general enthusiasm, and when it came up for

adoption it went through with a veritable whoop. Indeed, within a few

moments after its official acceptance, which took place in Oil City on

October 24, $200,000 worth of stock was taken, and less than two weeks

later it was announced that more than the desired million dollars had

been subscribed, that the trustees and officers had been elected, and

that the agency was ready for work. For the first time in the history of

the oil business the producers were united in an organisation, which, if

carried out, would regulate the production of oil to something like the

demand for it, would prevent stocks from falling into the hands of

speculators, and would provide a strong front to any combination with

monopolistic tendencies. Only one thing was necessary now to make the

producer a fitting opponent to his natural enemy, the refiner. That

thing was loyalty to the agency he had established. The future of the

producer at that moment was in his own hand. Would he stick? By every

sign he would. He thought so himself. He had acted so resolutely and

intelligently up to this point that even Mr. Rockefeller seems to have

thought so.

During the entire three months that the producers had been organising,

the refiners had been making divers overtures to them. In August several

of the refiners sought certain of the big producers and privately

proposed a two-headed combination which should handle the whole

business, from drilling to exportation. The proposition they made was

most alluring to men suffering from low prices. “Carry out your plans to

limit your production and guarantee to sell only to us,” said Mr.

Rockefeller’s representative, “and we will give you four dollars a

barrel for your oil. We will also establish a sliding scale, and for

every cent a gallon that refined oil advances we will give you

twenty-five cents more on your barrel of crude.” The market price of

crude oil, when this offer was made, was hovering around three dollars.

“How,” asked the producer, “can you do this?” “We expect, by means of

our combination, to get a rebate of seventy-five cents a barrel,” was

the answer. “But the railroads have signed an agreement to give no

rebates,” objected the producers.

“As if the railroads ever kept an agreement,” answered the worldly-wise

refiners. “Somebody will get the rebates. It is the way the railroads do

business. If it is to be anybody, we propose it shall be our

combination.” Now it was clear enough to the men approached that the

great body of their association would never go into any scheme based on

rebates, and they said so. The refiners saw no disadvantage in that

fact. “We don’t want \_all\_ the producers. We only want the big ones. The

small producer under our arrangement must die, as the small refiner

must.” The proposition never got beyond the conference chamber. It was

too cynical. Several conferences of the same nature took place later

between representatives of the two interests, but nothing came of them.

The two associations were kept apart by the natural antagonism of their

ideals and their policy. Captain Hasson and his followers were working

on an organisation which aimed to protect the weakest as well as the

strongest; which welcomed everybody who cared to come into the business;

which encouraged competition and discountenanced any sort of special

privilege. Mr. Rockefeller and his associates proposed to save the

strong and eliminate the weak, to limit the membership to those who came

in now, to prevent competition by securing exclusive privileges. Their

program was cold-blooded, but it must be confessed that it showed a much

firmer grasp on the commercial practices of the day, and a much deeper

knowledge of human nature as it operates in business, than that of the

producers.

The formation of the Producers’ Agency brought the refiners back to the

Oil Regions in greater earnest than ever. The success of that

organisation gave them an active antagonist, one which, as it held the

raw material, could at any time actually shut up their refineries by

withholding oil. The vigour, the ability, the determination the new

organisation had displayed made it a serious threat to the domination

Mr. Rockefeller and his associates had dreamed. It must be placated. On

November 8, immediately after it was announced that the entire million

dollars’ worth of stock was taken, an agent of the Standard Oil Company

in Oil City was ordered to buy oil from the agency—6,000 barrels of oil

at $4.75 a barrel—and the order was followed by this telegram from Mr.

Rockefeller:

“It has been represented to us that if we would buy of the

producers’ agent at Oil City and pay $4.75 per barrel, they would

maintain the price. We are willing to go farther and buy only of the

producers’ agent, hence the order we have given you. See Hasson and

others and let there be a fair understanding on this point. We will

do all in our power to maintain prices, and continue to buy,

provided our position is fully understood. We do this to convince

producers of our sincerity, and to assist in establishing the

market.”

A more adroit move could not have been made at this moment. This

purchase was a demonstration that the Refiners’ Association could and

would pay the price the producers asked; that they asked nothing better,

in fact, than to ally themselves with the agency. The events of the next

three weeks, on the contrary, showed the agency that it would be some

time before anybody else would pay them any such price as that Mr.

Rockefeller promised. The reason was evident enough. In spite of the

stopping of the drill, in spite of the thirty days’ shut-down,

production was increasing. Indeed, the runs[30] for November were

greater than they had ever been in any single month since the beginning

of the oil business. A large number of wells under way when the drill

was stopped had “come in big.” New territory had been opened up by

unexpected wildcats. The shut-down had done less than was expected to

decrease stocks. It was evident that the Producers’ Association had a

long and severe task before it to bring the crude output down to

anything like the demand. Could the great body of producers be depended

upon to take still further measures to lessen their production, and at

the same time would they hold their oil until the agency had the mastery

of the situation? Their tanks were overflowing. Many of them were in

debt and depending on their sales to meet their obligations—even to meet

their daily personal expenses. It was little wonder that they grew

restive as they began to realise that the agency in which they had seen

immediate salvation from all their ills could only be made effective by

months more of self-sacrifice, of agitation, of persistent effort from

every man of them. With every day they became more impatient of the

bonds the agency had set for them, and the leaders soon realised that

some immediate tangible results must be given the mass of oil men, or

there was danger of a stampede.

A strong feature of the genius of John D. Rockefeller has always been

his recognition of the critical moment for action in complicated

situations. He saw it now, and his representatives again came to the

creek seeking an alliance. Their arguments, as they found their way from

the private meetings into the press and the street, ran something like

this: “Our combination is the only big buyer. We are in the thing to

stay, and shall remain the only big buyer. You might erect refineries

and oppose us, but it would take months, and while you are waiting how

are you going to hold the producers? You cannot do it. We can easily get

all the oil we want to-day at our own price from the men who sell from

necessity, and yet your agency is in the first flush of enthusiasm. Sell

only to us and we will buy 15,000 barrels a day from you. Refuse an

alliance with us and you will fail.”

Overwhelmed by the length and severity of the struggle before them if

they insisted on independence, fearful lest the scattered and restless

producers could not be held much longer, convinced by their confident

arguments that the refiners could keep their promise, the council

finally agreed to a plan of union which the Derrick dubbed the “Treaty

of Titusville.” A terrible hubbub followed the announcement that a

treaty was proposed and would probably be adopted by the association.

The same old arguments which had greeted each overture from the refiners

were gone over again. It would be a monopoly. The price they offered for

crude depended upon their getting an unnaturally high price for refined.

The markets of the world would refuse to pay this price when it was

discovered that it was kept up by an agreement which was contrary to the

laws of supply and demand. And, besides, the parties could not trust

each other. “\_Timeo Danaos et dona ferentes.\_” Liberal translation—“Mind

your eye when the Cleveland refiners get generous,” cautioned the

Derrick. As always, the ghost of the South Improvement Company was

between them. On the other hand, it was argued that it was Hobson’s

choice, “combine or bust,” there is no other market. We cannot wait for

one. We have a million barrels of oil on hand—the refiners will take

15,000 barrels a day for “spot cash.” And after all, concluded the

“philosophical,” if you can’t do as well as you want to, do the best you

can.

[Illustration:

JAMES S. TARR

Owner of the “Tarr Farm,” one of the richest oil territories on Oil

Creek.

]

[Illustration:

WILLIAM BARNSDALL

The second oil well on Oil Creek was put down by Mr. Barnsdall.

]

[Illustration:

JAMES S. MCCRAY

Owner of the McCray Farm near Petroleum Centre.

]

[Illustration:

WILLIAM A. ABBOTT

One of the most prominent of the early oil producers, refiners and

pipe-line operators.

]

On December 12 the proposed treaty was laid before the producers at Oil

City. It aroused a debate so acrimonious that even the Derrick

suppressed it. Captain Hasson led the opposition. In his judgment there

was but one course for the producers—to keep themselves free from all

entanglements and give themselves time to build up solidly the structure

they had planned. If they had followed his advice the whole history of

the Oil Regions would have been different. But they did not follow it.

The treaty was ratified by a vote of twenty-seven to seven. The

excitement and the personalities the association indulged in at their

meeting augured ill for its future, but when a week later a committee

sent to see the refiners came back from New York with a contract signed

by Mr. Rockefeller,[31] the president, and bearing with them an order

for 200,000 barrels of oil at $3.25, there was a general feeling that,

after all, an alliance might not be so bad a thing. 200,000 barrels was

a big order and would do much to relieve their distress. Their formal

sense was quieted, too, by the assurance that the producers before

signing the contract had insisted that the Refiners’ Combination enter

into an agreement to take no rebates as long as the alliance lasted. The

main points of the agreement decided upon were that the Refiners’

Association should admit all \_existing\_ refiners to its society, and the

Producers’ Association \_all\_ producers present and to come—that the

former company should buy only of the latter, the latter sell only to

the former, and that the agency should bind all producers enjoying its

privileges to handle their oil through it. The refiners were to buy such

daily quantities as the markets of the world would take and at a price

governed by the price of refined, five dollars per barrel when refined

was selling at twenty-six cents a gallon. Either association could

discontinue the agreement on ten days’ notice. The producers, before

signing the contract, insisted that the Refiners’ Combination sign an

agreement to take no rebates as long as the alliance lasted. This

agreement in regard to rebates read as follows:

“\_Whereas\_, it is deemed desirable to execute a contract of even

date herewith between the Petroleum Producers’ Association and the

Petroleum Refiners’ Association for the purpose of securing a

co-operation for mutual protection, it is agreed by the Refiners’

Association that sections one and three of a contract made the 25th

of March, 1872, between certain trunk lines of railroads and a

committee of producers and refiners shall be and remain in full

force.

“Petroleum Refiners’ Association,

“JOHN D. ROCKEFELLER, \_President\_.”

The sections of the contract of the 25th of March referred to agreed

that no rebates or contracts or other arrangements should be made which

would give any party the slightest difference in rates, and that the

rates should not be changed either for increase or decrease without

first giving Mr. Hasson, the president of the Producers’ Union, at least

ninety days’ notice in writing. As we now know, Mr. Rockefeller himself

was receiving rebates when he signed this agreement.

And now, at last, after five months of incessant work, the agency was

ready to begin disposing of oil. They set to work diligently at once to

apportion the 200,000 barrels the refiners had bought among the

different districts. It was a slow and irritating task, for a method of

apportionment and of gathering had to be devised, and, as was to be

expected, it aroused more or less dissatisfaction and many charges of

favouritism. The agency had the work well under way, however, and had

shipped about 50,000 barrels when, on January 14, it was suddenly

announced that the refiners had \_refused to take any more of the

contract oil\_!

There was a hurried call of the Producers’ Council and a demand for an

explanation. A plausible one was ready from Mr. Rockefeller. “You have

not kept your part of the contract—you have not limited the supply of

oil[32]—there is more being pumped to-day than ever before in the

history of the region. We can buy all we want at $2.50, and oil has sold

within the week at two dollars. If you will not, or cannot, stop

over-production, can you expect us to pay your price? We keep down the

output of refined, and so keep up the price. If you will not do the

same, you must not expect high prices.”

What could the producers reply? In spite of their heroic measures, they

had not been able to curtail their output. It seemed as if Nature,

outraged that her generosity should be so manipulated as to benefit only

the few, had opened her veins to flood the earth with oil, so that all

men might know that here was a light cheap enough for the poorest of

them. Her lavish outpouring now swept away all of the artificial

restraints the producers and refiners had been trying to build. The

Producers’ Association seemed suddenly to comprehend their folly in

supposing that when 5,000 barrels more of oil was produced each day than

the market demanded any combination could long keep the contract the

refiners had made with them; and their unhappy session, made more

unhappy by the reading of bitter and accusing letters from all over the

discontented region, ended in a complete stampede from the refiners, the

vote for dissolving the alliance having but one dissenting voice.

There were few tears shed in the Oil Regions over the rupture of the

contract. The greater part of the oil men had called it from the

beginning an “unholy alliance,” and rejoiced that it was a fiasco. If

the alliance had been all that came to an end, the case would not have

been so serious, but it was not. The breaking of the alliance proved the

death of the agency and the association. The leaders who had disapproved

of the treaty withdrew from active work; the supporters of the alliance,

demoralised by its failure, were glad to keep quiet. A few spasmodic

efforts to stop the drill, to inaugurate another shut-down, were made,

but failed. Most of the producers felt that, as oil was so low, their

only safety was in getting as large a production as they could, and a

perfect fever of development followed. The Producers’ Association, after

ten months of as exciting and strenuous effort as an organisation has

ever put in, was snuffed out almost in a day. It was to be five years

before the oil men recovered sufficiently from the shock of this

collapse to make another united effort. If Mr. Rockefeller felt in the

fall of 1872 that the “good of the oil business” required the

dissolution of the Producers’ Agency, he could not have acted with more

acumen than he did in leading them into an alliance, and at the

psychological moment throwing up his contract.

Humiliated as the producers were by their failure, they soon found

consolation in the knowledge that the Refiners’ Association was in

trouble. A serious thing, in fact, had happened. When the official

report of the year’s exports and imports came out, it was shown that the

exports of refined oil had fallen off for the first time in the history

of the business. In 1871, 132,178,843 gallons had been exported. In

1872, only 118,259,832 were exported. Just as alarming was the proof

that the shale and coal-oil refineries of Europe had taken a fresh

start—that they were selling their products more cheaply than kerosene

could be imported and sold. There was a general outcry from all over the

country that Mr. Rockefeller and his associates were running the oil

business by keeping up the price of refined oil beyond what the price of

crude justified. The producers, eager for a scapegoat, argued that the

low price of crude was due to decreased consumption as well as

over-production, and their ill-will against Mr. Rockefeller flared up

anew. In the meantime the Refiners’ Association was having troubles of

its own. The members were not limiting their output as they had

agreed—that is, it was discovered every now and then that a refinery was

making more oil than Mr. Rockefeller had directed. Again, what was more

fatal to the success of the association, members sometimes sold at a

lower price than that set by Mr. Rockefeller. These restrictions were

fundamental to the success of the combination, and the members were

called together at Saratoga in June, 1873, and after a long session the

association was dissolved.

There was loud exultation in the unthinking part of the Oil Regions over

the dissolution of the refiners. The “Junior Anaconda” was dead. The

wiser part of the region did not exult. They knew that though the

combination might dissolve, the Standard Oil Company of Cleveland still

controlled its one-fifth of the capacity of the country; that not only

had Mr. Rockefeller been able to hold the twenty refineries he had

bolted so summarily at the opening of 1872, but he had assimilated them

so thoroughly that he was making enormous profits. Mr. Rockefeller’s

contracts with the Central Railroad alone in 1873 and 1874 obliged him

for seven months of the year to ship at least 100,000 barrels of refined

oil a month to the seaboard. As a matter of fact he never shipped less

than 108,000 barrels, and in one month of the period it rose to

180,000.[33] Now in 1873 he made, at the very lowest figure, three cents

a gallon on his oil. Estimating his shipments simply at 700,000 barrels

a year—and they were much more—his profits for that year were

$1,050,000, and this accounts for no profits on about thirty-five per

cent. of the Standard output, which was sold locally or shipped

Westward. Little wonder that the Cleveland refiners who had been snuffed

out the year before, and who saw their plants run at such advantage,

grew bitter, or that gossip said the daily mail of the president of the

Standard Oil Company was enlivened by so many threats of revenge that he

took extraordinary precautions about appearing unguarded in public.

It is worth noticing that these great profits were not being used for

private purposes. In 1872 the Standard Oil Company paid a dividend of

thirty-seven per cent., but in 1873 they cut it to fifteen per cent. The

profits were going almost solidly into the extension and solidification

of the business. Mr. Rockefeller was building great barrel factories,

thus cutting down to the minimum one of a refiner’s heaviest expenses.

He was buying tank cars that he might be independent of the vagaries of

the railroads in allotting cars. He was gaining control of terminal

facilities in New York. He was putting his plants into the most perfect

condition, introducing every improved process which would cheapen his

manufacturing by the smallest fraction of a cent. He was diligently

hunting methods to get a larger percentage of profit from crude oil.

There was, perhaps, ten per cent. of waste at that period in crude oil.

It hurt him to see it unused, and no man had a heartier welcome from the

president of the Standard Oil Company than he who would show him how to

utilise any proportion of his residuum. In short, Mr. Rockefeller was

strengthening his line at every point, and to no part of it was he

giving closer attention than to transportation.

CHAPTER FIVE

LAYING THE FOUNDATIONS OF A TRUST

EVIDENCE OF REAPPEARANCE OF REBATES SOON AFTER AGREEMENT OF MARCH 25

IS SIGNED—PRINCIPLE THOROUGHLY ESTABLISHED THAT LARGE SHIPPERS SHALL

HAVE ADVANTAGES OVER SMALL SHIPPERS IN SPITE OF RAILROADS’ DUTY AS

COMMON CARRIERS—AGREEMENT WORKED OUT BY WHICH THREE ROADS ARE TO

HAVE FIXED PERCENTAGE OF EASTERN SHIPMENTS—OIL REGIONS ROBBED OF

THEIR GEOGRAPHICAL ADVANTAGE—THE RUTTER CIRCULAR—ROCKEFELLER NOW

SECRETLY PLANS REALISATION OF HIS DREAM OF PERSONAL CONTROL OF THE

REFINING OF OIL—ORGANISATION OF THE CENTRAL ASSOCIATION—H. H.

ROGERS’ DEFENCE OF THE PLAN—ROCKEFELLER’S QUIET AND

SUCCESSFUL CANVASS FOR ALLIANCES WITH REFINERS—THE REBATE HIS

WEAPON—CONSOLIDATION BY PERSUASION OR FORCE—MORE TALK OF A UNITED

EFFORT TO COUNTERACT THE MOVEMENT.

Throughout 1872, while the producers and refiners were working out

associations and alliances to regulate the output of crude and refined

oil, the freight rates over the three great oil-carrying roads were

publicly supposed to be those settled by the agreement of March 25.

Except by the sophisticated it was believed that the railroads were

keeping their contracts. The Lake Shore and Michigan Southern and the

New York Central had never kept them, as we have seen. Mr. Flagler’s

statement that the Standard received a rebate of twenty-five cents a

barrel from April 1 to November 15, 1872, would seem to show that while

with one hand Mr. Clark and Mr. Vanderbilt signed the agreement with the

oil men that henceforth freights should be “on a basis of perfect

equality to all shippers, producers and refiners, and that no rebates,

drawbacks, or other arrangements of any character should be made or

allowed that would give any party the slightest difference in rates or

discriminations of any character whatever,” with the other they had

signed an arrangement to give a twenty-five-cent rebate to Mr.

Rockefeller! They certainly had a strong incentive for ignoring their

pledge. Consider what Mr. Rockefeller could offer the road—sixty

car-loads of oil a day, over 4,000 barrels. General Devereux points out

in the affidavit already mentioned[34] what this meant. It permitted

them to make up a solid oil train and run it out every day. By running

nothing else they reduced the average time of a freight car from

Cleveland to New York and return from thirty days to ten days. The

investment for cars to handle their freight was reduced by this

arrangement to about one-third what it would have been if several

different persons were shipping the same amount every day. Promptness

was insured in forwarding and returning (a drawback of from fifty

dollars to $150 a day accrued if it was late, so that the Standard was

bound to ship promptly), and all the inconvenience of dealing with many

shippers each with his peculiar whim or demand was avoided. It was

certainly worth a rebate to the Central, and the Central not having any

prejudices in favour of keeping agreements because they were agreements

naturally conceded what Mr. Rockefeller wanted. There was another point.

If the Central did not concede to Mr. Rockefeller’s terms it undoubtedly

would lose the freight. There was the lake and the canal and there was

the Erie!

Now it is not supposable that such an arrangement would go on long

without leaking out in the upper oil circles. We have evidence that it

did not. Indeed, there was among certain intelligent oil men a

conviction when the agreement was signed that the New York roads would

not regard it—that if they did it would ruin the refining business of

Cleveland. W. T. Scheide, a member of the oil men’s committee making

this contract, the agent of one of the largest oil shippers in the

country, Adnah Neyhart, in some frank and suggestive testimony given to

the Hepburn Committee in 1879, said that at the time the arrangement was

made he did not think anybody connected with the business expected it

would last. “My reason for that was that it was an impossible

agreement,” said Mr. Scheide. “The immediate effect of it would have

been to have utterly destroyed fifty-five per cent. of the refining

interest of the country; that is to say, Cleveland and Pittsburg, which

during the previous four years had shipped fifty-five per cent. of all

the oil out of the Oil Regions—they, in addition to paying the rates of

freights which all other refiners would have had to pay, were required

to pay fifty cents a barrel on their crude oil to their works.” The

refiners in Cleveland and Pittsburg had of course always paid to get

crude oil to their works, even the South Improvement Company tariffs

provided for that, and under that arrangement Cleveland had come to be

in 1871 the chief refining centre of the country. The chairman of the

committee examining Mr. Scheide suggested it was a “temporary

impossibility which would have adjusted itself,” which Mr. Scheide

admitted. “Yes, sir, naturally, it would have adjusted itself I suppose,

but the effect was very marked at the time.”

So strong was Mr. Scheide’s conviction that the New York roads would not

stand the new rates that on the 10th of April he went to the

Pennsylvania railroad and asked for a rebate on Mr. Neyhart’s crude

shipments—and got it. What the rebate was he does not state, but Mr.

Flagler tells us in his testimony[35] that in December he discovered

that the Pennsylvania was shipping for as low as $1.05 a barrel. And for

one month he got from Mr. Vanderbilt a rate of $1.05 on his 4,000

barrels a day.

Mr. Scheide was also shipping refined oil over the Erie. George R.

Blanchard, who in October, 1872, became the general freight agent of the

Erie, told the Hepburn Committee in 1879 that he found on entering his

position that $7,000 in rebates had been paid Mr. Scheide for Mr.

Neyhart in the month of September, 1872, on this refined. He does not

say how long this had been going on. Mr. Blanchard found at the same

time the March 25 agreement. He asked why it was not observed, and the

reply convinced him that it had not been kept more than two weeks by the

Pennsylvania and Central systems. “The representations made to me,” says

Mr. Blanchard, “also convinced the Atlantic and Great Western as to what

our rivals were doing, and that railway company and our own decided to

continue to pay the twenty-four cents per barrel drawback then being

paid on the rate of $1.35, provided by their producers’ agreement of

March 25, 1872.”

But Mr. Blanchard was shipping only Mr. Neyhart’s refined, and naturally

he looked for more business and was willing to give a rebate to get it.

He soon had some from another of the oil men who had signed the

agreement of March 25. This was Mr. Bennett, of Titusville, who with J.

D. Archbold and his other partners entered into a contract with Mr.

Blanchard to ship their entire product for a year at a rate considerably

below the one agreed upon on March 25.[36] The contract was a

short-lived one, for in November Mr. Bennett and his partners turned

their shipments over to the Pennsylvania. The Erie had some

compensation, however, in the fact that in July, 1873, Mr. Neyhart’s

crude shipments had all come to them. Mr. Scheide, Mr. Neyhart’s agent,

explained to the Hepburn Commission that he left the Pennsylvania

because of what he considered “very bad treatment—a discrimination

against us in furnishing us cars.” The Pennsylvania had indeed

undertaken to carry out the clause in the agreement of March 25 which

stipulated that there should be no discrimination in furnishing cars.

Mr. Scheide, considering himself “their shipper,” that is, shipping

larger quantities more regularly than anybody else, and as a consequence

having better rates, thought it unfair that the cars should be pro

rated,[37] and left the road, giving his business to the Erie, where

presumably he got assurances that cars would be furnished to shippers

according to the quantity and regularity of shipments. Mr. Scheide’s

excellent testimony is good evidence of how deep a hold the principle

that the large shippers are to have all the advantages had taken hold of

some of the best men in the oil country, although the oil country as a

whole utterly repudiated the “rebate business.” These details, all drawn

from sworn testimony, show how, before a year had passed after the end

of the Oil War, all the roads were practising discrimination, how a few

shippers were again engaged in a scramble for advantages, and how the

big shippers were bent on re-establishing the principle supposed to have

been overthrown by the Oil War that one shipper is more convenient and

profitable for a road than many, and this being so, the matter of a

road’s duty as a common carrier has nothing to do with the question.[38]

This was the situation when in June, 1873, General Devereux, whom we

have met on the Lake Shore road, became president of the Atlantic and

Great Western. Now at this time Peter H. Watson, the president of the

South Improvement Company, was president of the Erie. The two at once

looked into the condition of their joint oil traffic. They found the

rebate system abolished a year before again well intrenched.

Nevertheless the Erie was not doing much business. The entire shipments

of oil over the Erie for 1873 were but 762,000 barrels out of a total of

4,963,000. Naturally they went to work to build up a trade, and their

relations being what they had been with the Standard, the company

controlling a third of the country’s refining capacity, they went to

them to see if they could not get a percentage of their seaboard

shipments from Cleveland. Mr. Rockefeller was willing to give them

shipments if they would make the rates as low as were given to any of

his competitors on any of the roads, and if they would deliver his oil

at Hunter’s Point, Brooklyn, where he had oil yards, and where the

Central delivered, or if they would not do that if they would lease

their own oil yards to him. There was an excellent business reason for

making that latter demand, which Mr. Blanchard explained to the Hepburn

Commission:

“The Standard,” said Mr. Blanchard, “had a force of men, real estate,

houses, tanks and other facilities at Hunter’s Point for receiving and

coopering the oil; and they had their cooperage materials delivered over

there. The arrangement prior to that time was that the Erie Company

performed this service for its outside refiners at Weehawken, for which

the Erie Company made specific charges and added them to their rates for

freight. The Standard Company said to us: ‘We do the business at low

cost at Hunter’s Point because we are expert oil men and know how to

handle it; we pay nobody a profit, and cannot and ought not to pay you a

profit for a service that is not transportation any more than inspecting

flour or cotton; and the New York Central delivers our oil at that

point. Now if you will deliver our oil at Hunter’s Point and permit us

to do this business, you may do so; we want to do that business, and we

cannot pay to the Erie Railway Company at Weehawken a profit on all of

those staves, heads, cooperage, filling, refilling and inspection, for

we have our own forces of men and our own yards necessary for this work

in another part of the harbour of New York; and it is not a part of your

business as a carrier, anyway.’

“In lieu thereof and for the profits that we could have made from the

aggregate of these charges, we said to them: ‘If you will pay us a fixed

profit upon each one of these barrels of oil arriving here, you may take

the yards and run them subject to certain limitations as to what you

shall do for other people who continue to ship oil to the same yards.’

They were only able to make this arrangement with us because of their

controlling such a large percentage of shipment, and because of

permanent facilities in Brooklyn; if the larger percentage of shipments

had belonged to outside parties, and they had had no yards of their own,

we would probably have retained the yards ourselves.”

A contract was signed on April 17, 1874. By it the Standard agreed to

ship fifty per cent. of the products of its refineries by the Erie at

rates “no higher than is paid by the competitors of the Standard Oil

Company from competing Western refineries to New York by all rail

lines,” and to give all oil patrons of the Erie system a uniform price

and fair and equal facilities at the Weehawken yards.[39] It was a very

wise business deal for both parties. It made Mr. Rockefeller the

favoured shipper of a second trunk line (the Central system was already

his) and it gave him the control of that road’s oil terminal so that he

could know exactly what other oil patrons of the road were doing—one of

the advantages the South Improvement contract looked out for, it will be

remembered. As for the Erie, it tied up to them an important trade and

again put them into a position to have something to say about the

division of the oil traffic, the bulk of which outside of the Standard

Oil Company the Pennsylvania was handling. In connection with the

Central the Erie now said to the Pennsylvania that henceforth they

proposed to maintain their position as oil shippers.

The natural result of the determination of the Central and Erie to get

from the Pennsylvania a percentage of its freight was, of course,

increased cutting, and it looked as if a rate war was inevitable. At

this juncture Colonel Potts of the Empire Transportation Company,

handling all of the Pennsylvania freight, suggested to his rivals that

it would be a favourable time for the three trunk lines to pool their

seaboard oil freight. In the discussions of this proposition, which, of

course, involved a new schedule of rates, there being now practically

none, it was suggested that henceforth freights be so adjusted that they

would be equal to all refiners, on crude and refined from all points.

Such an equalisation seems at first glance an unsolvable puzzle. The

agents found it intricate enough. Throughout the summer of 1874 they

worked on it, holding meetings at Long Branch and Saratoga and calling

into their counsels a few of the leading refiners, pipe-line men and

producers whom they could trust to keep quiet about the project.

By the first of September they had an agreement worked out by which each

of the three roads was to have a fixed percentage of Eastern shipments.

The rates to the seaboard were to amount to the same for all refiners

wherever located. That is, to use one of the illustrations employed by

Mr. Blanchard in explaining the scheme to the Hepburn Commission:

“Suppose 100 barrels of refined oil to have been sent from Cleveland to

New York by rail; the consignee was required to first pay freight

therefor at New York upon delivery $1.90; to make this quantity of

refined oil at that time, he had already paid freight on say 133½

barrels of crude oil from the pipes to Cleveland at thirty-five cents

per barrel or say $46.67; he had therefore paid out from the pipes to

the refinery and thence to New York by transportation only, on 100

barrels refined and the quantity of crude oil required to make it,

$236.67 or $2.37 per barrel; therefore, at the end of the month we

refunded the $46.67 already paid on the crude oil. So that the rate paid

net was $1.90 to him and all other refiners.”

[Illustration:

FLEET OF OIL BOATS AT OIL CITY IN 1864

]

In case of the refineries situated at the seaboard the cost of carrying

from the Oil Regions the 133½ barrels of crude oil required to make 100

barrels of refined was made exactly the same as carrying the 100 barrels

of refined made in the West and transported East. This really amounted

to charging nothing for getting the crude oil to a refinery wherever it

was situated, as the following clause in the agreement shows: “The roads

transporting the refined oil shall refund to the refiners as a drawback

the charges paid by them upon the crude oil reaching their refineries by

rail.” This paragraph provided for this crude rebate contained a second

clause, which read: “And the roads transporting through crude oil to the

Eastern seaboard shall refund to the shippers twenty-two cents per

barrel; both of said drawbacks to be paid only on oil reaching the

initial points of rail shipment, through pipes, the owners of which

maintain agreed rates of pipage.” The paragraph announced two new and

startling intentions on the part of the oil-carrying roads: first, that

they intended to strip the Oil Regions of the advantage of geographical

position at the wells by sending oil free to Cleveland and Pittsburg,

New York and Philadelphia, at the same time leaving these cities the

advantages accruing from their position as manufacturing centres and

close to domestic markets; second, that they had entered into a

combination with certain pipe-lines to drive certain others out of

existence.

Mr. Blanchard gave the reasons of these two revolutionary moves to the

Hepburn Committee. It was “urgently represented to the trunk lines,” he

said, “by some refiners at the West as well as by others at the

seaboard, and also by crude shippers and receivers and by owners of

pipe-lines, that it was in every way desirable that the refiners of

Cleveland and Pittsburg, and those at the seaboard be put upon a basis

of equalisation in the gross rates of transportation to and from the

refineries.” Now to do this the element of distance had to be

disregarded. Cleveland was 150 miles west of the Oil Regions, but she

must be treated as if she were at the same distance from the seaboard.

As soon as the proposition was made, certain of the refiners and

producers objected unless the railroads went further and equalised rates

on coal, acids, cooperage, etc. This, however, the roads declined to do.

As for the second clause—the rebate on all oil coming from pipes which

kept up a fixed pipage—it came about in this way. While the railroad men

were in conference at Long Branch, Henry Harley, the president of the

Pennsylvania Transportation Company, came to them and said that he

believed the scheme of equalisation could not be carried out unless some

kind of an alliance was made with the pipe-lines. There had been a large

increase in the number of pipes in the four or five years preceding, and

a situation had arisen not unlike that in every other branch of the oil

business. There was perhaps twice the pipe capacity needed for gathering

all the oil produced, and as the pipes were under at least a dozen

different managements, each fighting for business, the result was, of

course, just what it had been on the railroads and in the markets—severe

cutting of prices, rebates, special secret arrangements, confusion and

loss. It had been only nine years since the first pipe-line had been a

success, and considering the phenomenal growth of the business and the

important part the pipe played in it, it was of course a situation

natural enough. Like the overgrowth of refining and of production, it

was something only time and solidification of business could remedy.

Mr. Harley laid the situation before the railroad men and said to them:

“We want you to help us keep up an even and equal pipage rate. Here we

are representatives of the nine most important lines in the Oil Regions.

We want to put a stop to cutting and keep up a rate of thirty cents.

Can’t you help us?” Now up to this time the railroad had had nothing to

do with pipe-line charges. It was, and still is, the custom for the

buyer of the oil to pay the pipage, that is, the oil producer on running

the oil into the pipe-line received a credit certificate for the oil. If

he held it in the line long he paid a storage charge. When he sold the

oil, the line ran it, and the buyer paid the charge for running. Now the

United Pipe Lines proposed to the railroads a through rate from the

wells to the seaboard as low as they currently made from the receiving

points on the railway, the pipes to get twenty per cent. of this through

rate. The railroads were to agree not to receive oil from buyers except

at as high a rate as the pipes charged; and to allow no pipe-line

outside of the alliance a through rate from the wells. The memorandum

said squarely that the intent and purpose of this was to make the United

Pipes the sole feeders of the railroads. It was a plan not unlike the

South Improvement Company in design—to put everybody but yourself out of

business, and it had the merit of stating its intent and purpose with

perfect candour.[40]

The railroad men seem not to have objected to the purpose, only to the

terms of the proposed arrangement. Mr. Blanchard told the pipe committee

that he regarded it as the most violent attempt on the part of the tail

to wag the dog that he had ever seen, and the representatives of the

other roads agreed. They saw at once, however, how much more solid their

own position would be if they could be sure that no pipe-line delivering

to them would cut its rate, if there could be in effect a through rate

from the wells, and after some discussion they proposed to the

pipe-lines to add twenty-two cents a barrel to the rail charges; that

is, if the rate to the seaboard was $1.25, to collect from the shipper

$1.47, and in case he could show that he had taken his oil from one of

the United Pipes to give him a rebate of twenty-two cents. Mr. Blanchard

said that they proposed to do this until proof was had that the

associated pipe-lines were acting in good faith. Of course this

arrangement did not change the pipe-lines’ methods of collecting in the

least. It simply forced a uniform charge, and this charge was to be, it

should be noticed, regardless of distance. The charge for collecting and

delivering oil was to be thirty cents a barrel whether it was carried

one or ten miles—a practice which prevails to-day.

While these negotiations were going on, the Oil Regions as a whole was

troubled by a vague rumour that freight rates were to be advanced. In

the two years since the Oil War the region, as a whole, had adjusted

itself to the tariff schedule of March 25, 1872, and was doing very well

though working on a very much smaller margin of profits than ever

before. The margin was sufficient, however, to keep the refineries in

the valley running most of the time, and several of the large ones were

increasing their plants. Detailed accounts of the condition of the works

are to be had in the newspapers of the day. Thus, in the summer of 1874

an editor of the Oil City Derrick made a tour of the creek refineries

and reported all of the larger ones in Titusville and Oil City as

prosperous and growing, and the small ones in the little towns between

these two points as “jogging along pleasantly.” The keen competition

between the different refining points made it necessary to do business

with economy, and a rumour of a raise of freight rates naturally was

looked on with dread. It was not until September 12, however, that the

new arrangements were made known, and this was some time earlier than

was intended. The slip came about in this way. The general freight agent

of the New York Central road, James H. Rutter, sent out on September 9 a

private circular announcing the new arrangement,[41] an advance of fifty

cents a barrel on refined oil shipped to the seaboard, no corresponding

advance for Cleveland and Pittsburg, a rebate of the cost of getting oil

to the refineries and a rebate of twenty-two cents to those who

patronised certain pipe-lines. And to this new schedule was appended

this consoling paragraph: “You will observe that under this system the

rate is even and fair to all parties, preventing one locality taking

advantage of its neighbour by reason of some alleged or real facility it

may possess. Oil refiners and shippers have asked the roads from time to

time to make all rates even and they would be satisfied. This scheme

does it and we trust will work satisfactorily to all.”

Among the refiners to whom the circular went was M. N. Allen of

Titusville. Now Mr. Allen was the editor of an aggressive and lively

newspaper—the Courier. He had fought rings and deals from the beginning

of his career as a refiner and as an editor. He had been one of the

strong opponents of the South Improvement Company and of the Refiners’

Association which followed, and he saw at once the cloven foot in the

Rutter circular and hastened to denounce it in a strong editorial:

If by an agreement of the New York Central, the Erie, and the

Pennsylvania Railway Companies, crude oil—delivered from the

Titusville pipe—should be hauled from Titusville to Chicago, and

there refined, and the refined product then hauled to New York, all

at two dollars a barrel, for the refined thus carried, it would be

placing, by the railway companies, Chicago refiners upon the same

level with the Titusville refiners who, on and after October 1,

shall ship to New York refined made from crude oil taken from the

Titusville pipe. The new freight arrangement does not make such

provision for refiners at Chicago. But a Cleveland refiner may come

to Titusville and buy oil for delivery from the Titusville, the

Pennsylvania, the Church Run, or the Octave pipes, at this point,

take it to Cleveland, and, after refining, carry the product to the

seaboard at the same expense of freight, all told, that a refiner

here, taking his crude oil directly from the above pipes, would have

in placing his refined oil at the seaboard. This is stating the

matter exactly, and we see no necessity for comment hereupon.

Again, 1,000 barrels of crude oil are to be carried to the seaboard

for the same amount of money that will be required for carrying

there 715 barrels of refined, notwithstanding that crude oil is a

much more hazardous article of freight, from fire, than refined. If

this is not a very large discrimination in favour of seaboard

refiners, for which there is no compensation given to refiners in

the Oil Region, our perceptions are utterly weak.

Now, before putting into effect this new freight arrangement, it may

be well for the railway officials having the matter in charge to

take into consideration a certain little article of agreement, which

the people of Pennsylvania, on the 16th day of December last,

entered into among themselves, respecting railroads in this state.

In Article 17, Section 7, of our new constitution is the following

decree of the sovereign people of this commonwealth: “No

discrimination in charges or facilities for transportation shall be

made between transportation companies and individuals, or in favour

of either, by abatement, drawback or otherwise.”

Petroleum is a product of this state, and transportation companies

in taking it away must respect the fundamental law of the state.

And, while we ask for no favours, always supporting free trade from

principle, speaking in behalf of the refining interests of the Oil

Region, we do not propose quietly to submit to any discrimination by

transportation companies, doing business in the state, against our

interests. If by reason of our position we possess advantages for

refining oil here, over refiners outside, we have strong objections

against the action of the railway companies in taking from us such

advantages, by requiring us to pay for hauling a given quantity of

oil as much as they require of Cleveland refiners for hauling the

same amount of oil 300 miles greater distance; or for requiring us

to pay as much for hauling 715 barrels of refined oil as they

require for hauling 1,000 barrels of crude oil the same distance. If

the railroad companies will make all expenses of refining oil equal

to all points, we shall be satisfied. If they will make the price of

sulphuric acid 1½ cents a pound, the same as it is in New York,

instead of 2½ cents; if they will deliver caustic soda here free of

freight from New York; if they will put paints and glues here at the

same prices as those articles sell for in New York; if they will put

staves and heading and hoops for barrels here at the same figures

those articles cost in Cleveland, whether they do all these by

giving us rebates sufficient to cover all differences now against

us, or in any other way that will bring the same results, we will

accept the new arrangement without complaint. Until this shall be

done we shall ask the railway companies in hauling oil to confine

themselves to legitimate business, and to obey the new constitution,

in letter and spirit. It will behoove our citizens to see that their

new constitution is carefully respected.

We are opposed to the new arrangement for the large advance in the

price of freight upon oil. If the railroad companies have lost money

in carrying oil for the Cleveland refineries during several years

past, let not the whole petroleum interest, in its depressed

condition, be required to sustain the penalty. We submit to the

railway managers whether it is not right to charge for hauling goods

in proportion to the distance hauled, allowing a small discount,

perhaps, upon the rate per mile for the greater distance.

Our remarks upon this subject may have the colour of assurance, but,

from the large majority given last winter in favour of the new

constitution of this state, we have great confidence that the people

will not part with their sovereign rights, nor allow themselves to

be ruled by King Pool.

At first the Oil Region was puzzled by the Rutter circular. It certainly

was plausible. Was it not true that every man shared equally under it?

As the days passed, the dazed mental condition into which it had thrown

the oil men cleared up. Mr. Allen’s editorials began to take effect. The

pipe-lines left out of the pool began to ask how it could be legal that

the railroads should enter into an arrangement which obviously would

drive them out of business. The creek refiners began to ask by what

right the advantage of geographical position at the wells should be

taken from them, and Cleveland be allowed to retain the advantages of

her proximity to the Western market; Pittsburg her position on the Ohio

River and the market it commanded; all of the cities the advantage of

their proximity to great local markets and to such necessary supplies as

barrels and acids. Besides, was it constitutional for the railroads thus

to regulate interstate commerce? Was not the arrangement, as far as the

Pennsylvania was concerned, plainly prohibited by the new constitution

of the state of Pennsylvania? The producers slowly began to realise,

too, that the Rutter circular, like the South Improvement charter and

contracts, did not recognise them as a body. The contract of March 25,

1872, provided that the rates fixed should not be “liable to any change

either for increase or decrease without first giving to William Hasson,

president of the Producers’ Union, at Oil City, at least ninety days’

notice in writing of such contemplated change.” This agreement was

totally ignored. It was an “insolent equalisation,” the oil men

concluded, and the sum total of their dissatisfaction finally found

expression at a mass-meeting at Parker’s Landing, on October 2. Directly

after this meeting a committee appointed sent to Messrs. Scott,

Vanderbilt and Jewett, the new president of the Erie, letters calling

their attention to the Rutter circular, and stating the objections of

the producers to it. These letters sent on October 6 received no

attention from any of the railroad presidents addressed for over three

weeks, when the following was received from the Pennsylvania:

\_Gentlemen\_:—Your communication of the 6th inst., to Thomas A.

Scott, president, was received, and has been referred to me.

In establishing the recent rates and arrangements for the

transportation of oil, the object which was at all times kept in

view was to place all interests on an equality, giving to no one an

undue advantage over any other.

We believe that this object has been accomplished, and that by

adhering to our present rates the interests both of the producers,

refiners and transporters will be promoted.

Very truly yours,

A. J. CASSATT.

“Brief, tardy and unsatisfactory,” was the Derrick’s characterisation of

Mr. Cassatt’s letter. It was evidence to the oil men that if anything

was to be done to break the new tariff it would have to be done in

court, for the railroads meant to stand by their creation.

In this discussion of the Rutter circular Mr. Rockefeller’s name

scarcely appeared. It was known that he had been admitted to the

conferences at which the tariff was arranged. This was taken as a matter

of course. There was nothing which concerned the oil business which John

Rockefeller was not on the inside of. Mr. Blanchard later stated that

the “crude equivalent” scheme was suggested by certain Western refiners.

The tremendous advantage Cleveland secured by the new arrangement,

practically 300 miles of free transportation, seemed to prove, too, that

Mr. Rockefeller had not been inactive during the conference. Whether he

had or had not suggested the points in the “Rutter circular” so

advantageous to his interests, he used them now to aid him in

accomplishing one of the shrewdest and most far-reaching moves of his

life—the move which was to lead at last to the realisation of his Great

Purpose—the concentration of the oil business in his own hands. For Mr.

Rockefeller, quiet as he had been since the breaking up of the Refiners’

Association in the summer of 1873, had by no means given up the idea of

doing for the refining interest of the whole country what he had done

for that of Cleveland through the South Improvement Company.

Mr. Rockefeller has shown repeatedly in his conquering business career

remarkable ability to learn from experience. The breaking up of the

Refiners’ Association \_may\_ have seemed a disaster to him. He did not

allow it to be a profitless disaster. He extracted useful lessons from

the experience, and, armed with this new wisdom, bent his whole mind to

working out a third plan of campaign. He now knew that he could not hope

to make again so rich a haul as he had made through the defunct South

Improvement scheme. The experience of the past year with the refiners

convinced him that it would take time to educate them to his idea of

combination; but he had learned who of them were capable of this

education. As for the producers, the alliance attempted with them was

enough to demonstrate that they would never endure long the restraints

of any association. Besides, the bulk of them still held the, to him,

unpractical belief that rebates were \_wrong\_. Mr. Rockefeller had also

re-learned in these eighteen months what he knew pretty well before,

that the promise to give or take away a heavy freight traffic was enough

to persuade any railroad king of the day to break the most solemn

compact.

With all these reflections fresh in mind, Mr. Rockefeller again bent

over a map of the refining interests of the United States. Here was the

world he sighed to conquer. If we may suppose him to have begun his

campaign as a great general with whom he has many traits in common—the

First Napoleon—used to begin his, by studding a map with red-headed pegs

marking the points he must capture, Mr. Rockefeller’s chart would have

shown in and around Boston perhaps three pegs, representing a crude

capacity of 3,500 barrels; in and around New York fifteen pegs, a

capacity of 9,790 barrels; in and around Philadelphia twelve pegs, a

capacity of 2,061 barrels; in Pittsburg twenty-two pegs, a capacity of

6,090 barrels; on the creek twenty-seven pegs, a capacity of 9,231

barrels.[42] His work was to get control of this multitude of red pegs

and to fly above them the flag of what the irreverent call the “holy

blue barrel.”[43]

Some time in the summer of 1874, after it had become certain that

Colonel Potts’s plan for an equalisation of oil freights would be

carried out, Mr. Rockefeller wrote to his former colleague in the South

Improvement Company, W. G. Warden, of Philadelphia, telling him he

wanted to talk over the condition of the oil business with him, and

inviting him to bring Charles Lockhart, of Pittsburg, to that Mecca of

American schemers, Saratoga, for a conference with him and Mr. Flagler.

Mr. Warden hesitated. He had been much abused for his relation with the

South Improvement Company. He had seen the National Refiners’

Association fail. He had begun to feel a distaste for combination.

Besides, he was doing very well in Philadelphia. However, after some

hesitation, he and Mr. Lockhart went to Saratoga. The four gentlemen

breakfasted together and later strolled out to a pavilion. Here they

discussed again, as they had nearly three years before, when they

prepared the South Improvement assault, the condition of the oil

business.

[Illustration:

GEORGE H. BISSELL

Founder of the first oil company in the United States.

]

[Illustration:

JONATHAN WATSON

One of the owners of the land on which the first successful well was

drilled for oil.

]

[Illustration:

SAMUEL KIER

The first petroleum refined and sold for lighting purpose was made by

Mr. Kier in the ’50s in Pittsburg.

]

[Illustration:

JOSHUA MERRILL

The chemist and refiner to whom many of the most important processes

now in use in making illuminating and lubricating oils are due.

]

Mr. Rockefeller now had something besides a theory to present to the

gentlemen he wished to go into his third scheme. He had the most

persuasive of all arguments—an actual achievement. “Three years ago,” he

could tell them, “I took over the Cleveland refineries. I have managed

them so that to-day I pay a profit to nobody. I do my own buying, I make

my own acid and barrels, I control the New York terminals of both the

Erie and Central roads, and ship such quantities that the railroads give

me better rates than they do any other shipper. In 1873 I shipped over

700,000 barrels by the Central, and my profit on my capitalisation,

$2,500,000, was over $1,000,000. This is the result of combination in

one city. The railroads now have arranged a new tariff, by which they

mean to put us all on an equal footing. They say they will give no

rebates to anyone, but if we can join with Cleveland the strongest

forces in other great shipping points, and apply to them the same

tactics I have employed, we shall become the largest shipper, and can

demand a rebate in return for an equal division of our freight. We

proved in 1872–1873 that we could not do anything by an open

association. Let us who see what a combination strictly carried out will

effect unite secretly to accomplish it. Let us become the nucleus of a

\_private\_ company which gradually shall acquire control of all

refineries everywhere, become the only shippers, and consequently the

master of the railroads in the matter of freight rates.” It was six

hours before the gentlemen in conference left the pavilion, and when

they came out Mr. Warden and Mr. Lockhart had agreed to transfer their

refineries in Philadelphia and Pittsburg to the Standard Oil Company, of

Cleveland, taking stock in exchange. They had also agreed to absorb, as

rapidly as persuasion or other means could bring it about, the

refineries in their neighbourhood. Their union with the Standard was to

remain an absolute secret—the concerns operating under their respective

names.[44]

On October 15, 1874, Mr. Rockefeller consummated another purchase of as

great importance. He bought the works of Charles Pratt and Company, of

New York city. As before, the purchase was secret. The strategic

importance of these purchases for one holding Mr. Rockefeller’s vast

ambition was enormous. It gave him as allies men who were among the most

successful refiners, without doubt, in each of the three greatest

refining centres of the country outside of Cleveland, where he ruled,

and of the creek, where he had learned that neither he nor any member of

the South Improvement Company could do business with facility. To meet

these purchases the stock of the Standard Oil Company was increased, on

March 10, 1875, to $3,500,000.[45] The value of the concern as a

money-earner at this early date, 1874, is shown by the fact that Pratt

and Company paid not less than $265 for the Standard stock they received

in exchange for their works.[46]

The first intimation that the Oil Region had that Mr. Rockefeller was

pushing another combination was in March of 1875, when it was announced

that an organisation of refiners, called the Central Association, of

which he was president, had been formed. Its main points were that if a

refiner would lease to the association his plant for a term of months he

would be allowed to subscribe for stock of the new company. The lease

allowed the owner to do his own manufacturing, but gave Mr.

Rockefeller’s company “irrevocable authority” to make all purchases of

crude oil and sales of refined, to decide how much each refinery should

manufacture, and \_to negotiate for all freight and pipe-line expenses\_.

The Central Association was a most clever device. It furnished the

secret partners of Mr. Rockefeller a plausible proposition with which to

approach the firms of which they wished to obtain control.

Little as the Oil Regions knew of the real meaning of the Central

Association, the news of its organisation raised a cry of monopoly, and

the advocates of the new scheme felt called upon to defend it. The

defense took the line that the conditions of the trade made such a

combination of refineries necessary. Altogether the ablest explanation

was that of H. H. Rogers, of Charles Pratt and Company, to a reporter of

the New York Tribune:

“There are five refining points in the country,” said Mr. Rogers,

“Pittsburg, Philadelphia, Cleveland, the Oil Regions and New York

city. Each of these has certain local advantages which may be

briefly stated as follows: Pittsburg, cheap oil; Philadelphia, the

seaboard; Cleveland, cheap barrels, and canal as well as railroad

transportation; the Oil Regions, crude oil at the lowest figure; and

all the products of petroleum have the best market in New York city.

The supply of oil is three or four times greater than the

demand.[47] If the oil refineries were run to their full capacity,

the market would be overstocked. The business is not regular, but

spasmodic. When the market is brisk and oil is in demand, all the

oil interests are busy and enjoy a fair share of prosperity. At

other times, the whole trade is affected by the dullness. It has

been estimated that not less than twenty millions of dollars are

invested in the oil business. It is therefore to the interest of

every man who has put a dollar in it to have the trade protected and

established on a permanent footing. Speculators have ruined the

market. The brokers heretofore have been speculating upon the market

with disastrous effects upon the trade, and this new order of things

will force them to pursue their legitimate calling, and realise

their profits from their industry and perseverance. Two years ago an

attempt was made to organise an oil refiners’ association, but it

was subsequently abandoned. There was no cohesion of interests, and

agreements were not kept. The movement at the present time is a

revival of the former idea, and, it is believed, has already secured

fully nine-tenths of the oil refiners in the country in its favour.

I do not believe there is any intention among the oil men to ‘bull’

the market. The endeavour is to equalise all around and protect the

capital invested. If by common consent, in good faith, the refiners

agree to reduce the quantities to an allotment for each, made in

view of the supply and demand, and the capacity for production, the

market can be regulated with a reasonable profit for all. The price

of oil to-day is fifteen cents per gallon. The proposed allotment of

business would probably advance the price to twenty cents. To make

an artificial increase, with immense profits, would be recognised as

speculative instead of legitimate, and the oil interests would

suffer accordingly. Temporary capital would compete with permanent

investment and ruin everything. The oil producers to-day are

bankrupt. There have been more failures during the last five months

than in five years previously. An organisation to protect the oil

capital is imperatively needed. Oil to yield a fair profit should be

sold for twenty-five cents per gallon. That price would protect

every interest and cover every outlay for getting out the crude

petroleum, transporting by railroad, refining and the incidental

charges of handling, etc. The foreign markets will regulate the

price to a great extent, because they are the greatest consumers.

The people of China, Germany, and other foreign countries cannot

afford to pay high prices. Kerosene oil is a luxury to them, and

they do not receive sufficient compensation for their labour to

enable them to use this oil at an extravagant price. The price,

therefore, must be kept within reasonable limits.”

The Oil Regions refused flatly to accept this view of the situation. The

world would not buy refined at twenty-five cents, they argued. “You

injured the foreign market in 1872 by putting up the price. Our only

hope is in increasing consumption. The world is buying more oil to-day

than ever before, because it is cheap. We must learn to accept small

profits, as other industries do.” “The formation of the Refiners’

Association has thrust upon the trade an element of uncertainty that has

unsettled all sound views as to the general outlook,” said the Derrick.

“The scope of the Association,” wrote a Pittsburg critic, “is an attempt

to control the refining of oil, with the ultimate purpose of advancing

its price and reaping a rich harvest in profits. This can only be done

by reducing the production of refined oil, and this will in turn act on

crude oil, making the stock so far in excess of the demand as to send it

down to a lower figure than it has yet touched.”

“The most important feature of this contract,” said a “veteran refiner,”

“is perhaps that part which provides that the Executive Committee of the

Central Association are to have the exclusive power to arrange with the

railroads for the carrying of the crude and refined oil. It is intended

by this provision to enable the Executive Committee to speak for the

whole trade in securing special rates of freight, whereby independent

shippers of crude oil, and such refiners as refuse to join the

combination, and any new refining interest that may be started, may be

driven out of the trade. The whole general purpose of the combination is

to reap a large margin by depressing crude and raising the price of

refined oil, and the chief means employed is the system of

discrimination in railroad freights to the seaboard.”

“The veteran refiner” was right in his supposition that Mr. Rockefeller

intended to use the enormous power his combination gave him to get a

special rate. As a matter of fact he had seen to that before the

“veteran refiner” expressed his mind. It will be remembered that in

April, 1874, Mr. Rockefeller had made a contract with the Erie by which

he was to ship fifty per cent. of his refined oil over that road at a

rate as low as any competing line gave any shipper and he was to have a

lease of the Weehawken oil terminal. Now this contract remained in force

until the first of March, 1875, when a new one was made with the Erie

guaranteeing the road the same percentage of freight and giving the

Standard a ten per cent. rebate on whatever open tariff should be fixed.

This rebate Mr. Blanchard says was quite independent of what the Central

might be giving the Standard. He says that one reason the Standard was

given the rebate was that it was suspected the Pennsylvania was allowing

the Empire Transportation Company an even larger one. If true, this

would not affect any refiner necessarily as the Empire was not a refiner

in March, 1875. The real reason, of course, was what Mr. Blanchard gives

later—that by this rebate they kept the Standard trade, now greatly

increased by the purchase of the outside works already mentioned,

although it should be noticed the Erie officials knew nothing of the

Standard having control of any other refinery than that of Charles Pratt

and Company.

The announcement of the Central Association put an altogether new

feature on oil transportation. If this organisation succeeded, and the

refiners in it claimed nine-tenths of the capacity of the country—it

gave Mr. Rockefeller “irrevocable authority” to negotiate freights. The

Pennsylvania road immediately felt the pressure. The oil they had

carried for big firms like those of Charles Lockhart in Pittsburg and of

Warden, Frew and Company in Philadelphia was in the hands of the

Standard Oil Company, and Mr. Rockefeller asked a rebate of ten per

cent. on open rates. The road demurred. Colonel Potts objected

strenuously. Three years later in a paper discussing this rebate and its

consequences he said:

“The rebate was a modest one, as was its recipient. Yet the railway

Cassandras prophesied from it a multitude of evils—a gradual

destruction of all other refiners and a gradual absorption of their

property by the favourite, who, with this additional armament, would

rapidly progress towards a control of all cars, all pipes, all

production, and finally of the roads themselves. Their prophecies

met but little faith or consideration. The Standard leaders

themselves were especially active in discouraging any such radical

purpose. Their little rebate was enough for them. Everybody else

should prosper, as would be shortly seen. They needed no more

refineries; they had already more than they could employ—why should

they hunger after greater burdens? It was the railroads they chiefly

cared for, and next in their affections stood the 100 rival

refineries. Such beneficent longings as still remained (and their

bosoms overflowed with them) spread out their steady waves toward

the poor producers whom, not to be impious, they had always been

ready to gather under their wings, yet they would not.

“This unselfish language soothed all alarm into quiet slumbering. It

resembles the gentle fanning of the vampire’s wings, and it had the

same end in view—the undisturbed abstraction of the victim’s blood.”

Colonel Potts’s argument against the rebate—doubtless clothed in much

less picturesque language in 1875 than his feelings stirred him to in

1878, for a good enough reason, too, as we shall see—failed to convince

the Pennsylvania officials. They decided to yield to the Standard. Mr.

Cassatt, then third vice-president of the road, in charge of

transportation, said in 1879 that the rebate was given because they

found the Standard was getting very strong, that they had the backing of

the other roads, and that if the Pennsylvania wanted to retain its full

share of business and at fair rates they must make arrangements to

protect themselves.

No one of the roads knew certainly what the others were doing for the

Standard until October 1, 1875. The freight agents then met to discuss

again the freight pool they had formed in 1874. It had not been working

with perfect satisfaction. The clause granting the rebate of twenty-two

cents to the pipe-lines which sustained an agreed rate of pipage had

been abandoned after about five months’ experiment. It was thought to

stimulate new pipes. The roads in making a new adjustment made no effort

to regulate pipe-line tariffs. The “crude rebate” as it was

called—carrying oil to a refinery for nothing—was left in force. At this

meeting Mr. Blanchard found that both of the Erie’s big rivals were

granting the Standard a ten per cent. rebate. He also found that he was

not getting fifty per cent. of the Standard’s business as the contract

called for—that the Standard controlled not only the Cleveland and New

York works of which he knew, but large works in Pittsburg and

Philadelphia.[48]

Mr. Rockefeller was certainly now in an excellent condition to work out

his plan of bringing under his own control all the refineries of the

country. The Standard Oil Company owned in each of the great refining

centres, New York, Pittsburg and Philadelphia, a large and aggressive

plant run by the men who had built it up. These works were, so far as

the public knew, still independent and their only relation that of the

“Central Association.” As a matter of fact they were the “Central

Association.” Not only had Mr. Rockefeller brought these powerful

interests into his concern; he had secured for them a rebate of ten per

cent. on a rate which should always be as low as any one of the roads

gave any of his competitors. He had done away with middlemen, that is,

he was “paying nobody a profit.” He had undeniably a force wonderfully

constructed for what he wanted to do and one made practically

impregnable as things were in the oil business then, by virtue of its

special transportation rate.

As soon as his new line was complete the work of acquiring all outside

refineries began at each of the oil centres. Unquestionably the

acquisitions were made through persuasion when this was possible. If the

party approached refused to lease or sell, he was told firmly what Mr.

Rockefeller had told the Cleveland refiners when he went to them in 1872

with the South Improvement contracts, that there was no hope for him;

that a combination was in progress which was bound to work; and that

those who stayed out would inevitably go to the wall. Naturally the

first fruits to fall into the hands of the new alliance were those

refineries which were embarrassed or discouraged by the conditions which

Mr. Rogers explains above. Take as an example the case of the Citizens’

Oil Refining Company of Pittsburg, as it was explained in 1888 to the

House Committee on Manufactures in its trust investigation. A. H. Tack,

a partner in the company, told the story:[49]

“We began in 1869 with a capacity of 1,000 barrels a day. At the

start everything was \_couleur de rose\_, so much so that we put our

works in splendid shape. We manufactured all the products. We even

got it down to making wax, and using the very last residuum in the

boilers. We got the works in magnificent order and used up

everything. We began to feel the squeeze in 1872. We did not know

what was the matter. Of course we were all affected the same way in

Pennsylvania, and of course we commenced shifting about, and meeting

together, and forming delegations, and going down to Philadelphia to

see the Pennsylvania Railroad, meeting after meeting and delegation

after delegation. We suspected there was something wrong, and told

those men there was something wrong somewhere; that we felt, so far

as position was concerned, we had the cheapest barrels, the cheapest

labour, and the cheapest coal, and the route from the crude district

was altogether in our favour. We had a railroad and a river to bring

us our raw material. We had made our investment based on the

seaboard routes, and we wanted the Pennsylvania Railroad to protect

us. But none of our meetings or delegations ever amounted to

anything. They were always repulsed in some way, put off, and we

never got any satisfaction. The consequence was that in two or three

years there was no margin or profit. In order to overcome that we

commenced speculating, in the hope that there would be a change some

time or other for the better. We did not like the idea of giving up

the ship. Now, during these times the Standard Oil Company increased

so perceptibly and so strong that we at once recognised it as the

element. Instead of looking to the railroad I always looked to the

Standard Oil Company. In 1874 I went to see Rockefeller to find if

we could make arrangements with him by which we could run a portion

of our works. It was a very brief interview. He said there was no

hope for us at all. He remarked this—I cannot give the exact

quotation—‘There is no hope for us,’ and probably he said, ‘There is

no hope for any of us’; but he says, ‘The weakest must go first.’

And we went.”

All over the country the refineries in the same condition as Mr. Tack’s

firm sold or leased. Those who felt the hard times and had any hope of

weathering them resisted at first. With many of them the resistance was

due simply to their love for their business and their unwillingness to

share its control with outsiders. The thing which a man has begun, cared

for, led to a healthy life, from which he has begun to gather fruit,

which he knows he can make greater and richer, he loves as he does his

life. It is one of the fruits of his life. He is jealous of it—wishes

the honour of it, will not divide it with another. He can suffer heavily

his own mistakes, learn from them, correct them. He can fight

opposition, bear all—so long as the work is his. There were refiners in

1875 who loved their business in this way. Why one should love an oil

refinery the outsider may not see; but to the man who had begun with one

still and had seen it grow by his own energy and intelligence to ten,

who now sold 500 barrels a day where he once sold five, the refinery was

the dearest spot on earth save his home. He walked with pride among its

evil-smelling places, watched the processes with eagerness, experimented

with joy and recounted triumphantly every improvement. To ask such a man

to give up his refinery was to ask him to give up the thing which, after

his family, meant most in life to him.

To Mr. Rockefeller this feeling was a weak sentiment. To place love of

independent work above love of profits was as incomprehensible to him as

a refusal to accept a rebate because it was \_wrong\_! Where persuasion

failed then, it was necessary, in his judgment, that pressure be

applied—simply a pressure sufficient to demonstrate to these blind or

recalcitrant individuals the impossibility of their long being able to

do business independently. It was a pressure varied according to

locality. Usually it took the form of cutting their market. The system

of “predatory competition” was no invention of the Standard Oil Company.

It had prevailed in the oil business from the start. Indeed, it was one

of the evils Mr. Rockefeller claimed his combination would cure, but

until now it had been used spasmodically. Mr. Rockefeller never did

anything spasmodically. He applied underselling for destroying his

rivals’ market with the same deliberation and persistency that

characterised all his efforts, and in the long run he always won. There

were other forms of pressure. Sometimes the independents found it

impossible to get oil; again, they were obliged to wait days for cars to

ship in; there seemed to be no end to the ways of making it hard for men

to do business, of discouraging them until they would sell or lease, and

always at the psychological moment a purchaser was at their side. Take

as an example the case of the Harkness refinery in Philadelphia, a story

told to the same committee as that of Mr. Tack:

“I was the originator of the enterprise,” said William W. Harkness,

“believing that there was no better place than Philadelphia to

refine oil, particularly for export. We commenced then, as near as I

can now recollect, about 1870, and we made money up to probably

1874. We managed our business very close and did not speculate in

oil. We bought and we sold, and we paid a great deal of attention to

the statistical part of our business so as to save waste, and we did

a nice business. But we found in some years that probably five

months out of a year we could not sell our oil unless it would be at

a positive loss, and then we stopped. Then when we could sell our

oil, we found a difficulty about getting cars. My brother would

complain of it, but I believed that the time would come when that

would be equalised. I had no idea of the iniquity that was going on;

I could not conceive it. I went on in good faith until about 1874,

and then the trouble commenced. We could not get our oil and were

compelled to sell at a loss. Then Warden, Frew and Company formed

some kind of running arrangement where they supplied the crude, and

we seemed to get along a little better. After a while the business

got complicated, and I got tired and handed it over to my brother; I

backed out. That was about 1875. I was dissatisfied and wanted to do

an independent business, or else I wanted to give it up. In 1876—I

recollect that very well, because it was the year of the Centennial

Exposition—we were at the Centennial Exposition. I was sitting in

front of the great Corliss engine, admiring it, and he told me there

was a good opportunity to get out. Warden, Frew and Company, he

said, were prepared to buy us out, and I asked him whether he

considered that as the best thing to do; whether we had not better

hold on and fight it through, for I believed that these difficulties

would not continue; that we would get our oil. I knew he was a

competent refiner, and I wanted to continue business, but he said he

thought he had better make this arrangement, and I consented, and we

sold out; we got our investment back.”[50]

Here we have a refiner discouraged by the conditions which Mr.

Rockefeller claims his aggregation will cure. Under the Rutter circular

and the discrimination in freight to the Standard which followed, his

difficulty in getting oil increases, and he consents to a running

arrangement with Mr. Rockefeller’s partner in Philadelphia, but he wants

to do an “independent business.” Impossible. As he sits watching the

smooth and terrible power of that famous Corliss engine of 1876, an

engine which showed to thousands for the first time what great power

properly directed means, he realised that something very like it was at

work in the oil business—something resistless, silent, perfect in its

might—and he sold out to that something. Everywhere men did the same.

The history of oil refining on Oil Creek from 1875 to 1879 is almost

uncanny. There were at the beginning of that period twenty-seven plants

in the region, most of which were in a fair condition, considering the

difficulties in the business. During 1873 the demand for refined oil had

greatly increased, the exports nearly doubling over those of 1872. The

average profit on refined that year in a well-managed refinery was not

less than three cents a gallon. During the first half of 1874 the oil

business had been depressed, but the oil refiners were looking for

better times when the Rutter circular completely demoralised them by

putting fifty cents extra freight charges on their shipments without an

equivalent raise on competitive points. It was not only this extra

charge, enough to cut off their profits, as business then stood, but it

was that the same set of men who had thrown their business into

confusion in 1872 was again at work. The announcement of the Central

Association with Mr. Rockefeller’s name at its head confirmed their

fears. Nevertheless at first none of the small refiners would listen to

the proposition to sell or lease made them in the spring of 1875 by the

representative first sent out by the Central Association. They would

have nothing to do, they said bluntly, with any combination engineered

by John D. Rockefeller. The representative withdrew and the case was

considered. In the mean time conditions on the creek grew harder. All

sorts of difficulties began to be strewn in their way—cars were hard to

get, the markets they had built up were cut under them—a demoralising

conviction was abroad in the trade that this new and mysterious

combination was going to succeed; that it was doing rapidly what its

members were reported to be saying daily: “We mean to secure the entire

refining business of the world.” Such was the state of things on the

creek when in the early fall of 1875 an energetic young refiner and oil

buyer well known in the Oil Regions, J. D. Archbold, appeared in

Titusville as the representative of a new company, the Acme Oil Company,

a concern which everybody believed to be an offshoot of the Standard Oil

Company of Cleveland, though nobody could prove it. As a matter of fact

the Acme was capitalised and controlled entirely by Standard men, its

stockholders being, in addition to Mr. Archbold, William Rockefeller,

William G. Warden, Frank Q. Barstow, and Charles Pratt. It was evident

at once that the Acme Oil Company had come into the Oil Regions for the

purpose of absorbing the independent interests as Mr. Rockefeller and

his colleagues were absorbing them elsewhere. The work was done with a

promptness and despatch which do great credit to the energy and

resourcefulness of the engineer of the enterprise. In three years, by

1878, all but two of the refineries of Titusville had “retired from the

business gloriously,” as Mr. Archbold, flushed with victory, told the

counsel of the Commonwealth of Pennsylvania in 1879, when the state

authorities were trying to find what was at work in the oil interests to

cause such a general collapse. Most of the concerns were bought

outright, the owners being convinced that it was impossible for them to

do an independent business, and being unwilling to try combination. All

down the creek the little refineries which for years had faced every

difficulty with stout hearts collapsed. “Sold out,” “dismantled,” “shut

down,” is the melancholy record of the industry during these four years.

At the end practically nothing was left in the Oil Regions but the Acme

of Titusville and the Imperial of Oil City, both of them now under

Standard management. To the oil men this sudden wiping out of the score

of plants with which they had been familiar for years seemed a crime

which nothing could justify. Their bitterness of heart was only

intensified by the sight of the idle refiners thrown out of business by

the sale of their factories. These men had, many of them, handsome sums

to invest, but what were they to put them in? They were refiners, and

they carried a pledge in their pockets not to go into that business for

a period of ten years. Some of them tried the discouraged oil man’s

fatal resource, the market, and as a rule left their money there. One

refiner who had, according to popular report, received $200,000 for his

business, speculated the entire sum away in less than a year. Others

tried new enterprises, but men of forty learn new trades with

difficulty, and failure followed many of them. The scars left in the Oil

Regions by the Standard Combination of 1875–1879 are too deep and ugly

for men and women of this generation to forget them.

In Pittsburg the same thing was happening. At the beginning of the work

of absorption—1874—there were between twenty-two and thirty refineries

in the town.[51] As we have seen, Lockhart and Frew sold to the Standard

Oil Company of Cleveland some time in 1874. In the fall of that year a

new company was formed in Pittsburg, called the Standard Oil Company of

Pittsburg. Its president was Charles Lockhart; its directors William

Frew, David Bushnell, H. M. Flagler, and W. G. Warden—all members of the

Standard Oil Company and four of them stockholders in the South

Improvement Company. This company at once began to lease or buy

refineries. Many of the Pittsburg refiners made a valiant fight to get

rates on their oil which would enable them to run independently. To save

expense they tried to bring oil from the oil fields by barge; the

pipe-lines in the pool refused to run oil to barges, the railroad to

accept oil brought down by barge. An independent pipe-line attempted to

bring it to Pittsburg, but to reach the works the pipe-line must run

under a branch of the Pennsylvania railroad. It refused to permit this,

and for months the oil from the line was hauled in wagons from the point

where it had been held up, over the railroad track, and there repiped

and carried to Pittsburg. At every point they met interference until

finally one by one they gave in. According to Mr. Frew, who in 1879 was

examined as to the condition of things in Pittsburg, the company began

to “acquire refiners” in 1875. In 1877 they bought their last one; and

at the time Mr. Frew was under examination he could not remember but

\_one\_ refinery in operation in Pittsburg not controlled by his company.

Nor was it refiners only who sold out. All departments of the trade

began to yield to the pressure. There was in the oil business a class of

men known as shippers. They bought crude oil, sent it East, and sold it

to refineries there. Among the largest of these was Adnah Neyhart, whose

active representative was W. T. Scheide. Now to Mr. Rockefeller the

independent shipper was an incubus; he did a business which, in his

judgment, a firm ought to do for itself, and reaped a profit which might

go direct into the business. Besides, so long as there were shippers to

supply crude to the Eastern refineries at living prices, so long these

concerns might resist offers to sell or lease.

Some time in the fall of 1872 Mr. Scheide began to lose his customers in

New York. He found that they were making some kind of a working

arrangement with the Standard Oil Company, just what he did not know.

But at all events they no longer bought from him but from the Standard

buyer, J. A. Bostwick and Company. At the same time he became convinced

that Mr. Rockefeller was after his business. “I knew that they were

making some strenuous efforts to get our business,” he told the Hepburn

Commission in 1879, “because I used to meet Mr. Rockefeller in the Erie

office.” At the same time that he was facing the loss of customers and

the demoralising conviction that the Standard Oil Company wanted his

business, he was experiencing more or less disgust over business

conditions in New York. “I did not like the character of my customers

there,” Mr. Scheide told the committee. “I did not think they were

treating us fairly and squarely. There was a strong competition in

handling oil. The competition had got to be so strong that ‘outside

refiners,’ as they called themselves then, used to go around bidding up

the price of their works on the Standard Oil Company, and they were

using me to sell their refineries to the Standard. They would say to

refiners: ‘Neyhart will do so and so, and we are going to continue

running.’ And they would say to us that the Standard was offering lower

prices. I recollect one instance in which they, after having made a

contract to buy oil from me if I would bring it over the Erie Railway,

broke that contract for the 1–128th part of a cent a gallon. I sold out

the next week.” When Mr. Scheide went to the freight agent of the Erie

road, Mr. Blanchard, and told him of his decision to sell, Mr. Blanchard

tried to dissuade him. During the conversation he let out a fact which

must have convinced Mr. Scheide more fully than ever that he had been

wise in determining to give up his business. Mr. Blanchard told him as a

reason for his staying and trusting to the Erie road to keep its

contracts with him that the Standard Oil Company had been offering him

five cents more a barrel than Mr. Scheide was paying them, and would

take all their cars, and load them all regularly if they would throw him

over and give them the business. It is interesting to note that when Mr.

Scheide sold in the spring of 1875, it was, as he supposed, to Charles

Pratt and Company. Well informed as he was in all the intricacies of the

business—and there were few abler or more energetic men in trade at the

time—he did not know that Charles Pratt and Company had been part and

parcel of the Standard Oil Company since October, 1874.

Of course securing a large crude shipping business like Mr. Neyhart’s

was a valuable point for the Standard. It threw all of the refiners whom

he had supplied out of crude oil and forced several of them to come to

the Standard buyer—a first step, of course, toward a lease or sale. At

every point, indeed, making it difficult for the refiner to get his raw

product was one of the favourite manœuvres of the combination. It was

not only to crude oil it was applied. Factories which worked up the

residuum or tar into lubricating oil and depended on Standard plants for

their supply were cut off. There was one such in Cleveland—the firm of

Morehouse and Freeman. Mr. Morehouse had begun to experiment with

lubricating oils in 1861, and in 1871 the report of the Cleveland Board

of Trade devoted several of its pages to a description of his business.

According to this account he was then making oils adapted to lubricating

all kinds of machinery—he held patents for several brands and trade

marks, and had produced that year over 25,000 barrels of different

lubricants besides 120,000 boxes of axle grease. At this time he was

buying his stock or residuum from one or another of the twenty-five

Cleveland refiners. Then came the South Improvement Company and the

concentration of the town’s refining interest in Mr. Rockefeller’s

hands. Mr. Morehouse, according to the testimony he gave the Hepburn

Commission in 1879, went to Mr. Rockefeller, after the consolidation, to

arrange for supplies. He was welcomed—the Standard Oil Company had not

at that time begun to deal in lubricating oils—and encouraged to build a

new plant. This was done at a cost of $41,000, and a contract was made

with the Standard Oil Company for a daily supply of eighty-five barrels

of residuum. Some time in 1874 this supply was cut down to twelve

barrels. The price was put up too, and contracts for several months were

demanded so that Mr. Morehouse got no advantage from the variation in

crude prices. Then the freights went up on the railroads. He paid $1.50

and two dollars for what he says he felt sure his big neighbour was

paying but seventy or seventy-five cents (there is no evidence of any

such low rate to the Standard from Cleveland to New York by rail). Now

it was impossible for Mr. Morehouse to supply his trade on twelve

barrels of stock. He begged Mr. Rockefeller for more. It was there in

the Standard Oil works. Why could he not have it? He could pay for it.

He and his partner offered to buy 5,000 barrels and store it, but Mr.

Rockefeller was firm. All he could give Mr. Morehouse was twelve barrels

a day. “I saw readily what that meant,” said Mr. Morehouse, “that meant

squeeze you out—buy your works. They have got the works and are running

them; I am without anything. They paid about $15,000 for what cost me

$41,000. He said that he had facilities for freighting and that the

coal-oil business belonged to them; and any concern that would start in

that business, they had sufficient money to lay aside a fund to wipe

them out—these are the words.”[52]

At every refining centre in the country this process of consolidation

through persuasion, intimidation, or force, went on. As fast as a

refinery was brought in line its work was assigned to it. If it was an

old and poorly equipped plant it was usually dismantled or shut down. If

it was badly placed, that is, if it was not economically placed in

regard to a pipe-line and railroad, it was dismantled even though in

excellent condition. If it was a large and well-equipped plant

advantageously located it was assigned a certain quota to manufacture,

and it did nothing but manufacture. The buying of crude, the making of

freight rates, the selling of the output remained with Mr. Rockefeller.

The contracts under which all the refineries brought into line were run

were of the most detailed and rigid description, and they were executed

as a rule with a secrecy which baffles description. Take, for example, a

running arrangement made by Rockefeller in 1876, with a Cleveland

refinery, that of Scofield, Shurmer and Teagle. The members of this

concern had all been in the refining business in Cleveland in 1872 and

had all handed over their works to Mr. Rockefeller, when he notified

them of the South Improvement Company’s contracts. Mr. Shurmer declared

once in an affidavit that he alone lost $20,000 by that manœuvre. The

members of the firm had not stayed out of business, however. Recovering

from the panic caused by the South Improvement Company, they had united

in 1875, building a refinery worth $65,000, with a yearly capacity of

180,000 barrels of crude. On the first year’s business they made

$40,000. Although this was doing well, they were convinced they might do

better if they could get as good freight rates as the Standard Oil

Company, and in the spring of 1876 they brought suit against the Lake

Shore and Michigan Southern and the New York Central and Hudson River

Railroads for “unlawful and unjust discrimination, partialities and

preferences made and practised ... in favour of the Standard Oil

Company, enabling the said Standard Oil Company to obtain to a great

extent the monopoly of the oil and naphtha trade of Cleveland.” The suit

was not carried through at the time. Mr. Rockefeller seems to have

suggested a surer way to the firm of getting the rates they wanted. This

was to make a running arrangement with him. He seems to have

demonstrated to them that they could make more money under his plan than

outside, and they signed a contract for a remarkable “joint adventure.”

According to this document Scofield, Shurmer and Teagle put into the

business a plant worth at that time about $73,000 and their entire time.

Mr. Rockefeller put in $10,000 and his rebates! That is, he secured for

the firm the same preferential rates on their shipments that the

Standard Oil Company enjoyed. The firm bound itself not to refine over

85,000 barrels a year and neither jointly nor separately to engage in

any other form of oil business for ten years—the life of the contract.

Scofield, Shurmer and Teagle were guaranteed a profit of $35,000 a year.

Profits over $35,000 went to Mr. Rockefeller up to $70,000; any further

profits were divided.

The making of this contract and its execution were attended by all the

secret rites peculiar to Mr. Rockefeller’s business ventures. According

to the testimony of one of the firm given a few years later on the

witness stand in Cleveland the contract was signed at night at Mr.

Rockefeller’s house on Euclid Avenue in Cleveland, where he told the

gentlemen that they must not tell even their wives about the new

arrangement, that if they made money they must conceal it—they were not

to drive fast horses, “put on style,” or do anything to let people

suspect there were unusual profits in oil refining. That would invite

competition. They were told that all accounts were to be kept secret.

Fictitious names were to be used in corresponding, and a special box at

the post-office was employed for these fictitious characters. In fact,

smugglers and house-breakers never surrounded their operations with more

mystery.

But make his operations as thickly as he might in secrecy, the effect of

Mr. Rockefeller’s steady and united attack on the refining business was

daily becoming more apparent. Before the end of 1876 the alarm among oil

producers, the few independent refineries still in business, and even in

certain railroad circles was serious. On all sides talk of a united

effort to meet the consolidation was heard.

CHAPTER SIX

STRENGTHENING THE FOUNDATIONS

FIRST INTERSTATE COMMERCE BILL—THE BILL PIGEON-HOLED THROUGH EFFORTS

OF STANDARD’S FRIENDS—INDEPENDENTS SEEK RELIEF BY PROPOSED

CONSTRUCTION OF PIPE-LINES—PLANS FOR THE FIRST SEABOARD

PIPE-LINE—SCHEME FAILS ON ACCOUNT OF MISMANAGEMENT AND STANDARD AND

RAILROAD OPPOSITION—DEVELOPMENT OF THE EMPIRE TRANSPORTATION COMPANY

AND ITS PROPOSED CONNECTION WITH THE REFINING BUSINESS—STANDARD,

ERIE AND CENTRAL FIGHT THE EMPIRE TRANSPORTATION COMPANY AND ITS

BACKER, THE PENNSYLVANIA RAILROAD—THE PENNSYLVANIA FINALLY QUITS

AFTER A BITTER AND COSTLY WAR—EMPIRE LINE SOLD TO THE

STANDARD—ENTIRE PIPE-LINE SYSTEM OF OIL REGIONS NOW IN ROCKEFELLER’S

HANDS—NEW RAILROAD POOL BETWEEN FOUR ROADS—ROCKEFELLER PUTS INTO

OPERATION SYSTEM OF DRAWBACKS ON OTHER PEOPLE’S SHIPMENTS—HE

PROCEEDS RAPIDLY WITH THE WORK OF ABSORBING RIVALS.

From the time the Central Association announced itself, independent

refiners and the producers as a body watched developments with

suspicion. They had little to go on. They had no means of proving what

was actually the fact that the Central Association was the Standard Oil

Company working secretly to bring its competitors under control or drive

them out of business. They had no way of knowing what was actually the

fact that the Standard had contracts with the Central, Erie and the

Pennsylvania which gave them rebates on the lowest tariff which others

paid. That this must be the case, however, they were convinced, and they

determined early in 1876 to call on Congress for another investigation.

A hearing was practically insured, for Congress since 1872 had given

serious attention to the transportation troubles. The Windom Committee

of 1874 had made a report, the sweeping recommendations of which gave

much encouragement to those who suffered from the practices of the

railroads. Among other things this committee recommended that all rates,

drawbacks, etc., be published at every point and no changes allowed in

them without proper notification. It recommended the Bureau of Commerce

which, in 1902, twenty-eight years later, was created. So serious did

the Windom Committee consider the situation in 1874, that it made the

following radical recommendations:

The only means of securing and maintaining reliable and effective

competition between railways is through national or state ownership,

or control of one or more lines which, being unable to enter into

combinations, will serve as a regulation of other lines.

One or more double-track freight-railways honestly and thoroughly

constructed, owned or controlled by the government, and operated at

a low rate of speed, would doubtless be able to carry at a much less

cost than can be done under the present system of operating fast and

slow trains on the same road; and, being incapable of entering into

combinations, would no doubt serve as a very valuable regulator of

existing railroads within the range of their influence.

With Congress in such a temper the oil men felt that there might be some

hope of securing the regulation of interstate commerce they had asked

for in 1872. The agitation resulted in the presentation in the House of

Representatives, in April, of the first Interstate Commerce Bill which

promised to be effective. The bill was presented by James H. Hopkins of

Pittsburg. Mr. Hopkins had before his eyes the uncanny fate of the

independent oil interests of Pittsburg, some twenty-five factories in

that town having been reduced to two or three in three and one-half

years. He had seen the oil-refining business of the state steadily

reduced, and he thought it high time that something was done. In aid of

his bill a House investigation was asked. It was soon evident that the

Standard was an enemy of this investigation. Through the efforts of a

good friend of the organisation—Congressman H. B. Payne, of

Cleveland—the matter was referred to the Committee on Commerce, where a

member of the house, J. N. Camden, whose refinery, the Camden

Consolidated Oil Company, if it had not already gone, soon after went

into the Standard Oil Alliance, appeared as adviser of the chairman! Now

what Mr. Hopkins wanted was to compel the railroads to present their

contracts with the Standard Oil Company. The Committee summoned the

proper railroad officers, Messrs. Cassatt, Devereux and Rutter, and O.

H. Payne, treasurer of the Standard Oil Company. Of the railroad men,

only Mr. Cassatt appeared, and he refused to answer the questions asked

or to furnish the documents demanded. Mr. Payne refused also to furnish

the committee with information. The two principal witnesses of the oil

men were E. G. Patterson of Titusville, to whose energy the

investigation was largely due, and Frank Rockefeller of Cleveland, a

brother of John D. Rockefeller. Mr. Patterson sketched the history of

the oil business since the South Improvement Company identified the

Standard Oil Company with that organisation, and framed the specific

complaint of the oil men, as follows: “The railroad companies have

combined with an organisation of individuals known as the Standard Ring;

they give to that party the sole and entire control of all the petroleum

refining interest and petroleum shipping interest in the United States,

and consequently place the whole producing interest entirely at their

mercy. If they succeed they place the price of refined oil as high as

they please. It is simply optional with them how much to give us for

what we produce.”

Frank Rockefeller gave a pretty complete story of the trials of an

independent refiner in Cleveland during the preceding four years. His

testimony in regard to the South Improvement Company has already been

quoted. He declared that at the moment, his concern, the Pioneer Oil

Company, was unable to get the same rates as the Standard; the freight

agent frankly told him that unless he could give the road the same

amount of oil to transport that the Standard did he could not give the

rate the Standard enjoyed. Mr. Rockefeller said that in his belief there

was a pooling arrangement between the railroads and the Standard and

that the rebate given was “divided up between the Standard Oil Company

and the railroad officials.” He repeatedly declared to the committee

that he did not know this to be a positive fact, that he had no proof,

but that he believed such was the truth. Among the railroad officials

whom he mentioned as in his opinion enjoying spoils were W. H.

Vanderbilt, Thomas Scott and General Devereux. Of course the newspapers

had it that he had sworn that such was the fact. Colonel Scott promptly

wired the following denial:

“The papers of this morning publish that a man named Rockefeller

stated before your committee that myself and other officers of this

company were participants in rebates made to the Standard Oil

Company. So far as the statement relates to myself and the officers

of this company it is unqualifiedly false, and I have to ask that

you will summon the officers of the Standard Oil Company, or any

other parties that may have any knowledge of that subject, in order

that such villainous and unwarranted statements may be corrected.”

General Devereux published in the Cleveland press an equally emphatic

denial. Although Mr. Rockefeller promptly declared that he had stated to

the committee that he had no personal knowledge that there was such a

pool as he had intimated between the railroad men and the Standard, that

he had only given his suspicions, there were plenty of people to

overlook his explanation and assert that he had given proof of such a

division of spoils. The belief spread and is met even to-day in oil

circles. Now the only basis for any such assertion was the fact that W.

H. Vanderbilt, Peter H. Watson and Amasa Stone were at that time, 1876,

stockholders in the Standard Oil Company. There is no evidence of which

the writer knows that General Devereux or Colonel Scott ever held any

stock in the concern. Indeed, in 1879, when A. J. Cassatt was under

examination as to the relations of the Pennsylvania Railroad and the

Standard Oil Company, his own lawyer took pains to question him on this

point—an effort, no doubt, to silence the accusation which at that date

was constantly repeated.

“Mr. Cassatt,” Mr. MacVeagh said, “I want to direct your attention

to a personal matter which was asked you to a certain extent. You

were asked whether you had any knowledge that Mr. Vanderbilt,

representing the New York Central, or Mr. Jewett, representing the

Erie, had any interest whatever in the Standard Oil Company or any

of its affiliated companies. I wish to extend that question to the

other trunk lines. I wish you would state whether or not to your

knowledge Mr. Garrett, or anybody representing the Baltimore and

Ohio, had any such interest?”

“They have not to my knowledge.”

\* \* \* \* \*

“Then I wish you would state whether Mr. Scott or yourself, or any

other officers of the Pennsylvania Railroad Company, had any such

interest?”

“Never to my knowledge. I speak of absolute knowledge as to myself,

but as to Mr. Scott to the best of my knowledge and belief.”

Of course after this controversy the railroads were more obdurate than

ever. Mr. Payne and Mr. Camden were active, too, in securing the

suppression of the investigations and they soon succeeded not only in

doing that but in pigeon-holing for the time Mr. Hopkins’s Interstate

Commerce Bill.

But the oil men had not been trusting entirely to Congressional relief.

From the time that they became convinced that the railroads meant to

stand by the terms of the “Rutter Circular” they began to seek an

independent outlet to the sea. The first project to attract attention

was the Columbia Conduit Pipe Line. This line was begun by one of the

picturesque characters of Western Pennsylvania, “Dr.” David Hostetter,

the maker of the famous Hostetter’s Bitters. Dr. Hostetter’s Bitters’

headquarters were in Pittsburg. He had become interested in oil there,

and had made investments in Butler County. In 1874 he found himself

hampered in disposing of his oil and conceived the idea of piping it to

Pittsburg, where he could make a connection with the Baltimore and Ohio

road, which up to this time had refused to go into the oil pool. Now at

that time the right of eminent domain for pipes had been granted in but

eight counties of Western Pennsylvania. Allegheny County, in which

Pittsburg is located, was not included in the eight, a restriction which

the oil men attributed rightly, no doubt, to the influence of the

Pennsylvania Railroad in the State Legislature. That road could hardly

have been expected to allow the pipes to go to Pittsburg and connect

with a rival road if it could help it. Dr. Hostetter succeeded in buying

a right of way through the county, however, and laid his pipes within a

few miles of the city to a point where he had to pass under a branch of

the Pennsylvania Railroad. The spot chosen was the bed of a stream over

which the railroad passed by a bridge. Dr. Hostetter claimed he had

bought the bed of the run and that the railroad owned simply the right

to span the run. He put down his pipes, and the railroad sent a force of

armed men to the spot, tore up the pipes, fortified their position and

prepared to hold the fort. The oil men came down in a body, and, seizing

an opportune moment, got possession of the disputed point. The railroad

had thirty of them arrested for riot, but was not able to get them

committed; it did succeed, however, in preventing the relaying of the

pipes and a long litigation over Dr. Hostetter’s right to pass under the

road ensued. Disgusted with this turn of affairs Dr. Hostetter leased

the line to three young independent oil men of whom we are to hear more

later. They were B. D. Benson, David McKelvy and Major Robert E.

Hopkins, all of Titusville. Resourceful and determined they built tank

wagons into which the oil from the pipe was run and was carted across

the tracks on the public highway, turned into storage tanks and again

repiped and pumped to Pittsburg. They were soon doing a good business.

The fight to get the Columbia Conduit Line into Pittsburg aroused again

the agitation in favour of a free pipe-line bill, and early in 1875

bills were presented in both the Senate and House of the state and

bitter and long fights over them followed. It was charged that the bills

were in the interest of Dr. Hostetter. He wants to transport his blood

bitters cheaply, sneered one opponent! Many petitions for the bill were

circulated, but there were even stronger remonstrances and the source of

some of them was suspicious enough; for instance, that of the “Pittsburg

refiners representing about one-third of the refining capacity of the

Pennsylvania district and nearly one-third of the entire capacity now in

business.” As the Pittsburg refiners were nearly all either owned or

leased by the Standard concern, and the few independents had no hope

save in a free pipe-line, there seems to be no doubt about the origin of

that remonstrance. Although the bills were strongly supported, they were

defeated, and the Columbia Conduit Line continued to “break bulk” and

cart its oil over the railroad track.

Another route was arranged which for a time promised success. This was

to bring crude oil by barges to Pittsburg, then to carry the refined

down the Ohio River to Huntington and thence by the Richmond and

Chesapeake road to Richmond. This scheme, started in February, was well

under way by May, and “On to Richmond!” was the cry of the independents.

Everything possible was done to make this attempt fail. An effort was

even made to prevent the barges which came down the Allegheny River from

unloading, and this actually succeeded for some time. There seemed to be

always some hitch in each one of the channels which the independents

tried, some point at which they could be so harassed that the chance of

a living freight rate which they had seen was destroyed.

Some time in April, 1876, the most ambitious project of all was

announced. This was a seaboard pipe-line to be run from the Oil Regions

to Baltimore. Up to this time the pipe-lines had been used merely to

gather the oil from the wells and carry it to the railroads. The longest

single line in operation was the Columbia Conduit, and it was built

thirty miles long. The idea of pumping oil over the mountains to the sea

was regarded generally as chimerical. To a trained civil engineer it did

not, however, present any insuperable obstacles, and in the winter of

1875 and 1876 Henry Harley, whose connection with the Pennsylvania

Transportation Company has already been noted, went to his old chief in

the Hoosac Tunnel, General Herman Haupt, and laid the scheme before him.

If it was a feasible idea would General Haupt take charge of the

engineering for the Pennsylvania Transportation Company? At the same

time Mr. Harley employed General Benjamin Butler to look after the legal

side of such an undertaking. Both General Haupt and General Butler were

enthusiastic over the idea and took hold of the work with a will. It was

not long before the scheme began to attract serious attention. The

Eastern papers in particular took it up. The references to it were, as a

whole, favourable. It was regarded everywhere as a remarkable

undertaking: “Worthy,” the New York Graphic said, “to be coupled with

the Brooklyn Bridge, the blowing up of Hell Gate, and the tunnelling of

the Hudson River.” As General Haupt’s plans show, it was a tremendous

undertaking, for the line would be, when finished, at least 500 miles

long, and it would be worked by thirty or more tremendous pumps. On July

25 a meeting was held at Parker’s Landing, presenting publicly the

reports of General Haupt and General Butler. The authority and

seriousness of the scheme as set forth at this meeting alarmed the

railroads. If this seaboard line went through it was farewell to the

railroad-Standard combination. Oil could be shipped to the seaboard by

it at a cost of 16⅔ cents a barrel, General Haupt estimated. All of the

interests, little and big, which believed that they would be injured by

the success of the line, began an attack.

Curiously enough one of the first points of hostility was General Haupt

himself. An effort was made to discredit his estimate in order to scare

people from taking stock. They recalled the Hoosac Tunnel scandal and

the fact that the General once built a bridge which had tumbled down,

ridiculed his estimate of the cost, etc., etc. The “card” in which

General Haupt answered his chief critic, one who signed himself “Vidi,”

was admirable:

A CARD FROM GENERAL HAUPT

What are the charges that I am requested to “smash”?

They are, as I understand them from others, for some I have not

seen:

1. That I once built a bridge that tumbled down.

2. That I was connected with the Hoosac Tunnel that cost seventeen

millions of dollars.

3. That my estimates of cost of transportation are ridiculously low

and unreliable.

1. I did design a bridge some twenty years ago, and constructed a

span near Greenfield, in Massachusetts, which gave way, owing to a

defective casting, while being tested. The bridge was not finished;

had not been opened to the public; had not been accepted from the

contractor, who repaired the damage in such a manner that a

recurrence of a break would have been impossible. I have built spans

of bridges and tested them until they broke, to ascertain their

ultimate strength, but I supposed that this was a matter that

concerned myself and not the public. If the bridge had been thrown

open for public use, and an accident had then occurred from

defective design or material, the engineer might have been

censurable, but not otherwise. In an experience of nearly forty

years I have never had a bridge to fail, after being opened for

travel, or a piece of masonry to give way. No accident occurred even

upon the temporary military bridges constructed during the war,

which President Lincoln used to say were built of bean poles and

corn stalks.

2. How about the Hoosac Tunnel?

In 1856 I undertook to build the Hoosac Tunnel, at that time

ridiculed as visionary and utterly impracticable. I carried it on

until 1862, when its practicability was so fully demonstrated that

it was considered some discredit to Massachusetts to allow the work

to proceed under engineers from another state, and honourable

members of the Legislature declared that Massachusetts had engineers

as competent as any that could be found in Pennsylvania. The work in

my hands, as was proved by reports of investigating committees, was

costing less than $2,000,000, and the trouble then was that the

margin was considered too large, and that I was making too much

money on the $2,000,000, which the state had agreed to advance. In

1862 the state took the work out of my hands and put it under

control of state commissioners and engineers. The result was that

instead of getting the Hoosac Tunnel completed for $2,000,000, which

was amply sufficient in the hands of H. Haupt and Company, it has

now cost, \_under state management\_, nearly $17,000,000.

I hope this explanation will be considered sufficient to “smash”

Number 2.

3. As to Number 3, the insufficiency of my estimate.

The items which enter into such an estimate are pure and simple.

There has been but one omission, and that is malicious mischief or

deviltry, and this item is so uncertain that, without a more

intimate acquaintance with “Vidi” and his supporters, I could not

undertake to estimate it.

I have put coal at five dollars per ton or eighteen cents per

bushel, now worth five cents at Brady’s and eight at Pittsburg. Is

not this enough? I have allowed fifty per cent. greater consumption

at each station than has been estimated by others. I have allowed

$1,000 a year for each of two engine men at each station. Will

anyone say this is not sufficient? And I have, to be safe, estimated

the work down below the results given by any of the ordinary

hydraulic formula. It would be absurd to tell experienced pipe men

that oil cannot be pumped fifteen miles under 900 pounds pressure

through a four–inch pipe with a discharge of 5,000 barrels per day,

which is all that the estimate is based upon, and it allows

sixty-five days’ stoppage besides.

Please, gentlemen, let me alone. I have had enough of newspaper

controversy in former years. I am sick of it.

H. HAUPT.

At the same time that General Haupt was attacked the Pennsylvania

Transportation Company was criticised for bad management. A long letter

to the Derrick August 14, 1876, claimed that the company in the past had

been mismanaged; that the credit it asked could not be given safely;

that its management had been such that it had scarcely any business

left. Indeed this critic claimed that the last pipe-line organised, a

small line known as the Keystone, had during the last six months done

almost double the business of the Pennsylvania. Under the direction of

the Pennsylvania Railroad, it was believed, the Philadelphia papers

began to attack the plan. Their claim was that the charters under which

the Pennsylvania Transportation Company expected to operate would not

allow them to lay such a pipe-line. The opposition became such that the

New York papers began to take notice of it. The Derrick on September 16,

1876, copies an article from the New York Bulletin in which it is said

that the railroads and the Standard Oil Company, “now stand in

gladiatorial array, with shields poised and sword ready to deal the

cut.” An opposition began to arise, too, from farmers through whose

property an attempt was being made to obtain right of way. In Indiana

and Armstrong counties the farmers complained to the secretary of

internal affairs, saying that the company had no business to take their

property for a pipe-line. One of the common complaints of the farmers’

newspapers was that leakage from the pipes would spoil the springs of

water, curdle milk, and burn down barns. The matter assumed such

proportions that the secretary referred it to the attorney-general for a

hearing. In the meantime the Pennsylvania Transportation Company made

the most strenuous efforts to secure the right of way. A large number of

men were sent out to talk over the farmers into signing the leases. Hand

bills were distributed with an appeal to be generous and to free the oil

business from a monopoly that was crushing it. These same circulars told

the farmers that a monopoly had hired agents all along the route

misrepresenting the facts about their intentions. Mr. Harley, under the

excitement of the enterprise and the opposition it aroused, became a

public figure, and in October the New York Graphic gave a long interview

with him. In this interview Mr. Harley claimed that the pipe-line scheme

was gotten up to escape the Standard Oil monopoly. Litigation, he

declared, was all his scheme had to fear. “John D. Rockefeller,

president of the Standard monopoly,” he said, “is working against us in

the country newspapers, prejudicing the farmers and raising issues in

the courts, and seeking also to embroil us with other carrying lines.”

It was not long, however, before something more serious than the farmers

and their complaints got in the way of the Pennsylvania Transportation

Company. This was a rumour that the company was financially embarrassed.

Their certificates were refused on the market, and in November a

receiver was appointed. Different members of the company were arrested

for fraud, among them two or three of the best known men in the Oil

Regions. The rumours proved only too true. The company had been grossly

mismanaged, and the verification of the charges against it put an end to

this first scheme for a seaboard pipe-line.

While all these efforts doomed to failure or to but temporary success

were making, a larger attempt to meet Mr. Rockefeller’s consolidation

was quietly under way. Among those interested in the oil business who

had watched the growing power of the Standard with most concern was the

head of the Empire Transportation Company, Colonel Joseph D. Potts. In

connection with the Pennsylvania Railroad Colonel Potts had built up

this concern, founded in 1865, until it was the most perfectly developed

oil transporter in the country. It operated 500 miles of pipe, owned a

thousand oil-tank cars, controlled large oil yards at Communipaw, New

Jersey, was in every respect indeed a model business organisation, and

it had the satisfaction of knowing that what it was it had made itself

from raw material, that its methods were its own, and that the practices

it had developed were those followed by other pipe-line companies. While

the Empire had far outstripped all its early competitors, there had

grown up in the last year a rival concern which Colonel Potts must have

watched with anxiety. This concern, known as the United Pipe Line, was

really a Standard organisation, for Mr. Rockefeller, in carrying out his

plan of controlling all the oil refineries of the country, had been

forced gradually into the pipe-line business.

His first venture seems to have been in 1873. In that year the

oil-shipping firm of J. A. Bostwick and Company laid a short pipe in the

Lower Field, as the oil country along the Allegheny River was called.

Now J. A. Bostwick was one of the charter members of the South

Improvement Company, and when Mr. Rockefeller enlarged his business in

1872 because of the power that enterprise gave him, he took Mr. Bostwick

into the Standard. This alliance, like all the operations of that

venture, was secret. The bitterness of the Oil Regions against the

members of the South Improvement Company was so great for many months

after the Oil War that Mr. Bostwick and Mr. Rockefeller seem to have

concluded in 1873 that it would be a wise precautionary measure for them

to lay a pipe-line upon which they could rely for a supply of oil in

case the oil men attempted again to cut them off from crude, as they had

succeeded in doing in 1872. Accordingly, a line was built and put in the

charge of a man who has since become known as one of the “strong men” of

the Standard Oil Company. This man, Daniel O’Day, was a young Irishman

who had first appeared in the oil country in 1867, and had at once made

so good a record for himself as transporting agent, that in 1869, when

the oil-shipping firm of J. A. Bostwick needed a man to look after its

shipments, he was employed. The record he made in the next two years was

such that it reached the ear of Jay Gould himself, the president of the

Erie, over which Mr. Bostwick was doing most of his shipping. Now the

Erie at this time was making a hard fight to meet the growth of the

Empire Transportation Company. So important did Jay Gould think this

struggle that in 1871 he himself came to the Oil Regions to look after

it. One of the first men summoned to his private car as it lay in

Titusville was the young Irishman, O’Day. He came as he was, begrimed

with the oil of the yards, but Mr. Gould was looking for men who could

do things, and was big enough to see through the grime. When the

interview was concluded, Daniel O’Day had convinced Jay Gould that he

was the man to divert the oil traffic from the Pennsylvania to the Erie

road, and he walked out with an order in his pocket which lifted him

over the head of everybody on the road so far as that particular freight

was concerned, for it gave him the right to seize cars wherever he found

them. For weeks after this he practically lived on the road, turning

from the Pennsylvania in this time a large volume of freight, and making

it certain that it would have to look to its laurels as it never had

before.

The next year after this episode came the Oil War. The anger of the oil

men was poured out on everyone connected in any way with the

stockholders of the South Improvement Company, and among others on Mr.

O’Day. He knew no more of the South Improvement Company at the start

than the rest of the region, but he did know that it was his business to

take care of certain property intrusted to him. Resolutions calling on

him to resign were passed by oil exchanges and producers’ unions. Mobs

threatened his cars, his stations, his person, but with the grit of his

race he hung to his post. There was, perhaps, but one other man in the

employ of members of the South Improvement Company who showed the same

courage, and that was Joseph Seep of Titusville. Almost every other

employee fled, the principals in the miserable business took care to

stay out of the country, but Mr. O’Day and Mr. Seep polished their

shillalahs and stood over their property night and day until the war was

over. Their courage did not go unrewarded. They were made the chief

executive representatives, in the region, of the consolidated Standard

interests which followed the war, though neither of them knew at the

time that they were in the Standard employ. They supposed that the

shipper Bostwick was an independent concern. It was a man of grit and

force and energy then who took hold of the Standard’s pipe-line in 1873.

Rapid growth went on. The little line with which they started became the

American Transfer Company, gradually extending its pipes to seventy or

eighty miles in Clarion County, and in 1875 building lines in the

Bradford Field.

The American Transfer Company was soon working in harmony with the

United Pipe Lines, of which Captain J. J. Vandergrift was the president.

This system had its nucleus, like all the others of the country, in a

short private line, built in 1869 by Captain Vandergrift. It had grown

until in 1874 it handled thirty per cent. of the oil of the region. Now

in 1872, after the Oil War, Captain Vandergrift had become a convert to

Mr. Rockefeller’s theory of the “good of the oil business,” and as we

have seen, had gone into the National Refiners’ Association as

vice-president. Later he became a director in the Standard Oil Company.

In 1874 he sold a one-third interest of his great pipe-line system to

Standard men, and the line was reorganised in the interests of that

company. That is, the Standard Oil Combination in 1876 was a large

transporter of oil, for the directors and leading stockholders owned and

operated fully forty per cent. of the pipe-lines of the Oil Regions,

owned all but a very few of the tank cars on both the Central and Erie

roads, and controlled under leases two great oil terminals, those of the

Erie and Central roads. It was little wonder that Colonel Potts watched

this rapid concentration of transportation and refining interests with

dread. It was more dangerous than the single shipper, and he had always

fought that idea on the ground of policy. “In the first place, it

concentrates great power in the hands of one party over the trade of the

road,” he told an investigating committee of Congress in 1888. “They can

remove it at pleasure. In the second place I think a large number of

parties engaged in the same trade are very apt to divide themselves into

two different classes as to the way of viewing markets; one class will

be hopeful, and the other the reverse. The result will be there will be

always one or the other class engaged in shipping some of the

traffic.... The whole question seems to me to resolve itself into

determining what policy will bring the largest volume in the most

regular way to the carrier; and it is my opinion, based upon such

experience as I have had, that a hundred shippers of a carload a day

would be sure to give to a carrier a more regular volume of business,

and I think, probably, a larger total volume of business in a year’s

time than one shipper of a hundred cars a day.”[53]

Holding this theory, Colonel Potts had opposed the rebate to the

Standard granted by the Pennsylvania in 1875. Three years later he

described in a communication, published anonymously, the effect of the

rebates granted at that time:

“The final agreement with the railways was scarcely blotter-dried

ere stealthy movements toward the whole line of outside refiners

were evident, although rather felt than seen. As long as

practicable, they were denied as mere rumours, but as they gradually

became accomplished victories, as one refiner after another, through

terror, through lack of skill in ventures, through financial

weakness, fell shivering with dislike into the embrace of this

commercial octopus, a sense of dread grew rapidly among those

independent interests which yet lived, and notably among a portion

of the railroad transporters.”

The chief “railroad transporter” who shared with the independents the

sense of dread which Mr. Rockefeller’s absorption of refineries awakened

was Mr. Potts himself. As he saw the independents of Pittsburg,

Philadelphia, New York and the creek, shutting down, selling out, going

into bankruptcy, while the Standard and its allies grew bigger day by

day, as he saw the Standard interest developing a system of

transportation greater than his own, he concluded to prevent, if

possible, the one shipper in the oil business. “We reached the

conclusion,” said Colonel Potts in 1888, “that there were three great

divisions in the petroleum business—the production, the carriage of it,

and the preparation of it for market. If any one party controlled

absolutely any one of those three divisions, it practically would have a

very fair show of controlling the others. We were particularly

solicitous about the transportation, and we were a little afraid that

the refiners might combine in a single institution, and some of them

expressed a strong desire to associate themselves permanently with us.

We therefore suggested to the Pennsylvania road that we should do what

we did not wish to do—associate ourselves. That is, our business was

transportation and nothing else; but, in order that we might reserve a

nucleus of refining capacity to our lines, we suggested we should become

interested in one or more refineries, and we became interested in two,

one in Philadelphia and one in New York. It was incidental merely to our

transportation. The extreme limit was 4,000 barrels a day only.”

It was in the spring of 1876 that the Empire began to interest itself in

refineries. No sooner did Mr. Rockefeller discover this than he sought

Mr. Scott and Mr. Cassatt, then the third vice-president of the

Pennsylvania, in charge of transportation. It was not \_fair\_! Mr.

Rockefeller urged. The Empire was a transportation company. If it went

into the refining business it was not to be expected that it would deal

as generously with rivals as with its own factories; besides, it would

disturb the one shipper who, they all had agreed, was such a benefit to

the railroads. Mr. Scott and Mr. Cassatt might have reminded Mr.

Rockefeller that he was as truly a transporter as the Empire, but if

they did they were met with a prompt denial of this now well-known fact.

He was an oil refiner—only that and nothing more. “They tell us that

they do not control the United Pipe Lines,” Mr. Cassatt said in his

testimony in 1879. Besides, urged Mr. Rockefeller, if they have

refineries of course they will give them better terms than they do us.

Mr. Flagler told the Congressional Committee of 1888 that the Standard

was unable to obtain rates through the Empire Transportation Company

over the Pennsylvania Railroad for the Pittsburg or Philadelphia

refineries as low as were given by competing roads, and, added he, “from

the fact that the business during those years \_was so very close as to

leave scarcely any margin of profit\_ under the most advantageous

circumstances. And we, finding ourselves undersold in the markets by

competitors whom we knew had not the same facilities in the way of

mechanical appliances for doing the business, knew that there was but

one conclusion to be reached, and that was that the Empire

Transportation Company favoured certain other shippers, I would say

favoured its own refineries to our injury.”

As the Standard Oil Company paid a dividend of about fourteen per cent.

in both 1875 and 1876, besides spending large sums in increasing its

plants and facilities, the margin of profit cannot have been so low as

it seemed to Mr. Flagler in 1888 to have been; naturally enough, for he

saw dividends of from fifty to nearly 100 per cent. later.

[Illustration:

A. J. CASSATT IN 1877

Third vice-president of the Pennsylvania Railroad in charge of

transportation when first contract was made by that road with the

Standard Oil Company.

]

[Illustration:

GENERAL GEORGE B. MCCLELLAN

President of the Atlantic and Great Western Railroad at the time of

the South Improvement Company. General McClellan did not sign the

contract.

]

[Illustration:

GENERAL JAMES H. DEVEREUX

Who in 1868 as vice-president of the Lake Shore and Michigan Southern

Railroad first granted rebates to Mr. Rockefeller’s firm.

]

[Illustration:

JOSEPH D. POTTS

President of the Empire Transportation Company. Leader in the struggle

between the Pennsylvania Railroad and the Standard Oil Company in

1877.

]

Mr. Vanderbilt and Mr. Jewett soon joined their protests to Mr.

Rockefeller’s. “The steps it (the Empire) was then taking,” said Mr.

Jewett, “unless checked would result in a diversion largely of the

transportation of oil from our roads; the New York Central road and our

own determined that we ought not to stand by and permit those

improvements and arrangements to be made which, when completed, would be

beyond our control.”[54] These protests increased in vehemence, until

finally the Pennsylvania officials remonstrated with Mr. Potts. “We

endeavoured,” says Mr. Cassatt, “to try to get those difficulties

harmonised, talked of getting the Empire Transportation Company to lease

its refineries to the Standard Oil Company, or put them into other

hands, but we did not succeed in doing that.” “Rather than do that,”

Colonel Potts told Mr. Cassatt, when he proposed that the Empire sell

its refineries, “we had rather you would buy us out and close our

contract with you.”

When the Standard Oil Company and its allies, the Erie and Central,

found that the Pennsylvania would not or could not drive the Empire from

its position, they determined on war. Mr. Jewett, the Erie president, in

his testimony of 1879 before the Hepburn Commission, takes the burden of

starting the fight. “Whether the Standard Oil Company was afraid of the

Empire Line as a refiner,” he said, “I have no means of knowing. I never

propounded the question. We were opposed to permitting the Empire Line,

a creature of the Pennsylvania Railroad, to be building refineries, to

become the owners of pipe-lines leading into the oil field and leading

to the coast, without a contest, and we made it without regard to the

Standard Oil Company or anybody else; but when we did determine to make

it, I have no doubt we demanded of the Standard Oil Company during the

contest to withdraw its shipments from the Pennsylvania.” Mr. Flagler

gave the following version of the affair to the Congressional Committee

of 1888:—

We made an agreement with the Empire Transportation Company for

shipments over the Pennsylvania Railroad on behalf of the

Pennsylvania interests, which were then owned by the Standard Oil

Company, simply because there was no alternative. It was the only

vehicle by which these Pittsburg refineries and the Philadelphia

refineries carried their crude oil over the Pennsylvania Railroad.

There was no other medium by which business could be done over the

Pennsylvania Railroad, except through the Empire Transportation

Company, a subsidiary company of the Pennsylvania Railroad Company.

The Empire Transportation Company was not only the owner of

pipe-lines in the Oil Regions, and tank-cars on the Pennsylvania

Railroad, but also of refineries at Philadelphia and New York, and

to that extent were our competitors. We, \_having no interest

whatever in transportation\_,[55] naturally felt jealous of the

Empire Transportation Company, and drew the attention of the

northern lines. By that I mean the New York Central and the Erie

railroads. With the peculiar position of the oil business on the

Pennsylvania Railroad, their attention was called to this very soon

after the Empire Transportation Company began the business of

refining. The position taken by the two Northern trunk lines in

their intercourse with the Pennsylvania Railroad, as was admitted by

Mr. Cassatt in his testimony, and stated to me by the

representatives of the two Northern roads, Mr. Vanderbilt and Mr.

Jewett, was that it was unfair to them that the Pennsylvania

Railroad did not divest itself of the manufacturing business.

Backed by the Erie and Central, Mr. Rockefeller, in the spring of 1877,

finally told Mr. Cassatt that he would no longer send any of his freight

over the Pennsylvania unless the Empire gave up its refineries. The

Pennsylvania refused to compel the Empire to this course. According to

Mr. Potts’s own story, the road was partially goaded to its decision by

a demand for more rebates, which came from Mr. Rockefeller at about the

time he pronounced his ultimatum on the Empire. “They swooped upon the

railways,” says Colonel Potts, “with a demand for a vast increase in

their rebate. They threatened, they pleaded, it has been said they

purchased—however that may be, they conquered. Minor officials intrusted

with the vast power of according secret rates conceded all they were

asked to do, even to concealing from their superiors for months the real

nature of their illegal agreements.” Probably it was at this time that

there took place the little scene between Mr. Vanderbilt and Mr.

Rockefeller and his colleagues, of which the former told the Hepburn

Commission in 1879. The Standard people were after more rebates. They

affirmed other roads were giving larger rebates than Mr. Vanderbilt, and

that their contract with him obliged him to give as much as anybody else

did.

“Gentlemen,” he told them, “you cannot walk into this office and say we

are bound by any contract to do business with you at any price that any

other road does that is in competition with us; it is only on a fair

competitive basis, a fair competition for business at a price that I

consider will pay the company to do it.”

Soon after this interview, so rumour says, Mr. Vanderbilt sold the

Standard stock he had acquired as a result of the deals made through the

South Improvement Company. “I think they are smarter fellows than I am,

a good deal,” he told the commission, somewhat ruefully. “And if you

come in contact with them I guess you will come to the same conclusion.”

Spurred on then by resentment at the demands for new rebates, as well as

by the injustice of Mr. Rockefeller’s demand that the Empire give up its

refineries, the Pennsylvania accepted the Standard’s challenge, resolved

to stand by the Empire, and henceforth to treat all its shippers alike.

No sooner was its resolution announced in March, 1877, than all the

freight of the Standard, amounting to fully sixty-five per cent. of the

road’s oil traffic, was taken away. An exciting situation, one of

out-and-out war, developed, for the Empire at once entered on an

energetic campaign to make good its loss by developing its own

refineries, and by forming a loyal support among the independent oil

men. Day and night the officers worked on their problem, and with

growing success. When Mr. Rockefeller saw this he summoned his backers

to action. The Erie and Central began to cut rates to entice away the

independents. It is a sad reflection on both the honour and the

foresight of the body of oil men who had been crying so loudly for help,

that as soon as the rates were cut on the Standard lines many of them

began to attempt to force the Pennsylvania to follow. “They found the

opportunity for immediate profits by playing one belligerent against the

other too tempting to resist,” says Colonel Potts. “We paid them large

rebates,” said Mr. Cassatt; “in fact, we took anything we could get for

transporting their oil. In some cases we paid out in rebates more than

the whole freight. I recollect one instance where we carried oil to New

York for Mr. Ohlen, or someone he represented, I think at eight cents

less than nothing. I do not say any large quantities, but oil was

carried at that rate.”

While the railroads were waging this costly war the Standard was

carrying the fight into the refined market. The Empire had gone

systematically to work to develop markets for the output of its own and

of the independent refineries. Mr. Rockefeller’s business was to prevent

any such development. He was well equipped for the task by his system of

“predatory competition,” for in spite of the fact that Mr. Rockefeller

claimed that underselling to drive a rival from a market was one of the

evils he was called to cure, he did not hesitate to employ it himself.

Indeed, he had long used his freedom to sell at any price he wished for

the sake of driving a competitor out of the market with calculation and

infinite patience. Other refiners burst into the market and undersold

for a day; but when Mr. Rockefeller began to undersell, he kept it up

day in and day out, week in and week out, month in and month out, until

there was literally nothing left of his competitor. A former official of

the Empire Transportation Company, who in 1877 took an active part in

the war his company was waging against the Standard, once told the

writer that in every town, North or South, East or West, in which they

already had a market for their refined oil, or attempted to make one,

they found a Standard agent on hand ready to undersell. The Empire was

not slow in underselling. It is very probable that in many cases it

began it, for, as Mr. Cassatt says, “They endeavoured to injure us and

our shippers all they could in that fight, and we did the same thing.”

In spite of the growing bitterness and cost of the contest, the Empire

had no thought of yielding. Mr. Potts’s hope was in a firm alliance with

the independent oil men, many of the strongest of whom were rallying to

his side. At the beginning of the fight he had very shrewdly enlisted in

his plan one of the largest independent producers of the day, B. B.

Campbell, of Butler. “Being a pleasure and a duty to me,” says Mr.

Campbell, “I entered into the service with all the zeal and power that I

have. I made a contract with the Empire Line wherein I bound myself to

give all my business to this line.” At the same time Mr. Potts sought

the help of the man who was generally accepted as the coolest, most

intelligent, and trustworthy adviser in matters of transportation the

Oil Regions had, E. G. Patterson, of Titusville. Mr. Patterson was a

practical railroad man, and an able and logical opponent of the rebate

and “one shipper” systems. He had been prominent in the fight against

the South Improvement Company, and since that time he had persistently

urged the independents to wage war only on the practice of rebates—to

refuse them themselves and to hold the railroads strictly to their duty

in the matter. Several conferences were held, and finally, in the early

summer, Mr. Potts read the two gentlemen a paper he had drawn up as a

contract between the producers and the Empire. It speaks well for the

fair-mindedness of Mr. Potts that when he read this document to Mr.

Campbell and Mr. Patterson, both of whom were skilled in the ways of the

transporter, they “accepted it in a moment.”

“It was made the duty of Mr. Patterson and myself to get signatures of

producers to this agreement,” says Mr. Campbell, “in a sufficient amount

to warrant the Pennsylvania road entering into a permanent agreement.

The contract, I think, was for three years.” The attempt to enlist a

solid body of oil men in the scheme was at once set on foot, but hardly

was it under way before troubles of most serious import came upon the

Pennsylvania road. A great and general strike on all its branches tied

up its traffic for weeks. In Pittsburg hundreds of thousands of dollars’

worth of property were destroyed by a mob of railroad employees. It is

not too much to say that in these troubles the Pennsylvania lost

millions of dollars; it is certain that as a result of them the company

that fall and the coming spring had to pass its dividends for the first

time since it commenced paying them, and that its stock fell to

twenty-seven dollars a share (par being fifty dollars). Overwhelmed by

the disasters, Mr. Scott and Mr. Cassatt felt that they could not afford

any longer to sustain the Empire in its fight for the right to refine as

well as transport oil.

While the coffers of the Pennsylvania were empty, those of the Standard

were literally bursting with profits; for the Standard, the winter

before this fight came on, had carried to completion for the first time

the work which it had been organised to accomplish, that is, it had put

up the price of refined oil, in defiance of all laws of supply and

demand, and held it up for nearly six months. The story of this dramatic

commercial hold-up is told in the next chapter; it is enough for present

purposes to say that in the winter of 1876–1877 millions of gallons of

oil were sold by Mr. Rockefeller and his partners at a profit of from

fifteen to twenty-five cents a gallon. The curious can compute the

profits; they certainly ran into the multi-millions. A dividend of fifty

per cent. was paid for the year following the scoop, and “there was

plenty of money made to throw that dividend out twice over and make a

profit,” Samuel Andrews, one of the Standard’s leading men, told an Ohio

investigating committee in 1879. The Standard then had a war budget big

enough for any opposition, and it is not to be wondered at that the

Pennsylvania, knowing this and finding its own treasury depleted, was

ready to quit.

It was August when Mr. Scott and Mr. Cassatt decided to give up the

fight. Peace negotiations were at once instituted, Mr. Cassatt going to

Cleveland to see Messrs. Rockefeller and Flagler, and Mr. Warden, who

was visiting them there. Later, the same gentlemen met Mr. Scott and Mr.

Cassatt at the St. George Hotel, in Philadelphia. “The subject of

discussion at these meetings,” said Mr. Cassatt in 1879, when under

examination, “was whether we could not make some contract or agreement

with the Standard Oil Company by which this contest would cease. They

insisted that the first condition of their coming back on our line to

ship over our road must be that the Empire Transportation Company, which

company represented us in the oil business, must cease the refining of

oil in competition with them. The Empire Transportation Company objected

to going out of the refining business.” The result of this objection

Colonel Potts stated in 1888: “Our contract with the Pennsylvania road

gave to them the option, at any time they saw proper, upon reasonable

notice, of buying our entire plant; they exercised that option.” “Was

that at your request or desire?” the chairman asked the Colonel. “No,

sir. It was at the request of the Pennsylvania road through their

officials.” The question then came up as to who should buy the plant of

the Empire Transportation Company. “The Standard wanted us to do so,”

says Mr. Cassatt. “They wanted us to buy the pipe-lines and cars; we

objected to buying the pipe-lines, and it resulted in their buying them

and the refining plants. The negotiations were carried on in

Philadelphia, Mr. Rockefeller and Mr. Flagler mainly representing the

Standard. A substantial agreement was reached about the last of October.

The agreement would have been probably perfected about that time except

that the counsel for the Empire Line thought it was necessary that they

should advertise the fact that they were going to sell their property,

and have a meeting of their stockholders, and get their assent to the

sale before the papers were finally signed.”

This meeting of which Mr. Cassatt speaks was held on October 17. Colonel

Potts made a statement to the stockholders, which he began by a brief

review of the growth of the company from the point when twelve years

before it had started as a new route charged with the duty of meeting

formidable competitors. He pointed out that at the close of the twelfth

year the company was the owner of a large fleet of lake vessels, of

elevators and docks at the City of Erie, of improved piers in New York

City, of nearly 5,000 cars, of over 500 miles of pipe-lines, of valuable

interests in refineries, of all the appliances of a great business. In

these twelve years, Colonel Potts told his stockholders, the

organisation had collected more than one hundred million dollars, and in

the last year their cars had moved over 30,000 miles of railway. He

explained to the stockholders the condition of the oil business which

had made it necessary, in his judgment, for the Empire Transportation

Company to go into the refining business. It was done with the greatest

reluctance, Colonel Potts declared, but it was done because he and his

colleagues believed that there was no other way for them to save to the

Pennsylvania road permanently the proportion of the oil traffic which

they had acquired in the twelve years in which they had been in

business. He reviewed, dispassionately, the circumstances which had led

the Pennsylvania road to ask the company to give up its refineries. He

stated his reasons for deciding that it was wiser for the Empire to

resign its contracts with the Pennsylvania and go into liquidation than

to submit to the demands of the Standard interests. Colonel Potts

followed his statement by an abstract of the agreements which had been

made between the Standard people and the Empire. By these agreements the

Standard Oil Company bought of the Empire Transportation Company their

pipe-line interest for the sum of $1,094,805.56, their refining

interests in New York and Philadelphia for the sum of $501,652.78,

$900,000 worth of Oil Tank Car Trust, and they also settled with outside

refiners and paid for personal property to the extent of $900,000 more,

making a total cash payment of $3,400,000. Two millions and a half of

this money, Colonel Potts told the stockholders, would be paid that

evening by certified checks if the agreements were ratified. “Not

knowing what your action might be at this meeting,” he concluded, “we

are still in active business. We could not venture to do anything that

would check our trade, that would repel customers, that would drive any

of them away from us. We must be prepared if you said no to go right

along with our full machinery under our contract, or under such

modification of that as we could fight through. We could not stop moving

a barrel of oil. We must be ready to take any offered to us; we must

supply parties taking oil. There was nothing we could do but what was

done; nothing was stopped, nothing is stopped, everything is going on

just as vigorously at this moment through as wide an extent of country

as ever it did, and it will continue to do so until after you take

action, until after we get these securities or the money. That, we

suppose, will be about six o’clock to-day, if you act favourably, and at

that time we shall, if everything goes through, telegraph to every man

in our service, and to the heads of departments what has been done, and

at twelve o’clock to-night we shall cease to operate anything in the

Empire Transportation Company.”

The stockholders accepted the proposition, and that night at Colonel

Potts’s office on Girard Street, Philadelphia, Mr. Scott and Mr.

Cassatt, of the Pennsylvania Railroad, Colonel Potts and two of his

colleagues in the Empire, and two of the refiners with whom he was

affiliated, met William Rockefeller, Mr. Flagler, Mr. Warden, Mr.

Lockhart, Charles Pratt, Jabez A. Bostwick, Daniel O’Day, and J. J.

Vandergrift, and their counsel, and the papers and checks were signed

and passed, wiping out of existence a great business to which a body of

the best transportation men the state of Pennsylvania has produced had

given twelve years of their lives. After the meeting was over, there

were sent out from Philadelphia to scores of employees of the Empire

Transportation Company scattered throughout the state, telegrams stating

that at twelve o’clock that night the company would cease to exist. For

twelve years the organisation had been doing a growing business. On the

date of this telegram its operations were more extensive, its

opportunities more promising, under fair play, than they had ever been

before in its history. The band of men who had built it up to such

healthy success were not giving it up because they had lost faith in it,

or because they believed there were larger opportunities for them in

some other business; they were giving it up because they were compelled

to, and probably men never went out of business in this country with a

deeper feeling of injustice than that of the officials of the Empire

Transportation Company on October 17, 1877, when they sent out the

telegrams which put their great creation into liquidation.

The pipe-lines thus acquired were at once consolidated with the other

Standard lines. Only a few independent lines, and only one of these of

importance—the Columbia Conduit—now remained in the Oil Regions. This

company had been doing business, since 1875, under the difficulties

already described. Dr. Hostetter, the chief stockholder, had become

heartily sick of the oil business and wanted to sell. He had approached

the Empire Line, and there had been some negotiations. Then came the

fall of the Empire and Dr. Hostetter sought the United Pipe Line. Intent

on stopping every outlet of oil not under their control the Standard

people bought the Columbia Conduit. By the end of the year the entire

pipe-line system of the Oil Regions was in Mr. Rockefeller’s hands. He

was the only oil gatherer. Practically not a barrel of oil could get to

a railroad without his consent. He had set out to be simply the only oil

refiner in the country, but to achieve that purpose he had been obliged

to make himself an oil transporter. In such unforeseen paths do great

ambitions lead men!

The first effect of the downfall of the Empire was a new railroad pool.

Indeed when it became evident that the Pennsylvania would yield, the

Erie, Central and the Standard had begun preparing a new adjustment, and

the papers for this were ready to be signed on October 17, with those

transferring the pipe-line property. Never had there been an arrangement

which gathered up so completely the oil outlets, for now the Baltimore

and Ohio road came into a pool for the first time. Mr. Garrett had

always refused the advances of the other roads, but when he saw that the

Columbia Conduit Line, his chief feeder, was sure to fall into Standard

hands; when he began to suspect the Baltimore refiners were going into

the combination, he realised that if he expected to keep an oil traffic

he must join the other roads. The new pool, therefore, was between four

roads. Sixty-three per cent. of the oil traffic was conceded to New

York, and of the sixty-three per cent. going there the Pennsylvania road

was to have twenty-one per cent. Thirty-seven per cent. of the traffic

was to go to Philadelphia and Baltimore, and of this thirty-seven per

cent. the Pennsylvania had twenty-six per cent. The Standard guaranteed

the road not less than 2,000,000 barrels a year, and if it failed to

send that much over the road it was to pay it a sum equal to the profits

it would have realised upon the quantity in deficit. In return for this

guarantee of quantity the Standard was to pay such rates as might be

fixed from time to time by the four trunk lines (which rates it was

understood should be so fixed by the trunk lines as to place them on a

parity as to cost of transportation by competing lines), and it was to

receive weekly a commission of ten per cent. on its shipments it

controlled.[56] No commission was to be allowed any other shipper unless

he should guarantee and furnish such a quantity of oil that after

deducting any commission allowed, the road realised from it the same

amount of profits as it did from the Standard trade. The points in the

agreement were embodied in a letter from William Rockefeller to Mr.

Scott. This letter and the answer declaring the arrangement to be

satisfactory to the company are both dated October 17.[57]

Four months later Mr. Rockefeller was able to take another step of great

advantage. He was able to put into operation the system of drawbacks on

other people’s shipments which the South Improvement Company contracts

had provided for, and which up to this point he seems not to have been

securely enough placed to demand. There were no bones about the request

now. Mr. O’Day, the general manager of the American Transfer Company, a

pipe-line principally in Clarion County, Pennsylvania, which, including

its branches, was from eighty to 100 miles in length, a company now one

of the constituents of the United Pipe Line, wrote to Mr. Cassatt:

“I here repeat what I once stated to you, and which I wish you to

receive and treat as strictly confidential, that we have been for

many months receiving from the New York Central and Erie Railroads

certain sums of money, in no instance less than twenty cents per

barrel on \_every barrel of crude oil carried by each of these

roads\_.” Continuing, Mr. O’Day says: “Co-operating as we are doing

with the Standard Oil Company and the trunk lines in every effort to

secure for the railroads paying rates of freight on the oil they

carry, I am constrained to say to you that in justice to the

interests I represent we should receive from your company at least

twenty cents on each barrel of crude oil you transport.... In

submitting this proposition I find that I should ask you to let this

date from November 1, 1877, but I am willing to accept as a

compromise (which is to be regarded as strictly a private one

between your company and ours) the payment by you of twenty cents

per barrel on all crude oil shipments commencing with February 1,

1878.”[58]

Mr. Cassatt complied with Mr. O’Day’s request. In a letter to the

comptroller of the road he said that he had agreed to allow this

commission after having seen the receipted bills, showing that the New

York Central allowed them a commission of thirty-five cents a barrel,

and the Erie Railroad a commission of twenty cents a barrel on Bradford

oil and thirty cents on all other oils. Thus the Standard Oil Company,

through the American Transfer Company, received, in addition to rebates

on its own shipments, from twenty to thirty-five cents drawback a barrel

on all crude oil which was sent over the trunk lines by other people as

well as by itself.[59]

The effect of this new concentration of power was immediate in all the

refining centres of the country. Most of the Baltimore refiners, some

eight in number, which up to this time had remained independent, seeing

themselves in danger of losing their oil supply, were united at the end

of 1877 into the Baltimore United Oil Company, with J. N. Camden at

their head. Mr. Camden was president of the Camden Consolidated Company

of Parkersburg, West Virginia, a concern already in the Standard

alliance, and he and his partners held the majority stock in the

Baltimore concern. The method of reaching the Baltimore independents who

looked with dislike or fear on the Standard was a familiar one: An

officer of one of the concerns owned by the Standard Oil Company would

approach the outsider who was feeling the pressure and propose a sale or

a lease to himself personally. It was an escape, and it usually ended in

the complete absorption of the plant by the Standard. A few of the

Baltimore interests refused to go into the Baltimore United Oil Company.

Among them was a woman, a widow, Mrs. Sylvia C. Hunt, who had conducted

a successful refinery there for several years, and whose business

ability and energy had been the admiration of all those with whom she

had come in contact. Her interests had been particularly cherished by

the Empire Line, “Mrs. Hunt’s cars” being given precedence many a time

by agents at Titusville or other shipping points who knew her story. In

the summer of 1877 her works burned out. With a courage which was

generally commented on at the time Mrs. Hunt at once rebuilt and in less

than six months had her plant in running order. Then came the fall of

the Empire Transportation Company, the sale of the Columbia Conduit

Company, and the entrance of the Baltimore and Ohio into the Oil Pool.

Every refiner in Baltimore knew what that meant, and the wise sold when

Mr. Camden proposed it. Mrs. Hunt, however, did not want to sell. She

distrusted the new company. Finally with many misgivings she leased for

five years at $5,000 a year. It was less than half she had been making,

so she claimed, and among her old friends there was much indignation.

Colonel Potts, indeed, in telling her story in his “Brief History of the

Standard Oil Company,” said: “It could fairly have been expected that

something of chivalrous feeling would be inspired by the sight of this

indomitable spirit who had wrought so noble a work against such great

odds. But though fine sentiments and generous words find frequent exodus

from the lips of the Standard managers, they are never seconded by

generous deeds. They crushed her business and her spirit as

remorselessly as they would have killed a dog.” These are bitter words

written when Colonel Potts was still smarting from his defeat. They were

written, too, without reflection that Mrs. Hunt, if allowed to have all

the oil she wanted, allowed equal rates, allowed to use her ability and

experience, allowed freedom to sell in the markets she had built up,

would undoubtedly have increased her business. She would have profited

by the high prices of refined oil which Mr. Rockefeller was taking all

this trouble to secure. She might have grown a formidable competitor

even, and disturbed the steadiness of the working of the great machine.

Colonel Potts forgot that if the Great Purpose was realised nobody must

do business except under Mr. Rockefeller’s control.

In New York City the new tariff and pooling arrangements caused the

greatest uneasiness, for here was the largest group of prosperous

independent refiners. They had all allied themselves with the Empire

Transportation Company in the spring of 1877 when its fight with the

Standard had begun, but they had been dropped immediately when peace

negotiations were begun, and a letter of remonstrance they sent Mr.

Scott at the time was never answered.[60] The experiences of several of

these independents have been recorded in court testimony. One or two

will suffice here. For instance, among the Eastern refiners was the firm

of Denslow and Bush; their works were located in South Brooklyn. They

had begun in a very small way in 1870, and by 1879 were doing a business

of nearly 1,000 barrels of crude a day. They had transported nearly all

their oil by the Empire Line. After that line went out of business in

October, 1877, the contract with Denslow and Bush was transferred to the

Pennsylvania Railroad Company. This contract terminated on the first day

of May, 1878. Some time in March they received formal notice of its

expiration, and solicited an interview with the officers of the

Pennsylvania Railroad in order to make some arrangements for the further

transportation of their oil. Mr. Cassatt named New York. The meeting was

held at Mr. Denslow’s office, 123 Pearl Street. Besides Mr. Bush, there

were present to meet Mr. Cassatt, Messrs. Lombard, Gregory, King, H. C.

Ohlen, and C. C. Burke, all independents. When Mr. Bush was under

examination in the suit against the Pennsylvania Railroad in 1879 he

gave an account of what happened at this interview:

“We asked Mr. Cassatt what rate of freight we should have after the

expiration of these contracts, whether we should have as low a rate

of freight as the Standard Oil Company or any other shipper? He

said, ‘No,’ We asked why. ‘Well, in the first place, you can’t ship

as much oil as the Standard Oil Company,’ ‘Well, if we could ship as

much oil’—I think Mr. Lombard put this question—‘would we then have

the same rate?’ He said, ‘No,’ ‘Why?’ ‘Why, you could not keep the

road satisfied; it would make trouble.’ And he remarked in

connection with that, that the Standard Oil Company was the only

party that could keep the roads harmonised or satisfied. He

intimated, I believe, that each road had a certain percentage of the

oil business, and they could divide that up and give each road its

proportion, and in that way keep harmony, which we could not do.

Right after that he made the remark that he thought that we ought to

fix it up with the Standard; we ought to do something so as to all

go on and make some money, and I think we gave him very distinctly

to understand that we didn’t propose to enter into any ‘fix up’

where we would lose our identity, or sell out, or be under anybody

else’s thumb. I believe that he went so far as to say that he would

see the Standard, and do everything he could to bring that thing

about. We told him very clearly that we didn’t want any interference

in that direction, and if there was anything to be done, we thought

we were quite capable of doing it. The interview perhaps lasted an

hour. There was a great deal of talk of one kind and another, but

this is, I think, the substance. This interview was in March, 1878,

I think.

“Another interview at which I was present was either in June or

July. Mr. Scott was present. This interview was brought about

because we had been deprived, as we believed, of getting a

sufficient number of cars we were entitled to. We had telegraphed or

written to Mr. Cassatt—at least, Mr. Ohlen, our agent, had, on

several occasions, and tried to get an interview, and finally this

one was appointed, at which Mr. Scott would be present. When we

arrived there we found Mr. Brundred, from Oil City; and Mr. Scott

went on to state that he thought that we were receiving our fair

proportion of cars. They tried to make us believe and feel, I

suppose, that we were getting our due proportion, when for some

considerable time previous to this we had not been able to do any

business in advance; we could only do business from hand to mouth.

We could not sell any refined oil unless we absolutely had the crude

oil in our possession in New York, and Mr. Lombard, one of our

number, had sold a cargo of crude oil, I think, of 9,000 barrels,

and Denslow and Bush absolutely stopped their refinery for three

weeks consequently, in order to let their oil go to Ayres and

Lombard to finish their vessel, because they would only get three or

four cars a day; and we stopped our place for three weeks to give

them our crude oil, all we could give—our proportion—in order to

lift them out and get their vessel cleared. After trying to impress

upon us that we were getting our proportion of cars, we asked Mr.

Scott substantially the same question we asked Mr. Cassatt in New

York, whether we could have, if there was any means by which we

could have, the same rate of freight as other shippers got, and he

said flatly, ‘No’; and we asked him then if we shipped the same

amount of oil as the Standard, and he said, ‘No,’ and gave the same

reasons Mr. Cassatt had in New York, that the Standard Oil Company

were the only parties that could keep peace among the roads. We

stated to Mr. Scott that we would like to know to what extent we

would be discriminated against, because we wanted to know what

disadvantage we would have to work under. And we went away very much

dissatisfied. All the information we got on that point was from Mr.

Cassatt in New York, when he stated that the discrimination would be

larger on a high rate of freight than on a low rate of freight,

which led us to infer that it was a percentage discrimination. That

is all the point that I recollect we ever got as to the amount of

the commission. We told Mr. Scott that if they hadn’t sufficient

cars on their road we would like to put some on, and he told us

flatly that they had just bought out one line and they would not

allow another one to be put on; that if they hadn’t cars enough they

would build them. He seemed to show considerable feeling that

afternoon, and he said: ‘Well, you have cost us in fighting for you

now a million dollars’ (or a million and a half, something like

that—a very large sum), ‘and we don’t propose to go into another

fight.’”[61]

Strange as it may seem there were not only men in the refining business

who were willing to fight under these conditions, there were men among

the very ones who had succumbed at the opening of the Standard’s

onslaught who were ready to try the business again. Among these was

William Harkness, whose experience up to 1876 was related in the

preceding chapter. Mr. Harkness’s next experience in the oil business

was related to the same committee as that already mentioned:

“When I was compelled to succumb,” he said, “I thought it was only

temporarily; that the time would come when I could go into the

business I was devoted to. We systematised all our accounts and knew

where the weak points were. I was in love with the business. I

selected a site near three railroads and the river. I took a run

across the water—I was tired and discouraged and used up in 1876,

and was gone three or four months. I came back refreshed and ready

for work, and had the plans and specifications and estimates made

for a refinery that would handle 10,000 barrels of oil a day, right

on this hundred acres of land. I believed the time had arrived when

the Pennsylvania Railroad would see their true interest as common

carriers, and the interest of their stockholders and the business

interest of the city of Philadelphia, and I took those plans,

specifications, and estimates, and I called on Mr. Roberts,

president of the Pennsylvania Railroad Company. I had consulted one

or two other gentlemen, whose advice was worth having, whether it

would be worth my while to go to see President Roberts. I went there

and laid the plans before him, and told him I wanted to build a

refinery of 10,000 barrels capacity a day. I was almost on my knees

begging him to allow me to do that. He said; ‘What is it you want?’

I said; ‘I simply ask to be put upon an equality with everybody

else, and especially the Standard Oil Company.’ I said; ‘I want you

to agree with me that you will give me transportation of crude oil

as low as you give it to the Standard Oil Company or anybody else

for ten years, and then I will give you a written assurance that I

will do this refining of 10,000 barrels of oil a day for ten years.’

I asked him if that was not an honest position for us to be in; I,

as a manufacturer, and he, the president of a railroad. Mr. Roberts

said there was a great deal of force in what I said, but he could

not go into any written assurance. He said he would not go into any

such agreement, and I saw Mr. Cassatt. He said in his frank way;

‘That is not practicable, and you know the reason why.’”

As this work of absorption went on steadily, persistently, the

superstitious fear of resistance to proposals to lease or sell which

came from parties known or suspected to be working in harmony with the

Standard Oil Company, which had been strong in 1875, grew almost

insuperable. In Cleveland this was particularly true. A proposal from

Mr. Rockefeller was certainly regarded popularly as little better than a

command to “stand and deliver.” “The coal-oil business belongs to us,”

Mr. Rockefeller had told Mr. Morehouse. “We have facilities; we must

have it. Any concern that starts in business we have sufficient money

laid aside to wipe out”[62]—and people believed him! The feeling is

admirably shown in a remarkable case still quoted in Cleveland—and which

belongs to the same period as the foregoing cases, 1878—a case which

took the deeper hold on the public sympathy because the contestant was a

woman, the widow of one of the first refiners of the town, a Mr. B——,

who had begun refining in Cleveland in 1860. Mr. B——’s principal

business was the manufacture of lubricating oil. Now at the start the

Standard Oil Company handled only illuminating oil, and accordingly a

contract was made between the two parties that Mr. B—— should sell to

Mr. Rockefeller his refined oil, and that the Standard Oil Company

should let the lubricating business in Cleveland alone. This was the

status when in 1874 Mr. B—— died. What happened afterwards has been told

in full in affidavits made in 1880,[63] and they shall tell the story;

the only change made in the documents being to transfer them for the

sake of clarity from the legal third person to the first, and to

condense them on account of space.

Mrs. B——’s story as told in her affidavit is as follows:

“My husband having contracted a debt not long prior to his death for

the first time in his life, I, for the interest of my fatherless

children, as well as myself, thought it my duty to endeavour to

continue the business, and accordingly took $92,000 of the stock of

the B—— Oil Company and afterwards reduced it to $72,000 or $75,000,

the whole stock of the company being $100,000, and continued

business from that time until November, 1878, making handsome

profits out of the business during perhaps the hardest years of the

time since Mr. B—— had commenced. Some time in November, 1878, the

Standard Oil Company sent a man to me by the name of Peter S.

Jennings, who had been engaged in the refining business and had sold

out to the Standard Oil Company. I told Mr. Jennings that I would

carry on no negotiations with him whatever, but that if the Standard

Oil Company desired to buy my stock I must transact the business

with its principal officer, Mr. Rockefeller. Mr. Jennings, as

representing the Standard Oil Company, told me that the president of

the company, Mr. Rockefeller, said that said company would control

the refining business, and that he hoped it could be done in one or

two years; but if not, it would be done, anyway, if it took ten

years to do it.

“After two or three days’ delay Mr. Rockefeller called upon me at my

residence to talk over the negotiation with regard to the purchase

of my stock. I told Mr. Rockefeller that I realised the fact that

the B—— Oil Company was entirely in the power of the Standard Oil

Company, and that all I could do would be to appeal to his honour as

a gentleman and to his sympathy to do with me the best that he

could; and I begged of him to consider his wife in my position—that

I had been left with this business and with my fatherless children,

and with a large indebtedness that Mr. B—— had just contracted for

the first time in his life; that I felt that I could not do without

the income arising from this business, and that I had taken it up

and gone on and been successful, and I was left with it in the

hardest years since my husband commenced the business. He said he

was aware of what I had done, and that his wife could never have

accomplished so much. I called his attention to the contract that my

husband had made with him in relation to carbon oil, whereby the

Standard Oil Company agreed not to touch the lubricating branch of

the trade carried on by my husband, and reminded him that I had held

to that contract rigidly, at a great loss to the B—— Oil Company,

but did so because I regarded it a matter of honour to live up to

it. I told him that I had become alarmed because the Standard Oil

Company was getting control of all the refineries in the country,

and that I feared that the said Standard Oil Company would go into

the lubricating trade, and reminded him that he had sent me word

that the Standard Oil Company would not interfere with that branch

of the trade. He promised, with tears in his eyes, that he would

stand by me in this transaction, and that I should not be wronged;

and he told me that, in case the sale was made, I might retain

whatever amount of the stock of the B—— Oil Company I desired, his

object appearing to be only to get the controlling stock of the

company. He said that while the negotiations were pending he would

come and see me, and I thought that his feelings were such on the

subject that I could trust him and that he would deal honourably by

me.

“Seeing that I was compelled to sell out, I wanted the Standard Oil

Company to make me a proposition, and endeavoured to get them to do

so, but they would not make a proposition. I then made a proposition

that the whole stock of the B—— Oil Company with accrued dividends

should be sold to said Standard Oil Company for $200,000, which was,

in fact, much below what the stock ought to have been sold for; but

they ridiculed the amount, and at last offered me only $79,000, not

including accounts, and required that each stockholder in the B——

Oil Company should enter into a bond that within the period of ten

years he or she would not directly or indirectly engage in or in any

way be concerned in the refining, manufacturing, producing, piping,

or dealing in petroleum or in any of its products within the county

of Cuyahoga and state of Ohio, nor at any other place whatever.

“Seeing that the property had to go, I asked that I might, according

to the understanding with the president of the company, retain

$15,000 of my stock, but the reply to this request was; ‘No

outsiders can have any interest in this concern; the Standard Oil

Company has “dallied” as long as it will over this matter; it must

be settled up to-day or go,’ and they insisted upon my signing the

bond above referred to.

“The promises made by Mr. Rockefeller, president of the Standard Oil

Company, were none of them fulfilled; he neither allowed me to

retain any portion of my stock, nor did he in any way assist me in

my negotiations for the sale of my stock; but, on the contrary, was

largely instrumental in my being obliged to sell the property much

below its true value, and requiring me to enter into the oppressive

bond above referred to.

“After the arrangements for the sale of the refinery and of my stock

were fully completed and the property had been sold by myself and

the other stockholders, and after I had made arrangements for the

disposition of my money, I received a note from Mr. Rockefeller, in

reply to one that I had written to him threatening to make the

transaction public, saying that he would give me back the business

as it stood, or that I might retain stock if I wished to, but this

was after the entire transaction was closed, and such arrangements

had been made for my money that I could not then conveniently enter

into it; and I was so indignant over the offer being made at that

late day, after my request for the stock having been made at the

proper time, that I threw the letter into the fire and paid no

further attention to it.”[64]

The letter which Mrs. B—— destroyed was included in the affidavit in

which Mr. Rockefeller answered Mrs. B——’s statement. It reads:

“November 13, 1878. DEAR MADAM: I have held your note of 11th inst.,

received yesterday, until to-day, as I wished to thoroughly review

every point connected with the negotiations for the purchase of the

stock of the B—— Oil Company, to satisfy myself as to whether I had

unwittingly done anything whereby you could have any right to feel

injured. It is true that in the interview I had with you I suggested

that if you desired to do so, you could retain an interest in the

business of the B—— Oil Company, by keeping some number of its

shares, and then I understood you to say that if you sold out you

wished to go entirely out of the business. That being my

understanding, our arrangements were made in case you concluded to

make the sale that precluded any other interests being represented,

and therefore, when you did make the inquiry as to your taking some

of the stock, our answer was given in accordance with the facts

noted above, but not at all in the spirit in which you refer to the

refusal in your note. In regard to the reference that you make as to

my permitting the business of the B—— Oil Company to \_be taken\_ from

you, I say that in this, as all else that you have written in your

letter of 11th inst., you do me most grievous wrong. It was of but

little moment to the interests represented by me whether the

business of the B—— Oil Company was purchased or not. I believe that

it was for your interest to make the sale, and am entirely candid in

this statement, and beg to call your attention to the time, some two

years ago, when you consulted Mr. Flagler and myself as to selling

out your interests to Mr. Rose, at which time you were desirous of

selling at \_considerably less price\_, and upon time, than you have

now received in cash, and which sale you would have been glad to

have closed if you could have obtained satisfactory security for the

deferred payments. As to the price paid for the property, it is

certainly three times greater than the cost at which we could

construct equal or better facilities; but wishing to take a liberal

view of it, I urged the proposal of paying the $60,000, which was

thought much too high by some of our parties. I believe that if you

would reconsider what you have written in your letter, to which this

is a reply, you must admit having done me great injustice, and I am

satisfied to await upon innate sense of right for such admission.

However, in view of what seems your present feelings, I now offer to

restore to you the purchase made by us, you simply returning the

amount of money which we have invested and leaving us as though no

purchase had been made. Should you not desire to accept this

proposal, I offer to you one hundred, two hundred, or three hundred

shares of the stock at the same price that we paid for the same,

with this addition, that we keep the property we are under

engagement to pay into the treasury of the B—— Oil Company, an

amount which, added to the amount already paid, would make a total

of $100,000, and thereby make the shares $100 each.

“That you may not be compelled to hastily come to conclusion, I will

leave open for three days these propositions for your acceptance or

declination, and in the meantime believe me,

Yours very truly,

“JOHN D. ROCKEFELLER.”

Mr. Rockefeller says further in the affidavit from which this letter is

drawn: “It is not true that I made any promises that I did not keep in

the letter and spirit, and it is not true that I was instrumental to any

degree in her being obliged to sell the property much below its true

value, and I aver that she was not obliged to sell out, and that such

was a voluntary one upon her part and for a sum far in excess of its

value; and that the construction which was purchased of her could be

replaced for a sum not exceeding $20,000.”[65]

It is probably true, as Mr. Rockefeller states, that he could have

reproduced Mrs. B——’s plant for $20,000; but the plant was but a small

part of her assets. She owned one of the oldest lubricating oil

refineries in the country, one with an enviable reputation for good work

and fair dealing, and with a trade that had been paying an annual net

income of from $30,000 to $40,000. It was this income for which Mr.

Rockefeller paid $79,000; this income with the old and honourable name

of the B—— Oil Company, with not a few stills and tanks and agitators.

It is undoubtedly true, as Mr. Rockefeller avers, that Mrs. B—— was not

obliged to sell out, but the fate of those who in this period of

absorption refused to sell was before her eyes. She had seen the twenty

Cleveland refineries fall into Mr. Rockefeller’s hands in 1872. She had

watched the steady collapse of the independents in all the refining

centres. She had seen every effort to preserve an individual business

thwarted. Rightly or wrongly she had come to believe that a refusal to

sell meant a fight with Mr. Rockefeller, that a fight meant ultimately

defeat, and she gave up her business to avoid ruin.

CHAPTER SEVEN

THE CRISIS OF 1878

A RISE IN OIL—A BLOCKADE IN EXPORTS—PRODUCERS DO NOT GET THEIR SHARE

OF THE PROFITS—THEY SECRETLY ORGANISE THE PETROLEUM PRODUCERS’ UNION

AND PROMISE TO SUPPORT PROPOSED INDEPENDENT PIPE-LINES—ANOTHER

INTERSTATE COMMERCE BILL DEFEATED AT WASHINGTON—“IMMEDIATE

SHIPMENT”—INDEPENDENTS HAVE TROUBLE GETTING CARS—RIOTS

THREATENED—APPEAL TO GOVERNOR HARTRANFT—SUITS BROUGHT AGAINST UNITED

PIPE-LINES, PENNSYLVANIA RAILROAD AND OTHERS—INVESTIGATIONS

PRECIPITATED IN OTHER STATES—THE HEPBURN COMMISSION AND THE OHIO

INVESTIGATION—EVIDENCE THAT THE STANDARD IS A CONTINUATION OF THE

SOUTH IMPROVEMENT COMPANY—PRODUCERS FINALLY DECIDE TO PROCEED

AGAINST STANDARD OFFICIALS—ROCKEFELLER AND EIGHT OF HIS ASSOCIATES

INDICTED FOR CONSPIRACY.

It was clear enough by the opening of 1878 that Mr. Rockefeller need no

longer fear any serious trouble from the refining element. To be sure

there were scattered concerns still holding out and some of them doing

very well; but his latest move had put him in a position to cut off or

at least seriously to interfere with the very raw material in which they

worked. It was hardly to be expected after the defeat of the

Pennsylvania that any railroad would be rash enough to combine with even

a strong group of refiners. As for independent pipe-lines, there were so

many ways of “discouraging” their building that it did not seem probable

that any one would ever go far. It was only a matter of time, then, when

all remaining outside refiners must come into his fold or die. Mr.

Rockefeller’s path would now have been smooth had it not been for the

oil producers. But the oil producers, naturally his enemy, he being the

buyer and they the seller, had become in the six years before Mr.

Rockefeller had made himself the only gatherer of their oil,

irreconcilable opponents of whatever he might do. The South Improvement

Company they regarded rightly enough as devised to control the price of

their product, and that scheme they wrongfully laid entirely at Mr.

Rockefeller’s door. Mr. Rockefeller had been only one of the originators

of the South Improvement Company, but the fact that he had become later

practically its only supporter, that he was the only one who had

profited by it, and that he had turned his Cleveland plant into a

machine for carrying out its provisions, had caused the oil country to

fix on him the entire responsibility. Then the oil men’s experience with

Mr. Rockefeller in 1873 had been unfortunate. They charged the failure

of their alliance to his duplicity. There is no doubt that Mr.

Rockefeller played a shrewd and false game with the oil men in 1873, but

the failure of their alliance was their own fault. They did not hold

together—they failed to limit their production as they agreed, they

suspected one another, and at a moment, when, if they had been as

patient and wise as their great opponent they would have had the game in

their own hands, and him at their feet, as he had been in 1872, for the

sake of immediate returns, they abandoned some of the best features of

their organisation, and allied themselves with a man they distrusted.

When that alliance failed they threw on Mr. Rockefeller’s shoulders a

blame which they should have taken on their own.

Another very real cause for their anxiety and dislike was that as the

refiners’ alliance progressed the refiners made a much larger share of

the profits than the producers thought fair. The abandoning of their

alliance in 1873 had of course put an end to their measures for limiting

production and for holding over-production until it could be sold at the

prices they thought profitable. The drill had gone on merrily through

1873, 1874, and 1875, regardless of consumption or prices. By the end of

1874 there were over three and a half million barrels of oil in stock,

more than twice what there had ever been before. Production was well to

a million barrels a month and prices that year averaged but $1.15 a

barrel. For men who considered three dollars a starvation price this was

indeed hard luck. Things looked better by the end of 1875, for

production was falling off. By March, 1876, stocks had been so reduced

that there was strong confidence that the price of crude oil must

advance. By June the Oil City Derrick began to prophesy “three-dollar

oil” and to advise oil men to hold crude for that price. In August three

dollars was reached in the Oil City exchange. It had been nearly four

years since that price had been paid for oil, and the day the point was

reached (August 25) the brokers fairly went mad. They jumped on their

chairs, threw up their hats, beat one another on the back, while the

spectators in the crowded galleries, most of them speculators, yelled in

sympathy. Before six o’clock that day oil reached $3.11¼. Nobody thought

of stopping because it was supper time. The exchange was open until

nearly midnight, prices booming on to $3.17½. It seemed like old times

in the Oil Region—the good old flush times when people made a fortune

one day and threw it away the next!

Of course refined oil went up steadily with crude. Refined reached 21⅜

cents in New York the day of this boom at Oil City. The day following

the rise was one of the most exciting the oil exchange had ever seen.

“Never before,” declared the Derrick in its report, “was so much

business done.” From early in the morning until ten o’clock at night the

exchange was crowded by frantic speculators. Their awful excitement was

clear from their blanched faces and wild voices. Fully 800,000 barrels

of oil exchanged hands that day, the advance between the time the

exchange opened and its close was over fifty-five cents. Refined in New

York advanced in accordance with the market on the creek, closing at

twenty-four cents. This went on for several days, when a new element in

the situation began to force itself on the oil men’s attention. One of

the chief reasons on which they based their confidence in high prices

for crude oil was the fact that the foreigners were short of refined

oil. It was the custom then, as now, for exporters to buy their oil for

the winter European trade in the late summer and early fall. When the

boom began the harbour at New York was beginning to fill up with ships

for cargoes. But to the consternation of the oil men intent on keeping

up the boom, the exporters were refusing to buy. They were declaring the

price to which refined had risen to be out of proportion to the price of

crude. More, they declared the latter a speculative price—only once,

they argued, had it touched four dollars, and the refiners were not

buying at that price for manufacture. They were holding refined too

high. It was early in September when the realisation came upon the Oil

Regions that a new element was in the problem—a veritable blockade in

exports. As the days went on they saw that this was no temporary affair.

They saw that Mr. Rockefeller’s combination was at last carrying out

just what it had been organised to do—forcing the price it wanted for

refined. Day after day refined was held at twenty-six cents. Day after

day the exporters refused to buy. It was not until the end of September,

in fact, that they began to yield—as it was inevitable they should do,

for the game was certainly in the hands of the refiners, and Europe had

to have its light. The exporters began to see too that if they held off

longer they might have to pay higher prices, for it was rumoured that

the Standard Combination was shutting down its factories, literally

making refined scarce, while crude oil was piling up in Pennsylvania!

With the yielding of the exporter exactly what they feared occurred, the

price was raised! The exporters balked again. The matter began to

attract public attention. The New York Herald was particularly active in

airing the situation and did not hesitate to denounce it as a “Petroleum

Plot.” The leaders were interviewed, among them Mr. Rockefeller. Mr.

Rockefeller still held to his theory that to make oil dear was worthy of

public approval. They had aimed to control the price of oil in a

perfectly legitimate way, he told the Herald reporter, and the exporters

would have to yield to their prices. By the end of October New York

harbour was full of vessels—a mute protest against the corner—and it was

not until November that the exporters fully gave in and began to take

all the oil they could get at prices asked, which ranged from twenty-six

to thirty-five cents. And these prices were held all through the winter

of 1876–77, up to February 22. They were held regardless of the price of

crude, for, do their utmost, the producers could not keep their oil up

to the corresponding price of refined. According to the scale of

relative prices then accepted, twenty-six cents a gallon for refined

meant five dollars a barrel for crude, yet there was not a month in the

entire period of this hold-up that crude averaged that price. In

December, when the average price of refined was 29⅜ cents, crude was but

$3.78⅛ a barrel. The producers held meetings and passed resolutions,

cursed the refiners and talked of building independent refineries,

filled the columns of the Derrick with open letters advocating a

shut-down, an alliance of their own, restrictive legislation, an oil

men’s railway, and what was more to the point some of them supported,

with more or less fidelity, the efforts to build up counter movements

noted in the last chapter: the Columbia Conduit Line, the seaboard

pipe-line, and especially the alliance with the Empire Transportation

Company, attempted in the spring of 1877. There seemed more hope in this

last combination than in any other movement, for they had faith in

Colonel Potts, and besides they were accustomed to seeing the

Pennsylvania Railroad get what it wanted. The defeat of the Pennsylvania

was therefore the heavier blow. Indeed, the news of the sale of the

Empire pipe-lines to the Standard was like the sounding of the tocsin in

the angry and baffled Oil Regions. It revived the spirit of 1872. But it

was the spirit of 1872 with new dignity and a discretion such as had

never been before seen in the blatant region. In every town from McKean

County southwest to Butler the oil towns hastened to organise themselves

into a secret society. Little by little it came out that a Producers’

Union had been organised. From all that could be learned it looked very

much as if the Petroleum Producers’ Union had come into existence to do

business. On November 21, 1877, the first meeting of the new

organisation was held, “the Petroleum Parliament” or “Congress” it was

called. This Congress, which met in Titusville, was composed of 172

delegates. It was claimed that it represented at least 2,000 oil

producers, and not less than seventy-five millions in money. It is

certain it included the representative men of the Oil Regions, those to

whose daring, hard work, and energy the discovery and development of the

oil fields, as they were known at that time, were entirely due.

[Illustration:

WOODEN CAR TANKS

]

[Illustration:

BOILER TANK CARS

]

[Illustration:

WOODEN TANKS FOR STORING OIL

]

[Illustration:

RAILROAD TERMINAL OF AN EARLY PIPE LINE

]

For four days the Congress was in session, and it is a remarkable

comment on the seriousness with which it had undertaken its work that,

although reporters from all parts of the country interested in oil were

present, nothing leaked out. In December a second session of four days

was held in Titusville, but no announcement of what was doing was made

to the press. Indeed, it was only as lines of action developed that the

public became familiar with what the producers had resolved on in the

days of secret session which they had held.

Their resolutions had been eminently wise and they undertook their

support vigorously and intelligently. First and foremost they resolved

to stand by all efforts to secure an outlet to the seaboard independent

of the Standard and the allied railroads. Two enterprises were put

before them at once. The first was what was known as the Equitable

Petroleum Company, an organisation started by one of the most

resourceful and active independent men in the oil country, one of whom

we are to hear more, Lewis Emery, Jr. This company, in which some 200

oil producers in the Bradford field had taken stock, proposed to lay a

pipe-line to Buffalo and to ship their oil thence by the Erie Canal.

They had acquired a right of way to Buffalo and had capital pledged to

carry out the project. The second enterprise to come before the newly

formed union was much more ambitious. It was nothing less than a revival

of Mr. Harley’s enterprise which had attracted so much attention in

1876. It was revived now by the three men who had been operating the

Columbia Conduit Line under a lease—Messrs. Benson, McKelvy and Hopkins,

who had been set free by the sale of that property to the Standard.

Their experience with the pipe-line business had convinced them it was

one of the most lucrative departments of the oil industry. They believed

too that oil could be pumped over the mountains, and no sooner were they

free than they took up Mr. Harley’s old idea and engaged the same

engineer he had brought into the enterprise, General Herman Haupt, to

survey a route from Brady’s Bend on the Allegheny River to Baltimore,

Maryland—a distance of 235 miles. To both of these projects the General

Council of the Union gave promise of support.

The demand for interstate commerce legislation was renewed at once by

the Union, and in December E. G. Patterson, the head of the committee

having the matter in hand, prepared the first draft of an act which was

put in formal shape by George B. Hibbard, of Buffalo, counsel employed

by the Union for this purpose. Mr. Hibbard also prepared a memorandum of

the law on the subject. The bill prepared by Mr. Patterson and Mr.

Hibbard was introduced into the House of Representatives in May, 1878,

by Lewis F. Watson, whose home was in Warren County, Pennsylvania. It

was called into committee and came out as the Regan bill and as such was

passed at the end of the year by the House, but only to be smothered

later in the Senate. At the same time that the effort was going in

Washington for relief the Legislature of Pennsylvania was being besieged

again for a free pipe-line bill and an anti-discrimination bill. Both of

these projects failed, and the committee having them in charge said

bitterly in its report to the Union: “How well we have succeeded at

Harrisburg you all know. It would be in vain for your committee to

describe the efforts of the Council in this direction. It has been

simply a history of failure and disgrace. If it has taught us anything,

it is that our present law-makers, as a body, are ignorant, corrupt and

unprincipled; that the majority of them are, directly or indirectly,

under the control of the very monopolies against whose acts we have been

seeking relief.... There has been invented by the Standard Oil Company

no argument or assertion, however false or ridiculous, which has not

found a man in the Pennsylvania Legislature mean enough to become its

champion.”

On every side indeed the producers hastened to protect themselves

against the Lord of the Oil Regions, as Mr. Rockefeller, not inaptly,

was called, on the completion of his pipe-line monopoly. That they were

not merely alarmists in thinking that they must do something to protect

their interests was demonstrated sooner than was anticipated. The

demonstration was hurried by an unforeseen and difficult situation—a

great outpouring of oil in a new field—the Bradford or Northern Field in

McKean County, Pennsylvania. About the time that Mr. Rockefeller’s

lordship was realised it became certain that a deposit of oil had been

discovered which was going to lead soon to a production vastly in excess

of the consumption, as well as in excess of the then existing facilities

for gathering and storing oil. If Mr. Rockefeller wished to keep his

monopoly he must, it was evident, enter upon a campaign of expansion

calling for an immense expenditure of energy and money. He must lay

pipes in a hundred directions to get the output of new wells; he must

build tanks holding thousands of barrels to receive the oil. And all of

this must be done quickly if rivals were to be kept out of the way.

There was no hesitation on the part of the United Pipe Lines. One of the

greatest construction feats the country has ever seen was put through in

the years 1878, 1879 and 1880 in the Bradford oil field by the Standard

interests. It was a wonderful illustration of the surpassing

intelligence, energy and courage with which the Standard Oil Company

attacks its problems. But while it was putting through this feat it

instituted a policy toward the producers which was regarded by them as

tyrannical and unjustifiable. The first manœuvre in this new policy hit

the producer in a very tender spot, for it concerned the price he was to

receive for oil.

The method which prevailed at the time in handling and buying and

selling oil was this: At the request of the well owner connected with a

pipe-line his oil was run and credited to him in the pipe-line office.

Here he could hold it as long as he wished by paying a storage charge.

If he wished to sell his “credit balance,” as oil to his account was

called, he simply gave the buyer an order on the line for the oil, and

it was transferred to the account of the new buyer. The pipe-lines

frequently had hundreds of thousands of barrels of oil in hand, and they

traded with this oil as banks do with their deposits—that is, they

issued certificates for each 1,000 barrels of oil on hand, and these

certificates were negotiable like any other paper. Now the United Pipe

Lines acknowledged itself a common carrier, and so was obliged to

discharge the duty of collecting oil on demand, or at least within a

reasonable time after the demand of its patrons.

But in December, 1877, after the monopoly was completed, they refused to

discharge their obligations in the customary way. On the plea that they

had not sufficient tankage to carry oil in the Bradford field, they

issued an order that no oil would be run in that district for any one

unless it was sold for “immediate shipment”—that is, no oil would be

taken to hold for storage; it would be taken for shipping only. At the

same time the Standard buyer, J. A. Bostwick, decreed that henceforth no

Bradford oil would be bought for immediate shipment unless it was

offered at \_less\_ than the market price. No fixed discount was set. The

seller was asked what he would take; his offer was, of course, according

to his necessities. Even then an answer was not always immediately

given. The seller was told to come back in five or ten days and he would

be told if his oil would be taken. A feature of the new order,

particularly galling to the oil men, was the manner in which it was

enforced. Formerly the buyer and seller had met freely in the oil

exchanges and their business offices, and transactions had been carried

on as among equals. Now the producers were obliged to form in line

before the United Pipe Lines’ offices and to enter one at a time to

consult the buyer. A line of a hundred men or more often stood during

the hours set before the office, waiting their turn to dispose of their

oil. It should be said in justice to Mr. Bostwick that he was not the

first buyer to take oil at a discount. The producers themselves

frequently offered oil at less than the market price when in need of

money, but Mr. Bostwick was the first buyer in a situation to force them

to make the discount regularly. When these orders came, few of the

producers had sufficient private tankage to take care of any amount of

oil. Here was the situation then: to keep oil from running on the ground

the producer must sell it; but if he sold it he must take a price from

two to twenty-five cents or more below the market.

The immediate shipment order was not an invention of the United Pipe

Lines. It had been enforced more than once for brief periods by various

lines when they found their capacity overcrowded by some unexpected

situation. In 1872 epizootic among the horses so upset things in the Oil

Regions that for a short time an immediate shipment order was enforced.

In 1874, when the pipe-lines were overtaxed by a great outpouring of oil

in the Lower Field, immediate shipment had been attempted, but at that

time there were still so many independent pipes struggling for business

that the movement met no success. Now, however, the United Pipe Lines

had things its own way. That they were not ready to meet the growing

Bradford production is plain from a study of the figures. There were in

the Oil Regions at the close of 1877, according to the Oil City Derrick,

4,000,000 barrels of tankage. There was on hand at this time 3,127,837

barrels of oil, but the empty tankage was in the wrong place. In the

Bradford field, where the daily production had suddenly increased from

2,000 barrels in January to 8,451 barrels in December, there was only a

little over 200,000 barrels of tankage.[66] In order to take care of the

oil the pipe-lines began to make nearly all their shipments from that

field, and oil piled up in the Lower Region to the great dissatisfaction

of the producers there.

As soon as the situation of the Bradford field was realised both the

United Pipes and the producers began a furious campaign of tank

building. By the beginning of April, 1878, the tankage there had been

increased to 1,152,028 barrels.[67] Between April 1 and November 1

seventy tanks of from 10,000 to 25,000 barrels capacity were built in

McKean County. The greater number of these belonged to the producers.

According to the United Pipe Lines’ statement, there was under their

control in the entire Oil Regions in October 5,200,000 barrels of

tankage, two-thirds of which belonged to producers, but was held by them

under a lease.[68] But oil poured from the ground faster than tanks

could be built. In six months—that is, by July, 1878,—the daily output

of Bradford had become over 18,000 barrels, an increase of 10,000

barrels a day over that of the previous December. That it was a most

difficult situation for everybody is evident. There was but one way to

prevent loss—shut down the wells and stop the drill; but this the

producers refused to consider. Of course the price of oil went down

rapidly, so far did the production exceed consumption. But why, cried

the producer, when oil is already so low, take advantage of our

necessity and force us into competition with each other; why enforce

this immediate shipment? They answered their question themselves, and

began then to make a charge against the Standard, which they continue to

make to-day; that is, that it habitually meets the extraordinary

expenses to which it is put by depressing the price of crude oil—“taking

it out of the producer.” The Bradford region demanded great investments,

therefore immediate shipment. “The producer pays.” The writer has no

documentary proof that this is Mr. Rockefeller’s policy, but there is no

question that the Oil Region believes it is, and this belief must be

taken into account if one attempts to explain the long warfare of the

oil country on him and his company. It is a common enough thing to-day,

indeed, to hear oil producers in Northwestern Pennsylvania remark

facetiously when a new endowment to Chicago University is reported:

“Yes, I contributed so much on such a day. Don’t you remember how the

market slumped without a cause? The university needed the money, and so

Mr. Rockefeller called on us to stand and deliver.”

A few months after “immediate shipment” was begun a new cause for

dissatisfaction arose. More or less private tankage leased to the lines

had always been in existence. It enabled a producer to carry his oil

without paying storage, and, of course, it was the business of the

company to empty this storage within a reasonable time after the owner

demanded it. But in the spring the lines, under the same plea of under

capacity, refused to carry out this duty to the tank owner; that is,

they refused to give him his tankage, although he had sold his oil. Thus

A owns 5,000 barrels of tankage. It is full. He sells a portion of it to

Mr. Bostwick and asks the United Pipe Lines to run the oil accumulated

at his wells. But the United Pipe Lines refuses on the ground that the

line is full. The loss to producers incident upon these orders was

terrible. All over the Bradford field men saw their oil running on the

ground, though they offered to sell it at ruinous prices, and though

they might have thousands of barrels of tankage leased to the United

Lines. Yet they did not riot; conscious that their own reckless drilling

had brought on the trouble, they cursed the Standard, and put down more

wells!

But in the spring of 1878 Mr. Rockefeller and his colleagues instituted

a series of manœuvres which shattered the last remnant of confidence the

oil men had in the sincerity of their claim that they were doing their

utmost to relieve the distressed Oil Regions, and that their measures

were necessary to hold the producers in check. The pipe-lines began to

refuse to load cars for the shippers who supplied the few independent

refiners with oil. The experiences of many of these independent oil men

have been told before the courts. For instance, W. H. Nicholson, the

representative of Mr. Ohlen, of New York, a shipper of petroleum,

testified[69] that in May, 1878, he began to have difficulty in getting

cars. At Olean, one day, Mr. Ohlen telegraphed to the officials of the

Erie road to know if he could get 100 cars to run East. The reply came

back, Yes. About noon, Mr. Nicholson says, he saw Mr. O’Day, the manager

of the United Pipe Lines, in which his oil was stored, and told him that

he was waiting to have his cars loaded. Mr. O’Day at once said he could

not load the cars. “But I have an order from the Erie officials, giving

me the cars,” Mr. Nicholson objected. “That makes no difference,” O’Day

replied; “I cannot load cars except upon an order from Pratt.” Nor would

he do it. The cars were not loaded for Mr. Nicholson, although at that

time he had ten thousand barrels of oil in the United Pipe Lines, and an

order for 100 cars from the officials of the Erie road in his hand.

B. B. Campbell, at that time president of the Producers’ Union, gave his

experience at this time in the suit of the Commonwealth against the

Pennsylvania Railroad:

I never heard of a scarcity of cars until the early part of June,

1878; I came to Parker about five o’clock in the evening, and found

the citizens in a state of terrible excitement; the Pipe-Lines would

not run oil unless it was sold; the only shippers we had in Parker

of any amount, viz., the agents of the Standard Oil Company, would

not buy oil, stating that they could not get cars; hundreds of wells

were stopped to their great injury; thousands more, whose owners

were afraid to stop them for fear of damage by salt-water, were

pumping the oil on the ground. I used all the influence I had to

prevent an outbreak and destruction of railroad and pipe-lines; I at

once went over to the Allegheny Valley Railroad office and

telegraphed to John Scott, president of the Allegheny Valley

Railroad Company:

“‘The refusal of the United to run oil unless sold upon immediate

shipment, and of the railroad to furnish cars, has created such a

degree of excitement here that the more conservative part of the

citizens will not be able to control the peace, and I fear that the

scenes of last July will be repeated on an aggravated scale.’ That

message I left in the office about seven o’clock in the evening. I

got up the next morning before seven and received an answer:

“‘What do you advise should be done? John Scott.’ I answered: ‘Will

meet you to-morrow morning,’ which would be Saturday.

“On Saturday morning I came in on an early train and met at the

depot Mr. Shinn, then, I believe, vice-president of the Allegheny

Valley Railroad Company, David A. Stewart, one of the directors of

the road, and Thomas M. King, assistant superintendent. I spoke very

plainly to Mr. Shinn, telling him that the idea of a scarcity of

cars on daily shipments of less than 30,000 barrels a day was such

an absurd, barefaced pretence that he could not expect men of

ordinary intelligence to accept it, as the preceding fall, when

business required, the railroads could carry day after day from

50,000 to 60,000 barrels of oil. Mr. Shinn stated clearly that I

knew that the Allegheny Valley Railroad Company did not control the

oil business over its line, but was governed entirely and

exclusively by orders received from the Pennsylvania Railroad

Company. I then requested him to be the vehicle of communicating to

the Pennsylvania Railroad officials my views on the subject, telling

him that I was convinced that unless immediate relief was furnished

and cars afforded there would be an outbreak in the Oil Regions.

After further conversation we parted. My interview with them was not

as officials of the Allegheny Valley Railroad Company, but as

representatives of the oil traffic carried and controlled by the

Pennsylvania road. On the next Monday I returned to Parker. After

passing Redbank, where the low-grade road, the connecting link

between the Valley Road and the Philadelphia and Erie Road, meets

the Valley Road—between that point and Parker—the express train was

delayed for over half an hour in passing through \_hundreds of empty

oil cars\_.”[70]

In June another exasperating episode occurred, growing out of the

attempts of the oil men to secure independent routes to the seaboard. As

we have seen, two enterprises had been launched late in 1877 under the

patronage of the Petroleum Producers’ Union. As soon as the Equitable

had acquired its right of way to Buffalo, Mr. Emery, the head of the

company, his papers in hand, sought an interview with representatives of

the Buffalo and McKean road, and told them if they did not consent that

the Equitable lay a pipe-line to their road, and did not contract to

carry the oil from that connection to Buffalo, the pipe-line to Buffalo

would be laid. After considerable negotiation a contract was made with

the railroad, and by June the new company was ready with pipe-line, cars

and barges to carry oil to New York. But no sooner did they attempt to

begin operations than the railroad, under pressure from the Pennsylvania

Railroad it was claimed, refused to carry out its contracts. The cars

the Equitable ordered sent to the loading track were refused, a side

track it had laid was torn up, the frog torn out; everything, indeed,

was done to prevent the Equitable doing business, though finally a

vigorous appeal to the law brought the road to terms, and in July oil

began to flow Eastward by this indirect route. No sooner did the

Standard find that the Equitable people were really doing business than

they appealed to the railroads. A meeting of the representatives of the

trunk lines was held at Saratoga in July, and the rates on crude

Eastward were dropped to eighty cents to meet the new competition.

While this fight was going on against the Equitable all sorts of

interference were being put in the way of the seaboard line between

Brady’s Bend and Baltimore. It was ridiculed as chimerical to attempt to

pump oil over the mountains, and General Haupt was declared to be a

visionary engineer with a record of failures. All the old stories

retailed in 1876 were dragged out again. The farmers were told that the

leakage from the pipe-line would ruin their fields and endanger their

buildings, and an active campaign to excite prejudice was carried on

again in the farmers’ papers. Philadelphia and Pittsburg both fought the

plan, the press and chambers of commerce opposing the free pipe bill at

that time before the Legislature, and the project generally. In

Pittsburg the opposition created almost a riot, for the oil producers of

the Lower Field, who had long bought their supplies there, now

threatened to boycott the city if the pipe-line was fought. So strong

was the opposition that capital took fright and the company found it

most difficult to secure funds. This opposition to the pipe-line was, of

course, charged against the Standard and the Pennsylvania Railroad.

Now, while the railroads were refusing cars to independent shippers,—or

if they gave an order for them, the United Pipe Lines were refusing to

load them,—while the Standard and the railroads were doing their utmost

to prevent the Equitable Line doing business, and were discouraging in

every way the seaboard pipe-line—new routes which would take care of a

proportion, at least, of the oil which they claimed they could not

handle—thousands of barrels of oil were running on the ground in

Bradford, and two of the independent refineries of New York shut down

entirely in order that a third of their number might get oil enough to

fill an order.

This interference with the outside interests, thus preventing the small

degree of relief which they would have afforded, and a growing

conviction that the Standard meant to keep up the “immediate shipment”

order, at least until it had built the pipes and tanks needed in the

Bradford field, finally aroused the region to a point where riot was

imminent. The long line of producers who filed into the United Pipe

Lines’ office day after day to sell their oil at whatever prices they

could get for it, and who, having put in an offer which varied according

to their necessities, were usually told to come back in ten days, and

the buyer would see whether he wanted it or not—this long line of men

began to talk of revolution. Crowds gathered about the offices of the

Standard threatening and jeering. Mysterious things, cross-bones and

death-heads, were found plentifully sprinkled on the buildings owned by

the Standard interests. More than once the slumber of the oil towns was

disturbed by marching bodies of men. It was certain that a species of

Kuklux had hold of the Bradford region, and that a very little spark was

needed to touch off the United Pipe Lines. In the meantime things were

scarcely less exciting in the Lower Fields. The “immediate shipment”

order was looked upon there as particularly outrageous, because there

was no lack of lines or tanks in that field, and when, in the summer of

1878, there was added to this cause an unjustifiable scarcity of cars,

excitement rose to fever heat.

The only thing which prevented a riot at this time and great destruction

of property, if not of life, was the strong hand the Petroleum

Producers’ Union had on the country. Fearing that if violence did occur

the different movements they had under way would be prejudiced, they

sent a committee of twenty-five men to Harrisburg to see Governor

Hartranft. They laid before him and the attorney-general of the state

the grievance of the oil producers in an “appeal” reviewing the history

of the industry.[71] They demanded that the United Pipe Lines be made to

perform its duty as a public carrier, and the railroads be made to cease

their discrimination against shippers both in the matter of rebates and

in furnishing cars. They called the Governor’s attention to the fact

that there were already existing laws touching these matters which, in

their judgment, met the case, and if the existing laws did not give them

relief, that it was the plain duty of the executive to call a meeting of

the Legislature and pass such acts as would do so. Governor Hartranft

was much stirred by the story of the producers. He went himself to the

Oil Regions to see the situation, and in August directed the producers

to put their demands into the form of an appeal. This was done, and it

was decided to bring proceedings by writ of \_quo warranto\_ against the

United Pipe Lines, and by separate bills in equity against the

Pennsylvania Railroad and the other lines doing business in the state.

It was September before the state authorities began their investigation

of the United Pipe Lines, the hearings being held in Titusville. Many

witnesses summoned failed to appear, but enough testimony was brought

out in this investigation to show that the railroads had refused to

furnish cars for independents when they had them empty, and that the

United Pipe Lines had clearly violated its duty as a common carrier. In

his report on this investigation the secretary of internal affairs,

William McCandless, rendered a verdict that the charges of the oil

producers had not been substantiated in any way that demanded action.

The indignation which followed this report was intense. It found a vent

in the hanging in effigy of McCandless, who was universally known in the

state as “Buck.” In the oil exchange at Parker, on the morning of

October 19, the figure of a man was found hanged by the neck to a

gallows, and the producers left it hanging there all day, so that they

might jeer and curse it. Across the forehead of the effigy in large

blood-red letters were the words:

...........................

. .

. PENNSYLVANIA RAILROAD .

. .

...........................

Pinned to the gallows there was a card bearing a quotation from

Secretary McCandless’s report:

.....................................................

. .

. The charges of the oil producers have not been .

. substantiated in any way that demands action. .

. .

.....................................................

In Bradford a huge effigy hung in the streets all day, and in the

village of Tarport, near by, another swayed on the gallows. They pulled

down the effigy at Bradford, and drew from a pocket what purported to be

a check signed by John D. Rockefeller, president of the Standard Oil

Company, in favour of “Buck” McCandless, for $20,000, and endorsed by

the Pennsylvania Railroad Company. That represented the price, they

said, that McCandless got for signing the report. Throughout the oil

country there was hardly an oil producer to be found not associated with

the Standard Oil Company who did not believe that McCandless had sold

himself and his office to the Standard Oil Combination for $20,000, and

used the money to help in his Congressional canvass.

The excitement in the Oil Regions spread all over the country. Something

of the importance the press attached to it may be judged from the way

the New York Sun handled the question. For six weeks it kept one of the

ablest members of its staff in the Oil Regions. Six columns of the first

page of the issue for November 13 was taken up with the story of the

excitement, coupled with the full account of the South Improvement

Company, and the development of the Standard Oil Company out of that

concern. On November 23 the first page contained four columns more under

blazing headings.

Early in 1879 the hearing in the suits in equity brought by the

commonwealth against the various transportation companies of which the

producers had been complaining were begun. The witnesses subpœnaed

failed at first to appear, and when on the stand they frequently refused

to reply; but it soon became apparent to them that the state authorities

were in earnest, and that they must “answer or go to Europe.” By March,

1879, an important array of testimony had been brought out. Among the

Standard men who had appeared had been John D. Archbold, William Frew,

Charles Lockhart and J. J. Vandergrift. A score or more of producers

also appeared. The most important witness from the railroad circles,

and, indeed, the most important witness who appeared, was A. J. Cassatt.

Mr. Cassatt’s testimony was startling in its candour and its

completeness, and substantiated in every particular what the oil men had

been claiming: that the Pennsylvania Railroad had become the creature of

the Standard Oil Company; that it was not only giving that company rates

much lower than to any other organisation, but that it was using its

facilities with a direct view of preventing any outside refiner or

dealer in oil from carrying on an independent business.[72]

The same or similar conditions, not only in oil, but in other products,

which led to these suits, led to investigations in other states. Toward

the end of 1878 the Chamber of Commerce of New York City demanded from

the Legislature of the state an investigation of the New York railroads.

This investigation was carried on from the beginning of 1879. The

revelations were amazing. Before the Hepburn Commission, as it was

called from the name of the chairman, was through with its work there

had appeared before it to give testimony in regard to the conduct of the

Standard Oil Company and of the relation of the Erie and the Central

roads to it, H. H. Rogers, J. D. Archbold, Jabez A. Bostwick and W. T.

Sheide. A large number of independent oil men had also appeared. William

H. Vanderbilt had been examined, and G. H. Blanchard, the freight agent

of the Erie road, had given a full account of the relation of the Erie

to the Standard, perhaps the most useful piece of testimony, after that

of Mr. Cassatt, belonging to this period of the Standard’s history.[73]

At the same time that the Pennsylvania suits were going on, and the

Hepburn Commission was doing its work, the Legislature of Ohio

instituted an investigation. It was commonly charged that this

investigation was smothered, but it was not smothered until H. M.

Flagler had appeared before it and given some most interesting facts

concerning rebates. A number of gentlemen who were finding it hard to do

oil business also appeared before the Ohio committee and told their

stories.[74] By April, 1879, there had been brought out in these various

investigations a mass of testimony sufficient in the judgment of certain

of the producers to establish the truth of a charge which they had long

been making, and that was that the Standard was simply a revival of the

South Improvement Company. Now the verdict of the Congressional

Committee had been that the South Improvement Company was a conspiracy.

Therefore, said the producers, the Standard Oil Company is a conspiracy.

Their hope had been, from the first, to obtain proof to establish this

charge. Having this they believed they could obtain judgment from the

courts against the officials of the company, and either break it up or

put its members in the penitentiary. The more hotheaded of the producers

believed that they now had this evidence.

If one will examine the testimony which had been given thus far in the

course of the various examinations one will see that there was reason

for their belief. In the first place, it had been established that all

the stockholders of the South Improvement Company, excepting four, were

now members of the Standard Oil Combination. Indeed, the only persons

holding high positions in the new combination at this date who were not

South Improvement Company men were, Charles Pratt, J. J. Vandergrift, H.

H. Rogers and John D. Archbold.

The South Improvement Company had been a secret organisation. So was the

new Standard alliance; that is, the most strenuous efforts had been made

to keep it secret; for instance, the sale of the works of Lockhart,

Warden and Pratt to the Standard was kept from the public. Indeed, it

was a year after these sales before even the Erie Railroad knew that Mr.

Rockefeller had any affiliations besides those with Pratt and Company,

and it made its contracts with him on this assumption. When purchases of

refineries were made it was the custom to continue the business under

the name of the original concern; thus, when Mrs. B., of Cleveland, sold

in 1878, as recounted in the last chapter, the persons selling were

obliged to keep the sale secret even from the employees of the concern.

“The understanding was with regard to the sale of the property to the

Standard Oil Company,” said the shipping clerk in his affidavit, “that

it should not be known outside of their own parties, that it was to be

kept a profound secret, and that the business was to be carried on as if

the B—— Oil Company was still a competitor.” The secret rites with which

the contract was made in 1876 between Mr. Rockefeller and Scofield,

Shurmer and Teagle have already been described.

To keep the relations of the various Standard concerns secret Mr.

Rockefeller went so far, in 1880, as to make an affidavit like the

following: “It is not true, as stated by Mr. Teagle in his affidavit,

that the Standard Oil Company, directly or indirectly through its

officers or agents, owns or controls the works of Warden, Frew and

Company, Lockhart, Frew and Company, J. A. Bostwick and Company, C.

Pratt and Company, Acme Refining Company, Imperial Refining Company,

Camden Consolidated Company, and the Devoe Manufacturing Company; nor is

it true that the Standard Oil Company, directly or indirectly through

its officers or agents, owns or controls the refinery at Hunter’s Point,

New York. It is not true that the Standard Oil Company, directly or

indirectly through its officers or agents, purchased or acquired the

Empire Transportation Company, or furnished the money therefor; nor is

it true that the Standard Oil Company inaugurated or began or induced

any other person or corporation to inaugurate or begin a war upon the

Pennsylvania Railroad Company or the Empire Transportation Company, as

stated in the affidavit of Mr. Teagle.”[75]

There may be a technical explanation of this affidavit, although the

writer knows of none. There is certainly abundant testimony in existence

that the works of Messrs. Pratt, Lockhart and Warden, at least, had been

bought long before this affidavit was made, and paid for in Standard Oil

Company stock, and that they were working in alliance with that company.

It was shown in the last chapter that on October 17, 1877, the Standard

Oil Company paid $2,500,000 in certified checks on the purchasing price

of the plant of the Empire Transportation Company.

While none of the other members of the Standard Oil Company examined in

1879 was quite so sweeping in his denials, all of them evaded direct

answers. The reason they gave for this evasion was that the

investigations were an interference with their rights as private

citizens, and that the government had no business to inquire into their

methods. Consequently when asked questions they refused to answer “by

advice of counsel.” Ultimately the gentlemen did answer a great many

questions. But taking the testimony all in all through these years it

certainly is a mild characterisation to say that it totally lacks in

frankness. The testimony of the Standard officials before the Hepburn

Commission was so evasive that the committee in making its report spoke

bitterly of the company as “a mysterious organisation whose business and

transactions are of such a character that its members decline giving a

history or description of it lest this testimony be used to convict them

of a crime.” The producers certainly were right in claiming that secrecy

was a characteristic of the Standard as it had been of the South

Improvement Company.

The new Standard Combination, like the South Improvement Company, aimed

at controlling the entire refining interest. “The coal-oil business

belongs to us,” Mr. Rockefeller once told a recalcitrant refiner. His

associates were saying the same on all sides; “the object of the

Standard Oil Company is to secure the entire refining business of the

world,” a member of the concern told B. F. Nye, an Ohio producer.[76]

The method the Standard depended upon to secure this control was the

same as the method of the South Improvement Company—special privileges

in transportation. We have seen how intelligently and persistently Mr.

Rockefeller worked to secure these special privileges until, in 1877, he

had made with all the trunk lines contracts which in every particular

paralleled the contracts which in January, 1872, Messrs. Scott, Gould,

Vanderbilt and McClellan made with the South Improvement Company. He now

had a rebate on every barrel of oil he shipped, and this was given with

the understanding that the railroad should allow no rebate to any other

shipper unless that shipper could guarantee and furnish a quantity of

oil for shipment which would, after deduction of his commission, realise

to the road the same amount of profit realised from the Standard trade.

He also had a drawback on every barrel his rivals shipped. No clause in

the South Improvement Company’s contract with railroads had given more

offence to the oil world than that which called for a drawback to the

company on the oil shipped by outsiders. It will be remembered that the

beneficiaries of this contract were to receive drawbacks of $1.06 a

barrel on all crude oil that outside parties shipped from the Oil

Regions to New York, and a proportionate drawback on that shipped from

other points. The rebate system was considered illegal and unjust, but

men were more or less accustomed to it. The drawback on other people’s

shipment was a new device, and it threw the Oil Region into a frenzy of

rage. It did not seem possible that the Standard would attempt to revive

this practice again, and yet when it had got its hand strongly on the

four trunk lines it made a demand for the drawback. It has already been

recounted how, on February 15, 1878, four months after the Pennsylvania

succumbed to the Standard’s demand, Mr. O’Day wrote to Mr. Cassatt: “I

here repeat what I once stated to you, and which I wish you to receive

and treat as strictly confidential, that we have been for many months

receiving from the New York Central and Erie Railroads certain sums of

money, in no instance less than twenty cents per barrel on \_every barrel

of crude oil carried by each of these roads\_.... Co-operating as we are

doing with the Standard Oil Company and the trunk lines in every effort

to secure for the railroads paying rates of freight on the oil they

carry, I am constrained to say to you that in justice to the interests I

represent we should receive from your company at least twenty cents on

each barrel of crude oil you transport.” And Mr. Cassatt after seeing

the freight bills showing that both the Central and Erie allowed a

drawback gave orders that the Pennsylvania pay one of 22½ cents. When

Mr. Cassatt was under examination in 1874 the examiner remarked:

“I understand, Mr. Cassatt, that this 22½ cents paid to the American

Transfer Company is not restricted to all oil that passed through their

lines.”

“No, sir; it is paid on all oil received and transferred by us.”

Among the interesting documents presented at this inquiry was a

statement of the crude oil shipments over the Pennsylvania road for

February and March, 1878.[77] They footed up to a total of 343,767½

barrels. On this amount a discount of twenty cents a barrel was allowed

to the Standard Oil Company through its agent, the American Transfer

Company. Among other independents who shipped this oil was H. C. Ohlen.

In all, Mr. Ohlen shipped 29,876 barrels, and on this the Standard Oil

Company received twenty cents a barrel! That is, after Mr. Ohlen had

paid for his oil, paid for having it carried by the pipe-line to the

railroad, and paid the railroad the full rate of freight without the

commission the Standard received, the Pennsylvania was obliged to turn

over to the Standard Oil Company twenty cents of the amount he had paid

on each barrel!

The examiner tried very hard to find out if there was a legitimate

reason why such an allowance should have been made to the American

Transfer Company on oil it did not handle. “We pay that,” Mr. Cassatt

said, “as a commission to them to aid in securing us our share of

trade.” “We pay it,” said the comptroller, “for procuring oil to go over

the lines in which the Pennsylvania Railroad Company is interested as

against the New York lines and the New York Central.”

“Do you understand,” the examiner questioned of one of the auditors,

“that the American Transfer Company secured to the Pennsylvania road the

traffic of the outside refiners of New York (mentioned in the statement

quoted above)?” “I never raised a question of that kind in my mind,”

answered the adroit auditor.

But the answer was evident. The American Transfer Company had nothing

whatever to do with the oil shipped by Mr. Ohlen or Ayres, Lombard and

Company or J. Rousseaux or any one of the other independents mentioned

in the statement, unless perchance that oil had come originally from the

lines of the American Transfer Company. In that case the shipper had

paid the line for the service rendered, at the time he bought the

oil—the custom then and now. The tax was paid by the Pennsylvania solely

because the Standard Oil Company had the power to demand it. The demand

was made in the name of the American Transfer Company as a blind.

Naturally the proof that the Standard had revived the most obnoxious

feature of the South Improvement Company aroused intense bitterness and

disgust among the oil men.

Another offensive clause of the 1872 contracts was that pledging the

railroads to lower or raise the gross rates of transportation for such

times and to such extent as might be necessary to overcome competition.

Now, the new contracts of the Standard provided the same arrangement;

that is, they stipulated that the rates were to be lowered if necessary

so as to place the Standard on a parity with shippers by competing

lines. The workings of the clause were illustrated when the producers

got the Equitable Line through in 1878, the railroads dropping their

charge to eighty cents a barrel, and in some cases even less. The

producers certainly had evidence enough for their claim that the

contracts of the South Improvement Company and the Standard Oil Company

with the railroads were similar in every particular as far as principles

were concerned—that they differed alone in the amounts of the rebates

and drawbacks.

There was plenty of evidence brought out, also, to show that the object

of the Standard operations was like that of the South Improvement

Company—keeping up the price of refined oil. Both combinations were

formed to keep the refined article scarce on the market by controlling

all the refineries and by refusing to sell under competition. The

officials of the South Improvement Company stated under oath that they

hoped to raise the price fifty per cent. The Central Organisation hoped

to put up the price of refined from fifteen to twenty-five cents. As a

matter of fact that organisation when it finally got control of the

market put up the price considerably more. The spectacular demonstration

in the winter of 1876 and 1877 of what could be done in keeping up the

price of refined was still rankling in the minds of the oil men. They

saw that it was by that coup that the Standard had gotten the ready

money to pay for the plant of the Empire Transportation Company—the

money to buy in whatever it wanted—the money to pay the fifty per cent.

dividend to which one of its members testified in the Ohio

Investigation. They remembered that while the refiners had been selling

refined around thirty cents a gallon they had sold crude at less than

four dollars a barrel. Little wonder then that they felt they had

evidence that the Standard had actually done what they had always

claimed it would do if it got hold of the refining interests as it

planned. Even in the case where certain large producers had entered into

a partnership with the Standard on condition that they pay them prices

for crude commensurate with the price of refined, these producers

claimed the agreement had not been kept. One of these cases came to

light in a suit instituted in 1878. It seems that some time in December,

1874, the large oil company of H. L. Taylor and Company sold one-half

interest in its property to the Standard Oil Company. The reason for the

sale the plaintiffs stated in their complaint to be as follows:

The extent of their (the Standard’s) business and control over

pipe-lines and refineries had enabled them to procure, and they had

procured from the railways, more favourable terms for transportation

than others could obtain. These advantages and facilities placed it

within their power to obtain, and they did obtain, far better and

more uniform prices for petroleum than could be obtained by the

plaintiffs. The said organisation and firms, by virtue of their

monopoly of the business of refining and transportation of oil, had

been at times almost the only buyers in the market, and at such

times had been enabled to dictate and establish a price for crude

oil far below its actual value, as determined by prices of refined

oil at same dates, and they thus obtained a large share of the

profits which should have fallen to the plaintiffs and other

purchasers. The sale was made, and in consideration of the foregoing

premises, and upon the promise and agreement on the part of the

defendants that the partnership thus formed should have the benefit

of the advantage and facilities of the said defendants, and the

organisations and firms managed and controlled by defendants, in

marketing its oil; that the firm should have to the extent of its

production the advantage of the sales of refined by the defendants

or said Standard Oil Company, either for present or future delivery,

so that there should be at no time any margin or difference between

the ruling price of refined oil, and the price which defendants

would pay the partnership for the crude by it produced, beyond the

necessary cost of refining. This thing formed the inducement and the

larger part of the consideration for the sale of said property to

defendants. The amount actually received for said interest was far

beneath its actual value, and without the agreement on the part of

the defendants to pay to the partnership for its product prices at

all times commensurate with the prices of refined oil, they would

not have sold the said interest nor entered into said partnership.

\* \* \* \* \*

The defendants, although requested to do so, have not only failed,

neglected, and refused to comply with this agreement, but have, by

false and erroneous statements, misled the plaintiffs, and induced

them to consent to the sale to them and to the Standard Oil Company

of large quantities of crude petroleum, produced by the partnership

at prices far below its actual value, to the great loss and damage

of the orators. That on or about December 16, 1876, refined was

selling at a price equivalent to seven dollars for crude oil, at

which time plaintiffs called upon defendants for a compliance with

their agreement, and asked that they take or purchase 210,000

barrels of the production of the partnership at a price commensurate

with the price of refined at the time. This, defendants neglected

and refused to do, and the partnership was forced to sell the same

at prices varying from three to four dollars, making a loss to the

partnership upon this one transaction of from $600,000 to

$1,000,000, for which said defendants neglect and refuse to account.

\* \* \* \* \*

That the said defendants for themselves, and for the said Standard

Oil Company, and other organisations and firms aforesaid, have since

the formation of the partnership received from the railways a rebate

or drawback in the shape of wheelage, or otherwise, at times as high

as one dollar per barrel upon all oil shipped by them to the

seaboard. That instead of using these advantages which they possess

for the benefit and profit of the partnership, as they covenanted to

do, they have used them against its interest by restraining trade,

preventing competition, and forcing plaintiffs to accept any price

which defendants, the said Standard Oil Company, or the other

organisations aforesaid, might offer for their production. That the

amount of oil produced and sold by the partnership for the three

years beginning with the date of its formation, and ending December

1, 1877, was 2,657,830 barrels. That the profits of defendants upon

oil refined by them during said period, taking into consideration

the rebates and drawbacks received from the railways, have averaged

at least one dollar per barrel over and above the cost of refining,

and at times as high as four and five dollars. That these profits,

under the partnership agreement that no margin should exist between

crude and refined prices, should to the extent of the production of

the partnership have been paid by defendants to the partnership.

That the amount lost by the partnership and realised by the

defendants, by reason of the failure and refusal of said defendants

to comply with their agreement, is not less than $2,500,000, for

one-half of which defendants should account to your orators, but

which they neglect and refuse to do.

Naturally enough the producers now pointed out that the case of the H.

L. Taylor Company was a demonstration of what they had claimed in 1872,

when the South Improvement Company, alarmed at the uprising, offered

them a contract, and what they had always claimed since when the

Standard offered contracts for oil on a sliding scale, viz., that such

contracts were never meant to be kept; that they were a blind to enable

the Standard to make scoops such as they had made in the winter of 1876

and 1877.

Taking all these points into consideration—

First—That the Standard Oil Company, like the South Improvement Company,

was a secret organisation;

Second—That both companies were composed in the main of the same

parties;

Third—That it aimed, like its predecessors, at getting entire control of

the refining interest;

Fourth—That it used the power the combination gave it to get rebates on

its own oil shipments and drawbacks on the shipments of other people;

Fifth—That it arranged contracts which compelled the railroads to run

out all competition by lowering their rates.

Sixth—That it aimed to put up the price of refined without allowing the

producer a share of the profits—

Taking all these points into consideration, many of the producers,

including the president of the Petroleum Producers’ Union, B. B.

Campbell, and certain members of his Council, came to the conclusion

that as they had sufficient evidence against the members of the Standard

Combination to insure conviction for criminal conspiracy, they should

proceed against them. Strenuous opposition to the proceedings, as hasty

and ill-advised, developed in the Council and the Legal Committee, but

the majority decided that the prosecution should be instituted. Mr.

Scott and Mr. Cassatt were omitted from the proposed indictment on the

ground that they were already weary of the Standard, and would cease

their illegal practices gladly if they could.

On the 29th day of April, 1879, the Grand Jury of the County of Clarion

found an indictment against John D. Rockefeller, William Rockefeller,

Jabez A. Bostwick, Daniel O’Day, William G. Warden, Charles Lockhart,

Henry M. Flagler, Jacob J. Vandergrift and George W. Girty. (Girty was

the cashier of the Standard Oil Company.) There were eight counts in the

indictment, and charged, in brief, a conspiracy for the purpose of

securing a monopoly of the business of buying and selling crude

petroleum, and to prevent others than themselves from buying and selling

and making a legitimate profit thereby; a combination to oppress and

injure those engaged in producing petroleum; a conspiracy to prevent

others than themselves from engaging in the business of refining

petroleum, and to secure a monopoly of that business for themselves; a

combination to injure the carrying trade of the Allegheny Valley and

Pennsylvania Railroad Companies by preventing them from receiving the

natural petroleum traffic; to divert the traffic naturally belonging to

the Pennsylvania carriers to those of other states by unlawful means;

and to extort from railroad companies unreasonable rebates and

commissions, and by fraudulent means and devices to control the market

prices of crude and refined petroleum and acquire unlawful gains

thereby.[78]

Four of the persons mentioned in the indictment—Messrs. O’Day, Warden,

Lockhart and Vandergrift—all citizens of Pennsylvania, gave bail, and

early in June application was made to Governor Hoyt of Pennsylvania to

issue a requisition before the Governor of New York for the extradition

of the other five gentlemen.

With damaging testimony piling up day by day in three states, and with

an indictment for conspiracy hanging over the heads of himself and eight

of his associates, matters looked gloomy for John D. Rockefeller in the

spring of 1879. “The good of the oil business” certainly seemed in

danger.

CHAPTER EIGHT

THE COMPROMISE OF 1880

THE PRODUCERS’ SUIT AGAINST ROCKEFELLER AND HIS ASSOCIATES USED BY THE

STANDARD TO PROTECT ITSELF—SUITS AGAINST THE TRANSPORTATION

COMPANIES ARE DELAYED—TRIAL OF ROCKEFELLER AND HIS ASSOCIATES FOR

CONSPIRACY POSTPONED—ALL OF THE SUITS WITHDRAWN IN RETURN FOR

AGREEMENTS OF THE STANDARD AND THE PENNSYLVANIA TO CEASE THEIR

PRACTICES AGAINST THE PRODUCERS—WITH THIS COMPROMISE THE SECOND

PETROLEUM PRODUCERS’ UNION COMES TO AN END—PRODUCERS THEMSELVES TO

BLAME FOR NOT STANDING BEHIND THEIR LEADERS—STANDARD AGAIN ENFORCES

ORDERS OBJECTIONABLE TO PRODUCERS—MORE OUTBREAKS IN THE OIL

REGIONS—ROCKEFELLER HAVING SILENCED ORGANISED OPPOSITION PROCEEDS TO

SILENCE INDIVIDUAL COMPLAINT.

No doubt the indictment of Mr. Rockefeller in the spring of 1879 seemed

to him the work of malice and spite. By seven years of persistent effort

he had worked out a well-conceived plan for controlling the oil business

of the United States. Another year and he had reason to believe that the

remnant of refiners who still rebelled against his intentions would

either be convinced or dead and he could rule unimpeded. But here at the

very threshold of empire a certain group of people—“people with a

private grievance,” “mossbacks naturally left in the lurch by the

progress of this rapidly developing trade,” his colleagues described

them to the Hepburn Commission—stood in his way. “You have taken

deliberate advantage of the iniquitous practices of the railroads to

build up a monopoly,” they told him. “We combined to overthrow those

practices so far as the oil business was concerned. You not only refused

to support us in this contention, you persuaded or forced the railroads

to make you the only recipient of their illegal favours; more than that,

you developed the unjust practices, forcing them into forms unheard of

before. Not only have you secured rebates of extraordinary value on all

your own shipments, you have persuaded the railroads to give you a

commission on the oil that other people ship. You are guilty of plotting

against the prosperity of an industry.” And they indicted him with eight

of his colleagues for conspiracy.

The evidence on which the oil men based this serious charge has already

been analysed. At the moment they brought their suit for conspiracy what

was their situation? They had several months before driven the

commonwealth of Pennsylvania to bring suits against four railroads

operating within its borders and against the Standard pipe-lines for

infringing their duties as common carriers. Partial testimony had been

taken in the case against the Pennsylvania road and in that against the

United Pipe Lines. These suits, though far from finished, had given the

Producers’ Union the bulk of the proof on which they had secured the

indictment of the Standard officials for conspiracy. Now, since the

railroads and the pipe-lines were the guilty ones—that is, as it was

they who had granted the illegal favours, and as they were the only ones

that could surely be convicted, it seems clear that the only wise course

for the producers would have been to prosecute energetically and

exclusively these first suits. But evident as the necessity for such

persistency was, and just after Mr. Cassatt had startled the public and

given the Union material with which it certainly in time could have

compelled the commonwealth to a complete investigation, the producers

interrupted their work by bringing their spectacular suit for

conspiracy—a suit which perhaps might have been properly instituted

after the others had been completed, but which, introduced now,

completely changed the situation, for it gave the witnesses from whom

they were most anxious to hear a loophole for escape.

For instance, the officials of the Standard pipe-lines had been

instructed to appear on the 14th of May, 1879, to answer questions which

earlier in the trial they had refused to answer “on advice of counsel.”

Now the president of the United Pipe Lines, J. J. Vandergrift, and the

general manager, Daniel O’Day, were both included in the indictment for

conspiracy. The evening before the interrogatory the producers’ counsel

received a telegram from the attorney-general of the state, announcing

that the pipe-line people were complaining that the testimony which they

would be called on to give on the morrow would be used against them in

the conspiracy trial—as it undoubtedly would have been—and that he

thought it only fair that their hearing be postponed until after that

suit. And so the defendants gained time—the chief desideratum of

defendants who do not wish to fight.

Soon after, the conspiracy case was again used to excellent advantage by

the Standard people in the investigation which was being conducted in

New York before the Hepburn Commission. Mr. Bostwick, the Standard Oil

buyer, whose order to buy immediate shipment oil only at a discount had

been one of the oil men’s chief grievances for a year and a half, was

summoned as a witness; but Mr. Bostwick too was under indictment for

conspiracy, and when the examiners began to put questions to him which

the producers were eager to have answered, he asked: “How can I, a man

soon to be tried for conspiracy, be expected to answer these questions?

I shall incriminate myself.” He was sustained in his plea, and about all

the Hepburn Commission got out of him was, “I refuse to answer, lest I

incriminate myself.” This, then, was the first fruit of the producers’

hasty and vindictive suit. It had shut the mouths of the important

Standard witnesses.

Discouraging as this discovery was, however, there was no reason why the

suits against the railroads should not have been pushed through, and the

testimony the officials unquestionably could be made to give, now that

Mr. Cassatt had set the pace, have been obtained. But the Producers’

Union had lost sight for the moment of the fact that the fundamental

difficulty in the trouble was the illegal discrimination of the common

carriers. The Union was so much more eager to punish Mr. Rockefeller

than it was to punish the railroads, that in bringing the suit for

conspiracy it was even guilty of leniency toward the officials of the

Pennsylvania. Certainly, if there was to be an indictment for

conspiracy, all the supposed conspirators should have been included. It

was by discriminations clearly contrary to the constitution of the state

that the Pennsylvania Railroad had made it possible for Mr. Rockefeller

to achieve his monopoly in Pennsylvania. The Union had proof of these

rebates, but they let off Mr. Scott and Mr. Cassatt because “they

professed the greatest desire to get rid of Standard domination, and

were loudly asserting that they had been victimised and compelled at

times to carry oil freights at less than cost.”[79] Evidently the fate

of the settlement the oil men had made seven years before with Mr. Scott

and the presidents of the other oil-bearing roads had been forgotten.

Naturally enough the railroads took advantage of these signs of leniency

on the part of the producers, and brought all their enormous influence

to bear on the state authorities to delay hearings and bring about a

settlement. The Pennsylvania secured delays up to December, 1879, and

then the Governor ordered the attorney-general to stop proceedings

against the road until the testimony had been taken in the other four

cases; that is, in the cases against (1) the United Pipe Lines; (2) the

Lake Shore and Michigan Southern; (3) the Dunkirk, Allegheny and

Pittsburg, and (4) the Atlantic and Great Western. It was a heavy blow

to the Union, for at the moment its hands were tied by the conspiracy

case, as far as the United Pipe Lines were concerned, and the three

railroads were foreign corporations, only having branches in

Pennsylvania, and accordingly very difficult to reach. The testimony

could have been obtained, however, if the Union had been undivided in

its interests. It would have been done, of course, if the state

authorities had been willing to do what was their obvious duty. But the

state authorities really asked nothing better than to escape further

prosecution of the railroads. The administration was Republican, the

Governor being Henry M. Hoyt. Mr. Hoyt had been elected in the fall of

1878 and so had inherited the suits from Governor Hartranft. He was

pledged, however, to see them through, for before the election the

Producers’ Union had sent him the following letter:

“TITUSVILLE, October 23, 1878.

“HENRY M. HOYT:

\_Sir\_—During the past few months, the Association of Producers of

Petroleum, long oppressed in their immediate business and kindred

industries by the persistent disregard of law by certain great

corporations exercising their powers within the state of

Pennsylvania, and daily subjected to incalculable loss by a powerful

and corrupt combination of these corporations and individuals, have

appealed to the executive, legislative and judiciary branches of the

government for relief and protection.

The questions which they raise for the consideration of the

authorities and the people affect not only themselves but the whole

public, not only the particular calling in which they are engaged,

but nearly all kinds of business in the commonwealth and the nation.

The Legislature has not responded to the demands made that the

provisions of the constitution shall be speedily enforced by

appropriate legislation.

The present executive has caused proceedings to be instituted in the

courts looking to relief, if it can be had by process of law, and

these are still pending, while others may be begun.

In view of the grave duties which will devolve upon you, should you

be chosen to the high office to which you aspire, on behalf of the

Petroleum Producers’ Association I ask from you a definite

expression of your views upon the following subjects:

First—Will you, if elected, recommend to the Legislature the passage

of laws to carry into effect the third and twelfth sections of the

sixteenth, and the third, seventh and twelfth sections of the

seventeenth articles of the constitution of Pennsylvania?

Second—If such laws should be passed as referred to in the preceding

question, will you, as Governor, approve them, if constitutional?

Third—Will you, as Governor, recommend and approve such other

remedial legislation as may be required to cure the evils set forth

in a memorial to Governor Hartranft of August 15, 1878?

Fourth—In the selection of the law officer of the state, will you,

if elected, secure the services of one who will prosecute with

vigour all proceedings already commenced or that may be instituted,

having in view the subjection of corporations to the laws of the

land?

Very respectfully,

A. N. PERRIN,

\_Chairman Committee\_.”

Governor Hoyt’s answers were eminently satisfactory:

“There were provisions in the constitution,” he wrote, “intended to

compel the railroads and canal companies of the state to the

performance of their duties as common carriers with fairness and

equality, without discrimination, to all persons doing business over

their lines. This policy is just and right.

“If called to a position requiring official action, I would

recommend and approve any legislation necessary and appropriate to

carry into effect the sections of the constitution referred to.

“It would be my duty, if elected, to see that no citizen, or class

of citizens even, were subjected to hardship or injustice in their

business, by illegal acts of corporations or others, where relief

lay within executive control. Any proper measures or legislation

which would effectually remedy the grievances set forth in the

memorial addressed to Governor Hartranft would receive my

recommendation and approval.

“It would be my duty, if elected, to select only such officers as

would enforce obedience to the constitution and laws, both by

corporations and individuals, without fear or favour, and all such

officers would be held by me to strict accountability for the full

and prompt discharge of all their official duties.”

Governor Hoyt had indeed begun the suits, all of the testimony in regard

to the Pennsylvania having been taken in his administration. This

testimony must have proved to him that the transgressions of the road

had been far more flagrant than anyone dreamed of—that they had amounted

simply to driving certain men out of business in order to build up the

business of certain other men. His evident duty, as his letter to the

producers shows clearly enough that he realised, was to push the suits

against the railroads even if the oil men entirely withdrew, but instead

of that it became evident in the spring that he was using every

opportunity to delay. Indeed, one reason the producers gave for bringing

the conspiracy suit was that it would give the state authorities a

scapegoat; that they would gladly act vigorously against the Standard if

they were let off from prosecuting the Pennsylvania. Governor Hoyt now

availed himself fully of the vacillation of the Union toward the

railroads, using it as an excuse for not prosecuting the railroad cases.

But if the producers were half-hearted toward the railroads they were

whole-hearted enough toward the Standard. In spite of the fact that they

had gotten in their own way, so to speak, by bringing their conspiracy

suit, they felt convinced that they had material enough to win it on,

and they sought the extradition of the non-residents who had been

indicted.

Early in June Governor Hoyt was called upon to issue a requisition for

the extradition of John D. Rockefeller, William Rockefeller, H. M.

Flagler, J. A. Bostwick, Daniel O’Day, Charles Pratt and G. W. Girty. A

full agreement was made before the state officials, but a decision was

deferred repeatedly. Finally, worn out with waiting, Mr. Campbell, in a

telegram to the Governor on July 29, threatened, if there was longer

delay, to make his request for extradition through the public press. The

answer from Harrisburg was that the attorney-general was sick and could

not attend to the matter. Mr. Campbell wired back that he was tired of

“addition, division, and silence,” and he sent out the following letter:

“FAIRFIELD, July 31, 1879.

“TO HIS EXCELLENCY HENRY M. HOYT,

Governor of the Commonwealth of Pennsylvania.

\_Sir\_—On behalf of the producers of oil, whom I represent as

president of their General Council, I most respectfully ask a

decision at your hands, of the requisition on the Governor of the

state of New York, for the surrender of the officers of the Standard

Oil Company, indicted by the Grand Jury of Clarion County, and now

believed to be within the limits of the state of New York.

The case was exhaustively argued before you, more than four weeks

ago, and the great oil interest which I have the honour to represent

has a right to a prompt decision on this vital question. If these

parties—who for their own profit and its ruin control Pennsylvania’s

most valuable product, and compel its greatest carrier to undertake

their warfare and to do their bidding at the sacrifice of its

innocent stockholders—can, under the plea of being ‘aliens,’ defy

the law of Pennsylvania and laugh at our impotent attempts to reach

them, the sooner it is known the better. It is possible that if we

are denied protection within the limits of our commonwealth, we may

obtain justice by appealing to the courts of a sister state, where

at least the defendants will be obliged to admit that they are

residents.

Your obedient servant,

B. B. CAMPBELL,

\_President of Producers’ Council\_.”

The Governor remained obdurate, nor was the request ever granted. In a

message sent out in January, 1881, Governor Hoyt gave a review of the

case—as he was compelled to do, so great was the popular criticism of

his course in not pushing the suits and in refusing the request for

extradition—in which he attributed his refusal to the negotiations begun

between the railroads and the Producers’ Union.

“The details of these negotiations, of course, need not, and did

not, reach the office of the executive department,” he said. “As a

part of them, however, requests were presented in the interest of

the petitioners (the Producers’ Union) to the Governor, not to issue

the requisition, followed again by requests that they be allowed to

go out. Finding that the highest process of the commonwealth was

being used simply as leverage for and against the parties to these

negotiations between contending litigants, and that, however entire

and perfect might have been the good faith in which the criminal

proceedings in Clarion County had been commenced, they were being

regarded and treated as a mere make-weight in the stages of private

diplomacy, I deemed it my duty, in the exercise of a sound

discretion, to suspend action on the requisitions.”

[Illustration:

E. G. PATTERSON

From 1872 to 1880 the chief advocate in the Oil Region of an

interstate commerce law. Assisted in drafting the bills of 1876 and

1880. Abandoned the independent interests at the time of the

compromise of 1880.

]

[Illustration:

ROGER SHERMAN

Chief counsel of the Petroleum Producers’ Union from 1878 to 1880.

From 1880 to 1885 counsel for the Standard Oil Company. From 1885 to

his death in 1893 counsel of the allied independents.

]

[Illustration:

BENJ. B. CAMPBELL

President of the Petroleum Producers’ Union from 1878 to 1880.

Independent refiner and operator until his death.

]

[Illustration:

JOSIAH LOMBARD

Prominent independent refiner of N. Y. City, whose firm was the only

one to keep its contract with the Tidewater Pipe Line Company in

1880.

]

The writer has examined all the private correspondence which passed at

this time between the litigants, but finds no proof of Governor Hoyt’s

statement that the Union at one time ceased its demands for Mr.

Rockefeller’s extradition.

The conspiracy suit had been set for the August session of the Clarion

County court. When August came the Standard sought a continuance, and it

was granted. The delay did not in any way discourage the producers, and

when Mr. Rockefeller became convinced of this he tried conciliation.

“Come, let us reason together,” has always been a favourite proposition

of Mr. Rockefeller. He would rather persuade than coerce, rather silence

than fight. He had been making peace overtures ever since the suits

began. The first had been in the fall of 1878, soon after they were

instituted, when he sent the following letter to Captain Vandergrift:

“CAPTAIN J. J. VANDERGRIFT:

\_My dear Sir\_—We are now prepared to enter into a contract to refine

all the petroleum that can be sold in the markets of the world at a

low price for refining. Prices of refined oil to be made by a joint

committee of producers and refiners, and the profits to be

determined by these; profits to be divided equitably between both

parties. This joint interest to have the lowest net rates obtainable

from railroads. If your judgment approves, you may consult some of

the producers upon this question. This would probably require the

United Pipe Lines to make contracts and act as a clearing house for

both parties.

Very respectfully yours,

J. D. ROCKEFELLER.”

Captain Vandergrift handed the letter to the executive committee of the

Producers’ Union. It was returned to him without a reply. The producers

had tried an arrangement of this kind with Mr. Rockefeller’s National

Refiners’ Association in the winter of 1872 and 1873, and it had failed.

The refiners had thrown up their contract when they found they could get

all the oil they wanted at a lower price than they had contracted to pay

the Producers’ Union, from men who had not gone into that organisation.

The oil country was familiar, too, with the case of the H. L. Taylor

Company, whose complaint against the Standard was referred to in the

last chapter. Contracts of that sort were never meant to be kept, they

declared. They were meant as “sops, opiates.” In November, 1878, after

the testimony which had been brought out by the suit against the United

Pipe Lines had been pretty well aired in the New York Sun and other

papers, and one or two private suits against the railroads were creating

a good deal of public discussion, an effort to secure a conference

between the representatives of the Union and the Standard officials was

made. The Union refused to go into it officially. A meeting was held,

however, in New York on November 29, at which several well-known oil men

were present. It was announced to the press in advance that it was to be

an important but secret meeting between the oil producers, refiners and

Standard men; that its object was to settle all grievances, and to

secure a withdrawal of the impending suits. As soon as the news of this

proposed meeting reached the Oil Regions, the officials of the Union

promptly denied their connection with it.

Although these early efforts to get a wedge into the Producers’ Union

and thus secure a staying of the suits had no results, the Standard was

not discouraged—it never is: there is no evidence in its history that it

knows what the word means. Not being able to handle the Union as a

whole, the Standard began working on individuals. By March, 1879, the

idea of a compromise had become particularly strong in Oil City. Indeed,

one of the several reasons advanced for bringing the conspiracy suits

was that such a proceeding would defeat the efforts the Oil City branch

were making to bring about a settlement with Mr. Rockefeller.

Accordingly, when it became apparent to Mr. Rockefeller in the fall of

1879 that the producers meant to fight through the conspiracy suit,

though they might dally over the others, he notified Roger Sherman,

counsel for the Union, that he wished to lay before him a proposition

looking to a settlement. The president, Mr. Campbell, was in favour of

receiving the proposition. “I have no idea they will present anything we

can accept,” he wrote Mr. Sherman. “Still it will furnish a first-rate

gauge to test how badly they are scared.” And the Standard was told that

the Union would consider what they had to offer. “But it is a serious

question—this of settlement,” replied Mr. Rockefeller. “Our trial is set

for October 28. We cannot get ready for that and prepare a proposition

too. Why not postpone the trial?” This was done—December 15 being set.

But no proposition was made to the producers for over six weeks—then

they were asked to meet the Standard men on November 29 in New York

City. Piqued at the delay, the producers informed the Standard that they

could no longer consider their proposition and that the trial would be

pushed.

But again the Standard secured delay—this time by petitioning that the

case be argued before the Supreme Court of the state. They declared that

such was the state of public feeling in Clarion County that they could

not obtain justice there. They charged the judges with bias and

prejudice, declared secret societies were working against them, and

called attention to the civil suits which were still hanging fire. Over

this petition serious trouble arose in court—there was a wrangle between

the judge and the Standard’s counsel. The newspapers took it up—the

whole state divided itself into camps, and the case was again postponed,

this time until the first of the year. Postponement obtained, compromise

was again proposed upon the basis of abandonment of all those methods of

doing business which the producers claimed injured them, and as a mark

of their sincerity the United Pipe Lines on December 24, 1879, issued an

order announcing the abandonment of immediate shipment throughout the

region. A meeting between the legal advisers of the two parties to

discuss the proposed terms was arranged for January 7, 1880, at the

Fifth Avenue Hotel in New York City—the very time to which the trial of

the case for conspiracy had been postponed. It was hardly to be expected

that when such negotiations were going on in New York the trial in

Clarion County would be pushed very briskly. It was not. There was a

hitch again, and for the fourth time proceedings were stayed. The

conferences, however, went on.

These negotiations with the Standard continued for a month, and then,

early in February, Mr. Campbell, the president of the Union, called a

meeting of the Grand Council for February 19, 1880, in Titusville,

Pennsylvania. For several weeks the Oil Regions had known that President

Campbell and Roger Sherman, the leading lawyer of the Union, were in

conference with the Standard officials. It was rumoured that they were

arranging a compromise, and it was suspected that the meeting now called

was to consider the terms. Naturally the proposition to be made was

looked for with suspicion and curiosity. The meeting was the largest the

Grand Council had held for many months. It was supposed to be secret,

like all gatherings of the Union, but before the first session was over,

the word spread over the Oil Regions that Mr. Campbell had brought to

the meeting contracts with both Mr. Rockefeller and Mr. Scott, and that

they were receiving harsh criticism from the Grand Council. The very

meagre accounts which exist of this gathering, historic in oil annals,

show that it was one of the most exciting which was ever held in the

country, and one can well believe this when one considers the bitter

pill the council was asked to swallow that day. Mr. Campbell began the

session by reporting that all the suits at which they had been labouring

for nearly two years had been withdrawn, and that in return for their

withdrawal the Standard and the Pennsylvania Railroad officials had

signed contracts to cease certain of the practices of which the

producers complained.

The Standard contract, which Mr. Campbell then presented, pledged Mr.

Rockefeller, and some sixteen associates, whose names were attached to

the document, to the following policy:

1. They would hereafter make no opposition to an entire abrogation of

the system of rebates, drawbacks and secret rates of freight in the

transportation of petroleum on the railroads.

2. They withdrew their opposition to secrecy in rate making—that is,

they promised that they would not hereafter receive any rebate or

drawback that the railroad company was not at liberty to make known and

to give to other shippers of petroleum.

3. They abandoned entirely the policy which they had been pursuing in

the management of the United Pipe Lines—that is, they promised that

there should be no discrimination whatever hereafter between their

patrons; that the rates should be reasonable and not advanced except on

thirty days’ notice; that they would make no difference between the

price of crude in different districts excepting such as might be

properly based upon the difference in the quality of the oil; that they

would receive, transport, store and deliver all oil tendered to them, up

to a production of 65,000 barrels a day. And if the production should

exceed that amount they agreed that they would not purchase any

so-called “immediate shipment” oil at a discount on the price of

certificate oil.

4. They promised hereafter that when certificates had been given for oil

taken into the custody of the pipe-lines, the transfer of these

certificates should be considered as a delivery of the oil, and the

tankage of the seller would be treated as free.[80]

Mr. Rockefeller also agreed in making this contract to pay the

Producers’ Union $40,000 to cover the expense of their litigation. In

return for this money and for the abandonment of secret rebates and of

the pipe-line policy to which he had held so strenuously, what was he to

receive? He was not to be tried for conspiracy. And that day, after the

contract had been presented to the Grand Council, Mr. Campbell sent the

following telegram:

“TITUSVILLE, February 19, 1880.

“TO HIS EXCELLENCY HENRY M. HOYT,

Governor of the Commonwealth of Pennsylvania.

\_Sir\_—As prosecutor in the case of the Commonwealth \_vs.\_ J. D.

Rockefeller, Number 25, April Sessions of Clarion County, I consent

to the withdrawal of the requisition asked of you for extradition of

J. D. Rockefeller \_et al.\_, the same having been in your hands

undecided since July last and a \_nolle prosequi\_ having been entered

by leave of Court of Clarion County in the case, and I will request

William L. Hindman, the prosecuting attorney, to forward a formal

withdrawal.

Your obedient servant,

B. B. CAMPBELL.”

The contract with the Pennsylvania which was signed by Mr. Scott agreed,

in consideration of the withdrawal of the suit against the road, to the

following policy:

1. That it would make known to all shippers all rates of freight charged

upon petroleum. [This was an abolition of secret rates.]

2. If any rates of freight were allowed one shipper as against another,

on demand that rate was to be made known.

3. There should be no longer any discrimination in the allotment and

distribution of cars to shippers of petroleum.

4. Any rebate allowed to a large shipper was to be reasonable.[81]

There were both humiliation and bitterness in the Council when the

report was read—humiliation and bitterness that after two years of such

strenuous fighting all that was achieved was a contract which sacrificed

what everybody knew to be the fundamental principle, the principle which

up to this point the producers had always insisted must be recognised in

any negotiation—that the rebate system was wrong and must not be

compromised with. Hard speeches were made, and Mr. Campbell’s head was

bowed more than once while big tears ran down his cheeks. He had worked

long and hard. Probably most of the members of the Grand Council who

were present had a consciousness that no one of them had done anywhere

near what Mr. Campbell had done toward prosecuting their cause, and

though they might object to the compromise, they could not blame him,

knowing all the difficulties which had been put in the way. So they

accepted the report, thanking him for his fidelity and energy, but not

failing to express their disapproval of the reservation in regard to the

rebate system. They ended their meeting by a resolution bitterly

condemning the courts, the state administration at Harrisburg, and

corporations in general:

“We declare that by the inefficiency and weakness of the secretary

of internal affairs in the year 1878; by the interposition on more

than one occasion of the attorney-general in 1879, by which the

taking of testimony was prevented; by the failure of the present

government for many months, either to grant or deny the requisition

for criminals indicted for crime, within the commonwealth of

Pennsylvania, fugitives to other states; and by the interference of

some of the judges of the Supreme Court, by an extraordinary and,

according to the best legal judgment of the land, unlawful

proceeding, by which the trial of an indictment for misdemeanour

pending in a local court was delayed and prevented, the alarming and

most dangerous influence of powerful corporations has been

demonstrated. While we accept the inevitable result forced upon us

by these influences, we aver that the contest is not over and our

objects not attained, but we all continue to advocate and maintain

the subordination of all corporations to the laws, the constitution,

and the will of the people, however and whenever expressed; that the

system of freight discrimination by common carriers is absolutely

wrong in principle, and tends to the fostering of dangerous

monopolies; and that it is the duty of the government, by

legislation and executive action, to protect the people from their

growing and dangerous power.”

And with this resolution the second Petroleum Producers’ Union formed to

fight Mr. Rockefeller came to an end.

By the morning of February 20 the Oil Regions knew of the compromise.

The news was received in sullen anger. It was due to the cowardice of

the state officials, the corrupting influence of corporations, the oil

men said. They blamed everybody but themselves, and yet if they had done

their duty the suits would never have been compromised. The simple fact

is that the mass of oil men had not stood by their leaders in the hard

fight they had been making. These leaders, Mr. Campbell the president,

Mr. Sherman the chief counsel, and Mr. Patterson the head of the

legislative committee, had given almost their entire time for two years

to the work of the Union. The offices of Mr. Campbell and Mr. Patterson

were both honorary, and they had both often used their private funds in

prosecuting their work. Mr. Sherman gave his services for months at a

time without pay. No one outside of the Council of the Union knew the

stress that came upon these three men. Up to the decision to institute

the conspiracy suit they had worked in harmony. But when that was

decided upon Mr. Patterson withdrew. He saw how fatal such a move must

be, how completely it interfered with the real work of the Union,

forcing common carriers to do their duty. He saw that the substantial

steps gained were given up and that the work would all have to be done

over again if their suit went on. Mr. Campbell believed in it, however,

and Mr. Sherman, whether he believed in it or not, saw no way but to

follow his chief. The nine months of disappointment and disillusion

which followed were terrible for both men. They soon saw that the forces

against them were too strong, that they would never in all probability

be able to get the conspiracy suit tried, and that so long as it was on

the docket the proper witnesses could not be secured for the suits

against the railroads. Finally it came to be a question with them what

out of the wreck of their plans and hopes could they save? And they

saved what the compromise granted. If the oil producers they

represented, a body of some 2,000 men, had stood behind them throughout

1879 as they did in 1878 the results would have been different. Their

power, their means, were derived from this body, and this body for many

months had been giving them feeble support. Scattered as they were over

a great stretch of country, interested in nothing but their own oil

farms, the producers could only be brought into an alliance by hope of

overturning disastrous business conditions. They all felt that the

monopoly the Standard had achieved was a menace to their interests, and

they went willingly into the Union at the start, and supported it

generously, but they were an impatient people, demanding quick results,

and when they saw that the relief the Union promised could only come

through lawsuits and legislation which it would take perhaps years to

finish, they lost interest and refused money. At the first meeting of

the Grand Council of the Union in November, 1878, there were nearly 200

delegates present—at the last one in February, 1880, scarcely forty.

Many of the local lodges were entirely dead. Not even the revival in the

summer of 1879 of the hated immediate shipment order, which had caused

so much excitement the year before, but which had not been enforced long

because of the uprising, brought them back to the Union. In July the

order had been put in operation again in a fashion most offensive to the

oil men, it being announced by the United Pipe Lines that thereafter oil

would be bought by a system of sealed bids. Blanks were to be furnished

the producers, the formula of which ran:

BRADFORD, PENNSYLVANIA,........ 187..

I hereby offer to sell J. A. Bostwick .... barrels crude oil, of

forty-two gallons per barrel, at .... cents, at the wells, for

shipment from the United Pipe Lines, within the next five (5) days,

provided that any portion of the oil not delivered to you within the

specified time shall be considered cancelled.

There was a frightful uproar in consequence. The morning after this

announcement several hundred men gathered in front of the United Pipe

Line’s office in Bradford, and held an open-air meeting. They had a band

on the ground which played “Hold the Fort”; and the following

resolutions were adopted:

“Resolved, That the oil producers of the Northern District in

meeting assembled do maintain and declare that the present shipment

order is infamous in principle and disreputable in practice, and we

hereby declare that we will not sell one barrel of oil in conformity

with the requirements of the said order. And we pledge our lives,

our fortunes and our sacred honour to resort to every legal means,

to use every influence in our power to prevent any sales under the

said order. And we also declare that the United Pipe Lines shall

hereafter perform their duty as common carriers under the law.”

That night a battalion of some 300 masked men in robes of white marched

through the streets of Bradford, groaning those that they suspected of

being in sympathy with the Standard methods, and cheering their friends.

Again there appeared there, that night, all over the upper oil country,

cabalistic signs, which had been seen there often the year before. The

feeling was so intense, and the danger of riot so great, that

twenty-four hours after the order for sealed bids was given, it was

withdrawn. The outbreak aroused Mr. Campbell’s hope that it might be

possible at this moment to arouse the lodges, and he wrote a prominent

oil man of Bradford asking his opinion. In reply he received the

following letter. It shows very well what the leaders had to contend

against. It shows, too, the point of view of a very frank and

intelligent oil producer:

“BRADFORD, PENNSYLVANIA, July 30, 1879.

“B. B. CAMPBELL,

Parnassus, Pennsylvania.

\_Dear Sir\_—Your despatch of yesterday from O. C. has only just

reached me. As I cannot say what I want to over the wires I reply by

mail.

You ask if the high-sounding wording of the declaration of rights of

the producers made at their mass-meeting, held here on Monday, in

which they pledged their lives, fortunes and sacred honours, means

liberal subscriptions to the Council funds. I reply with sorrow and

humiliation—\_I fear not\_. All this high-flown talk is buncombe of

the worst kind. The producers are willing to meet in a mass-meeting

held out of doors where it costs nothing even for rent of a hall,

and pass any kind of a resolution that is offered. It costs nothing

to do this, but when asked to contribute a dollar to the legal

prosecution of these plunderers, robbers, and fugitives from

justice, whom they are denouncing in their resolution, they either

positively refuse, say that the Council is doing nothing, that the

suits are interminable and will never end, that there is no justice

to be obtained in the courts of Pennsylvania, etc., etc., or else

plead poverty and say they have contributed all that they are able

to.

True, the producers are poor and the suits and legal proceedings are

slow, and there is much to discourage them, but I tell you, my

honoured chief, that the true inwardness of this state of affairs

is, that the people of the Oil Regions have by slow degrees and easy

stages been brought into a condition of bondage and serfdom by the

monopoly, until now, when they have been aroused to a realisation of

their condition, they have not the courage and manhood left to

enable them to strike a blow for liberty. And these are the people

for whom you and your few faithful followers in the Council are

labouring, spending (I fear wasting) your substance—neglecting your

own interest to advance theirs, and all for what good—“\_cui bono\_”?

I fear you will say that I am discouraged. No, not discouraged, but

disgusted with the poor, spiritless, and faint-hearted people whom

you are labouring so hard to liberate from bondage. As to the

prospects of raising funds for the prosecution of the suits by

subscription or assessments on the Unions, I am sorry to say that I

fear it is impossible—at least it is impossible for me to make any

collections—and right here let me make a suggestion. I often feel

that the fault may not be with the people, but with the writer. I

would therefore suggest that you select from among the members of

the Council any good man whom you think has the power of convincing

these people that their only hope of relief lies in sustaining you

in the prosecution of the suits, and therefore they must contribute

to the fund. If you will do this, I will promise you that he will be

hospitably received and favourably introduced by the writer. But as

for depending on the unaided efforts of myself to raise funds, I

fear it would be useless.

I do not write this, my friend, with a view of throwing any

discouragement in your path, which, God knows, is rugged and thorny

enough, but I must give vent to my righteous indignation in some

way, and ask you are the producers as a class (nothing but a d—d

cowardly, disorganised mob as they are) worth the efforts you are

putting forth to save them?

As for myself, a single individual (and I can speak for no others),

I am determined to stand with you until the end, with my best

strength and my last dollar.”

Now, what was this loose and easily discouraged organisation opposing? A

compact body of a few able, cold-blooded men—men to whom anything was

right that they could get, men knowing exactly what they wanted, men who

loved the game they played because of the reward at the goal, and, above

all, men who knew how to hold their tongues and wait. “To Mr.

Rockefeller,” they say in the Oil Regions, “a day is as a year and a

year as a day. He can wait, but he never gives up.” Mr. Rockefeller knew

the producers, knew how feeble their staying qualities in anything but

the putting down of oil wells, and he may have said confidently, at the

beginning of their suits against him, as it was reported he did say,

that they would never be finished. They had not been finished from any

lack of material. If the suits had been pushed but one result was

possible, and that was the conviction of both the Standard and the

railroads; they had been left unfinished because of the impatience and

instability of the prosecuting body and the compactness, resolution and

watchfulness of the defendants.

The withdrawal of the suits was a great victory for Mr. Rockefeller.

There was no longer any doubt of his power in defensive operations.

Having won a victory, he quickly went to work to make it secure. The

Union had surrendered, but the men who had made the Union remained; the

evidence against him was piled up in indestructible records. In time the

same elements which had united to form the serious opposition just

overthrown might come together, and if they should it was possible that

they would not a second time make the mistake of vacillation. The press

of the Oil Regions was largely independent. It had lost, to be sure, the

audacity, the wit, the irrepressible spirit of eight years before when

it fought the South Improvement Company. Its discretion had outstripped

its courage, but there were still signs of intelligent independence in

the newspapers. Mr. Rockefeller now entered on a campaign of

reconciliation which aimed to placate, or silence, every opposing force.

Many of the great human tragedies of the Oil Regions lie in the

individual compromises which followed the public settlement of 1880; for

then it was that man after man, from hopelessness, from disgust, from

ambition, from love of money, gave up the fight for principle which he

had waged for seven years. “The Union has surrendered,” they said; “why

fight on?” This man took a position with the Standard and became

henceforth active in its business; that man took a salary and dropped

out of sight; this one went his independent way, but with closed lips;

that one shook the dust of the Oil Regions from his feet and went out to

seek “God’s country,” asking only that he should never again hear the

word “oil.” The newspapers bowed to the victor. A sudden hush came over

the region, the hush of defeat, of cowardice, of hopelessness. Only the

“poor producer” grumbled. “You can’t satisfy the producer,” Mr.

Rockefeller often has had occasion to remark benignantly and pitifully.

The producer alone was not “convinced.” He still rehearsed the series of

dramatic attacks and sieges which had wiped out independent effort. He

taught his children that the cause had been sold, and he stigmatised the

men who had gone over to the Standard as traitors. Scores of boys and

girls grew up in the Oil Regions in those days with the same feeling of

terrified curiosity toward those who had “sold to the Standard” that

they had toward those who had “been in jail.” The Oil Regions as a whole

was at heart as irreconcilable in 1880 as it had been after the South

Improvement Company fight, and now it had added to its sense of outrage

the humiliation of defeat. Its only immediate hope now was in the

success of one of the transportation enterprises which had come into

existence with the uprising of 1878 and to which it had been for two

years giving what support it could. This enterprise was the seaboard

pipe-line which, as we have seen, Messrs. Benson, McKelvy and Hopkins

had undertaken.

APPENDIX

NUMBER 1 (See page 1007)

PROFESSOR SILLIMAN’S REPORT ON PETROLEUM

[From “The Early and Later History of Petroleum,” by J. T. Henry,

pages 38–54.]

MESSRS. EVELETH, BISSELL AND REED.

\_Gentlemen\_:—I herewith offer you the results of my somewhat

extended researches upon the rock-oil, or petroleum, from Venango

County, Pennsylvania, which you have requested me to examine with

reference to its value for economical purposes.

Numerous localities, well known in different parts of the world,

furnish an oily fluid exuding from the surface of the earth,

sometimes alone in “tar springs,” as they are called in the Western

United States; frequently it is found floating upon the surface of

water in a thin film, with rainbow colours, or in dark globules,

that may, by mechanical means, be separated from the fluid on which

it swims.

In some places wells are sunk for the purpose of accumulating the

product in a situation convenient for collection by pumping the

water out. The oil exudes on the shores of lakes and lagoons, or

rises from springs beneath the beds of rivers. Such are the springs

of Baku, in Persia, and the wells of Amiano, in the duchy of Parma,

in Italy. The usual geological position of the rocks furnishing this

natural product is in the coal measures—but it is by no means

confined to this group of rocks, since it has been found in deposits

much more recent, and also in those that are older—but in whatever

deposits it may occur, it is uniformly regarded as a product of

vegetable decomposition. Whether this decomposition has been

effected by fermentation only, or by the aid of an elevated

temperature, and distilled by heated vapour, is perhaps hardly

settled.

It is interesting, however, in this connection to remember that the

distillation, at an elevated temperature, of certain black,

bituminous shales in England and France has furnished large

quantities of an oil having many points of resemblance with naphtha,

the name given to this colourless oil, which is the usual product of

distilling petroleum. The very high boiling point of most of the

products of the distillation of the rockoil from Venango County,

Pennsylvania, would seem to indicate that it was a pyrogenic

(fire-produced) product.

Bitumen, asphaltum, mineral pitch, chapapote, etc., etc., are names

variously given to the more or less hard, black, resinous substance

which is produced usually from the exposure of petroleum to the air,

and is found either with or without the fluid naphtha or petroleum.

The most remarkable examples of the occurrence of these substances,

so intimately connected with the history of rock-oil, are the Lake

Asphaltites of the Dead Sea, so memorable in history, the well-known

Bitumen Lake of Trinidad, and the deposits of mineral pitch or

chapapote in Cuba. In one of the provinces of India, vast quantities

of petroleum are annually produced, the chief consumption being

local, for fuel and lights, but a portion is also exported to Europe

for the production of naphtha. In the United States, many points on

the Ohio and its tributaries are noted as producing this oil; nearly

all of them within the coal measures. A detailed history of these

various localities can be found recorded in books of science, and

their repetition here would be out of place.

GENERAL CHARACTER OF THE CRUDE PRODUCT

The crude oil, as it is gathered on your lands, has a dark brown

colour, which, by reflected light, is greenish or bluish. It is

thick even in warm weather—about as thick as thin molasses. In very

cold weather it is somewhat more stiff, but can always be poured

from a bottle even at 15° below zero. Its odour is strong and

peculiar, and recalls to those who are familiar with it the smell of

bitumen and naphtha. Exposed for a long time to the air, it does not

thicken or form a skin on its surface, and in no sense can it be

called a drying oil. The density of the crude oil is .882, water

being 1.000. It boils only at a very high temperature, and yet it

begins to give off a vapour at a temperature not greatly above that

of boiling water. It takes fire with some difficulty and burns with

an abundant smoky flame. It stains paper with the appearance of

ordinary fat oils, and feels smooth and greasy between the fingers.

It is frequently used in its crude state to lubricate coarse

machinery. In chemical characters, it is entirely unlike the fat

oils. Most of these characters are common to petroleum from various

places. In one important respect, however, the product of your lands

differs from that obtained in other situations, that is, it does

not, by continued exposure to the air, become hard and resinous like

mineral pitch or bitumen. I have been informed by those who have

visited the locality, that on the surface of the earth above the

springs which furnish your oil there is no crust or deposit of this

sort such as I have seen in other situations where petroleum or

mineral tar is flowing. This difference will be seen to be of

considerable importance, as it is understood and represented that

this product exists in great abundance upon your property, that it

can be gathered wherever a well is sunk in the soil, over a great

number of acres, and that it is unfailing in its yield from year to

year. The question naturally arises, Of what value is it in the

arts, and for what uses can it be employed? These researches answer

these inquiries.

EXAMINATION OF THE OIL

To determine what products might be obtained in the oil, a portion

of it was submitted to fractional distillation.[82] The temperature

of the fluid was constantly regulated by a thermometer, the heat

being applied first by a water bath, and then by a bath of linseed

oil. This experiment was founded upon the belief that the crude

product contained several distinct oils, having different boiling

points. The quantity of material used in this experiment was 304

grammes. The thermometer indicated the degrees of the Centigrade

scale, but, for convenience, the corresponding degrees of

Fahrenheit’s scale are added. The water bath failed to distil any

portion of the oil at 100° C. (= 212° F.), only a small quantity of

acid water came over. An oil bath, linseed oil, was then

substituted, and the temperature was regularly raised by slow

degrees until distillation commenced. From that point the heat was

successively raised by stages of ten degrees, allowing full time at

each stage for complete distillation of all that would rise at that

temperature before advancing to the next stage. The results of this

tedious process are given in the annexed table—304 grammes of crude

oil, submitted to fractional distillation, gave

TEMPERATURE QUANTITY

1st Prod. at 100° C. = 213° F.(acid water) 5 gms.

2nd Prod. at 140° C. to 150° C.= 284° to 302° F. 26 gms.

3rd Prod. at 150° C. to 160° C.= 302° to 320° F. 29 gms.

4th Prod. at 160° C. to 170° C.= 320° to 388° F. 38 gms.

5th Prod. at 170° C. to 180° C.= 338° to 367° F. 17 gms.

6th Prod. at 180° C. to 200° C.= 356° to 392° F. 16 gms.

7th Prod. at 200° C. to 220° C.= 392° to 428° F. 17 gms.

8th Prod. at 220° C. to 270° C.= 428° to 518° F. 12 gms.

Whole quantity distilled by this method 160 gms.

———

Leaving residue in the retort 144 gms.

———

Original quantity 304 gms.

\_Product No. 1\_, as above remarked, was almost entirely water, with

a few drops of colourless oil, having an odour similar to the

original fluid, but less intense.

\_Product No. 2\_ was an oil perfectly colourless, very thin and

limpid, and having an exceedingly persistent odour, similar to the

crude oil, but less intense.

\_Product No. 3\_ was tinged slightly yellow, perfectly transparent,

and apparently as limpid as the second product, with the same odour.

\_Product No. 4\_ was more decidedly yellowish than the last, but was

in no other respect distinguishable from it.

\_Product No. 5\_ was more highly coloured, thicker in consistence,

and had a decided empyreumatic odour.

\_Product No. 6.\_ This and the two subsequent products were each more

highly coloured and denser than the preceding. The last product had

the colour and consistency of honey, and the odour was less

penetrating than that of the preceding oils. The mass of crude

product remaining in the retort (equal 47.4 per cent.) was a dark,

thick, resinous-looking varnish, which was so stiff when cold that

it could be inverted without spilling. This showed no disposition to

harden or skin over by exposure to the air. The distillation was

arrested at this point in glass, by our having reached the limit of

temperature for a bath of linseed oil. The \_density\_ of the several

products of this distillation shows a progressive increase, thus:

DENSITY

No. 2 733

No. 3 752

No. 4 766

No. 5 776

No. 6 800

No. 7 848

No. 8 854

To form an idea of the comparative density of these several

products, it may be well to state that sulphuric ether, which is one

of the lightest fluids known, has a density of .736, and alcohol,

when absolutely pure, .800.

The \_boiling points\_ of these several fluids present some anomalies,

but are usually progressive, thus, No. 2 gave signs of boiling at

115° C. (= 239° F.), and boiled vigorously and remained constant at

225° C. to 228° C. (= 437° to 442° F.). No. 3 began to boil 120° (=

248° F.), rose to 270° (= 518° F.), where it remained constant. No.

4 began to vapourise at 140° (= 284° F.), rose to 290° (= 554° F.),

where it remained constant. On a second heating the temperature

continued to rise, and passed 305° (= 581° F.). No. 5 gave

appearance of boiling at 160° (= 320° F.), boiling more vigorously

as the heat was raised, and was still rising at 308° (= 581° F.).

No. 6 commenced boiling at 135° (= 275° F.), boiled violently at

160° (= 320° F.), and continued rising above the range of the

mercurial thermometer. No. 7 commenced ebullition at the same

temperature as No. 6, and rose to 305° (= 581° F.), where the

ebullition was not very active. Much time was consumed in obtaining

these results. We infer from them that the rock-oil is a mixture of

numerous compounds, all having essentially the same chemical

constitution, but differing in density and boiling points, and

capable of separation from each other, by a well-regulated heat.

The uncertainty of the boiling points indicates that the products

obtained at the temperatures named above were still mixtures of

others, and the question forces itself upon us, whether these

several oils are to be regarded as \_educts\_ (i. e., bodies

previously existing, and simply separated in the process of

distillation), or whether they are not rather produced by the heat

and chemical change in the process of distillation. The continued

application of an elevated temperature alone is sufficient to effect

changes in the constitution of many organic products, evolving new

bodies not before existing in the original substance.

PROPERTIES OF THE DISTILLED OILS

Exposed to the severest cold of the past winter, all the oils

obtained in this distillation remained fluid. Only the last two or

three appeared at all stiffened by a cold of 15° below zero, while

the first three or four products of distillation retained a perfect

degree of fluidity. Exposed to air, as I have said, they suffer no

change. The chemical examination of these oils showed that they were

all composed of carbon and hydrogen, and probably have these

elements in the same numerical relation. When first distilled they

all had an acid reaction, due to the presence of a small quantity of

free sulphuric acid, derived from the crude oil. This was entirely

removed by a weak alkaline water, and even by boiling on pure water.

Clean copper remained untarnished in the oil which had thus been

prepared, showing its fitness for lubrication, so far as absence of

corrosive quality is concerned. The oils contain no oxygen, as is

clearly shown by the fact that clean potassium remains bright in

them. Strong \_sulphuric acid\_ decomposes and destroys the oil

entirely. \_Nitric acid\_ changes it to a yellow, oily fluid, similar

to the changes produced by nitric acid on other oils.

\_Hydrochloric\_, \_chromic\_, and \_acetic acids\_ do not affect it.

\_Litharge\_ and other metallic oxyds do not change it, or convert it

in any degree to a drying oil. \_Potassium\_ remains in it unaffected,

even at a high temperature. \_Hydrates of potash\_, \_soda\_, and \_lime\_

are also without action upon it. \_Chloride of calcium\_ and many

other salts manifest an equal indifference to it. Distilled with

\_bleaching powders\_ (chloride of lime) and water in the manner of

producing chloroform, the oil is changed into a product having an

odour and taste resembling chloroform. Exposed for many days in an

open vessel, at a regulated heat below 212°, the oil gradually rises

in vapour, as may be seen by its staining the paper used to cover

the vessel from dust, and also by its sensible diminution. Six or

eight fluid ounces, exposed in this manner in a metallic vessel for

six weeks or more, the heat never exceeding 200°, gradually and

slowly diminished, grew yellow, and finally left a small residue of

dark brown, lustrous-looking resin, or pitchy substance, which in

the cold was hard and brittle. The samples of oil employed were very

nearly colourless. This is remarkable when we remember that the

temperature of the distillation was above 500° F. The oil is nearly

insoluble in pure alcohol, not more than 4 or 5 per cent. being

dissolved by this agent. In ether the oil dissolves completely, and

on gentle heating is left unchanged by the evaporisation of the

ether. India-rubber is dissolved by the distilled oil to a pasty

mass, forming a thick, black fluid which, after a short time,

deposits the India-rubber. It dissolved a little amber, but only

sufficient to colour the oil red. It also dissolves a small portion

of copal in its natural state, but after roasting, the copal

dissolves in it as it does in other oils.

USE FOR GAS-MAKING

The crude oil was tried as a means of illumination. For this

purpose, a weighed quantity was decomposed, by passing it through a

wrought-iron retort filled with carbon, and ignited to full redness.

The products of this decomposition were received in a suitable

apparatus. It produced nearly pure carburetted hydrogen gas, the

most highly illuminating of all the carbon gases. In fact, the oil

may be regarded as chemically identical with illuminating gas in a

liquid form. The gas produced equalled ten cubic feet to the pound

of oil. It burned with an intense flame, smoking in the ordinary gas

jet, but furnishing the most perfect flame with the Argand burner.

These experiments were not prosecuted further, because it was

assumed that other products, now known and in use, for gas-making,

might be employed at less expense for this purpose, than your oil.

Nevertheless, this branch of inquiry may be worthy of further

attention.

DISTILLATION AT A HIGHER TEMPERATURE

The results of the distillation at a regulated temperature in glass

led us to believe that in a metallic vessel, capable of enduring a

high degree of heat, we might obtain a much larger proportion of

valuable products. A copper still, holding five or six gallons, was

therefore provided, and furnished with an opening, through which a

thermometer could be introduced into the interior of the vessel.

Fourteen imperial quarts (or, by weight, 560 ounces) of the crude

product were placed in this vessel, and the heat raised rapidly to

about 280° C. (= 536° F.), somewhat higher than the last temperature

reached in the first distillation. At this high temperature the

distillation was somewhat rapid, and the product was easily

condensed without a worm. The product of the first stage was 130

ounces (or over 28 per cent.), of a very light-coloured thin oil,

having a density of .792. This product was also acid, and as before,

the acid was easily removed by boiling with fresh water. The

temperature was now raised to somewhat above 300° C. (= 572° F.),

and 123 ounces more distilled, of a more viscid and yellowish oil,

having a density of .865. This accounts for over 43 per cent. of the

whole quantity taken. The temperature being raised now above the

boiling point of mercury, was continued at that until 170 ounces, or

over 31 per cent., of a dark brown oil had been distilled, having a

strong empyreumatic odor. Upon standing still for some time, a dark

blackish sediment was seen to settle from this portion, and on

boiling it with water the unpleasant odour was in a great degree

removed, and the fluid became more light-coloured and perfectly

bright. (It was on a sample of this that the photometric experiments

were made.) The next portion, distilled at about 700° F., gave but

about 17 ounces, and this product was both lighter in colour and

more fluid than the last. It now became necessary to employ dry

hickory wood as a fuel, to obtain flame and sufficient heat to drive

over any further portions of the residue remaining in the alembic.

It will be seen that we have already accounted for over 75 per cent.

of the whole quantity taken. There was a loss on the whole process

of about 10 per cent. made up, in part, of a coaly residue that

remained in the alembic, and partly of the unavoidable loss

resulting from the necessity of removing the oil twice from the

alembic, during the process of distillation, in order to change the

arrangements of the thermometer, and provide means of measuring a

heat higher than that originally contemplated.

About 15 per cent. of a very thick, dark oil completed this

experiment. This last product, which came off slowly at about 750°

F., is thicker and darker than the original oil, and when cold, is

filled with a dense mass of pearly crystals. These are paraffine, a

peculiar product of the destructive distillation of many bodies in

the organic kingdom. This substance may be separated, and obtained

as a white body, resembling fine spermaceti, and from it beautiful

candles have been made. The oil in which the crystals float is of a

very dark colour, and by reflected light is blackish green, like the

original crude product. Although it distills at so high a

temperature, it boils at a point not very different from the denser

products of the first distillation. The paraffine, with which this

portion of the oil abounds, does not exist ready-formed in the

original crude product; but it is a result of the high temperature

employed in the process of distillation, by which the elements are

newly arranged.

I am not prepared to say, without further investigation, that it

would be desirable for the company to manufacture this product in a

pure state, fit for producing candles (a somewhat elaborate chemical

process); but I may add that, should it be desirable to do so, the

quantity of this substance produced may probably be very largely

increased by means which it is now unnecessary to mention.

Paraffine derives its name from the unalterable nature of the

substance, under the most powerful chemical agents. It is white, in

brilliant scales of a greasy lustre; it melts at about 116°, and

boils at over 700° F.; it dissolves in boiling alcohol and ether,

and burns in the air with a brilliant flame. Associated with

paraffine are portions of a very volatile oil, \_eupione\_, which

boils at a lower temperature, and by its presence renders the

boiling point of the mixture difficult to determine. I consider this

point worthy of further examination than I have been able at present

to give it, i.e., whether the last third, and possibly the last

half, of the petroleum, may not be advantageously so treated as to

produce from it the largest amount of paraffine which it is able to

produce.

The result of this graduated distillation, at a high temperature, is

that we have obtained over 90 per cent. of the whole crude product

in a series of oils, having valuable properties, although not all

equally fitted for illumination and lubrication.

A second distillation of a portion of the product which came over in

the later stages of the process (a portion distilled at about 650°

F., and having a high colour), gave us a thin oil of density about

.750, of light yellow colour and faint odour.

It is safe to add that, by the original distillation, about 50 per

cent. of the crude oil is obtained in a state fit for use as an

illuminator without further preparation than simple clarification by

boiling a short time with water.

DISTILLATION BY HIGH STEAM

Bearing in mind that by aid of high steam, at an elevated

temperature, many distillations in the arts are affected which

cannot be so well accomplished by dry heat, I thought to apply this

method in case of the present research. Instances of this mode of

distillation are in the new process for Stearine candles, and in the

preparation of rosin oil. I accordingly arranged my retort in such a

manner that I could admit a jet of high steam into the boiler, and

almost at the bottom of the contained petroleum. I was, however,

unable to command a jet of steam above 275° to 290° F., and although

this produced abundant distillation, it did not effect a separation

of the several products, and the fluid distilled had much the same

appearance as the petroleum itself, thick and turbid. As this trial

was made late in the investigation, I have been unable to give it a

satisfactory issue, chiefly for want of steam of a proper

temperature. But I suggest, for the consideration of the company,

the propriety of availing themselves of the experience already

existing on this subject, and particularly among those who are

concerned in the distillation of rosin oil—a product having many

analogies with petroleum in respect to its manufacture.

USE OF THE NAPHTHA FOR ILLUMINATION

Many fruitless experiments have been made in the course of this

investigation which it is needless to recount. I will, therefore,

only state those results which are of value.

1. I have found that the only lamp in which this oil can be

successfully burned is the camphene lamp, or one having a button to

form the flame, and an external cone to direct the current of air,

as is now usual in all lamps designed to burn either camphene, rosin

oil, sylvic oil, or any other similar product.

2. As the distilled products of petroleum are nearly or quite

insoluble in alcohol, burning fluid (i. e., a solution of the oil in

alcohol) cannot be manufactured from it.

3. As a consequence, the oil cannot be burned in a hand lamp, since,

with an unprotected wick, it smokes badly. Neither can it be burned

in a Carcel’s mechanical lamp, because a portion of the oil being

more volatile than the rest, rises in vapour on the elevated wick

required in that lamp, and so causes it to smoke.

I have found all the products of distillation from the copper still

capable of burning well in the camphene lamp, except the last third

or fourth part (i.e., that portion which came off at 700° F. and

rising, and which was thick with the crystals of paraffine). Freed

from acidity by boiling on water, the oils of this distillation

burned for twelve hours without injuriously coating the wick, and

without smoke. The wick may be elevated considerably above the level

required for camphene, without any danger of smoking, and the oil

shows no signs of crusting the wick tubes with a coating of rosin,

such as happens in the case of camphene, and occasions so much

inconvenience. The light from the rectified naphtha is pure and

white, without odour. The rate of consumption is less than half that

of camphene, or rosin oil. The Imperial pint, of 20 fluid ounces,

was the one employed—a gallon contains 160 such ounces. A camphene

lamp, with a wick one inch thick, consumed of rectified naphtha in

one hour, 1¾ ounces of fluid. A Carcel’s mechanical lamp of ⅞–inch

wick, consumed of best sperm oil, per hour, 2 ounces. A “Diamond

Light” lamp, with “sylvic oil,” and a wick 1½–inch diameter,

consumed, per hour, 4 ounces.

I have submitted the lamp burning petroleum to the inspection of the

most experienced lampists who were accessible to me, and their

testimony was, that the lamp burning this fluid gave as much light

as any which they had seen, that the oil spent more economically,

and the uniformity of the light was greater than in camphene,

burning for twelve hours without a sensible diminution, and without

smoke. I was, however, anxious to test the amount of light given,

more accurately than could be done by a comparison of opinions. With

your approbation I proceeded therefore to have constructed a

\_photometer\_, or apparatus for the measurement of light, upon an

improved plan. Messrs. Grunow, scientific artists of this city,

undertook to construct this apparatus, and have done so to my entire

satisfaction. This apparatus I shall describe elsewhere—its results

only are interesting here. By its means I have brought the petroleum

light into rigid comparison with the most important means of

artificial illumination. Let us briefly recapitulate the results of

these

PHOTOMETRIC EXPERIMENTS

The \_unit\_ adopted for comparison of intensities of illumination is

Judd’s Patent Sixes Sperm Candle.

The sperm oil used was from Edward Mott Robinson, of New Bedford—the

best winter sperm remaining fluid at 32° F. The colza oil and

Carcel’s lamps were furnished by Dardonville, lampist, Broadway, New

York. The gas used was that of the New Haven Gas Light Co., made

from best Newcastle coal, and of fair average quality.

The distance between the standard candle, and the illuminator sought

to be determined, was constantly 150 inches—the photometer traversed

the graduated bar in such a manner as to read, at any point where

equality of illumination was produced, the ratio between the two

lights. I quote only single examples of the average results, and

with as little detail as possible, but I should state that the

operation of the photometer was so satisfactory that we obtained

constantly the same figures when operating in the same way, evening

after evening, and the sensitiveness of the instrument was such that

a difference of one-half inch in its position was immediately

detected in the comparative illumination of the two equal discs of

light in the dark chamber. This is, I believe, a degree of accuracy

not before obtained by a photometer.

TABLE OF ILLUMINATING POWER OF VARIOUS ARTIFICIAL LIGHTS COMPARED WITH

JUDD’S PATENT CANDLES AS A UNIT

SOURCE OF LIGHT RATIO TO

CANDLE—1

Gas burning in Scotch fish-tail tips, 4 feet to the hour 1 : 5.4

Gas burning in Scotch fish-tail tips, 6 feet to the hour 1 : 7.55

Gas burning in Cornelius fish-tail tips, 6 feet to the hour 1 : 6.3

Gas burning in English Argand burner, 10 feet to the hour 1 : 16

Rock-oil, burning in 1–inch wick camphene lamp, consuming 1¾

ounces of fluid to the hour 1 : 8.1

Carcel’s mechanical lamp, burning best sperm oil, 2 ounces of

fluid to the hour, wick ⅞ of an inch 1 : 7.5

Carcel’s mechanical lamp, burning best sperm oil, 2 ounces of

colza oil to the hour, wick of ⅞ an inch 1 : 7.5

Camphene lamp (same size as rock-oil above) burning best

camphene, 4 fluid ounces per hour 1 : 11

“Diamond Light” by “sylvic oil,” in 1½–inch wick, 4 ounces

per hour 1 : 8.1

From this table it will be seen that the rock-oil lamp was somewhat

superior in illuminating power to Carcel’s lamp of the same size,

burning the most costly of all oils. It was also equal to the

“Diamond Light” from a lamp of one-half greater power, and

consequently is superior to it in the same ratio in lamps of equal

power. The camphene lamp appears to be about one-fifth superior to

it, but, on the other hand, the rock-oil surpasses the camphene by

more than one-half in economy of consumption (i.e., it does not

consume one-half so much fluid by measure), and it burns more

constantly. Compared with the sylvic oil and the sperm, the rock-oil

gave on the ground glass diaphragm the whitest disc of illumination,

while in turn the camphene was whiter than the rock-oil light. By

the use of screens of different coloured glass, all inequalities of

\_colour\_ were compensated in the use of the photometer, so that the

intensity of light could be more accurately compared. Compared with

gas, the rock-oil gave more light than any burner used except the

costly Argand consuming ten feet of gas per hour. To compare the

\_cost\_ of these several fluids with each other, we know the price of

the several articles, and this varies very much in different places.

Thus, gas in New Haven costs $4 per 1,000 feet, and in New York

$3.50 per 1,000, in Philadelphia $2.00 per 1,000, and in Boston

about the same amount.

Such sperm oil as was used costs $2.50 per gallon, the colza about

$2, the sylvic oil 50 cents, and the camphene 68 cents; no price has

been fixed upon for the rectified rock-oil.

I cannot refrain from expressing my satisfaction at the results of

these photometric experiments, since they have given the oil of your

company a much higher value as an illuminator than I had dared to

hope.

USE OF THE ROCK-OIL AS A LUBRICATOR FOR MACHINERY

A portion of the rectified oil was sent to Boston to be tested upon

a trial apparatus there, but I regret to say that the results have

not been communicated to me yet. As this oil does not gum or become

acid or rancid by exposure, it possesses in that, as well as in its

wonderful resistance to extreme cold, important qualities for a

lubricator.

CONCLUSION

In conclusion, gentlemen, it appears to me that there is much ground

for encouragement in the belief that your company have in their

possession a raw material from which, by simple and not expensive

process, they may manufacture very valuable products.

It is worthy of note that my experiments prove that nearly the

\_whole\_ of the raw product may be manufactured without waste, and

this solely by a well-directed process which is in practice one of

the most simple of all chemical processes.

There are suggestions of a practical nature, as to the economy of

your manufacture, when you are ready to begin operations, which I

shall be happy to make, should the company require it; meanwhile, I

remain, gentlemen,

Your obedient servant,

B. SILLIMAN, JR.,

\_Professor of Chemistry in Yale College\_.

NEW HAVEN, April 16, 1855.

NUMBER 2 (See page 1044)

FIRST ACT OF INCORPORATION OF THE STANDARD OIL COMPANY

\_KNOW ALL MEN BY THESE PRESENTS\_: That we, \_John D. Rockefeller\_,

\_Henry M. Flagler\_, \_Samuel Andrews\_, and \_Stephen V. Harkness\_, of

\_Cleveland, Cuyahoga County, Ohio\_, and \_William Rockefeller\_, of

the \_City\_, \_County\_, and \_State\_ of \_New York\_, have associated

ourselves together under the provisions of the Act of the

Legislature of the State of Ohio, entitled An Act to provide for the

creation and regulation of incorporated companies in the State of

Ohio, passed May 1, 1852, and the Acts supplementary thereto passed

April 8, 1856, and the Act to amend the last-named Act, passed

February 14, 1861, and other laws of the State of Ohio applicable

thereto, for the purpose of forming a body corporate for

manufacturing petroleum and dealing in petroleum, and its products

under the corporate name of \_THE STANDARD OIL COMPANY\_.

And we do certify that the purpose for which said body corporate is

formed is the manufacture of petroleum and to deal in petroleum and

its products.

That the capital stock necessary for said company, and the amount

agreed on as composing the capital stock, is the sum of \_One Million

Dollars\_.

That the amount of each share of capital stock is \_One Hundred

Dollars\_.

That the name of the place where said manufacturing establishment

shall be located for doing business is \_Cleveland City, Cuyahoga

County, State of Ohio\_.

That the name and style by which said manufacturing establishment

shall be known is \_THE STANDARD OIL COMPANY\_.

JOHN D. ROCKEFELLER,

HENRY M. FLAGLER,

SAMUEL ANDREWS,

STEPHEN V. HARKNESS,

WILLIAM ROCKEFELLER.

CLEVELAND, OHIO, January 10, 1870.

NUMBER 3 (See page 1047)

AFFIDAVIT OF JAMES H. DEVEREUX

[In the case of the Standard Oil Company \_vs.\_ William C. Scofield

\_et al.\_ in the Court of Common Pleas, Cuyahoga County, Ohio.]

J. H. Devereux, being first duly sworn, says that he is forty-eight

years of age, and is president of the New York, Pennsylvania and

Ohio Railroad; that in 1868 he became vice-president of the Lake

Shore Railroad, and remained in that position as well as president

and general manager till 1873. That he has heard read the statements

of Robert Hanna and George O. Baslington, in their affidavits filed

herein in respect to transportation of oil, and in regard thereto he

has to say that his experience with the oil traffic began in 1868

when he went upon the Lake Shore Railroad as vice-president,

succeeding Mr. Stone who retired from ill health; that the only

written memoranda connected with the business of the company with

which he was furnished was a book in which it was stated—probably in

Mr. Stone’s handwriting—that the representatives of the various oil

interests of Cleveland would agree to pay a rate of 1 cent. per

gallon on crude oil moved from the regions to Cleveland; that in

addition to the inevitable friction arising from the competition of

these refiners of Cleveland—probably aggregating twenty-five in

number, was the further difficulty of the patent right which the

Pennsylvania Railroad claimed to the transportation of oil, and the

peculiar differences made by them in the rates given to refiners at

Titusville, Pittsburg, and other places all thoroughly in

competition with the then very limited refining capacity of

Cleveland; that he took up the subject as to whether the Lake Shore

Railroad could hope to compete for the transportation of oil, and

the end of the matter was that the Jamestown and Franklin Railroad

was extended from Franklin to Oil City, the then centre of the

producing district, and a sharper contest than ever was produced,

growing out of the opposition of the Pennsylvania Railroad in

competition; that such rates and arrangements were made by the

Pennsylvania Railroad, that it was publicly proclaimed in the public

print in Oil City, Titusville, and other places that Cleveland was

to be wiped out as a refining centre as with a sponge, and without

exception the oil refiners of Cleveland came to affiant as a

representative of transportation, and with a single exception

expressed their fears that they would have either to abandon their

business here or move to Titusville or other points in the Oil

Regions; that the only exception to this decision was that offered

by Rockefeller, Andrews and Flagler, who on its assurance that the

Lake Shore Railroad could and would handle oil as cheaply as the

Pennsylvania Company, proposed to stand their ground at Cleveland

and fight it out on that line. That later, about 1870, the first

move was made to transport refined oil by rail regularly and

throughout the entire year from Cleveland to New York. That prior to

that time the export business from Cleveland was comparatively

limited and was confined to the summer months, most of that portion

of the traffic refined at Cleveland in competition with Pittsburg,

Titusville, and other places being shipped by lake and canal, and as

affiant remembers at a rate of about one dollar per barrel, and with

a certainty of its being reduced to ninety cents. That the rail rate

was nominally two dollars on refined oil from Cleveland to New York.

That Mr. Flagler, at this time representing Rockefeller, Andrews and

Flagler, proposed to make regular monthly shipments by rail

throughout the year provided a proper rate could be made for the

business then offered, this rate to cover transportation of crude

from the region to Cleveland, and when refined from Cleveland to New

York. Rockefeller, Andrews and Flagler being the only refiners here

who proposed to compete for the export business or offered oil for

the entire haul from the regions to Cleveland and thence to New

York; that Mr. Flagler’s proposition was to assure to the Lake Shore

Railroad sixty carloads of refined oil per day[83] from Cleveland to

New York at a rate of $1.75 per barrel from the regions to New York,

being thirty-five cents per barrel for crude from the regions to

Cleveland and $1.30 per barrel for refined from Cleveland to New

York; and Rockefeller, Andrews and Flagler were to assume all risk

and losses from fire or other accidents. That affiant took this

proposition into consideration and made careful computation of the

cost of this transportation to the railroad, which cost is the

proper basis in fixing the rate to be charged; that affiant found

that the then average time for a round trip from Cleveland to New

York for a freight car was thirty days; to carry sixty cars per day

would require 1,800 cars at an average cost of $500 each, making an

investment of $900,000 necessary to do this business, as the

ordinary freight business had to be done; but affiant found that if

sixty carloads could be assured with absolute regularity each and

every day, the time for a round trip from Cleveland to New York and

return could be reduced to ten days, by moving these cars in solid

trains instead of mixing oil cars in other trains, as would be

necessary when transported in small quantities and by moving the oil

trains steadily without regard to other cars; that by thus reducing

the time to ten days for a round trip, only six hundred cars would

be necessary to do this business with an investment therefore of

only $300,000. That the regularity of the traffic would insure

promptness in the unloading and return of the cars; that upon these

considerations affiant concluded that Mr. Flagler’s proposition

offered to the railroad company a larger measure of profit than

would or could ensue from any business to be carried under the old

arrangements, and such proved to be pre-eminently the case; that the

proposition of Mr. Flagler was therefore accepted, and in affiant’s

judgment this was the turning-point which secured to Cleveland a

considerable portion of the export traffic. That this arrangement

was at all times open to any and all parties who would secure or

guarantee a like amount of traffic or an amount sufficient to be

treated and handled in the same speedy and economical way, the

charges for transportation being always necessarily based upon the

actual cost of the service to the railroad, and whenever any shipper

or shippers will unite to reduce the cost of transportation to the

railroad, to refuse to give them the benefit of such reduction would

be to the detriment of the public, the consumers, who in the end pay

the transportation charges. Affiant says that this legitimate and

necessary advantage of the large shipper over the smaller he

explained to Mr. Hanna and Mr. Baslington, and they recognised its

propriety, and affiant offered them the same terms if by themselves

or with others they would assure him like quantities with like

regularity, thus securing like speed and economy in transportation.

And further affiant saith not.

J. H. DEVEREUX.

Subscribed in my presence and sworn to before me this thirteenth day

of November, 1880.

J. C. CANNON,

\_Notary Public in and for Said County\_.

NUMBER 4 (See page 1055)

TESTIMONY OF HENRY M. FLAGLER ON THE SOUTH IMPROVEMENT COMPANY

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3112, pages 289–290.]

\_A.\_ ... Neither of the Messrs. Rockefeller, Colonel Payne, nor

myself, nor any one connected with the Standard Oil Company, ever

had any confidence in or regard for the scheme known as the South

Improvement Company. We did not believe in it, but the view

presented by other gentlemen was pressed upon us to such an extent

that we acquiesced in it to the extent of subscribing our names to a

certain amount of the stock, which was never paid for. The company

never did a dollar’s worth of business, and never had any existence

other than its corporative existence, which it obtained through its

charter. Through its president it negotiated certain railroad

contracts, which, as I remember now, were signed by the company and

by the officers of the railroad. Those contracts were held in escrow

a few weeks and were destroyed or cancelled by mutual consent.

\_Q.\_ Who presented these views to you gentlemen? Who was the person

that had charge of this South Improvement Company’s scheme?

\_A.\_ I think Mr. Warden and the Messrs. Logan were the great leaders

in the South Improvement Company policy.

NUMBER 5 (See page 1062)

CONTRACT BETWEEN THE SOUTH IMPROVEMENT COMPANY AND THE PENNSYLVANIA

RAILROAD COMPANY, DATED JANUARY 18, 1872

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3112, pages 357–361.]

Agreement made and entered into this eighteenth day of January, in

the year eighteen hundred and seventy-two, by and between the South

Improvement Company, a corporation organised and existing under the

laws of the State of Pennsylvania, party hereto of the first part,

and the Pennsylvania Railroad Company, on its own behalf and on

behalf of all other railroad companies, whose roads are controlled,

owned, or leased by it, or with which it has sufficient running

arrangements, which other roads are herein described as the

connections of the said Pennsylvania Railroad Company, party hereto

of the second part.

WITNESSETH:

\_Whereas\_, the party hereto of the first part has been organized for

the purpose, among other things, of increasing, facilitating, and

developing the trade in and the conveyance and transportation of

petroleum and its products, and for that purpose proposes, among

other things, to expend large sums of money in the purchase,

erection, and construction of, and maintaining and conducting works

for storage, distillation, and refining, warehousing and

transportation, and in various other ways, upon the inducement,

among other things, of this contract.

\_And Whereas\_, the magnitude and extent of the business and

operations proposed to be carried on by the party hereto of the

first part will greatly promote the interest of the party hereto of

the second part, and make it desirable for it, by fixing certain

rates of freight, drawbacks, and rebates, and by the other

provisions of this \_agreement\_, to encourage the outlay proposed by

the party hereto of the first part, and to facilitate and increase

the transportation to be received from it.

\_And Whereas\_, it has been agreed by and between the party hereto of

the second part, for itself and its connections, the Erie Railroad

Company, for itself and its connections, and the New York Central

Railroad Company, for itself and its connections, that the business

of transporting, by railroad, crude petroleum and its products,

toward the Atlantic coast, from the points of production and

refining, on their lines of road, shall be allotted by the party

hereto of the first part, to the said three companies, in the

proposition of forty-five (45) per cent. of the whole to the

Pennsylvania Railroad Company, for itself and its connections,

including the Philadelphia and Erie Railway, the Northern Central

Railway, the Alleghany Valley Railroad, Camden and Amboy Railway,

the Pennsylvania Company, and all other railroads which are, or may

be, controlled, owned, and leased by it, or with which it has, or

may have, sufficient running arrangements; twenty-seven and a half

(27½) per cent. of the whole to the Erie Railway Company, for itself

and its connections, and twenty-seven and a half (27½) per cent. of

the whole to the New York Central Railroad Company for itself and

its connections, and that the transportation beyond Cleveland and

Pittsburg over the railroads of the said companies and their

connections, in other directions than toward the Atlantic coast,

west from said points of production and refining, shall be allotted

by the party hereto of the first part, in the proportion of

one-third thereof, to the party hereto of the second part, for

itself and its western connections, and the remainder to other

railroads.

Now, therefore, this agreement witnesseth: That the parties hereto

for themselves and their successors, in consideration of the

promises, of the mutual execution hereof, and of the mutual

advantages hereby conferred, have covenanted and agreed, and hereby

do covenant and agree each with the other, as follows:

ARTICLE FIRST

The party hereto of the first part covenants and agrees:

1. To furnish to the party hereto of the second part for

transportation, such a proportion of the crude petroleum and its

products, owned or controlled by the party hereto of the first part,

as shall give to the party hereto of the second part forty-five (45)

per cent. of all the crude petroleum and its products, sent from the

points of production and refining toward the Atlantic coast, by the

said Pennsylvania, the Erie, and the New York Central railroads and

their connections, and thirty-three and one-third (33⅓) per cent.

that which is sent west of Pittsburg and Cleveland by those

railroads and their connections.

2. To provide suitable tankage at the points where petroleum is

produced, on the railroads of the party hereto of the second part

and its connections in which to receive crude petroleum preparatory

to shipment, with the necessary pipes, pumps, racks, and other

appliances for its convenient transfer in bulk into railroad cars.

3. To deliver to the railroads of the party hereto of the second

part, and its connections, at the places of shipment, and to receive

from them, at the places of destination, all crude petroleum and its

products transported over their roads for the party of the first

part.

4. To provide at the places of destination on the seaboard,

necessary and suitable yards, wharves, warehouses, sheds, tanks,

pipes, pumps, and motive power, for the reception of petroleum and

its products, and loading vessels therewith.

5. To provide, maintain, and operate the works necessary to refine

crude petroleum upon the largest scale practicable, and with such

skill, and on such a system of organisation and division of labour,

as will secure both efficiency and economy; and for that purpose and

for the purpose of developing and increasing the petroleum trade of

the country, to provide and maintain all suitable and necessary

means and facilities.

6. To keep records of the transportation over the railroads of the

party hereto of the second part, and its connections, and so far as

it can obtain the same, over the Erie and the New York Central

railroads and their connections, of all petroleum and its products,

showing the number of barrels of forty-five gallons each in bulk,

and the number of barrels of forty-seven gallons each in barrels,

carried by each road with the points of receiving and delivery, and

the amount of freight received by each road for such transportation,

which records shall at all reasonable times be open to the

inspection of the duly constituted representatives of the party

hereto of the second part.

Monthly abstracts of all such records shall be regularly sent to the

party of the second part.

7. To pay the party of the second part weekly for all transportation

over its roads and its connections, of petroleum and its products,

such gross rates and half-rates of freight as are hereinafter

specified, less the rebates and drawbacks hereinafter provided to be

retained by the party hereto of the first part for its own use.

ARTICLE SECOND

The party hereto of the second part covenants and agrees:

1. That the party hereto of the second part will pay and allow to

the party hereto of the first part, for its own use, in all

petroleum and its products, transported over the railroads of the

party hereto of the second part and its connections, for the party

hereto of the first part, rebates, and on all transported for

others, drawbacks, at the rates hereinafter provided, except in the

case specified in Article Third.

2. To deliver to the party hereto of the first part all petroleum

and its products in packages, transportation over the railroads, of

the party hereto of the second part, and its connections, by

whomsoever shipped, and consigned to the party of the first part, at

the warehouses of the party of the first part, at the seaboard, and

inland, at the depots of the party of the second part, at the places

of destination, and to deliver all petroleum and its products, in

bulk, owned by or consigned to the said party of the first part, at

any point required on the line of the railroads, of the party of the

second part and its connections.

3. To transport and deliver petroleum and its products over the

railroads of the party of the second part and its connections, at

gross rates, which shall at no time exceed the following, without

the consent of both parties hereto.

From any point on the Oil Creek and Allegheny River Railroad to Oil

City, Union, Corry or Irvineton, which are herein designated as

\_common points\_, on each barrel of forty-five gallons in bulk, and

on each barrel of forty-seven gallons in barrels, thirty cents.

ON CRUDE PETROLEUM

From any common point to Cleveland, for each barrel of 45 gallons $0.80

From any common point to Pittsburg, for each barrel of 45 gallons .80

From any common point to New York, for each barrel of 45 gallons 2.56

From any common point to Philadelphia, for each barrel of 45

gallons 2.41

From any common point to Baltimore, for each barrel of 45 gallons 2.41

From any common point to Boston, for each barrel of 45 gallons 2.71

All other points, except those on the Oil Creek and Allegheny River

Railway, to the places of destination last named, the same rates as

from the \_common points\_.

ON REFINED OIL, BENZINE, AND OTHER PRODUCTS OF THE MANUFACTURE OF

PETROLEUM

From Pittsburg to New York, for each barrel $2.00

From Pittsburg to Philadelphia, for each barrel 1.85

From Pittsburg to Baltimore, for each barrel 1.85

From Cleveland to Boston, for each barrel 2.15

From Cleveland to New York, for each barrel 2.00

From Cleveland to Philadelphia, for each barrel 1.85

From Cleveland to Baltimore, for each barrel 1.85

From any common point to New York, for each barrel 2.92

From any common point to Philadelphia, for each barrel 2.77

From any common point to Baltimore, for each barrel 2.77

From any common point to Boston, for each barrel 3.07

From and to all points intermediate between the points aforesaid,

such reasonable rates as the party of the second part shall from

time to time establish, on both crude and refined.

From Pittsburg, Cleveland, and other points, to places west of

Pittsburg and Cleveland, such reasonable rates as the party of the

second part may deem it expedient from time to time to establish.

4. To pay and allow to the party hereto of the first part, on all

petroleum and its products, transportation for it over the railroads

of the party of the second part and its connections, the following

rebates, and on all transported for other parties, drawbacks of like

amounts, as the rebates from the gross rates, the same to be

deducted and retained by the party hereto of the first part, for its

own use from the amounts of freights, payable to the party of the

second part.

ON THE TRANSPORTATION OF CRUDE PETROLEUM

From the gross rate from any common point to Cleveland, a rebate

per barrel of $0.40

From the gross rate from any common point to Pittsburg, a rebate

per barrel of .40

From the gross rate from any common point to New York, a rebate

per barrel of 1.06

From the gross rate from any common point to Philadelphia, a

rebate per barrel of 1.06

From the gross rate from any common point to Baltimore, a rebate

per barrel of 1.06

From the gross rate from any common point to Boston, a rebate per

barrel of 1.06

From the gross rate from all other points, and the six places of

destination last named rebates the same as on the rates from the

common points.

ON THE TRANSPORTATION OF REFINED OIL, BENZINE, AND OTHER PRODUCTS OF

THE MANUFACTURE OF PETROLEUM

From the gross rates from Pittsburg to New York, a rebate per

barrel of $0.50

From the gross rates from Pittsburg to Philadelphia, a rebate per

barrel of .50

From the gross rates from Pittsburg to Baltimore, a rebate per

barrel of .50

From the gross rates from Cleveland to Boston, a rebate per

barrel of .50

From the gross rates from Cleveland to New York, a rebate per

barrel of .50

From the gross rates from Cleveland to Philadelphia, a rebate per

barrel of .50

From the gross rates from Cleveland to Baltimore, a rebate per

barrel of .50

From the gross rates from any common point to New York, a rebate

per barrel of 1.32

From the gross rates from any common point to Philadelphia, a

rebate per barrel of 1.32

From the gross rates from any common point to Baltimore, a rebate

per barrel of 1.32

From the gross rates from any common point to Boston, a rebate

per barrel of 1.32

From the gross rates to and from all points, intermediate between

the above points, a rebate or drawback of one-third of the gross

rate, shall be paid.

From the gross rates from Pittsburg, Cleveland, and other points, to

places west of the meridians of Pittsburg and Cleveland, a rebate or

drawback of one-third of the gross rate shall be paid.

5. To charge to all other parties (excepting such as are referred to

in Article 3d) for the transportation of petroleum and its products,

rates which shall not be less than the gross rates above specified,

and should at any time any less rate be charged, directly or

indirectly, either by way of rebate, commission, allowances, or upon

any pretext whatsoever, the same reduction per barrel shall be made

to the party hereto of the first part, from the net rates provided

for them, on all transportation for them during the period for which

such reduction shall be made to others.

6. To permit the party hereto of the first part, if, in its

judgment, the currents of trade should so require, temporarily to

increase or diminish the proportion, as herein provided to the party

hereto of the second part, for itself and its connections, as the

whole business of transporting petroleum and its products, as

between the party hereto of the second part, the Erie Railway

Company and the New York Central Railroad Company. The party of the

second part in such case, to receive from the party hereto of the

first part, in full payment or indemnity, for the excess or

deficiency, one-half the net schedule rates on such excess or

deficiency; the other half to be paid \_pro rata\_ to the said other

companies, whose apportioned quantity of transportation shall thus

be varied; but such diversion of business shall not, at any time,

exceed one week, nor be repeated without an interval of at least

sixty days, unless with the consent of the party hereto of the

second part. Also, that whenever from time to time, as aforesaid, a

temporary diversion of a part of the apportioned transportation of

the party of the second part, to the other railroads aforesaid, or

to either of them, shall become necessary, cars of the party of the

second part may be loaded by the party of the first part, and sent

away over such other railroads, or either of them, but the cars so

sent away shall be returned without unnecessary delay, and in as

good order as when taken to the railroads of the party of the second

part, and mileage at the usual rates paid for their use while

absent.

7. To furnish with as much regularity as possible, at all times,

good and sufficient cars, and other means suitable and necessary for

the safe and prompt transportation of all crude petroleum and its

products, either in bulk or in barrels, which the party hereto of

the first part shall desire to send from one point to another (and

which shall be supplied with as much regularity as possible), on or

over the railroads of the party of the second part and its

connections.

8. To make manifests or way-bills of all petroleum or its products,

transported over any portion of the railroads of the party of the

second part or its connections, which manifests shall state the name

of the consignor, the place of shipment, the kind and actual

quantity of the article shipped, the name of the consignee, and the

place of destination, with the rate and gross amount of freight and

charges, and to send daily to the principal office of the party of

the first part, duplicates of all such manifests or way-bills.

ARTICLE THIRD

And it is hereby further covenanted and agreed by and between the

parties hereto, that the rebates hereinbefore provided for the party

hereto of the first part, may be made to any other party who shall

furnish an equal amount of transportation, and who shall possess and

use works, means, and facilities for carrying on and promoting the

petroleum trade equal to those possessed and used by the party

hereto of the first part.

ARTICLE FOURTH

And it is hereby further covenanted and agreed by and between the

parties hereto, that the party hereto of the second part shall at

all times co-operate, as far as it legally may, with the party

hereto of the first part, to maintain the business of the party

hereto of the first part, against loss or injury by competition, to

the end that the party hereto of the first part may keep up a

remunerative, and so a full and regular business, and to that end

shall lower or raise the gross rates of transportation over its

railroads and connections, as far as it legally may, for such times,

and to such extent as may be necessary to overcome such competition.

The rebates and drawbacks to the party of the first part to be

varied \_pari passu\_ with the gross rates.

ARTICLE FIFTH

It is hereby mutually agreed by and between the parties hereto that

for the purpose of meeting such exigencies as may from time to time

require change of the rates of transportation herein provided, each

party, on ten days’ written notice from the other, shall appoint a

person on behalf of such party, and the two persons thus appointed,

shall have power to change and adjust the rates, which shall go into

effect on being approved by the said parties hereto.

ARTICLE SIXTH

It is further mutually agreed by and between the parties hereto that

the gross rates of freight to the party hereto of the first part

shall at all times be kept as near to the net rates as is consistent

with the interests of the party hereto of the first part, and that

whenever in the judgment of the party hereto of the first part it is

expedient to lower the rebate below the rate above specified, it may

do so, and from time to time raise the same again, not, however,

above the rate hereinbefore specified. The party hereto of the first

part, from time to time shall notify the party of the second part in

writing of the change required, whereupon the party hereto of the

second part shall forthwith make a corresponding change of such

gross rates.

ARTICLE SEVENTH

It is further mutually agreed by and between the parties hereto,

that this agreement shall continue and remain in force for the

period of not less than five years, and shall not then, nor

thereafter terminate, until one of the parties shall have given

twelve months’ written notice to terminate it.

ARTICLE EIGHTH

It is further mutually agreed by and between the parties hereto,

that if any doubt, question, difference, cause, or suit shall at any

time or times, hereafter, arise or happen between the said parties

to these presents, touching the construction of these presents, or

any clause, matter, or thing herein contained, or any other matters,

cause, or thing whatsoever, in any wise relating to or concerning

this agreement, and such doubt, question, difference, or dispute,

shall not be fully settled by the parties to these presents within

one calendar month after the same shall arise, then, in every such

case, upon the request in writing of either of the said parties

hereto, specifying such doubt, question, difference, or dispute, it

shall be committed and referred to the hearing and arbitration of

three disinterested persons; one of them to be chosen by the party

of the first part, another of them to be chosen by the party of the

second part, and each party on ten days’ notice in writing from the

other, shall make such choice, and appoint a disinterested person in

behalf of such party, but, if either party on such notice shall

within such ten days fail to make an appointment, the person

appointed by the other party shall choose the second disinterested

person, and the third disinterested person shall be chosen within

one calendar month next after such request; and the award, order, or

determination of the said three persons, to be chosen as aforesaid,

or any two of them, shall be binding and conclusive on the parties

hereto, and shall be performed and kept by them, without any further

suit or trouble whatsoever; provided such award, order, or

determination, be made in writing, under the hands of the said three

persons, or of any two of them, within the space of sixty days after

all the persons shall be so selected, as aforesaid. And for the

further and better enforcing the performance of the award, so to be

made, as aforesaid, the reference or submission for or in respect of

the same, may, at the option of any of the parties to these

presents, from time to time be made as a matter of course, a rule of

court in any court of record.

In witness whereof, the said South Improvement Company and

Pennsylvania Railroad Company have caused their respective corporate

seals to be hereto affixed, and these presents to be subscribed by

their respective presidents, the day and year first above written.

[SEAL]

SOUTH IMPROVEMENT COMPANY.

By P. H. WATSON,

\_President\_.

[SEAL]

PENNSYLVANIA RAILROAD COMPANY.

By J. EDGAR THOMPSON,

\_President\_.

Attest: JOSEPH LESLEY, \_Secretary\_.

NUMBER 6 (See page 1063)

STANDARD OIL COMPANY’S APPLICATION FOR INCREASE OF CAPITAL STOCK TO

$2,500,000 IN 1872

\_To the Secretary of the State of Ohio\_:

The undersigned, being a majority of the Board of Directors of \_THE

STANDARD OIL COMPANY OF CLEVELAND, OHIO\_, do hereby certify that on

the first day of January, A.D. 1872, at the annual meeting of the

stockholders of said company held at its office in Cleveland,

Cuyahoga County, Ohio, by a vote then and there taken, all the

stockholders of said company being present and voting therefor, it

was resolved and agreed by each and all of them, that the capital

stock of said company be increased the sum of \_One Million Five

Hundred Thousand Dollars\_, thereby making the capital stock of said

company \_Two Millions Five Hundred Thousand Dollars\_, which action

of the stockholders was as follows, to wit:

\_Resolved\_, and it is hereby agreed by each and all of us, that the

capital stock of this company, namely, \_The Standard Oil Company of

Cleveland, Ohio\_, be increased to the sum of \_Two Millions Five

Hundred Thousand Dollars\_, and it is also agreed, and the proper

officers of the company are hereby instructed to take the requisite

steps to so increase said capital stock.

JOHN D. ROCKEFELLER, O. B. JENNINGS, B. BREWSTER, WILLIAM

ROCKEFELLER, S. V. HARKNESS, H. M. FLAGLER, T. P. HANDY, S.

ANDREWS, A. STONE, JR., S. WITT, \_Stockholders\_.

\_Cleveland, O., January 1st\_, A.D. \_1872.\_

\_And afterward said meeting was adjourned.\_ HENRY M. FLAGLER,

\_Secretary\_.

And we further certify that the whole amount of such increase of

capital stock has been paid to said company, in money, that no note,

bill, bond, or other security has been taken for the same, or any

part thereof, and that the credit of the company has not been used

directly or indirectly to raise funds to pay the same or any part

thereof.

\_IN WITNESS WHEREOF\_, We hereunto set our names at \_Cleveland,

Ohio\_, this ninth day of February, A.D. 1872.

JOHN D. ROCKEFELLER, HENRY M. FLAGLER, SAMUEL ANDREWS, STEPHEN V.

HARKNESS, \_Directors\_.

NUMBER 7 (See page 1067)

AFFIDAVITS OF GEORGE O. BASLINGTON

[In the case of the Standard Oil Company \_vs.\_ William C. Scofield,

\_et al.\_, in the Court of Common Pleas, Cuyahoga County, Ohio.]

In the spring of 1869, they (Hanna, Baslington & Company) began the

construction of refining works just above the Atlantic depot on the

west side of the Cleveland and Columbus Railroad track, and invested

in the construction of the works about $67,000, which works were

completed so as to commence the refining business about the first of

June, 1869, and from that time up to about the first of July, 1870,

the works had netted a profit of $40,000 over all expenses of

running said works, being about 60 per cent. on the capital invested

per annum, and from that time on up to the first of April, 1872,

said firm cleared $21,000, being about 30 per cent. per annum on the

investment from the time that said firm commenced business.

Some time in February, 1872, the firm received a message from the

Standard Oil Company requesting said firm to have an interview as to

the disposal of the refining works of said firm; that they were

indisposed to enter into any arrangement for the disposition of said

works because the investment of capital in said works had proved

abundantly profitable to their satisfaction and they had no

disposition whatever to part with the works; but upon investigation

they were somewhat surprised to find that the Standard Oil Company

had already obtained the substantial control of the different

refineries in the City of Cleveland; that it had obtained such rates

of transportation of crude and refined oil from the different

railroads that it was impossible for them to compete with it, and

upon an interview which was had by Mr. Hanna and affiant with Mr.

Rockefeller who was at the time president of the Standard Oil

Company. Mr. Flagler, the secretary of the company, being present,

Mr. Rockefeller in substance declared or said that the Standard Oil

Company had such control of the refining business already in the

City of Cleveland that he thought said firm of Hanna, Baslington &

Company could not make any money; that there was no use for them to

attempt to do business in competition with the Standard Oil Company.

Affiant further says that after having had an interview both with

Mr. Watson, who was the president of a company called “The South

Improvement Company,” and Mr. Devereux, who was the general manager

of the Lake Shore Road, he became satisfied that no arrangement

whatever could be effected through which transportation could at

least be obtained on the Lake Shore Road that would enable their

firm to compete with the Standard Oil Company, the works of said

Hanna, Baslington & Company, being so situated that they could only

obtain their crude oil through the line of the Lake Shore Road. And

finding that the Standard Oil Company had such special rates of

transportation that unless the firm of Hanna, Baslington & Company

were enabled to bring as much oil as the Standard Oil Company, that

it was impossible for said firm of Hanna, Baslington & Company to

obtain a fair competing rate with the Standard Oil Company. They at

least came to the conclusion that it was better for them to take

what they could get from the Standard Oil Company and let their

works go.

And affiant further says that under these circumstances they sold

their works to the Standard Oil Company, which were on the day of

the sale worth at least $100,000, for $45,000 because that was all

they could obtain from them, and works too which in cash cost them

not less than $76,000, and which with a fair competition would have

paid them an income of not less than 30 per cent. per annum on the

investment.

Affiant further says that at the interviews which he had with Mr.

Rockefeller, Mr. Rockefeller told him that the Standard Oil Company

already had control of all the large refineries in the City of

Cleveland and there was no use for them to undertake to compete

against the Standard Oil Company, for it would only ultimate in

their being wiped out, or language to that effect.—(November 1,

1880.)

\* \* \* \* \*

George O. Baslington being duly sworn (November 12, 1880) says: That

the firm of Hanna, Baslington & Company, the first year they were in

business, made profit amounting to a little less than $40,000 and

from the end of the first year up to the time of the sale to the

Standard Oil Company they made no profit at all. At the time of the

sale the firm reserved the privilege of running the works to close

up and run them up to about April 1, 1872, and during that time they

made profit to the amount of about $21,000. At the time my former

affidavit was drawn by Mr. Tyler, I stated these facts to him.

In the sale of the works to the Standard Oil Company we were given

the option to take cash or to take stock in the Standard Oil Company

at par. We decided to and did take cash, and one reason that

influenced us to take cash was that we were fearful that refining

oil at Cleveland might not be successful, and if so, the cash was

better than the stock, and affiant wanted the cash to enable him to

embark in other pursuits.

NUMBER 8 (See page 1072)

ORGANISATION OF THE PETROLEUM PRODUCERS’ UNION OF 1872

[From “A History of the Rise and Fall of the South Improvement

Company,” pages 8–10.]

1. The territory forming the Pennsylvania petroleum field shall be

divided into sixteen districts....

2. The producers in each district shall meet at some convenient

place and choose one or more (not to exceed five) men, from their

own number, through whose hands they shall pledge themselves to sell

all their crude oil.

3. It shall be the duty of these committeemen to sell the crude oil

coming into their hands: First, to the local refiners; second, to

the agents of the refiners located in distant cities, as may be

designated by the executive committee; and third, to such shippers,

dealers, and exporters as may be named by the executive committee,

and it shall be the further duty of said local committeemen to keep

the executive committee fully posted as to what is being done in

their respective districts with reference to the sale and removal of

all crude oil.

4. There shall be an executive committee composed of members of the

Petroleum Producers’ Union, to consist of one from each of the

sixteen districts, to be chosen by the local committee, whose duty

it shall be to meet from time to time, and take all necessary

measures to fully carry out this plan in all its details.

5. That for the purpose of paying the expenses of this committee,

one cent a barrel on all the crude oil shall be levied, collected,

and paid over by the local committeemen to the executive committee,

of which the executive committee shall keep an account to be

rendered to the producers at a future meeting.

6. It shall be the especial duty of the executive committee to take

such measures as they may find necessary to secure uniform mileage

rates of freights on all oil and merchandise of every kind, to and

from the Oil Region, and employ all lawful measures for the

abolition of the railway system of rebates or drawbacks.

PLEDGE

“I do hereby agree to sell all my production of oil through, or with

the consent of, the committee of the Petroleum Producers’ Union.”

\_First.\_—That an organisation shall be immediately formed for the

exclusive purpose of advancing money to producers upon their

depositing proper Tank or Pipe Company receipts therefor with the

organisation or its agency.

\_Second.\_—That the name of the organisation shall be the “PRODUCERS’

PROTECTIVE ASSOCIATION.”

\_Third.\_—That its capital shall be one million dollars, with power

in the directors to increase it to such an amount as in their

judgment shall be necessary to accomplish the objects of the

organisation.

\_Fourth.\_—That its headquarters shall be in Oil City, and its

co-operative agencies shall be located at all principal producing

points.

\_Fifth.\_—That its stock shall be divided into shares of $100 each,

which stock shall be transferable only upon the books of the company

at its headquarters, with the consent of the board of directors.

\_Sixth.\_—That the chairman of the general committee be requested to

appoint one person in each of the sixteen producing districts, who

shall open books to receive, and every producer, manufacturer, or

other party, directly or indirectly interested in our home

industries be invited to subscribe to the capital stock of this

organisation not exceeding fifty shares, or such part thereof as he

shall elect, and no person shall, at any time hold more than said

number of shares.

\_Seventh.\_—That when the sum of one million dollars shall have been

subscribed and ten per cent. thereof paid to five trustees to be

appointed by the chairman of the general committee, the said

chairman shall give notice of an election of officers, who shall be

elected by the votes of the subscribers, each share being entitled

to a vote.

\_Eighth.\_—That said officers shall consist of a president,

vice-president, and such a number of directors as shall give each

district a fair presentation.

\_Ninth.\_—That the board of directors shall appoint some bank or

banker in each district its co-operative agency; or in the absence

of a bank or bankers such agencies be established as shall be most

convenient for the producer, which bank or agency shall, as

necessity requires, by draft or otherwise, obtain its funds from the

headquarters of the company, and be held strictly accountable

therefor.

\_Tenth.\_—That every producer shall be entitled to go to his most

convenient agency, and deposit his certificate or receipt for oil,

which shall be passed to his credit, and he shall receive such an

advance thereof as the board of directors in their discretion shall

deem prudent to make.

\_Eleventh.\_—That the association shall from time to time sell the

oil belonging to it, or held as security for advances overdue in

such quantities and at such prices as legitimate demand will justify

said prices to be daily telegraphed from headquarters to the several

agencies.

\_Twelfth.\_—That every producer depositing oil in the hands of the

association on which no advance is made, may, if he so elect, have

his oil held until such time as he shall direct its sale, and that

the appropriation of oils sold from day to day shall be as follows:

First, all oils ordered sold by its owner, and the balance \_pro

rata\_ on oils on which advances have been made and shall then be

overdue.

\_Thirteenth.\_—The association shall charge a reasonable rate of

interest on all advances made, such interest to be used in defraying

the expenses of the association and the surplus, if any, shall be

declared as dividends upon the full paid stock. That any surplus

stock remaining in the hands of the association shall be the

property of the association until taken and paid for by some party

entitled thereto under the foregoing provisions, but always at par.

\_Fourteenth.\_—When the producers of each district shall have

appointed their committees, as provided in the second section of the

Producers’ Union, and have elected their chairman, he is requested

to send to the chairman of the general committee the names thereof.

\_Fifteenth.\_—And it shall be the duty of the person appointed by the

general committee, as provided in section five, to use due diligence

in the circulation thereof, for subscriptions, and within one week

from the receipt thereof, he shall collect the ten per cent. of each

subscription, as provided by section seventh, and report the same to

the chairman of the general committee, together with a list of the

subscribers and the amount subscribed.

NUMBER 9 (See page 1078)

CHARTER OF THE SOUTH IMPROVEMENT COMPANY

[From The Laws of Pennsylvania for 1872.]

An Act to incorporate the South Improvement Company:

SECTION 1. \_Be it enacted by the Senate and House of Representatives

of the Commonwealth of Pennsylvania in General Assembly met, and it

is hereby enacted by the authority of the same\_, That S. S. Moon, R.

D. Barcley, John A. Fowler, or a majority of them, their associates,

successors, and assigns, be and they are hereby authorised and

empowered to form and be a body corporate, to be known as the South

Improvement Company, which shall be and is hereby vested with all

the powers, privileges, duties, and obligations conferred upon the

act to incorporate the Pennsylvania Company by the Act of the

Legislature of Pennsylvania, approved the seventh day of April, A.D.

one thousand eight hundred and seventy, and the supplements thereto.

SEC. 2. That the stockholders of said company, by and with the

consent of the holders of not less than two-thirds of the shares of

stock, be and they are hereby authorised to change the name and

title of the said company and designate the location of its general

office, which changes shall be valid after the filing of a

certificate in the office of the secretary of the Commonwealth,

signed by the president, and attested by the seal of the said

company.

Approved the sixth day of May, 1871.

The Act incorporating the Pennsylvania Company, referred to above,

is the one that details the powers conferred on the incorporators.

An Act to incorporate the Pennsylvania Company:

SECTION 1. \_Be it enacted by the Senate and House of Representatives

of the Commonwealth of Pennsylvania in General Assembly met, and it

is hereby enacted by the authority of the same\_, That Andrew Howard,

J. S. Swartz, G. B. Edwards, J. D. Welsto, and J. P. Malin, their

associates, successors, and assigns, or a majority of them, be and

they are hereby authorised to form and be a body corporate, to be

known as the Pennsylvania Company, and by that name, style, and

title shall have perpetual succession, and all the privileges,

franchises and immunities incident to a corporation; may sue and be

sued, implead and be impleaded, complain and defend in all courts of

law and equity, of record and otherwise; may purchase, receive,

hold, and enjoy, to them, their successors, and assigns, all such

lands, tenements, leasehold estates and hereditaments, goods and

chattels, securities and estates, real, personal and mixed, of what

kind and quality soever, as may be necessary to erect depots, engine

houses, tracks, shops, and other purposes of the said corporation,

as hereafter defined by the second section of this act, and the same

from time to time may sell, convey, mortgage, encumber, charge,

pledge, grant, lease, sub-lease, alien, and dispose of, and also

make and have a common seal, and the same to alter and renew at

pleasure, and ordain, establish, and put in execution such by-laws

or ordinances, rules, and regulations as may be necessary or

convenient for the government of the said corporation, not being

contrary to the constitution and laws of this commonwealth, and

generally may do all and singular the matters and things which to

them shall appertain to do for the well-being of the said

corporation, and the management and ordering of the affairs and

business of the same:

\_Provided\_, That nothing herein contained shall be so construed as

to give to the said corporation any banking privileges or

franchises, or the privilege of issuing their obligations as money.

SEC. 2. That the corporation hereby created shall have power to

contract with any person or persons, firms, corporations or any

other party, howsoever formed, existing or that may hereafter exist,

in any way that said parties or any of them may have authority to

do, to build, construct, maintain or manage any work or works,

public or private, which may tend or be designed to improve,

increase, facilitate, or develop trade, travel, or the

transportation and conveyance of freight, live stock, passengers,

and any other traffic, by land or water, from or to any part of the

United States or the territories thereof; and the said company shall

also have power and authority to supply or furnish all needful

material, labour, implements, instruments, and fixtures of any and

every kind whatsoever, on such terms and conditions as may be agreed

upon between the parties respectively; and also to purchase, erect,

construct, maintain, or conduct, in its own name and for its own

benefit, or otherwise, any such work, public or private, as they may

by law be authorised to do (including also herein lines for

telegraphic communication), and to aid, co-operate, and unite with

any other company, person or firm in so doing.

SEC. 3. The company hereby created shall also have the power to make

purchases and sales of or investments in the bonds and securities of

other companies, and to make advances of money and of credit to

other companies, and to aid in like manner contractors and

manufacturers; and to receive and hold, on deposit or as collateral,

or otherwise, any estate or property, real or personal, including

the notes, obligations, and accounts of individuals and companies,

and the same to purchase, collect, adjust, and settle, and also to

pledge, sell, and dispose thereof, on such terms as may be agreed on

between them and the parties contracting with them; and also to

indorse and guarantee the payment of the bonds and the performance

of the obligations of the other corporations, firms, and

individuals, and to assume, become responsible for, execute, and

carry out any contracts, leases, or sub-leases made by any company

to or with any other company or companies, individuals or firms

whatsoever.

SEC. 4. The company hereby created shall also have power to enter

upon and occupy the lands of individuals or of companies, on making

payment therefor or giving security according to law, for the

purpose of erecting, constructing, maintaining, or managing any

public work, such as is provided for or mentioned in the second

section of this act, and to construct and erect such works thereon,

and also such buildings, improvements, structures, roads, or

fixtures as may be necessary or convenient for the purposes of the

said company, under the powers herein granted; and to purchase,

make, use, and maintain any works or improvements connecting or

intended to be connected with the works of the said company; and to

merge or consolidate, or unite with the said company the

improvements, property, and franchises of any other company or

companies, on such terms and conditions as the said company may

agree upon; and to fix and regulate the tolls or charges to be

charged or demanded for any freight, property, or passengers

travelling or passing over any improvement erected, managed, or

owned by the said company, or on any merchandise or property

transported over any road whatever by the said company, and to make,

from time to time dividends from the profits made by said company;

the several railroads managed by said company shall continue

taxable, as heretofore, in proportion to their length within this

state respectively; and the said Pennsylvania Company shall be

taxable only on the proportion of dividends on its capital stock and

upon net earnings or income, only in proportion to the amount

actually carried by it within the state of Pennsylvania, and all its

earnings or income derived from its business beyond the limits of

this Commonwealth shall not be liable for taxation.

SEC. 5. The capital stock of said company shall consist of 2,000

shares, of the value of fifty dollars each, being $100,000, and with

the privilege of increasing the same by a vote of the holders of the

majority of the stock present at any annual or special meeting, to

such an amount as they may from time to time deem needful; and the

corporators, or a majority of them, named in the first section of

this act, shall have power to open books for subscriptions at such

times and places as they may deem expedient; and when not less than

1,000 shares shall have been subscribed, and twenty per cent.

thereon shall have been paid in, the shareholders may elect not less

than three nor more than nine directors to serve until the next

annual election, or until their successors shall be duly elected and

qualified; and the directors so elected may, and they are hereby

authorised and empowered to have and to exercise, in the name and in

behalf of the company, all the rights and privileges which are

intended to be hereby given, subject only to such liabilities as

other shareholders are subject to, which liabilities are no more

than for the payment to the company of the sums due or to become due

on the shares held by them; and should the capital stock at any time

be increased, the stockholders, at the time of such increase, shall

be entitled to a \_pro rata\_ share of such increase, upon the payment

of the instalments thereon duly called for; and whenever an increase

of capital stock is made, a certificate thereof, duly executed under

the corporate seal of the company, and signed by the president and

secretary, shall be filed with the auditor-general before the same

shall be deemed to be valid.

SEC. 6. The principal office of the said company shall be in the

City of Pittsburg, but the directors, under such rules and

regulations as they may prescribe, may establish branches or

agencies in other parts of the state, or elsewhere; all of the

directors of said company shall be citizens of the United States,

and reside therein.

SEC. 7. The directors shall be elected annually by the stockholders,

on the first Tuesday of June of each year; and they shall elect from

their number, at the first meeting of the board after their

election, a president, and shall also have power to elect from their

number, or otherwise, a vice-president, a treasurer, and secretary,

and such other officers, clerks, and agents as the business of the

company may require; all elections for directors shall be by ballot,

and every stockholder shall be entitled to one vote for each share

of stock held by him; but no person shall be eligible as director

who is not a stockholder to the amount of ten shares; at the annual

or special meetings a quorum shall consist of stockholders owning at

least one-half of the capital stock.

SEC. 8. Ten days’ notice shall be given, by publication, in two

newspapers published in the City of Pittsburg, of the time and place

of the annual election; which election shall be conducted by three

stockholders, one of whom shall act as judge, and the other two as

inspectors.

SEC. 9. The board of directors shall make all by-laws necessary for

conducting the business of the company; which by-laws shall at all

times be accessible to persons transacting business with them; the

said directors shall have power, by a vote of a majority of their

number at any meeting of the board, to change the name of the said

corporation; and by any new name, thus adopted, upon filing with the

secretary of the Commonwealth and the auditor-general a truly

certified certificate, the said company shall have, hold, and enjoy

all the rights, powers, privileges, and immunities hereby granted;

the directors shall have power to require payment of the amount

remaining unpaid on the stock of said company, at such times and in

such proportions as they shall think proper; the said assessment to

be made as the by-laws of said company shall direct.

ELISHA W. DAVIS,

\_Speaker of the House of Representatives\_.

CHARLES H. STINSON,

\_Speaker of the Senate\_.

Approved—The seventh day of April, Anno Domini, one thousand eight

hundred and seventy.

JOHN W. GEARY.

NUMBER 10 (See page 1080)

DRAFT OF CONTRACT BETWEEN THE SOUTH IMPROVEMENT COMPANY AND PRODUCERS OF

PETROLEUM IN THE VALLEY OF THE ALLEGHENY AND ITS TRIBUTARIES. DATED

JANUARY, 1872[84]

[From “A History of the Rise and Fall of the South Improvement

Company,” pages 121–122.]

Agreement made and entered into this day of January, A.D. 1872, by

and between the South Improvement Company, a corporation under the

laws of Pennsylvania, and embracing among its stockholders more than

two-thirds (reckoned by their refining capacity) of the refineries

of petroleum in the United States, parties hereto of the first part;

and the Associated Producers of Petroleum, a corporation also

organised under the laws of Pennsylvania, and embracing among its

stockholders more than two-thirds (reckoned by the actual production

of the crude petroleum at their wells) of the producers of petroleum

in the Valley of the Allegheny and its tributaries, party hereto of

the second part. WITNESSETH.

\_That whereas\_, The party of the first part has entered into certain

contracts, viz.: The \_first\_ with the Pennsylvania Railroad Company;

the \_second\_ with the Erie Railway Company; the \_third\_ with the

Atlantic and Great Western Railway Company; and the \_fourth\_ with

the New York Central and Hudson River Railroad, and the Lake Shore

and Michigan Southern Railway Company, which contracts secure

certain advantages in relation to the transportation of petroleum

and its products, which it is the purpose of the contracting parties

to use for the promotion of the common interests of the producers,

refiners, and transporters of petroleum.

To the end that the said object may be more fully attained the said

parties hereto have covenanted and agreed, each with the other, as

follows, viz.:

I. The party of the first part, that it will appoint five of its

members to form, with a like number of the party of the second part,

a joint executive committee, who shall choose some competent and

discreet person not of their number who shall serve as the chairman

and the eleventh member of the joint committee.

II. The party of the first part, that it will submit all questions,

arising under said railroad contracts, which affect the interests of

both producers and refiners, to the decision of the joint committee

provided for in Article I of the agreement.

III. The party of the second part, that it will appoint five of its

members to constitute, with the five members of the party of the

first part, the joint executive committee provided for in Article I

of this agreement; and will submit to said committee all the

questions mentioned in Article II.

IV. The said parties mutually, that the decisions of said joint

committee on all questions, affecting the joint interests of

producers and refiners, which shall be submitted to them, shall be

final and conclusive upon both the parties hereto. That upon the

questions which shall at all times be held to affect the joint

interests of both producers and refiners are the following, viz.:

1st. The rates of transportation of both crude and refined oil.

2nd. The price of crude oil at the wells and in the market.

3rd. The price of refined oil in the market.

4th. The amount of rebate and drawback which from time to time

it may be necessary for the interests of the trade to ask from

the railroads.

V. The said parties mutually, that the joint committee shall meet

once a month, and at any intermediate time, or times, at which a

meeting shall be called by the chairman, or by any four of its

members, to consider such questions as shall affect the joint

interests of the parties hereto.

VI. The party of the second part that it will agree to increase and

lessen the aggregate production of crude petroleum, as the said

joint committee shall direct, to adapt as nearly as practicable the

supply of the same to the capacity of the markets of the world to

absorb at a price remunerative to the producer, the refiner and the

transporter.

VII. The parties hereto mutually, that the said joint committee

shall, at the beginning of each year, fix the minimum average price

at which crude petroleum can be produced and delivered on board

railway cars, which price shall be called the minimum cost of

production—that at the same periods the said committee shall also

fix the minimum average price at which crude oil can be refined, put

up in packages and sold, which price shall be called the minimum

cost of manufacture.

VIII. The parties hereto mutually, that after paying the minimum

cost of production of crude petroleum, the minimum cost of its

manufacture, and the cost of transportation and storage, and

shipping also, in the case of exported oil, the profits shall be

apportioned between the producers and refiners, in the ratio of ...

per cent. to the former, and ... per cent. to the latter.

IX. The said parties, that in case of a temporary over-production of

crude petroleum, the excess shall as far as practicable be taken and

withheld from market, and an advance of three-fourths of the minimum

cost of production advanced thereon by the party of the first part

at eight per cent., intrust the party of the second part keeping the

tanked petroleum insured in good and responsible companies to the

full amount of the advance, one year’s interest added.

X. The said parties mutually, that the party of the first part shall

only be bound to pay the prices and make the advances aforesaid, in

case the producers shall in good faith obey the instructions of the

joint committee, to limit production by stopping the drilling of new

wells.

XI. The party of the second part that it will keep a register of the

date of the commencement of all new wells, the date at which the

same shall be finished, the character of the well and the monthly

production, and the date at which it may be abandoned, and that it

will make it a condition, precedent to the holding of stock in its

company, that the date aforesaid shall be finished by its

stockholders.

XII. Both parties, that it is the especial object of this agreement

to bring the producers and refiners of petroleum into harmony and

co-operation, by reciprocal, fair, and just dealing, for the

promotion of their mutual interests, and everything in this

agreement is to be construed liberally for the carrying into effect

of this object.

NUMBER 11 (See page 1082)

EXTRACTS FROM THE TESTIMONY OF W. G. WARDEN

[From “A History of the Rise and Fall of the South Improvement

Company,” pages 30–41.]

WASHINGTON, D. C., March 30, 1872.

William G. Warden affirmed and examined.

By Mr. C. Heydrick (Counsel).

\_Q.\_ Are you an officer of the South Improvement Company?

\_A.\_ Yes, sir; or rather, I was.

\_Q.\_ What office did you hold?

\_A.\_ I held the office of secretary during all the previous

meetings, and was a director of the company.

\_Q.\_ When was the company organised?

\_A.\_ Our minutes will show that, if you will allow me to refer to

them, and I desire to put them in as evidence. On referring to the

minutes I find that the corporators’ meeting was held January 2,

1872. As I understand that these minutes are to go in as a part of

the evidence, they will furnish you all the information you desire

in regard to the organisation and proceedings of the company.

[The chairman stated that the witness could refer to the minutes as

memoranda, and that the committee would determine hereafter as to

whether they should be received as evidence.]

By Mr. Heydrick.

\_Q.\_ For what object or business was the company organised?

\_A.\_ For refining oil.

\_Q.\_ That meeting was under the charter which has been presented?

\_A.\_ That was the first meeting held after we got the charter.

\_Q.\_ The gentlemen who attended that meeting on the second of

January were those named in the act of the incorporation?

\_A.\_ Yes, sir; they met and transferred the company under the

charter over to the stockholders.

\_Q.\_ Did the incorporators named in the act transfer their interest

to the stockholders, as you have stated on that occasion?

\_A.\_ Yes, sir.

\_Q.\_ What refining capacity does this company possess? State the

amount of capital and stock subscribed and put in?

\_A.\_ At that time 1,100 shares, at $100 per share, was subscribed,

and twenty per cent. thereon paid into the treasury.

\* \* \* \* \*

\_Q.\_ Where did that company intend to refine oil?

\_A.\_ Their calculation was to get all the refineries in the country

into the company.

\_Q.\_ Was it the design of the stockholders to include all the oil

refineries in this country?

\_A.\_ Yes, sir; every one of them.

\* \* \* \* \*

\_Q.\_ Can you give us a list of the stockholders?

\_A.\_ I can give you them from the minutes. They are as follows:

William Frew 10 shares

W. P. Logan 10 〃

John P. Logan 10 〃

Charles Lockhart 10 〃

Richard S. Waring 10 〃

W. G. Warden 475 〃

O. F. Waring 475 〃

P. H. Watson 100 〃

H. M. Flagler 180 〃

O. H. Payne 180 〃

William Rockefeller 180 〃

J. A. Bostwick 180 〃

John D. Rockefeller 180 〃

—————

2,000

By Mr. Sheldon.

\_Q.\_ What was the idea of getting all the refineries of the country

into one organisation?

\_A.\_ The idea when the company started was this: There is a large

number of refineries in the country—a great deal larger than is

required for the manufacture of the oil produced in the country, or

for the want of the consumers in Europe and America; the capacity of

the oil refineries in the country is, I think, 45,000 or 50,000

barrels a day; we completed our organisation, and when we met

together it was discovered that the parties present represented, in

one way or another, a large portion of the refining interest in the

country; of course all of us had our friends in the matter, who must

be taken care of if any arrangement at all was made; and after

discussing the matter at considerable length, it was decided to

include within our company every refinery we could possibly get into

it. We also had considerable discussion with the railroads in regard

to the matter of rebate on their charges for freight; they did not

want to give us a rebate unless it was with the understanding that

all the refineries should be brought into the arrangement and placed

upon the same level; there was no difference made as far as we were

concerned, in favour of or against any refinery; they were all to

come in alike; that was the understanding from the first to the

last.

\_Q.\_ Where are the refineries situated?

\_A.\_ Situated in New York, Philadelphia, Baltimore, Boston, on the

seaboard, and in the Oil Region, Pittsburg, and Cleveland.

\_Q.\_ You say you made propositions to railroad companies, which they

agreed to accept upon the condition that you could include all the

refineries?

\_A.\_ No, sir; I did not say that; I said that was the understanding

when we discussed this matter with them; it was no proposition on

our part; they discussed it not in the form of a proposition that

the refineries should be all taken in, but it was the intention and

resolution of the company from the first that that should be the

result; we never had any other purpose in the matter.

\_Q.\_ In case you could take the refineries all in, the railroads

proposed to give you a rebate upon their freight charges?

\_A.\_ No, sir; it was not put in that form; we were to put the

refineries all in, upon the same terms; it was the understanding

with the railroad companies that we were to have a rebate; there was

no rebate given in consideration of our putting the companies all

in, but we told them we would do it; the contract with the railroad

companies was with us.

\_Q.\_ But if you did form a company composed of the proprietors of

all these refineries, you were to have a rebate upon your freight

charges?

\_A.\_ No; we were to have the rebate anyhow; but were to give all the

refineries the privilege of coming in.

\_Q.\_ You were to have the rebate whether they came in or not?

\_A.\_ Yes, sir.

\_Q.\_ Were you to have a rebate upon the same freight charges that

had been in existence before?

\_A.\_ No; the whole object of the railroad authorities was to get

better freight prices.

\* \* \* \* \*

\_Q.\_ What effect was this arrangement to have upon the producer or

upon the refineries that did not go into your combination?

\_A.\_ According to our opinion of it that is the way we have got into

this trouble; we have been misconstrued and misrepresented as to our

purposes all over the country; the whole object was, and our whole

talk was, as far as any of my friends came into the matter, or as

far as I myself was concerned, that the producers should receive a

better price for their oil; we calculated to get five or six dollars

a barrel for crude oil; that was from the beginning of our talk

until the end of it; we had not our company organised, or at least

the organisation was not completed, nor the contract signed, until

all these disturbances commenced to be gotten up; we thought the

matter would quiet down and we would get a chance to explain our

position and put ourselves right; we asked for the opportunity to do

so; we have evidence of that in the telegrams we sent, and I can

say, under oath, that they were sent in good faith; there was never

an idea in my mind that they were not.... I will state further that

this matter was discussed with Mr. Scott by myself, personally, and

in very great length, and also with Mr. Potts, who never has had any

interest and never any part in this contract, and who spoke of this

very matter from the start, expressing the opinion that it could not

succeed unless the producers were taken care of. That was understood

by us all from the start in every discussion we had, and by the

railroad people as far as I heard from them. I can only answer for

the railroad people from the conversation I had personally with Mr.

Scott and Mr. Potts, in which it was perfectly understood that we

could not succeed in carrying out these measures for our own benefit

and the benefit of the railroads without the co-operation of the

producers, and the only point we discussed was whether it should be

a combination or co-operation. I took the ground personally against

forming a combination inasmuch as the interests of the producers

were in one sense antagonistic to ours, one as the seller and the

other as the buyer. We held in argument that the producers were

abundantly able to take care of their own branch of the business if

they took care of the quantity produced. They were only liable to

depression from our production, therefore they had in their own

hands directly the power of holding the market at six or eight

dollars a barrel.

\_Q.\_ You did not take into consideration the good of the consumers

of the country, which is by far the larger part of the population of

the country?

\_A.\_ Yes, we did.

\_Q.\_ You wanted to put up the price of oil?

\_A.\_ In answer to that I will state that the producers and refiners

were both suffering under the depression that existed. The refiners

were not getting enough to pay their expenses. All we asked was a

fair refiner’s profit.

\_Q.\_ What effect were these arrangements to have upon those who did

not come into the combination or co-operation, as you have termed

it, as to the price to be charged for transporting their oil, both

refiners and producers?

\_A.\_ I do not think we ever took that question up.

\_Q.\_ Were the railroad companies to charge the same increase of

freights to those who did not come into the combination that they

did to you without giving them a rebate?

\_A.\_ Yes, sir.

\_Q.\_ Now in case you could control the oil produced by these people

in any combination that you made, were you not to have a rebate upon

the oil?

\_A.\_ We were not to have a rebate, we were to have a drawback.

\_Q.\_ What is the difference between a rebate and a drawback?

\_A.\_ There is not much difference in one sense. A rebate is made at

the time we pay our freight; a drawback is made afterward.

\_Q.\_ That is a technical, rather than a real, difference, is it not?

\_A.\_ I want to state it as you will find it in the contract.

\_Q.\_ The effect was that those who did not go into the combination

could not get their oil as cheaply as you could?

\_A.\_ No, sir; they could not; I want to explain in what relation

that occurred and why this arrangement was made. I may say that it

never entered into my head that the refineries would not all be

brought in; a fair manufacturer’s profit was all we wanted. They

were all to be brought in on equal terms, and the object of the

drawback was not to cover all the oil to be refined in this country,

but only the oil that was to be exported.

\_Q.\_ If all had gone into the combination, then the result would not

have been to injure the producers and refiners, but to injure the

consumers of the country?

\_A.\_ No, sir; the purpose was not to injure them.

\_Q.\_ Would it not have been to increase the price of oil, if you had

increased the cost of freight?

\_A.\_ Yes, sir.

\* \* \* \* \*

\_Q.\_ You say the railroad companies were going to increase the rate

of freight anyhow; they had the right to do that if they were

carrying too low, but would that justify them in increasing the

rates of freight to such an extent that they could afford to give

you a sum of money for it?

\_A.\_ I will tell you how that was done. The men in our trade are a

very hard kind of men to hold. Those of us who deal in oil know that

when we have purchased a lot, they would deliver it in New York for

less than anybody could afford to deliver it. That has been the fact

almost continuously ever since 1869. Oil has been delivered in the

East for less money than was apparent from any rates known to the

market; less than even we who refined it could deliver it for. The

railroads were kept constantly besieged by one or another, and they

were continually cutting under other routes for New York or for

Cleveland, so that nobody knew what the rates were. They have been

paying rebates, more or less, for the last two years.

\_Q.\_ And you contemplated an increase of rates for the simple

purpose of having the railroads divide with you?

\_A.\_ There was no divide.

\_Q.\_ A rebate is a divide to a certain extent, is it not? The

proposition was that there should be taken out of the producers and

consumers of this country a certain percentage of the freight for

you?

\_A.\_ It was done to prevent this cutting of roads one under another,

and to prevent speculation.

\_Q.\_ Was it not done for the purpose of oppressing the producers and

consumers of this country?

\_A.\_ I can only deny that such was the object, or that such would

have been the effect.

\* \* \* \* \*

\_Q.\_ Has it been the practice of both the producer and refiner to

make combinations from time to time by storing oils, and by large

shipments abroad to affect the general price in the market?

\_A.\_ The producers have made such combinations on the creek, and a

few of the refiners and merchants made two combinations in 1868,

which was known as the Deboe combination, and in 1869 and 1870 the

Bull Ring, as they called it; but there was no combination that I

knew of on the part of the producers, except among themselves; they

have several times combined among themselves.

\_Q.\_ Have there not been combinations of producers, refiners, and

merchants to affect the price of oil?

\_A.\_ There have been all kinds of combinations.

\_Q.\_ Is there not at this time, if not invalidated by a change of

directors of the Erie Railroad Company, a combination between

officers of that road and certain parties in New York by which they

control the price of coal?

\_A.\_ If I were allowed to say what I think, I should reply in the

affirmative and to say that one great reason why we went into this

arrangement was to stop that Erie combination, which was a great

source of difficulty; we could not get hold of the matter; we would

ship a cargo of oil at a fair price to-day, and would be compelled

to sell it to-morrow at a much less price; this arrangement did

break up that combination entirely, so that there is no combination

of that sort to-day.

By the Chairman.

\_Q.\_ I understand that your larger combinations swallowed up the

Erie combination.

\_A.\_ It destroyed it at the time.

\_Q.\_ Yours was somewhat in the direction of the Erie combination,

but larger?

\_A.\_ No, sir; it was not; the Erie was with some merchants, ours

embraces the whole refining interest in the country; that was

different; I will state that since I came into this Capitol I have

been told that the very men engaged in prosecuting this

investigation have a combination by which they intend to run up the

price of their oil; I hope they will; I do not care what means are

used, so that we can carry on our business, and pay just what others

have to pay.

\* \* \* \* \*

\_Q.\_ I understand you to say that under your arrangement the cost of

crude oil might be increased $1.25 a barrel, and that there is

produced about 18,000 barrels daily in the Oil Regions of

Pennsylvania, but not that on an average; can you state from memory

about the amount of annual production?

\_A.\_ I have a circular here which gives the statement as 5,775,000

barrels.

\_Q.\_ So that the production in round numbers for last year was

6,000,000 barrels; now, of this $1.25, how much were you to get as

your drawback if you had carried out your arrangement?

\_A.\_ The maximum we would have been entitled to receive is one

dollar a barrel.

\_Q.\_ Then on this production you would have received $6,000,000 a

year, and the railroad companies an additional sum of $1,500,000; in

other words, under your arrangement the public would have been put

to an additional expense of $7,500,000 a year.

\_A.\_ What public do you refer to? They would have had to pay it in

Europe.

By Mr. Negley.

\_Q.\_ Were there not at the same time combinations upon the part of

producers to affect the price of oil in the market?

\_A.\_ There were not at the time we started this matter; I do not

know of any just at that moment; there have been over and over

again. I want to state that a large portion of our oil product goes

to Europe—of this very crude oil which Mr. Sheldon talks about; I

have here a circular to which I call the attention of the committee,

which bears out our position in this matter; I desire to put it in

evidence because it gives the general opinion of merchants connected

with the exportation of crude oil. It has been the impression of

everybody in the trade that the oil exported should pay us an

additional amount in this country, to be divided between those

interested in the handling of it and the producing of it, to the

extent of eight or ten millions a year; I have had that figured out

three, or four, or five successive years. We have shown over and

over again that that amount ought to be retained in this country. I

have been engaged for several years in the oil business, and I have

yet to sell one barrel to bear the market. I have always been upon

the bull side of the market; I believe there ought to be in this

country a better price for oil to every one engaged in it. In 1868,

1869, and 1870, there were movements in oil which brought to this

country millions of dollars; and if the producers had refrained from

sending forward their oil beyond the requirements of the market, the

price would have been sustained. That has been the trouble always in

making movements for a higher price. There is no man in this country

who would not quietly and calmly say that we ought to have a better

price for these goods.

By the Chairman.

\_Q.\_ Do you mean a better price here, or a better price for that

exported?

\_A.\_ You could not get a better price for that exported without

having a better price here.

\_Q.\_ That is what the committee wants to know, whether it is

necessary, in order to keep up the price abroad, to keep up the

price at home?

NUMBER 12 (See page 1082)

EXTRACTS FROM THE TESTIMONY OF PETER H. WATSON

[From “A History of the Rise and Fall of the South Improvement

Company,” pages 76–96.]

WASHINGTON, D. C., April 5, 1872.

By Mr. Townsend.

\_Q.\_ From such testimony as you have given this morning, am I

correct in understanding that this whole arrangement was suspended

before its completion and before anything was done under it?

\_A.\_ Yes, sir.

\_Q.\_ That no completion of contracts was consummated?

\_A.\_ No, sir; the conditions of the original understanding about the

contracts, on which alone they were to go into effect, had not been

complied with.

\_Q.\_ And a further arrangement was necessary to make it a complete

contract?

\_A.\_ Yes, sir, the South Improvement Company had to enter into a

contract, such substantially as I have furnished a draft of here, to

give the producers the full benefit of everything connected with the

contract before the contract itself could go into effect.

\_Q.\_ There are three principal interests connected with the oil

trade?

\_A.\_ There are, the producers, refiners and transporters; no

injustice could be done to either interest without affecting,

injuriously, the others. The object of the railroads in this matter

was to promote the interests of the trade in order to promote their

own interests.

By the Chairman.

\_Q.\_ You say there were three interests, producers, refiners and

shippers?

\_A.\_ Yes, sir, connected with the trade.

\_Q.\_ And that the object of all these arrangements was to protect

these three interests?

\_A.\_ To protect these three interests and incidentally, of course,

protecting the general interest in doing that, for this is

peculiarly an American traffic.

\_Q.\_ It was in the direction of increasing to each of these parties,

respectively the benefits and profits of the business?

\_A.\_ Yes, sir, that each might receive a fair profit. The railroad

companies had not been receiving cost for transportation, and it was

to save them from loss, for they had been transporting at a loss

during the whole of the year 1871.

\_Q.\_ Well, that is to increase profits, is it not?

\_A.\_ Yes, to save from loss.

\_Q.\_ Did it look to increasing in any way the benefits of cheapness

to the consumer?

\_A.\_ Yes, sir.

\_Q.\_ How?

\_A.\_ By steadying the trade. You will notice what all those familiar

with this trade know, that there are very rapid and excessive

fluctuations in the oil market; that when these fluctuations take

place the retail dealers are always quick to note a rise in price,

but very slow to note a fall. Even if two dollars a barrel had been

added to the price of oil, under a steady trade, I think the price

of the retail purchaser would not have been increased. That

increased price would only amount to one cent a quart, and I think

the price would not have been increased to the retail dealer because

the fluctuation would have been avoided. That was one object to be

accomplished. Moreover, there is only one-sixth of the oil produced

here consumed in this country—a very small proportion of the

product. In discussing what compensating advantage would arise from

an increase of price, the railroad companies considered, in the

first place, that there was a very great compensation afforded by a

steady trade.

\_Q.\_ Will you state to the committee how, with your mode of arriving

at these conclusions, that cheapness to the consumer is promoted by

stability in trade—how that arrangement which gave $1.50 a barrel to

the South Improvement Company benefited either the railroad company

or the producer?

\_A.\_ Well, sir, in the agreement you will observe that the maximum

rebates and maximum rates are stated. These maximum rebates were

exceptions to the rule, which is a cardinal principle in the

contract. The actual rates were to be kept as near to net rates as

possible. Moreover, this was a contract which, before it was to go

into effect, would have been a contract with the producer as well as

the refiner.

\_Q.\_ Does this contract show that?

\_A.\_ The draft of a contract which I have presented to the

committee, and which was to have been entered into with the

producers before the contracts with the railroad companies went into

operation, shows that.

\_Q.\_ Does this contract say that anything was to be done in behalf

of the producer before it was to go into operation?

\_A.\_ Not on the face of the contract; it was only a condition on

which it was delivered to me.

\_Q.\_ A written condition so that it would become a part of the

contract?

\_A.\_ It was a part of the contract.

\_Q.\_ I asked you whether there was anything in writing?

\_A.\_ I said there was nothing in writing on the face of the

contract, but nevertheless it was an essential part of it.

\_Q.\_ It seems to be essential now that it should be a part of the

contract?

\_A.\_ It was all the time so considered from the beginning.

By Mr. Hambleton.

\_Q.\_ Was this draft of a contract with the producers drawn prior to

the execution of the railroad contracts?

\_A.\_ Yes, sir, the draft was drawn prior to that.

By the Chairman.

\_Q.\_ What is the date of that pencilled draft of a contract?

\_A.\_ I could not give you the date of it; it was written in the

office of the Lake Shore Railroad Company.

\_Q.\_ At what place?

\_A.\_ New York.

\_Q.\_ State as near as you can the date?

\_A.\_ I should say it was probably in December; either late in

December or in the beginning of January, probably in December;

indeed, I am very confident it was before I went home at Christmas.

\_Q.\_ Has any copy of this ever been printed?

\_A.\_ No, sir.

\_Q.\_ This is all there was of it?

\_A.\_ Yes, except discussion; we discussed the matter.

\_Q.\_ I mean all there was committed to writing?

\_A.\_ Yes, sir, all there was then committed to writing.

\_Q.\_ Is it all there was as far as making out a contract is

concerned?

\_A.\_ Yes, sir.

\_Q.\_ Was this submitted to the producers as a body or individually?

\_A.\_ We were very anxious to submit it to the producers, and I asked

them to appoint a committee that we might do it, but they had got up

such an excitement at the time that nothing was practicable.

\_Q.\_ When was that?

\_A.\_ Before the last of these contracts was signed.

\_Q.\_ Can you give the dates at all?

\_A.\_ I cannot give the dates, but the contract with the Lake Shore

road had not been signed at the time.

\_Q.\_ What producers did you ask to call a meeting?

\_A.\_ Among others I addressed a communication to be delivered to a

gentleman who was understood to be the chairman of a meeting about

to be held.

\_Q.\_ What was his name?

\_A.\_ Foster W. Mitchell, of Franklin.

\_Q.\_ You addressed a communication to him, of what purport?

\_A.\_ Asking him to appoint a committee to meet a committee of the

South Improvement Company, that they might know what the objects of

the South Improvement Company were. I proposed to submit these

contracts with the railroad companies to that committee and also the

form of contract which the railroad companies required the South

Improvement Company to enter into with the producers, before these

contracts went into effect.

\_Q.\_ Have you a copy of that communication or letter?

\_A.\_ It was a telegram.

\_Q.\_ Have you a copy of it here?

\_A.\_ I have not at present.

\_Q.\_ Have you it in your possession, anywhere, and can you lay it

before the committee?

\_A.\_ I may have it; am not sure.

\_Q.\_ Did you receive a reply to that communication?

\_A.\_ Yes, sir.

\_Q.\_ Was it stated in your communication that you proposed to lay

before the committee the form of contract to be entered into with

the producers?

\_A.\_ No, sir. I proposed to lay that before the committee if it

should be appointed.

\_Q.\_ If you are not able to furnish a copy of that communication I

will ask you to state orally its contents.

\_A.\_ I could not give you the words of it; it was in general terms

asking that they appoint a committee to confer with a committee of

the South Improvement Company.

\_Q.\_ To confer in reference to what?

\_A.\_ I do not know that I should be safe in undertaking to say; I

know what my object was in writing it.

\_Q.\_ That you have stated. If you received a reply from Mr.

Mitchell, state whether it was by letter or telegram.

\_A.\_ I received a reply by telegraph from Mr. Mitchell, stating that

the meeting of the producers received the communication with

scorn—as of course they would if read to them, as a mass-meeting is

always called for a specific object.

\_Q.\_ That was not in his reply?

\_A.\_ No, sir, it was not. I replied to him that I had intended the

communication to him to be for the purpose of laying it before a few

of the principal producers; that to lay the proposition before the

meeting was of course to insure its defeat, because the meeting had

convened for a predetermined purpose, which was to denounce and

treat with scorn the South Improvement Company, because the South

Improvement Company had been represented to them as hostile to their

interests. This last perhaps was not in the communication.

By Mr. Hambleton.

\_Q.\_ Have you a copy of that paper which you addressed to Mr.

Mitchell?

\_A.\_ I am not sure whether I have or not. It was a telegram.

\_Q.\_ Did that substantially close the written communications between

you and the producers upon that subject?

\_A.\_ No, sir. I had a great many communications with individual

producers; I think with more than half the producers, estimating

them by the quality of oil produced.

\_Q.\_ State what occurred.

\_A.\_ I have corresponded with them and in that correspondence they

have expressed their belief that the proposed plan of the South

Improvement Company would work greatly for the benefit of the

producing interest; that there was something greatly needed for the

producing interest, and that it could not thrive without something

of this kind, because it could not pay fair, living rates, for

transportation to the railroad companies at the price oil was

bringing, and that there was no likelihood of oil increasing in

price under the existing condition of things; that the railroad

could not always, of course, continue carrying at a loss.

\* \* \* \* \*

\_Q.\_ Will you give the names of the producers who proposed to join

the South Improvement Company, or who expressed themselves

favourable to the plan of that company, in addition to the name of

Mr. Mitchell?

\_A.\_ I could give you the names of several of them, but I do not

think their lives and property would be safe. They requested me not

to mention their names because they thought it would be an imprudent

thing to do.

\_Q.\_ You refuse, then, to give the names which you say you could

state?

\_A.\_ I refuse to give the names for the reason I have stated.

\_Q.\_ Are there any of them you are willing to mention?

\_A.\_ I will look over the letters and see whether there are any of

them not marked confidential. If there are any not so marked, I will

give you the names.

\_Q.\_ Why do you state to this committee that you are not willing to

give the names of the parties to whom you refer, when you state that

a great many producers were in favour of this plan, and were

consulted in regard to it?

\_A.\_ I stated it because it was a fact.

By Mr. Sheldon.

\_Q.\_ Did the danger to the lives of these parties arise from the

excitement in the Oil Regions in consequence of these proceedings?

\_A.\_ Yes, sir, one of the presidents of one of the committees

representing the producers was in New York, a Mr. Patterson. He

stated, as I understood, to one of the railroad officers, that he

did not think my life would be safe if I were to go into the Oil

Region, although he himself would not take it. I had received a

number of threatening letters, but I did not attach any importance

to them until Mr. Patterson made that statement.

By the Chairman.

\_Q.\_ What was the reason given why your life would not be safe?

\_A.\_ I do not know that the reason given, I think by Mr. Patterson,

that there was such an unreasonable excitement among the people as

to the nature and object of the South Improvement Company, which was

represented to them to be a measure altogether hostile to them.

\_Q.\_ Do you know what these misrepresentations were?

\_A.\_ I only know by what I have seen stated in the papers and what

persons have mentioned to me.

\_Q.\_ Did you make an effort to correct the false impressions?

\_A.\_ I did; the papers called for the other day by the committee,

and which I have here to-day to produce, will show that.

\_Q.\_ Were your efforts to correct these misrepresentations

successful?

\_A.\_ No, sir, they were not. I will read the despatches which I sent

for the purpose of endeavouring to do that, and you will see from

them the nature of the efforts I made.

\_Q.\_ Sent to whom?

\_A.\_ I sent a despatch to F. W. Mitchell through S. P. McCalmont of

Franklin, which I have here.

\_The Chairman.\_—We will not stop to read them.

\_Witness.\_—It will answer your question in a great deal shorter

period than I could answer it verbally.

\_The Chairman.\_—We will put the answers themselves in as testimony.

\_Witness.\_—Then I will read this as my answer, if you please,

because it expresses as fully as I could express the facts you

desire to know.

\_The Chairman.\_—Very well, you may hand the despatches to the

reporter, and they will go in as a part of your testimony, and save

the committee the time of reading them.

\_Witness.\_—You can hardly comprehend the answer without hearing the

despatches. There were three despatches, showing the efforts I made

to have the producers understand that the whole arrangement was one

which looked as much to their interest as to any other.

\_The Chairman.\_—Very well, you may furnish them to the committee; we

will not stop to read them now.

\_Witness.\_—I then offer you first my despatch to S. P. McCalmont,

dated New York, March 4, 1872. I next offer another despatch from

myself to F. W. Mitchell, dated New York, March 5, 1872, and also a

despatch from myself to the same party, dated New York, March 6,

1872.

The despatches referred to are as follows:

NEW YORK, March 4, 1872.

S. P. MCCALMONT,

Franklin, Pennsylvania.

Your telegram received. Please deliver the following

communication to F. W. Mitchell, or, in his absence, to somebody

else who will make its contents known to the principal producers

attending the meeting to be held to-morrow at Franklin:

To F. W. MITCHELL:

Yesterday I received by mail from you or some other friend in

Franklin several newspaper slips, one of which threatened the

destruction of my oil at Franklin. At the same time I received an

anonymous letter threatening injury to the Jamestown and Franklin

Railroad. Disapproval of my connection with the South Improvement

Company is alleged as the reason of both threats. This morning the

telegraph informs me that the threat to destroy my oil has been

executed by tapping the tank and letting it run to waste. While

there may be some excuse for working up the present excitement to

induce people to subscribe their money to new railroad schemes,

there can be nothing but reprobation for the lawless destruction of

property. You have sufficient character and influence, and

sufficient information of the purposes of the company, to quell this

excitement by a word, and I think it your duty to say that word. It

seems to me that a great responsibility rests with somebody among

you for stimulating the present causeless excitement, and the

lawless destruction of property. On meeting you here on your return

from the South, I explained to you, very briefly, that the whole

plan of the South Improvement Company was founded upon the

expectation of co-operation with the oil producers to maintain a

good price for crude oil, as the only means of securing a fair

remuneration to either the transporter, the refiner, or the

merchant.

Unless the producers will co-operate with us, first, by limiting the

production or the capacity of the markets of the world to absorb

petroleum at a good price; and, secondly, by tanking a large part of

the production for the next two or three months, that it may be

withheld from the market until the present glut is exhausted and

production reduced, it will be impossible, I am convinced from

recent advices of the state of supply and demand in the principal

markets of the world, to keep the price of crude oil up to $3.50,

and of refined oil up to twenty-two cents, during the coming summer.

I stated to you in the strongest terms the desire of the South

Improvement Company to enter into an arrangement for a series of

years with the producers, whereby good prices for crude oil at the

wells and fair and reasonable rates of transportation would at all

times be assured. The desire still exists. You expressed to me your

concurrence in these views, as others among the leading producers

whom I have more recently seen have also done.

I then explained to you certain important business which I had

postponed to await the organisation of the South Improvement

Company. That business I have been engaged upon for the last ten

days. As soon as I get through with it, which I hope will be in a

few days, I should like to meet a committee of the principal

producers to arrange the details of the plan of co-operation of

which we spoke. I therefore request you to have such a committee

appointed by the meeting noticed for to-morrow on the newspaper slip

sent to me, and if possible have a plan prepared by which, among

other things, we could extend to you large facilities of tankage and

capital to take care of the surplus oil until the present production

can be checked.

P. H. WATSON.

\* \* \* \* \*

NEW YORK, March 5, 1872.

To F. W. MITCHELL,

Franklin, Pennsylvania.

Just received another batch of newspaper slips giving proceedings of

Oil City meeting.

The meeting acted in ignorance and under a radical misconception of

the actual facts, and with far more earnestness and zeal than

judgment.

If you will take the trouble to appoint a committee of producers to

investigate, we will show that the contracts with the railroads are

as favourable to the producing as to any other interests; that the

much-denounced rebate will enhance the price of oil at the wells,

and that our entire plan in operation and effect will promote every

legitimate American interest in the oil trade.

You patiently test a well before deciding upon its merits, like

rational men. You examine other subjects before acting upon them. Is

not this a subject of sufficient importance to be worthy of rational

investigation?

P. H. WATSON.

\* \* \* \* \*

NEW YORK, March 6, 1872.

To F. W. MITCHELL,

Franklin, Pennsylvania.

Your telegrams received.

My telegrams were not addressed to the mass-meeting, but to you as a

friend, as is also this, to be read at your discretion to some of

the principal producers attending the meeting, simply to induce them

to investigate the subject about which they are excited before

acting upon it.

A mass-meeting is not a deliberative body; it always acts under the

feeling of impulse or passions, and meets for predetermined

purposes, one of which in this case, as appears in the articles of

the newspapers calling the meeting, was to denounce and show its

scorn for anything and everything connected with the South

Improvement Company. Hence it required no prophet to tell beforehand

in what spirit my telegrams to you would be listened to. You ask me

to go to Franklin to consult my true friends. I will most gladly

meet you and your friends at any place favourable to calm

investigation and deliberation, and therefore outside of the

atmosphere of excitement by which you are surrounded, say at Albany

or New York.

I can well understand that, however, the excited people of your

region may misjudge, they have no other purpose than to promote the

public interest, and knowing that you deservedly enjoy their

confidence, I am strongly convinced that a free and frank

interchange of views at the conference suggested would result in

satisfying you and the people that there exists no cause for

regarding us as enemies. I therefore hope you will name an early day

for the meeting.

P. H. WATSON.

\* \* \* \* \*

Mr. Gilfillan.

I would like to suggest a question that would throw a little light

upon this subject, and which I know Mr. Watson will be entirely

satisfied to answer. I wish the chairman would ask if the objects of

the South Improvement Company, in connection with railroads, were

presented to the public through any statement in writing or by

telegraph to the public, explaining the objects.

\_The Chairman.\_—I am coming to that, but first I want to know of the

witness, whether he received any replies to these despatches?

\_A.\_ Yes, sir, to one of them.

\_Q.\_ Have you a copy of that?

\_A.\_ I have not, but I have stated the purport of the answer. To the

first I did not receive any answer; there was not time to receive

any, and I did not expect it. I sent the second shortly after, and

the answer was to the first and second together. To the third I

received no telegraphic answer.

\_Q.\_ You say you have no copy of these answers you received?

\_A.\_ I have not. I gave the purport of the answer I received at the

last meeting.

\_Q.\_ Were there any other letters or statements published by your

authority to the public or to parties in interest among the

producers?

\_A.\_ These were not published by my authority.

\_Q.\_ Was there any other matter published by your authority, giving

explanation to the people?

\_A.\_ I made similar statements to a great many of the producers.

\_Q.\_ I mean documentary evidence; was there anything published over

your signature?

\_A.\_ Oh, I did not publish any document at all; I did not publish

this.

\_Q.\_ Did you authorise it?

\_A.\_ I neither published it nor authorised it, because I considered

it useless; the people were so excited that they could not be

reasoned with at all. Every one who informed me about it said so.

\_Q.\_ Did you offer to any of the producers, or any parties in

interest to show them these contracts?

\_A.\_ Yes, I wanted that committee appointed for that purpose; I told

them so substantially in my despatch.

\_Q.\_ Did you make the offer otherwise?

\_A.\_ I told them that I would, if that can be considered as an

offer. I said I would, and I should have done it if they had come to

meet us; but they were afraid.

\_Q.\_ Would you have published it, do you mean?

\_A.\_ I should have been perfectly willing to publish the contract; I

should have been glad to have published everything in connection

with the matter.

\_Q.\_ If you would have been glad to have published it, why did you

not? You had the power.

\_A.\_ I would have been very glad to have done it, with the assent of

these men.

\_Q.\_ With the assent of what men?

\_A.\_ The producers. I said to some of the producers that if they

would go and examine the whole plan, and after they had examined

into it they were not satisfied that it was for their interest, I

would be perfectly willing to abandon the whole thing. That was the

feeling we had in regard to the matter.

\_Q.\_ What producers did you say that to?

\_A.\_ Several of them.

\_Q.\_ Mention their names.

\_A.\_ Men with whom I had been in correspondence with on this

subject, and whose lives and property I believe would not be safe if

I were to mention their names, because they have told me so. I have

promised not to expose them, and I feel in honour bound not to give

their names.

\_Q.\_ You have so promised in regard to all of them?

\_A.\_ Most of those with whom I have had correspondence.

\_Q.\_ Was there any opportunity offered to explain this matter, to

show the contracts and let them know what were the objects of your

company? Are there no names you can mention in that connection?

\_A.\_ I shall have to look over the letters in order to see if there

are any not marked confidential. I should like to give you the names

if I am at liberty to do so.

Mr. Gilfillan.

I should like to make a suggestion which would throw a little light

on this subject. If the chairman will allow me, I will ask the

witness if he saw the proceedings of the meeting at Franklin, to

which he refers, and if so, whether a resolution was not passed at

that meeting asking for the production of these contracts that the

public might know what the objects of this company were?

\_A.\_ I have seen no such resolution; I do not think I have seen the

published proceedings of that meeting; I only saw such parts as were

sent to me in slips. There was certainly no such resolution as that

which came to me. Mr. Mitchell telegraphed to me that my telegrams

were received with scorn; that they did not want to know anything

about the matter.

\* \* \* \* \*

\_Q.\_ Do you remember whether, about the first of March, the railroad

companies, with which you made these contracts, or some of them,

raised their rates of transportation?

\_A.\_ I think about that time they did.

\* \* \* \* \*

\_Q.\_ Was it for a short time raised to that amount, and a printed

schedule published?

\_A.\_ I never saw the published schedule; I understood that through a

mistake between William Vanderbilt, vice-president of the New York

Central Railroad Company and freight agent of the Lake Shore road,

it was supposed by the freight agent of the Lake Shore road that the

rate had been raised by an agreement among the railroads to the

maximum rates mentioned in their contracts with the South

Improvement Company. A day or two after that mistake, being in Mr.

Vanderbilt’s office, a telegram came in respect to it, and Mr.

Vanderbilt at once directed the correction to be made. Mr. Devereux,

the general manager of the Lake Shore Railroad, happened to come in

at the time, and he also gave directions to the officers of his road

to have the correction promptly made.

\_Q.\_ Were you present?

\_A.\_ Yes, sir, I was present. When I said “being in Mr. Vanderbilt’s

office,” I meant that I myself was present.

\_Q.\_ Was the correction made at your instance, or request, or

suggestion?

\_A.\_ It was not.

By Mr. Hambleton.

\_Q.\_ Why was it made?

\_A.\_ Because it was a mistake, a misapprehension, a

misunderstanding, as I understood. I had not heard anything of it

before that moment, and it was accidental, as I said, that I heard

it.

By the Chairman.

\_Q.\_ Then the rates were raised by the freight agents of the roads

to correspond with the rates mentioned in these contracts?

\_A.\_ I do not know the facts any further than having heard it as I

have stated.

\_Q.\_ And you think they were raised to correspond with these

contracts by mistake?

\_A.\_ I stated I so understood at the time.

\_Q.\_ You stated the circumstances so minutely as to its being a

mistake between Mr. Vanderbilt and the Lake Shore agent, that I

inferred you knew the facts?

\_A.\_ I only know it was so represented at the time.

\_Q.\_ Did you take any part in that conversation by which the error

you speak of was corrected?

\_A.\_ Only in this sense: Mr. Vanderbilt mentioned the fact to me

that a mistake of that kind had been made, that he had just received

a despatch in relation to it, and he was about to correct it, and he

asked me, I think, if I knew whether Mr. Devereux had given any

orders respecting the matter. I told him I did not know anything

about it.

\_Q.\_ If I understand you, the time had not come for raising the

freights under these contracts then?

\_A.\_ I do not know anything about the time; I did not intend to make

any such statement.

By Mr. Hambleton.

\_Q.\_ At that time, as president of the South Improvement Company,

was it not the understanding, and was it not your expectation, that

the rates would go up at that time as they did go up to the maximum

rates named in these contracts?

\_A.\_ I do not know that as president I had any knowledge of the

matter; and as an individual I took no part in the transaction.

\_Q.\_ The president is an officer supposed to know more about such

details than any of the directors or members of the company; and as

president of that company I ask you if it was not the general

understanding that the rates would go up about that time?

\_A.\_ I answer distinctly that it was not, and that as president of

that company I had nothing to do with the rates then, because the

South Improvement Company’s contracts had not gone into operation,

and neither the South Improvement Company nor any of its officers

had any control of the question in any way.

\_Q.\_ Had not the contracts at that time been signed?

\_A.\_ The contracts had been signed, but they were held by me

personally in escrow and they had not gone into effect.

\_Q.\_ They had been signed?

\_A.\_ Yes, but had not gone into effect.

\_Q.\_ Were not these contracts so signed and held by you as president

of the South Improvement Company, and did you not expect that the

rates would advance to the maximum named therein at that time?

\_A.\_ Certainly I did not; and in regard to the premises stated in

the first part of your question I do not want to admit the

statements you made. I do not suppose the object was to entrap me

into an admission of a statement that is not true.

\_Mr. Hambleton.\_—I do not wish to entrap you into anything.

\_Witness.\_—I say that when you remark that I hold these contracts as

president of the South Improvement Company, you mistake; they were

not in my hands as president.

\_Q.\_ I supposed that as president they passed into your hands?

\_A.\_ They were passed into my hands as a person, and as such, in

execution of the trust, I should hold them as much against the South

Improvement Company as against anybody else.

\_Q.\_ You answer my question then that you did not expect them to

raise these rates?

\_A.\_ Certainly I did not; I had no such idea at all.

\_Q.\_ State how that mistake, or misunderstanding, or error, happened

to occur, and what was the cause of it?

\_A.\_ I really do not know; it was suggested at the time by Mr.

Devereux that Mr. Hills, the freight agent of the Lake Shore

Railroad, had a son on his death-bed, that he had to leave the

office in charge of subordinates, and that he had not his wits about

him as usual, because his mind was so pre-occupied with the sickness

of his son, who was a favourite son.

\_Q.\_ If he had not his wits about him, had he the contracts?

\_A.\_ I do not wish to use that expression in any offensive sense; I

mean he had not the full use of his mind. I do not know whether he

had the contracts or not. I think it is probable from the

conversation there that all the freight agents had the rates

mentioned in these contracts; I have no doubt that the officers of

the roads had consulted him; indeed some of them stated that they

had been consulted, and that the freight agents knew what rates were

provided for in these contracts.

\* \* \* \* \*

\_Q.\_ I want an answer to my question. By your contracts with the

railroad companies you were to purchase all the refineries in the

main cities of this country. You had it in your power to furnish

more transportation than anybody else?

\_A.\_ The refineries were not purchased; they have not been

purchased.

\_Q.\_ Was not that contemplated?

\_A.\_ The company contemplated purchasing if it had gone into

operation.

\_Q.\_ I am getting at the point now; if your scheme had been

successful do you suppose anybody in the world could have furnished

an equal amount of transportation with your company?

\_A.\_ If our plan had been carried out it included everybody; there

would have been nobody left, and no hostile interest.

\_Q.\_ You would have had the matter perfectly under your control?

\_A.\_ Yes, because there would have been nobody left.

\_Q.\_ Then I am correct in saying that nobody else could have shipped

oil under any circumstances, because you were to have an additional

rebate in case any rebate was allowed to any other person?

\_A.\_ But if all interest was drawn into the plan, there would have

been no hostile party and no injustice done to anybody.

\_Q.\_ That is a different matter; now we agree that your advantages

of rebate from the leading roads gave you the power of paying larger

prices to the oil producers than anybody else?

\_A.\_ It was expected that these rebates would enable the refiners

and producers to maintain a fair price for crude oil at the wells.

\_Q.\_ Will you answer my question? Could you not have purchased oil

and shipped it with these rebates, on terms that nobody else could

compete with?

\_A.\_ If everything had been successful, if the South Improvement

Company had gone into successful operation, combining all these

various interests, of course we could have paid a higher price than

anybody else.

\_Q.\_ Do you not see then that you had the producers of the Oil

Regions absolutely in your control?

\_A.\_ No, sir.

\_Mr. Sheldon.\_—I do.

\_Witness.\_—I do not, and will tell you why; you asked me a question

that is a good deal like attempting to make the Bible prove that it

says itself “that there is no God.”

\_The Chairman.\_—All our time is being expended in this way. Will you

answer the direct question put to you?

\_Witness.\_—I want to answer it truly. It is an essential part of

this contract that the producers should be joined in it; therefore

it was not hostile to the producers in any of its intents or

purposes; it never would have gone into effect unless the producers

had joined.

By Mr. Sheldon.

\_Q.\_ That may be the fact, but if the producers had refused to join,

could you not have forced them into the arrangement on your own

terms?

\_A.\_ No, sir; because the South Improvement Company had no contract.

\_Q.\_ You have a contract?

\_A.\_ No, sir; it has no contract.

\_Q.\_ Did it never have?

\_A.\_ No, sir; they are placed in escrow with me. It has never had

any, that is, there is not to-day and has not at any time been a

contract in existence, in activity, or in force between the

railroads and the South Improvement Company.

By Mr. Hambleton.

\_Q.\_ Is not that entirely due to the excitement produced in

consequence of the contracts having been entered into?

\_A.\_ If the purchasers had entered into the contract which was

contemplated by the South Improvement Company, it would have been

entirely satisfactory to all parties, and both contracts would have

gone into operation.

\_Q.\_ And if a party of the producers had joined, you could have

forced the balance to have gone into the arrangement?

\_A.\_ Two-thirds were required.

\_Q.\_ You could have forced the balance to have gone in?

\_A.\_ The majority rules in most kinds of business; unless two-thirds

had joined, no arrangement would have been made.

\_Q.\_ Let us see whether you have not power to force the producers;

by your contract with the railroads you had the advantage of forty

cents a barrel to Cleveland and Pittsburg, and $1.06 to New York,

Philadelphia, Baltimore or Boston on crude petroleum; while on

refined petroleum you had the advantage to these cities of fifty

cents a barrel, and from any other point to New York, Philadelphia,

Baltimore and Boston of thirty-two cents a barrel; it seems to me at

that advantage you could have compelled the producers to do exactly

what you wanted them to do?

\_A.\_ The South Improvement Company never could have had that

advantage, because the condition on which the main contract with the

railroads was to be enforced was that the producers should join with

them and participate in the benefits.

\_Q.\_ Is that embodied in the different contracts?

\_A.\_ The condition is not embodied upon the face of the contract; it

is a condition upon which I held the contracts.

\_Q.\_ Now Mr. Watson, as a lawyer, if you are such, are verbal

conditions made with a third party to change the terms of a written

contract executed in all respects?

\_A.\_ Let me give you an illustration within my experience that is

exactly parallel to this: I had a note executed, sealed, and

complete in every way, put into my possession to be delivered upon

the production of a deed.

\_The Chairman.\_—Wait a moment, there must be some kind of order in

this proceeding. I wish you to answer the question which has been

asked you, whether as a lawyer the conditions stated would change

the terms of a written contract. If you are able to give an answer

to that legal question you may do so.

\_Witness.\_—Let me hear the question and I will endeavour to answer

it fully, if you will allow me to answer it in my own way.

By Mr. Sheldon.

\_Q.\_ The question is, whether a verbal understanding to be performed

by other parties not embraced in the written contract can be made

effective to modify the terms of that contract as between the

parties to it.

\_A.\_ An agreement between the parties to a contract, whether verbal

or written, fixing the terms upon which the contract shall go into

effect, is perfectly competent and would be binding.

\_Q.\_ That is your opinion as a lawyer?

\_A.\_ That is my opinion.

\_Q.\_ Now, sir, these contracts contemplated a considerable increase

in the freight charges, both upon crude and refined petroleum?

\_A.\_ They contemplate an increase almost up to the price for coal

and lumber, as they are ordinarily carried, amounting to about 1½

cents a pound.

\_Q.\_ Did it contemplate an increase upon both crude petroleum and

refined oil?

\_A.\_ Certainly; the railroads had been carrying these articles at a

loss of nearly a million dollars; they carried for less than cost,

and one object of these contracts was to increase the price of

freight to the railroads.

\_The Chairman.\_—Let me suggest the propriety of first answering the

question and then giving your explanation. That is the regular

course, and I am sorry to say that during your whole examination

there has not been a direct answer given to a question.

\_Witness.\_—Well, sir, where a question is such that it would give a

false impression unless answered fully and fairly, I do not want to

convey that false impression by my testimony.

Mr. Sheldon.

\_Q.\_ Very well, I am satisfied with your explanation; now could not

these railroad companies have raised the price of freight without

the intervention of the South Improvement Company?

\_A.\_ There were a good many difficulties in the way.

\_Q.\_ Could they not have done it, and had they not the power to do

it?

\_A.\_ The laws of the State of New York forbid the Erie and New York

Central Railroads from combining to raise the rates of freight;

whether they could have done it I do not know. They tried very hard

to agree to raise the freights but did not succeed.

\_Q.\_ If that is the law of New York, is there an exception to that

law so that they could combine with the South Improvement Company?

\_A.\_ I think it was the opinion of lawyers that this arrangement was

perfectly legal and proper; they could not combine, but they could

make an independent agreement.

\_Q.\_ They could raise the rates in your behalf, but they could not

in the behalf of anybody else?

\_A.\_ Not in behalf of anybody, but they could make this transaction.

For two or three years they had been cutting under for the purpose

of drawing the business away from each other.

\_Q.\_ What effect would this increase of freight have upon the

consumers of oil?

\_A.\_ I think it would not be to the prejudice of the consumers in

this country at all.

\_Q.\_ Would it not have increased the price?

\_A.\_ I think it would not have increased the price to the retail

consumers in this country. If there had been no countervailing

advantage to the retail consumers, of course it would have increased

the price.

\_Q.\_ You mean to say that there was such a margin upon the traffic

of oil that to increase the freight charges fifty or 100 per cent.

would not affect the retail price?

\_A.\_ No, sir; I do not mean to say that is the reason.

\_Q.\_ Is that not the effect of your answer?

\_A.\_ No, sir, I think not. My explanation of it is this: that the

oil trade, unless it is steadied by some artificial process, is

subject to violent and rapid fluctuation. The retailers are very

quick to note a rise in price, as I explained the other day, but

very slow to notice a fall, so that the average price of a retail

purchaser is very much above the average wholesale price. Now it was

expected that the price under this arrangement would be a steady

price, and that with a steady, regular price it would not cause the

retailer to raise the price at which he sold at all.

\_Q.\_ Do you know what profit is made on a barrel of oil sold by

retailers to consumers in Northern Ohio?

\_A.\_ It varies.

\_Q.\_ Does it ever reach over $1.75 a barrel?

\_A.\_ I can answer your question with a little calculation. (After

computation.) I have known it to be sold at as low a profit as forty

cents a barrel. About six or eight cents a gallon is a fair profit.

\_Q.\_ We gentlemen are supposed to be acting for the public good;

will you tell us what public interest you are advancing, or thought

you were advancing in making the arrangements that are foreshadowed

in these contracts?

\_A.\_ We were advancing the interests of the railroads, the

transporting interest, the interest of the producers, those who mine

oil, the interest of the refiners, those who manufacture it, and the

interests of the American trade and business generally, for

five-sixths of the oil produced is exported, and an increase in the

price of crude oil at the mines is essential to the payment of a

fair business profit to the refiners; it is essential to the payment

of a fair rate of transportation, because without a higher price of

transportation more profit to the refiners could not be paid long

and allow the producer pay for his labour at the average price of

oil last year.

\_Q.\_ Do you not think the interests of trade in this country are

better promoted by leaving everybody to attend to their own matters

and protect their own rights rather than by forming a combination as

you did?

\_A.\_ It is essential in many cases beyond individual means to form

combinations. Railroads cannot be built without the co-operation of

a great many individuals. There are a great many other operations

that cannot be managed successfully without co-operation, and this

is one of them.

\_Q.\_ Did the producers ask you to go into this operation?

\_A.\_ The most intelligent producers did, and to-day, my judgment is,

that they are all satisfied that something of that kind is necessary

for the protection of American industry.

\_Q.\_ Did the consumers ask you to go into it?

\_A.\_ Not any considerable number of consumers; we ourselves are all

consumers. The body of them did not.

\_Q.\_ How much money would the railroad companies have made under

these contracts if they had shipped oil at these advanced rates?

\_A.\_ They would have made about the same profits on that business

that they do on coal and lumber, even if the maximum rates had been

paid without any rebate; not so much if the net rates only had been

charged.

By the Chairman.

\_Q.\_ State whether in your judgment it was necessary, in order to

make provision for these people for the South Improvement Company to

receive this million dollars a year for the benefit of American

interest, as you have suggested.

\_A.\_ There was no such provision made, as I understand it.

\_Q.\_ The testimony is that about six million barrels a year are

shipped; the provisions of this contract are that a rebate to that

company, supposing the maximum to have been charged, should be over

a dollar a barrel.

\_A.\_ No such thing as charging maximum rates was ever contemplated.

The contract on its face says it is a cardinal principle that the

gross rates shall be kept as near the net rates as possible.

\_Q.\_ Suppose it had been kept at the gross rates, your company would

then have received over six million?

\_A.\_ That would be altogether different from the principles on which

the contract was based.

\_Q.\_ If the gross rates which the contract allows had been paid,

however, the South Improvement Company would have received a rebate

of over six million dollars?

\_A.\_ Certainly, supposing such an absurdity.

\_Q.\_ Why did you put such an absurdity in the contract?

\_A.\_ It is not in the contract, as I stated.

By Mr. Hambleton.

\_Q.\_ It is in the contract as a maximum?

\_A.\_ But it is also expressly stated that the rates shall be kept as

near to net rates as possible.

NUMBER 13 (See page 1093)

CONTRACT OF MARCH 25, 1872

[From “A History of the Rise and Fall of the South Improvement

Company,” pages 27–28.]

I. That all arrangements for the transportation of oil after this

date shall be upon a basis of perfect equality to all shippers,

producers and refiners, and that no rebates, drawbacks, or other

arrangements of any character, shall be made or allowed that will

give any party the slightest difference in rates or discrimination

of any character whatever.

II. That the present rates from Oil City, Union, Corry, Irvineton,

Pittsburg, Cleveland and other competing points, shall be and remain

in full force at following rates:

ON REFINED OIL, BENZINE, ETC.

Per barrel

From Oil City, Union, Corry and Irvineton to Boston $1.65

From Oil City, Union, Corry and Irvineton to New York 1.50

From Oil City, Union, Corry and Irvineton to Philadelphia 1.35

From Oil City, Union, Corry and Irvineton to Baltimore 1.35

From Cleveland to Boston 1.65

From Cleveland to New York 1.50

From Cleveland to Philadelphia 1.35

From Cleveland to Baltimore 1.35

From Pittsburg to New York 1.50

From Pittsburg to Philadelphia 1.35

From Pittsburg to Baltimore 1.35

ON CRUDE OIL

From Oil City, Union, Corry and Irvineton to Boston $1.50

From Oil City, Union, Corry and Irvineton to New York 1.35

From Oil City, Union, Corry and Irvineton to Philadelphia 1.20

From Oil City, Union, Corry and Irvineton to Baltimore 1.20

From Oil City, Union, Corry and Irvineton to Cleveland .50

From Oil City, Union, Corry and Irvineton to Pittsburg .50

And said rates shall not be liable to any change either for increase

or decrease without first giving to William Hasson, president of the

Producers’ Union at Oil City, at least ninety days’ notice in

writing of such contemplated change.

III. In the distribution of cars for shipments, it shall be done

without discrimination.

IV. On the basis as hereinbefore stated, the parties respectively

agree to carry out the arrangements in good faith and work for the

mutual interests of each other.

In witness whereof the parties have hereunto affixed their

signatures, this twenty-fifth day of March, A.D. 1872:

For the Lake Shore and Michigan Southern Railroad Company: H. F.

CLARK, \_President\_.

For the Erie Railway Company: O. H. P. ARCHER, \_Vice-President\_.

For the New York Central and Hudson River Railroad Company: WILLIAM

H. VANDERBILT, \_Vice-President\_.

For the Atlantic and Great Western Railroad Company: GEORGE B.

MCCLELLAN, \_President\_.

For the Pennsylvania Railroad Company: THOMAS A. SCOTT,

\_Vice-President\_.

On behalf of the Producers and Refiners: G. SHAMBURG, E. G.

PATTERSON, WILLIAM HASSON, HENRY BYROM, WILLIAM PARKER, JOHN J.

FISHER, \_Oil Creek Producers and Refiners\_.

J. J. VANDERGRIFT, A. P. BENNETT, WILLIAM M. IRISH, WILLIAM T.

SCHEIDE, \_Oil City Producers and Refiners\_.

HENRY H. ROGERS, F. C. FLEMING, JOSIAH LOMBARD, JR., \_New York

Refiners\_.

B. VAUGHAN, \_Boston Refiners\_.

NUMBER 14 (See page 1100)

TESTIMONY OF HENRY M. FLAGLER

[Before a committee appointed by the Legislature of Ohio, March,

1879.]

Henry M. Flagler; residence, Cleveland, Ohio; occupation, secretary

Standard Oil Company; sworn and examined.

By Mr. Norton.

\_Q.\_ Mr. Flagler, I suppose you understand that this investigation

is brought under what is known as House Resolution Number 162?

\_A.\_ I understand that it is.

\_Q.\_ How long have you been secretary of the Standard Oil Company?

\_A.\_ Since its organisation, some time in January, 1870.

\_Q.\_ Are the articles manufactured or the oil refined by your

company shipped over the line of any railroad in the State of Ohio,

and if so, state whether or not any rate of freight is contracted

for by you or whether your company pays the freight?

\_A.\_ To the first question, yes, sir; more or less of the product of

our refineries is shipped over the railroads of the state. As a rule

all of the freight contracts have been made by me.

\_Q.\_ Please state as near as you can what proportion of your product

is shipped out of the state?

\_A.\_ Well, I should say from sixty-five to seventy per cent.

\_Q.\_ Now, has your corporation any contracts, written or verbal,

with any of the railroads of the State of Ohio for carrying your

freight?

\_A.\_ Yes, sir.

\_Q.\_ You may state whether these contracts are written or verbal.

\_A.\_ They are written.

\_Q.\_ Have you heretofore, prior to this time, any contracts written

or verbal?

\_A.\_ We have.

\_Q.\_ You may state, Mr. Flagler, whether by virtue of these

contracts it has been agreed or allowed by the railroad companies to

pay you any drawbacks or rebates on freights.

\_A.\_ No, sir, it has not.

\_Q.\_ You may state whether or not you are allowed special rates, or

what is known as special privileges.

\_A.\_ I can’t answer that question from the fact that I do not know

what other people get, so I do not know whether they are special

rates or general.

\_Q.\_ I believe, Mr. Flagler, that in your subpœna it was requested

of you that if any such contracts were in existence relative to

freight matters, you would bring them before the committee. Did you

do so?

\_A.\_ I have never seen the subpœna, so I do not know what the demand

was. I have, however, contracts made with our company as far back as

the first one ever made.

\_Q.\_ Can you produce these contracts before this committee?

\_A.\_ Yes, sir, I can; I am willing to do so, provided they may be

used by the committee—if it is proper to ask, to be used in the

nature of a confidential communication. None of these contracts

provides for any discrimination whatever, but they may contain some

business secret of the Standard Oil Company, whose interests I am

bound to protect. I do not see how the submission of those contracts

as evidence in this case will do other than bear out the statement I

have made under oath. I do not see how they will do anything more

than sustain the statements I have made. I would be very glad to

have our company set right before the public in these matters, but I

do not care enough about it, however, to have our business contracts

made public. I should be very glad to submit them to you under such

circumstances.

\_Q.\_ Mr. Flagler, do you know anything about the rates of freight

from the Southern portions of the state, well, say from Marietta and

from Wheeling to the City of Columbus?

\_A.\_ I do not.

\_Q.\_ Did you have anything to do, or has the Standard Oil Company

anything to do with the making of the rates of freight for the

company known as the Camden Consolidated?

\_A.\_ None whatever.

\_Q.\_ Have you anything to do with the making of the rate, or the

arranging of the freights for the company known as the Marietta Oil

Refining Company?

\_A.\_ None whatever.

\_Q.\_ Testimony introduced here shows, I think, Mr. Flagler, that

about one year ago the rates of freight were raised nearly one-half

from the points I have mentioned and from Parkersburg and other

places to points in this direction. Had the Standard Oil Company any

understanding by and between the railroad companies in regard to

this rise in the rates of freight?

\_A.\_ I should say, to my own knowledge, positively no; I never heard

of it before. I do not know what the rates were and I did not know

that the raise had been made.

\_Q.\_ Do you in your capacity, or does the Standard Oil Company

through its agents, control the rates of freight or make the rates

of any of the oil companies in Cleveland, outside of your own

corporation?

\_A.\_ No, sir.

\_Q.\_ Mr. Flagler, what is your rate of freight from the seaboard, or

to the seaboard from Cleveland?

\_A.\_ At the present time?

\_Q.\_ Yes, sir, at the present time.

\_A.\_ Do you mean per carload or by the barrel?

\_Q.\_ Well, we’ll put it by the barrel, as there is some testimony

before the committee relating to that.

\_A.\_ I do not know that I could answer the question and I do not

know but that I would be betraying the business interests of other

people. The custom for several years, in fact, for more than five

years, has been that the rates of freight on shipments to the

seaboard and export oil have been made by what is called trunk

lines, the New York Central, the Erie, now New York, Lake Erie and

Western, the Pennsylvania, and Baltimore and Ohio. The general

freight agents are the officers who make those rates, and their

Western connections share in them. I do not know how the freight

which is paid for services rendered is divided between their Western

connections, having no means of knowing that at all. We do not make

any contracts with the Lake Shore for the rates of freight, and the

same is equally true of the Atlantic and Great Western. These are

the only two roads we ever ship by—I may be wrong; we ship some by

way of Pittsburg, over the Cleveland and Pittsburg or over the

Baltimore and Ohio.

\_Q.\_ Do you know what the open rate, the published rate is to the

seaboard by the barrel?

\_A.\_ To Boston and New York, $1.54½; to Philadelphia and Baltimore,

$1.29½.

\_Q.\_ Now, Mr. Flagler, you have used your pencil to arrive at that

conclusion, why was it necessary to figure out that matter if there

is a published rate?

\_A.\_ Simply because I do not keep that thing in my mind and had to

call upon my memory for the way the thing is got at. I got at that

by deducting what is called the crude rebate. Nobody pays the crude

rebate which is 45½ cents. Whether that form is kept up by the

railroad companies I do not know, but my impression is it is not.

\_Q.\_ It is a fact, isn’t it, that you do get a lower rate and pay

less freight than the published rate? I believe it is in evidence

that the open rate of freight to the seaboard will average about

$1.65.

\_A.\_ I have never seen the freight tariff, if you mean that which is

known as the schedule rate published for the public. I have not seen

anything of the kind and do not know anything about it.

\_Q.\_ What inducement does your company offer to the railroads or

what propositions are made by the railroads to your company? Now, I

refer to the testimony given by Mr. Hills in regard to the carrying

of oils, etc., what inducements do the railroad companies give

whereby they lower your rate of freight?

\_A.\_ They do not give us lower rates of freight for any

consideration of that kind. They pay us for the use of our property,

if we furnish them with terminal facilities, cars in which to haul

the goods, they pay us a compensation for the use of the property.

Perhaps I can give it so you can understand it; we keep a separate

account with each refinery and if we spend $50,000, or $100,000 to

create what we term terminal facilities, warehouses, loading places,

etc., we make an arrangement whereby they pay us a fair compensation

for the property that is created by our money. That consideration is

credited to that investment and has nothing whatever to do with the

freight. The refinery making the oil is charged with the rate of

freight just as anybody else pays, and the compensation for the use

of tank cars and terminal facilities at the shipping and receiving

ends of the line is given for the use of these ends. I will say that

in the contracts we have made, the railroad companies have expressly

reserved the right to give to other parties the same privileges if

they furnish the same conveniences.

\_Q.\_ Does the Standard Oil Company own and control the Camden

Consolidated Company at Parkersburg?

\_A.\_ Well, I would like to ask a question in reply, and that is,

whether that question and answer comes within the scope of this

resolution?

\_Q.\_ I will give you my reason for asking the question. It has been

charged here by witnesses that there is a collusion by and between

the railroads in the Southern part of the state and the Camden

Consolidated Oil Company or the Standard Oil Company, as they term

it, for discriminations in the rates of freight. Now, to find out

whether or not there is anything for which to blame the Standard Oil

Company, I ask this question.

\_A.\_ Well, it is a business secret of our company, but considering

the circumstance, I will answer the question. The Standard Oil

Company doesn’t own or control the Camden Oil Company, and I would

say to every man explicitly and fully that the Standard Oil Company

doesn’t own a share of stock in the Camden Consolidated Company. I

say this so I may be understood and I hope I have done so. I do not

own a share in it myself.

\_Q.\_ Coming back to this question of the contracts, have you any of

the written contracts that have been or are now in force, that you

can give this committee; contracts between the railroad companies

traversing this state and your company?

\_A.\_ Yes, sir. (Contracts produced.) The price for the shipment of

oil per barrel as given in the first contract for the year 1870 was

as follows: From the first of February to the first of June, 1870,

$1.40; from the first of June to the first of November, 1870, $1.20;

this was during the season of navigation. From the first of November

until the expiration of the contract, April 1, $1.60.

\_Q.\_ Is there a line or clause in that contract whereby there is an

agreement for rebates or drawbacks?

\_A.\_ None whatever.

Second contract read: In this contract the rates were as follows:

From the first of April until the middle of November, 1872, about

seven months, $1.25. For the remainder of November, December,

January, February and March of 1873, $1.40. These were rates per

barrel.

\_Q.\_ Were there no rebates, drawbacks, or special privileges given

outside of what is written in the contract?

\_A.\_ None whatever. (Third contract introduced.)

\_Mr. Flagler\_: I want to say something of this matter and I want to

tell the whole truth. Our business was at the time about 4,000

barrels a day and we had contracted this oil for delivery at once,

and we had to pay from $50 to $150 gold per day if we kept it an

hour longer than the time specified in the contract, so it was very

important for us that the railroads put these on board as rapidly as

possible.

\_Q.\_ Mr. Flagler, from the reading of that contract I see that you

might, instead of being benefited, sustain damages by the failure on

the part of the railroad company to get your oil in there. Did you

ever have to pay any demurrage to them?

\_A.\_ Yes, sir, we had to pay some years as high as $30,000.

\_Q.\_ Have you ever received any benefits by reason of these

contracts that any other shipper might not have received?

\_A.\_ No, sir. Not in the slightest. All the way through these

contracts you will observe that we have undertaken those risks which

the law imposes on the common carrier and which no railroad can

divest itself of except by written agreement. The handling of these

quantities of oil was a very serious matter; there was a constant

tendency on the part of the railroad companies to put cars used in

this trade to some other purpose, whenever it would pay them better.

They used a rack car, such as they could carry cattle in and we have

had a great deal of trouble with these roads in the use of those

cars, because if they could get cattle to haul from Chicago to St.

Louis for something more than they were getting from us they would

do it. I want to say what the facts are under the contract just

read. You will remember that during seven months of the year we were

to give them 4,000 barrels of oil per day or 100,000 barrels a

month, and the smallest of the shipments in those months was

108,000. We gave them during the rest of the time more oil and paid

them the contract on it when we could have shipped by canal for

forty cents less. On the first day of December, a competing line of

railway lowered the rate to $1.05 per barrel. I went to Mr.

Vanderbilt and told him that the rate should be maintained at the

agreed price or else we would not have made the contract with him. I

said to Mr. Vanderbilt that if he insisted in the fulfillment of the

contract basis and exacted the payment of the contract price, it

would result in our being compelled to close our refineries, for we

could not afford to pay $1.25, when other people were only paying

$1.05. I called his attention to the fact that during the season of

canal navigation we had given the maximum shipments of oil, 180,000

barrels a month, and some in excess of it, and paid $1.25. I said,

if you will reduce these rates to the rate made by the Pennsylvania

Company, in my judgment thirty days will not elapse before they will

be willing to restore their rates, and all we ask is to be put on a

parity with other shippers. After a moment’s hesitation he asked if

I thought he ought to stand all of this twenty cents. I told him if

he should stand any part of it he should stand it all. I said, it is

a transportation fight and not a fight of the manufacturers. When it

comes to competition of the manufacturers we would take care of

ourselves. I said that we would not have made this contract except

on their assurance that the contract price of $1.25 was to be

maintained. He said: “I will make your rate $1.05,” and this was

after we had done more than we had agreed to do under the contract.

The next day we sold between 50,000 and 60,000 on the basis of $1.05

per barrel. Mr. Vanderbilt allowed that rate of payment for one

month and then said he would exact the contract price, $1.25. I said

all right, and we shall ship just the amount of oil we are compelled

to ship to fulfill our contract and then we shall stop. We paid him

$1.25 for all over the month and then we did not run a barrel of oil

from the City of Cleveland more than that until the expiration of

this contract for three months. That is the good that the contract

worked on us. You might consider it a baby act to plead the equities

of the case, but we could not place our oil on the market and

compete with other refineries.

(Fourth contract introduced.)

\_Q.\_ This is the only contract you have now in existence whereby you

carry your freight?

\_A.\_ Yes, sir.

\* \* \* \* \*

\_Q.\_ Do you know anything of the suits brought by Teagle and Company

against the Lake Shore road for discriminations in freight?

\_A.\_ Nothing whatever.

\_Q.\_ Have you had since the organisation of your company any

understanding outside of these contracts whereby discriminations are

made in favour of your company as against any of the smaller

refineries of the state?

\_A.\_ No, sir.

\_Q.\_ Has your company or corporation in conjunction with the

railroads ever operated so to “squeeze out” as they term it, or

injure any other refining company of the state, outside of the

Standard Oil Company?

\_A.\_ No, sir, never. I would like to enlarge upon that question. I

suppose it would be fair to the mind of every member of this

committee present. A very large business with other mechanical

contrivances and an experience which grows up with and comes along

with business and always doing a very large business, in the nature

and order of things should make its presence felt by the parties

doing a comparatively small business. In 1873 and 1874, when we

stipulated for those 4,000 per day, if anybody has followed the

progress of the Standard Oil Company they would know and I feel

justified in saying that we have done a very large business, and

aimed to do it with economy and give the purchaser the very best oil

manufactured, consistent with a good and safe kind of oil—to

manufacture at one point under the eye of one man. With an

aggregation of capital and a business experience, and hold upon the

channels of trade such as we have, it is idle to say that the small

manufacturer can compete with us, and, although it is an offensive

term, “squeezing out,” yet it has never been done by the conjunction

of any railroads with us or by the carrying out of freights.

NUMBER 15 (See page 1106)

THE PITTSBURG PLAN

[From the Oil City Derrick, May 17, 1872.]

1. Refiners to lease to the company for five years their

superstructure with sufficient real estate to carry on the business

of the works.

2. That the rental be eight per cent. per annum on the appraised

value of the superstructure, and the company to assume all risks and

pay all ordinary taxes.

3. Lessors to pay into the treasury of the company for a working

capital one-half of the appraised value of the superstructure in

cash or the equivalent in refiner’s stock.

4. Said lessors to receive for money paid in as above the bonds of

the company, in amount equal to cash paid in, and stocks of the

company for an equal amount; said bonds payable in five years or at

the option of the company after one year, said bonds to be

denominational coupon bonds to bear interest at the rate of eight

per cent. per annum, payable semi-annually.

5. The company shall not pay annually more than ten per cent. on the

stock as dividends until the said bonds are redeemed.

6. After the bonds are paid, then the company shall have the right

and shall be obliged to purchase all said superstructure at the full

appraised value first made, and shall give in exchange for the same

stock of the company for the full amount.

7. Each district shall appoint a local committee of three persons to

make appraisals, and when any appraisements are being made, the

chairman of each local committee shall be required to be present to

take part in the appraisement.

There shall be a board of appeal which shall be composed of the

chairman of each local committee. All presidents of the company

shall be presidents ex officio of the board.

The committee shall place a cash valuation on the superstructure and

shall be instructed as to the manner in which the valuation shall be

obtained.

NUMBER 16 (See page 1117)

“THE AGENCY”

[From the Oil City Derrick.]

I. There shall be established, under the auspices of the Council of

the Petroleum Producers’ Association of Pennsylvania, an

organisation under sanction of the laws of Pennsylvania, which shall

be known as “THE PETROLEUM PRODUCERS’ AGENCY.”

II. The capital stock shall be not less than one million dollars,

and shall be divided into shares of one hundred dollars each, which

shall be subscribed only by members of the Petroleum Producers’

Association, or by such other persons as may be approved by the

Council.

III. No transfers of the shares of the capital stock shall be made

on the books of the Agency, except upon such conditions as the

directors may prescribe, subject to the approval of the Council.

IV. The business of the Agency shall be managed by a board of

thirteen directors, who shall be elected annually by the

stockholders.

V. There shall be an advisory board to consist of one member elected

by each local association and approved by the Council. The members

of the advisory board shall be admitted to the meetings of the board

of directors and shall be entitled to all the privileges of

directors, except that of voting. Any member of the advisory board

may be removed for any abuse of his trust, or for official

misconduct, by a vote of three-fourths of the Council at a regular

meeting.

VI. The local associations may appoint committees to solicit and

receive subscriptions to the capital stock; they may also appoint

responsible trustees to receive payments on account of such

subscriptions, to whom the subscribers shall pay at least ten per

cent. upon their subscriptions at the time of subscribing. The

committees of the local associations shall advise the president of

the Council, from day to day, of the amount of subscriptions

received by them, and whenever the sum of at least one million

dollars shall have been subscribed in good faith, and approved by

the Council, and the organisation of the Agency legally completed,

subscribers shall be notified to hold an election of directors. The

directors shall, as soon as practicable after their election,

proceed to elect a president, secretary and treasurer. The trustees,

appointed by the local associations to receive subscriptions, shall

thereupon be required to pay over to the Agency the amounts received

by them on account of subscriptions to the capital stock. The Agency

shall not be responsible for any subscriptions paid to the trustees

appointed by the local associations until the same shall have been

paid over to the Agency or its authorised representatives.

Subscriptions to the capital stock may be received, payable in oil

at five dollars per barrel, delivered on the cars or in the tanks of

the Agency at any sub-agency on the line of the railways; provided,

however, that no certificate of stock shall be issued in any case in

which payment is made in pipe-line receipts until the oil shall have

actually been received upon the order by the Agency or its agents.

But a special guaranty of the order shall be required from the

subscriber with an agreement that the stock shall be retained as

security for the delivery of the oil on demand, and the demand shall

be made within thirty days after the order for the oil is received

by the Agency.

VII. Members of the Petroleum Producers’ Association shall sell

their oil only to the Agency. The Agency shall purchase all the oil

offered by members of the Association and shall pay therefor at

least five dollars per barrel for oil of standard grade, and for the

heavy oil of the fifth district. Payment for oil purchased shall be

made as follows: If the market will take the entire supply as fast

as offered, the full market price shall be paid in cash on delivery;

but if the board of directors, or the Council, shall determine that

the oil daily offered to the Agency is in excess of the demand, the

Agency shall pay three dollars in cash and give the seller a

certificate entitling him to the net proceeds of the oil when sold,

less the amount advanced thereon.

VIII. The Agency shall sell no oil for a less price than five

dollars in cash, on delivery per barrel without the consent of the

Council of the Petroleum Producers’ Association.

IX. To the redemption of the certificates, on and after the tenth of

the month succeeding that in which they were issued, shall be

applied the proceeds of all the oil sold and delivered during that

month, less the amount advanced and the amount required to tank the

surplus oil. For the unpaid balance of the certificate the holder

shall, upon the surrender of the same, be entitled to a tank receipt

representing his interest in the amount of surplus oil in store and

tankage.

X. The Agency shall be entitled to receive for buying and selling

the oil such commissions per barrel as the Council may allow,

applicable first to the payment of expenses, second to the payment

of dividends on the capital stock, which shall be six per cent.

semi-annually, free of taxes.

XI. All the net proceeds of surplus oil sold shall be applied

specifically to the redemption of the tank receipts at their value,

the surrender of which shall be at the option of the holder.

XII. The Agency shall establish sub-agencies at such points within

the oil-producing district for the receipt, storage, and shipment of

oil as may be necessary to facilitate the convenient and economical

transaction of the business of the region, subject to the approval

of the Council.

XIII. The Agency shall provide all storage necessary to hold the oil

on sale and the surplus oil in store.

XIV. The price on the cars of oil of the standard grade shall be

uniform at all the sub-agencies on the line of the railways within

the oil-producing district, provided it be practicable to so arrange

with the railroads.

XV. A barrel shall be uniformly forty-two gallons.

XVI. Whenever the production of petroleum shall be permanently in

excess of the demand the Council of the Petroleum Producers’

Association shall determine at what time the production shall be

restrained and shall take such measures as may be practicable,

necessary, and lawful to prevent the drilling of oil wells, but it

shall confine its orders, so far as practicable to preventing the

starting of new wells, allowing those already in process of drilling

to be completed.

XVII. Whenever in the opinion of the board of directors it may be

advisable they may, subject to the approval of the Council, provide

such refining capacity as may be required to maintain the highest

price for crude petroleum consistent with the consumptive demand.

XVIII. The Agency shall not at any time sell to, or contract with,

or make any arrangement whatever, with any individual, organisation,

combination, or association, by which they may have a monopoly,

inside rate, advantage or preference over, or to the prejudice of,

any present or future competitor for the purchase of the crude oil

coming into, or passing through its hands; provided, that nothing in

this section shall be so construed as to prevent the Agency, with

the sanction of the Council, from making such temporary

discrimination as may be necessary for the purpose of protecting or

promoting the interests of producers by securing higher prices for

crude oil, increased consumption of refined oil, or decreased

margins between the price of crude and refined oil.

XIX. The Agency, with the approval of the Council, may take such

measures as may be expedient to increase the consumption of

petroleum by securing its application to new uses.

XX. The Agency shall publish daily a correct statement showing the

amount of oil purchased, the oil sold, and oil placed in store

during the day; also showing the points at which the same was done

and the amounts at the time in store at the various sub-agencies;

also the destination of the oil sold.

XXI. The Agency shall publish tri-monthly, full and complete reports

of all its transactions and showing its condition at the date of the

report; the correctness of the report shall be verified in such

manner as may be prescribed by the Council.

XXII. A committee may be appointed by the board of directors, or by

the Council of the Petroleum Producers’ Association, at any meeting,

for the purpose of investigating the condition and management of the

affairs of the Agency; and it shall be the right and duty of such

committee, duly appointed, to thoroughly investigate everything

affecting the interest of the Agency, to examine its books, accounts

and vouchers; its safes, vaults and tanks; and to make a true and

faithful report of the condition and management of the affairs of

the Agency as they may be found, which report shall be published at

the expense of the organisation which appointed the committee. It

shall be the duty of the Council to see that such committee is

appointed and such examination and report made and published at

least once in every year.

XXIII. The Agency shall establish a bureau of statistics and

information, which shall carefully collect and publish facts,

relating to the business of producing, refining, marketing and the

consumption of oil. The rooms of the bureau shall at all times be

open to the members of the Petroleum Producers’ Association, and the

Agency shall hold itself open for daily communications by telegraph

with local associations.

NUMBER 17 (See page 1123)

CONTRACT BETWEEN PETROLEUM PRODUCERS’ ASSOCIATION AND PETROLEUM

REFINERS’ ASSOCIATION

[From the Oil City Derrick.]

The contract between the producers and refiners read as follows:

\_Whereas\_, The necessities of trade call for co-operation between

the producers and refiners of oil, for purposes of mutual

protection:

\_Therefore\_, We, the undersigned, representing the Petroleum

Producers’ Association and the Petroleum Refiners’ Association,

hereby enter into the following articles of agreement, which

stipulate as follows:

\_First.\_—Each of the two associations hereby agrees to appoint a

representative committee, which committee shall meet together

weekly, or as often as may be necessary, and at such places as they

may determine.

It shall be the duty of these committees (so far as in their power

lies) to see that the provisions of this agreement are executed in

good faith, and to discharge such duties as are devolved upon them

by this agreement, and in general (within the limitation of their

authority) to act for the mutual advantage of the trade, whose

interests it is the purpose of this agreement to secure.

\_Second.\_—The Producers’ Association shall appoint a comptroller,

who shall have the right to examine the books of the Refiners’

Association, and its daily reports so far as they relate to the

purchase, sale, and shipments of crude and refined oil, and who,

together with the auditor of the Refiners’ Association, shall make

joint reports daily to both associations.

The Refiners’ Association shall appoint a comptroller, who shall

have the right to examine the books of the Producers’ Association

and its agencies, and their daily reports, so far as they relate to

the purchase, sale, and shipments of crude and refined oil, and who,

together with the secretary of the Producers’ Association, shall

make joint reports daily to both associations of all sales and

shipments.

\_Third.\_—Each association agrees that it will keep accurate books of

account, which shall show all purchases, sales, and shipments of

crude and refined oil, which shall also be open at all reasonable

hours to the inspection and examination of the authorised agents of

each association, as hereinbefore provided.

\_Fourth.\_—The Refiners’ Association agrees to admit all existing

refiners to membership, and to a participation in the future

benefits of the association on equal terms with present members, and

the Producers’ Association agrees to allow all producers to join its

association on the same terms with the present members.

\_Fifth.\_—The Producers’ Association agrees to sell (through its

regular appointed agencies) crude oil exclusively to the Refiners’

Association and its members, and the Refiners’ Association and its

members agree to purchase crude oil exclusively of the Producers’

Association or its appointed agents.

\_Sixth.\_—The Producers’ Association agrees that all producers

enjoying the benefits of this contract shall be required to bind

themselves to sell their oil exclusively through the Producers’

Association.

\_Seventh.\_—The Refiners’ Association and its members agree that they

will not until after sixty (60) days from the date of this contract

sell any portion of the crude or refined oil now held by them,

except so far as they shall have previously purchased the equivalent

of crude oil to take the place of the oil so sold.

They further agree to buy from the Producers’ Association daily such

quantities of crude oil as the markets of the world may take of

them, the same to be determined from time to time by the

representative committees herein provided for.

\_Eighth.\_—The price of crude oil so purchased and sold to be

conditionally five dollars per barrel of forty-two gallons each, at

“common points,” payment to be made as follows:

When refined oil is sold in New York at twenty-six cents per gallon,

no additional amount is to be paid; but for every one cent per

gallon of advance in the average price of sales of refined oil in

New York, twenty-five cents per barrel shall be added to the price

of so much crude oil as shall be the equivalent of refined oil sold

at such advance until the price reaches five dollars per barrel. A

proportionate addition to the average price of crude oil shall be

paid for each fraction of one cent per gallon increase in the

average price of sales of refined oil at New York, by members of the

Refiners’ Association.

The price of refined oil in New York and of crude oil at common

points to be adjusted by the representative committee herein

provided to be appointed.

\_Ninth.\_—The representative committees may at any time, when it may

be necessary to do so, reduce the prices of crude and refined oils

below the minimum or advance them above the maximum prices above

named, the increase and reduction in price and the cash payments on

crude oil to be determined by said committees.

\_Tenth.\_—Settlements to be made to the end of each calendar month

and balances to be paid not later than the fifth of the succeeding

month.

\_Eleventh.\_—The profits on all crude oil sold for export by members

of the Refiners’ Association shall be credited to the Producers’

Association in the next succeeding regular monthly settlement after

delivery of said oil.

\_Twelfth.\_—Either association may discontinue this agreement at any

time by giving to the president of the other association ten (10)

days’ notice in writing of its purpose to do so.

\_Thirteenth.\_—This agreement to remain in full force and effect for

and during the term of five years from this date, unless sooner

terminated in the manner provided in section twelve (12) of this

agreement.

\_Fourteenth.\_—Amendments and alterations may be made at any time by

the representative committees, subject to the approval of the

respective associations.

In testimony whereof, the Petroleum Producers’ Association, by its

executive committee, and the Petroleum Refiners’ Association, by its

president and secretary, have hereunto set their hands this

nineteenth day of December, A.D. 1872, in the City of New York.

Petroleum Producers’ Association, by C. V. CULVER, A. H. BRONSON,

SAMUEL Q. BROWN, WILLIAM PARKER, B. B. CAMPBELL, \_Executive

Committee\_.

Petroleum Refiners’ Association, by JOHN D. ROCKEFELLER,

\_President\_.

NUMBER 18 (See page 1132)

TESTIMONY OF GEORGE R. BLANCHARD ON REBATES GRANTED BY THE ERIE RAILROAD

[Report of the Special Committee on Railroads, New York Assembly,

1879. Volume III, pages 3393–3395.]

October 1, 1872, when I first became general freight agent of the

Erie Railroad, no oil was produced in the Bradford District, and all

petroleum then transported by the Erie Railway eastward came from

the Atlantic and Great Western Railroad. At that time, Adnah

Neyhart, of Tidioute, Pennsylvania, represented by W. T. Scheide,

afterwards by H. C. Ohlen at New York, shipped small quantities of

refined oil, for which he received a rebate of over $7,000 on his

shipments for the prior month, to wit, September, 1872.... I looked

for the reasons, and found the agreement next prior to that time as

to shipments and rates was the one already in evidence between

producers, shippers, refiners and railroad companies, dated March

25, 1872; I asked why that contract was not observed, and was then

convinced in reply that the agreement of March 25 lasted less than

two weeks, and that at that early date the Empire Line was receiving

a large drawback or commission from the Pennsylvania Railroad, which

was either being shared with its shippers or an additional amount

was being allowed to them, besides that which the Empire Line itself

received from the Pennsylvania system; and as the Empire Line also

owned the Union Pipe Line, its shippers had advantages which our

company and its shippers did not even jointly possess. At the close

of that calendar year (1872), the entire petroleum traffic for the

five months of the administration of President Watson, the former

president of the South Improvement Company, to January 1, 1873, was

but 265,853 barrels, or but about 53,000 barrels per month; while

the Pennsylvania Railroad was carrying about six times as much, or

300,000 barrels per month, and the New York Central was carrying the

entire refined oil sent from Cleveland to New York. The

representations then made to me also convinced the Atlantic and

Great Western Company as to what our rivals were doing, and that

railway company and our own decided to continue to pay the

twenty-four cents per barrel drawback then being paid on the rate of

$1.35 provided by this producers’ agreement of March 25, 1872.

It is therefore clear that one of the largest of the shippers, who

signed that March agreement, did not feel that it bound him to pay

the rates he had agreed to pay, and he gave convincing reasons to

believe that others, signers and parties to that agreement, did not

pay them, and possessed equal or greater advantages by way of rival

routes. Early in 1873 Mr. Scheide came to our line with Mr.

Neyhart’s crude business, under the circumstances Mr. Scheide has

stated, but being yet without any shippers of refined oil, and

believing that the Empire Line would pay a rebate on refined, as I

now know from Mr. Scheide’s testimony, they had paid Mr. Scheide on

crude, I opened negotiations to increase our traffic, which resulted

in an agreement, with the concurrence of the Atlantic and Great

Western, as follows:

ERIE RAILWAY COMPANY,

OFFICE OF SECOND VICE-PRESIDENT.

NEW YORK, March 29, 1873.

MEMORANDUM

Between John D. Archbold, Mr. Bennett, and Mr. Porter, and Mr.

Osborn, and self. Rate for March, 1873, to be 132½ from Union.

Rate thereafter to be 125 from same point as the maximum for

1873. If the common point rate is made from Titusville at any

time in 1873, on \_bona fide\_ shipments, Erie and Atlantic and

Great Western will make same rate from same date. With this rate

the refiners agree to give us their entire product to New York

for the year, and the preference always at same rate as actual

shipment by other lines.

(Signed) JOHN D. ARCHBOLD.

G. R. BLANCHARD.

This Mr. Bennett was also one of the signers to the agreement of

March 25, as a refiner, and from these gentlemen I also learned at

that time that this producers’ agreement was exploded by the action

of the Producers’ Union before that time.

Notwithstanding this agreement of March 29, 1873, with its reduced

rates, its signers left us in November, 1873, and gave the Empire

Line their entire shipments; and we were then left with but one

small shipper of refined oil, Mr. G. Heye, whose consignments were

small, and to retain even this small business, against similar

solicitations by our rivals we were compelled to make his rate $1.10

in November, 1873, instead of $1.50, as provided by this producers’

agreement.

These facts effectually refute the testimony of Mr. Patterson that

the agreement of March 25 continued for two years, or any other

period beyond three weeks, at the rates it stipulated, and show that

at least two of its signers did not feel bound to pay the rates it

named, and that they and others by other lines endeavoured

immediately after it was signed to obtain, and did secure reduced

rates, as usual before its execution and peddled their oil among

different railroads wherever they could secure an advantage, however

small, over each other or the railroads.

NUMBER 19 (See page 1133)

TESTIMONY OF W. T. SCHEIDE

[Report of the Special Committee on Railroads, New York Assembly,

1879. Volume III, pages 2774–2777.]

\_Q.\_ Why were you shipping over the Pennsylvania road and not over

the Erie?

\_A.\_ For the reason that the Pennsylvania was most eligibly situated

for our purposes.

\_Q.\_ How did you come, then, to ship over the Erie at all?

\_A.\_ We came to ship over the Erie because of what we considered

very bad treatment on the part of the Pennsylvania Railroad.

\_Q.\_ What was that bad treatment that you received at the hands of

the Pennsylvania road?

\_A.\_ It consisted, principally, in a discrimination against us in

furnishing us with cars.

\_Q.\_ They refused you transportation?

\_A.\_ Yes, sir.

\_Q.\_ Were they refusing you transportation in the interest of the

combination?

\_A.\_ In the interest of a peculiar idea that they had, that all

shippers should be placed upon the same basis.

\_Q.\_ And in consequence of that peculiar idea, they gave to other

shippers transportation and did not give it to you?

\_A.\_ Yes, sir.

\_Q.\_ And that was the practical way in which that corporation

carried out that idea?

\_A.\_ Yes, sir; you will allow me to explain, please?

\_Q.\_ Yes; go on.

\_A.\_ The oil business differs from other business in this, that it

is a daily crop; there is a certain amount of oil produced that has

to be shipped every day; the consumption, however, is not equal to

the daily production of our trade; the consumption varies and the

demand varies; the consequence is that there are seasons of the year

when a man engaged in shipping oil ships oil really at a loss

because there is no demand for it, and there are other seasons when

there is a large profit; now the Pennsylvania Railroad always

insisted upon having a large number of shippers; this large number

of shippers would ship only when there was profit, and when there

was no profit somebody else had to ship; we had been their shipper

for a number of years.

\_Q.\_ When you speak of their shipper—their leading shipper, do you

mean?

\_A.\_ Yes, sir; we did their business between Philadelphia and

Baltimore and New York.

\_Q.\_ Were you their evener, so to speak?

\_A.\_ We did not have any eveners in those days.

\_Q.\_ Did you practically stand in the position of an evener?

\_A.\_ No, sir; we were simply their shipper of crude oil.

\_Q.\_ When you speak of their “shipper,” in the singular, do you mean

that you were their sole shipper, as you subsequently became on the

Erie?

\_A.\_ I mean we had better rates of freight than anybody else could

have obtained over the Pennsylvania Railroad at that time.

\_Q.\_ And therefore monopolised the business; go on?

\_A.\_ And the consequence is that in consequence of this change in

the demand that when there comes a season that there is a little

money in it, the Pennsylvania Railroad would encourage these

numerous small shippers who would come in and they would pro-rate

cars with them; they would only allow us to put in a requisition for

a certain number of cars and they would allow anybody else, an

entire stranger, a man who never shipped any before, to put in an

equal requisition, and they would pro-rate with him, and the

consequence was in the paying business we were out and in the

unpaying business we were in.

\_Q.\_ And you left it?

\_A.\_ Yes, sir.

\_Q.\_ Because you could not get rates better than other people?

\_A.\_ No, sir; because we could not stand it; because we were losing

money.

\_Q.\_ On the same basis that other people were?

\_A.\_ No, sir; other people were not shipping except when there was a

profit.

\_Q.\_ Why did you ship when there was not a profit?

\_A.\_ Because that was our business; we were shippers of petroleum.

By the Chairman.

\_Q.\_ I don’t understand why you were obliged to ship at a loss?

\_A.\_ That is the reason why we left the Pennsylvania Railroad.

\_Q.\_ I don’t understand why you were obliged to ship at a loss?

\_A.\_ We were in the petroleum business and shippers of petroleum,

and we had contracts; in order to keep the cars running it was

necessary for us to make a contract for one, two, three, five, or

six months ahead.

By Mr. Sterne.

\_Q.\_ Isn’t it true that upon the basis of your having better rates

than anybody else, you proceeded to make contracts to extend your

business?

\_A.\_ Yes, sir.

\_Q.\_ With the Pennsylvania road?

\_A.\_ Yes, sir.

\_Q.\_ And that the moment that you were placed in the position of

having——

\_A.\_ No transportation.

\_Q.\_ No transportation equal to your expectations, with your special

rates?

\_A.\_ I had to buy oil in New York.

\_Q.\_ That was the real fact?

\_A.\_ Yes, sir.

\_Q.\_ The business was based upon the rate of transportation?

By the Chairman.

\_Q.\_ Why did you have to buy oil in New York?

\_A.\_ To fill my contract.

\_Mr. Sterne.\_—He had made his contract upon the basis of his special

rate.

\_The Witness.\_—And there was a certain supply of transportation

which was given to me.

By Mr. Sterne.

\_Q.\_ Practically an exclusive supply of transportation you had at

one time over the Pennsylvania road, hadn’t you?

\_A.\_ Yes, sir.

\_Q.\_ And when they changed their policy in that respect and gave

other people transportation, you could not fill the orders upon the

basis of which you had made your contracts?

\_A.\_ You will excuse me; this would seem as though this was a sudden

arrangement; it was not; it lasted three or four years.

\_Q.\_ You had reason to suppose that it would last, had you not?

\_A.\_ This policy of theirs.

\_Q.\_ This policy.

\_A.\_ Yes, sir.

\_Q.\_ That drove you on the Erie?

\_A.\_ Yes, sir.

NUMBER 20 (See page 1133)

STATEMENT OF AMOUNTS PAID FOR OVERCHARGES AND REBATES ON OIL DURING THE

YEAR 1873 BY THE NEW YORK, LAKE ERIE AND WESTERN RAILROAD

[Report of the Special Committee on Railroads, New York Assembly,

1879. Volume V, page 275 of Exhibits.]

NAME. ERIE PRO.

A. Neyhart $188,127.78

Gust. Heye 7,235.31

J. J. Vandergrift 929.11

Durant and Company 145.95

Dutilk and Company 815.95

S. D. Karns 7,089.69

Standard Oil Company 469.11

H. B. Everest 6.66

Lyman and Williams 13.44

J. H. Willever 32.98

L. Van Duzer 3.50

H. Roach and Son .29

L. Y. Wiggins and Brother 24.11

P. A. Stebbins, Jr. 4.53

C. P. Prince and Company 2.69

E. L. Houghton and Company 45.24

McKirgan and Company 2.70

Marks and Bean 45.82

McManagle and Rogers 18.27

Theodore Merritt 4.56

W. F. Smith 3.86

Vacuum Oil Company 8.80

Vandusen Brothers 38.88

Woodbury, Morse and Company 5.40

Ward, Leonard and Company 88.06

Young and Borden 7.97

———————————

Total $205,170.66

NUMBER 21 (See page 1135)

AGREEMENT OF 1874 BETWEEN THE ERIE RAILROAD SYSTEM AND THE STANDARD OIL

COMPANY

[Report of the Special Committee on Railroads, New York Assembly,

1879. Volume III, pages 3398–3402.]

Agreement concluded this seventeenth day of April, A.D. 1874, by and

between the Erie Railway Company and the Atlantic and Great Western

Railroad Company, parties of the first part, and the Standard Oil

Company, of Cleveland, Ohio, party of the second part, \_witnesseth\_:

\_First.\_—The parties of the first part (Erie Railway Company and the

Atlantic and Great Western Railroad Company) agree to furnish a

sufficient number of good and suitable cars for the purpose of

transporting petroleum and its products from the refineries now

owned by the party of the second part (Standard Oil Company), at

Cleveland, Ohio, and Oil City, Pennsylvania, and any others they may

hereafter control or own, to Weehawken Oil Yards, in New Jersey.

\_Second.\_—The parties of the first part agree to transport said

products of said refineries, and deliver the same in cars (if

destined for the New York market) at and upon the side tracks

connected with said Weehawken Oil Yards, in good order and

condition, except as provided for in Article Four (4), and do all

switching of cars at said oil yards necessary to the prompt and

rapid discharge and handling of cars employed in said business. They

also agree to haul said cars (whenever practicable) in full trains

over their respective roads, with promptness and uniformity of

movement, and accept compensation therefor as hereinafter provided.

\_Third.\_—Rates of freight on all said products to be made from time

to time between J. H. Devereux, president of the Atlantic and Great

Western Railroad Company, and the Standard Oil Company; the same to

be to the satisfaction of the said J. H. Devereux, president; to be,

however, no higher than is paid by the competitors of the said

Standard Oil Company, from competing Western refineries to New York

by all rail lines—each of said railway companies accepting its \_pro

rata\_ proportion of the through rate thus made.

\_Fourth.\_—The party of the second part agrees not to ship more than

fifty (50) per cent. of the product of its said refineries by any

other line or lines Eastward, to be shown by monthly statements

verified by its president and secretary. It also agrees to assume

all risks and losses of its property by fire when in the charge or

custody of the parties of the first part, whether said property is

being moved in trains or stored, or lying at any station between

place of shipment and destination (both included). It further agrees

to assume all losses from natural leakage or breakage, except the

same is caused by collisions or the wrecking of cars by unavoidable

accidents. It also agrees, at its own cost, to safely load at places

of shipment all of said products, and unload the same when delivered

at the said Weehawken Oil Yards, and furnish said products for

shipment with as great regularity as possible.

\_Fifth.\_—In the event of unavoidable detention, occasioned by the

elements, or by strikes of employees of the parties of the first

part, or either of them, whereby said first parties are unable (for

the time being) to fulfill their covenants under this agreement,

then it shall be the duty of said first parties to immediately

notify the second party of such casualty or strikes, and such

casualty or strike shall be considered good and sufficient cause for

delay in the execution (for the time being) of the provisions of

this agreement. And said first parties, and each of them, shall be

saved from all obligation for the fulfillment of this agreement

during the period of such detention, anything in this contract to

the contrary notwithstanding. It shall be the duty of said first

parties to proceed forthwith to put themselves in position to resume

their obligations under this agreement, giving notice at the

earliest possible moment to the second party of their ability to

resume.

\_Sixth.\_—The Erie Railway Company for itself hereby stipulates and

agrees to and with the second party, that on or before the first day

of May, A.D. 1874, it will give full and complete possession of the

property known as the Weehawken Oil Yards, in New Jersey, together

with all buildings, erections, docks and appurtenances thereunto,

belonging unto the second party to have and to hold, with all

revenues derived therefrom, from and after the said first day of

May, A.D. 1874, or until the expiration of this agreement, as

otherwise herein provided. The Erie Railway Company further agrees,

at its own cost, on or before the first day of May, A.D. 1874, to

put said buildings, erections and appurtenances in good repair;

after which said second party shall maintain the same in like good

order, and to do all dredging required to provide and preserve the

requisite depth of water.

\_Seventh.\_—In consideration of the possession of said Weehawken Oil

Yards, the second party hereby agrees to and with the Erie Railway

Company as follows: to wit: To pay weekly to said Erie Railway

Company the sum of five (5) cents on each and every barrel (of 45

gallons) of crude oil, and the same sum on each and every barrel

(not to exceed 46 to 48 gallons) of the products of petroleum

passing through or into the aforesaid yards; the rate of five (5)

cents to be absolute on all said refined products, but subject to

rateable reductions on crude oil, in case the terminal charges on

crude oil are reduced, taking present schedule of rates thereon

(adopted November, 1872), a copy whereof is hereto annexed, as the

standard; the Erie Railway Company retaining the right to reduce

said schedule of rates on crude, to meet competition; the second

party further agrees to conduct said warehouse business in the name

of the Erie Railway Company, at its own cost and expense, to assume

such risks on the oil, while in its possession, as the Erie Railway

Company, or the Atlantic and Great Western Railroad Company would be

responsible for to forwarders, consignees, or owners after its

arrival and delivery in cars at yards; to make the charges uniform

to all parties who use the yards, or for whom services are performed

therein, and always as low as any other oil yard affording proper

facilities for the transfer, storage preparation and shipment of the

oil at the terminus of any railway, or other line competing with the

Erie Railway, at or adjacent to the port of New York, and generally

so to manage the premises as to give all patrons of the road fair

and equal facilities for their oil business at uniform cost, to

retain and pay the present superintendent and other officers and

employees of the yard, so long as their duties are satisfactorily

performed, and from time to time to appoint such other officers as

shall not be objected to by the Erie Railway Company, to maintain

the buildings, erections, and mechanical appliances of the premises

in as good order as when possession is given, natural wear and

unavoidable (by due diligence) damages from the elements excepted,

to make no rules or regulations discriminating against any other

shipper or shippers, or receivers. It is understood and agreed that

the consent of the Erie Railway Company is to be obtained before any

refined or crude oil shall be received at the Weehawken Oil Yards,

which arrives from the west via any transportation line competing

with the Erie Railway.

\_Eighth.\_—It is further agreed that the second party shall assume

the charge and collection of freights and charges—accounts to be

rendered and adjusted, and paid weekly—Erie way-bills to govern

quantities received, except when the same are shown to be incorrect,

or loss in transit (except from natural leakage) has occurred

through fault or neglect of said railway companies, or either of

them. Any new fixtures which the party of the second part may add to

the property shall be and remain its property, and they may remove

the same at their cost, at the expiration of this agreement, unless

mutually satisfactory terms of purchase and sale can be agreed to.

\_Ninth.\_—This agreement to take effect and be binding upon the

parties hereto, on the first day of May, A.D. 1874, and to continue

until the first day of May, A.D. 1877, provided, however, that

either party may terminate the same upon giving notice in writing to

the other party six (6) months in advance of its intention so to

terminate; and provided further, that within thirty days after the

election of a new board of directors, of either the Erie or Atlantic

and Great Western Railway Companies, the second party shall have the

right to terminate this agreement, by giving notice in writing to

the other party one month in advance of its intention so to

terminate, and upon the expiration of either of said periods, this

agreement shall be then at an end.

\_Tenth.\_—In consideration of the premises, the party of the second

part agrees to pay to the Erie Railway Company, weekly, the sums

which such weekly settlement shall show to be due to the said first

parties, as freight on its property delivered at the Weehawken Oil

Yards.

\_Eleventh.\_—It is hereby expressly understood and agreed that

neither of the said parties of the first part shall be liable for

the acts or defaults of the other; and that each shall only be

liable for its own acts and defaults, on and over its own line and

premises.

\* \* \* \* \*

\_In Witness Whereof\_, the parties hereto have affixed their hands,

this twentieth day of April, 1874.

(Signed) THE ERIE RAILWAY COMPANY,

By G. R. BLANCHARD, \_Second Vice-President\_.

(Signed) THE ATLANTIC AND GREAT WESTERN RAILROAD COMPANY,

By J. H. DEVEREUX, \_President\_.

(Signed) STANDARD OIL COMPANY,

By WILLIAM ROCKEFELLER, \_Vice-President\_.

NUMBER 22 (See page 1139)

AGREEMENT OF 1874 BETWEEN THE RAILROADS AND PIPE-LINES

[Report of the Special Committee on Railroads, New York Assembly,

1879. Volume III, pages 3431–3437.]

Memorandum of agreement entered into this fourth day of September

A.D. 1874, by and between the following parties, viz.:

\_First.\_—J. J. Vandergrift, G. V. Forman, and John Pitcairn, Jr.,

partners themselves, and agreeing that they have authority to

represent all other partners in the association trading under the

name of the United Pipe Lines, and holding themselves individually

responsible to the other parties hereto that they have such

authority.

\_Second.\_—The Union Pipe Company by Charles P. Hatch, manager.

\_Third.\_—The Antwerp Pipe Company and the Oil City Pipe Company,

each being corporations under the laws of the State of Pennsylvania.

\_Fourth.\_—The American Transfer Company, a corporation under the

laws of the State of Pennsylvania.

\_Fifth.\_—The Grant Pipe Company, a corporation under the laws of the

State of Pennsylvania.

\_Sixth.\_—The Karns Pipe Line Company, a corporation under the laws

of the State of Pennsylvania.

\_Seventh.\_—The Relief Pipe Line Company, a corporation under the

laws of the State of Pennsylvania.

\_Eighth.\_—The Pennsylvania Transportation Company, a corporation

under the laws of the State of Pennsylvania.

\_Ninth.\_—J. J. Vandergrift, G. V. Forman, and John Pitcairn, Jr.,

trading under the name of Vandergrift, Forman and Company, and

owning and representing the Milton and Sandy Pipe Lines.

\_Whereas\_, The pipe lines owned and controlled by the parties hereto

have a joint capacity for transportation more than twice as great as

the total volume of petroleum produced in the district traversed by

said lines; and whereas, the separate and discordant relations now

prevailing among the parties hereto, lead to a needless

multiplication of extensions, branches, and other matters involving

heavy cost, which ultimately becomes in some shape a charge upon the

business transported, and also leads to the offering of open or

secret inducements of an illegitimate nature, such as rebates,

special rates, selling oil for less than its cost and full pipage

rates, and in other ways hereby to attract an under share of traffic

to the respective lines represented herein; and

\_Whereas\_, it is believed to be desirable both for the interests of

the parties hereto and those of the public whom they serve, that all

needless expenditure and all illegitimate inducements should cease;

now,

\_Therefore\_, for those purposes and for other valuable

considerations mutually moving the parties hereto, they do each

respectively agree with each other, as follows:

\_First.\_—The parties hereto do not by these presents create in any

respect a partnership with each other, but each party is to be

wholly and solely responsible for all of its own acts in the conduct

of its business for its certificates, receipts, and collection of

its charges, its expenses, shortages, maintenance, and management of

its property, and of its engagements and obligations of every sort.

\_Second.\_—The pipe-lines which are covered by this agreement are

those which are or may be owned by any of the parties hereto, and

which are situated south of Oil City, and which terminate at any of

the following points, viz. points on the Franklin branch of the

Atlantic and Great Western Railway, points on the Jamestown and

Franklin branch of the Lake Shore and Michigan Southern Railway,

points on the Alleghany Valley, between or at Oil City and

Pittsburg, points on the Schenango and Alleghany Railroad and points

on the Butler branch railroad, excepting two small pipe lines, one

owned by F. Prentice and Company, running from Mount Hope to Foster,

and one owned by Vandergrift, Forman and Company, called the

Franklin Pipe Line, running from the heavy oil district to Franklin,

Pennsylvania.

\_Third.\_—Each party hereto shall retain eight (8) cents per each

forty-two (42) gallons remaining after deduction of allowances for

shortage and sediment, on all of the oil it actually pumps; also,

all allowances made it on such oil to meet shrinkage and sediment,

and also all of its other receipts of every description, except as

stated in the next article.

\_Fourth.\_—Each party shall account monthly to the executive

committee hereinafter provided for, at the rate of twenty-two (22)

cents for each forty-two (42) gallons of petroleum (after deducting

shrinkage allowances) received by it for transportation during such

months; which twenty-two (22) cents shall be considered by said

committee as a common fund to be cleared and divided on the basis

hereinafter designated.

\_Fifth.\_—The executive committee shall consist of one representative

from each of the parties hereto.

Each representative to be appointed by the party he represents to be

changeable from time to time by such party, at its pleasure; the

said committee shall faithfully execute such provisions of this

agreement as are by its terms confided to them.

Their action must, in all cases, be unanimous before it shall be

binding upon any party hereto.

They shall keep a record of their proceedings, to which each of the

members shall have free access, and whenever desired by any, a full

transcript, or any part thereof.

The members of said committee shall, until changed, as hereinbefore

provided, be as follows: Charles P. Hatch, representing the Union

Pipe Company; A. M. Hughes, representing the Antwerp Pipe Company

and the Oil City Pipe Company; D. O’Day, representing the American

Transfer Company; R. B. Allen, representing the Grant Pipe Company;

S. D. Karns, representing the Karns Pipe Line Company; F. Prentice,

representing the Relief Pipe Line Company; H. Harley, representing

the Pennsylvania Transportation Company; E. Hopkins, representing

the United Pipe Lines, Milton Pipe Line, and the Sandy Pipe Lines.

\_Sixth.\_—Each party hereto shall furnish to the executive committee,

on or before the fifth of each month, a report of its business for

the month next preceding, duly verified by the affidavit of its

proper officer or agent; and the amounts found due by the executive

committee from any of the parties hereto shall be paid by them

through the executive committee to the parties to whom they may be

due, on or before the tenth of the month in which the report is

made.

\_Seventh.\_—The committee shall prescribe the form of said return,

and shall act as a clearing house thereof. They shall have power to

verify the same by inspection of books and records, and shall make

to each party hereto, on or before the tenth day of each month, a

full exhibit of the results of the returns and clearings for the

next preceding month.

\_Eighth.\_—The committee shall prescribe and enforce uniform rates

and conditions for the reception, storage, and transportation of

oil, including substantially uniform wordings of certificates and

gaugers’ tickets; uniform conditions for the accepting of tanks

owned by other parties; uniform conditions as to responsibility for

losses through unavoidable causes, such as lightning; and uniform

rates of allowances for shrinkages. Until changed by said committee,

the rates for transportation shall be as follows:

For each forty-two gallons remaining after deducting allowance for

shrinkage and sediment, viz., from all points which, by any

pipe-lines represented herein, which terminate at Oil City or on the

various railways as hereinbefore described, thirty (30) cents;

excepting, \_First\_, on oil reached by pipes terminating on the

Alleghany Valley Railroad south of Oil City, and north of Parker

City. \_Second\_, on oil from the west side of the Alleghany River,

not pumped from north of Bear Creek. \_Third\_, on oil pumped from

Sheakley to Monterey by the United Lines, and from south of Bear

Creek, and north of Sheakley district by the Union and Karns lines,

all of which shall be twenty-five (25) cents. But the rates on oil

covered by the third exception shall be made thirty (30) cents on or

before January 1, 1875. The only remaining exceptions to these rates

on such private contracts at different figures, as each party may

now have, a list of which together with any special conditions

appertaining thereto shall be filed with the executive committee on

or before September 1, 1874; no new contracts for transportation or

storage or tankage shall be made by any party whatever, except at

the regular rates as herein fixed, or as shall be, from time to

time, fixed by the executive committee. All rates less than thirty

(30) cents may be at any time advanced to thirty (30) cents by the

party subject thereto.

\_Ninth.\_—The committee shall adopt all proper and practicable

measures to secure the transportation by each line of a share of the

total oil pumped each month by all the lines, equal in percentage to

the share of the common fund allotted to each herein, having

reference to the facilities of each party for doing the work; they

shall assign to each party, and as early in each case as possible,

such share of the duty of making extensions and connections with

wells as most legitimately appertains to it, or as may be required

by the well owner, or by the contracts of each party; but constant

reference shall be had to maintaining for each party its share as

heretofore described of the total oil to be transported, and to

distributing the total cost involved as nearly as practicable in the

proportion of the common fund assigned to each, and no other party

shall make such improvements except by consent of said committee.

The committee shall arrange with a chief gauger and the needful

assistants (all of whom shall be under oath to act honestly and

impartially), to gauge from time to time all tanks with which the

lines of the parties hereto are or may be connected, or car tanks

which they may load; and may collect the expense thereof from the

parties hereto in proportion to their respective shares in the

common fund; and may also assess upon the trade such reasonable

charge for car gauging, or may wholly waive such charge as they may

deem judicious. The committee shall have general power to inaugurate

and carry into effect any other features than those especially named

herein which will not be inconsistent with and which will in their

judgment more effectually accomplish the purposes and spirit of the

agreement.

\_Tenth.\_—The division of the common fund shall be as follows:

The United Pipe Lines, twenty-nine and one-half (29½) per cent.

The Union Pipe Company, twenty-five and one-half (25½) per cent.

The Antwerp Pipe Company and Oil City Pipe Company, seven (7) per

cent.

The American Transfer Company, seven (7) per cent.

The Grant Pipe Company, seven (7) per cent.

The Karns Pipe Line Company, seven (7) per cent.

The Relief Pipe Line Company, seven (7) per cent.

The Pennsylvania Transportation Company, seven (7) per cent.

The Sandy Pipe Line and Milton Pipe Line, three (3) per cent.

\_Eleventh.\_—All parties hereto agree to faithfully carry out the

spirit and purposes of this agreement, and to do nothing between the

date of its execution and the date of its taking effect,

inconsistent therewith, and it is mutually agreed that from the date

of its taking effect until it is terminated, any violation thereof

by any party will work an injury to the whole interest of not less

than ten thousand ($10,000) dollars; and if any such violation shall

not be fully rectified by the offending party within thirty (30)

days after written notice shall have been given to the said

offending party by the executive committee, through its secretary,

upon a vote of all of said committee except the representative of

the offending party, it is agreed that ten thousand ($10,000)

dollars shall be the stipulated and liquidated damages for each and

every such violation so unrectified, which damages shall be

collected by the executive committee, and shall be divided among the

other parties hereto in the same relative proportion as the common

fund is divided. This contract shall take effect on the first day of

October, A.D. 1874, and shall continue for two (2) years, and shall

continue after the expiration of said two (2) years until after

three (3) months’ written notice shall have been given by either of

the parties hereto, to the executive committee, through its

secretary, of a wish to have it terminate, at the expiration of

which notice it shall cease and determine.

\_In Witness Whereof\_, the parties hereto, by their representatives,

have affixed their signatures this fourth day of September, A.D.

1874.

The United Pipe Lines: J. J. VANDERGRIFT, GEORGE V. FORMAN, JOHN

PITCAIRN, JR., by GEORGE V. FORMAN, \_Attorney for themselves and

others\_.

The Sandy and Milton Lines: J. J. VANDERGRIFT, GEORGE V. FORMAN,

JOHN PITCAIRN, JR., by GEORGE V. FORMAN, \_Attorney\_.

For the Relief Pipe Line Company: F. PRENTICE, \_President\_.

For the American Transfer Company: DANIEL O’DAY, \_Superintendent\_.

For the Union Pipe Line Company: CHARLES P. HATCH, \_Manager\_.

For the Grant Pipe Company: R. B. ALLEN, \_President\_.

For the Karns Pipe Line Company: S. D. KARNS, \_President\_.

For the Antwerp Pipe Company and the Oil City Pipe Company: E. C.

BRADLEY, \_President\_.

For the Pennsylvania Transportation Company: HENRY HARLEY,

\_President\_.

NUMBER 23 (See page 1141)

THE RUTTER CIRCULAR

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3112, page 363.]

THE NEW YORK CENTRAL AND HUDSON RIVER RAILWAY COMPANY, GENERAL FREIGHT

AGENT’S OFFICE, GRAND CENTRAL DEPOT.

NEW YORK, September 9, 1874.

\_Dear Sir\_: Commencing October 1, 1874, the following rates on

refined and crude oil shall govern all lines:

The rates on refined oil from all refineries at Cleveland,

Titusville and elsewhere in and adjacent to the Oil Region shall be

as follows:

PER BARREL.

To Boston $2.10

Philadelphia 1.85

Baltimore 1.85

New York 2.00

Net rate on Albany fifteen per cent. less, from which shall be

refunded the amount paid for the transportation of crude oil by rail

from the mouth of the pipes to the said refineries, upon the basis

of fourteen barrels of crude oil to the refineries for every ten

barrels of refined oil forwarded by rail from them (the refineries)

to the Eastern points named.

Settlements of this drawback to be made on the refined oil forwarded

during each month.

No rebate on these rates will be paid on oil reaching refineries

direct by pipes.

On crude oil the rates from all initial points of rail shipments in

the Oil Region shall be as follows:

PER BARREL.

To Boston $1.75

Philadelphia 1.50

Baltimore 1.50

New York 1.50

Net rate on Albany fifteen per cent. less, from which shall be

refunded twenty-two cents per barrel only on oil coming from pipes

which maintain the agreed rates of pipage.

A barrel shall in all cases be computed at forty-five gallons.

You will observe that under this system the rate is even and fair to

all parties, preventing one locality taking advantage of its

neighbour by reason of some alleged or real facility it may possess.

Oil refiners and shippers have asked the roads from time to time to

make all rates even, and they would be satisfied. This scheme does

it, and we trust will work satisfactorily to all.

Respectfully yours,

J. H. RUTTER,

\_General Freight Agent\_.

NUMBER 24 (See page 1148)

STANDARD OIL COMPANY’S APPLICATION FOR INCREASE OF CAPITAL STOCK TO

$3,500,000 IN 1875

\_To the Secretary of the State of Ohio\_:

The undersigned, being a majority of the board of directors of \_THE

STANDARD OIL COMPANY OF CLEVELAND, OHIO\_, do hereby certify that on

the tenth day of March, A.D. 1875, at a special meeting of the

stockholders of said company held at its office in Cleveland,

Cuyahoga County, Ohio, by a vote then and there taken, all the

stockholders of said company being present and voting therefor, it

was resolved and agreed by each and all of them, that the capital

stock of said company be increased the sum of \_One Million Dollars\_,

thereby making the capital stock of said company \_Three Million Five

Hundred Thousand Dollars\_, which action of the stockholders was as

follows, to wit:

\_Resolved\_, and it is agreed by each and all of us that the capital

stock of this company, viz.: \_THE STANDARD OIL COMPANY OF CLEVELAND,

OHIO\_, be increased to the sum of \_Three Million Five Hundred

Thousand Dollars\_, and it is also agreed and the proper officers of

this company are hereby instructed to take the requisite steps to so

increase said capital stock.

JOHN D. ROCKEFELLER; S. V. HARKNESS; H. M. FLAGLER, \_Trustee\_; S.

ANDREWS; J. D. ROCKEFELLER, \_Agent\_; J. D. ROCKEFELLER, \_Trustee\_;

O. H. PAYNE; B. BREWSTER, by J. D. ROCKEFELLER, \_his Attorney\_; T.

P. HANDY, by J. D. ROCKEFELLER, \_his Attorney\_; O. B. JENNINGS, by

J. D. ROCKEFELLER, \_his Attorney\_; WM. ROCKEFELLER, by J. D.

ROCKEFELLER, \_his Attorney\_; JAS. STANLEY, by O. H. PAYNE, \_his

Attorney\_; A. M. MCGREGOR, by J. D. ROCKEFELLER, \_his Attorney\_; W.

C. ANDREWS; A. J. POUCH, by J. D. ROCKEFELLER, \_his Attorney\_; F. A.

ARTER, by J. D. ROCKEFELLER, \_his Attorney\_; P. H. WATSON, by H. M.

FLAGLER, \_his Attorney\_; J. A. BOSTWICK, by J. D. ROCKEFELLER, \_his

Attorney\_; J. HUNTINGTON, by O. H. PAYNE, \_his Attorney\_; D. M.

HARKNESS, by H. M. FLAGLER, \_his Attorney\_; JOSIAH MACY, by J. D.

ROCKEFELLER, \_his Attorney\_; W. H. MACY, by J. D. ROCKEFELLER, \_his

Attorney\_; W. G. WARDWELL, by H. M. FLAGLER, \_his Attorney\_; D. P.

EELLS, by J. D. ROCKEFELLER, \_his Attorney\_; S. F. BARGER, by J. D.

ROCKEFELLER, \_his Attorney\_; W. H. VANDERBILT, by J. D. ROCKEFELLER,

\_his Attorney\_; H. W. PAYNE, by O. H. PAYNE, \_his Attorney\_; J. J.

VANDERGRIFT, by O. H. PAYNE, \_his Attorney\_; JOHN PITCAIRN, JR., by

O. H. PAYNE, \_his Attorney\_; L. G. HARKNESS, by H. M. FLAGLER, \_his

Attorney\_.

And afterwards said meeting was duly adjourned.

H. M. FLAGLER,

\_Secretary\_.

CLEVELAND, March 10, 1875.

And we further certify that the whole amount of such increase of

capital stock has been paid to said company in money, that no note,

bill, bond, or other security has been taken for the same or any

part thereof, and that the credit of the company has not been used

directly or indirectly to raise funds to pay the same or any part

thereof.

\_In Witness Whereof\_, we hereunto set our names at Cleveland, this

tenth day of March, A.D. 1875.

JOHN D. ROCKEFELLER,

HENRY M. FLAGLER,

SAMUEL ANDREWS,

OLIVER H. PAYNE,

STEPHEN V. HARKNESS.

NUMBER 25 (See page 1148)

HENRY M. FLAGLER’S TESTIMONY ON THE UNION OF THE STANDARD OIL COMPANY

WITH OUTSIDE REFINERS IN 1874

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3112, page 291 and page 770.]

\_A.\_ ... The original Standard Oil Company was organised in the

early part of 1870. The increased capacity and the acquisition of

the Cleveland refineries was, as I remember it, in 1872. It remained

at that until 1875 or 1876,[85] according to the best of my

recollection. Then was consummated a negotiation which had been

pending for some two years, perhaps, with certain parties in

Pittsburg, Philadelphia and New York, by which a value was agreed

upon, and their refinery property was purchased and the capital of

the company was increased a still further sum of a million, and they

were paid for these properties, and money which they contributed, in

the stock of the Standard Oil Company of Ohio.

By Mr. Gowen.

\_Q.\_ When did the Standard Oil Company of Ohio first enter into an

alliance with other refineries?

\_A.\_ If you mean, (by) an alliance, Mr. Gowen, I should say never.

\_Q.\_ I am only endeavouring to aid your friends in getting at what

they want. Here, I notice, they propose to prove by you—I will give

it in this way—that on account of the disastrous condition of the

refining business, the Standard, on October 15, 1874, entered into

an alliance with a number of Pittsburg refineries?

\_A.\_ That is more correctly stated by saying that the Standard Oil

Company \_purchased\_ the refineries owned by the parties in

Pittsburg.

\_Q.\_ Who were they?

\_A.\_ Lockhart, Frew and Company, I think was the company. Wait a

moment. It was the Standard Oil Company of Pittsburg, it being a

corporation, and Warden, Frew and Company, of Philadelphia, and, I

should say, Charles Pratt and Company, of New York.

\_Q.\_ Any others?

\_A.\_ That is all.

\_Q.\_ All those gentlemen, Warden, Frew and Company, and the Standard

Oil Company of Pittsburg, Charles Pratt and Company of New York, are

now associated with you as parties interested in the present Oil

Trust?

\_A.\_ They are stockholders. The property formerly owned by them was

at that time purchased by the Standard Oil Company.

\_Q.\_ When you speak of purchasing their interest, you do not exclude

them from their interest? They united with you and remained as your

associates in the business?

\_A.\_ If it was not from the fact that ours was a corporation, we

might call it a co-partnership.

\_Q.\_ They becoming interested in yours, and you in theirs?

\_A.\_ Yes, sir.

\_Q.\_ And you simply used your name to represent the joint ownership,

as it was a corporation?

\_A.\_ Yes, sir.

NUMBER 26 (See page 1153)

GEORGE H. BLANCHARD’S TESTIMONY ON THE BREAKING UP OF THE PIPE POOL OF

1874

[Report of the Special Committee on Railroads, New York Assembly,

1879. Volume III, pages 3445–3447 and 3449–3451.]

The contract with the Standard Company of April 17, 1874, as I have

said, contained nothing inconsistent with our obligations to the

Pennsylvania and New York Central Railroads, and the New York

Central, under their later contract, and our company, convinced the

Pennsylvania Railroad of that fact during the discussions both as to

rates and each and every other detail agreed to, but President

Jewett thought it better to rely upon the arrangements between the

railway companies alone, and decided to avail himself of the ninth

clause of the agreement with the Standard Oil Company of April 17,

1874, which provided that either party might terminate it by six

months’ written notice, but that notice might be given by the

Standard Company within thirty days after the election of a new

board of directors of the Erie or Atlantic and Great Western

Company. This trunk line oil pool of October 1 being in operation,

President Jewett gave notice of the termination of the Standard

agreement of April 1, 1874, on October 31, 1874, which would have

terminated in six months. It was the thirty-first of the following

May, but an election having in the meantime taken place upon the

Atlantic and Great Western Railroad, the Standard Oil Company gave

the thirty days’ notice it had the right to do on January 13, 1875,

which, therefore, terminated the agreement upon February 13, 1875,

about three months and a half before President Jewett’s notice

could, under the contract, take effect.

The trunk line agreement of October 1, 1874, continued in force, and

pool settlements were made thereunder for but five months, namely,

until the close of February, 1875, during which time the Erie

Company paid $31,019.05 and received $6,570.55.

Notice of the abandonment of that contract was given by the Erie

Company, April 1, 1875, although no statements or moneys were

exchanged for March, and dissatisfaction with its operations had

been expressed by us prior to that time, the reasons therefor being

as follows:

The higher rates of the pipe pool had stimulated new pipe-lines, and

the Hunter and Cummings Line and other small pipes had been

completed, or did not maintain the agreed rates of pipage. The

Columbia Conduit Company had also been completed to Pittsburg, in

the interest of the Baltimore and Ohio Company, and either acting

upon the then policy or advice of that company, or with a desire to

be bought out, declined to charge equal rates of pipage or agree to

any fixed rates, a fact which threatened the diversion of oil

largely to Baltimore, the Baltimore and Ohio Railroad not being in

the trunk line oil pool of October 1, 1874, and publicly and

frequently announcing its endeavour to divert the oil trade to

Baltimore.

We also believed that large drawbacks or commissions were paid by

the Pennsylvania Railroad to the Empire Line in addition to those

provided in our joint pool contract; and our belief has since been

confirmed by later knowledge of the fact that the Pennsylvania

Railroad paid to the Empire Line about 30 per cent., including the

use of cars; and the mileage, being about ten (10) per cent. at

current rates of car service, left the commission equal to about 20

per cent., an advantage not possessed by any other shipper or

company over any of the northern lines.

It was clear that, as the Empire Line added to its already large

resources, not only this commission upon the oil business excepting

Pittsburg, but the added profits upon its pipe-lines, that its

combined operation and profit united to control an increasing share

of the entire trade and put it in strong financial shape for a

control which it subsequently entered upon to absorb also a large

refining interest.

As the northern trunk lines made no similar arrangements, allowances

or commissions to any forwarder or receiver, and derived no profit

from any pipe-lines, it was clearly unfair to concede them to the

Empire Line, and the agreement which gave it these growing

advantages was very properly annulled.

We also desired the actual transportation of the oil rather than to

receive money from others, as we had done during the pool, as their

increased business might finally result in a demand for larger

percentages if the pool continued.

I directed careful examination of our records up to date of the

abandonment of this oil pool contract; and upon the authority of

General Freight Agent Vilas, state that the net rates charged to the

Standard Company during this period to through points were uniform

with the rates charged by our lines to other shippers, taking into

account, as before stated, the transportation of the crude

equivalent to their refineries.... The preliminary discussions and

general conclusions relating to those (new) contracts were all with

President Jewett, although many of their details were subsequently

discussed and suggested by me; and the reasons influencing him to

make them have been stated by him in his testimony; I was directed

to carry them out, and have from time to time attended meetings at

which the rates thereunder were advanced or reduced. I believe those

contracts were not concluded until the latter part of April or early

in May, and were then dated back to the disruption of the trunk line

oil pool, in order to secure our guaranteed proportion of oil

shipments from that earlier date and without interruption. The

transportation contract continued to guarantee us 50 per cent. of

the business of the Standard Oil Company, which 50 per cent. should

not be less than the percentage we had received in the year 1874 of

the total arrivals at the seaboard; and at this time, for that

reason, the Standard Oil Company had no transportation arrangements

with the Pennsylvania Railroad, and this fact and guaranty induced

us to disregard the question as to whether or not the Standard

Company had similar or other contracts with the New York Central or

its connections, our only interest in the question being as to

whether rates were equal and if we received our guaranteed share of

the oil.

There was no understanding or agreement by the Erie Company to my

knowledge that the New York Central Company or Pennsylvania

Railroad, or either of them, had or had not similar or other

contracts with the Standard Oil Company.

They were shipping by the New York Central route, and we assumed

from their large business, terminal arrangements, etc., that some

defined understanding probably regulated such large interests, but

we were not consulted as to the terms or conditions of its contracts

with other companies if it had any, because we relied upon their

responsible guaranty to give us our proportion of the total arrivals

of oil at the seaboard and at rates equal to those of other

companies, as ample protection to our interests.

At the time this transportation contract was made by the Erie

Company, other considerations than relief from risks and the

equalisation of the arrivals at the seaboard bore upon the contracts

for an allowance of 10 per cent. It continued to be our belief,

since fully confirmed by Mr. Cassatt’s testimony, that other

shippers \_via\_ the Empire Line over the Pennsylvania Railroad had at

least similar rates and arrangements, to which, on the part of the

Erie Company, no objection was offered; it also continued to be the

fact that the Empire Line continued to receive in addition to its

probable pipe profits, the same or about the same, large commission

as before, from the Pennsylvania Railroad, and it was believed by

the officers of the Erie in making this contract with the Standard

Company that the allowance to it of 10 per cent. was not much more

than one-half the allowance then being made by the Pennsylvania

Railroad to the Empire Line.

In addition thereto, we secured the actual transportation of our

full share of the oil, at the agreed rates, without delays or

disputes in adjustments, or the preparation or exchange of the pool

statements.

It maintained the business to New York and provided against any

increase to our rival railways or ports, no matter how the territory

of oil production might shift or vary, and while under the trunk

line pool we could not influence the various shippers to send them

oil over our railway or to this city, unless their varying and

dissimilar interests all agreed (as they did not), and no matter how

much one company might be in deficit, the Standard Company is

compelled to send it over our line. The loading and unloading, and

taking the risks, were also important items to us as has before been

detailed, and relieved us from a class of claims we had paid prior

to that time.

It was also important to us that by this contract we were explicitly

released from large losses when the great fire consumed the

Weehawken docks in July, 1874.

The ninth section of the contract has also been of much value to us.

In the delivery of oil to vessels or exporters, the Standard Company

assumes all the risks and expenses of delays to ships, and their

demurrage, even if it be the fault of the railway by nondelivery,

and I have known of cases where this amounted to a large sum.

In 1877 when the general and extended railway strikes occurred, this

clause also released us beyond doubt from large claims that might

otherwise have been urged.

The freight rates provided by the railway pool of October 1, 1874,

were not changed until October 1, 1875; and my recollection is that

it was not until the discussion upon that change that anything was

definitely known by any of the trunk lines of the arrangements of

the others with the Standard Oil Company. At that meeting the 10 per

cent. reduction to be allowed the Standard was distinctly understood

as due upon its shipments \_via\_ all the trunk lines in consideration

of the facts stated, and it then first came to my knowledge that

Warden, Frew and Company, of Philadelphia, represented the Standard

Oil Company, as Charles Pratt and Company represented their crude

interests at New York \_via\_ our line.

NUMBER 27 (See page 1196)

MR. FLAGLER’S EXPLANATION OF THE COMMISSION OF 10 PER CENT. ALLOWED THE

STANDARD OIL COMPANY IN 1877

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3112, pages 774–775.]

I would like the privilege of explaining about that 10 per cent.

commission. The railroad companies, as perhaps Mr. Gowen will

remember, he at that time having been head of the Reading Railroad,

tried and did agree among themselves for divisions of the oil

business. I know that they agreed among themselves that a certain

percentage of it the New York Central should take; a certain other

percentage the Erie should take; a certain other percentage the

Pennsylvania Railroad should take; and a certain other percentage

the Baltimore and Ohio should take. We were only anxious that

uniform rates should be maintained by these roads. All these roads,

and each one of the roads, found it impossible to secure the

divisions of the business as they had agreed upon. Notwithstanding,

we co-operated with them, for we were heartily in favour of its

being done and were only seeking for a uniformity of rates by the

different roads. But as any gentleman connected with railroad

interests well knows there always is that desire to get more than

belongs to the line. That desire kept cropping out in the practical

shape of cutting under rates for the sake of getting a little more,

each road feeling that it was not getting enough to insure it its

percentage. The Standard Oil Company at that time owned a very large

percentage of the entire oil traffic. It was possible for it to do a

service for the roads that the roads were unable to do for

themselves. That service, however, involved a good many hardships.

The practical working of it was this, that at the end of each month

after the arrangement had been made, each of these railroad

companies, they first having agreed how they would divide among

themselves and not seek to go beyond that certain percentage—at the

end of each month each railroad company sent to us a statement of

the number of barrels of oil they had transported during the month.

It was incumbent upon us during the succeeding month to ship over

the road or roads which had received less than its percentage an

amount during that following month sufficient to bring up the

deficit of the previous month. Undertaking to do that meant, as I

well knew at the time, a responsibility imposed upon us, and an

obligation to run refineries at certain localities which perhaps at

the time it was unprofitable for us to run. It meant a steady

continuance of a large volume of business at periods of time when it

might not be profitable to run them; and if the gentlemen of the

committee will bear with me just a moment you will see the

difficulties. It was not only the three trunk lines—the New York

Central, terminating at Buffalo, the Pennsylvania, terminating at

Pittsburg, and the Baltimore and Ohio, I don’t know where—but there

came in their Western connections. I remember well the New York

Central had two; the Lake Shore was its connection west of Buffalo

to Cleveland, and the Dunkirk and Allegheny Valley was its western

division to the Oil Region. It was not an easy matter, for we had

not only to regard the percentage delivered at the seaboard, but we

had to try to keep the Lake Shore satisfied with its proportion, the

New York Central’s proportion, and the Dunkirk and Allegheny

Valley’s proportion. As I say, it was no light task, and realising

that, I said to these gentlemen, “We will undertake to do this

business for you, to secure to each one of you the percentage which

we may have agreed upon, upon condition that we are paid for that

service a sum which shall be equal to 10 per cent. of the rate you

receive for doing the business.” There were, however, to be added to

what I have already stated as an inducement for the railroad

companies to pay that commission, other agreements, one of which was

that we assumed the risk of loss by fire in transportation. That may

seem to be to the gentlemen of the committee a cheap thing to do,

but Mr. Gowen understands, as well as I do, that a railroad company

cannot divest itself of the obligations by the common law imposed

upon it as a common carrier without a special agreement to that

effect. We took that risk, and did not collect from the railroad

companies, any of them, any losses sustained by fire in transit. We

furnished terminal facilities at the seaboard free of charge to the

railroad companies, and for all this service the Pennsylvania

Railroad agreed to pay us a commission of 10 per cent. We carried

out our part of the contract faithfully, and secured to the roads

such a division of the traffic as kept them in a state of accord and

peace, so far as quantity was concerned, and yet the Pennsylvania

Railroad paid to other shippers than ourselves a rebate or a

drawback, or whatever you choose to call it, on their shipments,

which were exactly equal to the 10 per cent. they agreed to pay us.

So that in that respect we were not favoured at all.

NUMBER 28 (See page 1196)

CORRESPONDENCE BETWEEN WILLIAM ROCKEFELLER AND MR. SCOTT IN OCTOBER,

1877

[Commonwealth of Pennsylvania \_vs.\_ Pennsylvania Railroad Company,

United Pipe Lines, etc., Testimony. Appendix, pages 734–736.]

PHILADELPHIA, October 17, 1877.

THOMAS A. SCOTT,

President Pennsylvania Railroad Company.

\_Dear Sir\_: In consideration of the covenants by your company to be

performed as hereinafter mentioned, we will agree as follows:

\_First.\_—It having been agreed by the trunk lines that of all the

oil shipped by the trunk lines to the cities of New York,

Philadelphia, and Baltimore, 63 per cent. shall be considered as the

proportion which would naturally go to the City of New York, and it

having been further agreed that of this percentage one-third shall

be transported over each of the trunk lines having termini in New

York, viz.: The New York Central, Erie, and Pennsylvania, we agree,

unless the aforesaid division shall be changed by mutual consent of

said trunk lines, to ship such quantities of oil over your lines,

from time to time, as will, when added to the quantities shipped by

parties other than ourselves, give your line one-third of the

shipments to New York by the said trunk lines, or 21 per cent. of

the whole amount shipped to the three cities above named by the said

trunk lines; it being understood that in stating the number of

barrels for the purpose of making this division or for carrying out

any of the other stipulations herein contained, the barrel of

forty-five gallons of crude shall be the unit, and that each barrel

of the usual size of refined oil shall be counted as equal to one

and three-tenths barrels of crude.

\_Second.\_—It having been agreed, as we are informed, between your

company and the Baltimore and Ohio Railroad Company, that of the

remaining 37 per cent. of the total shipments aforesaid you should

be entitled to transport by lines owned and controlled by your

company to Philadelphia and Baltimore, 26 per cent., and the

Baltimore and Ohio Railroad Company to Baltimore by its lines 11 per

cent., we agree, until these proportions are changed by mutual

consent, to ship such quantities to Philadelphia and Baltimore by

lines owned and controlled by your company as will, when added to

shipments of parties other than ourselves, give for transportation

by your lines to Philadelphia and Baltimore, 26 per cent. of the

total shipments by the four trunk lines to the three seaboard cities

above named.

\_Third.\_—We further agree that the quantity of oil which we will

ourselves ship over your line shall not in any calendar year be less

than two million barrels, based upon an average production of not

less than thirty thousand barrels per day. If we should fail to give

you traffic herein named, we will pay to you a sum equal to the

profits which you would have realised upon the quantity in

deficit—provided, however, that you will at all times furnish us

with transportation, as we may reasonably require it.

\_Fourth.\_—We will, of the proportion of oil going to Philadelphia,

refine as much as is practicable in Philadelphia, as we understand

that you desire to see the refining capacity of Philadelphia fully

employed, and, if needful, increased. And in shipping by your lines,

whether to Philadelphia, Baltimore, or New York, we will endeavour

to deliver the oil to you at points from which you will have short

hauls; and to the extent that we can, we will make the proportion of

crude shipped as large as possible, as we understand its

transportation to be more profitable to you than that of refined

oil.

\_Fifth.\_—We ask, in consideration of the above named guarantee of

business, upon which it is understood we shall pay such rates as may

be fixed from time to time by the four trunk lines (which rates it

is understood shall be so fixed by the trunk lines as to place us on

a parity as to cost of transportation with shippers by competing

lines), that you shall furnish us promptly all the transportation we

may reasonably require; and that you shall allow to, and pay us,

weekly, such commission on our own shipments and the shipments which

we may control, as may be agreed to by your company and the other

trunk lines from time to time; this commission, it is understood,

has for the present been fixed at 10 per cent. upon the rate, and

shall not be fixed at a less percentage, except by mutual agreement

of your company and ours—provided, that no other shipper of oil by

your line shall pay less than the rate fixed for us before such

commission is deducted; and no commission shall be allowed any other

shipper unless he shall guarantee and furnish you such quantity of

oil for shipment as will, after deduction of commission allowed him,

realise to you the same amount of profit you realise from our trade;

that is, you will not allow any other shipper of oil any part of

such commission, unless after such allowance you realise from the

total of his business the same total amount of profit you realise

from the total of our business, except so far as your company may be

compelled to fill certain contracts for transportation made by the

Empire Line with refiners and producers, which contracts terminate

on or before May 1, 1878, a statement of which shall accompany your

reply to this letter—such contracts to be fulfilled. We agree that

all the stipulations herein contained shall be carried out by us for

the period of five years from the date hereof, unless sooner changed

or terminated by mutual consent, provided that you advise us in

writing within ten days that your company accept, and will carry

out, its part of the arrangement for the like term. In entering into

this agreement we desire to put ourselves on record as expressing

our wish and intention of making our business relations with your

company such that not only your main lines but the connecting lines

controlled by you, especially the Allegheny Valley Railroad, shall

secure the best possible results from the oil traffic consistent

with our existing obligations to other transportation interests. We

feel that the location of our refineries—all of which can be reached

by your lines—should naturally create a close alliance between your

company and ours, and that the best results from this important

traffic can only be secured to yourselves and ourselves, and, we

might add, to the entire petroleum interests of the country, by the

establishment of friendly and mutually satisfactory arrangements

between us.

Yours truly,

STANDARD OIL COMPANY,

By WILLIAM ROCKEFELLER,

\_Vice-President\_.

OFFICE OF THE PENNSYLVANIA RAILROAD COMPANY,

PHILADELPHIA, October 17, 1877.

WILLIAM ROCKEFELLER,

Vice-President Standard Oil Company.

\_My Dear Sir\_: I am in receipt of your letter of this date, reciting

the understanding and agreement to exist between the Pennsylvania

Railroad Company and your company for a period of five years.

I beg leave to say that the same covers the whole basis of the

arrangements, and is satisfactory to this company—the provisions of

which will be duly carried out by it.

Very respectfully yours,

THOMAS A. SCOTT,

\_President\_.

NUMBER 29 (See page 1197)

CORRESPONDENCE BETWEEN MR. O’DAY AND MR. CASSATT

[Commonwealth of Pennsylvania \_vs.\_ Pennsylvania Railroad Company,

United Pipe Lines, etc., Testimony. Appendix, pages 732–733.]

OFFICE OF THE AMERICAN TRANSFER COMPANY,

OIL CITY, PENNSYLVANIA, February 15, 1878.

A. J. CASSATT,

Third Vice-President, Philadelphia.

\_Dear Sir\_: Referring to the conversation I had with you in January,

I wish to submit the following facts: That our company has at large

expense (involving the payment of several hundred thousand dollars),

purchased and created certain pipe-lines to Pittsburg, through which

we are able not only to protect the Allegheny Valley road in a

paying rate of freight for the oil it carries, but also to secure to

that company (by agreement with it) its full proportion of the oil

traffic going to Pittsburg.

You are acquainted with the efforts we have put forth in other

directions during the last months in which we have acted in thorough

accord with the trunk line interests, and I believe I may say

without egotism, we have, to the extent of our ability, effectually

protected their interests in such action. I here repeat what I once

stated to you and which I asked you to receive and treat as strictly

confidential, that we have, been for many months receiving from the

New York Central and Erie Railroads certain sums of money, in no

instance less than twenty cents per barrel on every barrel of crude

oil carried by each of those roads.

Co-operating, as we are doing, with the Standard Oil Company and the

trunk lines in every effort to secure for the railroads paying rates

of freight on the oil they carry, I am constrained to say to you

that, in justice to the interest I represent, we should receive from

your company at least twenty cents on each barrel of crude oil you

transport.

The fruit of co-operation referred to has been fully evidenced in

the fact that since last fall your company has received fifty to

sixty cents per barrel more freight than was obtained by it prior to

our co-operation.

In submitting this proposition I feel I should ask you to let this

date from the first of November, 1877, but I am willing to accept as

a compromise (which is to be regarded as strictly a private one

between your company and ours) the payment by you of twenty cents

per barrel on all crude oil shipments commencing with February 1,

1878.

I make this proposition with the full expectation that it will be

acceptable to your company, but with the understanding on my part

that in so doing, I am not asking as much of the Pennsylvania road

and its connections as I have been and am receiving from the other

trunk lines.

You are doubtless aware that during the last two years a large

amount of oil has been shipped to Richmond \_via\_ the Chesapeake and

Ohio road, and that since the purchase of the Pittsburg lines by us

not one barrel has been permitted to go in that direction.

During the season of 1877, and so long as the Columbia Conduit

Company afforded the Baltimore and Ohio road access to the Oil

Regions, that company, I understood, refused to accept from the

other trunk lines (for its proportion of the oil traffic) less than

20 per cent., but after the purchase by us of the Columbia Conduit

you succeeded in arranging with the Baltimore and Ohio for about

half as much as they previously claimed.

I may add that the Baltimore and Ohio road are wholly dependent upon

us for any oil they may carry.

Yours truly,

(Signed) DANIEL O’DAY,

\_General Manager\_.

PHILADELPHIA, May 15, 1878.

R. W. DOWNING, Comptroller.

\_Dear Sir\_: I enclose herewith copy of letter from Daniel O’Day,

general manager of the American Transfer Company, which refers to a

conversation I had with him in January last in reference to allowing

the American Transfer Company a commission of twenty cents per

barrel on all crude oil transported over this company’s lines to New

York, Philadelphia and Baltimore.

I agreed to allow this commission from and after February 1, until

further notice, after having seen receipted bills showing that the

New York Central Railroad allowed them a commission of thirty-five

cents per barrel and that the Erie Railway allowed them a commission

of twenty cents per barrel on Bradford oil, and thirty cents per

barrel on all other oil, and that they had been doing so

continuously since the 17th of October last.

Of this, however, you saw the evidence yourself in the bills which I

submitted to you last week. Please, therefore, prepare vouchers in

favour of the American Transfer Company per Daniel O’Day, for this

commission of twenty cents on shipments during February, March and

April, and hereafter make settlements with that company monthly.

Yours truly,

(Signed) A. J. CASSATT,

\_Third Vice-President\_.

NUMBER 30 (See page 1197)

HENRY M. FLAGLER’S TESTIMONY ON THE REBATE PAID TO THE AMERICAN TRANSFER

COMPANY

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3112, pages 777–778.]

\_Q.\_ Mr. Cassatt testified and offered in evidence the

correspondence which showed that his company agreed to the payment

of that 22½ cents to the American Transfer Company on every barrel

of crude oil passing over their line in consequence of the fact that

the writer of the first letter on behalf of the American Transfer

Company had asserted that the New York Central and the New York and

Lake Erie roads paid the same amount. You know that to be a fact, do

you not?

\_A.\_ May I explain that now?

\_Q.\_ You are entitled to make any explanation you wish.

\_A.\_ The American Transfer Company was built originally for, really,

the New York Central road. The New York Central had no means of

getting south of Titusville with its cars. The American Transfer

Company’s lines were built really in the interest of the New York

Central road. In those days the pipe-lines purchased the oil and

oftentimes sold it at just what they paid for it, and sometimes

less. They got more when they could. The New York Central, as I

said, paid the American Transfer Company a price, which I presume

was the figures named in Mr. Cassatt’s testimony, for collecting oil

in the lower country and delivering it to the Dunkirk and Allegheny

Valley, which is the New York Central’s connection. As that

pipe-line increased its business the Erie road did the same thing.

Later the Pennsylvania Railroad wanted the service of that pipe-line

in collecting oil. Mr. O’Day did what I suppose any manager would

do. He said to Mr. Cassatt, if you do the same thing for me that the

other roads are doing, I have no objection to making the same

arrangement with you. The payment made by the Pennsylvania, the

Erie, and the New York Central roads constituted the gross income of

the American Transfer Company, out of which it paid its expenses of

doing its business and its losses, if it made any, in the purchase

and sale of oil. It acted as a factor for those northern roads, and,

as I said, was originally built in order that oils might be reached

by the New York Central.

\_Q.\_ But in addition to the sum of 22½ cents, or whatever it may

have been, which these trunk lines paid to the American Transfer

Company, that company as a transporter of oil through its own pipe

got this pipage charge besides?

\_A.\_ I never so understood it. As I remember the facts in the case,

while there was a nominal pipage—there might have been; I do not say

there was; I do not remember.

\_Q.\_ You do not say there was?

\_A.\_ I do not remember. But while there might have been a nominal

pipage, that nominal pipage might have been absorbed in the crude

oil. In other words, it threw away its nominal pipage and relied——

\_Q.\_ I am speaking now solely of the relations of the American

Transfer Company to the railroads. The former received 22½ cents on

every barrel of oil passing over the Pennsylvania road and the other

roads. But the American Transfer Company was a transporter of oil

itself, and to the extent it transported oil through its pipes it

made charge for that service also?

\_A.\_ That is a point where I say I want to correct you. While it may

have made a nominal charge, about which my memory fails me, I say it

threw away that nominal charge by paying to the owner or the

producer of the oil the value of the oil at the wells, plus what

that pipage might have been, and that twenty odd cents paid by the

Pennsylvania constituted its gross revenue.

NUMBER 31 (See page 1199)

LETTER TO PRESIDENT SCOTT OF THE PENNSYLVANIA RAILROAD FROM B. B.

CAMPBELL AND E. G. PATTERSON

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3112, pages 363–365.]

TO THE PRESIDENT AND DIRECTORS PENNSYLVANIA RAILROAD COMPANY.

\_Gentlemen\_: About July 1 last the undersigned were of a delegation

from the Oil Region of our state, asking of your road an assurance

that its course during the preceding two months, in giving to all

producers and shippers of petroleum equal facilities and impartial

rates, might be formally made its permanent policy.

In an interview with your president at that time, that assurance was

given, coupled with the requisition that such support should be

given it by the producers and shippers as would repay it for the

exertion it must make in defending that policy, and guaranteeing

that such support should be continuous and permanent.

The people of the Oil Region were only too glad to enter into such

an agreement, and steps were immediately taken of a practical nature

to carry it out.

It was understood that it could not be \_immediately\_ done.

After the formal abandonment by the trunk lines of the South

Improvement Company in 1872, your road for some months faithfully

adhered, as we believe, to the pledge then given by all the trunk

lines, that no discrimination should thenceforth be permitted. We

believe also that it stood alone among the roads in adhering to it,

for gradually the persons constituting the South Improvement Company

were placed by the roads in as favourable a position as to rates and

facilities as had been stipulated in the original contract with that

company. At this time the line of your road in Western Pennsylvania,

including that under your influence and control, was dotted with

refineries capable of producing a large proportion of the refined

oil needed by the world. The policy of the Standard Oil Company, the

successor in everything but name of the South Improvement Company,

has resulted in the dismantling and abandonment of every one of

those refineries (as soon as they fell into their possession) which

could not be reached by some other and a rival road to yours, and

now there are in the Oil Region proper but few refineries and those

universally owned by the Standard Oil Company, those in Pittsburg

being owned or controlled by that combination or by the Conduit or

Empire lines. The use and export of crude oil is but a small

proportion of the consumption, and time and money were required to

re-establish this great product upon its former basis, and these

people were glad to furnish all needed means to accomplish this end,

as are also capitalists at other points not strictly within the Oil

Region, yet upon your lines.

We are met in the midst of this preparation by assertion of agents

of the combination, and as accepted news by the press, that such a

combination is entered into, or under consideration by your road and

the Empire Transportation Company, the Erie, Central, Lake Shore,

and Baltimore roads of the one part, and the Standard Oil Company of

the other, as would preclude your road from carrying out the policy

announced by your president at the interview heretofore referred to.

We believe there is danger that such a result may be reached, and we

in behalf of these whom we represent, in making our efforts to

prevent its accomplishment, or if accomplished to defeat it, as the

first step, address this communication to you, desiring to present

its aspect as affecting your road from our stand-point.

So far as we, and the general public are affected, you will not

question that the present scheme is but the repetition of the South

Improvement scheme, never abandoned by its authors, and seeking the

sole and absolute control of all petroleum produced, purchased,

refined, and shipped within the states of Pennsylvania, New York,

Ohio, or West Virginia.

The over-production of 1873, 1874, 1875, and the consequent almost

entire destruction of petroleum values, gave the Standard Oil

Company, with its organisation and capital, almost the desired

monopoly. The equalisation of consumption and production of

1876–1877 brought that combination to the same point that they were

in 1872—utterly unable by reason of geographical position, if for no

other, to monopolise this product without the co-operation of \_all\_

the transportation, and then only under a contract similar to that

of the South Improvement Company, and including all of its dangerous

and extraordinary features. None other can serve them, and so they

stand to-day, and we believe that your road can enter into no

compromise, treaty, or arrangement which will serve the ends of the

monopoly, under any less stringent stipulations and devoid of the

liabilities thereof.

Under such an arrangement it is probable that the Central and Erie

have transported its oil, during nearly all of this year. It is now

an open secret in the producing region, that no charges follow the

shipments over at least one of these roads, and crude oil is

delivered in New York, on shipping order, at prices which barely

repay the cost of packages and contents, with little or no remainder

for transportation charges. This aid to the scheme of the

combination is possibly given in view of the high tariff and

consequent large revenue promised to be derived hereafter, when the

scheme has been made a success, and all opposition in trade and

transportation extinguished.

Suppose your opposition to be withdrawn, and you join the alliance,

when does your profit come in? We are entitled to impartiality. As

we are advised, the law, common and statute, provides for it; it

pronounces those participating in such a scheme conspirators against

the public weal, and there is no court upon your line but what will

enforce by mandamus and injunction the impartiality that we ask. The

combination will promise you an immediate increase of revenue. If we

are well advised, will you realise upon that promise? Can you make a

contract with them that if we do not succeed in destroying, it will

be their interest to keep? You will not have a refinery left; and

they are now completing pipe-lines from Pittsburg to Oil City, and

can deliver the oil received by all their pipe-lines, independent of

your road and its branches. In case of a contract with them executed

but afterwards broken, from what source will you derive your oil

traffic and what court will enforce the broken contract in your

favour? We urge that you cannot enter into any arrangement with the

monopoly that can be permanently useful to it and to you, and doubt

if it can be made temporarily so.

Suppose that you decline to enter into such a treaty, or any such

scheme, but announce and adhere to the opposite policy? There is no

law, not even that of necessity, to compel you to serve the ends of

the Standard Oil Company.

If Messrs. Vanderbilt and Jewett believe that their aid alone is

insufficient to the establishment of the monopoly, for how long will

they carry its oil as at present for nothing, when they could have

full rates, by uniting the railroad interest, and leaving the

Standard Oil Company to do its business in common with all others?

If the Pennsylvania Railroad, having the geographical position in

its favour, will announce and adhere to the policy of impartial and

competitive rates, in three or six months, it can have all the

facilities and extent of business which the Standard Oil Company can

give the competitive roads, and by men who have all to gain by so

doing.

We ask consideration of our views and of our assurance of good

results from their favourable consideration.

If you choose to place the matter in the light of an experiment, its

trial can cost you nothing but the failure to realise upon the

immediate fulfillment of the promises of the common enemy, and that

realisation we believe will not be permitted.

Very respectfully,

B. B. CAMPBELL, of Pittsburg,

E. G. PATTERSON, of Titusville.

PHILADELPHIA, September 11, 1877.

NUMBER 32 (See page 1225)

PRODUCERS’ APPEAL OF 1878 TO GOVERNOR JOHN F. HARTRANFT, OF PENNSYLVANIA

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3112, pages 351–356.]

\_Sir\_: The undersigned, members of a committee appointed by the

General Council of the Petroleum Producers’ Union for that purpose,

address to you, as the official head of the Commonwealth, a plain

statement of facts, to a great extent known to be true from personal

knowledge, and all material parts of which are susceptible of proof

by competent evidence.

We address you, not only as individuals whose personal interests

have been affected, whose property has been rendered comparatively

valueless, and whose capital and labour are bound against their

consent, to increasing the gains of grasping corporations, but as

citizens of the great Commonwealth of Pennsylvania, apparently

prostrate and powerless to control one of its greatest products, and

the immense business that annually flows from it.

The petroleum production of Pennsylvania is confined geographically

to the Northwestern portion of the state, extending from its border

upon New York State nearly to Pittsburg, and is the chief interest

in the counties of McKean, Warren, Forest, Crawford, Venango,

Clarion, Butler and Armstrong.

The amount of money invested in well property, constantly to be

renewed and kept good, represents at least twenty millions of

dollars, and while the value of the lands upon which the wells are

located is not easily determined, it represents many times the value

of the well property.

Petroleum should yield at the wells, with its transportation and

sale unfettered, twenty-five to thirty-five million dollars

annually, while as an article of export, it ranks third among the

products of the nation, and as first among its manufactured exports.

For transportation outlets, it has the Pennsylvania Railroad to the

seaboard at an average distance therefrom of less than 400 miles.

The New York Central and Lake Shore Railroads reach Oil City by way

of Cleveland, Ohio, 764 miles from the seaboard, and Titusville, by

way of Dunkirk, New York, 571 miles to the seaboard, and the New

York, Lake Erie and Western, and Atlantic and Great Western Railways

reach Oil City by way of Meadville, 550 miles to the seaboard.

CONDITION OF THE TRADE IN 1871

At that time the lines of the Pennsylvania Railroad in the Oil

Region were dotted with refineries located at Tidioute, Henry’s

Bend, Oleopolis, Oil City, Corry, Titusville, Miller Farm,

Rouseville, and other points on the Oil Creek Railroad, at various

points on the Philadelphia and Erie Railroad, and on the Allegheny

Valley Railroad, these roads being tributaries of and controlled by

the Pennsylvania Railroad, while upon its main line extensive

refineries were located at Pittsburg and Philadelphia. The

refineries at Cleveland, Ohio, confined themselves in a measure to

the Western domestic trade, and those of Portland, Boston and New

York had generally specialties in the trade.

The markets were filled with buyers of crude and refined;

information as to stocks, production and consumption was open and

obtainable, and values were regulated by the law of supply and

demand.

In its relation to this trade, Western Pennsylvania almost

exclusively possessing this product, with ample refineries in its

midst, with its great state railroad penetrating the producing

region, and by it, having the shortest route to the seaboard, with

the Allegheny River as an additional means of transportation to

Pittsburg, the Western terminus of the Pennsylvania Railroad, and

with Philadelphia, its Eastern terminus as an exporting point,

Pennsylvania had, and was entitled to, the control of the refining

and transportation of its own product.

CONDITION OF THE TRADE IN 1877–1878

Now, this is all changed! The refineries on the lines of the

Pennsylvania Railroad have been demolished, excepting where reached

by rival railroads, and this business has been transferred to

Cleveland and New York, the refineries remaining in this state

having passed into the ownership and control of a foreign

organisation, as has also the local transportation from the wells,

by means of pipe-lines to the lines of the railways.

The transportation of every nature is subject to its dictation; it

possesses every avenue of information; it affixes its own value to

the crude product when purchasing and the refined products when

selling; it establishes its own rates of compensation to be paid the

railways, and the laws of commerce which govern values in other

products are in this a part of the history of the past. So far as

the petroleum trade is concerned an enterprise or investment therein

is only a wager as to what step the Standard Oil combination will

next take. With the world consuming double the amount of our

petroleum that it did in 1871, the thirty millions which should be

received from the crude product has dwindled to its half; the

fifteen millions which should be the profit of Pennsylvania

refineries has been transferred to Ohio and New York, and the twenty

millions which should have swelled the earnings of the railways have

gone—no one dare say where—but the colossal fortunes acquired since

1872 by every member (so far as its members are known) of this now

world-renowned organisation, are proofs of the success attendant

upon a scheme, no less unlawful than gigantic, and which has all the

outward and visible signs of inward and spiritual corruption. To-day

a foreign corporation is the absolute master of the production and

its value, of transportation by pipe-lines, transportation by

railroad and the compensation therefor, of storage and refining, and

the profit thereof, and dictates prices through the world of the

first, or among the first, of the products of Pennsylvania, and of

the United States, and this to the impoverishment of thousands of

citizens, and the destruction of each of these interests within the

state. That this has been accomplished through and by means of the

co-operation of the Pennsylvania Railroad, its management and

influence, is matter of record.

THE FIRST ATTEMPT TO MONOPOLISE THE TRADE

was initiated by the conveyance, by R. D. Barclay, Thomas A. Scott’s

private secretary, and S. S. Moon, the legislative agent of the

Pennsylvania Railroad, to a party composed principally of Cleveland

and New York men, headed by an agent of the New York Central and

Erie Railways, of a charter granted by the Legislature of

Pennsylvania for a different purpose, under which they organised for

the seizure of the petroleum trade, retaining the charter title of

“THE SOUTH IMPROVEMENT COMPANY,”

the then managers thereof being the managers of the organisation now

known as the Standard Oil Company.

With the South Improvement Company, not a member of which lived in

the Oil Region, or was an owner of oil wells or oil lands, the

Pennsylvania Railroad hastened to execute a contract (January 18,

1872), giving it the sole and exclusive control of all petroleum

shipments thereon, regardless of ownership, and securing this by the

payment by the railroad of a rebate or drawback to the South

Improvement Company of such a sum as would have inevitably driven

all others out of the trade, and lest there might be doubt as to the

intent to so do, it was expressly stipulated in the fourth article

thereof that that was the result aimed at, and the Pennsylvania

Railroad therein bound itself, so far as it legally might, to aid in

accomplishing it.

The action of the Legislature and of Congress, and the uprising of

the people against this unparalleled iniquity, destroyed the

combination for the time being, the railroads having pledged

themselves to never attempt a similar outrage.

The local transportation of crude petroleum had been gradually

changing from movement by barrels to carriage in

PIPE-LINES

from the wells to tankage located on the lines of railway, the

principal of which pipe-lines, at this time known as the

Pennsylvania Transportation Company (formerly Allegheny

Transportation Company), was under special charters of the

Legislature and owned and controlled by Messrs. Scott, of the

Pennsylvania, and Fisk and Gould, of the Erie Railways. The

Legislature had been petitioned at various times since 1866 to pass

a Free Pipe Law, but the various bills introduced for that purpose

could never overcome the opposition of the Pennsylvania Railroad in

the Legislature. During the excitement attendant upon the rise and

fall of the South Improvement Company scheme, the effort was

renewed, and the Legislature enacted a law, restricted to the eight

oil-producing counties, but the Pennsylvania Railroad influence was

strong enough to exclude Allegheny County from the operation of the

Act, thus shutting out Western Pennsylvania from Pittsburg, the

terminus of the Pennsylvania Railroad, the natural outlet of the Oil

Region, and the natural refining point of the United States.

The succeeding efforts to pass a Free Pipe Law, either general in

its nature or to permit construction of pipe-lines to lines of

railway within the state, or to include Allegheny County in the law

of 1872, have been defeated invariably by the opposition of the

Pennsylvania Railroad, and the law of 1874, known as the Wallace

Act, was so framed and enacted as to leave it doubtful whether it

had not succeeded in withdrawing from the eight counties referred to

all the rights conceded to them by the Act of 1872, a wrong which no

subsequent Legislature has been able to redress.

Under the law of 1872, pipe-lines owned by citizens in the Oil

Region had been organised and were in operation, giving free access

to the railways, but after the passage of the Wallace Act (April 29,

1874), the Standard Combination, which had never really abandoned

the South Improvement scheme, systematically undertook their

destruction by forcing them into insolvency and then absorbing them.

This required railway co-operation, and various means were employed

therein, notably among which is the scheme adopted by the ring and

promulgated by the railroads October 1, 1874. An explanation is

necessary to understand why the railroads should unite: \_First\_, to

carry oil received by them through pipe-lines that had combined to

maintain a given rate for pipage twenty-two cents per barrel cheaper

than on oil received from pipe-lines not so combining, and \_Second\_,

to further weaken the refineries remaining in Western Pennsylvania

by depriving them of their geographical advantage of proximity to

the crude product, to the coal used as fuel, and to the exporting

ports by \_free transportation\_ of crude petroleum to the ring

refineries in other states. Various pipe-lines had already been

forced out of existence, had been bought up and united under the

name of “The United Pipe Lines,” which was owned, one-third by the

Standard Oil Company, one-third by the Lake Shore and New York

Central Railroads, and one-third by individuals who were members of

and directors in the Standard Oil Company. The Pennsylvania Railroad

had as its particular feeder a similar organisation, known as the

“Empire Pipe Line.” This explains the \_first\_ point referred to

above. The \_second\_, so far as the Pennsylvania Railroad is

concerned, is inexplicable upon any ordinary hypothesis or under any

known theory in railroad politics. The scheme was a success,

pipe-lines one after another succumbed, and refiner after refiner

was bankrupted and his works absorbed.

This effected, the monopoly, backed by the New York railroads, in

one of which it exercised unlimited power, felt strong enough to

demand of the railroads that it should be given the future sole

conduct of the trade under the old South Improvement plan. Upon this

the Pennsylvania Railroad apparently awoke to its danger, resisted

the demand, and in July, 1877, President Scott announced as the

policy of the Pennsylvania Railroad open and free trade to all

shippers of petroleum. It was then conducting its oil traffic

through its ally, the Empire Transportation Company, which possessed

a system of pipe-lines (before referred to) extending over the Oil

Region, controlling a large portion of the production, with ample

tankage, with a large rolling stock upon the Pennsylvania Railroad,

and owning or controlling a refining capacity nearly equal to

one-half the consumption of the world. In the following month

(August, 1877), immediately after the riots at Pittsburg, which were

in their extent the natural outgrowth of railroad freight

discrimination against that city, the monopolists succeeded in

convincing the officials of the Pennsylvania Railroad that it was to

their or its interests to force the Empire Company, its cars, its

pipe-lines, its tankage and its refineries into their hands. The

people of Western Pennsylvania protested in a communication to the

president and directors of the Pennsylvania Railroad in September,

before the extent of the proposed iniquity had become fully known to

the public, which communication seems never to have reached the

board of directors. The outrage was finally consummated October 17,

1877, and the Pennsylvania Railroad was left without the control of

a foot of pipe-line together, a tank to receive, or a still to

refine a barrel of petroleum and without the ability to secure the

transportation of one except at the will of men who live and whose

interests lie in Ohio and New York.

Into those hands had now passed the last refineries of Pennsylvania,

the last means of transportation from the wells to the railroads,

and the last means of carriage to the markets of this country and of

the world. The South Improvement scheme (less its chartered

organisation as in 1872) was at last an accomplished fact, and in

the successful designing, prosecution, consummation and operation of

which it is impossible not to believe that railroad officials were

personally interested.

CONGRESSIONAL LEGISLATION

As the conspiracy was evidently gaining strength, the people of

Pennsylvania united in an effort to induce Congress to again

interfere as in 1872, and in 1876 it directed an investigation,

which was conducted in a dilatory manner by a committee, a prominent

member of the Standard Oil Company, and not a member of Congress,

presiding behind the seat of the chairman. Vice-President Cassatt,

of the Pennsylvania Railroad, was the only prominent railway

official who appeared in obedience to the subpœnas of the Speaker of

the House of Representatives, and he refused to give the committee

any information as to the matter under investigation, and the

counsel of the Pennsylvania Railroad, ex-Senator Scott, appeared

before the committee in justification of his so doing. The financial

officer of the Standard Oil Company appeared before the committee,

accompanied by a member of Congress—also a member of that Company,

and promptly refused to give the committee any information as to the

organisation, or the names of its members, or its relations with the

railroads. The influence and power of the combination was apparent;

the committee never reported, never complained of the contempt of

its witnesses, and all the evidence and record of its proceedings

effectively disappeared. In 1877–78, a bill was introduced by

Representative Watson, of Western Pennsylvania, seeking to prevent

discrimination in interstate commerce, which has been reported by a

committee, but which can hardly overcome the covert opposition which

it meets.

RECENT STATE LEGISLATION

All efforts to obtain a Free Pipe Law in this state having through a

series of years proved unavailing, although New York, in its efforts

to control the trade in Pennsylvania petroleum, had enacted such a

law, a bill was prepared enforcing in this state the Third and

Seventh Sections of the Seventeenth Article of its Constitution.

This bill, known as

THE ANTI-DISCRIMINATION ACT,

provided that shippers of property by car-load from any point on a

railroad within the state to any other point within the state,

should be charged equal rates and given equal facilities. Copies of

the proposed law were sent to the prominent railroad officials in

the state, but its provisions were so fair and protective to every

citizen of the state, and to every legitimate railroad interest,

that neither before the Judiciary Committee of the Senate, which

reported it favourably by an unanimous vote, nor in the Senate,

which passed it with but one dissenting voice, nor before the

Judiciary Committee of the House, which reported it unanimously, did

any railroad stockholder, official, or legislative agent appear to

offer an objection to its becoming a law. Yet it was killed in the

House by the familiar means employed by legislative agents in

disposing of measures objectionable, but not debatable. Had the bill

become a law, it would have rebuilt the refineries of the state,

with Philadelphia (whose petroleum trade under the monopoly has

gradually dwindled to a fraction of its former magnitude) as the

exporting point, with the Pennsylvania Railroad as the transporter

thereto, and the people of Western Pennsylvania might have arisen

from a community of miners, working for the benefit, and under the

rule, of a foreign corporation, to their former conditions as

citizens of a prosperous mining and manufacturing section of the

state.

RESULTS AND EFFECT OF THE SUCCESS OF THE CONSPIRACY

Upon or with the New York railroads no appeal or representation of

the people of this section would have any weight or influence. Their

managers reside in Cleveland and New York, and are subject to the

daily manipulations of the monopoly managers, while in our own

state, to all efforts for emancipation or toward the restoration of

trade to its natural channels the Pennsylvania Railroad and its

power is as a Chinese wall. Its president and vice-president admit

the preferences in rates given to the monopoly, and boldly announce

their intent to continue in so doing; they claim the legal right to

so do, and challenge resistance; they obstruct all efforts of

producers, shippers and refiners by delaying or restricting

facilities; by threatening other railroads with severance of

connections and deprivation of general traffic if they transport

petroleum for parties outside the monopoly; they refer applicants

for rates and facilities over the Pennsylvania Railroad to the

Standard Oil Company, and offering their personal service as

negotiators for such rates and facilities, assure all that there is

no hope of success in the trade unless by a coalition with the

Standard.

We have thus far given not more than an outlined sketch of this

enormous monopoly, its plan, its growth, and its results. We have

not burdened your Excellency with details of individual oppression

and outrage, but we should fail to discharge our duties to ourselves

and as citizens if we neglect to recite some of the means by which

the most deplorable results are produced to our state and section.

Wrong is constantly perpetuated and right driven from us. True it is

that in many things the monopoly has been unwittingly aided in its

schemes by unwary concessions as to the management of its business,

by producers of petroleum themselves, but they had a right, as men

pursuing an honest calling, to believe that they were dealing with

honest men, and not with a gang of public plunderers, leagued

together by no better tie than the sordid desire of gain, to be

acquired by methods of corruption and lawlessness.

By the theory of the law, corporations derive their powers from the

people of the Commonwealth in General Assembly convened; they have

no powers not delegated to them by the people; they take nothing by

implication; they are public servants, invested for the public

benefit with extraordinary privileges, and their charters may be

taken from them when they cease to properly perform the duties of

their creation. The railroad and pipe-line companies are common

carriers of freight for all persons, are bound to receive it when

offered at convenient and usual places, and to transport it for all,

for reasonable compensation, without unreasonable discrimination in

favour of any. These are but simple statements of well established

legal principles, never doubted in any court, but affirmed by every

tribunal that has ever considered them. Yet the people who granted

these special privileges are now upon the defensive, their rights

denied by these corporations, and they are challenged to enter the

courts to establish them, while in the meantime they are inoperative

to the irreparable injury of their business. They have yielded to

the railways that they have created a part of their sovereignty, and

given them the right to take private property for public use, but

restricting such taking, strictly to such use. Yet where the narrow

strip of land used as a railway roadbed runs through valuable oil

lands, this combination is strong enough to demand from the railways

its transfer to them, that they may and do thereon sink their own

oil wells, and thereby drain the oil from the adjoining lands whose

owners gave the strip for public use by a railroad.

The owners of lands along the line of the Allegheny Valley Railroad,

producing petroleum from those lands, with their own pipe-line

running to their own shipping racks by the side tracks of that

railroad, are unable to obtain cars in which to load their product

for transportation, at any rate of freight, while their tanks

overflow. Shippers of petroleum are refused cars, or are promised

them, only to find the promises broken, and their contracts rendered

impossible of fulfillment, while the monopoly demands and is given

all the cars belonging to the railroads, it permitting its own

private cars to meantime stand idle, so that the railroads may

assert its inability to accommodate all.

Owners of tanks connected with the monopoly pipe-lines, with ample

storage therein for their own product, are refused transportation

from their own wells upon the ground that “their tanks are full,” a

barefaced and daily demonstrated falsehood. Other producers of

petroleum are refused transportation by the pipe-lines, on the plea

of want of capacity to carry, and at the same time are informed that

their oil will be carried if they will sell it to the ring,

“immediate shipment.”

If the applicant’s tanks are overflowing, or if he needs money and

complies with their terms, he is offered a price from two and a half

to twenty-five cents below the market value. If he accepts and sells

a fixed amount of his oil, the pipe-line removes all but five or ten

barrels, delays for days and weeks to take the remainder, and

refuses to pay for any until all is taken. This is known as the

“immediate shipment swindle.”

By their use of the petroleum of others stored in their tanks and

lines; by the overissue of Pipe Line Certificates; by refusal to

perform their public duties; by open defiance of the law and

impudent evasions of its provisions, the pipe-line and railroad

companies leave to the people, whose creatures they are, but two

remedies—an appeal for protection, first to the law of the land,

next to the higher law of nature!

These corporations have made themselves the interested tools of a

monopoly that has become the buyer, the carrier, the manufacturer,

and the seller of this product of immense value. It needs no

argument or illustration to convince that in such a position this

foreign corporation is in direct antagonism to the producer, the

labourer and the consumer.

The South Improvement conspiracy embraced in its scheme the

ownership of the oil-producing territory, wells and machinery. If

the present course of its successor cannot be stayed, it is merely a

question of time when the ownership of the entire oil production

will fall into its hands through the impoverishment of thousands of

our citizens and their inability to contend longer.

That monopolies are dangerous to free institutions is a political

maxim so old as to have lost its force by irrelevant repetition, but

if anything were needed to awaken the public sense to its truth, the

immediate effect of this giant combination is before us. Throughout

the Oil Region, as wherever it does business, it now has its own

acid works, glue factories, hardware stores and barrel works. We

have seen that it is master of the railroads, and owns and controls

all the refineries, all the pipe-lines. All these enumerated

industries controlled by them employ large numbers of labourers

dependent for the support of themselves and their families upon the

daily labour given or withheld by this powerful conspirator. At the

flash of the telegraphic message from Cleveland, Ohio, hundreds of

men have been thrown out of employment on a few hours’ notice and

kept for weeks in a state of semi-starvation and justifiable

discontent, deceived meanwhile with delusive promises of work, until

the autocrat of a foreign corporation, maintained and upheld by the

chief among Pennsylvania corporations, gives leave from within the

borders of a foreign state for the Pennsylvania labourer to earn his

bread.

Along the valley of Oil Creek and the Allegheny Valley, where a few

years since the smoke of busy refineries and their attendant

industries darkened the air, piles of rusted iron and heaps of

demolished brick work mark the results of the conspiracy; where a

few years since busy men crowded to and fro in the pursuit of lawful

trade in a great staple, there is now silence and emptiness. The

producer, once surrounded with competitive buyers of his product,

now goes with crowds of his fellow victims to wait his turn for

leave to sell it at a dictated price to a single agent of a single

purchaser.

To permit to stand unattacked the foul principles of such an

organisation, to permit them to be fastened as lawful or right upon

the policy of the Commonwealth or the nation, is to lay the

foundation for the exile of capital, endless injury to the public

interests, endless oppression of the labourer, riots, tumults, and

the decay of the state.

So far as this public wrong is within the scope of Executive

interference, we ask that immediate steps be taken to enforce by

legislative enactment the wise provisions of our State Constitution,

and by such legal processes as are necessary, compel obedience to

law and the performance by chartered companies of their public

duties.

B. B. CAMPBELL, of Pittsburg,

E. W. CODINGTON, of Bradford, McKean County,

LEWIS EMERY, JR., of Bradford, McKean County,

GEORGE H. GRAHAM, of Petrolia, Butler County,

J. A. VERA, of St. Petersburg, Clarion County,

H. O. ROBBINS, of Turkey City, Clarion County,

L. H. SMITH, Petrolia,

R. B. BROWN, Clarion,

D. S. CRISWELL, Oil City,

A. J. SALISBURY, Karns City,

A. N. PERRIN, Titusville, Crawford County,

W. B. BENEDICT, Enterprise, Warren County,

H. W. BUMPUS, Monroe, Clarion County,

SAMUEL Q. BROWN, Pleasantville, Venango County.

NUMBER 33 (See page 1233)

STATEMENT OF CRUDE OIL SHIPMENTS BY GREEN LINE DURING THE MONTHS OF

FEBRUARY AND MARCH, 1878, TO NEW YORK, PHILADELPHIA, AND BALTIMORE;

SHOWING DRAWBACKS ALLOWED TO AMERICAN TRANSFER COMPANY

[Commonwealth of Pennsylvania vs. Pennsylvania Railroad Company,

United Pipe Lines, etc. Testimony. Appendix, page 737.]

SHIPPER. CONSIGNEE. DESTINATION. TOTAL.

NO. OF BARRELS. BARRELS.

Feb. March.

H. C. Ohlen H. H. Ohlen Com’paw 18,320 11,556 29,876

W. H. Nicholson 〃 〃 16,983 31,169½ 48,152½

E. N. Hallock 〃 〃 1,160½ 1,160½

S. Craig 〃 〃 2,384½ 2,384½

H. L. Taylor & 〃 〃

Co. 1,439½ 1,439½

Ayres, Lombard 〃 〃

& Co. 2,688½ 2,688½

J. Rousseaux J. Rousseaux 〃 6,377½ 6,932½ 13,310

W. L. Fox 〃 〃 3,150½ 3,150½

W. H. Nicholson Ayres, Lombard 〃

& Co. 979½ 979½

J. A. Bostwick J. A. Bostwick 〃

& Co. & Co. 43,074 45,915½ 88,989½

D. Grimm Jno. Ellis & 〃

Co. 722½ 1,185½ 1,908

———————— ———————— ————————

87,617 106,422 194,039

J. Bushnell Warden, Frew & Phila.

Co. 1,725½ 22,105½ 23,831

J. A. Bostwick 〃 〃

& Co. 12,994 12,994

J. Bushnell care Atlantic 〃

Ref. Co. 10,137 31,917 42,054

J. Bushnell W. L. Elkins & 〃

Co. 14,684 7,793 22,477

G. M. Robinson 〃 〃 761½ 1,382 2,143½

E. N. Hallock Greenwich 〃

Refining Co. 3,413½ 3,414½

Mary R. Fox 〃 〃 1,308 1,308

S. Craig 〃 〃 1,241½ 1,241½

Fox & Fink 〃 〃 2,541 2,541

Fox Estate 〃 〃 501 501

M. Lloyd M. Lloyd 〃 3,803 2,690 6,493

S. Craig 〃 〃 2,426 2,426

W. L. Fox 〃 〃 1,960½ 1,960½

G. M. Robinson F. Farnsworth 〃 362½ 80 442½

W. G. Laird, W. G. Laird, 〃

agent agent 302 302

Paine, Abbott & Paine, Abbott & 〃

Co. Co. 403 403

J. S. Davis J. S. Davis 〃 501 501

A. & G. W. R. R A. & B. Cooley 〃

& Co. 25 25

———————— ———————— ————————

51,135½ 73,922 125,057½

J. Bushnell Balto. United Balto.

Oil Co. 7,435 16,692½ 24,127½

G. M. Robinson 〃 〃 261½ 261½

E. J. Waring & E. J. Waring & 〃

Co. Co., care of

S. E.

Poultney 282 282

———————— ———————— ————————

7,717 16,954 24,671

======== ======== ========

Grand Total 146,469½ 197,298 343,767½

Total, 343,767½ barrels at 20 cents per barrel, $68,753.50.

This amount, $68,753.50 to be paid to American Transfer Company, per

Daniel O’Day, general manager.

Audited May 29, 1878.

G. H. D.

Approved,

A. J. CASSATT,

\_Third Vice-President\_.

NUMBER 34 (See page 1239)

BILL OF PARTICULARS OF EVIDENCE TO BE OFFERED BY THE COMMONWEALTH

[In the case of Commonwealth of Pennsylvania \_vs.\_ John D.

Rockefeller, William Rockefeller, Jabez A. Bostwick, Daniel O’Day,

William G. Warden, Charles Lockhart, Henry M. Flagler, Jacob J.

Vandergrift, Charles Pratt and George W. Girty, in the Court of

Quarter Sessions of the Peace for the County of Clarion,

Pennsylvania, 1879.]

FIRST COUNT. \_First.\_—That each one of the defendants is associated

with each and all others, in business, by means of stock, issued to

each, of several corporations, to-wit: The Standard Oil Company of

Cleveland, Ohio. The Standard Oil Company of Pittsburg,

Pennsylvania. The Acme Oil Company of Titusville, Pennsylvania. The

Imperial Refining Company of Oil City, Pennsylvania. The Camden

Consolidated Oil Company of West Virginia. The Devoe Manufacturing

Company of New York.

\_Second.\_—That Charles Pratt is associated in business with others,

under the name of Charles Pratt and Company; that William G. Warden

and Charles Lockhart are associated in business with others under

the firm name of Lockhart and Frew, and Warden, Frew and Company;

that J. A. Bostwick is associated with others in business under the

name of J. A. Bostwick and Company.

\_Third.\_—That the several defendants and others now unknown are

associated together by means of the corporate and co-partnership

organisations stated in paragraphs one and two for the purpose of

carrying on the business of refining crude petroleum and selling the

refined product. That each of the said defendants is interested in

each of the several corporations and firms in refining and selling

refined petroleum, and, in refining and selling, the said

defendants, each and all, act in concert and harmony with each

other, and as against all other persons not associated with them,

and share in the profits of the business.

\_Fourth.\_—That the said several defendants, and all of them, and the

said several firms and corporations of which they and each of them

are members, by stock ownership or otherwise, are engaged in the

business of buying crude petroleum, in the county of Clarion, in the

state of Pennsylvania, and also in the counties of Armstrong,

Butler, Crawford, Forest, McKean, Venango, and Warren, in the state

of Pennsylvania, also in the counties of Allegheny and Philadelphia

in said state, and in the counties of Cattaraugus and New York, in

the state of New York, also in the city of Cleveland in the state of

Ohio, and in counties in the state of West Virginia.

\_Fifth.\_—That in the said several states and counties, and in divers

localities in said several states and counties, to-wit: at

Pittsburg, Philadelphia, Butler, Carbon Centre, Millerstown,

Petrolia, Parker’s Landing, Foxburg, Turkey City, Edenburg,

Shippensville, Pickwick, Elk City, Monterey, Emlenton, Bullion,

Scrubgrass, Forster’s Station, Oil City, Franklin, Reno, Rouseville,

Titusville, Warren, Tidioute, Hickory, Bradford, Degolia, Derrick

City, Gilmore, Forster Brook, and Tarport, in the State of

Pennsylvania; Knap Creek, Rock City, Four Mile, Two Mile, Olean,

Carrollton, Salamanca, and in the city of New York, in the state of

New York, the said defendants, and the several firms and

corporations with which they are associated and in which they were

interested, carried on the business of buying crude petroleum from

producers and owners thereof, and the business of refining said

crude petroleum, and selling the refined product, and in so doing

acted in concert.

\_Sixth.\_—That the said business thereinbefore referred to was so

carried on at the several counties, cities, localities, and in the

several states aforesaid, by the said defendants in concert, in

person, and through agents acting under the instructions of the said

defendants, and pursuant to their directions.

\_Seventh.\_—That the said defendants were engaged, and are engaged,

in the business of transporting crude petroleum through iron pipes,

in the counties of Allegheny, Armstrong, Butler, Clarion, Crawford,

Forest, McKean, Warren, and Venango, in the state of Pennsylvania;

and the county of Cattaraugus, in the state of New York. That they

are so engaged by being associated together in the ownership of

several pipe-lines, such association being accomplished by the said

defendants being owners of shares of stock in incorporated

companies, to-wit: the United Pipe Line and American Transfer

Company, and interest in capital in limited partnerships, to-wit:

the Tidioute and Titusville Pipe Companies, Limited, and others,

which said companies, the said defendants, at the time of the

conspiracy and combination charged in the indictment, controlled,

and thereby controlled the transportation of crude petroleum from

wells and points of storage in said several counties and at the said

several localities.

\_Eighth.\_—That the said defendants, and each of them, and the said

several corporations, firms, and limited partnerships, were and are

engaged by means of the ownership and control of said several firms,

limited partnerships, and corporations, and by means of ownership of

stock and interests therein, were and are engaged in the business of

storing crude petroleum in the said several localities, cities,

counties and states, by means of storage tanks, and said business

was carried on in said counties, each and all of them, by

themselves, personally, and also through agents acting by their

directions.

\_Ninth.\_—That each one of the said defendants and all of them in

concert were engaged in the several kinds of business hereinbefore

referred to, by themselves and their agents in the county of

Clarion, and in the other places mentioned hereinbefore, during the

whole period of two years prior to the day upon which the indictment

was found against them in this case, and during that time by

themselves and their agents acting under their directions in the

said county of Clarion, combined, confederated and conspired

together to cheat and defraud numerous citizens of the county of

Clarion, to-wit: J. A. Vera, William L. Fox, and M. L. Lockwood, and

divers others, and to cheat and defraud the public by securing to

themselves a monopoly of the business and occupation of buying and

selling crude petroleum in the county of Clarion, and to prevent all

other persons engaged in said business, from making, receiving and

obtaining the fair value, profit, price and return from such

business, by fraudulent devices, practices and secret contrivances,

and among others the following:

\_A.\_—Falsely pretending during the times aforesaid and at all times

that the storage tanks owned and controlled by them, and of which

they had the possession, measurement and accounts, were full of

crude petroleum to the extent of the capacity of said tanks, and

that the said defendants could not receive and store crude petroleum

from and for citizens of Clarion County and the other counties and

localities named, when in truth such representations and statements

were false, and thereby divers citizens lost oil and were compelled

to sell petroleum at less than the value thereof.

\_B.\_—By representing to divers citizens of the county of Clarion

engaged in the business of producing, buying and selling petroleum,

and to divers other persons engaged in said business in the other

counties and localities named, that the said defendants were enabled

to receive and transport for said well owners, citizens and

producers of such petroleum, by reason of lack of capacity and

transportation facilities, when in fact said representations were

false, and thereby divers producers dealers and well owners were

compelled to sell petroleum at less than the value thereof.

\_C.\_—That said defendants by themselves and their agents within the

county of Clarion, in the state of Pennsylvania, and at the other

counties, cities and localities, hereinbefore named, had the control

of the entire transportation of crude petroleum from the producing

wells and districts, and the control of storing of crude petroleum

produced, that they and the several firms and corporations of which

they were members, and their agents and the agents of said firms and

corporations acting under the direction of the said defendants

corruptly and oppressively used the power and control they so as

aforesaid held, to compel producers and owners of petroleum to sell

the same to them, the said defendants, their agents and the several

firms and corporations aforesaid and their agents, and to sell the

said crude petroleum at less than its value, and less than the

market price thereof.

\_D.\_—That the said defendants and each of them, through the several

firms and corporations of which they were members, and by their

agents acting under their directions and the agents of the said

firms and corporations, corruptly and oppressively used the power so

acquired by them to enable them to become the sole buyers and

refiners of crude petroleum.

\_E.\_—That among the means used to obtain control of the business of

transporting crude petroleum were the following:

\_First.\_—The said defendants and the several firms and corporations

of which they were members laid iron pipes in the county of Clarion,

and the other counties and states named, under charters and

pretended charters from the state of Pennsylvania, pretending that

they so did for the purpose of transporting for the public petroleum

from the oil wells and producing districts, to the railroads, for

shipment to the seaboard, when in fact the said pipe-lines were not

laid for that purpose, but for the purpose of transporting oil for

the said defendants, and the said several firms and corporations of

which they were the members, and not for the public, and to enable

the said defendants and the said firms and corporations to dictate

the rate of freight to be charged to them by the railroad companies

engaged in the business of carrying petroleum as common carriers,

and to force the said railroad companies to charge a greater and

unreasonably high rate of freight to all others, and that this was

for the purpose of preventing citizens of Clarion County and the

public from engaging in the business of buying, selling and shipping

crude petroleum.

\_Second.\_—The said defendants, and their agents acting under their

directions, and the several firms and corporations of which they

were members also so acting, pretended and represented to the

several railroad companies engaged in the transportation of

petroleum, and to the agents and officers of said companies, that

they, the said defendants and the several firms and corporations of

which they were members, and in which they were interested,

controlled the shipments of said crude and refined petroleum, by

deliveries thereof to the said railroad companies, and that the said

defendants were enabled to withhold, and drive said traffic and

business from them.

Said representations were false, but by means thereof, they, the

said defendants, procured and obtained from said several railroad

companies enormous and unjust rebates, commissions and deductions

from the rates of freight charged to citizens of Clarion County and

the public. The Citizens of Clarion County and the public were

thereby prevented from engaging in the business of producing and

shipping crude petroleum.

\_Third.\_—That on or about the thirtieth day of August, 1877, and

again on or about the seventeenth day of October, 1877, the said

defendants met together in the city of Philadelphia and then and

there agreed together that they would represent to the officers of

the Pennsylvania Railroad Company that they, the said defendants,

and the several firms and corporations of which they were members,

could and would control and guarantee to the said railroad company a

certain proportion of the carrying traffic of crude petroleum over

said railroad.

And on or about the same dates the said defendants further agreed

together and did represent to the officers of the New York, Lake

Erie and Western Railroad Company, and to the officers of the Erie

Railroad Company, and to Mr. Jewett, receiver of the Erie Railroad

Company, and to the officers of the New York Central and Hudson

River Railroad Company, and to the officers of the Atlantic and

Great Western Railroad Company, and to V. H. Devereux, receiver

thereof, and to the officers of the Michigan Southern and Lake Shore

Railroad Company, and to the officers of the Baltimore and Ohio

Railroad Company, that they the said defendants and the several

firms and corporations of which they were members, could and would

control and guarantee to each of them a certain proportion of the

carrying traffic of the crude petroleum over said railroads

respectively. But by reason thereof the said Pennsylvania Railroad

Company and the Empire Transportation Company were induced to, and

did sell, transfer, mortgage and dispose of, to said defendants and

to the several corporations and firms of which they were members,

all of the pipe-lines, crude oil cars and transportation equipment

of which they had control or ownership in the Oil Regions of

Pennsylvania, including the county of Clarion, and all the

refineries, for refining crude petroleum, of which they had

ownership or control.

\_Fourth.\_—The objects and purposes of said representations and said

transfer were to enable the said defendants to control the business

of buying and selling crude and refined petroleum, and the

transportation and storage thereof.

\_Fifth.\_—That, as stated in the foregoing paragraphs, during the

greater part of the year of 1877, and for some time previously, the

Pennsylvania Railroad Company owned or controlled through its

shipping agents, the Empire Line, a full and complete system of

pipe-lines throughout the counties of Clarion, Armstrong and Butler,

known as the Empire Line, numerous and well appointed tank oil cars,

the shortest and best route to the seaboard over its own lines and

the Allegheny Valley Railroad, and other connecting lines, also

controlled large and complete refineries, situated in Pittsburg,

Philadelphia and New York, and was by these means a competitor with

the defendants and the several corporations owned by them, in the

business of piping, transporting, buying and refining crude oil,

enabling producers, citizens of Clarion County and elsewhere,

without difficulty, to have their oil piped and transported, and to

sell the same at enhanced prices, owing to competition. That the

defendants, combining and conspiring to monopolise the entire and

sole business of buying, selling and refining oil in Clarion County

and elsewhere, did demand of the Empire Line and the Pennsylvania

Railroad Company that they and each of them should abandon and

desist from the said business of buying, selling and refining oil,

and that the said railroad company and Empire Line should grant to

them exclusively large rebates and low or cheap rates of

transportation of oil, and by means of withdrawing and procuring

others to withdraw the transportation of crude and refined oil over

and along said Pennsylvania Railroad, and by means of the procuring

from other railroads exclusive rebates and low rates of freight for

transportation below a fair and just compensation for such

transportation did compel the said Pennsylvania Railroad Company and

the Empire Line to sell to said defendants, or to some of the

corporations controlled and owned by them, said pipe-line, tank cars

and refineries, to the injury of the producers of oil of Clarion

County and elsewhere, by depriving them of the benefit of

competition in buying, piping, storing or refining this crude oil.

\_Sixth.\_—That the defendants and others combined and confederated

with them did conspire to monopolise the entire and exclusive

business of refining crude petroleum in Clarion County and elsewhere

by means of throwing quantities of refined oil on the market and

selling the same at less price than the fair market value of the

same in the vicinity of independent refiners in Clarion County and

elsewhere, and by means of such sales did compel such refineries to

sell out to companies with which defendants were connected, or to

abandon or quit the business of refining.

\_Seventh.\_—That the said defendants did with others conspire

together to purchase all the pipe-lines for the transportation of

oil within the producing oil region and all the refineries for the

refining of oil, for the purpose of controlling the price of oil and

compelling the oil producers of Clarion County and elsewhere to sell

their oil to the said defendants at ruinous low rates far below the

value thereof and the price that could have been obtained for the

same in a competitive market.

\_Eighth.\_—Although the said representations were false, the said

defendants and the several firms and corporations of which they were

members procured the control of the business of producing, buying

and selling crude petroleum, and of about ninety per cent. thereof

by following acts done in furtherance of the agreements aforesaid:

\_A.\_—To buy only petroleum for immediate shipment from the wells of

producers. And when so bought they refused to remove it. It was so

bought at less than its value and market price, and the producers of

petroleum were compelled to sell the same by reason of the false

representations as to capacity, storage and transportation

hereinbefore fully set forth.

\_B.\_—By giving themselves and procuring for themselves exorbitant

and unreasonable rebates, commissions and allowances from the

railroads and pipe-lines owned and controlled by them, which

rebates, commissions and allowance could not be procured by any

other than the said defendants and the several firms and

corporations of which they were members.

\_C.\_—By impeding transportation by railroads, procuring them to

refuse and delay cars for shipment of petroleum, procuring the

breaking connections with connecting railroad lines, refusing and

procuring the refusal of railroad companies and pipe-lines to

receive and transport petroleum, by refusals and procuring refusals

to store petroleum, by refusing and procuring the refusal of

railroad companies to furnish side tracks, cars and transportation

facilities to pipe-line companies other than those of the defendants

and to individuals, by selling refined petroleum at less than the

cost of manufacture, by carrying and storing oil at less than the

cost of transportation and storage, by thereby forcing competing

lines to sell to them at a loss, by issuing certificates or accepted

orders of pipe-line companies in violation of law not representing

the petroleum in the custody of said corporations of the said

defendants, and placing such certificates upon the market, thereby

causing an apparent increase in the quantity of oil in the market

for sale and depressing the price of crude petroleum by making false

and fictitious reports of stock of petroleum in the custody of the

United Pipe Lines, a corporation of which the defendants are the

owners and which they control, by violating the laws relative to

making reports of business of the said pipe-line company; by

neglecting and refusing to make the required oath thereto, by

destroying refineries purchased by them at less than their value, of

those they had compelled to sell to them by the fraudulent acts

aforesaid, by hiring and paying salaries to men to remain out of

business for a term of years, and to act as spies for the said

defendants and the corporations and firms of which they are members;

by selling crude and refined petroleum at less than its cost to

them; by increasing the production by entering into agreements

relative to the price the said defendants and the corporations and

firms of which they were members; by threatening common carriers

with destruction of the business of carrying oil, if they carried

for others than themselves, and those associated with them, or

permitted other pipe-line companies to deliver petroleum to them, or

railroads to carry to them; by means of said threats to prevent the

building or operation of competing lines of pipe or railroad for

transportation of petroleum; by refusing to store petroleum in tanks

owned by individuals for them, and by filling such tanks with their

own oil, thereby causing a waste and loss both of petroleum and in

the price obtained; by refusals to the citizens of Clarion County

and elsewhere, at the several localities named, to transport or

store crude petroleum.

SECOND COUNT. All of the evidence hereinbefore offered in support of

the first count.

THIRD COUNT. All of the evidence hereinbefore stated to be offered

in support of the first and second counts, and, in addition thereto,

evidence of purchase of refineries under false representations; that

refiners were forced to sell by reasons of enormous rebates,

fraudulently obtained from railroad companies, as hereinbefore

stated, the business being thereby, and not otherwise, rendered

unprofitable to such refineries as could not obtain said rebates,

commissions and allowances, they being all in the said business,

except the said defendants, and the firms and corporations of which

they were members.

FOURTH COUNT. All the evidence hereinbefore stated to be offered in

support of the first, second and the third counts, and, in addition

thereto, that the said defendants and their agents diverted traffic

from the Allegheny Valley Railroad Company by threatening the said

company and those who were delivering petroleum to it for

transportation, with loss and injury to their business, and by

shipping themselves over other railroads, unless the said Allegheny

Valley Railroad Company would allow them exorbitant rebates,

commissions and allowances upon petroleum carried, that other

dealers and shippers could not obtain.

FIFTH COUNT. All the evidence hereinbefore stated to be offered in

support of the first, second, third and fourth counts, and, in

addition thereto, that the traffic was diverted from the

Pennsylvania Railroad Company, a common carrier, by the same means,

devices and threats as hereinbefore stated.

SIXTH, SEVENTH AND EIGHTH COUNTS. All the evidence hereinbefore

stated to be offered as the first, second, third, fourth and fifth

counts.

NUMBER 35 (See page 1253)

CONTRACT OF PETROLEUM PRODUCERS’ UNION WITH STANDARD COMBINATION

[From “A History of the Organisation, Purposes and Transactions of

the General Council of the Petroleum Producers’ Unions, and of the

Suits and Prosecutions instituted by it from 1878 to 1880,” pages

41–44.]

Articles of agreement made the 29th day of January, 1880, by and

between the Standard Oil Company, a corporation of the state of

Ohio; the Standard Oil Company of Pittsburg, a corporation of the

state of Pennsylvania; the Imperial Refining Company (limited) of

Oil City, Pennsylvania; the Acme Oil Company of New York and

Pennsylvania; the Atlantic Refining Company of Philadelphia; the

American Transfer Company; the United Pipe Lines, a corporation of

Pennsylvania; the Devoe Manufacturing Company of New York; the

Eclipse Lubricating Oil Company (limited) of Franklin, Pennsylvania;

J. D. Rockefeller, William Rockefeller, H. M. Flagler, William G.

Warden, Charles Lockhart, William Frew, Charles Pratt, Henry H.

Rogers, Jabez A. Bostwick, Jacob J. Vandergrift, O. H. Payne, John

D. Archbold, respectively, buyers, refiners and carriers of

petroleum, parties of the first part, each, however, contracting

severally for himself, themselves or itself, and not one for the

others, and Benjamin B. Campbell, for himself and as president of

the General Council of Petroleum Producers’ Union, and for the

members thereof as shall signify their assent hereto by signing this

agreement within sixty days from the date thereof, the parties of

the second part, each contracting severally and in the manner

aforesaid, Witnesseth,

\_Whereas\_, The several parties above named have been and are now

engaged in some one or all of the branches of business connected

with the petroleum trade, in buying, selling, shipping, storing,

refining, transporting and producing petroleum, and controversies

have arisen between the said parties of the first and second part

hereinbefore named, out of which have grown certain suits

hereinafter named, and it is desirable to amicably adjust said

controversies and settle said suits and proceedings, therefore, it

is hereby agreed between the said parties of the first and second

parts:

I. That the said parties of the first part shall and will make no

opposition to an entire abrogation of the system of rebates,

drawbacks and secret rates of freight in the transportation of

petroleum on the railroads.

II. That said parties of the first part further agree that the

railroad companies may make known to the other shippers of petroleum

on their several roads all the rates of freight, and that said

parties of the first part or any of them will not receive any rebate

or drawback that the railroad companies are not at liberty to give

to other shippers of petroleum.

III. The said parties of the first part further agree that so far as

the said pipe-lines are concerned there shall be no discrimination

used or permitted by the said pipe-line companies between or against

their patrons; that the rates of pipage and storage shall be

reasonable, uniform, and equal to all parties, and shall not be

advanced except on thirty days’ notice; that to the extent of their

influence the United Pipe Lines and the other companies parties

hereto do agree that there shall be no difference in the price of

crude oil between one district and another, excepting such as may be

based upon a difference in quality, to be determined by tests; that

the said pipe-lines will make every reasonable effort to receive,

transport, store and deliver all oil tendered them, and will

receive, transport, store and deliver all oil so tendered so long as

the production does not exceed an average of sixty-five thousand

barrels per day during fifteen (15) consecutive days, unforeseen

emergencies and unavoidable accidents excepted, and if the

production shall exceed the amount stated, and also the storage

capacity of the pipe-lines, the parties of the first part, buyers of

oil, agree that they will not purchase any so-called immediate

shipment oil, at a lower price than the price of certificate oil,

provided that the owners of immediate shipment oil in the Oil Region

do not sell to any other party or parties at a lower price.

IV. And all the parties of the first part further agree that until

the production of oil reaches the daily maximum of sixty-five

thousand barrels as aforesaid, certificates or other vouchers will

be given for all oil taken into the custody of the pipe-lines and

the transfer of such certificates or other vouchers in the usual

manner shall be considered as a delivery of the oil mentioned

therein as between the pipe-lines and the seller, subject to the

provisions of such certificate or other vouchers.

In consideration of the agreement hereinbefore set forth, and of the

execution thereof by the first parties, the said second parties do

hereby agree as follows:

That the Governor and Attorney-General of the Commonwealth of

Pennsylvania shall be requested by them within ten days of the

execution hereof, to enter a motion to dismiss the bill filed by the

Commonwealth of Pennsylvania against the United Pipe Lines and

others at Number 309, October and November term, 1878, in the

Supreme Court of Pennsylvania, and the proceedings by \_quo warranto\_

Number 12, November term, 1878, in Venango County, and will do all

that may be lawfully done to have the same dismissed of record. That

upon written motion and agreement the Supreme Court of Pennsylvania

may make of record by consent of both parties, an order discharging

the rules to show cause in the case of the Commonwealth \_vs.\_

Rockefeller \_et al.\_, granted by E. M. Paxson on the 11th day of

December, 1879, and made returnable January 5, 1880, and annulling

the order staying proceedings made by the Supreme Court on the 8th

day of January, 1880.

It is further agreed that this agreement shall, upon execution

thereof by the parties, be a full release and satisfaction between

the parties of all causes of action of any and every kind

whatsoever, arising out of the past transactions involved in the

said several suits, controversies, or prosecutions, or incident

thereto, so far as the parties hereto or any of them are in any

manner interested or have any cause or rights of action for or

against each other. And it is hereby further agreed that the Court

of Quarter Sessions of Clarion County be, and they are hereby

respectfully requested to give their consent to the entering of a

\_nolle prosequi\_ in the case of the Commonwealth of Pennsylvania

\_vs.\_ John D. Rockefeller \_et al.\_, of April sessions, 1879, Number

25, in which the defendants named in said case are charged with

conspiracy, and the district-attorney of said county is hereby

requested, on receiving the consent of the said court, to enter in

said case a \_nolle prosequi\_, and the same to be entered of record

in said court, with the intent that the same be a judgment of said

court disposing of and ending all proceedings under indictment

hereinbefore referred to, forever.

\_In Witness Whereof\_ the aforesaid parties to these presents have

hereunto set their hands and seals, the said corporations having

caused their seals to be affixed this fifth day of February, A.D.

1880.

Standard Oil Company, by

(Seal) JOHN D. ROCKEFELLER, \_President\_, [L.S.]

Attest: H. M. FLAGLER, [L.S.]

JOHN D. ROCKEFELLER, [L.S.]

O. H. PAYNE. [L.S.]

United Pipe Lines, by

(Seal) J. J. VANDERGRIFT, \_President\_, [L.S.]

Attest: H. M. HUGHES, \_Secretary\_, [L.S.]

HENRY M. FLAGLER, [L.S.]

J. J. VANDERGRIFT, [L.S.]

WILLIAM ROCKEFELLER. [L.S.]

Imperial Refining Company, Limited, by

(Seal) J. J. VANDERGRIFT, \_Chairman\_, [L.S.]

Attest: D. MCINTOSH, \_Secretary\_. [L.S.]

Eclipse Lubricating Oil Company, Limited, by

THOMAS BROWN, \_Chairman\_, [L.S.]

F. Q. BARSTOW, \_Secretary\_. [L.S.]

Standard Oil Company, by

(Seal) CHARLES LOCKHART, \_President\_, [L.S.]

A. F. BROOKS, \_Secretary\_, [L.S.]

W. G. WARDEN, [L.S.]

CHARLES LOCKHART. [L.S.]

The Atlantic Refining Company, by

CHARLES LOCKHART, \_President\_, [L.S.]

CHARLES PRATT, [L.S.]

HENRY H. ROGERS. [L.S.]

Acme Oil Company, by

JOHN D. ARCHBOLD, \_President\_, [L.S.]

Attest: GEORGE F. CHESTER, \_Secretary\_, [L.S.]

JOHN D. ARCHBOLD. [L.S.]

American Transfer Company, by

GEORGE H. VILAS, \_President\_, [L.S.]

Attest: GEORGE F. CHESTER, \_Secretary\_, [L.S.]

J. A. BOSTWICK, [L.S.]

B. B. CAMPBELL. [L.S.]

Witness, JOHN V. KEEF.

Witness as to signature of B. B. Campbell,

W. BAKEWELL.

NUMBER 36 (See page 1254)

AGREEMENT BETWEEN B. B. CAMPBELL AND THE PENNSYLVANIA RAILROAD COMPANY

[From “A History of the Organisation, Purposes and Transactions of

the General Council of the Petroleum Producers’ Unions, and of the

Suits and Prosecutions instituted by it from 1878 to 1880,” pages

45–46.]

This agreement, made on the twenty-seventh day of April, A.D. 1880,

between B. B. Campbell and the Pennsylvania Railroad Company.

\_Whereas\_, It having been alleged by persons engaged in the

production and shipping of petroleum and the products of petroleum,

that discrimination had been practised in the rates of freight and

in the distribution of cars by the Pennsylvania Railroad Company, in

such manner as to be injurious to the business of such producers,

and bills in equity having been filed in the name of the

Commonwealth in the Western District of the Supreme Court of the

state of Pennsylvania, for the purpose of restraining such

discrimination; and

\_Whereas\_, In pursuance of an agreement signed on the twelfth of

February, 1880, by the said B. B. Campbell, representing the oil

producers, at whose instance such bills were filed, and Thomas A.

Scott as president of the Pennsylvania Railroad Company, the said

bills were withdrawn; and

\_Whereas\_, In said agreement the Pennsylvania Railroad Company

agreed, upon the withdrawal of said bills, that it would enter into

written contracts with the said B. B. Campbell, representing said

producers, and all such producers as should within sixty days after

the date of said agreement signify their assent to said agreement by

signature to the same or duplicate thereof, which contracts should

stipulate as therein mentioned, and as hereinafter provided; and

\_Whereas\_, On the twenty-fifth of February, 1880, the board of

directors of the Pennsylvania Railroad Company approved the action

of the president in signing said agreement, and authorised the

president or one of the vice-presidents to execute such further and

formal agreements as might be deemed necessary to carry out the

terms of said agreement,

\_Now therefore\_, this agreement witnesseth, That in consideration of

the premises, and other good and valuable considerations to them

thereunto moving, it is covenanted and agreed between the parties

hereto as follows, to wit:

\_First\_, That the Pennsylvania Railroad Company shall and will make

known to all shippers of petroleum and its products all the rates of

freight intended to be charged to all shippers upon such petroleum

and its products.

\_Second\_, That the said Pennsylvania Railroad Company shall not and

will not pay or allow any shipper of petroleum or its products any

rebate, drawback or commission upon the shipments of such petroleum

or products different from or greater than that which shall be paid

to any other person shipping or offering to ship like quantity; and

that any discrimination that may be made in favour of shippers of

the large quantities shall be reasonable, and shall, upon demand

made, be communicated to all persons shipping, or who are now or may

be hereafter engaged in the business and desire to ship petroleum

and its products.

\_Third\_, That the said Pennsylvania Railroad Company further agrees

that upon its own road, and upon any other road or roads upon which

it shall furnish cars and engage in the business of a common carrier

of petroleum and its products, it will not practise any

discrimination in the distribution of its cars, but will make fair

apportionment in such distribution among all applicants for cars

having actually in their custody and ready for shipment at the time

of their application the petroleum or products for the shipment of

which they ask facilities.

\_In Witness Whereof\_, the individuals parties hereto have hereunto

set their hands and seals, and the said Pennsylvania Railroad

Company has caused its corporate seal to be hereunto affixed, duly

attested, the day and year first above written.

The Pennsylvania Railroad Company, by

THOMAS A. SCOTT,

\_President\_.

Attest JOHN C. SIMS,

\_Assistant Secretary\_.

B. B. CAMPBELL.

(Seal)

THE HISTORY OF

THE STANDARD OIL COMPANY

[Illustration:

JOHN D. ROCKEFELLER

A sketch from life by George Varian, made in Cleveland, October, 1903

]

THE HISTORY OF

THE STANDARD OIL COMPANY

BY

IDA M. TARBELL

AUTHOR OF THE LIFE OF ABRAHAM LINCOLN, THE LIFE OF NAPOLEON BONAPARTE,

AND MADAME ROLAND: A BIOGRAPHICAL STUDY

ILLUSTRATED WITH PORTRAITS PICTURES AND DIAGRAMS

[Illustration]

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President of the Pennsylvania Transportation

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THE HISTORY OF

THE STANDARD OIL COMPANY

CHAPTER NINE

THE FIGHT FOR THE SEABOARD PIPE-LINE

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PIPE-LINES—AGREEMENT ENTERED INTO WITH PENNSYLVANIA RAILROAD TO

DIVIDE THE BUSINESS OF TRANSPORTING OIL.

The project for a seaboard pipe-line to be built by the producers and to

be kept independent of Standard capital and direction had been pushed

with amazing energy. Early in the fall of 1878 General Haupt reported

that his right of way was complete from the Allegheny River to

Baltimore; contracts were let for the telegraph line and preparation

begun to lay the pipe. Before much actual work had been done it became

clear to the company that it was not from the Butler oil field but from

that of Bradford that a seaboard pipe-line should run; that the former

field was showing signs of exhaustion, while the latter was evidently

going to yield abundantly. With a promptness which would have done

credit to Mr. Rockefeller himself, Messrs. Benson, Hopkins and McKelvy

changed their plan. The new idea was to lay a six–inch line from

Rixford, in the Bradford field, to Williamsport, on the Reading

Railroad, a distance of 109 miles. The Reading, not having had so far

any oil freight, was happy to enter into a contract with them to run oil

to both Philadelphia and New York until they could get through to the

seaboard themselves. In November, 1878, a limited partnership, called

the Tidewater Pipe Company, was organised with a capital of $625,000 to

carry out the scheme. Many of the best known producers of the Oil

Regions took stock in the company, the largest stockholders being A. A.

Sumner and B. D. Benson.[86]

The first work was to get a right of way. The company went at the work

with secrecy and despatch. Its first move was to buy from the Equitable

Pipe Line, the second independent effort to which, as we have seen, the

Producers’ Union lent its support in 1878, a short line it had built,

and a portion of a right of way eastward which Colonel Potts had been

quietly trying to secure. This was a good start, and the chief engineer,

B. F. Warren, pushed his way forward to Williamsport near the line which

Colonel Potts had projected. The Standard, intent on stopping them, and

indeed on putting an end to all future ventures of this sort, set out at

once to get what was called a “dead line” across the state. This was an

exclusive right for pipe-line purposes from the northern to the southern

boundary of Pennsylvania. As there was no free pipe-line bill in those

days, this “dead line,” if it had been complete, would have been an

effectual barrier to the Tidewater. Much money was spent in this sordid

business, but they never succeeded in completing a line. The Tidewater,

after a little delay, found a gap not far from where it wanted to cross,

and soon had pushed itself through to Williamsport. With the actual

laying of the pipe there was no interference which proved serious,

though the railroads frequently held back shipments of supplies. At

Williamsport, where the pipe crossed under the railroad, it was torn out

once. The Tidewater had no trouble in this case in getting an injunction

which prevented further lawlessness.

[Illustration:

ALANSON A. SUMNER

Prominent supporter of the Tidewater Pipe Company, still active in its

counsels.

]

[Illustration:

HENRY HARLEY

President of the Pennsylvania Transportation Company. Projector of the

first seaboard pipe line.

]

[Illustration:

SAMUEL VAN SYCKEL

The first successful pipe line for gathering and transporting oil was

completed by Mr. Van Syckel in 1865.

]

[Illustration:

GENERAL HERMAN HAUPT

Civil Engineer for the first and second pipe lines projected to the

seaboard.

]

By the end of May the company was ready for operation. The plant which

they had constructed proposed to transport 10,000 barrels of oil a day

over a distance of 109 miles. The apparatus for doing this consisted

simply of tanks, pumps and pipes. At Coryville, on the edge of the

Bradford field, two iron tanks, each holding 25,000 barrels of oil, were

connected with an enormous pump of a new pattern devised by the Holly

Company especially for this work. This pump, which was driven by an

engine of seventy horse-power, was expected to force the oil through a

six–inch pipe to a second station twenty-eight miles away and about 700

feet higher. Here a second pump took up the oil again, driving it to the

summit of the Alleghanies, a few miles east. From this point the oil ran

by gravitation to Williamsport.

It was announced that the pumps would be started on the morning of May

28. The experiment was watched with keenest interest. Up to that time

oil had never been pumped over thirty miles, and no great elevation had

been overcome. Here was a line 109 miles long, running over a mountain

nearly 2,600 feet high. It was freely bet in the Oil Regions that the

Tidewater would get nothing but a drizzle for its pains. However, oil

men, Standard men, representatives of the Pennsylvania Railroad,

newspaper men and natives gathered in numbers at the stations, and

indeed all along the route, to watch the result.

The pump at station one was started by B. D. Benson, the president of

the company. There were present with him several members of the concern,

and to-day these men speak with emotion of the moment when Mr. Benson

opened the valve to admit the oil to the pump. Would the great venture,

on which they had staked all, be a success? Without a hitch the oil

flowed in a full stream into the pipe and began its long journey over

the mountains. It travelled about as fast as a man could walk and, as

the pipe lay on the ground, the head of the stream could be located by

the sound. Patrolmen followed the pipe the entire length watching for

leaks. There was now and then a delay from the stopping of the pumps;

but the cause was trivial enough, never anything worse than chips under

the valves or clogging in the pipe by stones and bits of wood which the

workmen had carelessly left in when joining the pipe. When the oil

reached the second station there was general rejoicing; nevertheless,

the steepest incline, the summit of the Alleghanies, had yet to be

overcome. The oil went up to the top of the mountain without difficulty,

and on June 4, the seventh day after Mr. Benson opened the valve at

Station One, oil flowed into the big receiving tank beyond Williamsport.

A new era had come in the oil business. Oil could be pumped over the

mountains. It was only a matter of time when the Tidewater would pump to

New York.

Once at the seaboard, the Tidewater had a large and sure outlet for its

oil in the group of independent refiners left at the mercy of the

Standard in the fall of 1877 by the downfall of the Empire Line. These

refiners had most of them run the entire gamut of experiences forced on

the trade by the railroads and the Standard. Take, for instance, the

experience of Ayres, Lombard and Company, related by Josiah Lombard in

1879 in the Pennsylvania suits. They had gone into the business in 1869

in West Sixty-sixth street. At the beginning they had shipped

principally over the Erie, sometimes as high as 50,000 barrels a month;

but when that road came into the hands of Fisk and Gould those gentlemen

began to try to build up a refining business in New York for their own

friends. Edward Stokes was at that time hand in glove with Fisk; he had

in the Oil Regions an able friend, Henry Harley. Harley bought and

shipped the oil over the Erie; special rates were given him, and the

Stokes refinery soon began to flourish at the expense of the former

shippers of the Erie. Mr. Lombard finding, as he says, that there was no

possibility of doing business with that road under the Fisk and Gould

management, went over to the New York Central. Here he furnished his own

cars. Ayres, Lombard and Company owned 100 cars on the Central in 1872,

worth about $35,000, and in these they shipped the bulk of their oil.

The South Improvement Company manœuvres in the spring of 1872 completely

stopped their shipping over that road and in 1872 they sold their cars.

Mr. Lombard said in his testimony: “We sold them (the cars) because the

Standard Oil Company were getting the ascendency so much over the New

York roads that we could not get a rate of freight from the lower

districts and the Parker district, where the bulk of the oil was

produced at that time, that would enable us to compete with them in the

New York market, so there was no use in owning the cars.”

Driven off the Erie and Central, the firm made a running arrangement

with Mr. Rockefeller for a year; the Standard bought the cars and agreed

to furnish Ayres, Lombard and Company crude oil for a certain price at a

certain time, and take the refined oil from them at a fixed price. This

contract was made probably under the Refiners’ Association which Mr.

Rockefeller succeeded in effecting in August, 1872, after the failure of

the South Improvement Company, which association, as we have already

seen, took in fully four-fifths of the refining interests of the

country. The contract continued, Mr. Lombard said in testimony, for a

year or more, and was then terminated by notice from the Standard Oil

Company. Soon after the termination of the contract with the Standard,

which was either late in 1873 or early in 1874 (Mr. Lombard was not able

to decide this when he was under examination), the firm began shipping

over the Pennsylvania road. They bought part of their oil at this time

from Adnah Neyhart. Now, sometime in 1875, as we have seen, Mr. Neyhart

began to feel the Standard pressure and his business was sold to the

Standard. Again Ayres, Lombard and Company found a large part of their

supply of oil cut off. For about a year they shipped over the

Pennsylvania. It was not long, however, before the concern found that

even on the Pennsylvania they were under a disadvantage, that road

having made in 1875 discriminating contracts with the Standard. Again

the firm changed, buying its oil from J. A. Bostwick and Company of New

York. Now Bostwick was the Standard Oil buyer, one of the original South

Improvement Company, and a stockholder in the Standard Oil Company. Mr.

Lombard swore that he had not been taking oil of Bostwick for more than

a year before the Standard began to draw its lines around him, as he put

it, and again the question arose how were they to get oil for their

refinery. There seemed no way but to try to make a contract with the

Pennsylvania Company. On the 18th of May, 1877, he went to Philadelphia

and saw Colonel Potts, who told him he would be glad to have his

shipments on the Pennsylvania. Accordingly a contract was made for a

year, the company guaranteeing them as low a rate as anybody else had.

But this contract of Mr. Lombard was destined to end as speedily and as

disastrously as all of those he had been making for over five years, for

in the fall of the year the Empire Line was sold to the Standard, and in

the spring of 1878, when Mr. Lombard’s contract ran out, the

Pennsylvania refused to renew it on the terms they gave the Standard.

Mr. Lombard gave a very interesting account of the interview he and his

fellow refiners of New York had with Mr. Cassatt in reference to this

matter:

“In March, 1878, I think it was by appointment, we had an interview

with Mr. Cassatt, third vice-president of the Pennsylvania Railroad.

There were present Mr. Bush, Mr. Gregory, Mr. Burke, Mr. Ohlen, and

myself, besides Mr. Cassatt. It was held in Mr. Bush’s office, 123

Pearl street, New York. We sought that interview for the purpose of

finding out what our position would be on the Pennsylvania Railroad

after the termination of our contract with the Empire Line, which

they had assumed. We had quite a plain talk on the subject. We began

by telling Mr. Cassatt something that he already knew—that we for

the past year had been probably the largest shippers over the

Pennsylvania Railroad that they had had; largest shippers of

petroleum. He acknowledged it, and we asked him if we should, after

the first of May, be on the same footing and have as low a rate of

freight as anybody else, which was guaranteed by contract up to that

time. He said no, we would not. We asked him why not. Well, he said,

it would not be satisfactory to the Standard Oil Company. I then put

the question to him what difference it made to the Pennsylvania

Railroad Company whether it was satisfactory to the Standard Oil

Company or not. He said that the Standard Oil Company was the only

party which could keep peace between the trunk lines. I said, It

seems to me you have the matter very much in your own hands; there

are but four of you; if you agree upon a certain rate of freight the

oil is to come forward at, I see no use of the intervention of a

third party or a fifth party in this case. He said, I cannot

trust—or rather, he said, They are the only people that can keep

harmony. Then we had a little discussion about the rates. He said

that they had been bringing oil for the past year at a very low

rate. I told him I understood it was a little over seventy cents an

average on crude petroleum. He denied it, and said it was not. Then

when we were talking about the subject of rates, he said of course

the rates on petroleum were very profitable, and said we could find

out the rate at which they could bring petroleum, if they were

compelled to, by looking up their annual report, and seeing the cost

a ton per mile, which was something like five or six mills per ton

per mile, and which if we figured that it would be a very profitable

business. We told him we did not object to him making a good profit

at any time; all we wished was to have as low a rate of freight as

anybody else had, which we could not get.

“He said we had better make an arrangement with the Standard and we

would all of us make money, and that they had a very large business

and proposed to make money, and the discrimination would be so light

against us that we would hardly notice it, and we formed the idea

from what he said. We asked him whether the discrimination against

us would be larger if the rate of freight were high than it would if

the rate of freight were low. He said, yes, it would be, but he said

the discrimination would be very small. We tried to find out by

asking what it would be, but did not succeed. He then said if we

would unite with the Standard we would do better and everything

would be peaceable and harmonious, and he would use his efforts to

promote such a union if we wished it. We told him we did not wish to

unite with the Standard; we dealt on freight matters with the

Pennsylvania Railroad, not with the Standard Oil Company.

“There was another interview at which Mr. Bush, Mr. Ohlen, Mr.

Cassatt, and myself were the only parties as I remember it; it was

held in Pennsylvania, at the office of the Pennsylvania Railroad

Company, in the last part of May or early part of June; it was at

the time of what we called the squeeze in cars. Previous to that

time we had had all the cars we wanted without any difficulty; at

that time and when we were wanting just about the same kind of cars

we had previously been wanting, and business was running on very

easily, we found we were unable to get anything like the amounts we

had before; instead of getting for the firm I represented from

twelve to fifteen cars a day, we were getting only one or

two—utterly insufficient for the business. We came over to see Mr.

Cassatt about it—Mr. Bush, Mr. Ohlen, and myself. He said he knew

there was trouble; that the other side, the Standard Oil Company,

had some five hundred cars full here at Philadelphia and Baltimore;

that he had not discovered it until recently, but that he would have

it remedied. They had been holding them here full. I asked him why,

if he knew of the cars being detained, he kept giving them cars. He

said he did not know exactly how that was. I told him if these cars

were shipped here and held, it seemed to me they ought to stop

giving cars to parties holding them. He said the matter would be

remedied soon. We asked him how soon. He could not tell exactly. I

said, ‘Can’t you stop giving them cars?’ He said he would remedy the

matter, we should have all the cars we needed; and it was at that

time that he made the remark to which Mr. Bush testified, when we

had some little general conversation, that if we built a pipe-line

he would buy it up for old iron in sixty days. I think I remarked

that the Conduit Pipe brought a good price for old iron, in a

laughing way. The interview was pleasant enough. Then early in

July—I think it was the last part of June or early part of July—Mr.

Ohlen, Mr. Bush, Mr. Wilson, Mr. King, Mr. Gregory, and myself came

to Philadelphia and met Colonel Scott, president of the Pennsylvania

Railroad, Mr. Cassatt and Mr. Brundred at the office of the

Pennsylvania road, with the same trouble, the same two troubles as

of old, a scarcity of cars and a discrimination in freight. As to

scarcity of cars, they claimed that we were getting our allotment.

We told them we knew nothing about an allotment, that previous to

the first of May we had sufficient cars for our business; since that

time we got scarcely any; that if they had not sufficient cars to do

the business with we would put on cars. Mr. Scott said they would

not allow that, they had bought out one line and did not propose to

have another; we then demanded cars for the business, making again

the offer to put on cars if they could not furnish them, with the

same result. He said they had already fought one fight in our behalf

which cost them a million and a half of dollars. We told them not at

all in our behalf, we had nothing to do with it; we were simply

shippers over the road and did not participate in the matter at all;

it was a matter of their own. He seemed to be a little sore about

that. When he made the remark which has been given in evidence

before, he said there would be no peace or profit in the business

until we made some arrangement with the Standard Oil Company; he

would be very glad to have such an arrangement made, and would do

all in his power to accomplish it. We told him we did not wish any

arrangement with the Standard Oil Company; we had been dealing for

years with the Pennsylvania Railroad Company, and we wished to deal

with them now on all transportation and freight matters. I think

there was nothing further in that interview.

“He asked why we did not apply to the other roads for

transportation. We told him we had. He said, with what results? That

the Central Road had no cars of their own. He said that was a very

flimsy pretext. I said that the Erie road cars were controlled by

the Standard Oil Company, and the Central cars were controlled by

the Standard Oil Company. That in fact the whole transportation of

the oil country seemed to be controlled by the Standard Oil Company,

and the New York Central, and the Erie, and the Pennsylvania

Central, and the Baltimore and Ohio, they controlled the whole

thing, and there was no chance, and in addition to that we had been

shippers and customers of the Pennsylvania road for years.”

Naturally enough, men who had been through such experiences as these of

Mr. Lombard were glad to unite with the Tidewater, which promised to

free them from the railroads and their chief competition, and they

promised to take all their supply from the line.

The success of the Tidewater experiment brought Mr. Rockefeller face to

face with a new situation. Just how serious this situation was is shown

by the difference in the cost of transporting a barrel of oil to the

seaboard by rail and transporting it by pipe. According to the

calculation of Mr. Gowen, the president of the Reading Railroad, the

cost by rail was at that time from thirty-five to forty-five cents. The

open rate was from $1.25 to $1.40, and the Standard Oil Company probably

paid about eighty-five cents, when the roads were not protecting it from

“injury by competition.” Now, according to General Haupt’s calculation

in 1876, oil could be carried in pipes from the Oil Regions to the

seaboard for 16⅔ cents a barrel. General Haupt calculated the average

difference in cost of the two systems to be twenty-three cents, enough

to pay twenty-eight per cent. dividends on the cost of a line even if

the railway put their freights down to cost. This little calculation is

enough to show that the day of the railroads as long-distance

transporters of crude oil was over; that the pipe-lines were bound to

replace them. Now, Mr. Rockefeller had by ten years of effort made the

roads his servant; would he be able to control the new carrier? A man of

lesser intellect might not have foreseen the inevitableness of the new

situation; a man of lesser courage would not have sprung to meet it. Mr.

Rockefeller, however, is like all great generals: he never fails to

foresee where the battle is to be fought; he never fails to get the

choice of positions. He wasted no time now in deciding what should be

done. He proposed not merely to control future long-distance oil

transportation; he proposed to own it outright.

Hardly had the news of the success of the Tidewater’s experiment reached

the Standard before this truly Napoleonic decision was being carried

out. Mr. Rockefeller had secured a right of way from the Bradford field

to Bayonne, New Jersey, and was laying a seaboard pipe-line of his own.

At the same time he set out to acquire a right of way to Philadelphia,

and soon a line to that point was under construction. Even before these

seaboard lines were ready, pipes had been laid from the Oil Regions to

the Standard’s inland refining points—Cleveland, Buffalo and Pittsburg.

With the completion of this system Mr. Rockefeller would be independent

of the railroads as far as the transportation of crude oil was

concerned. It was, of course, a new department in his business, and, to

manage it, a new company was organised in April, 1881—the National

Transit Company—with a capital of five million dollars, and a charter of

historical interest, for it was a mate of the charter of the ill-fated

South Improvement Company, granted by the same Legislature and giving

the same omnibus privileges—the right in fact to do any kind of

business, except banking, in any part of the world. The South

Improvement Company charter, as we have seen, was repealed. The charter

which the National Transit Company now bought seems to have gone into

hiding when the character of its mate was disclosed and so had been

forgotten. How it came to be unearthed by the Standard or what they paid

for it, the writer does not know. However, as H. H. Rogers aptly told

the Industrial Commission in 1899, when he was asked if a considerable

sum was not given for it: “I should suppose every good thing had to be

paid for; I should say a man owning a charter of that kind would sell it

at the best price he could get.”

[Illustration:

BYRON D. BENSON

The first president of the Tidewater Pipe Company.

]

[Illustration:

DAVID K. MCKELVY

The successor of Mr. Benson as president of the Tidewater.

]

[Illustration:

MAJOR ROBERT E. HOPKINS

Treasurer of the Tidewater from its organization until his death in

1901.

]

[Illustration:

SAMUEL Q. BROWN

The present president of the Tidewater, successor to Mr. McKelvy.

]

And while Mr. Rockefeller was making this lavish expenditure of money

and energy to meet the situation created by the bold development of the

Tidewater, what was his attitude toward that company? One would suppose

that Mr. Rockefeller, of all men, would be the first to acknowledge the

service the Tidewater had rendered the oil business; that in this case

he would have felt an obligation to make an exception to his claim that

the oil business was his; that he would have allowed the new company to

live. But Mr. Rockefeller’s commercial vision is too keen for that; that

would \_not\_ be business. The Tidewater had been built to feed a few

independent refineries in New York. If these refineries operated outside

of him, they might disturb his system; that is, they might increase the

output of refined and so lower its price. The Tidewater must not be

allowed to live, then. But how could it be put out of commission? It had

money to operate. There were plenty of oil producers glad to give it

their product, because it was independent. The Reading Railroad had gone

heart and soul into its fight—it had refiners pledged to take its oil,

and these refiners had markets of their own at home and abroad. What was

he going to do about it? There were several ways to accomplish his end;

in two of them, at least, Mr. Rockefeller excelled from long practice.

The first was to get out of the way the refineries which the Tidewater

expected to feed, and this was undertaken at once. The refiners were

approached usually by members of the Standard Oil Company as private

individuals, and terms of purchase or lease so generous made to them

that they could not afford to decline. At the same time they were

assured confidentially that the Tidewater scheme was a pure chimera,

that they understood the pipe-line business better than anybody else and

they knew oil could not be pumped over the mountains. All but one firm

yielded to the pressure. Ayres and Lombard stood by the Tidewater, but

soon after their refusal to sell they were condemned as a public

nuisance and obliged to move their works! The Tidewater met the

situation by beginning to build refineries of its own—one at Bayonne,

New Jersey, and another near Philadelphia—in the meantime storing the

oil it had expected to sell.

Having done his best to cut off his rival’s outlet, Mr. Rockefeller

called upon the railroads to carry out that article of their contract

with him which bound them to protect him from “injury by competition.”

What was done was told a few months later to the Committee on Commerce

in the House of Representatives by Franklin B. Gowen, the president of

the Reading Railroad. According to Mr. Gowen the Tidewater and Reading

were no sooner ready to run oil than a meeting of the trunk lines was

held at Saratoga, at which the representatives of the Standard Oil

Company were present, and on that day the through rate on oil was

reduced to twenty cents per barrel to the Standard Oil Company. “It was

subsequently reduced to fifteen cents,” Mr. Gowen told the Committee,

“and I believe, though I do not certainly know, to ten cents per barrel

in cars of the Standard Oil Company; ... and I am told that at the

meeting at Saratoga a time was fixed by the Standard Oil Company within

which they promised to secure the control of the pipe-line—provided the

trunk lines would make the rate for carrying oil so low that all

concerned in transportation would lose money.

“I know this, that only three or four months ago we were told—I do not

mean myself, but the gentlemen who directly represented the pipe-line

which leads to our road—that if they would agree to give all their oil

to the Standard Oil Company to be refined, we could carry 10,000 barrels

a day, and the rates would be advanced by the trunk lines. But, to use

the language of those making the offer, ‘we’ (meaning the Standard Oil

Company) ‘will never permit the trunk lines to advance the rate on oil

until your pipe-line gives us all its product to refine,’ and the

prophesy of four months ago has become the history of to-day.” Mr.

Flagler differs with Mr. Gowen in his explanation of this cut in rates.

Mr. Flagler contends that the Standard Oil Company really opposed it,

but that the railroads insisted on it. Mr. Flagler’s testimony is

interesting reading in connection with all that we know about the

Tidewater Company. It will be found in the appendix.[87]

This was the Tidewater’s first year’s experience. The second and third

were not unlike it. But the company lived and expanded. It bought and

built refineries, it sent its president to Europe to open markets, it

extended its pipe-line still nearer to the seaboard, and it did this by

a series of amazingly plucky and adroit financial moves—borrowing money,

speculating in oil, exchanging credit, chasing checks from bank to bank,

“hustling,” in short, as few men ever did to keep a business alive. And

every move had to be made with caution, for the Standard’s eye was

always on them, its hand always outstretched. Samuel Q. Brown, the

present president of the organisation, when on the witness stand in

December, 1882, said that so much did the Tidewater fear espionage that

they were accustomed to keep their oil transactions as a private and not

a general account, in order that they might not be reported to the

Standard; that even matters which they believed they were keeping in an

absolutely private way frequently leaked out, to the injury of the

business.

[Illustration:

Scale—3 miles to each division. CONDENSED PROFILE OF TIDEWATER PIPE

LINE BETWEEN RIXFORD AND TAMANEND, PENNSYLVANIA

The pipe followed the jagged line representing surface of the ground.

The numbers above the surface line show the location of the pumping

stations from which the oil was forced. The pump at Station 1 lifted

the oil over 600 feet. From here it flowed by gravitation until the

gradient line—the sloping straight line above the surface

line—touched the ground. A new station, No. 2, then lifted the oil

to the next high point, the crest of the Alleghanies. As the

gradient line shows, the oil now would flow to Station 4, making

many steep ascents without further pumping. Station 3 was added to

increase the speed of the flow.

]

By January, 1882, the Tidewater was in such a satisfactory condition

that it decided to negotiate a loan of $2,000,000 to carry out plans for

enlargement. The First National Bank of New York, after a thorough

examination of the business, agreed to take the bonds at ninety cents on

the dollar, but trouble began as soon as the probable success of the

bond issue was known. The officials of the First National Bank were

called upon by stockholders of the Tidewater, men holding nearly a third

of the company’s stock, and assured that the company was insolvent, and

that it would be unsafe for the bank to take the loan. The First

National declined to be influenced by the information, on the ground

that the disgruntled stockholders had sold themselves to the Standard

Oil Company, and were trying to discredit the Tidewater, so that the

Standard might buy it in. It had been planned to place some of these

bonds in Europe, and Franklin B. Gowen was sent over for that purpose.

Mr. Brown said on the witness stand, a few months later, that as soon as

Mr. Gowen started from this side it was cabled to Europe that he was

going over to place bonds which were not sound; that the stockholders

were all of them wealthy men, and if the bonds had been good property

they would have taken them themselves. Mr. Brown declared this report

was spread so generally on the other side that it interfered seriously

with Mr. Gowen’s attempt to place the loan.

These manœuvres failing to ruin the Tidewater’s credit, a more serious

attack was made in the fall of 1882, by the filing of a long bill of

complaint against the management of the company, followed by an appeal

that a receiver be appointed and the business wound up. The appeal came

from E. G. Patterson, a stockholder of the Tidewater, and a man who, up

to this time, had been one of the most intelligent opponents of the

Standard in the Oil Regions. Mr. Patterson was one of the few who had

realised, from the first development of Mr. Rockefeller’s pretensions,

that it was a question of transportation, and that, if the railroads

could be forced by courts and legislatures to do their duty, the

coal-oil business would not belong to Mr. Rockefeller. He had been one

of the strongest factors in the great suits compromised in 1880, and his

disgust at the outcome had been so great that he had washed his hands of

the Producers’ Union. Later he had been engaged by the state of

Pennsylvania to collect evidence on which to support a claim against the

Standard Oil Company for some $3,000,000 of back taxes. The Standard had

made Mr. Patterson’s services unnecessary by coming forward and giving

the attorney-general all the information as to its financial condition

which he desired. Exasperated at the result of all his efforts, and

feeling that he had been deserted by the public he had tried to serve,

Mr. Patterson sent word to the Standard that he proposed still further

to attack them (just how he never explained) unless they would give him,

not to attack, as much as there was in the contract from the state.[88]

They seem to have thought it worth while to buy peace, and agreed to

give Mr. Patterson some $20,000 in all, and secure him a position for a

term of years. The first payment was made at the end of April, 1882, and

$5,000 of the money received Mr. Patterson paid to the Tidewater for

stock he had taken at its organisation. No sooner was the stock in his

hands than he began the preparation of the bill of complaint above

referred to, and in December the case was heard.

The Oil Regions watched it with keenest interest. That Mr. Patterson had

made some settlement with the Standard was generally known, and the

charge was freely circulated that they had bribed him to bring this suit

in hopes of blasting the credit of the Tidewater and getting its stock

for a song. The testimony brought out in the trial did not bear out this

popular notion. The case was rather more complicated. That the suit was

backed by the Standard, one would have to be very naïve to doubt, but

they were using other and stronger parties than Mr. Patterson, and that

was a faction of the company known as the “Taylor-Satterfield crowd.”

These men, controlling some $200,000 worth of Tidewater stock, had been

professing themselves dissatisfied with the management of the business

for some months, though always refusing to sell their holdings at an

advanced price. It was generally believed in the Oil Regions that their

“dissatisfaction” was fictitious, that they were in reality in league

with the Standard in an attempt to create a panic in Tidewater stock, a

belief which was strengthened when it was learned that a big oil

company, which the gentlemen controlled, the Union, had been sold about

that time to the Standard Oil Trust for something like $500,000 in its

stock. The first manœuvre of the Taylor-Satterfield faction had been the

attempt to dissuade the First National Bank from taking the Tidewater

loan referred to above. Failing in this, they seem to have imbued Mr.

Patterson thoroughly with their pretended dissatisfaction and to have

persuaded him to bring the suit. For some reason which is not clear they

failed properly to support him in the suit, and when it came off they

practically deserted him. The Tidewater had no trouble in proving that

the complaints of insolvency and mismanagement were without foundation,

and Judge Pierson Church, of Meadville, before whom the case was argued,

refused to appoint the receiver, intimating strongly that, in his

judgment, the case was an attempt to levy a species of blackmail, in

which it must not be expected that his court would co-operate. Judge

Church’s decision was given on January 15. Two days later a sensation

came in Tidewater affairs, which quite knocked the Patterson suit out of

the public mind; it was nothing less than a bold attempt by the Taylor

party, or, as it was now known, “the Standard party,” to seize the reins

of government. It was a very cleverly planned coup.

The yearly meeting for the election of officers in the company was fixed

for a certain Wednesday in January. By verbal agreement it had been

postponed, in 1882, to some time in February, the controller, D. B.

Stewart, a member of the Taylor faction, representing that he could not

have his statement ready earlier. No notices were sent out to this

effect, although this should have been done. Taylor and his party,

taking advantage of this fact perfectly well known to them, appeared at

the Tidewater offices on January 17, and although one of the Benson

faction, as the majority was known from the name of the company’s

president, was present with sufficient proxies to vote nearly two-thirds

of the stock, they overruled him and elected themselves to the control.

They also elected to the Board of Managers, Franklin B. Gowen, the

president of the Reading, and James R. Keene, the famous speculator,

both large holders of Tidewater bonds. They followed their election

immediately by sending out notices to the banks with which the company

did business not to honour checks drawn by the Benson party, and to the

post-office to deliver mail to no one but themselves.

The announcement caused a terrible commotion in oil circles. Both Mr.

Keene and Mr. Gowen refused to recognise the new board, Mr. Gowen

telegraphing in answer to the notification of his election:

JOHN SATTERFIELD,

Titusville.

At quarter of three o’clock to-day I received a despatch signed with

your name as manager and chairman, stating that a meeting of the

Board of Managers would be held at noon to-day. While the notice

itself is sufficient to render invalid any action you may have

attempted at such meeting as has been held, even if you had power to

act at all, I deny your right to call any meeting or act in any

manner as an officer of the company, and will hold you and all your

associates responsible at law for the occurrences of yesterday, and

for your subsequent action thereunder.

(Signed) F. B. GOWEN.

The Benson party took immediate action, applying for an injunction

restraining the new board from taking possession of the books and

offices. This was granted and a date for a hearing appointed. Up to the

hearing the old board did business behind barricaded doors! The case was

heard in Meadville before Judge Pierson Church—the same who had heard

the Patterson case. As it was a case to be decided on purely technical

matters—the rules governing elections—no sensation was looked for, but

one came immediately. It was a long affidavit from James R. Keene, even

more notorious then than now—there were fewer of his kind—for deals and

corners and devious stock tricks, declaring that both the Patterson case

and this attempt to obtain control were dictated by the “malicious

ingenuity” of the Standard for the purpose of destroying the Tidewater

and getting hold of its property:

“From my first connection with the company,” said Mr. Keene, “it has

been hampered and embarrassed in its business by the unscrupulous

competition of the Standard Oil Company. When it first began to

transport and deliver oil at tidewater, the refineries which

purchased and refined oil were one after another bought up by the

Standard Oil Company or driven out of business by vexatious and

oppressive annoyances. The most private details of our business have

been communicated to the officers of the Standard Oil Company, and

they have, by every means in their power, interfered with our

affairs. By the arrangement which they were able to make with the

railroads leading from the Oil Regions, other than the Philadelphia

and Reading Railroad Company and the Central Railroad of New Jersey,

the Standard Oil Company have been able to obtain a control of the

business of transporting and refining oil, with the exception of

that part of the business which has been carried on by the Tidewater

Pipe Company and their refineries, to which it had made deliveries.

Repeated efforts have been made by parties in their interest to

secure the control of the Tidewater Pipe Company, and if they could

succeed, the monopoly thereby secured would add many million dollars

a year to their profit.”

Mr. Keene’s putting of the case was undoubtedly correct, but pious

horror of commercial brigandage, coming from “Jim” Keene, was useful

only to give joy to a cynical world, unencumbered by the possession of

stock in either concern. The Keene sensation was followed by a second,

an affidavit from John D. Archbold, of the Standard Oil Company, denying

that his company had any interest in the present suit, but adding that

for some time the officers of the Tidewater had been seeking an alliance

with the Standard:

“Byron D. Benson and David McKelvy have at various times for the

past years met me at their own instance, and have proposed to

combine the business of the Tidewater Pipe Company with that of the

Standard Oil Company, desiring the Standard Oil Company to agree on

a division of the business of transporting and refining oil, and to

agree with the Tidewater Pipe Company in fixing the rate of

transporting oil and the price of refined oils. These proposals were

renewed to me by B. D. Benson during the summer of 1882, he coming

to my office at his own instance and urging, by various arguments,

such an arrangement. These proposals, in whatever shape made, have

always been declined. This deponent has also had many interviews

with James R. Keene, and always at his request, upon the same

subject, in which interviews said Keene has earnestly urged such a

combination and has used many arguments in favour of the advantage

which would result from such a combination. These proposals have

always been declined.”

Naturally they were declined—the Standard was not seeking an alliance,

it was seeking ownership of the Tidewater; and it expected so to

discredit the company that it could buy in its stock for a song. Mr.

Archbold’s affidavit cooled popular sympathy for the hunted concern no

little, however. A suggestion of any kind of a compromise with the

Standard was looked upon as rank disloyalty by the Oil Regions, free

competition in rates and in prices being, they contended, the only hope

of the country. Mr. Archbold’s affidavit must have something in it,

everybody thought, though it might be, as Mr. Benson immediately swore,

“grossly inaccurate.”

Such was the character of the charges and countercharges in this purely

technical case. The judge took little notice of them in his decision,

but, after an exhaustive discussion of the points involved in the

election, decided it was illegal and continued the injunction he had

granted against the new board. Judge Church’s decision aroused general

exultation in the Oil Regions—as any failure of the Standard to get what

it wanted was bound to do, and with good reason. The Tidewater’s growth

in the face of the Standard’s constant interference with its business

was proof that independent pipe-lines and independent refineries could

be built up if men had sufficient brains and courage and patience. What

one set of men had done, another could do. Their hope of restoring

freedom of competition to the oil business was still further brightened

in June by the news that the Legislature of Pennsylvania had passed a

free pipe-line bill—the measure that they had been urging for twelve

years without avail. With a sturdy example of independence, like the

Tidewater, before them, and the right of eminent domain for pipes, the

future of competition in oil seemed to be up to the oil men themselves.

But the Oil Regions have always been prone to jump at conclusions. They

were forgetting Mr. Rockefeller’s record when they concluded that he was

through with the Tidewater. Because he had failed in his old South

Improvement Company trick, that is, failed to create a panic among

Tidewater stockholders, and so get their property at panic prices, was

no reason at all to suppose he had abandoned the chase. There still

remained a legitimate method of getting into the company, and, as a last

resort, Mr. Rockefeller accepted it. He bought the minority stock of the

concern, held by the Taylor party. Up to this time Mr. Rockefeller had

appeared in Tidewater affairs as a destroyer. He now appeared in a rôle

in which he is quite as able—as a pacifier, and his extraordinary

persuasiveness was never exercised to better effect. “We own $200,000

worth of your stock,” he could tell the people he had been fighting. “If

you will consent to confine yourselves to a fixed percentage of our

joint business, and will sustain pipage rates and the price of refined

oil, we will let you alone. Let us dwell together in peace.”

The Tidewater, tired of the fight, accepted. And so these men—to whom

the oil business owes one of its most remarkable developments, who, in

face of the most powerful and unscrupulous opposition, had in four years

built up a business worth five and one-half millions of dollars—signed

contracts in October, 1883, fixing the relative amount of business they

were henceforth to do as 11½ per cent. of the aggregate, the Standard

having 88½ per cent. The two simply became allies. The agreement between

them was the same in effect as all Mr. Rockefeller’s running

agreements—it limited and kept up prices.[89] Any benefit the oil

business might have reaped from natural and decent competition between

the two was of course ended by the alliance. For all practical purposes

the two were one. In the phrase of the region, the Tidewater had “gone

over to the Standard,” and there it has always remained. The contract

was made for fifteen years, but since its expiration it has been lived

up to honourably by both parties without other than a verbal

understanding. For, note this: Mr. Rockefeller always keeps his word.

Indeed, in studying his career, one is frequently reminded of Tom

Sawyer’s great resolution—never to sully piracy by dishonesty!

The Tidewater has prospered within the boundary Mr. Rockefeller drew for

it, as those who have accepted submissively his boundaries have never

failed to do. Mr. Rockefeller is right when he says, as he does so

often, that all who come with him prosper. That the company would have

succeeded in becoming eventually a formidable rival of the Standard, and

in controlling much more than eleven per cent. of the business, no one

can doubt who knew Mr. Benson, Major Hopkins, Mr. McKelvy, and their

colleagues. They were business men of the first order, as their

tremendous work from 1878 to 1883 shows.

Once more the good of the oil business was secure, and Mr. Rockefeller

at once proceeded to arrange his great house in the new order made

necessary by the introduction of the seaboard pipe-line. The entire

transportation department of the business had to be reorganised. When

the seaboard pipe-line became a factor in the oil business, in 1879, the

Standard Oil Company owned practically the entire system of

oil-gathering pipe-lines—that is, the lines carrying oil from the wells

to the storing or shipping points. These lines were organised under the

name of the United Pipe Lines, and the organisation was magnificent in

both extent and in character of service rendered. Never, indeed, has the

ability of the men Mr. Rockefeller gathered into his machine shone to

better advantage than in the building up and management of the pipe-line

business. At the end of 1883, when the alliance was made with the

Tidewater, the United Pipe Lines were taking from the wells of

Pennsylvania fully a million and a half barrels of oil a month. Their

pipes, of an aggregate length of 3,000 miles, connected with thousands

of wells scattered all over the wide Oil Regions.

Whenever the oil men opened a new field, no matter how remote from those

already developed, the United Pipe Lines immediately went there to care

for the oil. In more than one case, in these years of rapid and

excessive development of oil territory, the pipe-line company invested

great sums in preparing to take care of oil fields whose yield never

paid the cost of the pipe laid. Thus, in 1882, there was a tremendous

excitement over the opening of the Cherry Grove field. The Standard

spent $2,000,000 getting ready to take care of a great outpouring of

oil—which came, but did not stay. In 1882 Cherry Grove produced

2,345,400 barrels; in 1883, 755,512! It cost the company forty-six cents

a barrel to take care of the production of one short-lived group of

wells in this field, on which they never realised more than twenty cents

pipage.

The Standard not only gathered this oil; it stored it, to wait its

owner’s demand. At this date it controlled 40,000,000 barrels of iron

tankage, in which it stored the enormous stocks, over 35,000,000

barrels, which had accumulated in the five previous years. When the oil

passed to the pipe-line, the owner received his money for it at once, if

he wished, or the line “carried” it. When a producer had 1,000 barrels

in the line, he received a pipe-line certificate for it. In December of

1883 the United Pipe Lines had issued certificates for nearly all of the

35,000,000 barrels of stocks above ground. The oil men thus had a bank

for their oil, a bank recognised generally as sound as any in the United

States.

Such were the returns from the pipe-line for its services that no

business ever justified more fully the extraordinary outlays of money

and energy which it had taken to perfect it. For each barrel of oil the

United Pipe Lines gathered, they received, when it was taken from the

lines, twenty cents. The service cost them perhaps two cents after

installation, though in these years, when they were obliged to carry

some 30,000,000 barrels, they had constantly $6,000,000 on their books

on which they did not at once realise. They could afford to let this sum

stand because of the storage charge. For every 1,000 barrels carried in

their tanks they received $6.25 each fifteen days—$152 a year. Now,

tankage did not cost over $250 per 1,000 barrels, so that the storage

more than paid its cost in two years. There were often great losses by

fire, but these were paid by the owners of the oil—a pro rata assessment

being made. There was a deterioration in quantity and quality of oil

from holding, but this again was paid by the owners in a shrinkage

charge of three per cent., deducted from the quantity of oil when run.

Thus on every side the pipe-line business was guarded. So long as it

could keep out competition and hold up its prices, there was no better

paying business in the United States than piping oil.

As we have seen, Mr. Rockefeller began to add long-distance pipe-lines

to his business as soon as the Tidewater demonstrated their feasibility,

and before the time the Tidewater was brought into harmony he had a

complete system to the seaboard and to his inland refinery points,

organised under the name of the National Transit Company. The United

Pipe Lines and the National Transit Company were really one business,

the former consisting of local lines and the other of trunk lines, and

to make the organisation more compact the former was transferred to the

latter on April 1, 1884. The paid-up capital of the concern at this date

was $31,000,000. Just as Mr. Rockefeller claimed, in 1878, that he was

“prepared to enter into a contract to refine all the petroleum that

could be sold in the markets of the world,” so now he could announce

that he was prepared to gather, store and transport all the crude

petroleum not only that the markets of the world demanded, but that the

producers took from the ground. As things now stood the only remaining

point where he could possibly be affected by competition was the

railroads. A new relation to the railroads was created by the new

development. Mr. Rockefeller was not only independent of them, he was

their competitor, for, like them, he was a common carrier obliged to

transport what was offered. His open rate to New York was forty-five

cents, to Philadelphia forty, though the actual service probably did not

cost over ten cents. By the alliance with the Tidewater any danger of

competition from a pipe-line, which could of course afford to cut the

price, was shut off. The railroads might possibly, however, lower the

prices a little and still make a profit. It was very necessary that the

price be kept up in order that too much encouragement should not be

given to outside refiners. The only group which threatened to grow to

large proportions, at this time, was in the Oil Regions, a group which

was the direct outgrowth of the compromise of 1880. As will be

remembered, the agreement with the Pennsylvania Railroad made then

stipulated that all rates should be open, and that if a rebate was given

to one shipper another could have it on demand. After the compromise the

Pennsylvania had undertaken again to stimulate the growth of independent

refineries, and several plants had been built in Titusville and Oil

City. Having removed the New York group from competition by the alliance

with the Tidewater it was Mr. Rockefeller’s business to make it as hard

as possible for the independents in the Oil Regions to do business, and

to do this he must make a contract with the Pennsylvania.

Moreover, when Mr. Rockefeller entered New Jersey with his seaboard

pipe-line, he had been obliged to cross the Pennsylvania Railroad. He

could not do so without the consent of the company, there being no free

pipe-line in the country. He accordingly had been obliged to make a

traffic arrangement with them to get his pipe through. A new arrangement

was now necessary in order to prevent competition, and in August, 1884,

a contract was signed, for “considerations mutually interchanged,” by

which the National Transit Company agreed to give to the Pennsylvania

Railroad twenty-six per cent. of “all petroleum brought to the Atlantic

seaboard by all existing carriers, whether rail or pipe, now engaged in

transporting such property, or which may hereafter engage in such

transportation in conjunction with the Transit Company’s pipes.” At the

same time that the Transit Company agreed to give the railroad this

amount of oil, it also signed an agreement to carry this oil for the

railroad on a sliding scale. When the open rate of the pipe-line was

forty cents to Philadelphia the railroad was to pay the company eight

cents—with each five cents difference, up or down, in the open rate,

there was to be one cent difference to the railroad, the Transit never

to receive less than six or more than ten cents.[90] Suppose, for

example, that the entire seaboard shipment of oil in the month ending

December 20, 1884, had been 1,000,000 barrels. 260,000 barrels belonged

to the Pennsylvania. If the Transit Company ran all the railroad’s

percentage it would get eight cents a barrel for the service, $20,800,

and it would pay the railroad $104,000 less $20,800, or $83,200. The

pipe-line probably never ran the whole amount. More or less refined

oil—naphtha, benzine, and other petroleum products—would necessarily go

by rail. Large sums were paid monthly by the National Transit, however,

to the railroad. Mr. Rockefeller seems to have been paying the

Pennsylvania Railroad this money not to compete with him as an oil

carrier. It would be difficult to find in our variegated commercial

history a more beautiful example of the beneficence of combination—to

those in the deal!

With the removal of danger of any competition by the Pennsylvania

Railroad, the transportation department of the Standard Oil Trust seems

to have been as nearly a perfect machine, both in efficiency and in its

monopolistic power, as ever has been devised. It was more perfect,

indeed, than the refining end of the trust, for independent refiners did

exist, and since 1880 they had been showing increasing vigour, whereas

there seemed now no opportunity for an independent pipe-line ever again

to develop. Who, with the Tidewater’s story in mind, would be bold

enough to attempt to reach the sea? For the time being, then, the

Standard Oil Company had things all its own way. It collected with its

ally, the Tidewater, practically the entire output of a great raw

product. It manufactured fully ninety per cent. of this product, and

aimed to manufacture 100 per cent. It was a common carrier, and so

obliged to deliver oil to rival refineries if they called for it, but

these refineries paid forty or forty-five cents for a service which cost

the Standard Oil Trust not over one-fourth of the sum.

Mr. Rockefeller had every reason to be satisfied with oil transportation

in 1884, but there was a part of the oil business which was not so

completely in his grasp. The markets of the country were still open.

There the few independent refiners who had escaped strangulation were

free to barter as they could. But the right to make all the oil in the

world, which Mr. Rockefeller claimed, carried with it the right to sell

all the oil the world consumed. The independent was therefore a poacher

in the market and must be driven out.

CHAPTER TEN

CUTTING TO KILL

ROCKEFELLER NOW PLANS TO ORGANISE OIL MARKETING AS HE HAD ALREADY

ORGANISED OIL TRANSPORTING AND REFINING—WONDERFULLY EFFICIENT AND

ECONOMICAL SYSTEM INSTALLED—CURIOUS PRACTICES INTRODUCED—REPORTS OF

COMPETITORS’ BUSINESS SECURED FROM RAILWAY AGENTS—COMPETITORS’

CLERKS SOMETIMES SECURED AS ALLIES—IN MANY INSTANCES FULL RECORDS OF

ALL OIL SHIPPED ARE GIVEN STANDARD BY RAILWAY AND STEAMSHIP

COMPANIES—THIS INFORMATION IS USED BY STANDARD TO FIGHT

COMPETITORS—COMPETITORS DRIVEN OUT BY UNDERSELLING—EVIDENCE FROM ALL

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STANDARD—STANDARD’S EXPLANATION OF THESE PRACTICES IS NOT

SATISFACTORY—PUBLIC DERIVES NO BENEFIT FROM TEMPORARY LOWERING OF

PRICES—PRICES MADE ABNORMALLY HIGH WHEN COMPETITION IS DESTROYED.

To know every detail of the oil trade, to be able to reach at any moment

its remotest point, to control even its weakest factor—this was John D.

Rockefeller’s ideal of doing business. It seemed to be an intellectual

necessity for him to be able to direct the course of any particular

gallon of oil from the moment it gushed from the earth until it went

into the lamp of a housewife. There must be nothing—\_nothing\_ in his

great machine he did not know to be working right. It was to complete

this ideal, to satisfy this necessity, that he undertook, late in the

seventies, to organise the oil markets of the world, as he had already

organised oil refining and oil transporting. Mr. Rockefeller was driven

to this new task of organisation not only by his own curious intellect;

he was driven to it by that thing so abhorrent to his mind—competition.

If, as he claimed, the oil business belonged to him, and if, as he had

announced, he was prepared to refine all the oil that men would consume,

it followed as a corollary that the markets of the world belonged to

him. In spite of his bold pretensions and his perfect organisation, a

few obstinate oil refiners still lived and persisted in doing business.

They were a fly in his ointment—a stick in his wonderful wheel. He must

get them out; otherwise the Great Purpose would be unrealised. And so,

while engaged in organising the world’s markets, he incidentally carried

on a campaign against those who dared intrude there.

When Mr. Rockefeller began to gather the oil markets into his hands he

had a task whose field was literally the world, for already, in 1871,

the year before he first appeared as an important factor in the oil

trade, refined oil was going into every civilised country of the globe.

Of the five and a half million barrels of crude oil produced that year,

the world used five millions, over three and a half of which went to

foreign lands. This was the market which had been built up in the first

ten years of business by the men who had developed the oil territory and

invented the processes of refining and transporting, and this was the

market, still further developed, of course, that Mr. Rockefeller

inherited when he succeeded in corralling the refining and transporting

of oil. It was this market he proceeded to organise.

[Illustration:

JOHN D. ROCKEFELLER IN 1880

FROM A PHOTOGRAPH BY SARONY

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The process of organisation seems to have been natural and highly

intelligent. The entire country was buying refined oil for illumination.

Many refiners had their own agents out looking for markets; others sold

to wholesale dealers, or jobbers, who placed trade with local dealers,

usually grocers. Mr. Rockefeller’s business was to replace independent

agents and jobbers by his own employees. The United States was mapped

out and agents appointed over these great divisions. Thus, a certain

portion of the Southwest—including Kansas, Missouri, Arkansas and

Texas—the Waters-Pierce Oil Company, of St. Louis, Missouri, had charge

of; a portion of the South—including Kentucky, Tennessee and

Mississippi—Chess, Carley and Company, of Louisville, Kentucky, had

charge of. These companies in turn divided their territory into

sections, and put the subdivisions in the charge of local agents. These

local agents had stations where oil was received and stored, and from

which they and their salesmen carried on their campaigns. This system,

inaugurated in the seventies, has been developed until now the Standard

Oil Company of each state has its own marketing department, whose

territory is divided and watched over in the above fashion. The entire

oil-buying territory of the country is thus covered by local agents

reporting to division headquarters. These report in turn to the head of

the state marketing department, and his reports go to the general

marketing headquarters in New York.

To those who know anything of the way in which Mr. Rockefeller does

business, it will go without saying that this marketing department was

conducted from the start with the greatest efficiency and economy. Its

aim was to make every local station as nearly perfect in its service as

it could be. The buyer must receive his oil promptly, in good condition,

and of the grade he desired. If a customer complained, the case received

prompt attention and the cause was found and corrected. He did not only

receive oil; he could have proper lamps and wicks and burners, and

directions about using them.

The local stations from which the dealer is served to-day are models of

their kind, and one can easily believe they have always been so. Oil,

even refined, is a difficult thing to handle without much disagreeable

odour and stain, but the local stations of the Standard Oil Company,

like its refineries, are kept orderly and clean by a rigid system of

inspection. Every two or three months an inspector goes through each

station and reports to headquarters on a multitude of details—whether

barrels are properly bunged, filled, stencilled, painted, glued; whether

tank wagons, buckets, faucets, pipes, are leaking; whether the glue

trough is clean, the ground around the tanks dry, the locks in good

condition; the horses properly cared for; the weeds cut in the yard. The

time the agent gets around in the morning and the time he takes for

lunch are reported. The prices he pays for feed for his horses, for

coal, for repairs, are noted. In fact, the condition of every local

station, at any given period, can be accurately known at marketing

headquarters, if desired. All of this tends, of course, to the greatest

economy and efficiency in the local agents.

But the Standard Oil agents were not sent into a territory back in the

seventies simply to sell all the oil they could by efficient service and

aggressive pushing; they were sent there to sell all the oil that was

bought. “The coal-oil business belongs to us,” was Mr. Rockefeller’s

motto, and from the beginning of his campaign in the markets his agents

accepted and acted on that principle. If a dealer bought but a barrel of

oil a year, it must be from Mr. Rockefeller. This ambition made it

necessary that the agents have accurate knowledge of all outside

transactions in oil, however small, made in their field. How was this

possible? The South Improvement scheme provided perfectly for this, for

it bound the railroad to send daily to the principal office of the

company reports of all oil shipped, the name of shipper, the quantity

and kind of oil, the name of consignee, with the destination and the

cost of freight.[91] Having such knowledge as this, an agent could

immediately locate each shipment of the independent refiner, and take

the proper steps to secure the trade. But the South Improvement scheme

never went into operation. It remained only as a beautiful ideal, to be

worked out as time and opportunity permitted. The exact process by which

this was done it is impossible to trace. The work was delicate and

involved operations of which it was wise for the operator to say

nothing. It is only certain that little by little a secret bureau for

securing information was built up until it is a fact that information

concerning the business of his competitors, almost as full as that which

Mr. Rockefeller hoped to get when he signed the South Improvement

Company contracts, is his to-day. Probably the best way to get an idea

of how Mr. Rockefeller built up this department, as well as others of

his marketing bureau, is to examine it as it stands to-day. First, then,

as to the methods of securing information which are in operation.

Naturally and properly the local agents of the Standard Oil Company are

watchful of the condition of competition in their districts, and

naturally and properly they report what they learn. “We ask our salesmen

and our agents to keep their eyes open and keep us informed of the

situation in their respective fields,” a Standard agent told the

Industrial Commission in 1898. “We ask our agents, as they visit the

trade, to make reports to us of whom the different parties are buying;

principally to know whether our agents are attending to their business

or not. If they are letting too much business get away from them, it

looks as if they were not attending to their business. They get it from

what they see as they go around selling goods.” But there is no such

generality about this part of the agent’s or salesman’s business as this

statement would lead one to believe. As a matter of fact it is a

thoroughly scientific operation. The gentleman who made the above

statement, for instance, sends his local agents a blank like the

following to be made out each month:

[Illustration:

EXHIBIT “B—R.”[92]

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The local agent gets the information to fill out such a report in

various ways. He questions the dealers closely. He watches the railway

freight stations. He interviews everybody in any way connected with the

handling of oil in his territory. All of which may be proper enough.

When, in the early eighties, Howard Page, of the Standard Oil Company,

was in charge of the Standard shipping department in Kentucky, his

agents visited the depots once a day to see what oil arrived there from

independent shippers. A record of these shipments was made and reported

monthly to Mr. Page. He was able to tell the Interstate Commerce

Commission, in 1887, almost exactly what his rivals had been shipping by

rail and by river. Mr. Page claimed that his agents had no special

privileges; that anybody’s agents would have been allowed to examine the

incoming cars, note the consignor, contents and consignee. It did not

appear in the examination, however, that anybody but Mr. Page had sent

agents to do such a thing. The Waters-Pierce Oil Company, of St. Louis,

once paid one of its Texas agents this unique compliment: “We are glad

to know you are on such good terms with the railroad people that Mr.

Clem (an agent handling independent oil) gains nothing by marking his

shipments by numbers instead of names.” In the same letter the writer

said: “Would be glad to have you advise us when Clem’s first two tanks

have been emptied and returned, also the second two to which you refer

as having been in the yard nine and sixteen days, that we may know how

long they have been held in Dallas. The movement of tank cars enters

into the cost of oil, so it is necessary to have this information that

we may know what we are competing with.”[93]

The superior receiving the filled blanks carefully follows them by

letters of instructions and inquiries, himself keeping track of each

dealer, however insignificant, in the local agent’s territory, and when

one out of line has been brought in, never failing to compliment his

subordinate. But however diligent the agent may be in keeping his eyes

open, however he may be stirred to activity by the prodding and

compliments of his superiors, it is of course out of the question that

he get anything like the full information the South Improvement scheme

insured. What he is able to do is supplemented by a system which

compares very favourably with that famous scheme and which undoubtedly

was suggested by it. For many years independent refiners have declared

that the details of their shipments were leaking regularly from their

own employees or from clerks in freight offices. At every investigation

made these declarations have been repeated and occasional proof has been

offered; for instance, a Cleveland refiner, John Teagle, testified in

1888 to the Congressional Committee that one day in 1883 his bookkeeper

came to him and told him that he had been approached by a brother of the

secretary of the Standard Oil Company at Cleveland, who had asked him if

he did not wish to make some money. The bookkeeper asked how, and after

some talk he was informed that it would be by his giving information

concerning the business of his firm to the Standard. The bookkeeper

seems to have been a wary fellow, for he dismissed his interlocutor

without arousing suspicion and then took the case to Mr. Teagle, who

asked him to make some kind of an arrangement in order to find out just

what information the Standard wanted. The man did this. For twenty-five

dollars down and a small sum per year he was to make a transcript of Mr.

Teagle’s daily shipments with net price received for the same; he was to

tell what the cost of manufacturing in the refinery was; the amount of

gasoline and naphtha made and the net price received for them; what was

done with the tar; and what percentage of different grades of oil was

made; also how much oil was exported. This information was to be mailed

regularly to Box 164 of the Cleveland post-office. Mr. Teagle, who at

that moment was hot on the tracks of the Standard in the courts, got an

affidavit from the bookkeeper. This he took with the money which the

clerk had received to the secretary of the Standard Oil Company and

charged him with bribery. At first the gentleman denied having any

knowledge of the matter, but he finally confessed and even took back the

money. Mr. Teagle then gave the whole story to the newspapers, where it

of course made much noise.

Several gentlemen testified before the recent Industrial Commission to

the belief that their business was under the constant espionage of the

Standard Oil Company. Theodore Westgate, an oil refiner of Titusville,

told the Commission that all of his shipments were watched. The

inference from his testimony was that the Standard Oil Company received

reports direct from the freight houses. Lewis Emery, Jr., of Bradford, a

lifelong contestant of the Standard, declared that he knew his business

was followed now in the same way as it was in 1872 under the South

Improvement Company contract. He gave one or two instances from his own

business experience to justify his statements, and he added that he

could give many others if necessary. Mr. Gall, of Montreal, Canada,

declared that these same methods were in operation in Canada. “When our

tank-cars come in,” Mr. Gall told the Commission, “the Standard Oil

Company have a habit of sending their men, opening a tank-car, and

taking a sample out to see what it contains.” Mr. Gall declared that he

knew this a long time before he was able to get proof of it. He declared

that they knew the number of cars that he shipped and the place to which

they went, and that it was their habit to send salesmen after every

shipment. Mrs. G. C. Butts, a daughter of George Rice, an independent

refiner of Marietta, Ohio, told the Ohio Senate Committee which

investigated trusts in 1898 that a railroad agent of their town had

notified them that he had been approached by a Standard representative

who asked him for a full report of all independent shipments, to whom

and where going. The agent refused, but, said Mrs. Butts: “We found out

later that someone was giving them this information and that it was

being given right from our own works.... A party writing us from the

Waters-Pierce office wrote that we had no idea of the network of

detectives, generally railroad agents, that his company kept, and that

everything that we or our agents said or did was reported back to the

managers through a regular network of detectives who were agents of the

railroads and oil company as well.”

But while the proofs the independents have offered of their charges show

that such leaks have occurred at intervals all over the country, they do

not show anything like a regular system of collecting information

through this channel. From the evidence one would be justified in

believing that the cases were rare, occurring only when a not over-nice

Standard manager got into hot competition with a rival and prevailed

upon a freight agent to give him information to help in his fight. In

1903, however, the writer came into possession of a large mass of

documents of unquestionable authenticity, bearing out all and more than

the independents charge. They show that the Standard Oil Company

receives regularly to-day, at least from the railroads and steamship

lines represented in these papers, information of \_all\_ oil shipped. A

study of these papers shows beyond question that somebody having access

to the books of the freight offices records regularly each oil shipment

passing the office—the names of consignor and consignee, the addresses

of each, and the quantity and kind of oil are given in each case. This

record is made out usually on a sheet of blank paper, though

occasionally the recorder has been indiscreet enough to use the railroad

company’s stationery. The reports are evidently intended not to be

signed, though there are cases in the documents where the name of the

sender has been signed and erased; in one case a printed head bearing

the name of the freight agent had been used. The name had been cut out,

but so carelessly that it was easy to identify him. These reports had

evidently been sent to the office of the Standard Oil Company, where

they had received a careful examination, and the information they

contained had been classified. Wherever the shipment entered was from

one of the distributing stations of the Standard Oil Company, a line was

drawn through it, or it was checked off in some way. In every other case

in the mass of reports there was written, opposite the name of the

consignee, the name of a person \_known\_ to be a Standard agent or

salesman in the territory where the shipment had gone.

Now what is this for? Copies of letters and telegrams accompanying the

reports show that as soon as a particular report had reached Standard

headquarters and it was known that a carload, or even a barrel, of

independent oil was on its way to a dealer, the Standard agent whose

name was written after the shipment on the record had been notified. “If

you can stop car going to X, authorise rebate to Z (name of dealer) of

three-quarters cent per gallon,” one of the telegrams reads. There is

plenty of evidence to show how an agent receiving such information

“stops” the oil. He \_persuades\_ the dealer to countermand the order.

George Rice, when before the House Committee on Manufactures in 1888,

presented a number of telegrams as samples of his experience in having

orders countermanded in Texas. Four of these were sent on the same day

from different dealers in the same town, San Angelo. Mr. Rice

investigated the cause, and, by letters from the various firms, learned

that the Standard agent had been around “threatening the trade that if

they bought of me they would not sell them any more,” as he put it.

Mrs. Butts in her testimony in 1898 said that her firm had a customer in

New Orleans to whom they had been selling from 500 to 1,000 barrels a

month, and that the Standard representative made a contract with him to

pay him $10,000 a year for five years to stop handling the independent

oil and take Standard oil! Mrs. Butts offered as evidence of a similar

transaction in Texas the following letter:

“LOCKHART, TEXAS, November 30, 1894.

“Mr. Keenan, who is with the Waters-Pierce people at Galveston, has

made us several visits and made us propositions of all kinds to get

us out of the business. Among others, he offered to pay us a monthly

salary if we would quit selling oil and let them have full control

of the trade, and insisted that we name a figure that we would take

and get out of the business, and also threatened that if we did not

accept his proposition they would cut prices below what oil cost us

and force us out of business. We asked him the question, should we

accept his proposition, would they continue to sell oil as cheap as

we were then selling it, and he stated most positively that they

would advance the price at once should they succeed in destroying

competition.

“J. S. LEWIS AND COMPANY.”

In the Ohio Investigation of 1898 John Teagle, of Cleveland, being upon

his oath, said that his firm had had great difficulty in getting goods

accepted because the Standard agents would persuade the dealers to

cancel the orders. “They would have their local man, or some other man,

call upon the trade and use their influence and talk lower prices, or

make a lower retail price, or something to convince them that they’d

better not take our oil, and, I suppose, to buy theirs.” Mr. Teagle

presented the following letter, signed by a Standard representative,

explaining such a countermand:

“DES MOINES, IOWA, January 14, 1891.

“JOHN FOWLER,

Hampton, Iowa.

“\_Dear Sir\_:—Our Marshalltown manager, Mr. Ruth, has explained the

circumstances regarding the purchase and subsequent countermand of a

car of oil from our competitors. He desires to have us express to

you our promise that we will stand all expense provided there should

be any trouble growing out of the countermand of this car. We

cheerfully promise to do this; we have the best legal advice which

can be obtained in Iowa, bearing on the points in this case. An

order can be countermanded either before or after the goods have

been shipped, and, in fact, can be countermanded even if the goods

have already arrived and are at the depot. A firm is absolutely

obliged to accept a countermand. The fact that the order has been

signed does not make any difference. We want you to absolutely

refuse, under any circumstances, to accept the car of oil. We are

standing back of you in this matter, and will protect you in every

way, and would kindly ask you to keep this letter strictly

confidential....

“Yours truly, E. P. PRATT.”

Peter Shull, of the Independent Oil Company of Mansfield, Ohio,

testified before the same committee to experiences similar to those of

Mr. Teagle.

“If I put a man on the road to sell goods for me,” said Mr. Shull, “and

he takes orders to the amount of 200 to 300 barrels a week, before I am

able to ship these goods possibly, the Standard Oil Company has gone

there and compelled those people to countermand those orders under a

threat that, if they don’t countermand them, they will put the price of

oil down to such a price that they cannot afford to handle the goods.”

In support of his assertion Mr. Shull offered letters from firms he has

been dealing with. The following citations show the character of them:

“TIFFIN, OHIO, February 1, 1898.

“INDEPENDENT OIL COMPANY,

Mansfield, Ohio.

“\_Dear Sirs\_:—The Standard Oil Company, after your man was here, had

the cheek to come in and ask how many barrels of oil we bought and

so forth, then asked us to countermand the order, saying it would be

for our best; we understand they have put their oil in our next door

and offer it at six cents per gallon, at retail. Shall we turn tail

or show them fight? If so, will you help us out any?...

“Yours truly,

“TALBOTT AND SON.”

“TIFFIN, OHIO, January 24, 1898.

“INDEPENDENT OIL COMPANY.

“\_Dear Sirs\_: ... I am sorry to say that a Standard Oil man from

your city followed that oil car and oil to my place, and told me

that he would not let me make a dollar on that oil, and was dogging

me around for two days to buy that oil, and made all kinds of

threats and talked to my people of the house while I was out, and

persuaded me to sell, and I was in a stew what I should do, but I

yielded and I have been very sorry for it since. I thought I would

hate to see the bottom knocked out of the prices, but that is why I

did it—the only reason. The oil was all right. I now see the

mistake, and that is of getting a carload—two carloads coming in

here inside of a week is more than the other company will stand....

“Yours truly,

“H. A. EIRICK.”

In case the agent cannot persuade the dealer to countermand his order,

more strenuous measures are applied. The letters quoted above hint at

what they will be. Many letters have been presented by witnesses under

oath in various investigations showing that Standard Oil agents in all

parts of the country have found it necessary for the last twenty-five

years to act at times as these letters threaten. One of the most

aggressive of these campaigns waged at the beginning of this war of

exterminating independent dealers was by the Standard marketing agent at

Louisville, Kentucky—Chess, Carley and Company. This concern claimed a

large section of the South as its territory. George Rice, of Marietta,

Ohio, had been in this field for eight or ten years, having many regular

customers. It became Chess, Carley and Company’s business to secure

these customers and to prevent his getting others. Mr. Rice was

handicapped to begin with by railroad discrimination. He was never able

to secure the rates of his big rival on any of the Southern roads. In

1888 the Interstate Commerce Commission examined his complaints against

eight different Southern and Western roads, and found that no one of

them treated him with “relative justice.” Railroad discriminations were

not sufficient to drive him out of the Southwest, however, and a war of

prices was begun. According to the letters Mr. Rice himself has

presented he certainly in some cases began the cutting, as he could well

afford to do. For instance, Chess, Carley and Company were selling

water-white oil in September, 1880, in Clarksville, Tennessee, at

twenty-one cents a gallon delivered in carloads—export oil was selling

in barrels in New York at that date at 10⅝ cents a gallon. Rice’s agent

offered at eighteen cents. The dealer to whom he made the offer,

Armstrong by name, wished to accept, but as he had been buying of Chess,

Carley and Company, went first to see them about the matter. He came

back “scared almost out of his boots,” wrote the agent to Rice.

“Carley told him he would break him up if he bought oil of anyone

else; that the Standard Company had authorised him to spend $10,000

to break up any concern that bought oil from anyone else; that he

(Carley) would put all his drummers in the field to hunt up

Armstrong’s customers and sell his customers groceries at five per

cent. below Armstrong’s prices, and turn all Armstrong’s trade over

to Moore, Bremaker and Company, and settle with Moore, Bremaker and

Company for their losses in helping to break Armstrong up, every

thirty days.

“That if Armstrong sent any other oil to Clarksville, Tennessee, he

(Carley) would put the price of oil so low in Clarksville as to make

the party lose heavily, and that they (the Standard) would break up

anyone that would sell him (Armstrong) oil, and that he (Carley) had

told Stege and Reiling the same thing. Did you ever? What do you

think of that?”

[Illustration]

Very soon after this, Chess, Carley and Company took in hand a Nashville

firm, Wilkinson and Company, which was buying of Rice. “It is with great

reluctance,” they wrote, “that we undertake serious competition with any

one, \_and certainly this competition will not be confined to coal-oil or

any one article, and will not be limited to any one year\_. We always

stand ready to make reasonable arrangements with any one who chooses to

appear in our line of business, and it will be unlike anything we have

done heretofore if we permit any one to force us into an arrangement

which is not reasonable. Any loss, however great, is better to us than a

record of this kind.” And four days later they wrote: “If you continue

to bring on the oil, it will simply force us to cut down our price, and

no other course is left to us but the one we have intimated.” Wilkinson

and Company seem to have stuck to Rice’s oil, for sixteen months later,

we find Chess, Carley and Company calling on the agent of a railroad,

which already was giving the Standard discriminating rates, to help in

the fight.

The screw was turned, Mr. Rice affirms, his rate being raised fifty per

cent. in five days.

Rice carried on his fight for a market in the most aggressive way, and

everywhere he met disastrous competition. In 1892 he published a large

pamphlet of documents illustrating Standard methods, in which he

included citations from some seventy letters from dealers in Texas,

received by him between 1881 and 1889, showing the kind of competition

his oil met there from the Waters-Pierce Oil Company, the Standard’s

Texas agents. A dozen sentences, from as many different towns, will show

the character of them all:

“I have had wonderful competition on this car. As soon as my car

arrived the Waters-Pierce Oil Company, who has an agent here,

slapped the price down to $1.80 per case 110.”

“... Oil was selling at this point for $2.50 per case, and as soon

as your car arrived it was put down to $1.50, which it is selling at

to-day.”

“The Waters-Pierce Oil Company reduced their prices on Brilliant oil

from $2.60 to $1.50 per case and is waging a fierce war.”

“Waters-Pierce Oil Company has our state by the throat and we would

like to be extricated.”

“I would like to handle your oil if I could be protected against the

Waters-Pierce Oil Company. I am afraid if I would buy a car of oil

from you this company would put the oil way below what I pay and

make me lose big money. I can handle your oil in large quantities if

you would protect me against them.”

“The Waters-Pierce Oil Company has cut the stuffing out of coal-oil

and have been ever since I got in my last car. They put the price to

the merchants at $1.80 per case.”

“We have your quotations on oil. While they are much lower than what

we pay, yet unless a carload could be engaged it would pay no firm

to try and handle, as Waters-Pierce Oil Company would cut below cost

on same.”

“The day your oil arrived here, their agent went to all my customers

and offered their Eupion oil at ten cents per gallon in barrels and

$1.50 per case, and lower grades in proportion, and told them if

they did not refuse to take the oil he would not sell them any more

at any price, and that he was going to run me out of the business,

and then they would be at his mercy.”

“Now we think Waters-Pierce Oil Company have been getting too high a

price for their oil. They are able and do furnish almost this entire

state with oil. They cut prices to such an extent when any other oil

is offered in this state that they force the parties handling the

oil to abandon the trade.”

“Trace and hurry up car of oil shipped by you. We learn it is

possible that your oil is side-tracked on the line, that

Waters-Pierce might get in their work.”

“If we were to buy a car or more, the Waters-Pierce Oil Company

would manage to sell a little cheaper than we could, and continue

doing so until they busted me up.”

“In regard to oil, we are about out now, and Waters-Pierce have put

their oil up again and quote us at the old price.”

“Jobbers say when they take hold of another oil they are at once

boycotted by Waters-Pierce Oil Company, who not only refuse to sell

them, but put oil below what they pay for it, and thus knock them

out of the oil trade, unless they sell at a loss.”

“If I find that I can handle your oil in Texas without being run out

and losing money by this infernal corporation, the Waters-Pierce Oil

Company, I want to arrange with you to handle it extensively. I

received verbal notice this morning from their agent that they would

make it hot for me when my oil got here.”

Mr. Rice claims, in his preface to the collection of letters here quoted

from, that he has hundreds of similar ones from different states in the

Union, and the writer asked to examine them. The package of documents

submitted in reply to this request was made up literally of hundreds of

letters. They came from twelve different states, and show everywhere the

same competitive method—cutting to kill. One thing very noticeable in

these letters is the indignation of the dealers at the Standard methods

of securing trade. They resent threats. They complain that the Standard

agents “nose” about their premises, that they ask impudent questions,

and that they generally make the trade disgusting and humiliating. In

Mississippi, in the eighties, the indignation of the small dealers

against Chess, Carley and Company was so strong that they formed

associations binding themselves not to deal with them.

These same tactics have been kept up in the Southwest ever since. A

letter, dated April 28, 1891, from the vice-president of the

Waters-Pierce Oil Company, A. M. Finlay, to his agent at Dallas, Texas,

says bluntly: “We want to make the prices at Dallas and in the

neighbourhood on Brilliant and water-white oil, that will prevent Clem

(an independent dealer) from doing any business.” And Mr. Finlay adds:

“Hope you will make it a point to be present at the next meeting of the

city council, to-morrow night, and do everything possible to prevent

granting a permit to build within the city limits, unless building

similar to ours is constructed, for it would not be fair to us to allow

someone else to put up constructions for the storage of oil, when they

had compelled us to put up such an expensive building as we have.”[94]

Mr. Rice is not the only independent oil dealer who has produced similar

testimony. Mr. Teagle and Mr. Shull, in Ohio, have furnished

considerable. “The reason we quit taking your oil is this,” wrote a

Kansas dealer to Scofield, Shurmer and Teagle, in 1896: “The Standard

Oil Company notified us that if we continued handling your oil they

would cut the oil to ten cents retail, and that we could not afford to

do, and for that reason we are forced to take their oil or do business

for nothing or at a loss.” “The Standard agent has repeatedly told me

that if I continued buying oil and gasoline from your wagon,” wrote an

Ohio dealer to the same firm in 1897, “they would have it retailed here

for less than I could buy. I paid no attention to him, but yesterday

their agent was here and asked me decidedly if I would continue buying

oil and gasoline from your wagon. I told him I would do so; then he went

and made arrangements with the dealers that handle their oil and

gasoline to retail it for seven cents.”

Mr. Shull summed up his testimony before the same committee to which Mr.

Teagle gave the above, by declaring: “You take $10,000 and go into the

business and I will guarantee you won’t be in business ninety days.

Their motto is that anybody going into the oil business in opposition to

them they will make life a burden to him. That is about as near as you

can get to it.”

Considerable testimony of the same sort of practices was offered in the

recent “hearing before the Industrial Commission,” most of it general in

character. The most significant special case was offered by Mr.

Westgate, the treasurer of the American Oil Works, an independent

refinery of Titusville, Pennsylvania.

The American Oil Works, it seems, were in 1894 shipping oil called

“Sunlight” in barrels to South Bend, Washington. This was in the

territory of the Standard agents at Portland, Oregon, one of whom wrote

to a South Bend dealer when he heard of the intrusion: “We will state

for your information that never a drop of oil has reached South Bend of

better quality than what we have always shipped into that territory.

They can name it ‘Sunlight,’ ‘Moonlight,’ or ‘Starlight,’ it makes no

difference. You can rest assured if another carload of ‘Sunlight’

arrives at your place, it will be sold very cheap. We do not purpose to

allow another carload to come into that territory unless it comes and is

put on the market at one-half its actual cost. You can convey this idea

to the young man who imported the carload of ‘Sunlight’ oil.”

When John D. Archbold, of the Standard Oil Company, had his attention

called to this letter by Professor Jenks, of the Industrial Commission,

Mr. Archbold characterised the letter as “a foolish statement by a

foolish and unwise man” and promised to investigate it. Later he

presented the commission with an explanation from the superior of the

agent, who declared that the writer of the letter did not have any

authority to say that oil would be sold on the basis mentioned. “The

letter,” he continued, “was intended to be written in a jocular manner

to deny a claim that he was selling oil inferior in quality to that sold

by others.” It is hard for the mere outsider to catch the jocularity of

the letter, and it must have been much more difficult for the dealer who

received it to appreciate it.

Independent oil dealers of the present day complain bitterly of a rather

novel way employed by the Standard for bringing into line dealers whose

prejudices against buying from them are too strong to be overcome by the

above methods. This is through what are called “bogus” oil companies.

The obdurate dealer is approached by the agent of a new independent

concern, call it the A B C Oil Company, for illustration. The agent

seeks trade on the ground that he represents an independent concern and

that he can sell at lower prices than the firm from which the dealer is

buying. Gradually he works his way into the independent’s trade. As a

matter of fact, the new company is merely a Standard jobbing house which

makes no oil, and which conceals its real identity under a misleading

name. The mass of reports from railroad freight offices quoted from in

this article corroborate this claim of the independents. The A B C Oil

Company is mentioned again and again as shipping oil, and in the audited

reports it is always checked off in the same fashion as the known

Standard companies, and none of its shipments is referred to Standard

agents. Independents all over the country tell of loss of markets

through underselling by these “bogus” companies. The lower price which a

supposedly independent concern gives to a dealer who will not, under any

condition, buy of the Standard, need not demoralise the Standard trade

in the vicinity if the concession is made with caution. After the trade

is secure, that is, after the genuine independent is ousted, the

masquerading concern always finds itself obliged to advance prices. When

the true identity of such a company becomes known its usefulness

naturally is impaired, and it withdraws from the field and a new one

takes its place.

There is never a dealer in oil too small to have applied the above

methods of competition. In recent years they have frequently been

applied even to oil peddlers. In a good many towns of the country oil is

sold from door to door by men whose whole stock in trade is their

peddling wagons. Many of these oil peddlers build up a good trade. As a

rule they sell Standard oil. Let one take independent oil, however, and

the case is at once reported. His customers are located and at once

approached by a Standard tank-wagon man, who frequently, it is said, not

only sells at a lower price than they have been paying, but even goes so

far as to clean and fill the lamps! In these raids on peddlers of

independent oil, refined oil has been sold in different cities at the

doors of consumers at less than crude oil was bringing at the wells, and

several cents per gallon less than it was selling to wholesale dealers

in refined. It is claimed by independents that at the present time the

“bogus” companies generally manage this matter of driving out peddlers,

thus saving the Standard the unpopularity of the act and the

dissatisfaction of the rise in price which, of course, follows as soon

as the trade is secured.

The general explanation of these competitive methods which the Standard

officials have offered, is that they originate with “over-zealous”

employees and are disapproved of promptly if brought to the attention of

the heads of the house. The cases seem rather too universal for such an

explanation to be entirely satisfactory. Certainly the system of

collecting information concerning competitive business is not practised

by the exceptional “over-zealous” employee, but is a recognised

department of the Standard Oil Company’s business. In the mass of

documents from which the reports of oil shipments referred to above were

drawn, are certain papers showing that the system is nearly enough

universal to call for elaborate and expensive bookkeeping at the

headquarters of each Standard marketing division. For instance, on the

next page is a fragment illustrating the page of a book kept at such a

headquarters.

What does this show? Simply that every day the reports received from

railroad freight agents are entered in records kept for the purpose;

that there is on file at the Standard Oil headquarters a detailed list

of the daily shipments which each independent refiner sends out, even to

the initials and number on the car in which the shipment goes. From this

remarkable record the same set of documents shows that at least two sets

of reports are made up. One is a report of the annual volume of business

being done by each particular independent refiner or wholesale jobber,

the other of the business of each individual local dealer, so far as the

detectives of the Standard have been able to locate it. For instance,

among the documents is the report on a well-known oil jobbing house in

one of the big cities of the country—reproduced on the next page.

[Illustration:

The figures, dates, consignees and destination on the above are

fictitious. The names of shippers were copied from the original in

possession of the writer.

]

A comparison of this report with the firm’s own accounts shows that the

Standard came within a small per cent. of an accurate estimate of the X

Y Z’s business.

[Illustration:

The above is similar to the form compiled by the Standard Oil Company.

]

Another curious use made of these reports from the freight offices is

forming a card catalogue of local dealers. (See form on page 55.) Oil is

usually sold at retail by grocers. It is with them that the local agents

deal. Now the daily reports from the freight offices show the oil they

receive. The competition reports from local agents also give more or

less information concerning their business. A card is made out for each

of them, tabulating the date on which he received oil, the name and

location of the dealer he got it from, the quality, and the price he

sells at. In a space left for remarks on the card there is written in

red ink any general information about the dealer the agent may have

picked up. Often there is an explanation of why the man does not buy

Standard oil—not infrequently this explanation reads: “Is opposed to

monopolies.” It is impossible to say from documentary evidence how long

such a card catalogue has been kept by the Standard; that it has been a

practice for at least twenty-five years the following quotation from a

letter written in 1903 by a prominent Standard official in the Southwest

to one of his agents shows: “Where competition exists,” says the

official, “it has been our custom to keep a record of each merchant’s

daily purchase of bulk oil; and I know of one town at least in the

Southern Texas Division where that record has been kept, whether there

was competition or not, for the past fifteen years.”[95]

[Illustration:

The names, figures, and locations on the above form are fictitious.

The remarks are copied from cards in possession of the writer.

]

The inference from this system of “keeping the eyes open” is that the

Standard Oil Company knows practically where every barrel shipped by

every independent dealer goes; and where every barrel bought by every

corner-grocer from Maine to California comes from. The documents from

which the writer draws the inference do not, to be sure, cover the

entire country, but they do cover in detail many different states, and

enough is known of the Standard’s competitive methods in states outside

this territory to justify one in believing that the system of gathering

information is in use everywhere. That it is a perfect system is

improbable. Bribery is not as dangerous business in this country as it

deserves to be—of course nothing but a bribe would induce a clerk to

give up such information as these daily reports contain—but, happily,

such is the force of tradition that even those who have practised it for

a long time shrink from discovery. It is one of those political and

business practices which are only respectable when concealed. Naturally,

then, the above system of gathering information must be handled with

care, and can never have the same perfection as that Mr. Rockefeller

expected when he signed the South Improvement Company charter.

The moral effect of this system on employees is even a more serious

feature of the case than the injustice it works to competition. For a

“consideration” railroad freight clerks give confidential information

concerning freight going through their hands. It would certainly be

quite as legitimate for post-office clerks to allow Mr. Rockefeller to

read the private letters of his competitors, as it is that the clerks of

a railroad give him data concerning their shipments. Everybody through

whose hands such information passes is contaminated by the knowledge. To

be a factor, though even so small a one, in such a transaction, blunts

one’s sense of right and fairness. The effect on the local Standard

agent cannot but be demoralising. Prodded constantly by letters and

telegrams from superiors to secure the countermand of independent oil,

confronted by statements of the amount of sales which have gotten away

from him, information he knows only too well to have been secured by

underhand means, obliged to explain why he cannot get this or that trade

away from a rival salesman, he sinks into habits of bullying and

wheedling utterly inconsistent with self-respect. “Is there nothing you

independents can do to prevent our people finding out who you sell to?”

an independent dealer reports a hunted Standard agent asking him. “My

life is made miserable by the pressure brought on to chase up your

sales. I don’t like such business. It isn’t right, but what can I do?”

The system results every now and then, naturally enough, in flagrant

cases of bribing employees of the independents themselves. Where the

freight office does not yield the information, the rival’s own office

may, and certainly if it is legitimate to get it from one place it is

from the other. It is not an unusual thing for independent refiners to

discharge a man whom they have reason to believe gives confidential

information to the Standard. An outrageous case of this, which occurred

some ten years ago, is contained in an affidavit which has been recently

put at the writer’s disposition. It seems that in 1892 the Lewis Emery

Oil Company, an independent selling concern in Philadelphia, employed a

man by the name of Buckley. This man was discharged, and in September of

that year he went into the employ of the leading Standard refinery of

Philadelphia, a concern known as the Atlantic Refining Company.

According to the affidavit made by this man Buckley, the managers of the

Standard concern, some time in February, 1893, engaged him in

conversation about affairs of his late employer. They said that if they

could only find out the names of the persons to whom their rival sold,

and for what prices, they could soon run him out of business! And they

asked Buckley if he could not get the information for them. After some

discussion, one of the Standard managers said: “What’s the matter with

the nigger?” alluding to a coloured boy in the employment of the Lewis

Emery concern. Buckley told them that he would try him. “You can tell

the nigger,” said one of the men, “that he needn’t be afraid, because if

he loses his position there’s a position here for him.”

Buckley saw the negro and made a proposition to him. The boy agreed to

furnish the information for a price. “Starting from February, 1893,”

says Mr. Buckley, “and lasting up to about August of the same year, this

boy furnished me periodically with the daily shipments of the Lewis

Emery concern, which I took and handed personally, sometimes to one and

sometimes to the other manager. They took copies of them, and usually

returned the originals.” The negro also brought what is known as the

price-book to Buckley, and a complete copy of this was made by the

Standard managers. “In short,” says Mr. Buckley in his affidavit, “I

obtained from the negro all the inside facts concerning the Lewis Emery

Oil Company’s business, and I furnished them all to the Standard

managers.” In return for this information the negro lad was paid various

sums, amounting in all to about ninety dollars. Buckley says that they

were charged upon the Standard books to “Special Expenses.” The

transaction was ended by the discharge of the coloured boy by the Lewis

Emery concern.

The dénouement of this case is tragic enough. The concern was finally

driven out of business by these and similar tactics, so Mr. Emery and

his partner both affirm. The negro was never taken into the Atlantic

Refinery, and Buckley soon after lost his position, as he of course

richly deserved to. A man who shows himself traitorous, lying, thieving,

even for the “good of the oil business,” is never kept long in the

employment of the Standard Oil Company. It is notorious in the Oil

Regions that the people who “sell” to the Standard are never given

responsible positions. They may be shifted around to do “dirty work,” as

the Oil Regions phrase goes, but they are pariahs in the concern. Mr.

Rockefeller knows as well as any man ever did the vital necessity of

honesty in an organisation, and the Buckleys and negroes who bring him

secret intelligence never get anything but money and contempt for their

pains.

For the general public, absorbed chiefly in the question, “How does all

this affect what we are paying for oil?” the chief point of interest in

the marketing contests is that, after they were over, the price of oil

has always gone back with a jerk to the point where it was when the

cutting began, and not infrequently it has gone higher—the public pays.

Several of the letters already quoted in this chapter show the immediate

recoil of the market to higher prices with the removal of competition. A

table was prepared in 1892 to show the effect of competition on the

price of oil in various states of the Union. The results were startling.

In California, oil which sold at non-competitive points at 26½ cents a

gallon, at competitive points brought 17½ cents. In Denver, Colorado,

there was an “Oil War” on in the spring of 1892, and the same oil which

was selling at Montrose and Garrison at twenty-five cents a gallon, in

Denver sold at seven cents. This competition finally killed opposition

and Denver thereafter paid twenty-five cents. The profits on this price

were certainly great enough to call for competition. The same oil which

was sold in Colorado in the spring of 1892 at twenty-five cents, sold in

New York for exportation at 6.10 cents. Of course the freight rates to

Colorado were high, the open rate was said to be nine cents a gallon,

but that it cost the Standard Oil Company nine cents a gallon to get its

oil there, one would have to have documentary proof to believe, and,

even if it did, there was still some ten cents profit on a gallon—five

dollars on a barrel. In Kansas, at this time, the difference between the

price at competitive and non-competitive points was seven cents; in

Indiana six cents; in South Carolina four and one-half cents.[96]

In 1897 Scofield, Shurmer and Teagle, of Cleveland, prepared a circular

showing the difference between prices at competitive and non-competitive

points in Ohio, and sent it out to the trade. According to this circular

the public paid from 25 to 33⅓ per cent. more where there was no

competition. The fact that oil is cheaper where there is competition,

and also that the public has to pay the cost of the expensive “Oil Wars”

which have been carried on so constantly for the last twenty-five years

all over the country, is coming to be recognised, especially in the

Middle West of this country, by both dealers and communities. There is

no question that the attempts of Standard agents to persuade or bully

dealers into countermanding orders, or giving up an independent with

whose oil they are satisfied, meet with much less general success than

they once did. It even happens now and then that communities who have

had experience with “Oil Wars” will stand by an independent dealer for

months at a time, resisting even the temptation to have their lamps

cleaned and filled at next to nothing.

Briefly put, then, the conclusion, from a careful examination of the

testimony on Standard competitive methods, is this:

The marketing department of the Standard Oil Company is organised to

cover the entire country, and aims to sell all the oil sold in each of

its divisions. To forestall or meet competition it has organised an

elaborate secret service for locating the quantity, quality, and selling

price of independent shipments. Having located an order for independent

oil with a dealer, it persuades him, if possible, to countermand the

order. If this is impossible, it threatens “predatory competition,” that

is, to sell at cost or less, until the rival is worn out. If the dealer

still is obstinate, it institutes an “Oil War.” In late years the

cutting and the “Oil Wars” are often intrusted to so-called “bogus”

companies, who retire when the real independent is put out of the way.

In later years the Standard has been more cautious about beginning

underselling than formerly, though if a rival offered oil at a less

price than it had been getting—and generally even small refineries can

contrive to sell below the non-competitive prices of the Standard—it

does not hesitate to consider the lower price a declaration of war and

to drop its prices and keep them down until the rival is out of the way.

The price then goes back to the former figure or higher. John D.

Archbold’s testimony before the Industrial Commission in 1898

practically confirms the above conclusion. Mr. Archbold said that the

Standard was in the habit of fighting vigorously to hold and advance its

trade—even to the extent of holding prices down to cost until the rival

gives way—though he declared it to be his opinion that the history of

the company’s transactions would show that the competitor forces the

fight. Mr. Archbold told the commission that he personally believed it

was not advisable to sell below cost for the sake of freezing out a

smaller rival, save in “greatly aggravated cases,” though he admitted

the Standard sometimes did it. The trouble is that, accepting Mr.

Rockefeller’s foundation principle that the oil business belongs to him,

any competition is “an aggravated case.” All that is reassuring in the

situation has come from the obstinate stand of individuals—the refiners

who insisted on doing an independent business, on the theory that “this

is a free country”; the grocers who resented the prying and bullying of

Standard agents, and asserted their right to buy of whom they would; the

rare, very rare, community that grasped the fact that oil sold below

cost temporarily, meant later paying for the fight. These features of

the business belong to the last decade and a half. At the period we have

reached in this history—that is, the completion of the monopoly of the

pipe-lines in 1884 and the end of competition in transporting oil—there

seemed to the independents no escape from Mr. Rockefeller in the market.

The sureness and promptness with which he located their shipments seemed

uncanny to them. The ruthlessness and persistency with which he cut and

continued to cut their prices drove them to despair. The character of

the competition Mr. Rockefeller carried on in the markets, particularly

of the South and Middle West of this country, at this time, aggravated

daily the feeble refining element, and bred contempt far and wide among

people who saw the cutting, and perhaps profited temporarily by it, but

who had neither the power nor the courage to interfere. The knowledge of

it fed greatly the bitterness in the Oil Regions. Part of the stock in

conversation of every dissatisfied oil producer or ruined refiner became

tales of disastrous conflicts in markets. They told of crippled men

selling independent oil from a hand cart, whose trade had been wiped out

by a Standard cart which followed him day by day, practically giving

away oil. They told of grocers driven out of business by an attempt to

stand by a refiner. They told endless tales, probably all exaggerated,

perhaps some of them false, yet all of them believed, because of such

facts as have been rehearsed above. There came to be a popular

conviction that the “Standard would do anything.” It was a condition

which promised endless annoyance to Mr. Rockefeller and his colleagues.

It meant popular mistrust, petty hostilities, misinterpretations,

contempt, abuse. There were plenty of people even willing to deny Mr.

Rockefeller ability. That the Standard was in a venture was enough in

those people’s minds to damn it. Anything the Standard wanted was wrong,

anything they contested was right. A verdict for them demonstrated the

corruption of the judge and jury; against them their righteousness. Mr.

Rockefeller, indeed, was each year having more reason to realise

monopoly building had its trials as wells as its profits.

CHAPTER ELEVEN

THE WAR ON THE REBATE

ROCKEFELLER’S SILENCE—BELIEF IN THE OIL REGIONS THAT COMBINED

OPPOSITION TO HIM WAS USELESS—INDIVIDUAL OPPOSITION STILL

CONSPICUOUS—THE STANDARD’S SUIT AGAINST SCOFIELD, SHURMER AND

TEAGLE—SEEKS TO ENFORCE AN AGREEMENT WITH THAT FIRM TO LIMIT OUTPUT

OF REFINED OIL—SCOFIELD, SHURMER AND TEAGLE ATTEMPT TO DO BUSINESS

INDEPENDENTLY OF THE STANDARD AND ITS REBATES—FIND THEIR LOT

HARD—THEY SUE THE LAKE SHORE AND MICHIGAN SOUTHERN RAILWAY FOR

DISCRIMINATING AGAINST THEM—A FAMOUS CASE AND ONE THE RAILWAY

LOSES—ANOTHER CASE IN THIS WAR OF INDIVIDUALS ON THE REBATE SHOWS

THE STANDARD STILL TO BE TAKING DRAWBACKS—THE CASE OF GEORGE RICE

AGAINST THE RECEIVER OF THE CINCINNATI AND MARIETTA RAILROAD.

The apathy and inaction which naturally flow from a great defeat lay

over the Oil Regions of Northwestern Pennsylvania long after the

compromise with John D. Rockefeller in 1880, followed, as it was, by the

combination with the Standard of the great independent seaboard

pipe-line which had grown up under the oil men’s encouragement and

patronage. Years of war with a humiliating outcome had inspired the

producers with the conviction that fighting was useless, that they were

dealing with a power verging on the superhuman—a power carrying

concealed weapons, fighting in the dark, and endowed with an altogether

diabolic cleverness. Strange as the statement may appear, there is no

disputing that by 1884 the Oil Regions as a whole looked on Mr.

Rockefeller with superstitious awe. Their notion of him was very like

that which the English common people had for Napoleon in the first part

of the 19th century, which the peasants of Brittany have even to-day for

the English—a dread power, cruel, omniscient, always ready to spring.

This attitude of mind, altogether abnormal in daring, impetuous, and

self-confident men, as those of the Oil Regions were, was based on

something more than the series of bold and admirably executed attacks

which had made Mr. Rockefeller master of the oil business. The first

reason for it was the atmosphere of mystery in which Mr. Rockefeller had

succeeded in enveloping himself. He seems by nature to dislike the

public eye. In his early years his home, his office, and the Baptist

church were practically the only places which saw him. He did not

frequent clubs, theatres, public meetings. When his manœuvres began to

bring public criticism upon him, his dislike of the public eye seems to

have increased. He took a residence in New York, but he was unknown

there save to those who did business with him or were interested in his

church and charities. His was perhaps the least familiar face in the

Standard Oil Company. He never went to the Oil Regions, and the Oil

Regions said he was afraid to come, which might or might not have been

true. Certainly the Oil Regions never hesitated to express opinions

about him calculated to make a discreet man keep his distance.

Even in Cleveland, his home for twenty-five years, Mr. Rockefeller was

believed to conceal himself from his townsmen. It is certain that the

operations of his great business were guarded with the most jealous

care. The New York Sun sent an “experienced observer” to Cleveland in

1882 to write up the Standard concern. He speaks with amazement in his

letters of the atmosphere of secrecy and mystery which he found

enveloping everything connected with Mr. Rockefeller. You could not get

an interview with him, the observer complained; even his home papers had

ceased to go to the Standard offices to inquire about the truth of

rumours which reached them from the outside. The hundreds of employees

of the trust in the town were as silent as their master in all that

concerned the business, and if one talked—well, he was not long an

employee of Mr. Rockefeller. There was between the Standard Oil Company

and the town and press of Cleveland none of the \_camaraderie\_, the

mutual good-will and pride and confidence which usually characterise the

relations between great businesses and their environment.

In Cleveland, as in the Oil Regions, Mr. Rockefeller’s careful effort to

cover up his intentions and his tracks had been at first met with jeers

and blunt rebuffs, but he had finally succeeded in silencing and awing

the people. It is worth noting that while all of the members of the

Standard Oil Company followed Mr. Rockefeller’s policy of saying

nothing, there was no such popular dread of any other one of them. In

the Oil Regions, for instance, there was a bitter hatred of the Standard

Oil Company as an organisation, but for the most part the people liked

the men who served it, and certainly had no awe of them, for these men

circulated freely among their fellow-townsmen; they were active in all

the pleasures and enterprises of the communities in which they lived;

they were generous, able, cordial, and whatever the people said of the

concern they served, they generally qualified it by expressing their

personal likings for the men themselves.

A second reason for the popular dread of Mr. Rockefeller was that this

man, whom nobody saw and who never talked, knew everything—even

unexpected and trivial things—and those who saw the effect of this

knowledge and did not see how he could obtain it, regarded him as little

short of an omniscient being. There was really nothing in the least

occult about Mr. Rockefeller’s omniscience. He obtained part of his

knowledge of other people’s affairs by a most extensive and thoroughly

organised system of news-gathering, such as any bright business man of

wide sweep might properly employ. But he combined with this perfectly

legitimate work the sordid methods of securing confidential information

described in the last chapter. Certainly there is nothing of the

transcendental in this kind of omniscience, and the feeling of

supernaturalism which Mr. Rockefeller had inspired by 1884 has entirely

evaporated since, as evidence of his methods has been circulated. The

source was, however, long secret, and when again and again men who could

hardly suppose their existence known to Mr. Rockefeller saw movements

anticipated which they believed known only to themselves and their

confidential agents, they began to dread him and to invest him with

mysterious qualities. If Mr. Rockefeller had been as great a

psychologist as he is business manipulator he would have realised that

he was awakening a terrible popular dread, and he would have foreseen

that one day, with the inevitable coming to light of his methods, there

would spring up about his name a crop of scorn which would choke any

crop of dollars and donations which the wealth of the earth could

produce.

The effect of this dread was deplorable, for it intensified the feeling,

now wide-spread in the Oil Regions, that it was useless to make further

effort at a combined resistance. And yet these men, who were now lying

too supine in Mr. Rockefeller’s steel glove even to squirm, had laid the

foundation of freedom in the oil business. It has taken thirty years to

demonstrate the inestimable value of the efforts which in 1884 they

regarded as futile—thirty years to build even a small structure on the

foundation they had laid, though that much has been done.

The situation was saved at this critical time by individuals scattered

through the oil world who were resolved to test the validity of Mr.

Rockefeller’s claim that the coal-oil business belonged to him. “We have

a right to do an independent business,” they said, “and we propose to do

it.” They began this effort by an attack on the weak spot in Mr.

Rockefeller’s armour. The twelve years just passed had taught them that

the realisation of Mr. Rockefeller’s great purpose had been made

possible by his remarkable manipulation of the railroads. It was the

rebate which had made the Standard Oil Trust, the rebate, amplified,

systematised, glorified into a power never equalled before or since by

any business of the country. The rebate had made the trust, and the

rebate, in spite of ten years of combination, Petroleum Associations,

Producers’ Unions, resolutions, suits in equity, suits in quo warranto,

appeals to Congress, legislative investigations—the rebate still was Mr.

Rockefeller’s most effective weapon. If they could wrest it from his

hand they could do business. They had learned something else in this

period—that the whole force of public opinion and the spirit of the law

were against the rebate, and that the railroads, knowing this, feared

exposure of discrimination, and could be made to settle rather than have

their practices made public. Therefore, said these individuals, we

propose to sue for rebates and collect charges until we make it so

harassing and dangerous for the railroads that they will shut down on

Mr. Rockefeller.

The most interesting and certainly the most influential of these private

cases was that of Scofield, Shurmer and Teagle, of Cleveland, one of the

firms which, in 1876, entered into a “joint adventure” with Mr.

Rockefeller for limiting the output and so holding up prices.[97] The

adventure had been most successful. The profits were enormous. Scofield,

Shurmer and Teagle had made thirty-four cents a barrel out of their

refinery the year before the “adventure.” With the same methods of

manufacture, and enjoying simply Mr. Rockefeller’s control of

transportation rates and the enhanced prices caused by limiting output,

they made $2.52 a barrel the first year after. This was the year of the

Standard’s first great coup in refined oil. The dividends on 88,000

barrels this year were $222,047, against $41,000 the year before. In

four years Scofield, Shurmer and Teagle paid Mr. Rockefeller $315,345 on

his investment of $10,000—and rebates.

After four years the Standard began to complain that their partners in

the adventure were refining too much oil—the first year the books showed

they had exceeded their 85,000–barrel limitation by nearly 3,000, the

second year by 2,000, the third by 15,000, the fourth by 5,000.

Dissatisfied, the Standard demanded that the firm pay them the entire

profit upon the excess refined; for, claimed Mr. Rockefeller, our

monopoly is so perfect that we would have sold the excess if you had not

broken the contract, consequently the profits belong to us. Scofield,

Shurmer and Teagle paid half the profit on the excess, but refused more,

and they persisted in exceeding their quota; then Mr. Rockefeller,

controlling by this time the crude supply in Cleveland through ownership

of the pipe-lines, shut down on their crude supply. If they would not

obey the contract of their own will they could not do business. The firm

seems not to have been frightened. “We are sorry that you refuse to

furnish us crude oil as agreed,” they wrote Mr. Rockefeller; “we do not

regard the limitation of 85,000 barrels as binding upon us, and as we

have a large number of orders for refined oil we must fill them, and if

you refuse to furnish us crude oil on the same favourable terms as

yourselves, we shall get it elsewhere as best we can and hold you

responsible for its difference in cost.”

[Illustration:

WILLIAM C. SCOFIELD

Senior member of the firm of Scofield, Schurmer and Teagle, of

Cleveland. Plaintiff in important suits against Lake Shore Railroad

for freight discriminations.

]

[Illustration:

DANIEL SCHURMER

Associate of Mr. Scofield and Mr. Teagle in the war on railroad

rebates which the firm waged for nearly twenty years.

]

[Illustration:

JOHN TEAGLE

Independent refiner of Cleveland, Ohio, prominent in struggle against

freight discriminations by the railroads.

]

[Illustration:

CHARLES B. MATTHEWS

Independent refiner of Buffalo. Plaintiff in “Buffalo case,” where

members of the Standard Oil Company were indicted for conspiracy.

]

Mr. Rockefeller’s reply was a prayer for an injunction against the

members of the firm, restraining them individually and collectively

“from distilling at their said works at Cleveland, Ohio, more than

85,000 barrels of crude petroleum of forty-two gallons each in every

year, and also from distilling any more than 42,500 barrels of crude

petroleum of forty-two gallons each, each and every six months, and also

from distilling any more crude petroleum until the expiration of six

months from and after July 20, 1880, and also from directly and

indirectly engaging in or being concerned in any business connected with

petroleum or any of its products except in connection with the plaintiff

under their said agreement, and that on the final hearing of this case

the said defendants may in like manner be restrained and enjoined from

doing any of said acts until the expiration of said agreement, and for

such other and further relief in the premises as equity can give.” In

this petition, really remarkable for its unconsciousness of what seems

obvious—that the agreement was preposterous and void because confessedly

in restraint of trade—the terms of the joint adventure are renewed in a

way to illustrate admirably the sort of tactics with refiners which, at

this time, was giving Mr. Rockefeller his extraordinary power over the

price of oil.[98]

Scofield, Shurmer and Teagle did not hesitate to take up the gauntlet,

and a remarkable defence they made. In their answer they declared the

so-called agreement had at all times been “utterly void and of no effect

as being by its terms in restraint of trade and against public policy.”

They declared that the Standard Oil Company had never kept the terms of

the agreement, that it had intentionally withheld the benefits of the

advantages it enjoyed in freight contracts, and that it now was pumping

crude oil from the Oil Regions to Cleveland at a cost of about twelve

cents a barrel and charging them (Scofield, Shurmer and Teagle) twenty

cents. They denied that the Standard had sustained any damage through

them, but claimed that their business had been carried on at a large

profit. “There is such a large margin between the price of crude oil and

refined,” declared the defendants, “that the manufacture and sale of

refined oil is attended with large profit; it is impossible to supply

the demand of the public for oil if the business and refineries of both

plaintiff and defendant are carried on and run to their full capacities,

and if the business of the defendants were stopped, as prayed for by the

plaintiff, it would result in a still higher price for refined oil and

the establishment of more perfect monopoly in the manufacture and sale

of the same by plaintiff.” To establish such a monopoly, the defendants

went on to declare, had been the sole object of the Standard Oil Company

in making this contract with them, and similar ones with other firms, to

establish a monopoly and so maintain unnaturally high prices,[99] and

certainly Scofield, Shurmer and Teagle knew whereof they swore, for they

had shared in the spoils of the winter of 1876 and 1877, and at this

very period, October, 1880, they were witnessing an attempt to repeat

the coup.

The charge of monopoly Scofield, Shurmer and Teagle sustained by a

remarkable array of affidavits—the most damaging set for the Standard

Oil Company which had ever been brought together. It contained the

affidavits of various individuals who had been in the refining business

in Cleveland at the time of the South Improvement Company and who had

sold out in the panic caused by it. It contained a review of the havoc

which that scheme and the manipulation of the railroads by the Standard

which followed it had caused in the refining trade in Pennsylvania, and

it gave the affidavits of Mrs. B—— and of her secretary and others

concerning the circumstances of her sale in 1878 (see Chapter VI). The

affidavits filed by John D. Rockefeller, Oliver H. Payne and Henry M.

Flagler in reply to the set presented by Scofield, Shurmer and Teagle

are curious reading. From the point of view of our present knowledge

they deny a number of things now known to be true.[100]

It was not necessary, however, for the defendants to have presented

their elaborate array of evidence to support the charge of intended

monopoly. The character of the agreement itself was sufficient to

prevent any judge from attempting to enforce it. The amazement was that

the Standard Oil Company ever had the hardihood to ask for its

enforcement. “That it should venture to ask the assistance of a court of

equity to enforce a contract to limit the production and raise the price

of an article of so universal use as kerosene oil,” said the Chicago

Tribune, “shows that the Standard Oil Company believed itself to have

reached a height of power and wealth that made it safe to defy public

opinion.” This case is not the only one belonging to the period which

goes to support the opinion of the Tribune.

Scofield, Shurmer and Teagle were now obliged to stand on their own

feet. They could refine all the oil they wished, but they must make

their own freight contracts, and they found rates when you worked with

Mr. Rockefeller were vastly different from rates when you competed with

him. The agent of the Lake Shore Railroad, by which most of their

shipments went, told them frankly that they could not have the rates of

the Standard unless they gave the same volume of business. The

discrimination against them was serious. For instance, in 1880, when the

Standard paid sixty-five cents a barrel from Cleveland to Chicago,

Scofield, Shurmer and Teagle paid eighty. From April 1 to July 1, 1881,

the Standard paid fifty-five cents and their rival eighty cents; from

July 1 to November 1, 1881, the rates were thirty-five and seventy cents

respectively, and so it went on for three years, when the firm,

despairing of any change, took the case into court. This case, fought

through all the courts of Ohio, and in 1886 taken to the Supreme Court

of the United States, is one of the clearest and cleanest in existence

for studying all the factors in the rebate problem—the argument and

pressure by which the big shipper secures and keeps his advantage, the

theory and defence of the railroad in granting the discrimination, the

theory on which the suffering small shipper protests, and finally the

law’s point of view. The first trial of the case was in the Court of

Common Pleas, and the refiners won. The railroad then appealed to the

District Court (the present Circuit Court), where it was argued. So

“important and difficult” did the judges of the District Court find the

questions involved to be, that on the plea of the railroad they sent

their findings of the facts in the case to the Supreme Court of the

state for decision—a privilege they had under the law in force at that

time.

These findings are elaborate, including some twenty-three

propositions.[101] They have been confused by certain writers with the

\_opinion\_ on them given later by the Supreme Court; for instance, in an

economic study recently published—“The Rise and Progress of the Standard

Oil Company,”—the twelfth and thirteenth and part of the fourteenth

proposition which the District Court sent up to the Supreme Court in its

“findings of facts” are quoted separately, and the inference from the

context is that the writer supposed he was citing part of the court’s

\_opinion\_. As the reader will see from what follows, the paragraphs in

question are important, for, taken as quoted, they seem to show that the

rebate the Standard received, and which Scofield, Shurmer and Teagle

wanted, was on account of facilities it gave which the other refiners

could not give:

“The court further find that prior to 1875 it was a question whether

the Standard Oil Company would remain in Cleveland or remove its

works to the oil-producing country, and such question depended

mainly upon rates of transportation from Cleveland to market; that

prior thereto said Standard Company did ship large quantities of its

products by water to Chicago and other lake points, and from thence

distributed the same by rail to inland markets; that it then

represented to defendant the probability of such removal; that water

transportation was very low during the season of navigation; that

unless some arrangement was made for rates at which it could ship

the year round as an inducement, it would ship by water and store

for winter distribution; that it owned its tank-cars and had tank

stations and switches, or would have, at Chicago, Toledo, Detroit

and Grand Rapids, on and into which the cars and oil in bulk could

be delivered and unloaded without expense and annoyance to

defendant; that it had switches at Cleveland leading to its works at

which to load cars, and would load and unload all cars; that the

quantity of oil to be shipped by the company was very large, and

amounted to ninety per cent. or more of all the oil manufactured or

shipped from Cleveland, and that if satisfactory rates could be

agreed upon it would ship over defendant’s road all its oil products

for territory and markets west and northwest of Cleveland, and agree

that the quantity for each year should be equal to the amount

shipped the preceding year; that upon the faith of these

representations the defendant did enter into the contract and

arrangement substantially as set forth in defendant’s answer; that

the rates were not fixed rates, but depended upon the general card

tariff rates as charged from time to time, but substantially to be

carried from time to time for about ten cents per barrel less than

tariff rates, and, in consideration of such reduced rates as to bulk

oil, the Standard Company agreed to furnish its own cars and tanks,

load them on switches at distributing points, and unload them into

distributing tanks, and was also to load and unload oil shipped in

barrels, and without expense to defendant, and with, by reason

thereof, less risk to defendant, which entered into the

consideration, and was also to ship all its freight to points west

and northwest of Cleveland, except small quantities to lake ports

not reached by rail, and to so manage the shipments, as to cars and

times, as would be most favourable to defendant; that defendant then

agreed to said terms; that said agreement so made in 1875 has

remained in force ever since.

“That, at a cost exceeding $100,000, said Standard Company had and

constructed the terminal facilities promised and herein found; that,

in fact, the risk of danger from fire to defendant, the expense of

handling, in loading and unloading, and in the use of the Standard

tank-cars is less (but how much the testimony does not show) than

upon oil shipped without the use of such or similar terminal

facilities; that said Standard Company commenced by shipping about

450,000 barrels a year over defendant’s road, which increased from

year to year until, in 1882, the year before filing the petition in

this action, the quantity so shipped on defendant’s road amounted to

742,000 barrels, equal to 2,000 barrels or one full train-load per

day.

“That said arrangement was not exclusive, but was at all times open

to others shipping a like quantity and furnishing like service and

facilities; that it was not made or continued with any intention on

the part of the defendant to injure the plaintiffs in any manner.”

Now, as a matter of fact, other propositions in this same set from which

the above are quoted, find that Scofield, Shurmer and Teagle offered the

railroad exactly the same facilities as the Standard, a switch, loading

racks, exemption from loss by fire or accident.[102] “The manner of

making shipments for plaintiffs and for the Standard Oil Company was

precisely the same, and the only thing to distinguish the business of

the one from the other was the aggregate yearly amounts of freight

shipped,” said Judge Atherton, of the Supreme Court, who gave the

decision on the findings of fact, and he held in common with his

predecessors that a rebate on account of volume of business only was “a

discrimination in favour of capital,” and contrary to a sound public

policy, violation of that equality of rights guaranteed to every

citizen, and a wrong to the disfavoured person. “We hold, ...” he said,

“that a discrimination in the rate of freights resting extensively on

such a basis ought not to be sustained. The principle is opposed to

sound public policy. It would build up and foster monopolies, add

largely to the accumulated power of capital and money, and drive out all

enterprise not backed by overshadowing wealth. With the doctrine, as

contended for by the defendants, recognised and enforced by the courts,

what will prevent the great grain interest of the Northwest, or the coal

and iron interests of Pennsylvania, or any of the great commercial

interests of the country bound together by the power and influence of

aggregated wealth and in league with the railroads of the land, driving

to the wall all private enterprises struggling for existence, and with

an iron hand thrusting back all but themselves?” Judge Atherton was

scathing enough in his opinion of the contract between the Lake Shore

and the Standard. Look at it, he said, and see just what is shown. In

consideration of the company giving to the railroad its entire freight

business in oil, they transport this freight about ten cents a barrel

cheaper than for any other customer. “The understanding was to keep the

price \_down\_ for the favoured customer, but \_up\_ for all others, and the

inevitable tendency and effect of this contract was to enable the

Standard Oil Company to establish and maintain an overshadowing

monopoly, to ruin all other operators and drive them out of business in

all the region supplied by the defendant’s road, its branches and

connecting lines.”

Judge Atherton was particularly hard on the portion of the contract[103]

which pledged the Standard to give the Lake Shore \_all\_ its freight in

return for the rebates, and for this reason: In 1883 a new road Westward

was opened from Cleveland, the New York, Cincinnati and St. Louis. It

might become an active competitor in transporting petroleum for

customers other than the Standard Oil Company. It might establish such a

tariff of rates that other operators in oil might successfully compete

with the Standard Oil Company. To prevent this, the Lake Shore road, on

the completion of the new road, entered into a tariff arrangement giving

to it a portion of the Westward shipments of the Standard Oil Company,

on condition of its uniting in carrying out the understanding in regard

to rebates to the Standard Oil Company. “How peculiar!” exclaimed Judge

Atherton. “The defendant, by a contract made in 1875, was entitled to

all the freights of the Standard Oil Company, and yet, say the District

Court, ‘for the purpose of securing the \_greater part\_ of said trade,’

they entered into a contract to divide with the new railroad, if the

latter would only help to keep the rates \_down\_ for the Standard and

\_up\_ for everybody else.” Such a contract so carried out was, in the

opinion of the court, “not only contrary to a sound public policy, but

to the lax demands of the commercial honesty and ordinary methods of

business.”

Another fact found by the District Court incensed Judge Atherton. This

was that the contract “was not made or continued with any intention on

the part of the defendant to injure the plaintiffs in any manner.” It

does not “make any difference in the case,” he declared. “The plaintiffs

were not doing business in 1875, when the contract was entered into,

and, of course, it was not made to injure them in particular. If a man

rides a dangerous horse into a crowd of people, or discharges loaded

firearms among them, he might, with the same propriety, select the man

he injures and say he had no intention of wounding him. And yet the law

holds him to have intended the probable consequences of his unlawful act

as fully as if purposely directed against the innocent victim, and

punishes him accordingly. And this contract, made to build up a monopoly

for the Standard Oil Company and to drive its competitors from the

field, is just as unlawful as if its provisions had been aimed directly

against the interests of the plaintiffs.”[104]

Having lost their case in the Supreme Court of the state, the Lake Shore

now appealed to the Supreme Court of the United States, and the record

was filed in November, 1886. It was never heard; the railroad evidently

concluded it was useless, and finally withdrew its petition, thereby

accepting the decision of the Supreme Court of Ohio restraining it from

further discrimination against Scofield, Shurmer and Teagle.

[Illustration:

BURST IN A PIPE LINE

]

This case, which was before the public constantly during the six or

seven years following the breaking up of the Producers’ Union, in which

the Oil Regions presented no united front to Mr. Rockefeller, served to

keep public attention on the ruinous effect of the rebate and to

strengthen the feeling that drastic legislation must be taken if Mr.

Rockefeller’s exploit was to be prevented in other industries.

One other case came out in this war of individuals on the rebate system

which heightened the popular indignation against the Standard. It was a

case showing that the Standard Oil Company had not yet abandoned that

unique feature of its railroad contracts by which a portion of the money

which other people paid for their freight was handed over to them! This

peculiar development of the rebate system seems to have belonged

exclusively to Mr. Rockefeller. Indeed, a careful search of all the

tremendous mass of materials which the various investigations of

railroads produced shows no other case—so far as the writer knows—of

this practice. It was the clause of the South Improvement contracts

which provoked the greatest outcry. It was the feature of Mr. Cassatt’s

revelations in 1877 which dumfounded the public and which no one would

believe until they saw the actual agreements Mr. Cassatt presented. The

Oil Regions as a whole did not hesitate to say that they believed this

practice was still in operation, but, naturally, proof was most

difficult to secure. The demonstration came in 1885, through one of the

most aggressive and violent independents which the war in oil has

produced, George Rice, of Marietta, Ohio. Mr. Rice, an oil producer, had

built a refinery at Marietta in 1873. He sold his oil in the state, the

West, and South. Six years later his business was practically stopped by

a sudden raise in rates on the Ohio roads—an advance of fully 100 per

cent. being made on freights from Marietta, where there were several

independent refineries, although no similar advance was made from

Wheeling and Cleveland, where the Standard refineries were located.

These discriminations were fully shown in an investigation by the Ohio

State Legislature in 1879. From that time on Mr. Rice was in constant

difficulty about rates. He seems to have taken rebates when he could get

them, but he could never get anything like what his big competitors got.

In 1883 Mr. Rice began to draw the crude supply for his refinery from

his own production in the Macksburg field of Southeastern Ohio, not far

from Marietta. The Standard had not at that time taken its pipe-lines

into the Macksburg field; the oil was gathered by a line owned by A. J.

Brundred, and carried to the Cincinnati and Marietta Railroad. Now, Mr.

Brundred had made a contract with this railroad by which his oil was to

be carried for fifteen cents a barrel, and all other shippers were to

pay thirty cents. Rice, who conveyed his oil to the railroad by his own

pipe-line, got a rate of twenty-five cents by using his own tank-car.

Later he succeeded in getting a rate of 17½ cents a barrel. Thus the

rebate system was established on this road from the opening of the

Macksburg field. In 1883 the Standard Oil Company took their line into

the field, and soon after Brundred retired from the pipe-line business

there. When he went out he tried to sell the Standard people his

contract with the railroad, but they refused it. They describe this

contract as the worst they ever saw, but they seem to have gone Mr.

Brundred one better, for they immediately contracted with the road for a

rate of ten cents on their own oil, instead of the fifteen cents he was

getting, and a rate of thirty-five on independent oil. And in addition

they asked that the extra twenty-five cents the independents paid \_be

turned over to them\_! If this was not done the Standard would be under

the painful necessity of taking away its shipments and building

pipe-lines to Marietta. The Cincinnati and Marietta Railroad at that

time was in the hands of a receiver, one Phineas Pease—described as a

“fussy old gentleman, proud of his position and fond of riding up and

down the road in his private car.” It is probably a good description.

Certainly it is evident from what follows that the receiver was much

“fussed up” ethically. Anxious to keep up the income of his road, Mr.

Pease finally consented to the arrangement the Standard demanded. But he

was worried lest his immoral arrangement be dragged into court, and

wrote to his counsel, Edward S. Rapallo, of New York City, asking if

there was any way of evading conviction in case of discovery.

“Upon my taking possession of this road,” the receiver wrote, “the

question came up as to whether I would agree to carry the Standard

Company’s oil to Marietta for ten cents per barrel, in lieu of their

laying a pipe-line and piping their oil. I, of course, assented to

this, as the matter had been fully talked over with the Western and

Lake Erie Railroad Company before my taking possession of the road,

and I wanted all the revenue that could be had in this trade.

“Mr. O’Day, manager of the Standard Oil Company, met the general

freight agent of the Western and Lake Erie Railroad and our Mr.

Terry, at Toledo, about February 12, and made an agreement (verbal)

to carry their oil at ten cents per barrel. But Mr. O’Day compelled

Mr. Terry to make a thirty-five cent rate on all other oil going to

Marietta, and that we should make the rebate of twenty-five cents

per barrel on all oil shipped by other parties, and that the rebate

should be paid over to them (the Standard Oil Company), thus giving

us ten cents per barrel for all oil shipped to Marietta, and the

rebate of twenty-five cents per barrel going to the Standard Oil

Company, making that company say twenty-five dollars per day clear

money on George Rice’s oil alone.

“In order to save the oil trade along our line, and especially to

save the Standard Oil trade, which would amount to seven times as

much as Mr. Rice’s, Mr. Terry verbally agreed to the arrangement,

which, upon his report to me, I reluctantly acquiesced in, feeling

that I could not afford to lose the shipment of 700 barrels of oil

per day from the Standard Oil Company. But when Mr. Terry issued

instructions that on and after February 23 the rate of oil would be

thirty-five cents per barrel to Marietta, George Rice, who has a

refinery in Marietta, very naturally called on me yesterday and

notified me that he would not submit to the advance, because the

business would not justify it, and that the move was made by the

Standard Oil Company to crush him out. (Too true.) Mr. Rice said: ‘I

am willing to continue the 17½ cent rate which I have been paying

from December to this date.’

“Now, the question naturally presents itself to my mind, if George

Rice should see fit to prosecute the case on the ground of unjust

discrimination, would the receiver be held, as the manager of this

property, for violation of the law? While I am determined to use all

honourable means to secure traffic for the company, I am not willing

to do an illegal act (if this can be called illegal), and lay this

company liable for damages. Mr. Terry is able to explain all minor

questions relative to this matter.”[105]

Mr. Rapallo, after consulting his partner and “representative

bondholders,” “fixed it” for the receiver in the following amazing

decision:

“You may, with propriety, allow the Standard Oil Company to charge

twenty-five cents per barrel for all oil transported through their

pipes to your road; and I understand from Mr. Terry that it is

practicable to so arrange the details that the company can, in

effect, collect this direct without its passing through your hands.

You may agree to carry all such oil of the Standard Oil Company, or

of others, delivered to your road through their pipes, at ten cents

per barrel. You may also charge all other shippers thirty-five cents

per barrel freight, \_even though they deliver oil to your road

through their own pipes\_; and this, I gather from your letter and

from Mr. Terry, would include Mr. Rice.”[106]

Now, how was this to be done “with propriety”? Simply enough. The

Standard Oil Company was to be charged ten cents per barrel, less an

amount equivalent to twenty-five cents per barrel upon all oil shipped

by Rice. “Provided your accounts, bills, vouchers, etc., are consistent

with the real arrangement actually made, you will incur no personal

responsibility by carrying out such an arrangement as I suggest.” Even

in case the receiver was discovered nothing would happen to \_him\_, so

decided the counsel. “It is possible that, by a proper application to

the court, some person may prevent you, in future, from permitting any

discrimination. Even if Mr. Rice should compel you, subsequently, to

refund to him the excess charge over the Standard Oil Company, the

result would not be a loss to your road, taking into consideration the

receipts from the Standard Oil Company.”

Fortified by his counsel, Receiver Pease put the arrangement into force,

and beginning with March 20, 1885, a joint agent of the Standard

pipe-line and of the Cincinnati and Marietta road collected thirty-five

cents per barrel on the oil of all independent shippers from Macksburg

to Marietta. Ten cents of this sum he turned over to the receiver and

twenty-five cents to the pipe-line. When Mr. Rice found that the rate

was certainly to be enforced he began to build a pipe of his own to the

Muskingum River, whence he was to ship by barge to Marietta. By April 26

he was able to discontinue his shipments over the Cincinnati and

Marietta road. This was not done until a rebate of twenty-five cents a

barrel had been paid to the Standard Oil Company on 1,360 barrels of his

oil—$340 in all.

Mr. Rice, outraged as he was by the discrimination, was looking for

evidence to bring suit against the receiver, but it was not until

October that he was ready to take the matter into court. On the 13th of

that month he applied to Judge Baxter of the United States Circuit Court

for an order that Phineas Pease, receiver of the Cleveland and Marietta

Railroad, report to the court touching his freight rates and other

matters complained of in the application. The order was granted on the

same day the application was made. It was specific. Mr. Pease was to

report his rates, drawbacks, methods of accounting for discrimination,

terms of contracts, and all other details connected with his shipment of

oil. No sooner was this order of the court to Receiver Pease known than

the general freight agent, Mr. Terry, hurried to Cleveland, Ohio, to

meet Mr. O’Day of the Standard Oil Company, with whom he had made the

contract. The upshot of that interview was that on October 29, twelve

days \_after\_ the judge had ordered the contracts produced, a check for

$340, signed by J. R. Campbell, Treasurer (a Standard pipe-line

official), was received from Oil City, headquarters of the Standard

pipe-line, by the agent who had been collecting and dividing the freight

money. This check for $340 was the amount the pipe-line had received on

Mr. Rice’s shipments between March 20 and April 25. The agent was

instructed to send the money to the receiver, and later, by order of the

court, the money was refunded to Mr. Rice. But the Standard was not out

of the scrape so easily.

Receiver Pease filed his report on November 2, but the judge found it

“evasive and unsatisfactory,” and further information was asked for.

Finally the judge succeeded in securing the correspondence between Mr.

Pease and Mr. Rapallo, quoted above, and enough other facts to show the

nature of the discrimination. He lost no time in pronouncing a judgment,

and he did not mince his words in doing it:

“But why should Rice be required to pay 250 per cent. more for the

carriage of his oil than was exacted from his competitor? The answer

is that thereby the receiver could increase his earnings. This

pretence is not true; but suppose it was, would that fact justify,

or even mitigate, the injustice done to Rice? May a receiver of a

court, in the management of a railroad, thus discriminate between

parties having equal claim upon him, because thereby he can

accumulate money for the litigants? It has been repeatedly adjudged

that he cannot legally do so. Railroads are constructed for the

common and equal benefit of all persons wishing to avail themselves

of the facilities which they afford. While the legal title thereof

is in the corporation of individuals owning them, and to that extent

private property, they are by the law and consent of the owners

dedicated to the public use. By its charter and the general

contemporaneous laws of the state which constitute the contract

between the public and the railroad company—the state, in

consideration of the undertaking of the corporators to build, equip,

keep in repair and operate said road for the public accommodation,

authorised it to demand reasonable compensation from everyone

availing himself of its facilities, for the service rendered. But

this franchise carried with it other and correlative obligations.

“Among these is the obligation to carry for every person offering

business under like circumstances, at the same rate. All unjust

discriminations are in violation of the sound public policy, and are

forbidden by law. We have had frequent occasions to enunciate and

enforce this doctrine in the past few years. If it were not so, the

managers of railways in collusion with others in command of large

capital could control the business of the country, at least to the

extent that the business was dependent on railroad transportation

for its success, and make and unmake the fortunes of men at will.

“The idea is justly abhorrent to all fair minds. No such dangerous

power can be tolerated. Except in the modes of using them, every

citizen has the same right to demand the service of railroads on

equal terms that they have to the use of a public highway or the

government mails. And hence when, in the vicissitudes of business, a

railroad corporation becomes insolvent and is seized by the court

and placed in the hands of a receiver to be by him operated pending

the litigation, and until the rights of the litigants can be

judicially ascertained and declared, the court is as much bound to

protect the public interests therein as it is to protect and enforce

the rights of the mortgagers and mortgagees. But after the receiver

has performed all obligations due the public and every member of

it—that is to say, after carrying passengers and freight offered,

for a reasonable compensation not exceeding the maximum authorised

by law, if such maximum rates shall have been prescribed, upon equal

terms to all, he may make for the litigants as much money as the

road thus managed is capable of earning.

“But all attempts to accumulate money for the benefit of corporators

or their creditors, by making one shipper pay tribute to his rival

in business at the rate of twenty-five dollars per day, or any

greater or less sum, thereby enriching one and impoverishing

another, is a gross, illegal, inexcusable abuse of a public trust

that calls for the severest reprehension. The discrimination

complained of in this case is so wanton and oppressive it could

hardly have been accepted by an honest man having due regard for the

rights of others, or conceded by a just and competent receiver who

comprehended the nature and responsibility of his office; and a

judge who would tolerate such a wrong or retain a receiver capable

of perpetrating it ought to be impeached and degraded from his

position.

“A good deal more might be said in condemnation of the unparalleled

wrong complained of, but we forbear. The receiver will be removed.

The matter will be referred to a master to ascertain and report the

amount that has been as aforesaid unlawfully exacted by the receiver

from Rice, which sum, when ascertained, will be repaid to him. The

master will also inquire and report whether any part of the money

collected by the receiver from Rice has been paid to the Standard

Oil Company, and if so—how much, to the end that, if any such

payments have been made, suit may be instituted for its

recovery.”[107]

On December 18 George K. Nash, a former governor of Ohio, was appointed

master commissioner to take testimony and clear up the point doubtful in

the judge’s mind—to whom had the extra money paid by Rice been paid; the

receiver declared that he never paid the Standard Oil Company any part

of Rice’s money. Mr. Nash summoned a large number of witnesses and

gradually untangled the story told above. Mr. Pease spoke truly, he had

never paid the Standard Oil Company any part of Mr. Rice’s money. A

joint agent of the railroad and the pipe-line had been appointed, at a

salary of eighty-five dollars a month, sixty dollars paid by Pease and

twenty-five dollars by the Standard, who collected the freight on

independent shipments and divided the money between the two parties. It

was from this agent that it was learned that, twelve days \_after\_ Judge

Baxter ordered Receiver Pease to bring his contracts into court, the

money paid on Mr. Rice’s oil had been returned by the Standard Oil

Company.[108] While the investigation in regard to Mr. Rice’s oil was

going on, complaints came to Commissioner Nash from two other oil works

at Marietta that they had been suffering a like discrimination for a

much longer time. The commissioner investigated the cases and found the

complaints justified. The Standard Oil Company had received $649.15 out

of the money paid by one concern to the railroad for carrying its oil,

and $639.75 out of the sum paid by another concern! Both of these sums

were returned by the Standard.[109]

Of course the case aroused violent comment. In 1888 it came before the

Congressional Committee which was investigating trusts, and an effort

was made to explain the twenty-five cents extra as a charge of the

pipe-line for carrying oil to the railway. Now, the practice in vogue in

the Oil Regions then and now is that the \_purchaser of the oil pays the

pipe-line charge\_. The railroad has nothing to do with it. Even if the

Standard Oil Company puts a tax on railroads for allowing them to take

oil carried by its pipe-lines—thus collecting double pay—the tax would

not apply in Mr. Rice’s case, for the oil came to the Cincinnati and

Marietta road not through Standard pipes but through Mr. Rice’s own

pipes. This much Mr. O’Day was obliged to admit in 1888:

\_Q.\_ But did that other oil which was in competition with you pass

through your pipe?

\_A.\_ No, sir.

\_Q.\_ Did not they, therefore, on that oil which only passed over

their railroad and not through your pipe-line, pay to you the same

allowance or rebate that they did on your oil which did pass?

\_A.\_ They did, but we returned it through the advice of our counsel,

Mr. Dodd.

\_Q.\_ Now, out of that sum how much did you get from the railroad out

of what they had received from Mr. Rice?

\_A.\_ We did not get any; that is, we did not retain any. The

railroad company agreed to account to us for the oil that went over

its lines, and they did make an accounting, to my recollection, of

about $200, or something like that, on oil other than that which

passed through the lines. Our counsel, Mr. Dodd, advised me that we

could not do that business, and we refunded the money.

Soon after the report of the Congressional Committee was published John

D. Rockefeller himself explained the case in an interview published in

the New York World for March 29, 1890: “When the arrangement was

reported to the officers of the company at New York,” Mr. Rockefeller

told the interviewer, “it was not agreed to because our counsel

pronounced it illegal in so far as it embraced oil carried by the

pipe-line. Some $250 had been paid to the pipe-line under this contract

on oil which the line had not transported. This was refunded. We

repudiated the contract before it was passed upon by the courts and made

full recompense. In a business as large as ours, conducted by so many

agents, some things are likely to be done which we cannot approve. We

correct them as soon as they come to our knowledge. The public hears of

the wrong—it never hears of the correction.” In the Digest of Evidence

made by the Industrial Commission in its report published in 1900 (page

158), it is stated that the money collected was refunded \_before\_ suit

was brought. The facts show that the statement in the report of the

Industrial Commission that the money was refunded \_before\_ suit was

brought is wrong, and that, while Mr. Rockefeller is technically correct

in stating that the Standard repudiated the contract before it was

passed on by the courts, he should have added they did not repudiate the

contract until \_eight months after\_ it was made, and did not refund the

money until \_twelve days after\_ it became certain that the contract

would be produced in court. He also does not explain why the Standard

Oil Company did not return the money unjustly paid to them on the

shipments of the other independent oil concerns of Marietta until

exposure by Commissioner Nash’s investigation made it inevitable.[110]

But it was not only manipulation of the railroads by the Standard Oil

Company of which the public was complaining at this time. The policy of

making it impossible for even small independent concerns to do business

was attracting more and more attention. Indeed, there was going on in

Buffalo, New York, simultaneously with these two cases, a most

sensational trial, growing out of an indictment for the crime of

conspiracy, by the Grand Jury of Erie County, New York, of three

prominent members of the Standard Oil Company—H. H. Rogers, John D.

Archbold and Ambrose McGregor—with two refiners with whom they were

associated—H. B. Everest and C. M. Everest. The case is reported in the

next chapter at some length, because of the importance it has assumed in

the popular controversy which has been going on for the last twenty

years over “Standard methods,” it being the case on which is based the

often-repeated charge that Mr. Rockefeller, to win his point, has been

known to burn refineries.

CHAPTER TWELVE

THE BUFFALO CASE

THE STANDARD BUYS THREE-FOURTHS OF THE VACUUM OIL WORKS OF

ROCHESTER—TWO VACUUM EMPLOYEES ESTABLISH BUFFALO LUBRICATING OIL

COMPANY AND TAKE WITH THEM AN EXPERIENCED STILLMAN FROM THE

VACUUM—THE BUFFALO LUBRICATING OIL COMPANY HAS AN EXPLOSION AND THE

STILLMAN SUDDENLY LEAVES—THE BUFFALO LUBRICATING OIL COMPANY IS SUED

BY VACUUM FOR INFRINGEMENT OF PATENTS—MATTHEWS SUES THE EVERESTS OF

THE VACUUM FOR DELIBERATELY TRYING TO RUIN HIS BUSINESS—MATTHEWS

WINS HIS FIRST CIVIL SUIT—HE FILES A SECOND SUIT FOR DAMAGES, AND

SECURES THE INDICTMENT OF SEVERAL STANDARD OFFICIALS FOR CRIMINAL

CONSPIRACY—ROGERS, ARCHBOLD AND McGREGOR ACQUITTED—THE EVERESTS

FINED.

Very soon after Mr. Rockefeller began to “acquire” independent

refineries, whose owners were loath to sell or go out of business,

unpleasant stories began to be circulated in the oil world of the

methods used in getting the offending plants out of the way. When

freight discriminations, cutting off of crude supply, and price wars in

the market failed, other means were tried, and these means included

sometimes, it was whispered, the actual destruction of the plants. The

only case in which this charge was made which ever came to trial was

that of the Buffalo Lubricating Oil Company, Limited. For sake of

clearness, a narrative of the case has been drawn from the testimony

offered, no statements being admitted which were not brought out in the

trials.

It seems that some time in 1879 the owners of the Vacuum Oil Works, of

Rochester, New York—H. B. and C. M. Everest, father and son—sold to H.

H. Rogers, J. D. Archbold and Ambrose McGregor of the Standard Oil

Company, for $200,000, a three-fourths interest in that concern. The

purchase was not made for the gentlemen in whose names it appeared, but

for the Standard. Thus, when on the witness-stand J. D. Archbold was

questioned as to the real ownership of the stock which had been bought

in his name, the examiner wanted to know whether the purchasers

represented themselves or somebody else.

“Mr. Archbold,” he asked, “you made the contract, did you not, with

reference to the transfer of the seventy-five shares of the Vacuum

Oil Company’s stock by the Messrs. Everest?”

\_A.\_ I bought the seventy-five shares, yes, sir.

\* \* \* \* \*

\_Q.\_ Whom did you represent in that transaction?

\_A.\_ I represented the shareholders of the Standard Oil Company.

\_Q.\_ After this purchase was made did you continue to represent the

purchasers in the management of the affairs of the Vacuum Oil

Company?

\_A.\_ I did.

\_Q.\_ By virtue of power delegated to you, or by virtue of being a

member of the board of directors or trustees of the Vacuum?

\_A.\_ By the virtue of power delegated to me.

\_Q.\_ By the purchasers?

\_A.\_ By the purchasers.

The Vacuum manufactured principally lubricating oils used on harness and

car wheels. It controlled several valuable patents and had been doing a

prosperous business for a number of years. By the terms of the sale in

1879 the Everests remained as managers of the refinery, on a salary of

$10,000 a year. They also contracted to enter into no outside oil

business for ten years. The business policy of the Vacuum, including the

fixing of salaries, was dictated by a board of directors made up of

Messrs. Rogers, Archbold, McGregor and the two Everests. The meetings of

this board were held at the office of the Standard Oil Company, in New

York or in Rochester, as convenient.

So far as can be inferred from the testimony, the works were well

managed, the dividends large, and the employees well treated. In 1880

the salesman of the concern, J. Scott Wilson, decided to leave the

Vacuum and go into business for himself. The decision seems natural, for

until 1878 Mr. Wilson had carried on an independent oil business of one

kind or another. He had been a partner in a refinery and understood

making oils. He had been a jobber on his own account before going with

the Everests, and as such had had a considerable clientele. Wilson told

one of his fellow employees, Charles B. Matthews, of his decision, and

asked him to go with him. Matthews had been with the Everests about the

same length of time as Wilson—some two years. Previous to this

engagement he had been a farmer, and his acquaintance with the Vacuum

people had come about by his drilling on his farm for oil. Matthews was

worth some $20,000, but he had had no experience in oil refining, for

his duties at the Vacuum had been mainly looking after outside

business—for instance, he had several times gone to New York to consult

J. D. Archbold and H. H. Rogers concerning business matters, and

particularly concerning patents owned by the Vacuum, of whose validity

there was some doubt. For some time Matthews had been dissatisfied with

his salary—he had asked for a raise, but had not got it—a fact which

probably made him more favourable to Wilson’s suggestion.

The two men decided finally to form a company and to build an oil

refinery at Buffalo. Wilson said on the witness-stand that he did not

want to handle the Vacuum processes in the new works, but to make only

the oils with which he was familiar. Matthews, however, had convinced

himself that the patents which covered certain of the Vacuum processes

and apparatus were invalid, and insisted that they build at least one

Vacuum still. The question of what steps the Vacuum might take to stop

them was discussed, and according to Wilson’s testimony Matthews

remarked that he expected they would pay $100,000 or $150,000 to prevent

their going into business. Matthews’s remark was natural enough,

considering the conditions under which outside refiners were forced to

do business. It is probable that no man undertook any kind of

independent oil business at that time, particularly oil refining,

without considering the possibility of being driven to sell.

The new firm needed an experienced stillman accustomed to the Vacuum

processes, and early in 1881 they asked one Albert Miller, a stillman in

the Vacuum works, to join them. “If we have Miller,” they told each

other, “we can go to the customers of the Vacuum Oil Company and say to

them: ‘We have the same process and the same apparatus and the same oils

as the Vacuum Oil Company, and we have their former superintendent, Mr.

Miller, to manufacture the oils.’” Miller had been with the Everests for

several years, having worked his way up from a labourer at two dollars a

day to a position where, as stillman, he was paid by the hour, and

earned from $1,200 to $1,400 a year. He and his wife had been thrifty,

and had several thousand dollars in property. Miller thought there was

money in the new venture, and consented to join Wilson and Matthews. The

three set about carrying out their plans before they notified their

employers of their intention to leave—Miller going so far as to order

certain iron castings needed in the construction of their works, made

after patterns owned by the Everests. He had these made at the foundry

patronised by the Everests. He paid for them himself, and carried them

away, presumably giving the impression that they were for his employers.

Early in March Matthews and Miller notified C. M. Everest, who was in

charge, his father being in California, that they were going to leave

and establish at Buffalo an independent oil refinery. Mr. Everest,

surprised out of discretion by the news, told them plainly that although

he had nothing against them personally, he should do all in his power to

injure the proposed concern. He asked them where they expected to get

oil, and they replied that they would get it from the Atlas Refining

Company, an independent concern in Buffalo, which had its own pipe-line.

“You will wake up some morning and find it is in the Standard,” replied

Mr. Everest. Apparently Mr. Everest’s threat had little influence on the

men, for they pushed the building of the works in Buffalo as rapidly as

possible. On March 15 they signed an agreement to carry on the proposed

business for five years, each man to put in $2,000. A month later the

three men, with two relatives of Matthews, organised a stock company—the

Buffalo Lubricating Oil Company, Limited—with a capital of $40,000.

Although Miller had gone to Buffalo the first of March with Matthews and

Wilson, he returned frequently to Rochester to see his family. On

several of these visits he saw C. M. Everest, who never failed to ask

about the progress of the new concern, and to warn him that the Vacuum

Company would never allow it to do business. “Don’t you think, Miller,”

Everest said to him once, “that it would be better for you to leave

those men and have $20,000 deposited to your wife’s credit than to go to

these parties?” Miller affirms that he answered that he had gone with

the new firm in good faith, and thought he ought not to leave them.

[Illustration:

BLEACHING TANK

]

[Illustration:

CONSTRUCTING AN IRON TANK FOR STORING OIL

]

[Illustration:

OIL AGITATORS

]

[Illustration:

FIVE-BARREL STILL USED IN THE FIFTIES IN DISTILLING CRUDE OIL AS A

LUMINANT

]

About two months after the new firm began building, the elder Everest,

who had been in California, returned to Rochester, and soon after had

several interviews with Miller. He impressed on the man, as his son had

done, that the Buffalo Lubricating Works would never succeed. He told

him that the Vacuum meant to bring suit against them for infringing

their patents, and would get an injunction and stop the works; that

Miller would lose all the money he had put in. To save himself, Everest

advised Miller to come back to the Vacuum. “But that would leave them in

a pretty bad fix,” Miller said. “That is exactly what I want to do,”

replied Everest. The fear that the new concern might be ruined through

the hostility of the Vacuum, and he lose his savings, seems to have

preyed on Miller’s mind. He took his wife into his confidence, and she,

too, became alarmed. He began to neglect his work in Buffalo. He was

often away at nights. Matthews began to be worried by Miller’s neglect

and absence, and to watch the stations to find, if possible, where he

went. Miller’s question now became, how could he get away from the

Buffalo firm? He had signed for the company a note for $5,000. He was

under contract for a term of years. He discussed the question with the

Everests, and they advised him to see his lawyer. On the seventh of

June, according to H. B. Everest,[111] who went with him to help present

the case, Miller did consult George Truesdale, a lawyer of Rochester,

who had always handled his business. Mr. Truesdale afterwards told in

court what occurred:

“Mr. Everest stated that Miller had left his employ, and got engaged

with another oil concern in the City of Buffalo; that he desired to

get back again; he wanted him to come back; and he said he supposed

Miller had explained to me his situation, and the obligations he was

under to the Buffalo company. I told him that he had made some

statements to me about his contract with the parties in Buffalo;

that he had spoken about being an endorser or party to the note made

by, I think he said, Matthews and Wilson and himself, and I think

another party—four or five of them had made, endorsed a note to

raise money, done to start the Buffalo business, and that he had a

contract or an arrangement with them to go into a company at Buffalo

to manufacture oil, and that he wanted to know how he could get out

of that arrangement. I stated what I had said to Miller, that he

would, of course, be liable on the note, if he was \_charged\_

properly when it became due, and that if he wanted to get out of

that arrangement my advice to him had been to see if he couldn’t get

released; if they wouldn’t release him or buy out his interest;

then, if he couldn’t do that, the only other way I saw was for him

to leave them and take the consequences. I told him that I did not

know the exact terms of his contract, but, if he had entered into a

contract and violated it, I presumed there would be a liability for

damages, as well as a liability for the debts of the Buffalo party.

Mr. Miller and Everest both talked on the subject, and Mr. Everest

says, ‘I think there is other ways for Miller to get out of it.’ I

told him I saw no way except either to back out or to sell out; no

other honourable way. Mr. Everest says, substantially, I think, in

these words: ‘Suppose he should arrange the machinery so it would

bust up, or smash up, what would the consequences be?’—something to

that effect. ‘Well,’ I says, ‘in my opinion, if it is negligently,

carelessly done, not purposely done, he would be only civilly liable

for damages caused by his negligence; but if it was wilfully done,

there would be a further criminal liability for malicious injury to

the property of the parties, the company.’ Mr. Everest said he

thought there wouldn’t be anything only civil liability, and said

that would—he referred to the fact that I had been police justice,

had some experience in criminal law—and he said that he would like

to have me look up the law carefully on that point, and that they

would see me again.”

Miller’s version of this interview is similar:

“I think Mr. Truesdale or myself, I am not positive which, asked the

question what means I could take to get out of the company. H. B.

says, ‘There is a good many ways he could get out.’ Either Mr.

Truesdale or myself asked him how. ‘Well,’ he says, ‘he can cut up

something or do something to injure them; something of that kind, to

get out’; H. B. said this. Mr. Truesdale spoke up and said, ‘You

must be very careful what you do or you will lay yourself criminally

liable.’ Mr. Everest says to me, ‘There is ways that you can get

out.’ I says to him, ‘You wouldn’t want me to do anything, would

you, to lay myself liable?’ I think Mr. Truesdale spoke up and says,

‘You must be very careful or you will end in state’s prison,’—that

is, I. There was considerable conversation I cannot just exactly

remember; I have told all I recollect at present. Mr. Truesdale

asked me if I had a contract with the Buffalo parties; I told him I

had; ‘Well,’ he says, ‘the best thing you can do is to stay there,

then,’ or something of that kind. I cannot say those were his exact

words. H. B. Everest says, ‘If he comes back with us, why, we will

look after him.’ I think Mr. Truesdale said that these men would be

after me for leaving them. I think I told him the terms of the

contract.... Mr. Everest says, ‘They will have to catch Miller

before they can do anything to him; we will take care of him.’”[112]

In a talk with Miller a little while after this, C. M. Everest said to

him: “You go back to Buffalo and construct the pipes so that they cannot

make a good oil, and then, I think, if you would give them a little

scare. You might scare them a little, they not knowing anything about

the business, and you know how to do it.” On account of Miller’s

neglect, the first still in the new refinery was not ready to be fired

until June 15—it was an ordinary still, as was the second one built—the

third only was built for the Vacuum process. As soon as the still was

ready it was filled with some 175 barrels of crude oil and a very hot

fire—“inordinary hot” was the droll description of the fireman—built

under it. Miller, who superintended the operations, swore at the fireman

once or twice because the fire was not hot enough, and then disappeared.

While he was gone the brickwork around the still began to crack. The

safety valve finally blew off, and a yellow gas or vapour escaped in

such quantities that the superintendent of a neighbouring refinery came

out and warned the fireman that he was endangering property. Miller was

hunted up. He had the safety valve readjusted—it was thought by certain

witnesses that he had it too heavily weighted—and ordered the fires to

be rebuilt, hot as before. He again disappeared. In his absence the

safety valve again blew off. The run of oil was found to be a failure.

It was not a pleasant augury, but oil refiners are more or less hardened

to explosions and no one seems to have thought much of the accident.

Nobody was injured; nothing was burned, nothing but 175 barrels of oil

spoiled; that, in an oil refinery, is getting off easy.

On the 23d of June Miller made the transfer of property advised by the

Everests, talked over things with Truesdale, and a week later left the

Buffalo Works suddenly on receipt of a telegram, and joined H. B.

Everest at the Union Square Hotel in New York. Here Everest advised him

to telegraph his wife to move at once to Rochester lest Matthews attach

their household goods, and then proposed the two go to Boston. The only

event of interest at the Union Square Hotel was an entirely casual

meeting with H. H. Rogers, one of the directors of the Vacuum Oil

Company. Mr. Rogers seems to have had no conversation with Miller other

than to remark, in leaving, that he would see him the next day if he did

not go to Boston. The men did, however, go to Boston, where they

registered as “H. B. Everest and friend,” and where several times, at

least, Everest introduced Miller under an assumed name. They junketed

about for some days on what Everest tried, with indifferent success, to

persuade Miller was a pleasure excursion! While they were amusing

themselves, Everest hired Miller at $1,500 a year to “do any fair job we

put him at, either at Rochester or some other place.” The job turned out

to be a rambling one—a few weeks of semi-idleness in Boston—then nothing

until September, when he undertook to supervise the drilling of a salt

well in Leroy, New York. This lasted until February, 1882; then nothing

until May, when, on the advice of H. B. Everest, who had returned to

California, Miller went there: “Pack up, sell your property there and

come on. Come right to my house and I will help you to get a place and

show you how to raise fruit and be an independent man.” Miller went, the

Vacuum Oil Company paying his expenses. On his arrival he was put to

work in a cannery. The Everests explained that they made this

arrangement because they thought it would put Miller where he could not

be brought back to trouble them any more.

In the meantime things were going badly with the Buffalo Lubricating

Works. Miller’s loss was a severe one. The men were all novices in

making oil, save Wilson, and he was on the road, and they seem to have

been unable to find a competent manager. The Everests soon succeeded,

too, in getting Wilson out of the new firm by bringing a suit against

him for damaging its business by unlawfully leaving it. The suit was

withdrawn and the costs paid, when Wilson consented, in December, 1881,

to leave the Buffalo Works. Wilson’s loss was particularly serious, as

he was a salesman of experience.

The suits for infringing the Vacuum patents and processes, which Everest

at the start had warned Matthews would be brought, were begun in

September, 1881—four separate suits within a year. Matthews, as has been

said, had convinced himself that the patents were not valid, and some

time in the spring of 1882 he saw H. H. Rogers in New York concerning

the suits. “I told him I had come in to talk with him about the patent

litigation, or suits that were begun by the Vacuum Oil Company against

my company,” Matthews said in his testimony. “‘Well,’ he said, ‘well,

what about it?’—something like that. I told him that the product patent,

that I well knew, was without merit, and that he knew it was without

merit, and I could not see what object or good they could get out of it

by bringing suit on that patent. And also the steam patent I considered

was without value, and that he knew it was without value. He said that

if one court did not sustain the patents they would carry along up until

we got enough of it—that was the substance of that talk.”

Matthews was evidently discouraged by the result of his talk with Mr.

Rogers, for, meeting Benjamin Brewster, of the Standard Oil Company, he

offered to sell the Buffalo Lubricating Works for $100,000. The offer

was refused, and the suits against which Mr. Matthews protested were

pushed. On the 21st of February, 1882, the Vacuum Oil Company filed a

complaint in the United States Circuit Court of the Northern District of

New York, asking that the Buffalo company be prevented from

manufacturing lubricating oils, on the ground that the Vacuum Oil

Company had a patent covering the process of manufacturing lubricating

oils. The action was regarded as unfounded by the court, and was

dismissed on July 16, 1884, “the ground being that the letters sued on

in this cause are void.” April 25, 1882, another action was commenced by

the Vacuum Oil Company against the Buffalo company to obtain an

injunction and an accounting for damages upon the ground that the

Buffalo company was using an apparatus covered by a patent belonging to

the Vacuum Oil Company, but this action also was dismissed March 17,

1885, upon the ground that the letters patent sued upon were “null and

void.” On February 23, 1883, the Vacuum Oil Company commenced still

another action against the Buffalo company asking for an injunction to

prevent the Buffalo company from using a label advertising “The Acme

Harness Oil made by the Vacuum Process,” because the Vacuum Company had

long used a somewhat similar label advertising “The Vacuum Harness Oil

manufactured by Vacuum Oil Company,” but the judge in the case decided

that the Vacuum Company had no more right to use labels than the Buffalo

company. This decision has since been affirmed by the General Term of

the Supreme Court. Still another action was brought against the Buffalo

company April 25, 1882, for infringing a patent on a steam process, also

a patent upon a fire test. This action resulted in a decree sustaining

the fire-test patent, but declaring the steam patent void. The case was

then referred to James Breck Perkins, of the Rochester bar, to decide

the amount which the Buffalo company had infringed on this patent. Mr.

Perkins on a number of different occasions took a large amount of proof

there in behalf of the Vacuum Company upon which its counsel claimed

that it was entitled to $12,000 damages upon the accounting. The Buffalo

company submitted no proof in contradiction, but insisted that the whole

proof showed nothing more than a purely technical infringement of the

patent, and this view was sustained by Mr. Perkins in his report which

awarded six cents damages against the Buffalo company.

The disappearance of Miller, the man on whom the firm had depended for

superintending building and refining, the withdrawal of Wilson, with

whom the enterprise had originated and on which it had staked its hopes

of finding a ready market, and the series of suits for infringement of

patents, suits which cost Matthews thousands of dollars as well as much

embarrassment and delay, were troubles brought on him, so he believed,

as the result of a deliberate attempt on the part of the Vacuum Oil

Company to make good C. M. Everest’s threat to do all in his power to

ruin the Buffalo Lubricating Works, and, in the spring of 1883, he

brought a civil suit against the Everests for $100,000. While Matthews

was working up his case he learned that Miller had returned from

California, that he had left the Everests because he claimed they had

“not treated him right,” and that he was idle in Rochester. Miller seems

to have left California chiefly because he had gotten it into his head

that the information he had about the measures the Vacuum had taken to

prevent the Buffalo Works carrying on their business was valuable. H. B.

Everest testified that Miller once said to him after he was settled in

California: “Mr. Everest, you have always been kind to me, and I shall

do nothing to injure you, but I am going to bust the Standard.” I said:

“Al, how will you go to work to do that?” “More ways than one,” he said;

“they can’t afford to let me loose,” he said. “Sha’n’t be bought off,

either, unless I get something for it. It will cost them more than

twenty-five or fifty thousand dollars before they get through with me.”

I said: “Al, I think you can make more money raising fruit in California

than you can fighting the Standard.” This conversation was held

immediately after the Vacuum had paid Miller $1,000, in addition to the

salary of $1,500 they gave him, and for no apparent purpose except to

keep him quiet.

When Matthews learned of Miller’s return he asked him to come to

Buffalo, and evidently got from him then, for the first time, the story

of the pressure the Everests had brought to bear on him to leave the

Buffalo Lubricating Works, the “fixing” of the still at their advice so

that something would “smash,” the transfer of his property, his two

years of semi-idleness on $1,500 a year and a bonus of $1,000, paid for

a reason which can only be surmised, and his final breaking in

California, because, as he claimed, he saw no settled employment in view

and no prospect of the Everests doing more for him than they were, and,

as they claimed, because he believed he could get a big sum from the

Standard to keep silent. To all of this Miller made deposition in July,

1884.

The first civil suit was brought to trial early in March, 1885, and it

resulted in the jury giving a verdict of $20,000 to Matthews for

damages. The court set the sum aside, claiming that they had proved only

$4,000 in damages and that he would not sustain an award of punitive

damages. Matthews’s counsel now obtained a stay of proceedings and

finally a new trial. Now about this time Matthews secured evidence which

emboldened him to give his suit a much wider range than he had at first

intended. This was the testimony of the lawyer Truesdale, quoted above,

that in his office Everest had suggested that Miller “arrange the

machinery so that it would bust up or smash up.” The explosion of June

15 was immediately construed as the result of this counsel. On the

strength of this evidence Matthews instituted a second civil suit for

damages of $250,000 caused by conspiracy to blow up the works of the

Buffalo company, to entice away its employees, to bring unfounded suits

against it, and to slander the company’s product, and he added to the

original defendants the three other directors of the Vacuum Works—H. H.

Rogers, J. D. Archbold and Ambrose McGregor—and the Standard Oil Company

of New York, the Acme Oil Company of New York and the Vacuum Oil

Company. Matthews seems to have argued that, as Rogers, Archbold and

McGregor were directors with the Everests in the Vacuum Oil Company,

they had probably been consulted by the Everests concerning Miller, and

could be included in the conspiracy, and, as the Vacuum, Standard Oil

Company and Acme Oil Company were all concerns in the Standard Oil

Trust, they, too, could be included. He also went before the Grand Jury

of Erie County in opposition to the advice of his counsel and secured

there an indictment of H. H. Rogers, J. D. Archbold, Ambrose McGregor

and the two Everests for criminal conspiracy. The defendants succeeded

in getting the indictment set aside the first time, but Matthews

represented the case, and a second indictment was found of the same

persons. It should be noted that Mr. McGregor was indicted only because

he was a director of the Vacuum Works, his name not being mentioned in

the evidence presented to the Grand Jury.

An indictment for conspiracy of three men of such prominence as Mr.

Rogers, Mr. Archbold and Mr. McGregor riveted the attention of the whole

country on the coming trial. It was apparent from the first that the

Standard meant to put up a big fight to have the indictment quashed.

They had, indeed, set a strong machinery at work immediately to get

evidence on which to bring a counter charge of conspiracy; that is, that

Matthews’s intention in starting the Buffalo Lubricating Works was never

to do business, but to force the Standard to buy him out at a big price.

They at once set a detective to work on the case, one item of his

instructions reading: “We have reason to believe that the suit is

brought for the purpose of forcing the Standard to purchase the works of

the Buffalo Lubricating Company, and Matthews has made certain

statements to that effect; would like reports of any statements or

admissions by him in relation to his objects in these suits.” Under the

direction of this detective, a man employed in Matthews’s works for some

months made daily reports of what he saw and heard there, copies of

which were forwarded to the Standard office in New York. A detective was

also put on Miller’s track. Miller was now employed in a refinery in

Corry, Pennsylvania, and here he was for a long time under espionage.

The chief expression obtained from him was by luring him into a saloon

one Sunday afternoon and getting him half drunk. While in this

condition, the saloon-keeper testified, he said the Buffalo suit was a

—— humbug, but there was money in it and that they (he and the persons

who were drinking with him) might as well make it as anybody.

It was on May 2, 1886, that the trial began. The array of wealth and

legal learning in the Buffalo court-room during the fourteen days’ case

set not only the town, but the country agape. There were not only the

Standard men indicted for conspiracy—H. H. Rogers, J. D. Archbold,

Ambrose McGregor—but Mr. Rockefeller himself was there, quiet, steady,

watchful. The hostile said the accused and their counsel were disdainful

of the proceedings—nobody charged Mr. Rockefeller with disdain. With him

were other strong men of the concern, William Rockefeller, Daniel O’Day,

J. P. Dudley. There was a great array of legal learning—five eminent

lawyers—Wilson S. Bissell, a former law partner of ex-President

Cleveland; W. F. Cogswell, of Rochester, counted then one of the ablest

lawyers of the state; Theodore Bacon and F. G. Outerbridge, both of

Rochester; Daniel Lockwood, famous in politics as well as law; and, of

course, S. C. T. Dodd. This for the accused. For the people was the

district-attorney of Erie County, George T. Quinby, with one assistant.

For fourteen days witnesses were examined, and the above story was

dragged from them by dint of questioning and cross-questioning. On May

10 the testimony for the prosecution ended, and the “people rested.” The

Standard lawyers immediately applied for the acquittal of Mr. Rogers,

Mr. Archbold and Mr. McGregor, on the ground that no fact or

circumstance had been proved that connected them in the slightest degree

with the charge of conspiracy to lure Miller away or to destroy the

Buffalo Works. The district-attorney combated the proposition

vigorously. These gentlemen, he contended, owned three-fourths of the

Vacuum Works; they were always present at directors’ meetings; it was a

fair presumption that they knew what was done to persuade Miller to

leave the Buffalo Works; they must have known the moneys paid him while

he was doing little work. Mr. Rogers had certainly threatened Matthews

that he would carry up the patent suits until the Buffalo Works got

enough of it. Judge Haight, however, advised the jury to acquit Mr.

Rogers, Mr. Archbold and Mr. McGregor. “The indictment charges a

conspiracy,” the judge said. “It also charges certain overt acts. One of

the acts charged in the indictment is the enticing away from the Buffalo

company of a servant. Another of the acts alleged is an attempt to blow

up or destroy the Buffalo Works, and another act that of bringing false

suits against the corporation. So far as the agreement or combination to

entice away a servant from the Buffalo company is concerned, I have not

been able to recall any evidence which shows that either of these three

defendants ever knew of it, ever heard of it, or ever took any part in

it at all. So far as the charge of an attempt to blow up the Buffalo

Works is concerned, I have been unable to recall any evidence that has

been given in which either of these three defendants ever knew of it,

ever heard of it, ever advised it, or ever took any part in it whatever.

The only thing about which I have had any doubt was in reference to the

maintaining of actions which have been brought upon patent rights which

were formerly owned by the Everests, and by the Everests transferred to

the Vacuum Oil Company, and it appears that two suits were brought upon

patents, and that there was another suit, a third one, in reference to a

trade-mark. It appears from the evidence that upon one occasion Mr.

Matthews went to New York and had a talk with Mr. Rogers, and that his

conversation has already been discussed and related in your hearing. The

query in my mind was as to whether or not the inference could not be

drawn, from this conversation, that Rogers did know of the bringing of

these actions, acquiesced in their being brought, and in that way became

a party to them; but, even conceding that the actions were brought with

his knowledge and consent, I am inclined still to think that the

evidence is hardly sufficient to warrant his conviction, for the reason

that it does not appear that the actions were brought without probable

cause; in other words, the bringing of an action and being defeated in

the action is not of itself sufficient to authorise a jury to say that

it was a false action. That standing alone is not sufficient to

authorise a jury to say that it is a false action, but there must be

shown in addition to that that there was a want of probable cause; in

other words, that the party bringing the action knew and understood

beforehand that he had no good cause of action.... I am inclined to the

opinion that the evidence would not warrant his conviction upon that

ground.”

The acquittal of the three Standard gentlemen was followed by an

application for the acquittal of the Everests, but the case with them

was different. It had been proved conclusively that they threatened at

the start to ruin the new concern, and that they had counselled Miller

“to arrange the machinery so it would bust up or smash up”; there was a

strong presumption that Miller, acting on this advice, had arranged for

the explosion of June 15, though, as he claimed, he meant only to “give

them a scare.” The judge denied the application in their case,

therefore, and the trial went on. The whole force of the defence was now

thrown to proving that Matthews had gone into the Buffalo Lubricating

Company merely to sell out. His offer to Mr. Brewster in 1882, his talk

of making the Standard settle, were rehearsed. Two witnesses were

produced also who told of seeking Matthews in 1885, after the criminal

suit was brought, and of offering, on the ground that they knew the

Standard defendants, to attempt to settle the affair. Matthews had told

these men that if the Standard would give him $250,000 for his refinery,

he would withdraw the civil suit, but that he could not touch the

criminal suit, as it was in the hands of the district-attorney. The jury

was not greatly influenced by the evidence produced to show that

Matthews was a blackmailer. Evidently they concluded that, granting that

the Everests had cause of complaint against the men for using their

processes—they certainly had no just cause in the fact of the three men

setting up in business for themselves—granting that the enterprise was

started for blackmailing purposes—and there was no proof offered that it

was—the Everests should have taken their case into the courts—not

plotted the destruction of the refinery by any such underhand methods as

they employed. Whatever the jury’s process of reasoning, however, it is

certain that on May 16 they brought in a verdict of “guilty as charged

by the indictment.”

The most strenuous efforts were made to set the verdict aside. The judge

granted a stay, and an attempt to get a new trial was made, but

unsuccessfully. The sentence was stayed until May, 1888. The statute

provided a penalty of one year’s imprisonment or $250 fine, or both.

Efforts were at once made to soften the sentence. A petition signed by

over forty “leading citizens” of Rochester, New York, the home of the

Everests, was sent to Judge Haight, praying him, on account of the

“untarnished fidelity and integrity” of the convicted men, to make the

penalty as light as the court was authorised by law to fix. Six of the

jurors were induced by Standard agents to sign a paper claiming that in

their belief the jury in rendering its verdict of guilty did not mean to

pronounce the Everests guilty of an attempt to blow up or burn the works

of the Buffalo company, but guilty only of enticing Miller away, and

they recommended that the sentence, therefore, be a fine and not

imprisonment. District-Attorney Quinby offered to prove on a hearing for

a new trial that the Standard’s representatives used money in getting

these affidavits. The result was that the two Everests were each fined

$250. This sentence was made light, the judge explained, because of the

civil suits brought to recover damages for the very same acts—a person

could not be punished twice for the same offence.

The first civil suit referred to above resulted in an award by the jury

of $20,000 to Matthews. The second civil suit was for $250,000, but

before it was tried Matthews’s business had become so involved by all

this trouble that in January, 1888, it was put into the hands of a

receiver. The defendants finally offered to settle the civil suits for

$85,000. The judge ordered the receiver to accept the offer, on the

ground that the Everests had already been declared guilty of criminal

conspiracy and had been fined, and that a person could not be punished

twice for the same offence!

It was not until June, 1889, that the receiver filed his account of the

settlement of the affairs of the Buffalo Works. Of the $85,000 paid by

the Standard, Matthews seems not to have gotten a cent. The entire sum

went to settle the debts of the concern and pay the lawyers. The leading

claimants among the lawyers were Thomas Corlett, Edward W. Hatch and

Adelbert Moot, all of Buffalo. Their claims aggregated nearly $35,000.

The receiver thought these fees exorbitant, and a referee was appointed

by the court to take the testimony of the claimant as to their services.

The testimony was voluminous, and the upshot was that the referee cut

these claims to about $22,000. The final account filed by the receiver

shows that the three gentlemen finally were paid about $15,000.

The large claims made by the lawyers and certain circumstances of the

settlement have led the Standard, in later years, to advance a counter

charge of conspiracy of much more serious nature than that which they

depended on in the trial. This new charge makes Matthews’s counsel his

fellow conspirators, and alleges that at least two of them used

important official positions to influence the verdict. In the present

year (1904) the Standard’s official organ, the Oil City Derrick,

published a supplement containing the evidence on which this counter

charge is based, and editorially accused the writer of bias in not using

this material in the story of the Buffalo case which was published

practically as it stands here in McClure’s Magazine for March, 1904. It

is true, as the Derrick claims, that through the courtesy of the

Standard Oil Company this material was placed in the writer’s hands

before the article was published. It was not used because it was not

thought it established the charge.

The points brought out in the evidence published by the Derrick which

are held by the Standard to establish the charge of a conspiracy between

Matthews and his counsel are the following: In the first place, they

declare it a conspiracy because Corlett, who was called to the bench in

January, 1884, and Hatch, who was called to the bench in January, 1886,

were both in consultation with their successors after they became

judges. That this is true there is no doubt whatever. Mr. Moot in his

full statement of his services made to the referee refers again and

again to consultations with Corlett and Hatch after they had given up

the case. Hatch speaks freely in his statement to the referee of

counselling with Quinby and Moot.[113] If there was an impropriety in

what he did, he certainly made no effort to conceal it, nor did the

referee, the court, or the receiver, to whom this statement was

submitted, raise any question of impropriety. The counsel which both

Judge Corlett and Judge Hatch gave Quinby and Moot they owed Matthews.

They had been his counsel for years. They were obliged to give up his

cases because of their election to the bench. They were debarred by

their relation to the case, of course, from hearing it, but there was no

reason why their knowledge and experience should not be drawn upon to a

reasonable degree by the new attorneys. Certainly this is a universal

practice in law courts. It is difficult to see how it could be

otherwise. If either judge had used his position to influence his fellow

judge who heard the case there would be a just criticism, but no such

intimation has ever been made, to the writer’s knowledge.

The second proof of conspiracy drawn from this testimony to the referee

is the statements of both Hatch and Moot that they had no contracts for

compensation and that they knew they would receive nothing if they lost.

For instance, when Moot was examined by the referee he was asked:

\_Q.\_ Did you have any contract or agreement as to how you should be

compensated?

\_A.\_ Not the slightest. I never had such a contract in my life,

except that I should be liberally paid if I succeeded. If I did not

succeed, the party being poor, my work would be without

compensation....

\_Q.\_ Did you ever have any conversation with Matthews or with any

officer of the company with reference to that?

\_A.\_ No, sir. I feel very clear that I never had a conversation with

a single member of this company about what we should receive for our

services, except to this extent: Mr. Matthews once said, in

referring to or commenting on these litigations, that they were like

any other independent company, as I very well knew; that if the

lawyers could not keep them alive with litigation, the Standard

would beat them—we would not get anything.

Judge Hatch in his statement said: “Matthews and I or any one for his

company never had any talk with respect to compensation for services at

the time of their commencement or during their rendition. I knew,

however, that the payment for services was largely contingent upon the

success of the litigation, and the company was not able to pay much more

than the actual expenses in the event they failed to succeed, and that

we would get a very meagre compensation unless we succeeded in the

actions. I think no conversation was ever had except Mr. Matthews

stating that if we should succeed we should be well paid. I think he

mentioned that once or twice.”

It is not an unusual thing for lawyers to take cases they believe just,

knowing that their compensation depends on their winning. Many clients

with just cases would be deprived of counsel if they had to insure a

fixed compensation, for not infrequently all that a client has is

involved in a suit. The practice is so common among reputable lawyers

that it certainly cannot be regarded as a proof of a conspiracy, unless

there is a reason to suppose that they have taken a case of whose merits

they themselves are suspicious. There is absolutely no evidence that

Matthews’s counsel were not convinced from the first that they had a

strong case. Quinby, the district-attorney who tried the criminal case,

certainly conducted it with a fire and a logic which nothing but

conviction could have inspired. Moreover, it must be remembered that

these attorneys never failed to convince the juries before whom they

appeared of the merits of their case. Four juries, two grand juries and

two petit juries gave unanimous verdicts of conspiracy against the

defendants in the course of the litigation. A case backed by evidence

which would convince such diversified bodies of men could hardly be

called a speculation. Their claims were large, but lawyers are not

proverbial for the modesty of their charges, and in the cases of Hatch

and Moot, the two making the largest claims, the labour had been very

great and had extended over long periods, as one can see who will

examine the testimony published by the Derrick; and besides, exorbitant

charges can hardly be construed as a proof of conspiracy.

This, then, in outline, is the history of the case on which are based

all charges, so far as the writer knows, that the Standard Oil Company

has deliberately destroyed property to get rid of rivals. The case is of

importance not only as showing to what abuses the Standard policy of

making it hard for a rival to do business will lead men like the

Everests, but it shows to what lengths a hostile public will go in

interpreting the acts of men whom it has come to believe are lawless and

relentless in pursuing their own ends. The public, particularly the oil

public, has always been willing to believe the worst of the Standard Oil

Company. It read into the Buffalo case deliberate arson, and charged not

only the Everests, but the three co-directors, with the overt acts. They

refused to recognise that no evidence of the connection of Mr. Rogers,

Mr. Archbold and Mr. McGregor with the overt acts was offered, but

demanded that they be convicted on presumption, and when the judge

refused to do this they cursed him as a traitor. To-day, in spite of the

full airing this case has had in the courts and investigations, Judge

Haight is still accused of selling himself to a corporation, and Mr.

Rogers is accused daily in Montana of having burned a refinery in

Buffalo. As a matter of fact, no refinery was burned in Buffalo, nor was

it ever proved that Mr. Rogers knew anything of the attempts the

Everests made to destroy Matthews’s business.

CHAPTER THIRTEEN

THE STANDARD OIL COMPANY AND POLITICS

OIL MEN CHARGE STANDARD WITH INTRENCHING ITSELF IN STATE AND NATIONAL

POLITICS—ELECTION OF PAYNE TO SENATE IN OHIO IN 1884 CLAIMED TO

ESTABLISH CHARGE OF BRIBERY—FULL INVESTIGATION OF PAYNE’S ELECTION

DENIED BY UNITED STATES SENATE COMMITTEE ON ELECTIONS—PAYNE HIMSELF

DOES NOT DEMAND INVESTIGATION—POPULAR FEELING AGAINST STANDARD IS

AGGRAVATED—THE BILLINGSLEY BILL IN THE PENNSYLVANIA LEGISLATURE—A

FORCE BILL DIRECTED AGAINST THE STANDARD—OIL MEN FIGHT HARD FOR

IT—THE BILL IS DEFEATED—STANDARD CHARGED WITH USING MONEY AGAINST

IT—A GROWING DEMAND FOR FULL KNOWLEDGE OF THE STANDARD A RESULT OF

THESE SPECIFIC CASES.

The cases described in the last two chapters naturally aroused intense

interest in the Oil Regions. The two in Ohio demonstrated afresh the

chief grievances which the oil men had against the Standard Oil Company

since 1872—that they were securing rebates on their own shipments and

drawbacks on those of their competitors. The Buffalo case demonstrated

that when their ordinary advantages failed to get a rival out of the way

they winked at methods which a jury called criminal. It was fresh proof

of what the oil men had always claimed, that the Standard Oil Company

was a conspiracy! At the same time that these cases were arousing their

indignation anew there occurred in Ohio an affair which gave them new

evidence of their old charge that the Standard was steadily intrenching

itself in state and national politics in order to direct the course of

legislation to suit itself. There had been many evidences of this,

satisfactory enough to the initiated. There was no doubt that the

investigation of 1876 and the first bill to regulate interstate commerce

introduced at that time had been squelched largely through the efforts

of two members of Congress, one of them directly and the other

indirectly interested in the Standard—these were J. N. Camden of West

Virginia, head of the Camden Consolidated Oil Company, now one of the

constituent companies of the Standard Oil Trust, and H. B. Payne of

Ohio, the father of the treasurer of the Standard, Oliver H. Payne. It

had certainly used its influence to oppose the free pipe-line bill which

the independent oil men had been fighting for since the early days of

the industry. In 1878 and 1879, during the prosecution of the suits

against the railroads and the Standard by the Petroleum Producers’

Union, there had been incessant charge of the use of political influence

to secure delay. It was a matter of constant comment in Ohio, New York

and Pennsylvania that the Standard was active in all elections, and that

it “stood in” with every ambitious young politician, that rarely did an

able young lawyer get into office who was not retained by the Standard.

The company seems to have taken a hand in politics even before the days

of the South Improvement Company, for Mr. Payne once said in the United

States Senate that when he was a candidate for the House of

Representatives in 1871, “no association, no combination” in his

district did more to bring about his defeat or spent so much money to

accomplish it as the Standard Oil Company![114]

But all of the examples they quoted were more or less poor in evidence.

Of no one of them perhaps could they have produced satisfactory proof.

Now, however, simultaneously with the three cases outlined in the last

two chapters there came a case of bribery in an election which they held

established their charge. The case was the familiar one of the election

of H. B. Payne of Ohio to the United States Senate in January, 1884. Mr.

Payne was at the time of his election the aristocrat \_par excellence\_ of

Cleveland, Ohio. He had birth and education, distinction of manner and

mind. His fine old mansion still remains one of the most distinguished

houses in a city of beautiful homes. He had been active in Democratic

politics for many years—a member of the state Senate and a member of

Congress, and he had been mentioned as the Democratic candidate for the

presidency in 1880, receiving eighty-one votes on the first ballot. At

the time of his election to the Senate he was a man seventy-four years

old. Now Mr. Payne’s son, Oliver H. Payne, was one of the thirteen

original members of the South Improvement Company, and one of the rare

Cleveland refiners who had a strong enough stomach to go into the

Standard Oil Company when it swept up the oil trade of Cleveland in

1872, and he had gathered in his share of the spoils of that raid.

Oliver Payne was proud of his father, and it was well known that he

wanted to see him in the Senate of the United States, but there had been

no movement to nominate him, and in 1883 he seems to have made up his

mind to see what he could do.

A United States Senator was to be elected in Ohio in November. In

October a new State Legislature was chosen, and the Democratic members

were instructed for one of two candidates for the Senate, George H.

Pendleton or General Durbin Ward, both men of prominence and long

service in the public life of the state. Mr. Payne’s name was not

mentioned in the canvass. Nevertheless, hardly had the Legislature

convened when there sprang up at the Neil House in Columbus an

extraordinary Payne boom. Its backers were Senator Payne’s own son,

Oliver H. Payne, at that time treasurer of the Standard Oil Company, and

Colonel Thompson, a prominent personage in the same concern. Their

lieutenants were also members of the company in one capacity or another.

Large sums of money were alleged to have been circulated. There was a

rumour that Oliver Payne said the election cost him $100,000. It was

claimed that it could be proved that a check for $65,000 had been cashed

in Cleveland by one of the men most prominent in the Payne boom, and

that the whole sum had been spent in Columbus.

A perfect uproar of indignation followed the announcement of Mr. Payne’s

choice. All over the state the Standard Oil Company was charged with the

election. The Democratic press was particularly bitter:

Said the Butler County Democrat: “It was simply a question whether

Pendleton, Ward, Thurman, Converse, Follett, Geddes, or any other

capable and honest Democrat, should receive the compliments of a

seat in the Senate, or that the Standard Oil Company should buy the

place for Henry B. Payne. It was an honest and divided Democracy

against a hydra-headed dictatorship of rich men on whose banner was

inscribed ‘Money Talks.’”

The Carroll County Chronicle in commenting on the election said: “It

is a great mistake to suppose Standard Oil has captured the

Democratic party of Ohio. It may have captured a score or two of men

elected to the Legislature, but they are not the Democracy of Ohio

by a long shot. When the British got General Benedict Arnold they

imagined they had captured the United States army, but it was a

mistake.”

“The monopoly of the Standard Oil Company must be destroyed,”

declared the Columbus Times. “Its intrusion into political circles

must be prevented. There must be no later acceptance of this

outrage. Political purity and perpetuity permit no complacency.

These pernicious foreign elements must be eradicated, and until they

are no Democrat will enter the capitol of Ohio or of the nation. The

rottenness that uncovered itself last night has not its confines in

Ohio.”

The comments were not confined to papers of the state. The New York Sun,

under the head “Was Payne’s Election Bought?” said:

“The subjoined communication from a source which we always respect

is worthy of more attention than is usually bestowed upon the

animated expressions of those whose preferences have not been

realised:

“‘It is now believed, and I believe, that the Standard Oil Company

recently bought with money Ohio’s seat in the Senate of the United

States for Mr. Payne. Now, can the social respectability of a man

make such a crime respectable? Or is there to be one standard of

political morality for Republicans and another for Democrats? Or are

Democrats expected to condemn corruption only when practised by

Republicans, and to condone, defend, and cover it up when practised

by Democrats, or when it is found only in the Democratic party? In

my opinion there is no danger so threatening to free institutions as

the sale and purchase of political power, and nothing more to be

condemned.’”

Although these charges were kept up for two years neither the Standard

Oil Company, Mr. Payne, nor the Legislature which had elected him

noticed them. The scandal became one of the issues of the next campaign

and was instrumental in making the next Legislature of Ohio Republican.

As soon as the new Legislature convened at the opening of 1886 an

investigation of the Payne case was ordered. Some fifty-five witnesses

were examined, and the resulting testimony turned over to the Senate of

the United States for its examination. The testimony did not prove the

charge of bribery, the Ohio Legislature said, but it was of such a

nature as to require the Senate’s attention. The matter went to the

Senate Committee on Elections, and in July, 1886, a majority reported

against the further investigation asked by the state of Ohio.[115]

Against this decision two members of the committee, Senators Hoar and

Frye, protested:

“Is the Senate to deny to the people of a great state, speaking

through their Legislature and their representative citizens, the

only opportunity for a hearing of this momentous case which can

exist under the constitution? We have not prejudged the case, nor do

we mean to prejudge it. We sincerely trust that the investigation,

which is as much demanded for the honour of the sitting members as

for that of the Senate or the state of Ohio, may result in

vindicating his title to his seat and the good name of the

Legislature that elected him.

\* \* \* \* \*

“How can a question of bribery ever be raised or ever be

investigated if the arguments against this investigation prevail?

You do not suppose that the men who bribe or the men who are bribed

will volunteer to furnish evidence against themselves? You do not

expect that impartial and unimpeachable witnesses will be present at

the transaction? Ordinarily, of course, if a claim like this be

brought to the attention of the Senate from a respectable quarter

that a title to a seat here was obtained by corrupt means, the

Senator concerned will hasten to demand an investigation. But that

is wholly within his own discretion and does not affect the due mode

of procedure by the Senate. From the nature of the case, the process

of the Senate must compel the persons who conducted the canvass and

the persons who made the election to appear and disclose what they

know; and until that process issue, you must act upon such

information only as is enough to cause inquiry in the ordinary

affairs of life.

“The question now is not whether the case is proved; it is only

whether it shall be inquired into. That has never yet been done. It

cannot be done until the Senate issues its process. No unwilling

witness has ever yet been compelled to testify; no process has gone

out which could cross state lines. The Senate is now to determine,

as the law of the present case and as the precedent for all future

cases, as to the great crime of bribery—a crime which poisons the

waters of republican liberty in the fountain—that the circumstances

which here appear are not enough to demand its attention.”

For three oppressive July days the Senate gave almost all of its time to

a bitter debate on the report. The name of the Standard was freely used.

“The Senate of the United States,” said Senator Frye, “when the question

comes before it as this has been presented, whether or not the great

Standard Oil Company, the greatest monopoly to-day in the United States

of America, a power which makes itself felt in every inch of territory

in this whole republic, a power which controls business, railroads, men

and things, shall also control here; whether that great body has put its

hands upon a legislative body and undertaken to control, has controlled,

and has elected a member of the United States Senate, that Senate, I

say, cannot afford to sit silent and let not its voice be heard in an

inquiry as to the truth of the allegation.” The majority report was

adopted, however, by a vote of forty-four to seventeen. “The most

unfortunate fact in the history of the Senate,” said Senator Hoar.[116]

For the time the matter rested, but only for the time. The failure to

investigate rather intensified the convictions that Payne’s seat was

bought by the Standard Oil Company. In 1887 Mr. Payne voted against the

Interstate Commerce Bill. “That is why he was put in the Senate,” people

said bitterly. The feeling became still more intense in 1888. The

question of trusts was before Congress. The Republicans had come out

with an anti-trust plank in their platform; the Democrats, in response

to Mr. Cleveland’s message, were declaring the tariff the greatest

trust-builder in existence, and calling on their opponents for reform

there if they were sincere in their anti-trust attitude. In this

agitation the Standard Oil Company undoubtedly exerted its influence

against all trust investigation and legislation. The charge became

general that they were helping the Democrats. This is why they wanted a

Democratic Senate. In September, 1888, when a phase of the question was

before the Senate, Mr. Hoar, with his genius for asking far-reaching

questions, said one day: “Is there a Standard Oil Trust in this country

or not?... If there be such a trust, is it represented in the Cabinet at

this moment? Is it represented in the Senate? Is it represented in the

councils of any important political party in the country?”

It was the first time that Mr. Payne had been sufficiently aroused to

reply. “There is nothing whatever to sustain the insinuation which the

honourable Senator conveys. I make the declaration now for the first

time, and it will be the last time I shall ever take notice of it. The

Standard Oil Company is a very remarkable and wonderful institution. It

has accomplished within the last twenty years of commercial enterprise

what no other company or association of modern times has accomplished,

but, Mr. President, I never had a dollar’s interest in that company. I

never owned a dollar of its stock; I never rendered it any service, and

that company never rendered me any service. On the contrary, when a

candidate for the other House in 1871, no institution, no association,

no combination in my district did more to bring about my defeat and went

to so large an expense in money to accomplish it as the Standard Oil

Company....

“As a matter of fact, nine-tenths of the stockholders of the Standard

Oil Company are now and always have been Republicans. Within my

knowledge there are but two Democrats who have ever been stockholders in

that company.” Farther on Mr. Payne interpolated this irrelevant remark:

“Not only are the majority Republicans, but they are very liberal in

their philanthropic contributions to charities and benevolent works, and

I venture the assertion that two gentlemen in that company have donated

more money for philanthropic and for benevolent purposes than all the

Republican members of the Senate put together.”

Mr. Payne’s denial was not sufficient to silence Senator Hoar. He

returned to the attack. It was a “general public belief,” he declared,

that the Standard Oil Company was represented in the Cabinet and Senate.

He called attention to the newspapers’ charge to that effect, and

declared that he had received many personal letters charging that the

Standard was helping the Democrats. He asked for information when he

asked his question; he made no charges. Mr. Whitney was the member of

Mr. Cleveland’s Cabinet to whom Senator Hoar referred, and he promptly,

in a public letter, disclaimed all connection with the Standard Oil

Company. Mr. Hoar said he “cheerfully accepted” the denial. As for Mr.

Payne, he was not satisfied, and when Mr. Payne in heat replied to him,

Senator Hoar closed his lips forever in a burst of biting sarcasm:

“A Senator who, when the Governor of his state, when both branches

of the Legislature of his state complained to us that a seat in the

United States Senate had been bought, when the other Senator from

the state rose and told us that that was the belief of a very large

majority of the people of Ohio without distinction of party, failed

to rise in his place and ask for the investigation which would have

put an end to those charges if they had been unfounded, sheltering

himself behind the technicalities which were found by some gentlemen

on both sides of this chamber, that the investigation ought not to

be made, but who could have had it by the slightest request on his

own part and then remained dumb, I think should forever after hold

his peace.... I think few men ever sat in the Senate who would

refrain from demanding an investigation under such circumstances,

even if it were not required by the Senate itself.... There were

Senators who thought that the admission of that Senator, the

continuance of that Senator in his seat without investigation,

indicated the low-water mark of the Senate of the United States

itself.”[117]

And there the Payne case rested. It was never \_proved\_ that the Standard

Oil Company had contributed a cent to his election. It was never

\_proved\_ that his seat was bought, but the fact that, in the face of

such serious charges, rehearsed constantly for four years, neither Mr.

Payne nor the Standard Oil Company had done aught but keep quiet,

convinced a large part of the country that the suspicion under which

they rested was less damaging than the truth would be. In the minds of

great numbers this silence was a confession of guilt. The Payne case

certainly aggravated greatly the popular feeling that the Standard Oil

Company was using the legislative bodies of the country in its own

interest.

This feeling was intensified in 1887 by a terrific battle between the

oil producers and Standard forces in the Legislature of the state of

Pennsylvania. Since the compromise of 1880 the body of the oil producers

had been taking no concerted action against the Standard. But their

inaction was not due to reconciliation to Standard domination. As a

matter of fact they were almost as bitter in 1886 as they had been in

1878, when they formed the Union which for two years fought so good a

fight. The specific complaint of the oil producers at this time was that

they were being “robbed” by the National Transit Company—the big

Standard pipe-line consolidation, which had secured by the series of

manœuvres already outlined the monopoly of handling and transporting

crude oil. If the oil producers had been making money at this time it is

quite possible that they would have paid little attention to the profits

of the National Transit Company. The service they got was about as

perfect as any human machine could render, and they would probably have

recognised this and been willing to pay high if they too had been

prosperous. But the condition of the oil producer in these days was in

glaring contrast to that of Mr. Rockefeller. They had piled up oil until

there were in 1886 over 33,000,000 barrels on hand. Naturally this had

driven prices down. The average price for the last years had been under

a dollar a barrel. In 1886 it fell down to 71⅜, and everyone said it

must go lower. Embittered and discouraged, the producers fell to

comparing what they were getting out of the business with what Mr.

Rockefeller was getting. It was not a consoling showing. The Standard

Oil Trust had from its organisation in 1882 paid dividends on its

$70,000,000 capital. In spite of the extraordinary outlay for tank

building and seaboard pipe-lines made from 1881 to 1884—$30,000,000 it

is computed to have been—the trust paid 10½ per cent. in 1885, ten per

cent. in 1886, and Standard Oil stock stood near 200! In contrast, the

oil producer, in 1886, is estimated to have lost about six per cent. on

his expenditures, and oil property depreciated one-third in value.[118]

[Illustration:

JOHN D. ROCKEFELLER

By Eastman Johnson

]

Something was wrong. They could not charge the Standard with the price

of oil. As long as over 33,000,000 barrels in stock lay on the market it

could not rise. But they could and did complain of what it cost them to

handle this oil, of storage and carrying charges, of the deductions for

shrinkage and for loss by fire. If the Standard had not forced out every

competing line, there would have been sufficient competition to have

lowered these items—which at the present prices soon ate up the value of

oil. And they fell to rehearsing the raids by which the various

transporting companies which had fought themselves into independent

positions had been forced into combination, their chief grievances being

naturally the affair of the Tidewater. In this state of mind, and

incited by the Buffalo, the Payne, and the Rice cases, it was natural

enough that when suddenly, at the opening of 1887, a bill evidently

intended to strike a blow at the Standard was introduced into the

Legislature of Pennsylvania, the oil producers rushed pell-mell to

support it. The opening sentence was enough for them. It was “An act to

\_punish\_ corporations.”[119] This was what they had always sought, some

way to \_punish\_ Mr. Rockefeller for what they believed to be a

conspiracy against their interests. The way in which the Billingsley

Bill, as it was called from the name of its father, proposed to punish

the Standard was to make it a criminal offence to charge in excess of

certain rates it fixed—ten cents a barrel for gathering and delivering

oil to storing points (the current rate was twenty cents); one-sixtieth

of one per cent. per barrel a day for storage, with no storage charge

for the first thirty days (one-half of one per cent. was the current

rate); one-half of one per cent. shrinkage, instead of three per cent.

Besides, the bill required the Standard to go to any well on application

of the owner, it made the company liable for damage, and it required it

to deliver oil of like kind and quality as that received.

The enthusiasm with which the bill was greeted was cooled a little by

the announcement that as it stood it was unconstitutional—acts to punish

being forbidden by the constitution of the state—as well as by an

immediate realisation that the prices fixed for services were in nearly

every case less than cost. The bill was immediately amended. When it

came back it was at once apparent that, in spite of this preliminary

hitch, a tremendous fight to carry it was being organised by the oil

men. Then determination to push it grew in proportion to the Standard

opposition. The Standard, indeed, realised immediately that unless a

hard fight was made the bill would go through by popular clamour, and

they turned their big lawyer, Mr. Dodd, against it, set their

newspapers—the Oil City Derrick, Titusville Herald and Bradford Era, all

of them by this time subsidised organs—to argue against it, and sent Mr.

Scheide, one of the ablest of their pipe-line managers, to present their

side at Harrisburg. They also secured the services of a well-known young

Republican member of the Legislature, Wallace Delemater, of Crawford

County, one of the counties in the Oil Regions, to organise an

opposition to the bill in the Legislature.

In February a hearing was given the bill, Mr. Dodd presenting the

Standard side. It is rare that so able a lawyer has to fight so weak a

measure, and Mr. Dodd riddled it easily. As a matter of fact the

Billingsley Bill was as bad as it could be. It was characterised by all

sorts of constitutional, legal and practical difficulties. The pipe-line

business was an interstate business, and this bill attempted to regulate

it—which evidently it could not do. It could, of course, regulate

Pennsylvania oil, but, by so doing, it created two classes of oil in the

lines, a situation which would have been confusing and undesirable. It

was evidently intended that the prices it fixed should apply to the

30,000,000 barrels of stocks on hand, but these were held under

contract, and could not be touched. There were many other objections to

the bill. Even Judge Heydrick, the able lawyer whom the oil men had

engaged to defend it, was obliged to apologise for it at every point,

and its most valiant supporter, Senator Lewis Emery, Jr., said frankly

that the framer of the bill knew too little of the oil men’s needs to be

able to make a bill, and that this would have to be thoroughly revised.

In spite of all the reasonable, indeed overwhelming, objections to the

Billingsley Bill, the oil men clung to it. Mass-meetings were held

nightly from one end of the region to the other, petitions flooded the

Legislature, a big delegation was kept constantly in Harrisburg lobbying

for it. The support was intemperate, bitter, unreasonable. In March it

was intensified by the knowledge that a self-constituted committee of

leading oil men were in New York treating with the Standard in regard to

certain of the abuses the bill aimed to cure. These men felt that the

Standard was unjust in its dealings with the oil men, excessive in its

charges, and arbitrary in its service, but they felt that the confusion

the Billingsley Bill would bring into the business more than offset the

grievances it righted, and they had gone to Mr. Rockefeller to see if

matters could not be compromised. Now nothing could have more

effectually added to the warlike spirit abroad in the Oil Regions at

that moment than the suggestion of a compromise. Their cause was being

“sold.” It was “compounding with felony,” and when, after a three days’

sitting in New York, the committee came home with an agreement from the

National Transit Company, making certain concessions—as two per cent.

instead of three for shrinkage, twenty-five cents a day per 1,000

barrels, instead of forty, for storage, and with a promise that certain

other points should be settled by joint committees—two of the leading

members were hung in effigy in Titusville!

In April the final vote on the Billingsley Bill came. Harrisburg was

alive with oil men determined that the bill should go through. The

Standard was present, and if it had less of a \_claque\_, it had more of

the “sinews of war.” Indeed, it was charged later by Senator Lewis Emery

that the leader of the Standard forces in the Senate received $65,000

for his services—a charge which, so far as the writer knows, has never

been either proved or disproved. The bill came to a vote after a

passionate wrangle. It was defeated eighteen to twenty-five. A storm of

violent protest from the oil men’s representatives followed the defeat,

and the lobbies, the hotels, and even the streets of Harrisburg were

scenes in the next hours of bitter quarrels and excited gatherings. When

finally the oil men withdrew from the town it was with the understanding

that they were to meet two weeks later in Oil City to organise a new

protective association. The protests and resolutions passed at their

final gatherings foreshadowed no intention of reviving the Billingsley

Bill. Indeed, the bill itself had received scant attention from them in

the violent campaign over its passage which they had carried on for

three months. All their passion had been expended on the Standard. This

was a question of whether the Standard Oil Company ruled the Legislature

of Pennsylvania or whether the people ruled it—so declared the oil men;

and when their bill was defeated they charged it was by bribery, and

henceforth quoted the defeat of the Billingsley Bill along with the

Payne case as proof of the corrupt power of the Standard Oil Company in

politics. Their outbreak, for it was nothing else, was the culmination

of their indignation and resentment at fifteen years of unfair play on

the part of the Standard Oil Company, of resentment at the South

Improvement Company, at forced combination of refineries and pipe-lines,

at railroad rebates and drawbacks, at the immediate shipment outrages,

at the Tidewater defeat. It was revolt against the incessant pressure of

Mr. Rockefeller’s pitiless steel grip. It was bitterness at the idea

that it was he who was reaping all the profit of a business in which

they were taking the chief risks, and if things went on as they were

that it was he who always would. Out of their burst of passion was to

grow a solid determined effort, but for the moment they were defeated,

and the defeat, which really was merited, was another added to their

series of just and unjust complaints against Mr. Rockefeller.

All of these bitter and spectacular struggles aroused intense public

interest. The debate on the Interstate Commerce Bill was contemporaneous

with them—the bill was passed in 1887, and had its effect. The feeling

grew all over the country that whatever the merits of these specific

cases, there was danger in the mysterious organisation by which such

immense fortunes and such excessive power could be built up on one side

of an industry, while another side steadily lost money and power. A new

trial was coming to Mr. Rockefeller, one much more serious than any

trial for overt acts, for the very nature of his great creation was to

be in question. It was a hard trial, for all John D. Rockefeller asked

of the world by the year 1887 was to be let alone. He had completed one

of the most perfect business organisations the world has ever seen, an

organisation which handled practically all of a great natural product.

His factories were the most perfect and were managed with the strictest

economy. He owned outright the pipe-lines which transported the crude

oil. His knowledge of the consuming power of the world was accurate, and

he kept his output strictly within its limit. At the same time the great

marketing machinery he had put in operation carried on an aggressive

campaign for new markets. In China, Africa, South America, as well as in

remote parts of Europe and the United States, Standard agents carried

refined oil. The Standard Oil Company had been organised to do business,

and if ever a company did business it was this one. From Mr. Rockefeller

himself, sitting all day in his den, hidden from everybody but the

remarkable body of directors and heads of departments which he had

“acquired” as he wiped up one refinery and one pipe-line after another,

to the humblest clerk in the office of the most remote marketing agency,

everybody worked. There was not a lazy bone in the organisation, nor an

incompetent hand, nor a stupid head. It was a machine where everybody

was kept on his mettle by an extraordinary system of competition, where

success met immediate recognition, where opportunity was wide as the

world’s craving for a good light to cheer its hours of darkness. The

machine was pervaded and stimulated by the consciousness of its own

power and prosperity. It was a great thing to belong to an organisation

which always got what it wanted, and which was making money as no

business in the country had ever made it.

What more, indeed, could Mr. Rockefeller ask than to be let alone? And

why not let him alone? He had the ability to keep together the

wide-spread interests he had acquired—not only to keep them together,

but to unify and develop them; why not let him alone? Many people even

in the Oil Regions were inclined to do so, some because they feared

him—rumour said Mr. Rockefeller was vindictive and never forgot

opposition; others because they were canny and foresaw that they might

want his help one day; still others because criticism of success is an

ungracious business and arouses a suspicion that the critic may be

envious or bitter. But there were a few people, as there always are,

whom no cowardice, no self-interest, no fear of public opinion could

keep quiet, and these people insistently urged that the Standard Oil

Company was a menace to the commerce of the country. We have been and

are being wronged, they repeated. We have a right to do an independent

business. Interference to drive us out is conspiracy. Let Mr.

Rockefeller succeed in the oil business and he will attack other

industries; he will have imitators. In fifty years a handful of men will

own the country.

Mr. Rockefeller handled his critics with a skill bordering on genius. He

ignored them. To see them, to answer them, called attention to them. He

was too busy to answer them. “We do not talk much—we saw wood.” This

attitude of serene indifference is supremely wise. It belittles the

critic and it gives the outsider who watches the game a feeling that a

serenity so high must come from an impregnable position. There is no

question but many a mouth opened to testify against the Standard Oil

Company has been closed by Mr. Rockefeller’s policy of silence. Only the

few irreconcilables withstood his sphinx-like attitude, and yearly, from

the compromising of 1880, these warnings and accusations were louder and

more fierce. Probably the greatest trial Mr. Rockefeller has ever had

has come from the persistency with which the few malcontents kept him

before the public. They interfered with two of his great

principles—“hide the profits” and “say nothing.” It was they who had

ruined the South Improvement Company; it was they who had indicted him

for conspiracy and compelled him to compromise in 1880. It was they who

now, after the splendid pipe-line organisation was completed and his

market machinery was in order, kept up their agitation and their

cursing. Their work began to tell. The feeling grew that the Standard

Oil Company, or Trust, as it was by this time generally called, must be

looked into. Even those who, dazzled by Mr. Rockefeller’s achievement,

were inclined to overlook its ethical side and to refuse to consider to

what aggregation of power and abuse it might lead, began to feel that it

would be quite as well to have the matter thrashed out, to have it

settled once for all, whether the thing had been so bad in its making

and was so dangerous in its tendencies as the “oil-shriekers” pretended.

In the House of Representatives, when the question of ordering an

investigation of trusts by the Committee on Manufactures was up in 1887,

the liveliest concern was shown as to whether the Standard Oil Company,

“the most important case” of all, would escape. More than one member

asked to be assured before consenting to the investigation that the

Standard would be put on the rack. The same interest was shown in the

Senate of New York State, where an investigation was ordered for

February, 1888. It was certain indeed now that Mr. Rockefeller would not

be allowed much longer to work in the dark. He was to be dragged into

the open, much as he might deplore it, to explain what his trust really

was, to prove to a suspicious and hostile public that he had a right to

exist.

CHAPTER FOURTEEN

THE BREAKING UP OF THE TRUST

EPIDEMIC OF TRUST INVESTIGATION IN 1888—STANDARD INVESTIGATED BY NEW

YORK STATE SENATE—ROCKEFELLER’S REMARKABLE TESTIMONY—INQUIRY INTO

THE NATURE OF THE MYSTERIOUS STANDARD OIL TRUST—ORIGINAL STANDARD

OIL TRUST AGREEMENT REVEALED—INVESTIGATION OF THE STANDARD BY

CONGRESS IN 1888—AS A RESULT OF THE UNCOVERING OF THE STANDARD OIL

TRUST AGREEMENT ATTORNEY-GENERAL WATSON OF OHIO BEGINS AN ACTION IN

QUO WARRANTO AGAINST THE TRUST—MARCUS A. HANNA AND OTHERS TRY TO

PERSUADE WATSON NOT TO PRESS THE SUIT—WATSON PERSISTS—COURT FINALLY

DECIDES AGAINST STANDARD AND TRUST IS FORCED TO MAKE AN APPARENT

DISSOLUTION.

There was no characteristic of Mr. Rockefeller and his great corporation

which from the beginning had been more exasperating to the oil world

than the secrecy with which operations were conducted. The plan of the

South Improvement Company had only been revealed to those who signed an

agreement to keep secret all transactions they might have with it. The

purchase in 1874 and 1875 by the Standard Oil Company of Lockhart, Frew

and Company of Pittsburg, of Warden, Frew and Company of Philadelphia,

and of Charles Pratt and Company of New York was so thoroughly concealed

that Mr. Rockefeller, five years after it occurred, dared make an

affidavit that it had never occurred![120] Men who entered into running

arrangements with Mr. Rockefeller were cautioned “not to tell their

wives,” and correspondence between them and the Standard Oil Company was

carried on under assumed names! Whenever the subject of the relations

between the various companies came up in a lawsuit or an investigation,

a candid and straightforward answer was always avoided by both Mr.

Rockefeller and the men known to be associated with him in some way. For

instance, in 1879, when H. H. Rogers was before the Hepburn Committee,

an effort was made to find out what relation the firm of Charles Pratt

and Company, of which he was a member, sustained to the Standard Oil

Company. Mr. Rogers’s testimony was a masterpiece of good-natured

evasion,[121] and all that the examiners could get, though they returned

again and again to the inquiry, was that Charles Pratt and Company

worked in “harmony” with the Standard Oil Company.

When ex-Governor Nash of Ohio was investigating the relations of the

Cleveland and Marietta Railroad and the National Transit Company, try

his best he could not find out anything definite. In his report Mr. Nash

said: “I have purposely referred to the parties who entered into this

arrangement with Receiver Pease and his freight agent, J. E. Terry, as

the parties represented by O’Day and Scheide, for the reason that I have

not been able to ascertain who or what the parties are.” That they were

officers of the National Transit Company he had evidence, but what

relation had the National Transit Company to the Standard Oil Company?

Was it a part of it? Mr. Nash was unable to find from Mr. O’Day, closely

as he might question him.[122]

In the Buffalo case, when John D. Rockefeller was on the stand, he was

put through a questioning in regard to the relations of the persons

concerned in the suit to the Standard Oil Trust, whose existence he

admitted. Mr. Rockefeller answered all the questions his lawyers would

allow, but at the end the plaintiffs had gained little or nothing, and

there was a strong impression, from the attitude of his lawyers rather

than from that of Mr. Rockefeller, that an effort was making to conceal

the nature of the agreement or charter or whatever it was under which

the companies involved were working. Naturally enough this attitude

inspired resentment and aggravated the feeling that this secrecy meant

evil-doing. When the epidemic of trust investigation broke out in 1888,

and the Standard Oil Trust was brought up for examination, there was a

general public demand to have the matter cleared up. The first

investigation of importance took place in February, 1888, in New York

City, and by the direction of the Senate of New York State. A list of

more than a score of trusts was in the hands of the committee, and, with

the limited time at their disposal, it was certain that they could not

look into more than half a dozen. There seems to have been no hesitation

about including the Standard Oil Trust. “This is the original trust,”

wrote the committee. “Its success has been the incentive to the

formation of all other trusts or combinations. It is the type of a

system which has spread like a disease through the commercial system of

this country.”

There were several things the committee wanted to know about the

Standard Oil Trust, and its president was summoned for examination. (1)

What was it? Was it an organisation recognised by any law of the land?

Long ago men had decided that partnerships, corporations, companies, in

which men united to do business, must be regulated by law and subjected

to a certain amount of publicity, if the public good was to be

protected. Was the Standard Oil Trust within or without the law? (2) By

the testimony of its own members, in other years the Standard

Combination controlled from eighty to ninety per cent. of the oil

business of the country. Was this supremacy due in any measure to

special privileges, such as discrimination in railroad rates? (3) Was

its power used to manipulate production and prices, and to prevent men

outside entering the oil business?

It was to learn these things that the commission summoned Mr.

Rockefeller. Flanked by Joseph H. Choate, present Ambassador to the

Court of King Edward and the most eminent lawyer of the day, and S. C.

T. Dodd, a no less able if a less well-known lawyer, Mr. Rockefeller

submitted himself to his questioners. In no case where he has appeared

on the stand can his skill as a witness be studied to better advantage.

With a wealth of polite phrases—“You are very good,” “I beg with all

respect”—Mr. Rockefeller bowed himself to the will of the committee.

With an air of eager frankness he told them nothing he did not wish them

to know. The committee had a desire to begin at the beginning. It

evidently had heard that a short-lived organisation, called the South

Improvement Company, had given Mr. Rockefeller his whip-hand in the oil

business as far back as 1872, enabling him in three months’ time to

raise his daily capacity as a refiner from 1,500 to 10,000 barrels, and

so they asked Mr. Rockefeller:

\_Q.\_ There was such a company?

\_A.\_ I have heard of such a company.

\_Q.\_ Were you not in it?

\_A.\_ I was not.[123]

It is a perfectly well-known fact that Mr. Rockefeller owned 180 shares

in the South Improvement Company, of which he was a director; that, when

a public uprising caused the destruction of the company, he was one of

the two men who tried to save it; also that the Standard Oil Company of

Ohio was the only concern which profited by the short-lived conspiracy.

Another staggering bit of testimony concerned railroad rates. Asked if

there had been any arrangements by which the trust or the companies

controlled by it got transportation at any cheaper rates than was

allowed to the general public, Mr. Rockefeller answered: “No, sir.” As a

matter of fact, the three great oil-carrying systems of the country—the

Central, Erie and Pennsylvania—had all of them, for much of the period

between 1872 and 1888, granted to Mr. Rockefeller rebates calculated to

keep freight rates down for the Standard Oil Company and up for its

competitors. Contracts and agreements to this effect are easily

accessible to any one caring to investigate the quality of Mr.

Rockefeller’s “no.” “No,” said Mr. Rockefeller, “we have had no better

rates than our neighbours,” and then, with that lack of the sense of

humour which, ethical qualities aside, is his chief limitation, he

hastened to add: “But, if I may be allowed, we have found repeated

instances where other parties had secured lower rates than we had.”

Later in the day the committee, which seems to have known something of

Mr. Rockefeller’s former contracts with the railroads, returned to the

subject, and the following colloquy, worthy of the study of all

witnesses interested in how not to tell what you know, took place:

\_Q.\_ Has not some company or companies embraced within this trust

enjoyed from railroads more favourable freight rates than those

rates accorded to refineries not in the trust?

\_A.\_ I do not recall anything of that kind.

\_Q.\_ You have heard of such things?

\_A.\_ I have heard much in the papers about it.

\_Q.\_ Was there not such an allegation as that in the litigation or

controversy recently disposed of by the Interstate Commerce

Commission, Mr. Rice’s suit; was not there a charge in Mr. Rice’s

petition that companies embraced within your trust enjoyed from

railroad companies more favourable freight rates?

\_A.\_ I think Mr. Rice made such a claim; yes, sir.

\_Q.\_ Did not the commission find that claim true?

\_A.\_ I think the return of the commission is a matter of record; I

could not give it.

\_Q.\_ You don’t know it; you haven’t seen that they did so find?

\_A.\_ It is a matter of record.

\_Q.\_ Haven’t you read that the Interstate Commerce Commission did

find that charge to be true?

\_A.\_ No, sir; I don’t think I could say that. I read that they made

a decision, but I am really unable to say what that decision was.

\_Q.\_ You did not feel interested enough in the litigation to see

what the decision was?

\_A.\_ I felt an interest in the litigation; I don’t mean to say that

I did not feel an interest in it.

\_Q.\_ Do you mean to say that you don’t know what the decision was?

that you did not read to see what the decision was?

\_A.\_ I don’t say that; I know that the Interstate Commerce

Commission had made a decision; the decision is quite a

comprehensive one, but it is questionable whether it could be said

that that decision in all its features results as I understand you

to claim.

\_Q.\_ You don’t so understand it? Will you say, as a matter of fact,

that none of the companies embraced within this trust have enjoyed

more favourable freight rates than the companies outside of your

trust? Will you say, as a matter of fact, that it is not so?

\_A.\_ I stated in my testimony this morning that I had known of

instances where companies altogether outside of the trust had

enjoyed more favourable freights than companies in this trust; and I

am not able to state that there may not have been arrangements for

freight on the part of companies within this trust as favourable as,

or more favourable than, other freight arrangements; but, in reply

to that, nothing peculiar in respect to the companies in this

association; I suppose they make the best freight arrangements they

can.[124]

The committee had a vague idea that refineries outside of the Standard

Combination had had a hard time to live, and asked if the trust had

sought in any way to make the operations of outsiders so unprofitable

that they would either have to come in or go out of the business.

“They have not; no, sir, they have not,” replied Mr. Rockefeller.

“And they have lived on good terms with their competitors?”

“They have, and have to-day very pleasant relations with those

gentlemen.”

It would have been interesting to have heard the comments of a number of

gentlemen trying to carry on an independent business in 1888 on that

answer: of the refiners in Oil City and Titusville, at that time

preparing to carry their troubles to the Interstate Commerce Commission;

of George Rice and others at Marietta, Ohio; of H. H. Campbell, of the

Bear Creek Refining Company at Pittsburg; of Scofield, Shurmer and

Teagle at Cleveland.

If all of Mr. Rockefeller’s testimony had been of the nature of the

above, the investigation would have been worth little to the people who

demanded it. But when it came to the questions which, after all, it was

most essential to have answered at that moment, Mr. Rockefeller, after

some skirmishing, gave the committee as frank testimony as is on record

from him. The information wanted was in regard to the organisation of

the Standard Oil Trust. As pointed out in a previous chapter, there had

been some kind of an agreement adopted in 1882, binding together the

varied interests which controlled the oil business. But what it was,

where it was kept, by what authority it lived, nobody knew. For six

years it had succeeded in hiding itself. What was the understanding

which had made a trust of a company? The committee asked to know. Mr.

Rockefeller and his counsel were the soul of amiability under the

demand. They had only one request, and Mr. Choate made it persuasively:

“If the committee please,” he said, “I do not arise to make an

objection to a request of the committee; we think that it is very

proper that the committee should be made acquainted with this

document and everything pertaining to it in order to advise them as

to the nature and operation of this trust; at the same time, there

are private interests and controversies involved which might be

seriously prejudiced by a public exposition of its details, and

therefore, in producing it, we, without asking the committee to make

any promise or to commit themselves at all, request that while they

make whatever use of it they please, it shall not be in all its

details made a matter of public record or exhibition unless in their

final judgment, after consideration of the matter, they shall

consider it necessary. There are very important private interests

involved that ought not, under the guise of a public investigation,

to be interfered with.”

The committee examined the document and concluded to include it in its

report.[125] Like all great things, it was simplicity itself—an

agreement which anybody could understand, by which some fifty persons

holding controlling interests in corporations, joint stock associations,

and partnerships of different states, placed all their stock in the

hands of nine trustees, receiving in return trust certificates. These

nine trustees themselves owned a majority of the stock and had complete

control of all the property. Mr. Rockefeller, when questioned, stated

that one of the trustees was a responsible officer in almost every

refinery or organisation in the trust; that the trustees, as a body,

knew by reports and correspondence, and by frequent consultation in New

York with active promoters of each concern, just how the business was

going on. “We all know how the business goes,” said Mr. Rockefeller; “we

get reports once in thirty days showing what it has cost for

everything.”

The trustees evidently ran the entire great combination under the

agreement. But consider the anomaly of the situation. Thirty-nine

corporations, each of them having a legal existence, obliged by the laws

of the state creating it to limit its operations to certain lines and to

make certain reports, had turned over their affairs to an organisation

having no legal existence, independent of all authority, able to do

anything it wanted anywhere; and to this point working in absolute

darkness. Under their agreement, which was unrecognised by the state, a

few men had united to do things which no incorporated company could do.

It was a situation as puzzling as it was new. The committee in reporting

on what it discovered did nothing to solve the puzzle. It simply sounded

a warning:

“The actual value of property in the trust control at the present

time is not less than one hundred and forty-eight millions of

dollars, according to the testimony of the trust’s president before

your committee. This sum in the hands of nine men, energetic,

intelligent, and aggressive—and the trustees themselves, as has been

said, own a majority of the stock of the trust which absolutely

controls the one hundred and forty-eight millions of dollars—is one

of the most active and possibly the most formidable moneyed power on

this continent. Its influence reaches into every state and is felt

in remote villages, and the products of its refineries seek a market

in almost every seaport on the globe. When it is remembered that all

this vast wealth is the growth of about twenty years, that this

property has more than doubled in value in six years, and that with

this increase the trust has made aggregate dividends during that

period of over fifty millions of dollars, the people may well look

with apprehension at such rapid development and centralisation of

wealth wholly independent of legal control, and anxiously seek out

means to modify, if not to prevent, the natural consequence of the

device producing it, a device of late invention, namely, the

aggregation of great corporations into partnerships with unbounded

resources and a field of operations quite as extended as its

resources. So much for the nature of the Standard Oil Trust. The

committee regret that they are not able to make a more complete and

satisfactory report as to the method of its operations and its

effect upon public interests.

“The brevity of the time within which the investigation was required

to be made rendered it impossible for your committee to do more than

examine the persons most prominent in the management of its affairs.

Its cause was thus presented to the most favourable light possible,

and it is only fair to conclude that nothing was left unsaid by them

that could be said in its favour. No witness came forward to accuse

it of the great offences commonly laid to its charge. No proofs were

made of its rapacity or of the greed with which it lays hold of

every competitive industry, except such as might be drawn from the

fact that it is the almost sole occupant of the field of oil

operations, from which it has driven nearly every competitor. No

witness appeared to prove its power over railroad and transportation

companies and to wring from already impoverished lines better terms

than other shippers, except such as might be drawn from the

admission of its officers, made with hesitation, that this wealth

and the amount of its business enabled it to obtain better terms

than its poorer competitors.”[126]

The New York Senate made its investigation of trusts in February, 1888.

In March the Committee on Manufactures of the House of Representatives

began a similar inquiry. This committee, like the earlier one, made the

Standard its principal subject. Fully 1,000 pages of a report of 1,500

pages are devoted to Mr. Rockefeller’s creation—five times the space

given to the Sugar Trust, ten times that given to the Whiskey Trust. The

testimony was wide in range. Indeed, from the volume alone, a pretty

complete history of the Standard Oil Company up to 1888 could be

written. Here are found the South Improvement Company charter and

contracts in full. Here is Mr. Cassatt’s testimony, taken in the case of

the Commonwealth of Pennsylvania \_vs.\_ the Pennsylvania Railroad,

showing the character of the rebates the Standard Combination was able

to secure from the railroads at that time. Here is a partial history of

the growth of the Standard pipe-lines. Many personal histories of

refiners driven out of business by the conditions brought about by

railroad discriminations; full accounts of the war of the producing

element on the Standard; all of the testimony in the Buffalo case, where

two refiners were found guilty of conspiring to ruin an independent

refining concern; the reports of the Interstate Commerce Commission in

the cases of George Rice; and much interesting explanation of various

matters by leading Standard Oil officials appear in the report.

Mr. Rockefeller was on the stand, and one item of his testimony affords

a curious comparison. On the 28th of February, when before the New York

Senate committee, Mr. Rockefeller was asked if he was not a member of

the South Improvement Company.

“I was not,” he replied.

On the 30th of the April following, when before the House Committee, the

following colloquy took place:

\_Q.\_ I want the names particularly of gentlemen who either now or in

the past have been interested with you gentlemen who were in the

South Improvement Company?

\_A.\_ I think they were O. T. Waring, W. P. Logan, John Logan, W. G.

Warden, O. H. Payne, H. M. Flagler, William Rockefeller, J. A.

Bostwick, and—\_myself\_.

It was in this investigation that Henry M. Flagler gave explanations of

various operations of the Standard, which have been quoted in the course

of this narrative, notably explanations of the South Improvement

Company, of the ten-cent rebate secured from all the railroads in 1875,

of the purchase of the Empire Transportation Company, of the rebate on

other people’s shipments enjoyed in 1878 by the American Transfer

Company. Some of Mr. Flagler’s testimony in this investigation compares

as curiously with affidavits of his made in 1880 as does that of his

great chief. For instance, in 1880 Mr. Flagler swore that “the Standard

Oil Company owns and operates its refineries at Cleveland, Ohio, and

also a refinery at Bayonne in the state of New Jersey. That at no other

place in the United States does the said Standard Oil Company \_own\_,

operate, or control any refinery or refineries.”[127] But in this

investigation the following colloquy took place:

\_Q.\_ When did the Standard Company of Ohio first enter into an

alliance with other refineries?

\_A.\_ If you mean (by) an alliance, Mr. Gowen, I should say never.

\_Q.\_ I am only endeavouring to aid your friends in getting at what

they want. Here, I notice, they propose to prove by you—I will give

it in this way—that on account of the disastrous condition of the

refining business, the Standard, on October 15, 1874, entered into

an alliance with a number of Pittsburg refineries.

\_A.\_ That is more correctly stated by saying that the Standard Oil

Company \_purchased\_ the refineries owned by the parties in

Pittsburg.

\_Q.\_ Who were they?

\_A.\_ Lockhart, Frew and Company, I think, was the company. Wait a

moment. It was the Standard Oil Company of Pittsburg, it being a

corporation, and Warden, Frew and Company, of Philadelphia, and, I

should say, Charles Pratt and Company, of New York.

\_Q.\_ Any others?

\_A.\_ That is all.

\_Q.\_ All those gentlemen, Warden, Frew and Company, and the Standard

Oil Company of Pittsburg, Charles Pratt and Company, of New York,

are now associated with you as parties interested in the present Oil

Trust?

\_A.\_ They are stockholders. The property formerly owned by them was

at that time purchased by the Standard Oil Company.

\_Q.\_ When you speak of purchasing their interest, you do not exclude

them from their interest? They united with you and remained as your

associates in the business?

\_A.\_ If it was not from the fact that ours was a corporation, we

might call it a co-partnership.

\_Q.\_ They becoming interested in yours, and you in theirs?

\_A.\_ Yes, sir.

\_Q.\_ And you simply used your name to represent the joint ownership,

as it was a corporation?

\_A.\_ Yes, sir.[128]

Full as the testimony on the Standard Oil Trust gathered by the Federal

committee of 1888 is, its report touched but one point, and that was its

organisation. To the committee it seemed that the agreement under which

the trust operated was such as to make it exempt from the anti-trust

legislation which was then contemplated by Congress. The legislation

proposed was directed against “combinations to fix the price or regulate

the production of merchandise or commerce.” Now a mass of testimony had

been presented showing that, from the starting-point of the Standard’s

history with the South Improvement Company, its aim has been to regulate

the output of refined oil so as to fix the price, but this testimony,

the committee saw clearly enough, did not apply to the trust which it

was investigating. For—so swore the trustees—they had nothing to do with

the business operations of the separate concerns. They simply held the

stock of the various corporations, exercised their right as

stockholders, received and distributed the dividends. Each company did

its own business in its own way. The trustees were not responsible for

it. There was something humorous to those familiar with the oil world,

in the idea of J. D. Rockefeller, William Rockefeller, J. D. Archbold,

Henry H. Rogers, Charles Pratt, H. M. Flagler, Benjamin Brewster, W. H.

Tilford and O. B. Jennings, having nothing to do, as trustees of the

Standard Oil Trust, but to receive and divide dividends, engrossing and

interesting a task as that undoubtedly was. But, as a matter of fact,

nothing else could be settled on them by anything in the testimony. For

instance, in 1887 there was an alliance formed between the Oil

Producers’ Protective Association and the Standard for limiting the

production of crude oil (a movement of which we shall hear more later).

This certainly was in restraint of trade. But, on examination, the

committee found the contract had been signed by the Standard Oil Company

of New York. The trustees had nothing to do with it! Taking up, point by

point, the conditions of which the oil producers complained, not one of

them could be fixed on the trust. It had made no agreements, signed no

contracts, kept no books. It had no legal existence. It was a force

powerful as gravitation and as intangible. You could argue its existence

from its effects, but you could never prove it. You could no more grasp

it than you could an eel. Certainly the Committee on Manufactures was

justified in confining its report to pointing out the fact that the

Standard Oil Trust agreement was a shrewd and slippery device for

evading responsibility.

And there the investigations of 1888 ended. There had been much noise

over them, and for what good? So asked the discontented oil public. It

simply had secured the form of an agreement which could no more be

touched by legislation than human greed. It was characteristic that the

oil public, intent on immediate remedies, should be discouraged. If they

had applied to their cause the same patience and foresight Mr.

Rockefeller did to his, they would have realised that, as a matter of

fact, a respectable first step had been taken toward their real goal, a

goal which has not by any means been reached—that is, a legal form of

organisation for corporations doing interstate business which would

enable the public to know promptly if they were securing special

privileges or were restricting trade. This first step was in securing

the famous trust agreement. That was now in the hands of people given to

thinking about things, and something came of it, even more quickly than

the philosophical observer of public events might expect, and in this

wise:

In 1887 there was elected to the attorney-generalship of Ohio a lawyer,

something under forty years of age, named David K. Watson. Two years

later Mr. Watson was a candidate for re-election. One day, while busy

with his campaign, he came out of his office in the state-house on the

public square in Columbus, and, crossing the street, stopped, as he

often did, at a book-shop to look over new publications. He happened

there on a small yellow leatherette volume entitled “Trusts.” It was

written by William W. Cook, of the New York bar, and cost fifty cents.

Mr. Watson bought the book and spent the evening reading it. At the end

he found the Standard Oil Trust agreement. It was the first time he had

ever seen it. He read it carefully and saw at once that, if it was a

bona fide agreement, the Standard Oil Company of Ohio was and had been

for seven years violating the laws of the state of Ohio by taking the

affairs of the company from the directors and placing them in the hands

of trustees, nearly all of whom were non-residents of the state. Mr.

Watson knew on the instant that, if this were a bona fide agreement and

he were re-elected attorney-general of Ohio, it would be his duty to

bring an action against the Standard Oil Company of the state. He laid

the little book away until he knew the result of the election.

[Illustration:

DAVID K. WATSON

Attorney-General of Ohio from 1887 to 1891. Mr. Watson brought suit

against the Standard Oil Company in May, 1890, in the Supreme Court

of Ohio.

]

[Illustration:

FRANK S. MONNETT

Attorney-General of Ohio from 1895 to 1899. Mr. Monnett brought suit

against the Standard Oil Company in 1897 in the Supreme Court of

Ohio.

]

[Illustration:

LEWIS EMERY, JR.

Independent oil operator and refiner. Leader in movement for free

pipe-line bill and anti-discrimination laws. Founder of the United

States Pipe Line.

]

[Illustration:

GEORGE RICE

Plaintiff in numerous cases brought against the Standard Oil Company.

Prominent independent witness in various State and congressional

investigations.

]

A few weeks later Mr. Watson was re-elected attorney-general. He at once

began a search into the authenticity of the documents in Mr. Cook’s

little volume. He sent for the reports of the investigations by the

committees of the New York Senate and of Congress. He read the testimony

word for word. But he still doubted the correctness of the document,

fearing that, even if it were in the main correct, there might be some

loophole by which the Standard Oil Company could escape. Now, in reading

the report of the House investigations, Mr. Watson had been particularly

impressed with the clearness and directness of the questions put by one

of the members of the investigating committee, Mr. Buchanan, of New

Jersey. He accordingly went to Washington, inquired from a friend if Mr.

Buchanan could be relied upon, and, receiving the assurance of his high

character, sought an interview with him. “Was the Standard trust

agreement as published in the committee’s report \_bona fide\_?” was the

inquiry. “Yes,” said Mr. Buchanan. “But why do you ask?” “Because if it

is,” replied Mr. Watson, “I believe the Standard Oil Company of Ohio has

violated the laws of the state, and on my return to Columbus I shall

file an action in \_quo warranto\_ against it in the Supreme Court of the

state.”

“You would not \_dare\_ do that, would you?” exclaimed Mr. Buchanan.

“I was young then,” Mr. Watson told the writer in describing this

interview, “and I supposed it was expected of a public officer to

perform his duty. So I explained to Mr. Buchanan that there was a

statute in Ohio which required an attorney-general to bring suit against

any corporation which he had reason to believe was violating the laws of

the state; that I had no personal feeling against the Standard Oil

Company, but I meant to enforce the law against it as I would against

any other company which I believed to be violating the law.”

“I admire your courage,” said Mr. Buchanan, “but I would not do it.”

On May 8, 1890, Mr. Watson filed his petition in the Supreme Court of

Ohio.[129] The petition averred that, in violation of the law of Ohio,

the Standard Oil Company had entered into an agreement by which it had

transferred 34,993 shares out of 35,000 to the trustees of the Standard

Oil Trust, most of whom were non-residents of the state; that it was

these trustees who chose the board of directors of the Standard Oil

Company of Ohio, and directed its policy, and prayed that, on account of

this violation of law, the company should be “adjudged to have forfeited

and surrendered its corporate rights, privileges, powers and franchises,

and that it be ousted and excluded therefrom, and that it be dissolved.”

The petition came on the trust like a thunderbolt. There had been

already more or less erratic and ill-advised anti-trust legislation in

various states, but it had been framed in ignorance of the actual

organisation of the trust, and carried out with a crude notion that the

trust, in spite of the fact that it was already thoroughly intrenched in

the business life of the country, could be destroyed by a hostile act of

a Legislature. Mr. Watson’s suit was something very different. It was an

application of recognised laws to admitted facts. It brought the

Standard Oil Company face to face with several legal propositions it did

not like to meet. After a long delay an answer was filed by the

Standard. To Mr. Watson’s joy, the one thing he feared—the denial of the

correctness of the agreement—made no part of this answer. It admitted

the agreement, but it denied that the Standard Oil Company of Ohio was a

party to it. The agreement was signed by the individual stockholders of

the Standard Oil Company, not by the company in its corporate capacity.

The Standard Oil Company of Ohio had nothing to do with the Standard Oil

Trust. True, certain of its stockholders had turned over their stock to

the nine trustees, but the company did its business as before,

discharging all its duties as its charter required. This was the

essential point of the defendant’s answer. This, and the claim that if

the court should hold that the action of the stockholders in becoming

parties to the agreement in their individual capacity was a corporate

act of the Standard Oil Company, even then the charter should not be

forfeited, since the law barred an act committed more than five years

before a petition was filed.

Anticipating that the trust would get together a strong array of counsel

to defend its attacked member, Mr. Watson retained his personal and

professional friend, John W. Warrington, an eminent lawyer of

Cincinnati, to assist him. They were opposed by Joseph H. Choate, S. C.

T. Dodd and Virgil P. Kline of Cleveland.

But, while the preparation for the argument of the case was going on,

the courageous young attorney-general was beset on all sides for an

explanation. \_Why\_ had he brought the suit? What was the influence which

had controlled him? Men in power took him aside to question him,

incapable, evidently, of believing that an attorney-general could be

produced in Ohio who would bring a suit solely because he believed it

was his duty. Some suggested that some big interest, hostile to the

Standard, was behind him; others said the suit was suggested by Senator

Sherman, then interested in his anti-trust bill. Along with this

speculation came the strong and subtle restraining pressure a great

corporation is sure to exert when its ambitions are interfered with.

From all sides came powerful persuasion that the suit be dropped. Mr.

Watson has never made public the details of this influence in any

documentary way, but the accounts he at the time gave different friends

of it led to so much gossip in Ohio that in 1899 the attorney-general of

the state, F. S. Monnett, made detailed charges of six deliberate

attempts to bribe Mr. Watson to withdraw the suits.[130] But one bit of

documentary proof of the efforts to reach the attorney-general ever

reached the public—that came out without his knowledge or consent, Mr.

Watson claims, seven years after the suit was brought. It is interesting

enough as evidence of the character of the pressure Mr. Rockefeller can

set in motion when he will. Among Mr. Rockefeller’s Ohio friends was the

late Marcus A. Hanna, who was even then a strong factor in the

Republican party of the state. A few months after the suit was brought

he wrote Mr. Watson a letter of remonstrance. Many of Mr. Watson’s

friends saw this letter at the time and felt deep indignation over its

contents. In 1897, when Mr. Hanna was a candidate for the United States

Senate, an enterprising newspaper man of Ohio recalled that during 1890

it was common gossip in Ohio that Mr. Hanna had written the

attorney-general a letter asking him to withdraw his suit against the

Standard Oil Company. The correspondent sought Mr. Watson, who, so he

avers, let him read the letter through, although he refused to allow him

to copy it for publication. “No one could read it and ever forget it,”

said the correspondent; but to reinforce himself he sought persons who

were associated with Mr. Watson at the time—yes, they remembered the

letter perfectly. Certain of them said that they could never forget some

of its expressions. Between them they pieced up the following portions

of the letter which they declared correct and which the correspondent

published in the New York World for August 11, 1897:

“I noticed some time ago that you had brought suit to take away the

charter of the Standard Oil Company. I intended at the time to write

you about it, but it slipped my memory. A few days ago while in New

York I met a friend, John D. Rockefeller, and he called my attention

to the fact that you had brought the suit, but did not ask me to

influence you in any way.”

\* \* \* \* \*

“I have always considered you in the line of political promotion,”

said Hanna, and then went on to intimate that unless the suit

against the Standard was withdrawn, Watson would be the object of

vengeance by the corporation and its friends forever after. As if to

clinch his threat and argument, Hanna wrote: “\_You have been in

politics long enough to know that no man in public office owes the

public anything.\_”

[Illustration:

GROUP OF CLEVELAND CITIZENS

Who called on John D. Rockefeller at his residence, “Forest Hill,”

on July 25, 1896, to thank him for his gift of park lands to the

city. Mr. Rockefeller is in the centre of the group, the late

Senator Marcus A. Hanna in the right lower corner, and Governor

Myron T. Herrick in the centre of the top row.

]

\* \* \* \* \*

The letter concluded with a reference to the present Secretary of

State, John Sherman. Hanna wrote: “I understood that Senator Sherman

inspired and instigated this suit. If this is so I will take

occasion to talk to him sharply when I see him.”

The letter was written on the typewriter and letter-heads of Hanna’s

business office in Cleveland.

Having secured this much, the correspondent, thinking it possible Mr.

Watson might have answered Mr. Hanna’s letter, undertook a bit of

original investigation. He sought the files of the attorney-general’s

official correspondence for 1890, and the following is what he found.

This letter certainly is evidence enough of the sort of letter Mr. Hanna

had written even if the above restoration is not absolutely accurate:

December 13, 1890.

HON. MARK HANNA,

Cleveland, Ohio.

\_My dear Sir\_:—Your communication of the 21st ult. came to hand. The

delay in answering it has been caused largely by my being ill for

several days. I did not intend that bringing the action to which you

refer in your letter should be an attack on my part on “organised

capital,” for I am aware that great business transactions require

the union and concentration of moneyed interests, and fully

appreciate what has been done in that direction, yet I cannot but

feel that I am justified in bringing the suit against the Standard

Oil Company, and believe that there are many things relating to the

case which, if you understood, would cause you to entertain

different views concerning it and my relation to it. Let me impress

one thing on you with special particularity, and you may depend

absolutely on its truthfulness. Senator Sherman never suggested or

encouraged this suit, either directly or indirectly. This must be

understood in its broadest sense. The report probably arose from the

fact that the action was brought shortly after the Senator made his

great speech in support of his anti-trust bill. You will hardly

receive my statement with favour, I fear, but I am alone responsible

for the action. No one encouraged me to bring it or knew that it

would be brought until I determined to do so, and it is unfair to

other persons to charge them with suggesting it or encouraging it.

With the highest appreciation of your personal friendship, I am,

with great respect,

Truly yours,

DAVID K. WATSON.

The part which the terse phrase attributed to Mr. Hanna,

“NO MAN IN PUBLIC OFFICE OWES THE PUBLIC ANYTHING,”

played in the Senatorial campaign of 1897 is familiar to those who

follow politics. It was kept standing for days in black-faced capitals

at the head of the opposition newspapers in Ohio, and remained a potent

weapon in the hands of Mr. Hanna’s enemies to the time of his death.

Whatever the pressure Mr. Watson encountered, it had no effect on his

purpose. He quietly went ahead, presented his brief, and, when the time

came, he and Mr. Warrington argued the case. The following proposition

from the brief presented by Mr. Watson and Mr. Warrington show tersely

the line of their argument:

“Where the manifest object of an agreement is to unite corporations,

partnerships and individuals into, or include them in a common

enterprise, and control them through an agency unknown to the law of

their creation, and all the officers, directors and stockholders of

such corporations sign the agreement, and, in furtherance of its

provisions, transfer their stock to such agency, permit the

corporate executive agencies to make such transfers on the corporate

books, submit without objection to the domination of the agency to

which the stock is so transferred in the selection of directors and

officers, and in the management of the corporate affairs and

business suffer the corporate earnings to go to such agency and be

placed and mingled with the earnings of the other parties in the

combination so created, and, after deductions for uses of the

combination, be divided as part of such common earnings among the

persons interested, in such case the corporations become and are—or

at least will be treated by the courts as—parties to such agreement

and actors in its performance, although their corporate names are

withheld therefrom. Such proceedings constitute actual corporate

conduct, if not formal corporate action, on the part of each

corporation.

“An agreement is in violation of law and void which in effect

creates a partnership between corporations, or where its probable

operation and effect—much more where its inevitable tendency—is to

create a substantial monopoly, or is in restraint of trade or

otherwise injurious to the public.

“Where a corporation, either directly or indirectly, submits to the

domination of an agency unknown to the statute, or identifies itself

with and unites in carrying out an agreement whose performance is

injurious to the public, it thereby offends against the law of its

creation and forfeits all rights to its franchises, and judgment of

ouster should be entered against it.

“Even if the statute which prescribes a time within which an action

against a corporation for forfeiture of its charter shall be

commenced, be applicable to a case of this kind, yet, where the

offences or acts committed or omitted by a corporation for which

forfeiture of its charter is sought at the suit of the state, are

concealed, or are of such character as to conceal themselves, such

offences and acts as against the state are frauds, and such statute

does not begin to run until the frauds are discovered.”

Joseph H. Choate appeared for the defence. The most eminent lawyer in

the country, his argument must have been anxiously awaited by Mr.

Watson. Curiously enough, as it seems to the non-legal mind, Mr. Choate

began his plea by a \_prayer for mercy\_. Whatever the sins of the

Standard Oil Company of Ohio, pleaded Mr. Choate, do not take away its

charter. Mr. Choate then proceeded with a strong argument in which he

claimed “absolute innocence and absolute merit for everything we have

done within the scope of the matters brought before the court by these

pleadings.”

The argument did not convince the court of the innocence of the Standard

in the questions at issue. The court showed, out of the mouth of the

trust agreement itself, that the Standard Oil Company of Ohio was

“managed in the interest of the Standard Oil Trust—irrespective of what

might be its duties to the people of the state from which it derives its

corporate life.” The court gave as its opinion that an act of a majority

of the stockholders of a corporation affects the property of a company

in the same way that a resolution by the board of directors affects it.

“By this agreement,” said the court, “indirectly, it is true, but none

the less effectually, the defendant is controlled and managed by the

Standard Oil Trust, an association with its principal place of business

in New York City, and organised for a purpose contrary to the policy of

our laws. Its object was to establish a virtual monopoly of the business

of producing petroleum, and of manufacturing, refining and dealing in it

and all its products, throughout the entire country, and by which it

might not merely control the production, but the price, at its pleasure.

All such associations are contrary to the policy of our state and void.

\* \* \* \* \*

“Much has been said in favour of the objects of the Standard Oil Trust

and what it has accomplished. It may be true that it has improved the

quality and cheapened the cost of petroleum and its products to the

consumer. But such is not one of the usual or general results of a

monopoly; and it is the policy of the law to regard, not what may, but

what usually happens. Experience shows that it is not wise to trust

human cupidity where it has the opportunity to aggrandise itself at the

expense of others. The claim of having cheapened the price to the

consumer is the usual pretext on which monopolies of this kind are

defended.”[131]

From all this the court decided the Standard Oil Company deserved

punishment. The charter was not taken away—the statute of limitations

being advanced as a reason for this leniency, although, as Mr. Watson

and Mr. Warrington showed, the statute of limitations could hardly be

pleaded in this case, when the state had been kept in ignorance by the

concealment of the agreement. The company was allowed to live, but it

was ousted from the privilege of entering into the trust agreement, from

the power of recognising the transfer of the stock, and from the power

of permitting the trustees to control its affairs. It was also ordered

to pay the costs of the action.

The judgment of the court was not rendered until March 2, 1892, almost

two years after the filing of the petition. As soon as it was received

Virgil P. Kline, the chief counsel of the Standard Oil Company of Ohio,

went to New York for consultation with the trustees. Five days later he

wrote to Judge Spear, the chief justice of the Ohio Supreme Court,

saying: “Decisive steps will be taken at once not only to release the

Standard Oil Company from any relations to the trust, but to terminate

the entire trust.” But there were “practical difficulties” in the task.

The company pleaded for a “temporary recognition,” and he asked an

interview where he could explain the situation. This was granted, and on

the 16th of March Mr. Kline explained to the judges in chambers, to Mr.

Watson, and to his successor in office, the situation of the company.

The trustees had all but seven shares of its stock. Trust certificates

had been issued for these ten years before. The Standard Oil Company did

not know who held these certificates, and could only know through the

trustees, therefore the trust certificates must be transferred back, the

owners hunted up, and each one induced to make an exchange. A system

must be devised for doing this. Anybody could see this would take time.

The court was friendly in the matter, and Chief Justice Spear gave to

Mr. Kline an informal note granting an extension. “The court is not

disposed to change its order at this time,” the chief justice wrote,

“but, so long as those in control appear to be engaged, as now, in an

honest effort to dissever the relations of the company with the trust,

and liquidate and wind up the affairs of the trust, the court will not

be disposed to interfere.” Thus time was gained.

While Mr. Kline was securing time, the trustees were pushing a

liquidation scheme. On March 11 the following notice was mailed to all

holders of Standard Oil Trust certificates, and was published in a

newspaper in each state where a Standard Oil Company had been organised:

NOTICE

A special meeting of the holders of Standard Oil Trust certificates

will be held at the office of the trust, Number 26 Broadway, in the

City of New York, on Monday, March 21, 1892, at eleven o’clock A.M.,

for the purpose of voting upon a resolution to terminate the trust

agreement, in accordance with the terms of said agreement, and to

take such further action as may be thereby rendered necessary.

H. M. FLAGLER, \_Secretary\_.

The meeting was held as called. Mr. Rockefeller was in the chair, and

Mr. Dodd, who had drawn the trust agreement, now presented the

resolution which was to dissolve it. The remarks with which Mr. Dodd

introduced his resolution denied every point which the courts had

charged against the combination:

“Something over ten years ago,” said Mr. Dodd, “a few individuals

owning stocks in a number of corporations engaged in transporting

and refining oil, entered into an agreement by which their stocks

were placed in the hands of trustees, and certificates were issued

by said trustees showing the amount of each owner’s equitable

interest in the stocks so held in trust. This was not done in order

to vest the voting power in the hands of a few persons, because the

persons chosen as trustees then held, and always have held, the

voting power by virtue of their absolute ownership of a majority of

the stocks. It was not done to reduce competition, because the

companies whose stocks were placed in trust were not competing

companies, and could not be so long as their stocks were owned by

these few persons. It was not done to limit production or to

increase prices, but, on the contrary, was done to increase

production, cheapen cost of manufacture, and to lower prices, and it

has been successful in that object far beyond the anticipations of

those who originated the plan. It was called a trust, because it was

a trust in the sense in which the word was then understood. It

vested a fiduciary obligation in a few for the benefit of many, and

the trustees thus created have faithfully observed the trust

confided in them.

“Other persons, however, found this trust plan a convenient one, and

it is alleged that it has been adopted for and adapted to purposes

quite different from those which actuated the framers of this trust.

Whether these allegations be true or false, it is true that a trust

is now defined to be a combination to suppress competition and to

reduce production, and to increase prices. Public opinion has not

unwisely been aroused against combinations for such purposes, and

legislation of more or less severity, and rather more or less

peculiarity, has been directed against them in seventeen or eighteen

states of the Union. All such arrangements are now miscalled trusts,

and all trusts are popularly supposed to partake of the same nature.

For this reason, if for no other, it should be seriously considered

whether this trust should not be terminated. So long as it exists,

misconception of its purposes will exist.

“But another reason exists which seems to make it desirable to

dissolve this trust. Some two years ago a \_quo warranto\_ issued in

the name of the state of Ohio against the Standard Oil Company, a

corporation of the state of Ohio, setting forth this trust agreement

and alleging that that corporation, by becoming a party thereto, had

done an act beyond its power, and thereby had forfeited its charter.

The defendant corporation denied that it was a party to the

agreement, and alleged that the agreement was on its face, and

plainly, an agreement only between individuals, owners of corporate

stocks, relating to their personal property, and was neither made by

the corporation nor for the corporation. The court, however, held

that the agreement was a corporate agreement, and decreed, among

other things, that the corporation must cease to permit trustees to

vote upon stocks held in trust.

“As this agreement was not entered into as a corporate agreement,

and as this decision gives it an effect quite different from the

intent of the parties who entered into it, it seems better to end

it.”[132]

It is probable that Mr. Dodd had foreseen from the first just such an

attack on his agreement as had come, for he had put into that instrument

a paragraph providing for a dissolution, and it was in accordance with

that article that the trust was now dissolved. The trustees were to

continue to exist—under a new name: “Liquidating trustees.” The property

they had to take care of was vastly in excess of what it had been ten

years before. Then the capital of the thirty-nine constituent companies

was $70,000,000. These companies had been combined until they had been

reduced to twenty, and their combined capital was now $102,233,700.[133]

Property of about $20,000,000 in excess of the capital was held by the

trustees. Mr. Dodd’s resolution provided for the division of this

property, and for the transfer of the trust certificates back to the

corporations to which they belonged. The individual holders of the trust

certificates were to get in exchange a proportionate share in each of

the twenty companies. “A will not get stock in one corporation and B in

another; each will get his due proportion in the stocks of all,” said

Mr. Dodd. All of this change would make no difference with the

management of affairs. Mr. Dodd assured the stockholders: “Your

interests will be the same as now. The various corporations will

continue to do the same business as heretofore, and your proportion of

the earnings will not be changed.”

The trustees went about liquidating at once, but it was not until the

following November that the immense number of certificates held by them

personally were exchanged. The process followed can be easily

illustrated by Mr. Rockefeller’s case. When the trust was ordered

dissolved Mr. Rockefeller held 256,854 of the 972,500 shares of Standard

Oil Trust which were out. He turned over to an attorney an assignment of

this amount, with instructions to secure from each of twenty companies

in the trust stock certificates for the portion belonging to him. The

corporate stocks were turned over to Mr. Rockefeller, and the assignment

of certificate, a properly framed and numbered document, was turned over

to the liquidating trustees. This assignment of legal title, for all

practical purposes, was the same thing as the trust certificate. It

enabled the trustees to collect dividends from the various companies and

pay them just as they had before. The documents showing the formal

procedure in the case of Mr. Rockefeller’s stocks are printed in the

Appendix.[134]

At the end of the first year, after the dissolution of the trust,

477,881 shares were uncancelled. At the end of the second year it was

the same; at the end of the third, 477,881 were still out. At the end of

the fourth, 477,881. The dissolution of the trust seemed to have come to

a stand-still. Mr. Dodd was right; things were going on as they did

before; dividends were issued exactly as before. Nor was there any

indication of an intention on the part of the liquidating trustees to

change this state of things. If the monopolistic power of the Standard

Oil Trust was to be broken, it was evidently not to be by any order of

dissolution by the courts. Something more powerful than the courts was

at work, however. The spirit of individualism was beginning to reassert

itself in the oil industry—a new war for independence had been begun,

was indeed well under way even before the state of Ohio made the

dissolution of the trust necessary.

CHAPTER FIFTEEN

A MODERN WAR FOR INDEPENDENCE

PRODUCERS’ PROTECTIVE ASSOCIATION FORMED—A SECRET INDEPENDENT

ORGANIZATION INTENDED TO HANDLE ITS OWN OIL—AGREEMENT MADE WITH

STANDARD TO CUT DOWN PRODUCTION—RESULTS OF AGREEMENT NOT AS

BENEFICIAL TO PRODUCERS AS EXPECTED—PRODUCERS PROCEED TO ORGANISE

PRODUCERS’ OIL COMPANY, LIMITED—INDEPENDENT REFINERS AGREE TO

SUPPORT MOVEMENT—PRODUCERS AND REFINERS’ COMPANY FORMED—LEWIS EMERY,

JR.’S, FIGHT FOR SEABOARD PIPE-LINE—THE UNITED STATES PIPE

LINE—STANDARD’S DESPERATE OPPOSITION—INDEPENDENT REFINERS ALMOST

WORN OUT—THEY ARE RELIEVED BY FORMATION OF PURE OIL

COMPANY—PURE OIL COMPANY FINALLY BECOMES HEAD OF INDEPENDENT

CONSOLIDATION—INDEPENDENCE POSSIBLE, BUT COMPETITION NOT RESTORED.

John D. Rockefeller’s one irreconcilable enemy in the oil business has

always been the oil producer. There is no doubt that Mr. Rockefeller has

sincerely deplored this. And well he might, for he learned in his first

great raid on the industry in 1872 that the producers aroused and united

made a powerful and dangerous foe.

No doubt, if it had been practical, Mr. Rockefeller would have begun at

the start to take over oil production as he did oil refineries and

pipe-lines, and thus would have gotten his enemy out of the way; but

during the first fifteen years of his work it was not practical. The oil

fields were too vast and undefined. It not being practical to own the

oil fields, and yet essential that those who did own them, and of whose

oil he aspired to be the only buyer, should be kept sufficiently

satisfied not to interfere with his domination or to attempt to handle

the oil for themselves, Mr. Rockefeller, whenever he had the chance,

sought to persuade the producers to do what he would have done had he

owned the oil fields—that was, to keep the supply of crude oil short.

“The dear people,” he said once when asked by an investigating committee

if his monopoly of oil refining and oil transportation had not prevented

the producer from getting his full share of the profits—“the dear

people,” he said, “if they had produced less oil than they wanted, would

have got their full price; no combination in the world could have

prevented that, if they had produced less oil than the world

required.”[135]

It is quite possible that if Mr. Rockefeller had been able to convert

the majority of the producing body to this theory, and the supply of

crude oil had been kept scarce and prices consequently high, the oil

producers would have forgotten their resentment at his early raids and

would have relapsed into indifference toward his control. Material

prosperity is usually benumbing in its effects. There always has been a

factor in the great game playing in the Oil Regions, however, which not

even Mr. Rockefeller could match. Nature has been in the oil game, and

she has taken pains to prevent the only situation which would have

enabled Mr. Rockefeller to reconcile the oil producers. Again and again

when it seemed as if the limits of oil production were set, and when Mr.

Rockefeller and his colleagues must have believed that they would soon

have the industry sufficiently well in hand to pay the producers a

satisfactory price for crude oil, their calculations have been upset by

the discovery of a great deposit of oil which flooded the market and put

down the prices. This happened so often between Mr. Rockefeller’s first

public appearance in the business and the time when he completed his

control of transportation, refineries and markets, that the yearly

production of crude oil had risen from five and a half million barrels

to thirty million barrels, and instead of a half million barrels above

ground in stocks there were in 1883 over thirty-five million barrels, in

1884 nearly thirty-seven million, in 1885 thirty-three and a half

million. The low price for crude which these vast stocks caused, the

high charges for gathering, transporting and storing, all services out

of which the Standard was making big profits, the fact that the profit

on refined oil steadily increased in these years—the result of the

overthrow of independent refiners and pipe-lines—while the profit on

crude steadily diminished, were facts which the oil producers brooded

over incessantly, and the more bitterly because they felt they could do

nothing to help themselves. Every enterprise looking to relief which

they had undertaken had, for one reason or another, failed. They had no

faith that relief was possible. The Standard would never allow any

outside interest to get a foothold. It was the bitterness which this

conviction caused which was at the bottom of the outburst over the

Billingsley Bill described in Chapter XIII. The Billingsley Bill was

defeated, as it deserved to be, but the work done was by no means lost.

For the first time since 1880 the Oil Regions were aroused to concerted

action. The support of the Billingsley Bill had been a spontaneous

movement, a passionate, unorganised revolt against the tyranny of the

Standard, but it served to bring into action men who for six long years

had been saying it was no use to resist, that Mr. Rockefeller’s grip was

too strong to be loosened. It revived their confidence in united action

and steeled them to a determination to take hold of the industry and

force into it again a fair competition in handling oil.

On the very night after the defeat of the bill (April 28, 1887) the oil

men who had gathered in Harrisburg to support the measure, angry and

sore as they were, arranged to call an early meeting in Oil City and

organise. The meeting was held. It was large, and it was followed by

others. In a very short time 2,000 oil men were enrolled in a Producers’

Protective Association, and thirty-six local assemblies were holding

regular meetings throughout the region. There were several important

points about the new association, aside from the enthusiasm and

determination which animated it:

(1) It was a secret order.

(2) Its membership was composed entirely of persons outside of and

opposed to the Standard Oil Trust, one of its by-laws reading: “No

person connected with the Standard Oil Company or any of its allies, as

partners, stockholders, or employees, and friendly thereto, shall be

elected to membership; and members becoming such shall be liable to

expulsion.”

(3) It proposed “to defend the industry against the aggregations of

monopolistic transporters, refiners, buyers and sellers” by \_handling

its own oil\_.

Hardly had the Producers’ Protective Association been organised before

Mr. Rockefeller had an opportunity to try his plan for conciliation. An

independent movement had been started in the summer of 1887 by certain

large producers in favour of a general “shut-down,” its object, of

course, being to decrease the oil stocks. The president of the

Producers’ Association, Thomas W. Phillips, who at that time was the

largest individual producer in the oil country, his production averaging

not less than 6,000 barrels a day, was called into consultation with the

leaders of the “shut-down” movement. Mr. Phillips promptly told the

gentlemen interested that he would not join in such an undertaking

unless the Standard went into it. He pointed out that the Standard owned

a large proportion of the 30,000,000 barrels of oil above ground. They

had bought it at low prices. If the production was shut down prices

would go up and the Standard would reap largely on the oil they owned.

The producers would, as usual, be standing all the loss.

The upshot of the council was that the Producers’ Protective Association

took hold of the shut-down movement, its representative seeking an

interview with the Standard officials as to their willingness to share

in the cost of reducing the production. Here was a chance for Mr.

Rockefeller to apply his theory of handling the oil producers—conciliate

them when possible—encourage them in limiting their production. The oil

men’s representatives were met half-way, and an interesting and curious

plan was worked out; the producers were to agree to limit their

production by 17,500 barrels a day. They were to do this by shutting

down their producing wells a part or all of the time and by doing no

fresh drilling for a year. If they would do this the Standard agreed to

sell the association 5,000,000 barrels of oil at sixty-two cents, and

let them carry it at the usual rates as long as they wanted to. Whatever

advance in price came from the shut-in movement the producers were to

have on their oil, and it was to be shared by them according to the

amount each shut in his production. Mr. Phillips, before agreeing to

this arrangement, demanded that provision be made for the workingmen who

would be thrown out of employment by the shut-down, and he proposed that

the association set aside for their benefit 1,000,000 barrels of the oil

bought from the Standard, and that the Standard set aside another

million; all the profits above sixty-two cents and the carrying charges

on the 2,000,000 barrels were to go to the workingmen. A memorandum

covering the above points of the agreement was drawn up, and it was

accepted by the two interests represented.[136]

Mr. Rockefeller’s reason for signing the contract he gave to the New

York State Trust Investigating Committee four months later:

\_Q.\_ ... What was the inducement for the Standard Oil Trust to enter

into such an agreement as that?

\_A.\_ The inducement was for the purpose of accomplishing a

harmonious feeling as between the interests of the Standard Oil

Trust and the producers of petroleum; there was great distress

throughout the oil-producing region; as an instance of that distress

there was an outcry that our interest was getting a return, that

theirs was not in the business, and we did not know, as a matter of

fact, that the oil-producing interest was abnormally depressed, and

we felt it to be to the interests of the American oil industry that

a reasonable price should be had by the producer for the crude

material, and we wanted to co-operate to that end.

\_Q.\_ By advancing the price of the crude material you necessarily

advance the price of the refined?

\_A.\_ Yes, sir.[137]

The shut-down went into effect the first of November, 1887. The effect

on stocks and the market was immediate—stocks fell off at the rate of a

million barrels a month, and prices rose by January, 1888, some twenty

cents. But at the end of the year, though oil was higher and stocks

considerably less, the benefits of the shut-down had not been

conspicuous enough to produce that “harmonious feeling” Mr. Rockefeller

so much desired; not sufficient to distract the minds of the producers

from the idea they had in forming their association, and that was a

co-operative enterprise for taking care of their own oil. Throughout

1888 and 1889 two schemes, known as the Co-operative Oil Company,

Limited, and the United Oil Company, Limited, were under consideration.

By the end of the latter year it looked as if something could be done

with the second, and it was turned over by the executive board of the

association to a special committee, of which H. L. Taylor, of the Union

Oil Company, one of the largest and oldest producing concerns of the Oil

Regions, was chairman. How Mr. Taylor had succeeded in getting into the

Producers’ Protective Association it is hard to say, for it was he and

his partner, Mr. Satterfield, who in 1883 had tried to throw the

Tidewater Pipe Line into the hands of the Standard Oil Company, and who,

when that unworthy scheme failed, had sold their stock to the Standard,

thus giving that company its first holdings in the Tidewater.[138] The

independents had forgotten or overlooked this fact, for Taylor was a

member of the Producers’ Protective Association and prominent in its

councils.

The special committee, of which Mr. Taylor was chairman, went actively

to work. Lawyers were employed to consider the safest form of

organisation for a company doing an interstate pipe-line business and

carrying on refineries. Certain German capitalists, owners of tank

steamers and interested in foreign marketing agencies, were brought into

the scheme. Things were going well, when suddenly the committee found

the chairman cooling toward the enterprise. Then came the rumour that

Mr. Taylor and his partners—Mr. Satterfield and J. L. and J. C.

McKinney—had sold the Union Oil Company to the Standard. A meeting of

the executive board was at once called, Messrs. Taylor and J. L.

McKinney both being present. They acknowledged the truth of the report

and were promptly informed their resignations would be accepted.

The rumour of the secret desertion of strong members of the Producers’

Protective Association, while holding positions of trust, soon spread

through the Oil Regions. It was a staggering blow. It took from them one

of the largest single interests represented. It deprived them of men of

ability on whom they had depended. It introduced a fear of treachery

from others. It brought them face to face with a new and serious element

in the oil problem—\_the Standard as an oil producer\_. Up to 1887, the

year of the organisation of the Producers’ Protective Association, Mr.

Rockefeller had not taken his great combination into oil production to

any extent, and wisely enough from his point of view. It was a business

in which there were great risks, and as long as he could control the

output by being its only buyer, why should he take them? Now, however,

the situation was changing. A number of sure fields had been

developed—Bradford, Ohio, West Virginia. Their value was depressed by

over-production. Mr. Rockefeller had money to invest. The producers were

threatening to disturb his control by a co-operative scheme. It was

certain that he had not yet produced a “harmonious feeling.” It was not

sure he would. If he failed in that they might one day even shut off his

supply of oil, as they had done in 1872, and Mr. Rockefeller, with great

foresight, determined to become a producer. In 1887 he went into Ohio

fields. Soon after he began quietly to buy into West Virginia. When he

learned, in 1890, from Mr. Taylor and his partners, that a co-operative

company of producers was on foot, he naturally enough concluded that the

best way to dismember it was to buy out the largest interest in it. The

Union Oil Company saw the advantage of being a member of the Standard

Oil Trust, and sold. In this one year, 1890, over 40,000 shares of

Standard Oil Trust certificates were issued to oil-producing

companies,[139] as follows:

For stock of Union Oil Company 18,249 shares

For stock of Forest Oil Company 17,378 〃

For stock of North Pennsylvania Oil Company 2,647 〃

For stock of Midland Oil Company 2,000 〃

——————

40,274 〃

There was general consternation in producing circles, and if there had

not been a number of men in the organisation who realised that the life

of the independent effort was at stake, and who turned all their

strength to saving it, the association would undoubtedly have gone to

pieces. Chief among these men were Lewis Emery, Jr., and C. P. Collins,

of Bradford, Pennsylvania; J. W. Lee and David Kirk, of Pittsburg; A. D.

Wood, of Warren; Michael Murphy, of Philadelphia; Rufus Scott, of

Wellsville; J. B. Aiken, of Washington; R. J. Straight, of Bradford;

Roger Sherman and M. W. Quick, of Titusville. They urged an immediate

meeting of the General Assembly, at which a plan for co-operative action

should be adopted and at once put into force.

On January 28, 1891, the General Assembly convened at Warren,

Pennsylvania. The whole miserable story of the co-operative plan which

the executive board had worked out, and its destruction by the desertion

of the Union Oil Company, came out. It was at once evident that, instead

of disheartening the Assembly, it was going to harden their

determination and spur them to action; that they would not leave Warren

until they had something to work on. The session lasted three days, and

before finally adjourning it had adopted a drastic plan, framed by a

committee of nine, of which Mr. Quick was chairman. This plan aimed, so

the resolution adopted by the Assembly stated, \_to cut off the supplies

of the producers’ oil from the Standard Trust!\_ This was to be

accomplished by forming a limited partnership, whose subscribers should

all be trusted members of the Producers’ Protective Association (only

persons having no affiliation with the Standard Oil Company were members

of the Producers’ Protective Association, it will be remembered), and

which should aim to take care of the crude oil from the wells of the

producers who went into the movement, furnish it local transportation,

and find a market for it either by building independent refineries or by

alliance with those already in existence.

[Illustration:

MICHAEL MURPHY

The present President of the Pure Oil Company.

]

[Illustration:

JAMES W. LEE

The chief counsel of the Pure Oil Company. President of the company

from 1897 to 1901.

]

[Illustration:

DAVID KIRK

The first President of the Pure Oil Company.

]

[Illustration:

THOMAS W. PHILLIPS

A leader in the independent movement, which resulted in the Pure Oil

Company.

]

From Warren the delegates went home to work for the new scheme. J. W.

Lee and J. R. Goldsborough, the secretary of the association, at once

made a tour of the Oil Regions to explain the project and solicit

subscriptions. The response was immediate. In a few weeks over 1,000

producers had subscribed to the new company, which was at once organised

as the Producers’ Oil Company, Limited, its capital being $600,000.

But it is one thing to organise a company, and another to do business.

Where were they to begin? Where to set foot? The only thing of which

they were sure was a supply of crude oil, and in order to take care of

that they began operations by putting up four iron tanks at Coraopolis,

Pennsylvania, near the rich McDonald oil field. But they must have a

market for it, and their first effort was to ship it abroad. At Bayonne,

New Jersey, on the border of the territory occupied by the Standard’s

great plant, stands an independent oil refinery, the Columbia Oil

Company. The Columbia has “terminal privileges,” that is, a place on the

water-front from which it can ship oil—an almost impossible privilege to

secure around New York harbour. The Producers’ Oil Company now obtained

from Hugh King, the president of the Columbia, the use of his terminal.

They at once had fifty tank-cars built, and prepared to ship their crude

oil, but the market was against them, stocks were increasing, prices

dropping. The railroad charged a price so high for running their cars

that there was no profit, and the fifty tank-cars were never used in

that trade. A futile effort to use their crude oil as fuel in Pittsburg

occupied their attention for a time, but it amounted to nothing. It was

becoming clearer daily that they must refine their oil. The way opened

to this toward the end of their first year.

In and around Oil City and Titusville there had grown up since 1881 a

number of independent oil refineries. They had come into being as a

direct result of the compromise made in 1880 between the producers and

the Pennsylvania Railroad, a clause of which stipulated that thereafter

railroad rates should be open and equal to all shippers. The

Pennsylvania seems to have intended at first to live up to this

agreement, and it encouraged refiners in both the Oil Regions and

Philadelphia to establish works. At first things had gone very well.

There were economies in refining near the point where the oil was

produced, and so long as the young independents had a low rate to

seaboard for their export oil they prospered. But in 1884 things began

to change. In that year the Standard Pipe Line made a pooling

arrangement with the Pennsylvania Railroad, by which rates from the Oil

Regions were raised to fifty-two cents a barrel, an advance of seventeen

cents a barrel over what they had been getting, and in return for this

raise the Standard agreed to give the railroad twenty-six per cent. of

all the oil shipped Eastward, or pay them for what they did not get.

This advance put the independents at a great disadvantage. In September,

1888, another advance came. Rates on oil in barrels were raised to

sixty-six cents, while rates on oil in tanks were not raised. The

explanation was evident. The railroad owned no tank-cars, but rented

them from the Standard Oil Company. It refused to furnish these

tank-cars to the independents, but forced them to ship in barrels, and

now advanced the price on oil in barrels. This second advance was more

than the refiners could live under, and they combined and took their

case to the Interstate Commerce Commission, a hearing being given them

in Titusville in May, 1889. No decision had as yet been rendered, and

they in the meantime were having a more and more trying struggle for

life, and their exasperation against the Standard was increasing with

each week. When, therefore, the representatives of the Producers’ Oil

Company proposed a league with the independent refiners they were

cordially welcomed.

We have oil in tanks at Coraopolis, said the producers, plenty of it,

but we have no market. If we build a pipe-line from our tanks to Oil

City and Titusville and give you pipage at fifteen cents a barrel,

five cents less than the Standard charges, will you enter into an

agreement with us to take our oil for five years? The refiners saw at

once the possible future in such an arrangement, and in a short time

they had gone individually into a company to be called the Producers’

and Refiners’ Company, with a capital of $250,000, of which the

Producers’ Oil Company held $160,000, and whose object was the laying

of a pipe-line from the fields in which the producers were interested

to the refineries at Oil City and Titusville. The new plan was carried

out with the greatest secrecy and promptness. Before the Standard men

in the region realised what was going on, a right of way was secured

and the pipe was going down. On January 8, 1893, the first oil was

run. Here, then, was the first link in a practical co-operative

enterprise—independent producers and refiners of oil joined by a

pipe-line of which they were the owners.

While this enterprise was being carried out in Western Pennsylvania, in

the northern part of the state a still more ambitious, independent

project was under way, nothing less than a double pipe-line, one for

refined and the other for crude oil, from the Oil Regions to the sea.

This plan had originated with Lewis Emery, Jr., one of the most

implacable and intelligent opponents Mr. Rockefeller’s pretensions have

ever met. Mr. Emery sympathised with the idea that there was no way for

the producer to get his share of the profits in the oil business except

by handling the product entirely himself. In his judgment a pipe-line to

the seaboard was the first important link in such an attempt, and in

1891, on his own responsibility, he set out to see what hopes there were

of securing a right of way. The Columbia Oil Company, through whom the

Producers and Refiners were exporting, favoured such a scheme. It was

certain many producers would go into it; but on all sides there was much

scepticism about the Standard allowing a line to go through. Mr. Emery’s

first idea was a line from Bradford to Williamsport, on the Reading

road. He consulted the railroad officials. They would be glad of the

freight, they told him, and a preliminary contract was drawn up. The

contract was never completed. Mr. Emery returned to find out why. “If we

give you this contract,” the Reading officials told Mr. Emery, “we shall

disturb our relations with the Standard Oil Trust. We cannot do it.”

Turning from the Reading, he projected a new route, a pipe-line from

Bradford to the New York, Ontario and Western Railway near Hancock, New

York, thence by rail to the Hudson River, and from there by water to New

York harbour. The New York, Ontario and Western officials welcomed the

proposal. It gave them a new and valuable freight. But the pipes must

cross the Erie road near both its terminals. Mr. Emery saw the president

of the road. “Yes,” the president told him, “we are disposed to assist

all progress. Go ahead.” Thus encouraged, he sent his men into the field

to get the right of way. They had made a good beginning before the

project was known, but as soon as it was rumoured there appeared

promptly on the route surveyed a number of men known to be Standard

employees. They, too, wanted a right of way, the same as Mr. Emery

wanted. They bought strips of land across his route, they bought up

mortgages on farms where rights had already been acquired, and, mortgage

in hand, compelled farmers to give them rights. It was an incessant

harassing by men who never used the rights acquired—who did not want

them save to hinder the independent project. This sort of hindrance by

the Standard was certain, whatever route was taken, and Mr. Emery went

ahead undismayed, and in September, 1892, organised his company—the

United States Pipe Line Company—with a capital of $600,000. Among the

incorporators were representatives of the independents’ interests, both

in New York and in the Oil Regions, and much of the stock was soon

placed in the hands of the men who were interested in the independent

concerns described above.

It looked very much as if the United States Pipe Line were to be laid.

Now, the strength of the Standard Oil Trust had always been due to its

control of transportation. An independent pipe-line, especially to the

seaboard, was considered rightly as a much more serious menace to its

power than an independent refinery. The United States Pipe Line could

not be allowed, and prompt and drastic measures were taken to hinder its

work. There is no space here for an account of the wearisome obstructive

litigation which confronted the company, for the constant interference,

even by force, which followed them for months. It culminated when an

attempt was made to join the pipes laid to each side of the Erie tracks

near Hancock, New York, the Eastern terminal of the pipe-line. Mr.

Emery, relying on the promise of the Erie’s president to allow a

crossing, sent his men to the railway to connect the pipes. Hardly had

they arrived before there descended on them a force of seventy-five

railroad men armed for war. These men took possession of the territory

at the end of the pipes and intrenched themselves for attack. The

pipe-line men camped near by for three months, but they never attempted

to join the pipes. Mr. Emery had concluded, on investigation, that the

Erie officials, like the Reading, had found that it would be unwise to

disturb their relations with the Standard, and while his men were

keeping attention fixed on that point he was executing a flank movement,

securing a right of way from a point seventy miles back to Wilkesbarre,

on the Jersey Central. This new movement was executed with such celerity

that by June, 1893, the United States Pipe Line had a crude line 180

miles long connecting the Bradford oil fields with a friendly railway,

and a refined line 250 miles long connecting the independent refiners of

Oil City, Titusville, Warren and Bradford with the same railway.

With the completion of the refined line a question of vital importance

was to be settled: Could refined oil be pumped that distance without

deteriorating? The Standard had insisted loudly that it could not. When

the day came to make the experiment an anxious set of men gathered at

the Wilkesbarre terminal. They feared particularly that the oil would

lose colour, but, to their amazement, not only was the colour kept, but

it was found on experiment that the fire test was actually raised by the

extra agitation the oil had undergone in the long churning through the

pipes. A new advance had been made in the oil industry—the most

substantial and revolutionary since the day the Tidewater demonstrated

that crude oil could be pumped over the mountains. This new discovery,

it is well to note, was not the work of the Standard Oil Trust, but it

was accomplished in the face of their ridicule and opposition by men

driven to find some way to escape from their hard dealings.

The success of the United States refined line aroused the greatest

enthusiasm among the independent interests. It gave them access to the

seaboard, and there was immediate talk of a closer union between them.

Why should the Producers’ and Refiners’ Pipe Lines not be sold to the

United States Line and completed to Bradford? By the spring of 1894 the

project seemed certain of realisation.

The new movement was serious. Let this consolidation take place, and the

producers had exactly what they had set out in 1887 to build up—a

complete machine for handling the oil they produced. As the undertaking

grew in solidity and completeness, the war upon it grew more systematic

and determined. It took two main lines—discrediting the enterprise in

the eyes of stockholders so that they would sell the stock to Standard

buyers, the object being, of course, to get control of the companies;

cutting the refined market until the refiners in the alliance should

fail, or, becoming discouraged, sell. The work of discrediting the

enterprise was turned over to the Standard organs in the Oil Regions,

chief among which is the Oil City Derrick. Since 1885 the editor of this

interesting sheet has been a picturesque Irishman, Patrick C. Boyle by

name. Mr. Boyle’s position as editor and proprietor of the Derrick is

due to the generosity of the Standard Oil Trust, and he has discharged

his allegiance to his benefactor with a zeal which, if it has not always

contributed to the enlightenment of the Oil Regions, has, materially, to

its gaiety. Mr. Boyle now turned all his extraordinary power of

vituperation on three of the independents whose activity was

particularly offensive to him—Mr. Emery, Mr. Wood and Mr. Lee—and he

went so far that each of the three gentlemen finally sued him for libel.

They all got judgments. In Mr. Emery’s case, Mr. Boyle, after signing a

bond of $5,000 to keep the peace—which bond he was obliged later to pay,

with half as much more in costs—published the following retraction:

TO THE PUBLIC

For many years past there have appeared in the editorial and news

columns of the Oil City Derrick various articles reflecting on the

business, social and political character and integrity of Lewis

Emery, Jr.

P. C. Boyle, the editor of the Derrick, was indicted and convicted

for the publication of certain of such articles, and civil suit for

damages was instituted by Mr. Emery against P. C. Boyle for damages

for such publications.

The litigation has now been adjusted, and Mr. Boyle voluntarily

retracts \_in toto\_ all matters and things which he has said

derogatory to the character, standing, or responsibility of Lewis

Emery, Jr., published by him or under his direction in the past.

Mr. Boyle is fully satisfied that such articles have been published

under a misapprehension of the facts, and is satisfied that Mr.

Emery has been wronged, and should be vindicated, and this

retraction is freely made as such.

Many of the articles have been republished in various papers in this

country and Europe, and it is the desire of Mr. Boyle that this

retraction shall be as freely and fully printed and published as

were the original articles reflecting on Mr. Emery.

(Signed) P. C. BOYLE.

It is a satisfaction to the writer to be able to help gratify Mr.

Boyle’s laudable desire to have this document well circulated!

Although the greater part of the Oil Regions never took Mr. Boyle

himself seriously, the conviction that his attacks were inspired, that

this was the Standard’s way of saying to the producers that their

enterprise would not be allowed to live, gave a sinister look to what he

said. More damaging still was the quiet confidence with which the solid

men of the Standard smiled at the independent effort. What were their

puny hundreds compared to the millions of the trust? What was a band of

scattered “oil-shriekers” against the cold-blooded deliberation of Mr.

Rockefeller’s solid phalanx? The oil men were conscious enough of the

inadequacy of their capital and their organisation, but they hung on,

many of them because their blood was up, and they preferred spending

their last cent to yielding; others on the principle which Mr. Phillips

confesses held him, “that God sometimes chooses the weak things of the

world to confound the mighty”; or that “one might chase a thousand, and

two put ten thousand to flight.”

The efforts which the Standard made to discredit the independent

companies and their leaders were accompanied by a persistent, though

quiet, attempt of Standard agents to buy in all the stock in the

Producers’ Oil Company and the United States Pipe Lines which timid,

indifferent, or financially embarrassed stockholders could be induced to

give up. The movement began to be rumoured and caused no little

uneasiness in independent circles. How much would the Standard get? What

would they do with it? They were soon to find out.

Before the use to be made of the stock developed, however, the Standard

turned against the independents the most powerful and cruel weapon it

wields—its control of the markets. The refiners were to be driven from

the combination. The extent to which cutting was carried on for two

years, beginning with the fall of 1893, is clear from a comparison of

prices. In January of 1893 crude oil was selling at 53½ cents a barrel

and refined oil for export at 5.33 cents a gallon. Throughout the year

the price of crude advanced until in December it was 78⅜ cents. Refined,

on the contrary, fell, and it was actually eighteen points lower in

December than it had been twelve months before. Throughout 1894 the

Standard kept refined oil down; the average price of the year was 5.19

cents a gallon, in face of the average crude market of 83¾

cents[140]—lower than in January, 1893, with crude at 53½ cents a

barrel!

This much for the New York end of the export business. In Germany, where

the export oil of the independents all went, it being handled there by

one dealer, Herr Poth, whose depot was Mannheim, on the Rhine, prices

were cut at every point which the independent oil reached. It was a

matter of life and death to keep the foreign market they had developed,

and for twenty months the independent refiners met the demand of their

export agents and foreign dealers for lower prices with cut cargoes. For

twenty months they lost money on every barrel they sold. Oil was sold by

the Titusville refiners as low as 1.98 cents a gallon. The Lewis Emery

works at Bradford sold one cargo at 1.07 cents net, and many at or below

two cents. Had it not been for the union with pipe-lines such prices

would have been impossible, but all through the struggle in the market

the United States Pipe Line and the Producers’ and Refiners’ lines

carried oil at cost or below. The pipe-lines were heavily in debt to the

Reading Iron Works, but that company stood by them valiantly, extending

their notes until the struggle was over and the pipe-lines able to meet

them.

Such a situation could not go on forever, evidently. It had come

apparently to be a question of how long the refiner had money to lose,

and, as month after month the independents saw their bank accounts

diminishing, and no relief in sight, the courage of a few began to ooze.

Finally, late in 1894, a committee of the Western refiners, consisting

of John Fertig of Titusville, H. P. Burwald of Titusville and S. W.

Ramage of Oil City, went to New York to consult the Standard. Is there

no hope of a better market? Is there any chance for us? None whatever,

they were told, except to sell. We will buy the refineries and the stock

of the independent concerns, but that is all we can do. The committee

came home to report. The situation was hopeless, they said, and, as for

them, they should sell. As they represented three of the largest

concerns in the Union, and all carried stock in the allied enterprises,

their withdrawal seemed at the moment a death-blow. It was a glum and

beaten body of men which listened to the report, surrender written in

every line of their faces.

Now Mr. Lee and Mr. Wood, two active men of the Producers Oil Company,

had been invited to the meeting of the refiners. They realised fully

that if the refiners pulled out of the Union now, the independent effort

would in all probability go to pieces, and before a vote to sell could

be taken Mr. Lee was on his feet. In an impassioned speech he pleaded

for one more effort. He pointed out the fact that the abnormal condition

of the oil market could not remain, that crude oil was steadily rising,

and that no monopoly could permanently hold down a manufactured product

in the face of the rising raw product. The Standard had done this for

nearly two years—but it was contrary to the laws of nature that they do

it for two years more. He told them that already conditions were better

in Germany; that Mr. Emery had recently gone with Herr Poth, their

foreign buyer, to several members of the German government, and

presented to them the discrimination in prices of oil practised in the

empire, oil from one and a half to three cents higher on the Elbe than

on the Rhine, at points where freights were the same. He told the

refiners of the interest that had been taken by the government in their

case, and how they said, “Go home, gentlemen, and this shall stop,” and

that it had stopped. If criminal underselling can be checked in Germany,

Mr. Lee argued, we can keep our market. He reminded the refiners that it

was not merely a business they were establishing; it was a cause they

were defending—the right of men to work in their own way without

unlawful interference. The honour not only of themselves but of the Oil

Regions was at stake. They were struggling for great principles. They

were demonstrating that pluck, patience, and energy and brains can

conquer any combination that ability and unscrupulousness can devise.

“Do not give in,” pleaded Mr. Lee. “Hold on, and we will go to the

producers, lay your plight before them, and raise money to keep up the

fight.”

Aroused by his plea, all of the refiners, excepting Messrs. Fertig,

Burwald and Ramage, who had seen the Standard, decided to make another

effort if the producers would help them out. In the next few days the

leading men of the independent alliance worked with fury to call the Oil

Regions into a mass-meeting. They travelled from assembly to assembly

exhorting to action; they circulated dodgers announcing the gathering,

and finally, in January, 1895, ran special trains to Butler, the

rallying place. There was no lack of enthusiasm and blunt talk at the

Butler mass-meeting. All the bitterness and determination of the region

poured forth against the Standard, and when a resolution was offered by

David Kirk, one of the most active and forceful of the independents, to

raise money to form a new company, to be called the Pure Oil Company,

its immediate object being to take care of the refiners in the tight

place where they were, it went through with a whoop, and in a few

moments $75,000 had been subscribed. A few days later this sum was

raised to $200,000.

The objects of the company, as set forth in its prospectus issued at

this time, were:

To maintain and uphold the inherent right to do business, the right

to transport and market the producer’s own product, and his right to

the just reward of his labour and capital invested.

Another clause of the prospectus is interesting:

To prevent any interference of that monopoly which has obtained

control of the oil business, the voting power of one-half of the

stock of the Pure Oil Company is placed by the owners in the hands

of five champions of this right of independence, who are bound by

the terms of a permanent trust bond to vote only for such men and

measures as shall forever make this company INDEPENDENT, so that no

sales of interest will carry with them any power to jeopardise the

policy or existence of the company, or the investments of its

remaining members.

The Pure Oil Company had been organised none too soon. It was but a few

months after it was well under way before a hurried meeting of the

independents was called in New York. With scared faces the members

learned that the German dealer, who for four years had been handling

ninety per cent. of their export oil, had sold to the Standard marketing

concern, the Deutsche-Amerikanische Company. Consternation was great.

The independents had depended on the loyalty of Herr Poth as they did on

that of each other. He had been enlisted in their cause by Mr. Emery,

who, with the tragic earnestness which had characterised his entire

struggle for independence, had asked him for an oath of loyalty, and,

hand on his heart, Herr Poth had pledged his faith. In every respect he

had served them loyally. His desertion was inexplicable and

disheartening. Later they learned the truth, that Herr Poth had been

informed, by what he supposed to be reliable authority, that the

American independent interests had sold to the Standard. Believing that

this would cut off his supply, he had turned over his concern to the

Deutsche-Amerikanische. A few weeks later Herr Poth died suddenly. The

story goes in independent circles that when he learned the truth he

literally died of grief, believing he had perjured himself.

Herr Poth’s sale left the independents in serious shape. They had

cargoes of oil ready for Europe and no tankage in Europe to take

it—nobody there to sell it. A meeting was at once called in Pittsburg to

raise money, and in a few days Mr. Emery and Mr. Murphy went abroad,

and, as quickly as such work could be done, they secured privileges in

Hamburg and Rotterdam to erect tanks and establish marketing stations.

The Pure Oil Company was in Europe. Once more the independents had been

driven to depend on themselves, and once more they had proved sufficient

to the emergency. But war was by no means over. With the establishment

of the Pure Oil Company came the foreshadowing of a still closer union

of the companies. At all hazards this was to be prevented. The Standard

determined to play the stock of the Producers’ Oil Company, Limited, and

the United States Pipe Line, which it had been picking up quietly.

Already one attempt had been made to get into the former concern through

one of the most conspicuous and successful producers of the oil

country—Colonel John J. Carter, of Titusville, the president of the

Carter Oil Company. Colonel Carter owned 300 shares of the stock of the

Producers’ Oil Company, Limited, and had been elected a member on it;

according to the rules governing limited partnership in Pennsylvania, a

stockholder must be elected to membership before he can vote his stock.

In February, 1894, when a union of the pipe-lines had first been voted,

he suddenly appeared in court and got an injunction against the sale. In

the hearings on the injunction there came out a fact in regard to

Colonel Carter which aroused a storm of wrath against him among the

independents. The Standard Oil Company owned sixty per cent. of the

Carter Oil Company! A harder fact was to be digested. On April 11, 1894,

the company met in Warren, Pennsylvania. Colonel Carter was present and

voted not only his 300 shares, but 13,013 more! Where had he got them?

There was but one conclusion, and it proved to be true—the 13,013

belonged to the Standard Oil Company. They had been \_loaned\_ to Mr.

Carter; there was a form of transfer, but no sale, not even a price

having been decided on—evidently in the hope that he, with a few other

stockholders who were disaffected, would control the meeting and prevent

the union of the pipe-lines. The attempt failed, for the Carter-Standard

faction succeeded in getting together only 21,848 shares, while the

independents held 30,560. The bitterness over this attack aroused

terrible excitement. More than one member of the Warren meeting shouted

“traitor” at Colonel Carter, and when the news of what happened reached

the Producers’ Protective Association there was a general demand that he

be expelled from the Titusville assembly. It was done promptly, Mr.

Carter not being given even a hearing.

The Standard took back its 13,013 shares and patiently went on picking

up more. By January, 1896, they held 29,764 shares, enough, with Colonel

Carter’s 300, to give them a clean majority. Colonel Carter appeared at

26 Broadway at this opportune moment and offered to buy the stock at

100. Mr. Archbold and his colleagues thought it worth 150. (They are

said to have paid as high as 220 for some of it.) Mr. Carter, in his

frank colloquial testimony when on the witness-stand, described the

conversation over the price:

“Mr. Archbold says, ‘I don’t know, John, but what you are asking us

to sell that stock too cheap. Don’t you think it is worth more

money?’ I says, ‘Not to me, it is not.’ I says, ‘I am willing to

start in on this thing and put it on a paying basis and pay par for

it.’ ‘Well,’ he says, ‘I guess that we will have to think that thing

over,’ and it dropped right there.”

There were several interviews between Mr. Archbold, Mr. Rogers and Mr.

Carter. They wanted to know how he proposed to run the Producers’ Oil

Company if he obtained a majority of the stock. “If I run that

pipe-line,” Mr. Carter reports himself as saying, “I am going to run it

according to law and business principles. Any man that wants oil of me,

and has the money to pay for it, shall have it.”

“Will you let Mr. Emery have some oil if he wants it?” asked Mr. Rogers.

“Yes, I will.” “And all the outside refiners?” “Yes, I will. I shall

make no discrimination against the outside refiner and in favour of the

Standard Oil Company, or \_vice versa\_.”

The Standard Oil seems to have been convinced that Colonel Carter was

their friend—they probably never had any doubt of their ability to

manage \_him\_, and it is evident from the Colonel’s testimony that \_he\_

never had any doubt about his own ability to manage both independents

and Standard—and the sale was made at 100, Colonel Carter giving his

check for $297,640 on the Seaboard Bank.

Stock in hand, Colonel Carter went back to the Oil Regions to take

possession. It was not so easy as he anticipated. The secretary refused

to transfer the stock. He sought the president, Mr. Lee. What took place

Colonel Carter himself told later on the witness-stand:

“Senator Lee and myself retired to my room in the hotel and we had

quite a preliminary conversation on the situation and in regard to

the Producers’ Pipe Line. Then I stated to him my ownership of the

majority of the stock of the Producers’ Oil Company, Limited, and

stated furthermore that I purchased it from the National Transit

Company; that my desire was to stop all contention on the part of

the producers and myself, to run the business on a business

principle, so that the stock belonging to the various members and

myself might pay something, instead of dragging its slow length

along as it had been for the past six years. I told him,

furthermore, that I was perfectly willing that he should elect what

portion of the directors that his stock would warrant him, and I

would elect those that I could. The Senator replied then: ‘You

propose to take charge of the association?’ ‘Yes,’ I said; ‘I did.’

The Senator then stated emphatically that I could not do it; he

would not permit it; if he had to spend the whole capital of the

company he would resist it.... He gave me to understand emphatically

that there was not anything except the management of the company by

himself and his associates that would be tolerated, and I told him

then I was sorry that I would have to go into court and determine my

rights in court. That was about all, but it is only fair,

furthermore, to say that at the time the Senator was rather warm,

and I presume I was warm in the collar myself. I stated to him

plainly that if there was any attempt to eject me from a legally

constituted meeting in which I was there, I would resist it if I

killed the man that attempted to put me out.”

Mr. Carter’s cool announcement that he meant to run the company “from a

business stand-point, and not from the stand-point of a gadfly”—there

seems to be a doubt about its being the producers who had played the

part of the gadfly—exasperated the independents to the last degree, and

in June, 1896, they met the colonel in court. His ownership of a

majority of the company’s stock was admitted, but it was urged by the

independents that the Producers’ Oil Company was a limited partnership,

and that under the Pennsylvania law no one owning stock can become a

member without being elected by a majority in number and value of the

interests. Colonel Carter had been elected member on only 300 shares.

Both the lower and supreme courts sustained the independents, and

Colonel Carter found himself an owner of a majority of the concern’s

stock without the right of control. Under those circumstances neither he

nor the Standard wanted the stock, and the company bought it below par.

The winning of the Carter case gave encouragement that a similar suit

brought by the Standard pipe-lines against the United States Pipe Line

might fail. As already noted, the Standard began to buy into that

company as soon as it was under way, and by the summer of 1895 they had

collected 2,613 shares. In August of that year the annual meeting of the

company was held, and the agent of the Standard Oil Company who had been

buying the stock, J. C. McDowell, presented himself prepared to vote. He

was stopped at the door by Michael Murphy, the present president of the

Pure Oil Company, and told emphatically that they considered that he was

sent there by the Standard Oil Company to spy on their actions; that,

legal or illegal, they would throw him out if he crossed the threshold.

Mr. Murphy is well known to be a man of his word, and as he was backed

by young and athletic independent stockholders, Mr. McDowell discreetly

withdrew. Naturally a suit followed, but this time the independents

lost. The United States Pipe Line, being a corporation, was obliged to

recognise the Standard interest in the concern and eventually to allow

them a director on its board.

The humiliation and disgust over this result shook the independents’

interests to their foundation. There perhaps was never a period of more

heart-breaking discouragement for many of the men than when they saw

their dearest hopes frustrated, and a Standard representative in their

councils. This defeat came, too, when they were smarting under a

continued and intolerable interference by the Standard with the

extension of their pipe-lines to the seaboard. That both the crude and

refined lines should ultimately reach the sea had, of course, been the

intention from the first. But it was not until 1895 that the company

felt firm enough in its finances to push the extension. The route laid

out was from Wilkesbarre to Bayonne, New Jersey, by way of Hampton

Junction, on the Jersey Central Railroad. By this course two railroads

were to be crossed, the Pennsylvania and the Delaware, Lackawanna and

Western. Under both of them ran the pipe-lines of the Standard and the

Tidewater, and the United States Pipe Line officials believed they had

an equal right to go under, but they took it for granted they would be

opposed, and prepared for it. Looking over the titles of the land along

the Pennsylvania, Mr. Emery, the president of the company, who was

personally directing the extension, found one for an acre; the owner did

not know of his possession and was glad to sell it. This gave the United

States people a crossing, but even then they were obliged to carry on a

long litigation in the courts before they were free to use their right.

Coming to the Delaware, Lackawanna and Western, they decided to test

their position by laying a pipe. It was promptly torn out. A farm over

which the railroad passed was then purchased and preparations made to

lay the pipe in a roadway under the tracks. As this road was some

seventeen feet below the rails, any claim that there was possible danger

from the oil seemed feeble. Knowing that the point was watched, Mr.

Emery tried strategy. Taking fifty men with him he went in the night to

the culvert under which he meant to cross, laid his pipes four feet

under ground, fastened them down with heavy timbers, piled rocks on

them, anchored them with chains, established a camp on each side of the

track, and prepared for war. They soon had it. First, with a body of

railroad men armed with picks and bars, who invaded the camp. “I told

the boys,” said Mr. Emery in describing the incident to the Industrial

Commission in 1899, “to take the men by the shoulders and the seat of

the pants, and take them out and lay them down carefully, which they

did.” The next day two wrecking-cars, with 250 men, came down the road

and charged the camp, but again they were routed. The matter was taken

by mutual agreement into court, and while Mr. Emery was before the

justice of the peace, two locomotives were run down and the camp

attacked with hot water and coals!

[Illustration:

LAYING A SIX-INCH PIPE LINE, CAIRO, WEST VIRGINIA

]

By this time the whole countryside was aroused. The unfairness of the

thing was so patent that even the railroad employees engaged in it did

not hesitate to say, in excuse of their employers, that it was the

Standard Oil Company which was at the bottom of the opposition! As for

the inhabitants, they offered any aid they could give. The local G. A.

R. sent forty-eight muskets to the scene of war. Mr. Emery bought

eighteen Springfield rifles, the camp was barricaded, and for seven

months the pipes were guarded while the courts were deciding the legal

title to the crossing.

This interim was employed by the pipe-line people in an attempt to get a

free pipe-line bill through the New Jersey Legislature. If this could be

done they could go under the Delaware, Lackawanna and Western without

its consent. The bill was introduced in February, 1896, J. W. Lee, Hugh

King and Lewis Emery, Jr., all appearing before the committee to argue

for it. At first there seemed to be no opposition to it. Everybody

agreed it was a just and proper measure. Then, suddenly, within a few

days of the end of the session, a violent opposition sprang up. Trenton

became alive with lobbyists—men well enough known to politicians. The

newspapers came out boldly with the charge that the railroads and

Standard were going to defeat the bill. Its friends could not believe

it, nor did they until they found, the morning it was to be presented,

that the Senator having it in charge had disappeared, taking with him

the bill and everything concerning it. Four days later the Legislature

adjourned, and the precious Senator, when next heard from, was in the

far West!

[Illustration:

TRUNK AND LOCAL PIPE LINES OF THE PURE OIL COMPANY.

There are two lines from Oil City to Marcus Hook, near Philadelphia,

one for crude and one for refined oil.

]

Deprived of this hope, and condemned to a litigation which was certain

to be made as long, as vexatious, and as costly as lawyers could make

it, the chief counsel of the United States Pipe Line, Roger Sherman,

advised a bold move—to bring suit against the Standard Trust under the

Sherman anti-trust law. The summons was issued in July, 1897, by John

Cunneen, of Buffalo. A very pretty list of wrongs it was of which the

plaintiff complained: the instigation of lawsuits and the causing of

injunctions without cause, and solely for the purpose of preventing the

independent line from doing business; the publishing of libellous matter

concerning the company and its officers in newspapers controlled by the

trust; engaging bodies of men to tear up parts of pipe-line already

laid; enticing away from the enterprise officers, agents and employees;

chartering or purchasing any vessels carrying independent oil, solely

for the purpose of interfering with the independent market; intimidating

merchants by threats of underselling until they refused to buy the oil

contracted for; criminal underselling solely for destroying the

plaintiff’s markets.

It was a serious case Mr. Sherman made out, and the evidence he

collected was elaborate and detailed. But, for a sad reason, it was

never to come to trial. Less than two months after the summons was

issued Mr. Sherman died suddenly in New York City. The shock of his

death was such that the independent companies had no heart for the suit,

but allowed it to lapse.

There was nothing now but the slow course of Jersey justice for the

United States Pipe Line, and for four long years it dragged itself

through the courts. Twice it won, but at last, in 1899, decisions of the

lower courts were reversed and the pipe-line had to come up. Ordered out

of New Jersey, the independents had to turn back to Pennsylvania. In

that state there is a free pipe-line bill. Philadelphia is a shipping

point. Luckily for the company, Mr. Murphy had, some time before this,

and in anticipation of a defeat in New Jersey, bought on his own

responsibility the land for a terminal at Marcus Hook, on the Delaware.

This terminal he now sold to the company at the nominal price he had

paid for it, and the United States Pipe Line was started again from

Wilkesbarre to the sea. Finally, on May 2, 1901, after nine years of

struggle in the face of an interference intolerable and unjust, after a

quarter of a million dollars spent in litigation, in useless surveys, in

laying and pulling up pipes, in loss of business, the first refined oil

ever piped from the Oil Regions to the seaboard reached Philadelphia.

Mr. Emery, in telling his story of the difficulties of the United Pipe

Line to the Industrial Commission in 1899, did not hesitate to attribute

them to the Standard Oil Trust. John D. Archbold made a “general

denial”: “We have not at any time had any different relations with

reference to any obstruction or effort at obstruction of their line

\_than would attach to any competitor in a line of business engaging

against another\_.”[141] “We asked our friends on the railroad and in the

New Jersey Legislature to look after our interests, of course,” a

Standard official told the writer in discussing this case. “That was our

right.” Mr. Boyle, the editor of the Derrick, took the stand before the

Industrial Commission that the Standard Oil Trust’s opposition to the

United States Pipe Line was merely fair competition, as justifiable as

offering a higher price for land which your competitor is after.

From the Standard point of view it is evident that all this is

legitimate business. They do not wish the United States Pipe Line to

reach New York. They say to their friends of the Delaware, Lackawanna

and Western, and in the Legislature of New Jersey: “These people are our

competitors.” Apparently neither the Delaware, Lackawanna and Western

nor the New Jersey Legislature can afford to forget who are the

competitors of the Standard Oil Trust. When the case becomes public and

clamour is raised against such methods, the Standard disclaims all

responsibility. It was the railroad who fought the pipe-line!

It was not only from without that trouble came upon these men. There

were the inevitable internal struggles. They saw their stockholders

diminish from discontent and timidity. One of their staunchest members

withdrew because of his disbelief in the wisdom of a majority action,

and twice they were robbed by death of their most valued members. In

December, 1895, A. D. Wood, of Warren, died. Mr. Wood had been one of

the most inspiring members in the independent work, and there was nobody

left who could do what he had been doing there. In 1897 the chief

counsel, Roger Sherman, died. He had conducted the enormous and

vexatious litigation of the various concerns with consummate skill, and

there was nobody to take his place. Mr. Emery, overwhelmed by the death

of Roger Sherman and worn out by his six years of work and worry over

the United States Pipe Line, fell ill and was obliged to resign. On

every side it was fight and loss and despair, and yet these men hardened

under it. Not only hardened, they expanded. Ten years after the

unorganised uprising which brought them together in 1887 and forced from

them the resolution to take care of their own product, what had they? A

company of nearly 600 individual oil producers organised on a business

basis, and connected by pipe-lines with some dozen individual oil

refineries. For transporting this oil they had pipe-lines carrying both

crude and refined from the Oil Regions to within fifty miles of the sea,

and for markets they had those they had themselves worked up in the

United States and Europe. They had something more. In spite of the

continued hostility of the Standard they had the conviction that there

was a future for their venture; but they saw clearly that to realise it

they must get themselves into still more compact form—that their

holdings must be put into the hands of trustees in a single company if

they were to be free from the danger of the eventual dominance of the

Standard. Now, in November, 1895, as we have seen, the independents had

incorporated in New Jersey a marketing concern called the Pure Oil

Company. After months of discussion it was decided to enlarge the

capital of this company to $10,000,000, $2,000,000 in preferred and

$8,000,000 in common stock, and put into this concern all their

interests. There was opposition to the consolidation from some of the

strongest interests concerned, but finally the idea prevailed, and in

1900 a majority of the stock of the Producers’ Oil Company, the

Producers’ and Refiners’ Company, and the United States Pipe Line was

turned over to the Pure Oil Company.

The purpose of the combination was frankly stated to be the maintenance

of the independence of the company. This was to be effected in the

following way: the holders of 16,000 shares of stock—more than a

majority—vested the voting power of these shares in fifteen persons for

twenty years, and it was agreed that one-half of all shares thereafter

subscribed should be transferred to those same trustees. Shares can be

sold and transferred, but this transfer does not give the purchaser any

right other than provided in the trust agreement. Any trustee may be

summarily removed by three-fifths of the trustees, together with

three-fifths of the shareholders in trust. It certainly looks as if the

Pure Oil Company has devised an organisation which will effectually

preserve its independence so long as its shareholders desire that

independence. Mr. Archbold, in describing this voting trust of the Pure

Oil Company to the Industrial Commission, called it “iniquitous.” It is

difficult to understand just how it is iniquitous, unless it is because

of its success so far in keeping the Standard out of its councils. It is

not a secret arrangement. It aims at no monopoly, at no restraint of

trade. It claims only to be a device for protecting its obvious right to

handle its own product. Of course, if we admit that the oil business

belongs to the Standard, as Mr. Rockefeller claims, then the Pure Oil

Company is certainly in the wrong!

As it stands to-day, the independents have a good showing for their

fight. They have fully 900 stockholders, most of them producers. They

handle a daily production of 8,000 barrels of crude oil; operate 1,500

miles of crude pipe-line and 400 miles of refined; are allied with some

fourteen refineries, in some of which all the by-products of oil, as

well as naphtha and illuminating oils, are produced; own one

tank-steamer, the Pennoil, with a capacity of 42,000 fifty-gallon

barrels, and charter several others; own oil barges on the Rhine, the

Elbe and the Baltic; have fully equipped stations in Europe at Hamburg,

Mannheim, Riesa, Stettin and Dusseldorf, in Germany; Rotterdam and

Amsterdam, Holland; London and Manchester, England; and, in the United

States, New York and Philadelphia. With conservative and loyal

management, there seems to be no reason that the Pure Oil Company should

not become a permanent independent factor in the oil business. Such a

thing is worth the best efforts of the men who have made it. Their

courageous and persistent struggle no doubt seems to most of them as of

purely personal and local meaning. All they asked was to get a fair

share of the profits in their business. They knew they did not get it,

and they believed it was because there was not fair play on the part of

the railroads and the Standard Oil Company. Aroused, they each fought

for the particular thing which would give them relief. They only

combined because driven to. They have become a strong organisation

almost solely because of the persistent opposition of the Standard Oil

Trust. The Standard’s efforts to break up the Producers’ Protective

Association by buying out the biggest producers precipitated a

co-operative company for handling oil. Its efforts to drive out the

independent refineries by the manipulation of the railroads drove the

producers and refiners to combine. The heavy charges for handling oil by

the Standard pipe-line and by the railways drove these independents to

build a seaboard pipe-line for both refined and crude, and to

demonstrate that refined as well as crude could be pumped to the sea in

pipes. The buying out of their foreign agents forced them to develop

their own market in Europe. The secret buying in of their stock, and the

combined effort to force the Standard directors on them, compelled them

into their present close trust organisation. It looks very much as if in

trying to make way with several small scattered bodies Mr. Rockefeller

had made one strong, united one.

But while the experience of the Pure Oil Company demonstrates that it is

possible to-day to build up an independent oil business if men have the

requisite patience and fighting quality, it by no means follows that the

success of the Pure Oil Company has restored competition in the oil

business or that by its success the public is getting any marked

reduction in the price of oil. That the control of that price—within

limits—is now and has been almost constantly since 1876 in the hands of

the Standard Oil Company is demonstrated, the writer believes, by the

figures and diagrams of the next chapter.

CHAPTER SIXTEEN

THE PRICE OF OIL

EARLIEST DESIGNS FOR CONSOLIDATION INCLUDE PLANS TO HOLD UP THE

PRICE OF OIL—SOUTH IMPROVEMENT COMPANY SO INTENDS—COMBINATION OF

1872–1873 MAKES OIL DEAR—SCHEME FAILS AND PRICES DROP—THE

STANDARD’S GREAT PROFITS IN 1876–1877 THROUGH ITS SECOND

SUCCESSFUL CONSOLIDATION—RETURN OF COMPETITION AND LOWER

PRICES—STANDARD’S FUTILE ATTEMPT IN 1880 TO REPEAT RAID OF

1876–1877—STANDARD IS CONVINCED THAT MAKING OIL TOO DEAR WEAKENS

MARKETS AND STIMULATES COMPETITION—GREAT PROFITS OF

1879–1889—LOWERING OF THE MARGIN ON EXPORT SINCE 1889 BY REASON

OF COMPETITION—MANIPULATION OF DOMESTIC PRICES EVEN MORE

MARKED—HOME CONSUMERS PAY COST OF STANDARD’S FIGHTS IN FOREIGN

LANDS—STANDARD’S VARIOUS PRICES FOR THE SAME GOODS AT HOME—HIGH

PRICES WHERE THERE IS NO COMPETITION AND LOW PRICES WHERE THERE

IS COMPETITION.

It is quite possible that in keeping the attention fixed so long on Mr.

Rockefeller’s oil campaign the reader has forgotten the reason why it

was undertaken. The reason was made clear enough at the start by Mr.

Rockefeller himself. He and his colleagues went into their first

venture, the South Improvement Company, not simply because it was a

quick and effective way of putting everybody but themselves out of the

refining business, but because, everybody but themselves being put out,

they could control the output of oil and put up its price. “There is no

man in this country who would not quietly and calmly say that we ought

to have a better price for these goods,” the secretary of the South

Improvement Company told the Congressional Committee which examined him

when it objected to a combination for raising prices.

Four years after the failure of the first great scheme, a similar one

went into effect. What was its object? J. J. Vandergrift, one of the

directors of the Standard Oil Company at that time, questioned once

under oath as to what they meant to do, said: “Simply to hold up the

price of oil—to get all we can for it.” Nobody pretended anything else

at the time. “The refiners and shippers who are in the association

intend there shall be no competition.” “It is a struggle for a margin.”

“The scope of the association is an attempt to control the refining of

oil, with the ultimate purpose of advancing its price and reaping a rich

harvest in profits.” These are some of the comments of the contemporary

press. The published interviews with the leaders confirm these opinions.

Mr. Rockefeller, always discreet in his remarks, denied that the scheme

was to make a “corner” in oil; it was “to protect the oil capital

against speculation and to regulate prices.” H. H. Rogers was more

explicit: “The price of oil to-day is fifteen cents per gallon” (March,

1875). “The proposed allotment of business would probably advance the

price to twenty cents.... Oil to yield a fair profit should be sold for

twenty-five cents per gallon.”

What was the exact status of this refining business out of which it was

necessary to make more in the year 1871, when the first scheme to

control it was hatched? The simplest and safest way to study this

question is by means of the chart of prices on pages 194 and 195.[142]

On this chart the line A shows the variation in the average monthly

price, per gallon, of export oil in barrels in New York from 1866 to

June 1, 1904. The line B shows the average monthly price, per gallon, of

crude oil in bulk at the wells. A glance at the chart will show the

difference or margin between the two prices. It is out of this

difference that the refiner must pay the cost of transporting,

manufacturing, barrelling and marketing his product, and get his

profits. Now in 1866, the year after Mr. Rockefeller first went into

business, he had, as this chart shows, an average annual difference of

35 cents a gallon between what he paid for his oil and what he sold it

for. In 1867 he had from 26½ to 20 cents; in 1868, from 20 to 22½; in

1869, from 21 to 18; in 1870, from 20 to 15.[143]

[Illustration:

CHART SHOWING PRICE OF OIL FROM 1866 TO 1904.

The above chart is adapted from one published in the Report of the

Industrial Commission, Volume 1, 1900, and is brought up to date.

The figures at the right and left stand for the price per gallon in

cents. The dates are placed at the top. The figures on which the

export and crude lines are based are those taken from the “Oil City

Derrick Hand-Book.” Those on which the water-white line is based are

from the Oil, Paint and Drug Reporter.

A shows the variations in the price per gallon of refined oil for

export in barrels in New York. The price of barrels varies slightly,

but is usually estimated at 2½ cents per gallon.

B shows the variations in the price per gallon of crude oil in bulk at

the wells.

C shows the variations in the price per gallon of water-white oil

(150° test) in barrels in New York. This is the usual domestic oil.

The margin or difference between the price of crude and refined is

easily calculated. Thus at the end of 1876 the crude line shows the

price of crude to be about nine cents—the price of refined about

twenty-nine; the margin was therefore twenty cents.

]

There were many reasons why this margin fell so enormously in these

years. All of the refiners’ expenses had rapidly decreased. In 1866 but

two railroads came into the oil country; by 1872 there were four

connections, and freights fell in consequence. In 1866 carrying oil from

the wells by pipe-lines was first practised with success, by 1872 all

oil was gathered by pipes, thus saving the tedious and expensive

operations of teaming. Tank-cars for carrying crude oil in bulk had

replaced barrels and rack cars. The iron tank, holding 20,000 barrels,

was used instead of the wooden tank holding 1,000 barrels. On every side

there had been economies, and because of them the margin had fallen. But

not only were the expenses coming down; so were the profits. The money

which had been made in refining oil had led to a rapid multiplication of

refineries at all the centres. In 1872 there was a daily refining

capacity of about 46,000 barrels in the country, and the daily

consumption of that year had been but 15,000 barrels. This large

capacity produced the liveliest competition in selling, and every year

the margin of profit grew smaller.

Now it is natural that men should struggle to keep up a profit. The

refiners had become accustomed to making from twenty-five per cent. to

fifty per cent., and even more, on every gallon of oil they put out.

They had the same extravagant notion of what they should make as the oil

producers of those early days had. No oil producer thought in the

sixties that he was succeeding if his wells did not pay for themselves

in six months! And as their new industry slowly but surely came under

the laws of trade, increased its production, was subjected to severe

competition, as they saw themselves, in order to sustain their business,

forced to practise economies and to accept smaller profits, they loudly

complained. There was never a set of men who found it harder to accept

the limitations of economic laws than the oil producers of Pennsylvania.

The oil refiners showed the same dislike of the harness, and in 1871, as

we have seen, Mr. Rockefeller and a few of his friends combined to throw

it off. What they proposed to do was simply to get all the refineries of

the country under their control, and thereafter make only so much oil as

they could sell at their own interpretation of a paying price.

There was not enough profit in the margin of 1871. Now what was the

profit? According to the best figures accessible of the cost of oil

refining at that day, the man who sold a gallon of oil at 24¼ cents (the

average official price for that year) made a profit of not less than 1¼

cents—52½ cents a barrel.[144] Josiah Lombard, a large independent

refiner of New York City, when questioned by the Congressional Committee

which, in 1872, looked into Mr. Rockefeller’s scheme for making oil

dearer, said that his concern was making money on this margin. “We could

ship oil and do very well.” A. H. Tack told the Congressional Committee

of 1888, which was trying to find out why he had been obliged to go out

of the refining business in 1873, that he could have made twelve per

cent. on his capital with a profit of ten cents a barrel. Scofield,

Shurmer and Teagle, of Cleveland, made a profit of thirty-four cents a

barrel in 1875, and cleared $40,000 on an investment of $65,000.

Fifty-two cents a barrel profit then was certainly not to be despised.

The South Improvement Company gentlemen were not modest in the matter of

profits, however, and they launched the scheme whose basic principles

have figured so largely in the development of the Standard Oil Trust.

The success which Mr. Rockefeller had in getting the refiners of the

country under his control, and the methods he took to do it, we have

traced. It will be remembered that for a brief period in 1872 and 1873

he held together an association pledged to curtail the output of oil,

but that in July, 1873, it went to pieces.[145] It will be recalled that

three years after, in 1875, he put a second association into operation,

which in a year claimed a control of ninety per cent. of the refining

power of the country, and in less than four years controlled ninety-five

per cent.[146] This large percentage Mr. Rockefeller has not been able

to keep, but from 1879 to the present day there has not been a time when

he has not controlled over eighty per cent. of the oil manufacturing of

the country. To-day he controls about eighty-three per cent.

Now it is generally conceded that the man or men who control over

seventy per cent. of a commodity control its price—within limits, very

strict limits, too, such is the force of economic laws. In the case of

the Standard Oil Company the control is so complete that the price of

oil, both crude and refined, is actually issued from its headquarters.

Now, with the help of the chart, let us see what Mr. Rockefeller and his

colleagues have been able to do from 1872 to 1904 with their power over

the price of oil. The first association which worked was brought about

late in 1872. What happened? Prices for refined oil were run up from 23

cents a gallon in June to 27 cents a gallon in November, and the margin

increased from 13.6 cents to 17.7 cents. From a profit of about 1½ cents

a gallon they rose to one of over 4 cents. Unfortunately, however, the

refiners of that period were not educated to the self-restraint

necessary to carry out this scheme. They very soon failed to keep down

their output of oil and overstocked the market, and the whole machine

went to pieces. Mr. Rockefeller had been able to make oil dear for a

short time, but only for a short time. Worse than that, what he had been

able to do brought severe public condemnation. It had, indeed, produced

exactly the result the economists tell us too high prices must

produce—limitation of the market and stimulation of competition in rival

goods. Mr. Rockefeller’s second scheme to work out the good of the oil

business by making oil dear resulted in decreasing oil exports for the

first time since the discovery of oil.[147] It also increased one of the

chief grievances of the American refinery—that was, the exporting of the

crude oil to be refined in Europe. Where the exports of crude had been

something over eleven million gallons in 1871, they were now over

sixteen millions. And it set the shale-oil factories of Scotland to work

merrily. It was cheaper for Great Britain to use oil from Scottish

shales than to buy oil sold under Mr. Rockefeller’s great plan for

benefiting the oil business. So for the time the scheme fell down.

As the diagram shows, the margin dropped rapidly back after this brief

success from eighteen to thirteen cents, nor did it stay there. With the

return of competition, in the fall of 1873, it continued to drop

rapidly. By the end of the year it was down to eleven cents; by the end

of 1874 to nine. What had done it? A decline in expenses, coming from

the multiplication of pipe-lines, reduction in freight charges, and free

competition in the markets. Nothing else.

[Illustration:

1866 TO 1872.

Fragment of oil chart, showing decline of margin between crude and

refined oil in the first seven years after the pipe-line was proved

practical. Notice sudden rise in refined oil in 1872 caused by the

first Refiners’ Association.

]

[Illustration:

1872 TO 1877.

Fragment of oil chart, showing decline in margin after the failure of

the Refiners’ Association in 1872, and the abnormal increase in the

margin in 1876, when the next combination was perfected.

]

In spite of the obvious economic effects of his scheme in 1872 Mr.

Rockefeller did not give up his theory that to make oil dear was for the

good of the business. He went steadily ahead, developing quietly his

plan of a union of all refiners, pledged to limit their output of oil to

an allotment he should assign, to accept the freight rates he should

arrange for, to buy and sell at the prices he set. It was a year before

the alliance was nearly enough complete to make its power felt. By the

summer of 1876 it claimed to have nine-tenths of the refiners in the

country in line. At that time a situation rose in the crude oil market

well calculated to help it in its intention to raise prices. This was a

falling off in the production of crude oil. An advance in its price had

come in the summer of 1876. Refined had, of course, responded to the

rise. But as the fall came on and the exporters prepared to load their

cargoes, the syndicate demanded a price for refined much above that for

which the market price of crude called. The embargo which followed has

already been described in Chapter VII of this narrative. It was as

straight a hold-up as our commercial history offers, rich as it is in

that sort of operations. From October to February refined oil was held

at a price purely arbitrary. It was the first fruits of the Great

Scheme.

The winter’s work was a great one for the Standard Combination. It not

only demonstrated that Mr. Rockefeller was correct in his theory that

the way to make oil dear was to refuse to sell it cheap, but not since

the coup of 1872, with the South Improvement Company, had Mr.

Rockefeller reaped such rewards. The profits were staggering. One of the

leading gentlemen in this pretty affair told the writer once that he had

sold one cargo at thirty-five cents a gallon, oil which cost him on

board the ship a trifle under ten cents. To-day one-fourth of a cent

profit a gallon is considered large on export oil. The Standard Oil

Company of Ohio had always paid a good dividend,[148] but the year of

this raid, 1877, it surpassed all bounds. On a capitalisation of

$3,500,000 it paid $3,248,650.01, only a fraction less than 100 per

cent. One of its stockholders, the late Samuel Andrews, when on the

witness-stand in 1879, said they might have paid the dividend twice over

and had money to spare.

The profits were great, but notice the forces set in motion by this

coup. The exporters were angry. The buyers in Europe were angry. If the

Americans are going to force up prices in this way, they said, we will

not buy their refined oil. We will import their crude and refine it

ourselves. We will go back to shale oil. A first result, then, of this

attempt to hold prices up to a point conspicuously out of proportion to

the raw product was that the exports of illuminating oil fell off—they

were less by a million gallons in 1878 than in 1877. In the United

States the market was threatened in the same way. There had been much

trouble in the years just preceding these events with extortionate

prices for gas—particularly in New York and Brooklyn. Illuminating oil

was so much cheaper that it had been largely substituted, but this

artificial forcing of the oil market in 1876–1877 caused a threat to

return the next year to gas.

The effect on the refiners who were operating with Mr. Rockefeller in

running arrangements was decidedly bad. Each refiner was under bonds to

use only a certain percentage of his capacity, and to shut down entirely

if Mr. Rockefeller said so. Scofield, Shurmer and Teagle, independents

of Cleveland, who had yielded to the attractiveness of Mr. Rockefeller’s

scheme, and had gone into a running arrangement with him to limit their

output, made $2.52 a barrel on their oil from July, 1876, to July, 1877!

They had been satisfied with thirty-four cents profit a barrel the year

before. Since making oil paid so well, why not make more? Why keep their

allotment down to exactly 85,000 barrels, as they had agreed, when they

were prepared to make 180,000? They did not. They put out a few extra

thousand barrels each year. Others did the same. It was, of course,

fatal to the “good of the oil business.” Not only did these profits

tempt many refiners to overrun their allotment; the few independents

left profited by the prices and increased their plants; the great Empire

Transportation Company combined refineries with its pipe-lines as Mr.

Rockefeller was adding pipe-lines to his refineries. Thus competition

was stimulated.

The effect on the men who produced oil was, of course, bad. They had

found it impossible at any time, while the refined was kept so high, to

force crude up to a corresponding point, though every effort was made.

The producers threatened to combine and refine their own oil. When the

Empire Transportation Company went into refining the producers heartily

favoured the movement, and throughout the next year a severe competition

kept prices down. The Empire was finally wiped out; the producers,

aroused by this failure, combined against the Standard in one of the

greatest associations they ever had. From 1878 to 1880 they fought

continuously to restore competition. They secured the introduction into

Congress of a bill to regulate interstate commerce; they fought for more

drastic laws against railroad discrimination in the state of

Pennsylvania; they persuaded the state to prosecute the Pennsylvania

Railroad for discrimination; they indicted Mr. Rockefeller and eight of

his colleagues for criminal conspiracy; and they supported by money and

influence a scheme for a seaboard pipe-line connected with the

independent refineries.[149]

If one will look at the chart he will see graphically the effect on Mr.

Rockefeller’s ambition of this fundamentally sound independent movement.

The margin between crude and refined, thrust up to over twenty cents by

the combination of 1878, fell rapidly under the combined efforts of the

independents through 1877, 1878 and 1879. In the latter year it touched

five cents for the first time in the history of the business.

Competition resulting in economies, in a revolutionising transportation

invention—the seaboard pipe-line—in a greatly extended foreign market,

brought down this margin in 1879. Nothing else.

[Illustration:

1876 TO 1880.

Fragment of chart, showing decline in margin after the coup of

1876–1877, caused by alliance of independent oil men and the success

of the first seaboard pipe-line.

]

Those who have read this history know what became of the competitive

movement of these years of 1878–1879. They remember how the Producers’

Union compromised its suits and abandoned its efforts for interstate

commerce regulation. They remember, too, how, just before the great

seaboard pipe-line project was proved to be a success, all but one of

the independent refineries were, by one means or another, persuaded to

sell or to combine with the Standard, leaving the Tidewater without an

outlet for its oil. Before the end of 1879 the Standard claimed

ninety-five per cent. of the refining business. Now examine the chart

for the effect on the price of oil in 1880, of this doing away with

competition—another sudden uplift of the price of refined, this time

without the excuse of a rise or probable rise in crude. For three years

oil had not been sold so high as it was in 1880, when the exporters

began to take on their winter’s supply. An interesting contemporary

account of this coup of 1880, and the way in which it was managed, is

found in the excellent monthly Petroleum Trade Report, published by John

C. Welch. It is dated November, 1880, and headed “Very Sharp Practice”:

“There is made each day in New York what is known as an official

quotation for refined oil, this official quotation being made as a

matter of convenience in cabling the price of refined oil throughout

the world. Refined oil not being sold at an open board, it is

sometimes difficult to quote it accurately, but by having an

‘official quotation’ this can be quoted, and the difficulty is

supposed to be, in a measure at least, remedied. The ‘official

quotation’ is made by three petroleum brokers appointed by the

Produce Exchange for that purpose, who meet each day after exchange

hours for the purpose of establishing it. There is one party, and

one party only, that have very large lots to sell, and so important

a position do they hold in the business that their prices are

ordinarily the market. Of course, to make transactions, their prices

and buyers’ prices have to come together, and transactions establish

a market much better than prices offered to buy or sell at, but

without transactions. At many times, if the Standard do not sell,

there are no transactions, and, consequently, the Standard’s asking

price is leaned upon to establish an official quotation. During

September, the official quotation went up from 9⅜ cents to 11⅞

cents, with comparatively little demand, as the foreign stocks were

large, and very little oil was required to supply the world’s wants.

The upward movement was, consequently, purely arbitrary. Arbitrary

prices are, however, a part of the Standard’s every-day life, and I

am not taking at this time any exception to them. All through

October and up to November 13, the official quotation was 12 cents,

or sometimes a little over and sometimes a little under, and as this

price did not meet the views of buyers to but slight extent, the

Standard were supposed to be exercising a Roman virtue in not

selling. Twelve cents continued as the official quotation to

November 13, without any wavering, but from the 13th to the 18th,

while ‘12 cents asked by refiners’ continued in the quotation, such

sentences as these were included at different dates: ‘Other lots

obtainable at 11 cents.’ ‘Sales at 10½ cents, offered at that.’

‘Other lots obtainable at irregular prices, from 10 to 10½ cents.’

On November 18, the quotation was ‘10 to 12 cents.’ I give the

following quotation of the New York refined market as published in

my Oil City daily report of November 11: ‘The New York market

yesterday closed, secretly offered and unsalable at 11½ cents, and

probably at 11¼ cents by resales and outside refiners, and likely by

Standard, though they openly ask 12.’

“The point that seems apparent is that the official quotation of 12

cents ceased to be an honest quotation a considerable time before it

was abandoned. The committee making the quotation can probably

justify their position by the custom of the trade of regarding the

prices the Standard openly ask as the market, nevertheless they, and

the Produce Exchange whom they represent, were the bulwark from

behind which the Standard were able to get off their hot shot

against the consuming trade in the United States and the consuming

trade in Europe, who all this time were buying Standard oil on the

basis of 12 cents at New York, the supplies at the time being drawn

from their stock in Europe and from their various depots in the

United States.”

But the performance of 1876 and 1877 was not forgotten in Europe. In

1879 the exporters and buyers from all the great foreign markets had met

in Bremen in an indignation meeting over the way the Standard was

handling the oil business. Remonstrances came from the consuls at

Antwerp and Bremen to our State Department concerning even the quality

of oil which had been sent to Europe by the Standard. John C. Welch, who

was abroad in 1879, was told by a prominent Antwerp merchant: “I am of

the opinion that if the petroleum business continues to be conducted as

it has been in the past in Europe, it will go to smash.”[150] The

attempt to repeat in 1880 what had been done in 1876 failed. The exports

of illuminating oil that year fell much below what they had been the

year before. In 1879, 365,000,000 gallons of refined oil were exported;

in 1880, only 286,000,000 gallons. Exports of crude, on the contrary,

rose from about 28,000,000 gallons to nearly 37,000,000 gallons. The

foreigners could export and refine their own oil cheaper than they could

buy from Mr. Rockefeller. Competition was after him, too, for the

Tidewater, whose refineries he had cut off, had stored their oil, built

new plants, and were again ready to compete in the market.

This third corner of the oil market seems to have convinced Mr.

Rockefeller and his colleagues at last that, however great the fun and

profits of making oil very dear, in the long run it does not pay; that

it weakens markets and stimulates competition. They learned a lesson in

these years they have never forgotten—that when you make a scoop it must

not be so big that you will never have a chance to make another one;

that if you want to keep your power to manipulate the market you must

use that power so modestly that the public in general will not realise

you have it. Again and again the effect of the experiences of 1872, 1876

and 1880 crops out in the testimony of Standard officials. Benjamin

Brewster once said to a Federal Investigating Committee, which had asked

if the Standard could not fix the price of oil as it wished: “At the

moment many things may be done, but the reaction is like a relapse of

typhoid fever. The Standard Oil Company can never afford to sell goods

dear. The people would go to dipping tallow candles in the old-fashioned

way if we got the price too high.” The after-effects of the first great

raids, then, were salutary. The Standard learned the limitations set on

monopolies by certain great economic laws.

[Illustration:

1879 TO 1889.

Fragment of chart, showing how margin reached in 1879 by competition

was raised and sustained for ten years under the monopoly achieved

by the Standard Oil Company in 1880. The sudden rise in refined in

the fall of 1880 was a purely arbitrary price. Notice that crude was

stationary at the time.

]

But if the Standard Oil Company learned in its first attempts to raise

the price of oil that they could not in the long run afford to make from

100 to 350 per cent., they by no means gave up their attempt to keep

their control, and to hold up profits as high as they could without

injuring the market or inviting too strong competition. If one will look

at the chart showing the fluctuations from 1879, when control was

achieved, to the beginning of 1889, one will find that for ten years the

margin between refined oil and crude never fell below the point reached

by competitive influences in the former year, though frequently it rose

considerably above. Yet it is in this period that the Standard did all

its great work in extending markets, in developing by-products, and in

introducing the small and varied economies on which it rests its claim

to be a great public benefactor. The first eight years of its existence

had been spent in bold and relentless warfare on its competitors.

Competition practically out of the way, it set all its great energies to

developing what it had secured. In this period it brought into line the

foreign markets and aided in increasing the exports of illuminating oil

from 365,000,000 gallons in 1879 to 455,000,000 in 1888; of lubricating,

from 3,000,000 to 24,000,000, and yet this great extension of the volume

of business profited the consumer nothing. In this period it laid hands

on the idea of the Tidewater, the long-distance pipe-lines for

transporting crude oil, and so rid itself practically of the railroads,

and yet this immense economy profited the public nothing. In spite of

the immense development of this system and the enormous economies it

brought about—a system so important that Mr. Rockefeller himself has

said: “The entire oil business is dependent upon this pipe-line system.

Without it every well would shut down, and every foreign market would be

closed to us”—the margins never fell the fraction of a cent from 1879 to

1889, though it frequently rose. In this period, too, the by-products of

oil were enormously increased. The waste, formerly as much as ten per

cent. of the crude product, was reduced until practically all of the oil

is worked up by the Standard people, and yet, in spite of the extension

of by-products between 1879 and 1889, the margin never went below the

point competition had forced it to in 1879.

The enormous profits which came to the Standard in these ten years by

keeping out competition are evident if we consider for a moment the

amount of business done. The exports of illuminating oil in this period

were nearly 5,000,000,000 gallons; of this the Standard handled well

toward ninety per cent. Consider what sums lay in the ability to hold up

the price on such an amount even an eighth of a cent a gallon. Combine

this control of the price of refined oil with the control over the crude

product, the ability to depress the market for purchasing, an ability

used most carefully, but most constantly; add to this the economies and

development Mr. Rockefeller’s able and energetic machine was making, and

the great profits of the Standard Oil Trust between 1879 and 1889 are

easily explained. In 1879, on a capital of $3,500,000, the Standard Oil

Company paid $3,150,000 dividends; in 1880 it paid $1,050,000. In 1882

it capitalised itself at $70,000,000. In 1885, three years later, its

net earnings were over $8,000,000; in 1886, over $15,000,000; in 1888,

over $16,000,000; in 1889, nearly $15,000,000. In the meantime the net

value of its holdings had increased from $72,000,000; in 1883, to over

$101,000,000. While the Standard was making these great sums, the men

who produced the oil saw their property depreciating, and the value of

their oil actually eaten up every two years by the prices the Standard

charged for gathering and storing it.

But to return to the chart. With the beginning of 1889 the margin begins

to fall. This is so in spite of a rising crude line. It would look as if

the Standard Oil Company had suddenly had a change of heart. In the

report of that year’s business made to the trustees of the Standard Oil

Trust, the following elaborate and interesting calculation was

presented:

“The quantity of crude oil consumed by the Standard manufacturing

interests in 1889 was 896,250,325 gallons, or 20,339,293 barrels, an

increase over the previous year of 119,073,589 gallons, or 2,835,085

barrels, an increase of 15.3 percent.

“The sales of crude oil by our interests for purposes other than

their own manufacture were 135,788,959 gallons, or 3,232,832

barrels, an increase of 43¼ per cent. over the previous year, making

the total consumption of crude oil through our interests

1,032,029,284 gallons, or 24,572,126 barrels, an increase over 1888

of 3,809,917 barrels, or 18.35 per cent., and exceeding the

consumption of 1887, which was the largest of any previous year, by

12.7 per cent.

“The quantity of refined oil produced was 666,742,547 gallons, or

13,334,851 barrels of 50 gallons each; of lubricating paraffine and

compounded oils 43,862,795 gallons, or 877,256 barrels, and of other

products 160,712,183 gallons, or 3,214,243 barrels, making a total

of all products of 871,371,525 gallons, or 17,426,350 barrels,

valued at over $46,000,000.

“The average cost of the crude consumed in refining was .211 of a

cent more than in 1888, while the average price realised per gallon

of crude was .090 of a cent less, showing a decrease in the margin

between the crude and finished product of .301 of a cent. This

represents a saving to the consumer over what the finished products

would have cost him if the same margin had been maintained on the

increased price of crude of $2,697,000. This has been done without a

corresponding loss to our interests by a decrease in cost of

manufacturing and marketing, and by the increased quantity handled

.204 of a cent, effecting a saving of $1,860,000, and the difference

has been more than made up by further reductions of cost of

marketing by our distributing interests, as well as in the increased

quantity handled. Although the average price of crude has been the

highest this year of any of the last five years, the increase over

the price of 1887 (when the price on both crude and refined was the

lowest for that period) being about 22¼ per cent., the average price

of products has increased but 12¼ per cent., showing a saving to the

consumer of 10 per cent. We have therefore continued to make good

the claim that the Standard has heretofore maintained of cheapening

the cost of the products to the consumers by giving them the

benefits of the saving in costs effected by consolidation of

interests.”[151]

This certainly sounds just—even philanthropic. It is exactly what the

consumer claims is his due—to have a share of the economies which

undoubtedly may be effected by such complete and intelligent

consolidation as Mr. Rockefeller has effected. But was it combination

that caused this falling of the margin? As a matter of fact this

lowering of the margin was the direct result of competition. In 1888 a

German firm, located in New York City, erected large oil plants in

Rotterdam and Bremerhaven. They put up storage tanks at each place of

90,000 barrels’ capacity. They also established a storage depot of

30,000 barrels at Mannheim, and took steps to extend their supply

stations in Germany and Switzerland. They built tank steamers in order

to ship their oil in bulk. These oil importers allied themselves with

certain independent refiners, and interested themselves also in the

co-operative movement which the producers of Pennsylvania were striving

to get into operation at this time. The extent of the undertaking

threatened serious competition. In the same year imports of Russian oil

into the markets of Western Europe began for the first time to assume

serious proportions. Russian oil had, from the beginning, been a

possible menace to American petroleum, for the wonderful fields on the

Caspian were known long before oil was “struck” in Pennsylvania. They

did not begin to be exploited in a way to threaten competition until

late in the eighties. In 1885 consuls at European ports began to report

its appearance—fifty barrels were landed at Bremen that year as against

180,855 of American oil. In this year, too, the first Russian oil went

to Asia Minor, where “Pratt” oil had long held sway. The first cargo

reported at Antwerp was in March, 1886. In April, 1890, the consul at

Rotterdam, in calling attention to the independent American competition,

said of Russian oil: “It is no longer a serious competitor for the

petroleum trade of Western Continental Europe.” The consul said that

while the American oil shipments to the five principal continental ports

were fully 4,000,000 barrels per year, those of Russian were less than a

tenth of that number. However, a growth of 400,000 barrels in five years

was something, and the Standard Oil Trust was the last to underestimate

such a growth. Prices of export oil immediately fell. There was nothing

in the world that gave oil consumers the benefit of the Standard’s

savings by economies in 1889 but the competition threatened by Russia

and the American and German independent alliance. The Standard, to

offset it, not only lowered its price, but it followed the German

company to Rotterdam in order to put up an oil plant similar to the one

which had been erected by those independents. They also purchased at

this time the great oil establishments at Bremen and Hamburg which had

hitherto been owned and operated by Germans. A full account of this new

development in the oil trade was reported by the American consul at

Rotterdam in April of 1890, and is to be found in the consular reports

of that year.

[Illustration:

1890 TO 1904.

Fragment of chart, showing relation between crude and refined oil in

the last fourteen years. Notice effect on margin from 1890 to 1894

of rise of strong competitive forces. Notice also how margin between

price of crude and of domestic oil increased in the winter of

1903–1904, during the coal famine.

]

Follow the lines a little farther. Notice how, in 1892, the price of

refined oil begins to fall, although crude is stationary. Notice how the

refined line remains steady throughout 1893 and 1894, although the crude

line steadily rises. This went on for nearly three years, until there

was a margin of only three cents between crude and refined oil. The

barrel, which is always reckoned in the official quotations of export

refined oil, costs two and a half cents per gallon, and the price of

manufacturing is usually put at one-half a cent. The cost of

transporting the oil was not covered by the margin the greater part of

the year 1894. Now, the Standard Oil Company were not selling oil at a

loss at this time out of love for the consumers, although they made

enough money in 1894 on by-products and domestic oil to have done

so—their net earnings were over $15,000,000 in 1894, and they reckoned

an increase in net value of property of over $4,000,000—they were

fighting Russian oil and the independent combination started in 1889. By

1892 this combination was in active operation. The extent of this

movement was described in the last chapter of this narrative. At the

same time certain large producers in the McDonald oil field built a

pipe-line from Pittsburg to Baltimore, the Crescent Line, and began to

ship crude oil to France in great quantities. It looked as if both

combinations meant to do business, and the Standard set out to get them

out of the way. One method they took was to prevent the refiners in the

combination making any money on export oil.

The extent to which cutting was carried on for two years, beginning with

the fall of 1892, has been referred to in the last chapter, but is

perhaps worth repeating in this connection. In January of 1892 crude oil

was selling at 53½ cents a barrel at the wells, and refined oil for

export at 5.33 cents a gallon in barrels. Throughout the year the price

of crude advanced, until in December it was 78⅜ cents. Refined, on the

contrary, fell, and it was actually 18 points lower in December than it

had been twelve months before. Throughout 1894 Standard kept refined oil

down; the average price of the year was 5.19 cents a gallon, in face of

an average crude market of 83¾ cents, lower than in January, 1893, with

crude at 53½ cents a barrel.

After two years they gave it up. It was too expensive. The Crescent Line

sold to them, but the other independents were too plucky. They had lost

money for two years, but they were still hanging on like grim death, and

the Standard concluded to concentrate their attacks on other points of

the combination rather than on this export market where it was costing

them so much.

About the end of 1894 the depression of export oil was abandoned, as the

chart shows. Notice that from 1895 to 1898 the margin remained at about

four cents, that in 1900 it rose to six cents, and from that time until

June, 1904, it swung between four and a half and five. The increasing

competition in Western Europe of independent American oils, and the

rapid rise since 1895, particularly of Russian oil, are what has kept

this margin down. It is doubtful, such is the growing strength of these

various competitive forces, if the Standard Oil Trust will ever be able

to put up the margin on export oils. If there were only the American

independents to reckon with, a compromise might be possible, but Russia,

Burmah and Sumatra are all in the game. By 1896 Russia was exporting

210,000,000 gallons of petroleum products (America in that year exported

over 931,000,000 gallons), and these products were going to nearly every

part of Europe and Asia. They began to cut heavily into the trade of the

Standard in China, India, Great Britain and France. By 1899 the exports

of Russian oil were over 347,000,000 gallons; in 1901, over 428,000,000

gallons. In China, India, and Great Britain particularly, has the

Russian competition increased. While at one time the Standard Oil

Company had almost the entire oil trade at the port of Calcutta, last

year, 1903, out of 91,500,000 gallons imported, only about 6,500,000

gallons were of American oil. In China, Sumatra oil is now ahead of

American, the report for 1903 being: American, 31,060,527 gallons;

Sumatra, 39,859,508.

For the Standard there is good profit in this margin of four and a half

cents for export oil. The expenses the margin must cover are the

transportation of the crude from the wells to New York, the cost of

manufacture, the barrel and the loading. For twenty-five years the

published charge of the Standard Oil Company for gathering oil from the

wells has been twenty cents a barrel. The charge for bringing it to New

York has been forty cents, a little less than one and a half cents a

gallon. It costs, by rough calculation, one-half a cent to make the oil

and load it. The barrel is usually reckoned at two and a half cents.

Here are four and a half cents for expenses—the entire margin. Where the

Standard has the advantage is in its ownership of oil transportation. A

common carrier gathering and transporting in 1902 all but perhaps 10,000

barrels of the 150,000 barrels’ daily production of Eastern oil, the

service for which the outsider pays sixty cents, costs it from ten to

twelve cents at the most liberal estimate. Here is over a cent saved on

a gallon, and a cent saved, where millions of gallons are in question,

makes not only great profits, but keeps down competition. The refiner

who to-day must pay the Standard rates for transportation cannot compete

in export oil with them. In January of 1904, when the chart shows the

margin to have been about four and three-quarter cents, an independent

refiner in the state of Ohio, dependent on the Standard for oil, gave

the writer a detailed statement of costs and selling prices of products

in his refinery. According to his statement he lost one and three-fifth

cents on his export oil. He was forced, of course, to pay Standard

transportation prices for crude and railroad charges for refined from

Ohio to New York harbour.[152]

That there would have been such a transportation situation to-day had it

not been for the discrimination by the railways, which threw the pipes

into the Standard’s hands in the first place, and the long story of

aggression by which the Standard has kept out rival pipes, and so been

able for twenty-five years to sustain the price for transportation, is

of course evident. To-day, as thirty years ago, it is transportation

advantages, unfairly won, which give the Standard Oil Company its hold.

It is not only on transportation that the Standard to-day has great

advantages over the independent refiner in the export market. As said at

the beginning of this chapter, the Standard Oil Company “makes the price

of refined oil”—within strict limits. Of course, making the market, it

has all the advantages of the “inside track.” Its transactions can be

carried on in anticipation of the rise or fall. For instance, in January

of 1904, when there were strong fluctuations in the water-white (150

degrees test) prices, the agent of an independent refiner, who was in

Wall Street trying to keep track of markets for out-of-town competitors,

reported the price as 9.20 cents a gallon. The refiners’ goods were

refused on the ground that this was above the market. The Standard Oil

export man and a broker who worked with the company were consulted. The

market was 9.20. Further investigation, however, showed that at

headquarters the figure given out privately was 8.70 cents. The

disadvantage of the outsider in disposing of his goods is obvious. The

Standard makes the official market, and undersells it. The situation

seems to be the same in practice as that described by Mr. Welch, in

1880, though now the fiction of a committee of brokers has been done

away with. Of course there is nothing else to be expected when one body

of men control a market.

Thus far the illustrations of Mr. Rockefeller’s use of his power over

the oil market have been drawn from export oil. It is the only market

for which “official” figures can be obtained for the entire period, and

it is the market usually quoted in studying the movement of prices. It

is of this grade of oil that the largest percentage of product is

obtained in distilling petroleum. For instance, in distilling

Pennsylvania crude, fifty-two per cent. is standard-white or export oil,

twenty-two per cent. water-white—the higher grade commonly used in this

country—thirteen per cent. naphtha, ten per cent. tar, three per cent.

loss. The runs vary with different oils, and different refiners turn out

different products. The water-white oils, while they cost the same to

produce, sell from two to three cents higher. The naphtha costs the same

to make as export oil, but sells at a higher price, and many refiners

have pet brands, for which, through some marketing trick, they get a

fancy price. The Standard Oil Company has a great number of fancy brands

of both illuminating and lubricating oils, for which they get large

prices—although often the oil itself comes from the same barrels as the

ordinary grade. Now it is from the extra price obtained from naphtha,

water-white, fancy brands, and by-products that the independent refiner

makes up for his loss on export oil, and the Standard Oil Trust raises

its dividends to forty-eight per cent. The independent refiner quoted

above, who in January of 1904 lost 1⅜ cents on export oil, made enough

on other products to clear 8.3 cents a barrel on his output—eighty-three

dollars a day clear on a refinery of 1,000 barrels capacity, which

represents an investment of $150,000.

[Illustration:

A TYPICAL OIL FARM OF THE EARLY DAYS

]

Turn now to the price of domestic oil, and examine the chart to see if

we have fared as well as the exporters. The line C on the chart

represents the price per gallon in New York City of 150° water-white oil

in barrels from the beginning of 1881 to June, 1904.[153] The figures

used are those of the Oil, Paint and Drug Reporter. A glance at the

chart is enough to show that the home market has suffered more violent,

if less frequent, fluctuations than the export market. A suggestive

observation for the consumer is the effect of a rise in crude on the

price of domestic oil. The refined line usually rises two or three

points to every one of the crude line. It is interesting to note, too,

how frequently high domestic prices are made to offset low export

prices; thus, in 1889, when the Standard was holding export oil low to

fight competition in Europe, it kept up domestic oil. The same thing is

happening to-day. We are helping pay for the Standard’s fight with

Russian, Roumanian and Asiatic oils. But this line, while it shows what

the New York trade has paid, is a poor guide for the country as a whole.

Domestic oil, indeed, has no regular price. Go back as far as anything

like trustworthy documents exist, and we find the most astonishing

vagaries, even in the same state. For instance, in a table presented to

a Congressional Committee in 1888, and compiled from answers to letters

sent out by George Rice, the price of 110° oil in barrels in Texas

ranged from 10 to 20 cents; in Arkansas, of 150° oil in barrels, from 8

to 18; in Tennessee, the same oil, from 8 to 16; in Mississippi, the

same, from 11 to 17. In the eighties, prime white oil sold in barrels,

wholesale, in Arkansas, all the way from 8 to 14 cents; in Illinois,

from 7½ to 10; in Mississippi, from 7¼ to 13½; in Nebraska, 7½ to 18; in

South Carolina, 8 to 12½; and in Utah, 13 to 23. Freight and handling

might, of course, account for one to two cents of the difference, but

not more.

A table of the wide variation in the price of oil, compiled in 1892,

showed the range of price of prime white oil in the United States to be

as follows:

In barrels 6 to 25 cents

In cases 14 to 34½ cents

In bulk 3½ to 25 cents

The same wide range was found in water-white oil:

In barrels 6½ to 30 cents per gallon

In cases 16 to 35 cents per gallon

In bulk 3½ to 29 cents per gallon

In 1896 an investigation of prices of oil sold from tank-wagons in the

different towns of Ohio, in the same week, was made, and was afterward

offered as sworn testimony in a trust investigation in that state. The

price per gallon ranged from 4¾ cents to 8¾ cents.

The most elaborate investigation of oil prices ever made was that

instigated by the recent Industrial Commission. In February, 1901, the

commission sent out inquiries to 5,000 retail dealers, scattered from

the Atlantic to the Pacific and from the Lakes to the Gulf, asking the

prices of certain commodities, among them illuminating oils; 1,578

replies were received. The tables prepared offered striking examples of

the variability of prices—thus:

In Colorado the wholesale price of illuminating oil (150° test) varied

from 13 to 20 cents; in Delaware, 8 to 10; in Illinois, 6 to 10; in

Alabama, 10.50 to 16; in Michigan, 5.50 to 12.25; in Missouri, 7.50 to

12.50; in Kentucky, 7 to 11.50; in Ohio, 5.50 to 9.75; in California,

12.50 to 20; in Utah, 20 to 22; in Maine, 8.25 to 12.75 (freight

included in all these prices).

The difference between the highest and the lowest wholesale prices in

the same states varies from 8 cents in Oregon (12.50 to 20.50) to 1.50

in Rhode Island (8.50 to 10). Of course, in the former case, two or even

three cents of the difference may be due to freight, but hardly more.

Take adjoining states, for instance. In Vermont there is a difference of

4.50 cents between the highest and lowest price of oil; in New

Hampshire, only 1.75. In Delaware there is a difference of 2 cents; in

Virginia, of 6.

Compare, now, the lowest price in different states. In Ohio and

Pennsylvania oil was sold as low as 5.50; 6.50 is the lowest in New York

State, 8.50 the lowest in Rhode Island, and 7 the lowest in New Jersey.

In Indiana oil sells as low as 5.50, but in Kansas nothing below 8.50 is

reported (the freight rate to Atchison, Kansas, from Whiting, Indiana,

which supplies both of these states, is 1.7 per gallon. The freight rate

from Whiting to Indianapolis is .5 per gallon).

Not long ago there fell into the writer’s hands a sheet from one of the

ledgers forming a part of the Standard Oil Company’s remarkable system

of bookkeeping. This sheet gave the cost and selling price per gallon of

different grades of refined oil at over a dozen stations in the same

state in October, 1901. In the account of cost of oil were included net

cost, freight, inspection, cost of barrels and cost of marketing. The

selling price was given and the margin of profit computed. The selling

price of water-white from tank-wagons (it is customary for Standard

tank-wagons to deliver oil from their stations to local dealers) ranged

from 8½ to 11½ cents, and the profit on the oil sold from the wagons

varied from about one-half cent to over three cents.

Now, in considering these differences, liberal allowance for freight

rates must be made. Something of what these allowances should be can be

judged from the table of oil freights which the Industrial Commission

published with its schedule of prices. From this table many interesting

comparisons can be made. For instance, it cost the Standard Oil Company

(if they paid the open rate their rivals did) 1.5 cents to send a gallon

of oil from Whiting, Indiana, their supply station, to Mobile, Alabama.

They sold their oil in Alabama at wholesale from 11½ to 16 cents. The

net cost of this oil was under five cents in February, 1901. It cost

them the same 1.5 cents to send a gallon of oil to Des Moines, Iowa (if

they paid the open rate), but in Iowa they sold it from 7 to 11. The

freight from Whiting to New Orleans was the same 1.5 cents, but prices

in Louisiana ranged from 9 to 14 cents. According to the investigation

the average wholesale price of oil, including freight, ranged from 8.27

in Pennsylvania to 25.78 in Nevada.

Freights and handling considered, there is, it is evident, nothing like

a settled price or profit for illuminating oil in the United States.

Now, there is no one who will not admit that it is for the good of the

consumer that the normal market price of any commodity should be such as

will give a fair and even profit all over the country. That is, that

freights and expense of handling being considered, oil should sell at

the same profit in Texas as in Ohio. That such must be the case where

there is free and general competition is evident. But from the beginning

of its power over the market the Standard Oil Company has sold domestic

oil at prices varying from less than the cost of the crude oil it took

to make it up to a profit of 100 per cent. or more. Wherever there has

been a loss, or merely what is called a reasonable profit of, say, ten

per cent., an examination of the tables quoted above shows conclusively

it has been due to competition. The competition is not, and has not been

since 1879, very great. In that year the Standard Oil Company claimed

ninety-five per cent. of the refining interests of the country. In 1888

they claimed about eighty per cent.; in 1898, eighty-three per cent.

This five to seventeen per cent. of independent interest is too small to

come into active competition, of course, at all points. So long as one

interest handles eighty-three per cent. of a product it is clear that it

has the trade as a whole in its hands. The competition it encounters

will be local only. But it is this local competition, unquestionably,

that has brought down the price of oil at various points and caused the

striking variation in prices recorded in the charts of the Industrial

Commission and other investigations. The writer has before her a pile of

a hundred or more letters written in the eighties by dealers in twelve

different states. These letters tell the effect on the prices of the

introduction of an independent oil into a territory formerly occupied

exclusively by the Standard:

Calvert, Tenn.—The Waters-Pierce Oil Company (Standard) so reduced

the price of their oil here when mine arrived that I will have some

trouble to dispose of mine.

Chattanooga, Tenn.— ... Cut the price of oil that had been selling

at 21 cents to 17 cents.

Pine Bluff, Ark.—While the merchants here would like to buy from

some other than the Standard they cannot afford to take the risks of

loss. We have just had an example of one hundred barrels opposition

oil which was brought here, which had the effect of bringing

Waters-Pierce Oil Company’s oil down from 18 to 13 cents—one cent

less than cost of opposition, with refusal on their part to sell to

anyone that bought from other than their company.

Vicksburg, Miss.—The Chess Carley Company (Standard) is now offering

110° oil at nine cents to any and every one. Shall we meet their

prices? All they want is to get us out of the market, then they

would at once advance price of oil.

These are but illustrations of the entire set of letters; prices dropped

at once by Standard agents on the introduction of an independent oil. A

table offered to Congress in 1888, giving the extent of their cutting in

the Southwest, shows that it ranged from 14 to 220 per cent.

Every investigation made since shows that it is the touch of the

competitor which brings down the price. For instance, in the cost and

profit sheet from a Standard ledger referred to above, there was one

station on the list at which oil was selling at a loss. On investigation

the writer found it to be a point at which an independent jobber had

been trying to get a market. If one examines the tables of prices in the

recent report of the Industrial Commission, he finds that wherever there

is a low price there is competition. Thus, at Indianapolis, the only

town in the state of Indiana reporting competition, the wholesale price

of oil was 5½ cents, although forty out of the fifty-three Indiana towns

reporting gave from 8 cents to 10½ cents as the wholesale price per

gallon. (These prices included freight. Taking Indianapolis as a centre,

the local freight on oil to any point in Indiana is in no case over a

cent.) In April, 1904, inquiry showed the same striking difference

between prices in Indianapolis, where six independent companies are now

established, and neighbouring towns to which competition has not as yet

reached.

The advent of an independent concern in Morristown, New Jersey, brought

down the price to grocers to 7½ cents and to housewives to 10, but in

the neighbouring towns of Elizabeth and Plainfield, where only the

Standard is reported, the grocers pay 9 cents and the housewives 12 and

11, respectively. In Akron, Ohio, where an independent company was

operating at the time the investigation was made, oil was sold at

wholesale at 5¾ cents; at Painesville, nearer Cleveland, the shipping

point, at 9¼ cents. In Richmond, Virginia, one dealer reported to the

commission a wholesale price of 5 cents, and added: “A cut rate between

oil companies; has been selling at 9 and 10 cents.”

In the month of April of 1904 150° oil was selling from tank-wagons in

Baltimore, where there is competition, at 9 cents. In Washington, where

there is no competition, it sold at 10½ cents, and in Annapolis (no

competition) at 11 cents. In Seaford, Delaware, the same oil sold at 8

cents under competition. The freight rates are practically the same to

all these points. And so one might go on indefinitely, showing how the

introduction of an independent oil has always reduced the price. As a

rule, the appearance of the oil has led to a sharp contest or “Oil War,”

at which, not infrequently, both sides have sold at a loss. The

Standard, being able to stand a loss indefinitely, usually won out.

An interesting local “Oil War,” which occurred in 1896 and 1897 in New

York and Philadelphia, figured in the reports of the Industrial

Commission, and illustrates very well the usual influence on Standard

prices of the incoming of competition. On March 20, 1896, the Pure Oil

Company put three tank-wagons into New York City. The Standard’s price

of water-white oil from tank-wagons that day was 9½ cents, and the Pure

Oil Company followed it. In less than a week the Standard had cut to 8

cents[154] \_along the route of the Pure Oil Company wagons\_. In April

the price was cut to 7 cents. By December, 1896, it had fallen to 6

cents; by December, 1897, to 5.4. It is true that crude oil was falling

at this time, but the fall in water-white was out of all proportion.

For, while between the price of refined on March 20 and the average

price of refined in April along the Pure Oil Company route, there was a

fall of 2½ cents, in crude there was a fall of but four-tenths of a

cent. Refined fell from 7 cents in April to 6 cents in May, and crude

fell one-tenth of a cent. John D. Archbold, in answering the figures

given by the Pure Oil Company to the Industrial Commission, accused them

of “carelessness,” and gave the average monthly price of crude and

refined to show that no such glaring discrepancy had taken place. Mr.

Archbold gives the average price in March, for instance, as 7.98 and in

April as 7.31 cents. However, his price is the average to “all the trade

of Greater New York and its vicinity,” whereas the prices of the Pure

Oil Company are those they met in their limited competition. As

Professor Jenks remarked at the examination: “It might easily be,

therefore, that your” (Standard) “average price would be what you had

given, and that to a good many special customers with whom the Pure Oil

Company was trying to deal it could be five and a half cents.” That this

was the fact seems to be proved by the quotations for water-white oil

from tank-wagons, which were published from week to week in trade

journals like the Oil, Paint and Drug Reporter. These prices show 9⅞

cents for water-white on March 21, and an average of 9.4 cents in April.

Evidently only a part of the trade of “all Greater New York and

vicinity” got the benefit of averages quoted to the Industrial

Commission by Mr. Archbold.

If competition persists the result usually has been permanently lower

prices than in territory where competition has been run out or has never

entered. For instance, why should oil be sold to a dealer at nearly four

cents more on an average in Kansas than in Kentucky, when the freight

from Whiting to Kansas is only a cent more? For no reason except that in

Kentucky there has been persistent competition for twenty-five years,

and in Kansas none has ever secured a solid foothold. Why should

Colorado pay an average of 16.90 cents for oil per gallon and California

14.60 cents, when the freight from Whiting differs but one-tenth of one

cent? For no reason except that a few years ago competition was driven

from Colorado, and in California it still exists.

Indeed, any consecutive study of the Standard Oil Company’s use of its

power over the price of either export or domestic oil must lead to the

conclusion that it has always been used to the fullest extent possible

without jeopardising it; that we have always paid more for our refined

oil than we would have done if there had been free competition. But why

should we expect anything else? This is the chief object of

combinations. Certainly the candid members of the Standard Oil Company

would be the last men to argue that they give the public any more of the

profits they may get by combination than they can help. One of the

ablest and frankest of them, H. H. Rogers, when before the Industrial

Commission in 1899, was asked how it happened that in twenty years the

Standard Oil Company had never cheapened the cost of gathering and

transporting oil in pipe-lines by the least fraction of a cent; that it

cost the oil producer just as much now as it did twenty years ago to get

his oil taken away from the wells and to transport it to New York. And

Mr. Rogers answered, with delightful candour: “We are not in business

for our health, but are out for the dollars.”

John D. Archbold was asked at the same time if it were not true that, by

virtue of its great power, the Standard Oil Company was enabled to

secure prices that, on the whole, were above those under competition,

and Mr. Archbold said: “Well, I hope so.”[155]

But these are frank answers, perhaps surprised out of the gentlemen. The

able and wary president of the great concern, John D. Rockefeller, is

more cautious in his admissions. On the witness-stand in 1888 he was

forced to admit, after some skilful evasion, that the control the

Standard Oil Company had of prices was such that they could raise or

lower them at will. “But,” added Mr. Rockefeller, “we would not do it.”

The whole colloquy between the examiner and Mr. Rockefeller is

interesting:

\_Q.\_ Isn’t it a fact that the nine trustees controlling the large

amount of capital which the Standard Oil Trust does could very

easily advance or depress the market price of oil if they saw

fit?...

\_A.\_ I don’t think they would.

\_Q.\_ I don’t ask whether they would; could they do it?

\_A.\_ I suppose it would be possible for these gentlemen; if they

should buy enough oil, it would make the price go up.

There was considerable sparring, Mr. Rockefeller trying to explain away

his answer.

\_Q.\_ I can’t get you down to my question ... that is a very great

power to wield.

\_A.\_ Certainly; an individual or a combination of men can advance

the price or more or less depress the price of any commodity.

\_Q.\_ But if you desire to increase—to put up the price of the

refined oil, or to put down the price of the crude oil, is it within

your power to do it, in the way I have indicated, by staying out of

the market or going into the market to purchase, controlling 75 per

cent. of the demand for the crude oil?

\_A.\_ It would be a temporary effect, but that is all....

\_Q.\_ By stopping the manufacture of refined oil your refineries

representing so large a proportion would tend to raise the price?

\_A.\_ That is something we never do; our business is to increase all

the time, not to decrease.

\* \* \* \* \*

\_Q.\_ Really your notion is that the Standard Oil Trust is a

beneficial organisation to the public?

\_A.\_ I beg with all respect to present the record which shows that

it is.[156]

For many of the world it is a matter of little moment, no doubt, whether

oil sells for eight or twelve cents a gallon. It becomes a tragic matter

sometimes, however, as in 1902–1903 when, in the coal famine, the poor,

deprived of coal, depended on oil for heat. In January, 1903, oil was

sold to dealers from tank-wagons in New York City at eleven cents a

gallon. That oil cost the independent refiner, who paid full

transportation charges and marketed at the cost of a cent a gallon, not

over 6.4 cents. It cost the Standard Oil Company probably a cent less.

That such a price could prevail under free competition is, of course,

impossible. Throughout the hard winter of 1902–1903 the price of refined

oil advanced. It was claimed that this was due to the advance in crude,

but in every case it was considerably more than that of crude. Indeed, a

careful comparative study of oil prices shows that the Standard almost

always advances the refined market a good many more points than it does

the crude market. The chart shows this. While this has been the rule,

there are exceptions, of course, as when a rate war is on. Thus, in the

spring of 1904, the severe competition in England of the Shell

Transportation Company and of Russian oil caused the Standard to drop

export refined considerably more than crude. But, as the chart shows,

domestic oil has been kept up.

As a result of the Standard’s power over prices, not only does the

consumer pay more for oil where competition has not reached or has been

killed, but this power is used steadily and with consummate skill to

make it hard for men to compete in any branch of the oil business. This

history has been but a rehearsal of the operations practised by the

Standard Oil Company to get rid of competition. It was to get rid of

competition that the South Improvement Company was formed. It was to get

rid of competition that the oil-carrying railroads were bullied or

persuaded or bribed into unjust discriminations. It was to get rid of

competition that the Empire Transportation Company, one of the finest

transportation companies ever built up in this country, was wrested from

the hands of the men who had developed it. It was to get rid of

competition that war was made on the Tidewater Pipe Line, the Crescent

Pipe Line, the United States Pipe Line, not to mention a number of

similar smaller enterprises. It was to get rid of competition that the

Standard’s spy system was built up, its oil wars instituted, all its

perfect methods for making it hard for rivals to do business developed.

The most curious feature perhaps of this question of the Standard Oil

Company and the price of oil is that there are still people who believe

that the Standard has made oil cheap! Men look at this chart and recall

that back in the late sixties and seventies they paid fifty and sixty

cents a gallon for oil, which now they pay twelve and fifteen cents for.

This, then, they say, is the result of the combination. Mr. Rockefeller

himself pointed out this great difference in prices. “In 1861,” he told

the New York Senate Committee, “oil sold for sixty-four cents a gallon,

and now it is six and a quarter cents.” The comparison is as misleading

as it was meant to be. In 1861 there was not a railway into the Oil

Regions. It cost from three to ten dollars to get a barrel of oil to a

shipping point. None of the appliances of transportation or storage had

been devised. The process of refining was still crude, and there was

great waste in the oil. Besides, the markets were undeveloped. Mr.

Rockefeller should have noted that oil fell from 61½ in 1861 to 25⅝ in

the year he first took hold of it, and that by his first successful

manipulation it went up to 30! He should point out what the successive

declines in prices since that day are due to—to the seaboard pipe-lines,

to the development of by-products, to bulk instead of barrel

transportation, to innumerable small economies. People who point to the

differences in price, and call it combination, have never studied the

price-line history in hand. They do not know the meaning of the

variation of the line; that it was forced down from 1866 to 1876, when

Mr. Rockefeller’s first effective combination was secured by

competition, and driven up in 1876 and 1877 by the stopping of

competition; that it was driven down from 1877 to 1879 by the union of

all sorts of competitive forces—producers, independent refiners, the

developing of an independent seaboard pipe-line—to a point lower than it

had ever been before. They forget that when these opposing forces were

overcome, and the Standard Oil Company was at last supreme, for ten

years oil never fell a point below the margin reached by competition in

1879, though frequently it rose above that margin. They forget that in

1889, when for the first time in ten years the margin between crude and

refined oil began to fall, it was the competition coming from the rise

of American independent interests and the development of foreign oil

fields that did it.

To believe that the Standard Oil Combination, or any other similar

aggregation, would lower prices except under the pressure of the

competition they were trying to kill, argues an amazing gullibility.

Human experience long ago taught us that if we allowed a man or a group

of men autocratic powers in government or church, they used that power

to oppress and defraud the public. For centuries the struggle of the

nations has been to obtain stable government, with fair play to the

masses. To obtain this we have hedged our kings and emperors and

presidents about with a thousand constitutional restrictions. It has not

been possible for us to allow even the church, inspired by religious

ideals, to have the full power it has demanded in society. And yet we

have here in the United States allowed men practically autocratic powers

in commerce. We have allowed them special privileges in transportation,

bound in no great length of time to kill their competitors, though the

spirit of our laws and of the charters of the transportation lines

forbade these privileges. We have allowed them to combine in great

interstate aggregations, for which we have provided no form of charter

or of publicity, although human experience long ago decided that men

united in partnerships, companies, or corporations for business purposes

must have their powers defined and be subject to a reasonable inspection

and publicity. As a natural result of these extraordinary powers, we

see, as in the case of the Standard Oil Company, the price of a

necessity of life within the control of a group of nine men, as able, as

energetic, and as ruthless in business operations as any nine men the

world has ever seen combined. They have exercised their power over

prices with almost preternatural skill. It has been their most cruel

weapon in stifling competition, a sure means of reaping usurious

dividends, and, at the same time, a most persuasive argument in

hoodwinking the public.

CHAPTER SEVENTEEN

THE LEGITIMATE GREATNESS OF THE STANDARD OIL COMPANY

CENTRALISATION OF AUTHORITY—ROCKEFELLER AND EIGHT OTHER TRUSTEES

MANAGING THINGS LIKE PARTNERS IN A BUSINESS—NEWS-GATHERING

ORGANIZATION FOR COLLECTING ALL INFORMATION OF VALUE TO THE

TRUSTEES—ROCKEFELLER GETS PICKED MEN FOR EVERY POST AND CONTRIVES TO

MAKE THEM COMPETE WITH EACH OTHER—PLANTS WISELY LOCATED—THE SMALLEST

DETAILS IN EXPENSE LOOKED OUT FOR—QUICK ADAPTABILITY TO NEW

CONDITIONS AS THEY ARISE—ECONOMY INTRODUCED BY THE MANUFACTURE OF

SUPPLIES—A PROFIT PAID TO NOBODY—PROFITABLE EXTENSION OF PRODUCTS

AND BY-PRODUCTS—A GENERAL CAPACITY FOR SEEING BIG THINGS AND ENOUGH

DARING TO LAY HOLD OF THEM.

While there can be no doubt that the determining factor in the success

of the Standard Oil Company in securing a practical monopoly of the oil

industry has been the special privileges it has enjoyed since the

beginning of its career, it is equally true that those privileges alone

will not account for its success. Something besides illegal advantages

has gone into the making of the Standard Oil Trust. Had it possessed

only the qualities which the general public has always attributed to it,

its overthrow would have come before this. But this huge bulk, blackened

by commercial sin, has always been strong in all great business

qualities—in energy, in intelligence, in dauntlessness. It has always

been rich in youth as well as greed, in brains as well as

unscrupulousness. If it has played its great game with contemptuous

indifference to fair play, and to nice legal points of view, it has

played it with consummate ability, daring and address. The silent,

patient, all-seeing man who has led it in its transportation raids has

led it no less successfully in what may be called its legitimate work.

Nobody has appreciated more fully than he those qualities which alone

make for permanent stability and growth in commercial ventures. He has

insisted on these qualities, and it is because of this insistence that

the Standard Oil Trust has always been something besides a fine piece of

brigandage, with the fate of brigandage before it, that it has been a

thing with life and future.

If one attempts to analyse what may be called the legitimate greatness

of Mr. Rockefeller’s creation in distinction to its illegitimate

greatness, he will find at the foundation the fact that it is as

perfectly centralised as the Catholic church or the Napoleonic

government. As was pointed out in a former chapter, the entire business

was placed in 1882 in the hands of nine trustees, of whom Mr.

Rockefeller was president. These trustees have always acted exactly as

if they were nine partners in a business, and the only persons concerned

in it. They met daily, giving their whole time to the management and

development of the concern, as the partners in a dry-goods house would.

Anything in the oil world might come under their ken, from a smoking

wick in Oshkosh to the competition of Russian oil in China. Everything;

but nothing came unless it was necessary; for below them, and sifting

things for their eyes, were committees which dealt with the various

departments of the business. There was a Crude Committee which

considered the subject of crude oil, the world over; a Manufacturing

Committee which studied the making of refined, the utilisation of waste,

the development of new products; a Marketing Committee which considered

the markets. Before each of these committees was laid daily all the

information to be found on earth concerning its particular field; not

only were there reports made to it of what was doing in its line in the

Standard Oil Trust, but information came of everything connected with

such work everywhere by everybody. These committees not only knew all

about their own business, they knew all about everybody else’s. The

Manufacturing Committee knew just what each of the feeble independent

refiners still existing was doing—what its resources and advantages

were; the Transportation Committee knew what rates it got; the Marketing

Committee knew its market. Thus the fullest information about new

developments of crude, new openings for refined, new processes of

manufacture, was always at the command of the nine trustees of the

trust.

[Illustration:

S. C. T. DODD

Chief counsel of the Standard Oil Company. Framer of the Trust

agreement of 1882.

]

[Illustration:

JABEZ A. BOSTWICK

From 1872 to 1892 the chief oil buyer of the Standard Oil Company.

]

[Illustration:

JOSEPH SEEP

Head of the “Seep Agency,” through which all oil transported by the

Standard Oil Company goes.

]

[Illustration:

DANIEL O’DAY IN 1872

Vice-president of the National Transit Company, the pipe-line company

owned by the Standard Oil Company.

]

How did they get this information? As the press does—by a wide-spreading

system of reporters. In 1882 the Standard had correspondents in every

town in the oil fields, and to-day it has them not only there but in

every capital of the globe. It is a common enough thing, indeed, in

European capitals to run across high-class newspaper correspondents,

consuls, or business men who add to their incomes by private reporting

to the Standard Oil Company. The people in their employ naturally report

all they learn. There are also outsiders who report what they pick

up—“occasional contributions.” There is more than one man in the Oil

Regions who has made his livelihood for years by picking up information

for the Standard. “Spies,” they are called there. They may deserve the

name sometimes, but the service may be perfectly legitimate.

These trustees then “know everything” about the oil business and they

have used their information. Nobody ever used information more

profitably. What was learned was applied, and affected the whole great

structure, for by a marvellous genius in organisation Mr. Rockefeller

had devised a machine with a head whose thinking was felt from the seat

of power in New York City to the humblest pipe-line patrol on Oil Creek.

This head controlled each one of the scattered plants with absolute

precision. Take the refineries; they were individual plants, having a

manager and a board of directors like any outside plant, but these

plants were not free agents. According to J. J. Vandergrift’s testimony

in 1879, the Imperial Refinery, of which he was president, had no

control of its oil after it was made. The Standard Oil Company of

Cleveland took charge of it at Oil City, and arranged for transportation

and for marketing. The managers of the Central Association, into which

the allied refiners went in 1875 under Mr. Rockefeller’s presidency, had

“irrevocable authority to make all purchases of crude oil and sales of

refined oil,” as well as to “negotiate for all railroad and pipe-line

freights and transportation expenses” for each of the refineries. Each

plant, of course, was limited as to the amount of oil it could make.

Thus, in 1876, when the Cleveland firm of Scofield, Shurmer and Teagle

went into a running arrangement with Mr. Rockefeller on condition that

he get for them the same rebates he enjoyed, it was agreed that the firm

should manufacture only 85,000 barrels a year, though they had a

capacity of 180,000 barrels.

One of Mr. Rockefeller’s greatest achievements has been to bring men who

had built up their own factories and managed them to suit themselves to

work harmoniously under such limitations. As this history has shown, the

first attempt to harness the refiners failed because they would not obey

the rules. No doubt the chief reason why they finally consented to them

was that only by so doing could they get transportation rates equally

advantageous to those of the Standard Oil Company; but, having consented

and finding it profitable, they were kept in line by an ingenious system

of competition which must have done much to satisfy their need of

individual effort and their pride in independent work. In the

investigation of 1879, when the producers were trying to find out the

real nature of the Standard alliance, they were much puzzled by the

sworn testimony of certain Standard men that the factories they

controlled were competing, and competing hard, with the Standard Oil

Company of Cleveland. How could this be? Being bitter in heart and

reckless in tongue, the oil men denounced the statements as perjury, but

they were the literal truth. Each refinery in the alliance was required

to make to Mr. Rockefeller each month a detailed statement of its

operations. These statements were compared and the results made known.

If the Acme at Titusville had refined cheaper that month than any other

member of the alliance, the fact was made known. If this cheapness

continued to show, the others were sent to study the Acme methods.

Whenever an improvement showed, that improvement received credit, and

the others were sent to find the secret. The keenest rivalry

resulted—every factory was on its mettle.

This supervision took account of the least detail. There is a story

often told in the Oil Regions to illustrate the minuteness of the

supervision. In commenting as usual on the monthly “competitive

statements,” as they are called, Mr. Rockefeller called the attention of

a certain refiner to a discrepancy in his reports. It referred to

\_bungs\_—articles worth about as much in a refinery as pins are in a

household. “Last month,” the comment ran, “you reported on hand 1,119

bungs. Ten thousand were sent you at the beginning of this month. You

have used 9,527 this month. You report 1,012 on hand. What has become of

the other five hundred and eighty?” The writer has it on high authority

that the current version of this story is not true, but it reflects very

well the impression the Oil Regions have of the thoroughness of Mr.

Rockefeller’s supervision. The Oil Regions, which were notoriously

extravagant in their business methods, resented this care and called it

meanness, but the Oil Regions were wrong and Mr. Rockefeller was right.

Take care of the bungs and the barrels will take care of themselves, is

as good a policy in a refinery as the old saw it paraphrases is in

financiering.

There were other features of this revolutionary management which caused

deep resentment in the oil world. Chief among them was the dismantling

or abandoning of plants which the Standard had “acquired,” and which it

claimed were so badly placed or so equipped that it did not pay to run

them. There was reason enough in many cases for dissatisfaction with the

process of acquisition, but having acquired the refineries, the Standard

showed its wisdom in abandoning many of them. Take Pittsburg, for

instance. When Mr. Lockhart began to absorb his neighbours, in 1874,

there were some twenty-five plants in and around the town. They were of

varying capacity, from little ten-barrel stills of antiquated design and

out-of-the-way location, to complete plants like the Citizens’, which

Mr. Tack described in Chapter V. But how could Mr. Lockhart manage these

as they stood to good advantage? It might pay the owner of the little

refinery to run it, for he was his own stillman, his own pipe-fitter,

his own foreman, and did not expect large returns; but it would have

been absurd for Mr. Lockhart to try to run it. He simply carted away any

available machinery, sold what he could for junk, and left the \_débris\_.

Now, one of the most melancholy sights on earth is an abandoned oil

refinery; and it was the desolation of the picture, combined, as it

always was in the Oil Regions, with the history of the former owners,

that caused much of the outcry. It was a thing that the oil men could

not get over, largely because it was a sight always before their eyes.

Bitter as this policy was for those who had suffered by the Standard’s

campaigns, it was, of course, the only thing for the trust to do—indeed,

that was what it had been waging war on the independents for: that it

might shut them down and dismantle them, that there might be less oil

made and higher prices for what it made. This wisdom in locating

factories has continued to characterise the Standard operations. It

works only plants which pay, and it places its plants where they can be

operated to the best advantage. Many fine examples of the relation of

location in manufacturing to crude supply and to markets are to be seen

in the Standard Oil Company plants to-day. For example, refined for

foreign shipments is made at the seaboard, and the vessels which carry

it are loaded at docks, as at the works at Bayonne, New Jersey. The cost

of transportation from factory to ship, a large item in the old days, is

eliminated entirely. The Middle West market is now supplied almost

entirely from the Standard factories at Whiting, Indiana, a town built

by the Standard Oil Company for refining Ohio oil. Here 25,000 barrels

of oil are refined daily, and from this central point distributed to the

Mississippi Valley.

All of the industries which have been grafted on to the refineries have

always been run with the same exact regard to minute economies. These

industries were numerous because of Mr. Rockefeller’s great principle,

“pay a profit to nobody.” From his earliest ventures in combination he

had applied this principle. Mr. Blanchard’s explanation to the Hepburn

Commission in 1879 of why the Standard had controlled the Erie’s yards

at Weehawken since 1874, shows exactly Mr. Rockefeller’s point of

view.[157] This policy of paying nobody a profit took Mr. Rockefeller

into the barrel business. In 1872, when Mr. Rockefeller became master of

the Cleveland oil business, the purchase of barrels was one of a

refiner’s heaviest expenses. In an estimate of the cost of producing a

gallon of refined oil in 1873, made in the Oil City Derrick and accepted

as correct by that paper, the cost of the barrel is put at four cents a

gallon, which was more than the crude oil cost at that date. Even at

four cents a gallon barrels were hard to get, so great was the demand.

If a refiner could get his barrels back, of course there was a saving (a

returned barrel was estimated to be worth 2¾ cents), but the return

could not be counted on; empty barrels coming from Europe particularly,

and consigned to Western shippers, were frequently seized in New York by

Eastern refiners. The need was held to justify the deed, like thieving

in famine time. Fortunes were made in barrels, and dealers hearing of a

big supply in Europe have been known to charter a vessel and go for

them, and reap rich profits. In fact, a whole volume of commercial

tragedy and comedy hangs around the oil barrel. Now it was to the

barrel—the “holy blue barrel”—that Mr. Rockefeller gave early attention.

He determined to make it himself. One of the earliest outside ventures

of the Standard Oil Company in Cleveland was barrel works, and Mr.

Rockefeller was soon getting for two and a half cents what his rivals

paid four for, though he was by no means the only refiner who

manufactured barrels in the early days—each factory aimed to add barrel

works as soon as able. The amount the Standard Oil Company saved on this

one item is evident when the extent of its business is considered. The

year before the trust was formed (1881) they manufactured 4,500,000

barrels, an average of about 15,000 a day. Since that time the barrel

has been gradually going out of the oil business, bulk transportation

taking its place very largely. Nevertheless, in 1901 the Standard Oil

Company manufactured about 3,000,000 new barrels. In the period since

they began the manufacture of barrels their factories have introduced

some small savings which in the aggregate amount to large sums. For

instance, they have improved the lap of the hoop—a small thing, but one

which amounted in 1901 to something like $15,000. Some $50,000 a year

was saved by a slight increase in the size of the tankage. The Standard

claims that these economies are so small in themselves that it only pays

to practise them where there is a large aggregate business.

More important than the barrel to-day, however, is the tin can—for it is

in tin cans that all the enormous quantities of refined sent to tropical

and Oriental countries must go to prevent deterioration—and nowhere does

the policy of economy which Mr. Rockefeller has worked out show better

than in one of the Standard canning works. In 1902 the writer visited

the largest of the Standard can factories, the Devoe, on the East River,

Long Island City. It has a capacity of 70,000 five-gallon cans a day,

and is probably the largest can factory in the world. At the entrance of

the place a man was sweeping up carefully the dirt on the floor and

wheeling it away—not to be dumped in the river, however. The dirt was to

be sifted for tin filings and solder dust. At every step something was

saved. The Standard buys the tin for its cans in Wales, because it is

cheaper. It would not be cheaper if it were not for a vagary in

administering the tariff by which the duty on tin plate is refunded if

the tin is made into receptacles to be exported. This clause was

probably made for the benefit of the Standard, it being the largest

single consumer of tin plate in the United States. In 1901 the Standard

Oil Company imported over 60,000 tons of tin with a value of over

$1,000,000. This tin comes in sheets packed in flat boxes, which are

opened by throwing—it is quicker than opening by a hammer, and time is

considered as valuable as tin filings. The empty boxes are sold by the

hundred to the Long Island gardens for growing plants in, and the broken

covers are sold for kindling. The trimmings which result from shaping

the tin sheets for a can are gathered into bundles and sold to chemical

works or foundries. There is the same care taken with solder as with

tin, the amount each workman uses being carefully gauged. The canning

plants, like the refineries, compare their results monthly, and the

laurels go to the manager who has saved the most ounces of solder, the

most hours, the most footsteps.

The five-gallon can turned out at the Devoe is a marvel of evolution.

The present methods of manufacture are almost entirely the work of

Herman Miller, known in Standard circles as the “father of the

five-gallon can”; and a fine type of the German inventor he is. The

machinery for making the can has been so developed that while, in 1865,

when Mr. Miller began his work under Charles Pratt, one man and a boy

soldered 850 cans in a day, in 1880 three men made 8,000, and since 1893

three men have made 24,000. It is an actual fact that a tin can is made

by Miller in just about the time it takes to walk from the point in the

factory where the sheets of tin are unloaded to the point where the

finished article is filled with oil.

And here is a nice point in combination. Not far away from the canning

works, on Newtown Creek, is an oil refinery. This oil runs to the

canning works, and, as the new-made cans come down by a chute from the

works above, where they have just been finished, they are filled, twelve

at a time, with the oil made a few miles away. The filling apparatus is

admirable. As the new-made cans come down the chute they are

distributed, twelve in a row, along one side of a turn-table. The

turn-table is revolved, and the cans come directly under twelve

measures, each holding five gallons of oil—a turn of a valve, and the

cans are full. The table is turned a quarter, and while twelve more cans

are filled and twelve fresh ones are distributed, four men with

soldering coppers put the caps on the first set. Another quarter turn,

and men stand ready to take the cans from the filler, and while they do

this, twelve more are having caps put on, twelve are filling, and twelve

are coming to their place from the chute. The cans are placed at once in

wooden boxes standing ready, and, after a twenty-four-hour wait for

discovering leaks, are nailed up and carted to a near-by door. This door

opens on the river, and there at anchor by the side of the factory is a

vessel chartered for South America or China or where not—waiting to

receive the cans which a little more than twenty-four hours before were

tin sheets lying in flat boxes. It is a marvellous example of economy

not only in materials, but in time and in footsteps.

With Mr. Rockefeller’s genius for detail, there went a sense of the big

and vital factors in the oil business, and a daring in laying hold of

them which was very like military genius. He saw strategic points like a

Napoleon, and he swooped on them with the suddenness of a Napoleon. This

master ability has been fully illustrated already in this work. Mr.

Rockefeller’s capture of the Cleveland refineries in 1872 was as

dazzling an achievement as it was a hateful one. The campaign by which

the Empire Transportation Company was wrested from the Pennsylvania

Railroad, viewed simply as a piece of brigandage, was admirable. The man

saw what was necessary to his purpose, and he never hesitated before it.

His courage was steady—and his faith in his ideas unwavering. He simply

knew that was the thing to do, and he went ahead with the serenity of

the man who knows.

After the formation of the trust the demand for these qualities was

constant. For instance, the contract which the Standard signed with the

producers in February, 1880, pledged them to take care of a production

of 65,000 barrels a day. When they signed this agreement there was above

ground nearly nine and one-half million barrels of oil. The production

increased at a frightful rate for four years. At the end of 1880 there

were stocks of over 17,000,000 above ground; in 1881, over 25,000,000;

1882, over 34,000,000; 1883, over 35,000,000; and 1884, over 36,000,000,

and the United Pipe Lines took care of this production—with the aid of

the producers, who built tanks neck and neck with them. In 1880 the

Standard people averaged over one iron tank a day, the tanks holding

from 25,000 to 35,000 barrels. There were not tank-builders enough in

the United States to do the work, and crews were brought from Canada and

England. This, of course, called for an enormous expenditure of money,

for tanks cost from $7,000 to $10,000 apiece. Rich as the United Pipe

Lines were they were forced to borrow money in these years of excessive

production, for they had to lay lines as well as build tanks. There were

nearly 4,000 miles of pipe-line laid in the Bradford region alone from

1878 to 1884, and these lines connected with upward of 20,000 wells.

From the time it completed its pipe-line monopoly the Standard has

followed oil wherever found. It has had to do it to keep its hold on the

business, and its courage never yet has faltered, though it has demanded

some extraordinary efforts. In 1891 a great deposit of oil was tapped in

the McDonald field of Southwestern Pennsylvania. The monthly production

increased from 50,000 barrels in June to 1,600,000 in December. It is an

actual fact that in the McDonald field the United Pipe Lines increased

the daily capacity of 3,500 barrels, which they had at the beginning of

July, to one of 26,000 barrels by the first of September, and by the

first of December they could handle 90,000 barrels a day. If one

considers what this means one sees that it compares favourably with the

great ordnance and mobilising feats of the Civil War. To accomplish it,

rolling mills and boiler shops in various cities worked night and day to

turn out the pipe, the pumps, the engines, the boilers which were

needed. Transportation had to be arranged, crews of men obtained, a wild

country prepared, sawmills to cut the quantities of timber needed built,

and this vast amount of material placed and set to work.

The same audacity and effectiveness are shown by the Standard in

attacking situations created by new developments in handling business.

The seaboard pipe-line is a notable example. When the Standard completed

its pipe-line monopoly at the end of 1877, the pipe-line was still

regarded as the feeder of the railroad. Naturally the railroads were

seriously opposed to its becoming anything more. In Pennsylvania

particularly the laws had been so manipulated by the Pennsylvania

Railroad as to prevent the pipe-line carrying oil even for short

distances in competition with them. Now, for many years it had been

believed that the pipe-line could carry oil long distances—many claimed

to the seaboard—and as soon as the independents found that the

oil-bearing roads were acting solely in the interest of the Standard

they began an agitation for a seaboard line which finally terminated in

the Tidewater Line, one hundred and four miles long, carrying oil from

the Bradford field to Williamsport on the Reading Railroad, and it was

certain that the Tidewater eventually would get to the seaboard. That

the day of the railroad as a carrier of crude oil was over when the

Tidewater began to pump oil was obvious both to Mr. Rockefeller and to

the railroad presidents, and without hesitation he seized the idea. By

1883 the Standard was pumping oil to New York, and the railroads that

had served so effectively in building up the trust were practically out

of the crude business. It was this audacious and splendid stroke,

practically freeing him from the railroads which had made him, which

made the passage of the Interstate Commerce Bill a matter of

comparatively small importance to Mr. Rockefeller. To be sure, he still

needed the railroads for refined, but he could so place his refineries

that this service would be greatly minimised. The legislation which the

Oil Regions of Pennsylvania demanded for fifteen years in hope of

securing an equal chance in transportation came too late. By the time

the bill was passed the pipe had replaced the rail as the great oil

carrier, and the pipes were not merely under Mr. Rockefeller’s control,

as the rails had been; they belonged to him. It was little wonder, then,

that the passage of the great bill did not ruffle his serenity. Little

wonder that the Oil Regions, realising the situation, so tragic in its

irony, as fully as Mr. Rockefeller did, felt an exasperation almost

uncontrolled over it. Yet the seaboard pipe-line was no development of

the Standard Oil Company. The idea had been conceived and the

practicability demonstrated by others, but it was seized by the Standard

as soon as it proved possible. This quick sense of the real value of new

developments, and this alertness in seizing them, have been among the

strongest elements in the Standard’s success.

And every new line of action was developed to its utmost. Take the work

the Standard began in 1879 on the foreign market. Before the Standard

Oil Company was known, save as one of several prosperous Cleveland

refineries, the foreign trade had been developed until petroleum was

\_fourth\_ in our list of exports, and it went literally to every

civilised country on the globe. In 1874 Colonel Forney made a trip

through the Orient, and he wrote in one of his letters that he found

both Babylon and Nineveh to be lighted with American petroleum, and that

while he was in Damascus a census was taken to ascertain how much

petroleum was needed for each house in the place, and a proposition was

made for its entire use. “At present,” said the Derrick, in commenting

on this letter, “petroleum is the chief commercial representative of the

United States in the Levant and the Orient.”

The same dithyrambic paragraphs were written by oil men then, as by the

Standard now, concerning foreign trade. For instance, compare the two

paragraphs below—the one found in 1874 in the Derrick, the second in a

defence of the Oil Trust published in 1900:

1874—“It lights the dwellings, the temples, and the mosques amid the

ruins of ancient Babylon and Nineveh; it is the light of Bagdad, the

city of the Thousand and One Nights; of Orfa, birthplace of Abraham;

of Mardeen, the ancient \_Macius\_ of the Romans, and of Damascus, gem

of the Orient. It burns in the grotto of the Nativity at Bethlehem;

in the Church of the Holy Sepulchre in Jerusalem; amidst the

Pyramids of Egypt; on the Acropolis of Athens; on the plains of

Troy; and in cottage and palace on the banks of the Bosporus and the

Golden Horn.”

1900—“Petroleum to-day is the light of the world. It is carried

wherever a wheel can roll or a camel’s hoof be planted. The caravans

on the desert of Sahara go laden with Pratt’s Astral, and elephants

in India carry cases of ‘Standard-white,’ while ships are constantly

loading at our wharves for Japan, Java and the most distant isles of

the sea.”

Exports grew rapidly through the same machinery which had created the

foreign market. In 1870 there were something over one hundred and forty

million gallons of petroleum products going abroad, in 1873 nearly two

and one-half hundred million, in 1878 three and one-half hundred

million. In 1870 the Standard began its work on the foreign trade by

sending a representative abroad. Country after country seems to have

been taken up, the idea being that the daily Standard Oil meeting should

have the same full information before it concerning every place of

foreign trade as it had of the American trade, and that gradually the

company should control the foreign trade as it did the American

industry, doing away with middlemen, “paying nobody a profit.” This

work, begun in 1879, has been carried on steadily ever since. Through it

the Standard soon became largely its own exporter. It established

stations of its own in one port after another of Europe, Asia, South

America, and has built up a large oil fleet. It carried on an aggressive

campaign for developing markets; it looked after hostile legislation; it

studied the possible competition of native oils; it met every

difficulty—prejudice, ignorance, poverty. Little by little it has done

in foreign countries what it has done in the United States. To-day it

even carts oil from door to door in Germany and Portugal and other

countries, as it does in America, thus realising Mr. Rockefeller’s

vision of controlling the petroleum of America from the time it leaves

the ground until it is put into the lamp of the consumer.

The same economy and alertness were applied to the matter of making

oils. In laying hands on the refineries of the country, Rockefeller had

acquired by 1882 about all the processes of manufacturing known, both

patented and free. These processes, including all the essential ones of

to-day, had been developed entirely outside of the Standard Oil Company.

As early as 1865, the year Mr. Rockefeller went into the business,

William Wright wrote an exhaustive book on the Oil Regions of

Pennsylvania. Among other things, he reported quite fully what was being

done in the refining of petroleum. He found that in several factories

they were making naphtha, gasoline and benzine; that three grades of

illuminating oils—“prime white,” “standard white” and “straw

colour”—were made everywhere; that paraffine, refined to a pure white

article like that of to-day, was manufactured in quantities by the

Downer works; and that lubricating oils were beginning to be made.

[Illustration:

PRODUCTS OBTAINED FROM THE DISTILLATION OF CRUDE OIL IN A REFINERY.

]

In 1872, the year that Mr. Rockefeller took things in hand, all of these

original products had been greatly extended, as we have seen. Joshua

Merrill had succeeded in deodorising lubricating oil, making it possible

to put the petroleum lubricants on the foreign market, and in 1871 Mr.

Merrill’s factory sold 50,000 gallons in England alone. By 1872

paraffine wax was being made in many factories, and one maker of chewing

gum in Maine used 70,000 pounds that year. The foreign trade in all the

products of petroleum outside of illuminating oil was already

considerable.[158] Many of the factories in making their oils gave them

names; thus, Pratt’s Astral was a name for a water-white oil made by the

Pratt works of Brooklyn. It was a high-grade oil, made exactly as the

oil made by many other refineries, but it had a name—a valuable one.

[Illustration:

PRODUCTS OBTAINED FROM THE DISTILLATION OF CRUDE OIL IN LUBRICATING

WORKS.

]

The tables (pages 246–247) analysing the products of crude oil obtained

to-day at the Standard factories show the results tabulated. Now all of

the products in these groups could be made in 1872, but certainly there

were not forty-six distinct products under the naphthas as the table

shows—nor were there 174 refined distillates. In fact, these are not

really products; they are rather brands. Thus, though the table shows

twenty-nine different kinds of odorised or deodorised naphthas, the main

difference between them is their name. The 174 refined distillates are

really the different grades of illuminating oil which any factory can

get, given the proper crude base, with a multitude of different names

applied to catch the trade. Thus among these 174 “products” are

thirty-three kinds of “Standard-white”[159] oil and forty-one kinds of

“water-white”[160]—the principal difference between them being the

different fire tests at which they are put out. The real service of the

Standard has been not this multiplication of so-called products, but in

finding processes by which a poor oil like the famous Lima oil could be

refined. In the case of the Lima oil the Standard claims it spent

millions of dollars before it solved the problem of its usefulness. The

amount of sulphur in the Lima or Ohio oil prevented its use as an

illuminating oil, for the odour was intolerable, there was a

disagreeable smoke, and the wick charred rapidly. The problem of

deodorising it was attacked by many experimenters, and was finally

practically solved by the Frasch process, which the Standard acquired

after spending a large amount of money in testing its efficacy. Probably

sixty per cent. of the illuminating oil used in the United States now is

manufactured from an Ohio oil base.

This multiplication of varieties is, of course, a perfectly legitimate

merchandising device, but it is not a development of products, properly

speaking. Nor indeed was it for discoveries and inventions that the

Standard Oil Trust was great in 1882, or that it is now—it is in the way

it adapts and handles the discoveries and inventions it acquires. Take

the matter of lubricating oils. After a long struggle it gathered to

itself the factories and the patents of lubricating oils, and it has

developed the trade amazingly; for, while in 1872 less than a half

million gallons of petroleum lubricants were going abroad, in 1897 over

50,000,000 gallons went. The extension of the lubricating trade was made

possible largely by the discovery of Mr. Merrill referred to above. In

1869 Mr. Merrill discovered a process by which a deodorised lubricating

oil could be made. He had both the apparatus for producing the oil and

for the oil itself patented. The oil was so favourably received that the

market sale was several hundred per cent. greater in a single year than

the firm had ever sold before. Naturally, an attempt was made by other

lubricating works to imitate Mr. Merrill’s new product. The most

successful imitation was made by Dr. S. D. Tweedle of Pittsburg. The oil

he put upon the market was considered an infringement by Mr. Merrill,

who commenced suit against the agents handling it. The case was before

the courts for some six years, and Mr. Merrill spent over $100,000 in

maintaining the patent. The case was finally decided in his favour by

the Supreme Court in Washington. During this suit the Standard Oil

Company stood behind Dr. Tweedle, furnishing the money to defend the

suit. When finally they were defeated they took a license under the new

patent which Mr. Merrill was obliged to get out, and paid him a royalty

on the oil until within about a year and a half before the end of the

life of the patent, when they bought it outright for a large sum, Mr.

Merrill reserving the right to manufacture and sell the oil without a

royalty. Most lubricating oils from petroleum are now made after Mr.

Merrill’s process.

Having obtained control of the lubricating oils, the Standard showed the

greatest intelligence in studying the markets and in developing the

products. It makes lubricants for every machine that works. It offers

scores of cylinder oils, scores of spindle lubricants, of valve

lubricants, of gas-engine lubricants, special brands for sewing

machines, for looms, for sole leather, for dynamos, for marine engines,

for everything that runs and works by steam power, by air, by

electricity, by gas, by man, or by beast power. Now any lubricating

factory can produce the six or eight primary lubricants. Given these,

the varieties to be produced by skilful compounding are infinite. They

can be made more or less viscous, flowing, heavy, light, according to

the needs of the machines and the idiosyncrasies of individuals who run

them. The man who runs a machine soon knows what oil suits him, and if

his trade is big enough an oil is put up especially for him with a name

to tickle his vanity. It may be exactly like a dozen other oils on the

market, but having its own name it is reckoned a new product. Skilful

compounders insist that they can duplicate any of the 833 lubricating

oils of the Standard if they can have samples. Of course this close

study of the needs of a market, and this adaptation of one’s goods to

the requirements, are the highest sort of merchandising.

Unquestionably the great strength of the Standard Trust in 1882, when it

was founded as it is to-day, was the men who formed it. However sweeping

Mr. Rockefeller’s commercial vision, however steady his purpose, however

remarkable his insight into what was essential to the realisation of his

ambition, he would have never gone far had he not drawn men into his

concern who understood what he was after and knew how to work for it.

His principle concerning men was laid down early. “We want only the big

ones, those who have already proved they can do a big business. As for

the others, unfortunately they will have to die.” The scheme had no

provision for mediocrity—nor for those who could not stomach his

methods. The men who in 1882 formed the Standard alliance were all from

the foremost rank in the petroleum trade, men who without question would

be among those at the top to-day if there had never been a Standard Oil

Company. In Pittsburg it was Charles Lockhart, a man interested in

petroleum before the Drake well was struck, who had begun oil operations

on Oil Creek in March, 1860, who had carried samples of crude and

refined to Europe as early as May, 1860, who had built one of the first

refineries in Pittsburg, and who was easily the largest refiner there in

1874 when Mr. Rockefeller bought him up. In Philadelphia, the largest

refiner in 1874 was W. G. Warden of the Atlantic Refining Company, and

it was he whom Mr. Rockefeller wanted. In New York it was the concern of

Charles Pratt and Company, one of the three largest concerns around

Manhattan—the concern to which H. H. Rogers belonged. Charles Pratt had

been in the oil and paint business since 1850, and he had become a

refiner of petroleum at Greenpoint, Long Island, in 1867. Before

Standard Oil was known outside of New York the fame of Pratt’s Astral

Oil had gone around the world. Mr. Pratt’s concern was rated at the same

daily capacity as Mr. Rockefeller’s (1,500 barrels) in the spring of

1872, when the latter wiped up the Cleveland refineries and grew in a

night to 10,000 barrels. Mr. Vandergrift, who united his interests with

Mr. Rockefeller’s in 1874 and 1875, had been a far better known man in

the oil business and controlled much greater and more varied interests

up to South Improvement times. When he went into the Standard he

controlled the largest refinery on Oil Creek, the Imperial, of about

1,400 barrels. He was president of a large system of pipe-lines, and he

was a member of one of the largest oil-producing concerns of the

time—the H. L. Taylor Company.

There is no doubt but that Mr. Rockefeller had plenty of brains in his

great trust. It was those who had done business with him who were the

first to point this out when critics declared that the concern could

not—or must not—live. “There is no question about it,” W. H. Vanderbilt

told the Hepburn Commission in 1879, “but these men are smarter than I

am a great deal. They are very enterprising and smart men. I never came

in contact with any class of men as smart and able as they are in their

business. They would never have got into the position they now are

without a great deal of ability—and one man would hardly have been able

to do it; it is a combination of men.”

It was not only that first-rate ability was demanded at the top; it was

required throughout the organisation. The very day-labourers were picked

men. It was the custom to offer a little better day wages for labourers

than was current and then to choose from these the most promising

specimens; those men were advanced as they showed ability. To-day the

very errand boys at 26 Broadway are chosen for the promise of

development they show, and if they do not develop they are discharged.

No dead wood is taken into the concern unless it is through the supposed

necessities of family or business relations, as probably occurs to a

degree in every human organisation.

The efficiency of the working force of the Standard was greatly

increased when the trust was formed by the opportunity given to the

employees of taking stock. They were urged to do it, and where they had

no savings money was lent them on easy terms by the company. The result

is that a great number of the employees of the Standard Oil Company are

owners of stock which they bought at eighty, and on which for several

years they have received from thirty to forty-eight per cent. dividends.

It is only natural that under such circumstances the company has always

a remarkably loyal and interested working force.

Mr. Rockefeller’s great creation has really been strong, then, in many

admirable qualities. The force of the combination has been greater

because of the business habits of the independent body which has opposed

it. To the Standard’s caution the Oil Regions opposed recklessness; to

its economy, extravagance; to its secretiveness, almost blatant

frankness; to its far-sightedness, little thought of the morrow; to its

close-fistedness, a spendthrift generosity; to its selfish

unscrupulousness, an almost quixotic love of fair play. The Oil Regions

had, besides, one fatal weakness—its passion for speculation. Now, Mr.

Rockefeller never speculates. He deals only in those things which other

people have proved sure!

It is when one examines the inside of the Standard Oil Trust that one

sees how much reason there is for the opinion of those people who

declare that Mr. Rockefeller can always sustain the monopoly of the oil

business he has achieved. One begins to see what Mr. Vanderbilt meant in

1879 when he said: “I don’t believe that by any legislative enactment or

anything else, through any of the states or all of the states, you can

keep such men down. You can’t do it! They will be on top all the time,

you see if they are not.”[161] It is not surprising that those who

realise the compactness and harmony of the Standard organisation, the

ability of its members, the solidity of the qualities governing its

operations, are willing to forget its history. Such is the blinding

quality of success! “It has achieved this,” they say; “no matter what

helped to rear this structure, it is here, it is admirably managed. We

might as well accept it. We must do business.” They are weary of

contention, too—who so unwelcome as an agitator?—and they began to

accept the Standard’s explanation that the critics are indeed “people

with a private grievance,” “mossbacks left behind in the march of

progress.” Again and again in the history of the oil business it has

looked to the outsider as if henceforth Mr. Rockefeller would have to

have things his own way, for who was there to interfere with him, to

dispute his position? No one, save that back in Northwestern

Pennsylvania, in scrubby little oil towns, around greasy derricks, in

dingy shanties, by rusty, deserted oil stills, men have always talked of

the iniquity of the railroad rebate, the injustice of restraint of

trade, the dangers of monopoly, the right to do an independent business;

have always rehearsed with tiresome persistency the evidence by which it

has been proved that the Standard Oil Company is a revival of the South

Improvement Company. It has all seemed futile enough with the public

listening in wonder and awe to the splendid rehearsal of figures, and

the unctuous logic of the Mother of Trusts, and yet one can never tell.

It was the squawking of geese that saved the Capitol.

Certain it is that many and great as are his business qualities, John D.

Rockefeller has never been allowed to enjoy the fruits of his victory in

that atmosphere of leisure and adulation which the victor naturally

craves. Certain it is that the incessant agitation of men with a

“private grievance” has ruined some of his fairest schemes, has hauled

him again and again before investigating committees, and has contributed

greatly to securing a federal law authorising so fundamental and obvious

a right as equal rates on common carriers. Certain it is that the

incessant efforts of those who believed they had a right to do an

independent business have resulted in the most important advances made

in the oil business since the beginning of Mr. Rockefeller’s

combination, namely, the seaboard pipe-line, for transporting crude oil,

due to the Tidewater Pipe Line, and later the use of the seaboard

pipe-line for transporting refined oil, due to the United States Pipe

Line. Certain it is, too, that all of competition which we have, with

its consequent lowering of prices, is due to independent efforts.

CHAPTER EIGHTEEN

CONCLUSION

CONTEMPT PROCEEDINGS BEGUN AGAINST THE STANDARD IN OHIO IN 1897 FOR

NOT OBEYING THE COURT’S ORDER OF 1892 TO DISSOLVE THE TRUST—SUITS

BEGUN TO OUST FOUR OF THE STANDARD’S CONSTITUENT COMPANIES FOR

VIOLATION OF OHIO ANTI-TRUST LAWS—ALL SUITS DROPPED BECAUSE OF

EXPIRATION OF ATTORNEY-GENERAL MONNETT’S TERM—STANDARD PERSUADED

THAT ITS ONLY CORPORATE REFUGE IS NEW JERSEY—CAPITAL OF THE STANDARD

OIL COMPANY OF NEW JERSEY INCREASED, AND ALL STANDARD OIL BUSINESS

TAKEN INTO NEW ORGANISATION—RESTRICTION OF NEW JERSEY LAW

SMALL—PROFITS ARE GREAT AND STANDARD’S CONTROL OF OIL BUSINESS IS

ALMOST ABSOLUTE—STANDARD OIL COMPANY ESSENTIALLY A REALISATION OF

THE SOUTH IMPROVEMENT COMPANY’S PLANS—THE CRUCIAL QUESTION NOW, AS

ALWAYS, IS A TRANSPORTATION QUESTION—THE TRUST QUESTION WILL GO

UNSOLVED SO LONG AS THE TRANSPORTATION QUESTION GOES UNSOLVED—THE

ETHICAL QUESTIONS INVOLVED.

Few men in either the political or industrial life of this country can

point to an achievement carried out in more exact accord with its first

conception than John D. Rockefeller, for both in purpose and methods the

Standard Oil Company is and always has been a form of the South

Improvement Company, by which Mr. Rockefeller first attracted general

attention in the oil industry. The original scheme has suffered many

modifications. Its most offensive feature, the drawback on other

people’s shipments, has been cut off. Nevertheless, to-day, as at the

start, the purpose of the Standard Oil Company is the purpose of the

South Improvement Company—the regulation of the price of crude and

refined oil by the control of the output; and the chief means for

sustaining this purpose is still that of the original scheme—a control

of oil transportation giving special privileges in rates.

[Illustration:

JOHN D. ROCKEFELLER

From a photograph by Allen Ayrault Green, taken about 1892.

]

It is now thirty-two years since Mr. Rockefeller applied the fruitful

idea of the South Improvement Company to the Standard Oil Company of

Ohio, a prosperous oil refinery of Cleveland, with a capital of

$1,000,000 and a daily capacity for handling 1,500 barrels of crude oil.

And what have we as a result? What is the Standard Oil Company to-day?

First, what is its organisation? It is no longer a trust. As we have

seen, the trust was obliged to liquidate in 1892. It became a “trust in

liquidation,” and there it remained for some five years. It seemed to

have come into a state of stationary liquidation, for at the end of 1892

477,881 shares were uncancelled; at the end of 1896 the same number were

out. The situation of the great corporation was indeed curious. There

began to be comments on it, for complications arose—one over taxes. In

1893 an auditor in Ohio tried to collect taxes on 225 shares of the

Standard Oil Trust. The owner refused to pay and took the case into

court. He won it. The Standard Oil Trust is an unlawful organisation,

said the court. Its certificates have no validity. It would seem strange

that a certificate which was void to all purpose would still be valid as

to taxable purposes.[162] Here was an anomaly indeed. The certificates

were drawing big quarterly dividends, had a big market value, but were

illegal. Owners of small certificates naturally refused to exchange. In

1897 it took 194½ shares in the Standard Oil Trust to bring back one

share in each of the twenty companies. Thus one share in the Standard

Oil Company of Ohio was worth twenty-seven shares in the Standard Oil

Trust. If a man owned twenty-five shares he got only fractional parts of

a share in each company. On these fractional parts he received no

dividends, it not being considered practical to consider such small

sums. To raise his twenty-five shares to 194, and so secure dividends,

took a good sum of money, since Standard Oil Trust shares were worth at

least 340 then. But why should he trouble? He received his quarterly

dividends promptly, and they were large! He paid no taxes, for his stock

was illegal! The trustees were not pushing him to liquidate. Besides, it

was doubtful if they could do anything. Joseph Choate said they could

not. On May 3, 1894, before the attorney-general of New York, in an

application for the forfeiture of the charter of the Standard Oil

Company of New York, Mr. Choate said:

“I happen to own 100 shares in the Standard Oil Trust, and I have never

gone forward and claimed my aliquot share. Why not? Because I would get

ten in one company, and ten in another company, and two and three-fifths

in another company.

“There is no power that this company can exercise to compel me and other

indifferent certificate holders, if you please, to come forward and

convert our trust certificates.”

If there was a way, the trustees were indifferent to it. They evidently

were contented to let things alone. It is quite possible that they would

have been holding to-day 477,881 uncancelled shares of Standard Oil

Trust if it had not been for the irrepressible George Rice. Since

October, 1892, Mr. Rice had held a Standard Oil Trust certificate for

six shares. He had never cancelled it. He had received no invitation to

do so. He received his dividends regularly on it. Later, he purchased

one share, called “assignment of legal title”—the new form given the

trust certificate—and on this he received dividends, exactly as on the

original trust certificate. Finally Mr. Rice made up his mind, without

knowing any of the facts of the liquidation outlined above, that there

was no intention to carry out the dissolution, that some means of

evasion had been devised, and he proposed to find out what it was.

To do this he transferred his assignment of legal title to an agent with

the order to liquidate it. A long correspondence followed between Mr.

Kemper, Mr. Rice’s agent, and Mr. Dodd, who objected to making the

transfer on the ground that it cut the share into a “multitude of almost

infinitesimal fractions of corporate shares.” They were obviating this

difficulty, Mr. Dodd said, by purchasing certificates calling for one or

a few shares and uniting them until sufficient were had by one party to

call for the issue of full corporate shares. Mr. Kemper insisted,

however, and finally received scrip for his share. “Infinitesimal” it

was, indeed, 5,000/972,500 of one share in one company, 10,000/972,500

of one share in another, and so on through nineteen constituent

companies.[163]

Arguing from these experiences and what else he could gather, Mr. Rice

decided that the trust was not dissolved and had no intention of doing

so. Furthermore, he argued that the scheme was one to entice the small

shareholders to sell their shares and thus enable the trustees to

increase their holdings! And he sought legal counsel in Ohio as to the

possibility of bringing suit against the Standard Oil Company of Ohio

for failing to obey the court’s orders in March, 1892. The attorneys,

one of whom was Mr. Watson, advised Mr. Rice to lay his facts before the

attorney-general of the state, Frank S. Monnett. Like Mr. Watson, when

he brought his suit, Mr. Monnett was young and held firmly to the belief

that the business of an attorney-general is to enforce the laws. The

facts Mr. Rice and his counsel laid before him seemed to him to indicate

that the Standard Oil Company of Ohio had taken advantage of the

leniency of the court in allowing it time to disentangle itself from the

trust, and had devised a skilful plan to evade the judgment pronounced

against it five years before. He asked Mr. Rice and his attorneys to go

with him and lay the case before the judges of the Supreme Court in

chambers, and ask if it did not justify proceedings against the company.

The judges agreed with the attorney-general and ordered him to bring the

company before the court for contempt. Information was filed in

November, 1897. The suit which followed proved one of the most

sensational ever instituted against the Standard Oil Combination.

The first substantial point gained by the attorney-general in the

proceedings was securing answers to a long series of questions

concerning the history of the operations of the Standard Oil Company of

Ohio, both within and without the trust. These answers were made by the

president of that company, who was at the same time the president of the

trust, John D. Rockefeller. They furnish a mass of facts of value and

interest, and they include the minutes of the meeting at which the trust

was dissolved on March 11, 1892, as well as the minutes of all the

quarterly meetings the liquidating trustees held from 1892 to October,

1897. It was from the information obtained from this set of questions

that Mr. Monnett secured proof that the liquidation scheme had been held

up, as Mr. Rice claimed. The minutes showed, as related in Chapter XIV,

that from November, 1892, to March, 1896, 477,881 shares were reported

every three months to the trustees as uncancelled. In July, 1896, the

number fell suddenly to 477,880. George Rice had succeeded in having his

assignment of legal title liquidated! Mr. Monnett learned from the

result of this inquiry another suggestive fact, that while only one

share was cancelled in the five years \_before\_ the contempt proceedings

were brought, in the first three months \_after\_, 100,583 shares were

cancelled![164]

It took Mr. Monnett some six months to secure the answers from Mr.

Rockefeller, but his information was still incomplete, and he asked the

court to appoint a master commissioner, with power to examine the

officers, affairs and books of the Standard, to take testimony within or

without the state, and to report. This was done, the commissioner

holding his first court at the New Amsterdam Hotel, in New York, on

October 11 and 12, 1898. Mr. Rockefeller was the only witness examined

at the sessions, and his deliberation and self-control, his almost

detached attitude as a witness, were the subject of remark by more than

one observer. He answered no question promptly. He had the air of

reflecting always before he spoke. He consulted frequently with his

counsel. His counsel, his colleagues who were present, the counsel of

the prosecution, were sometimes irate, never Mr. Rockefeller. From

beginning to end he was the soul of self-possession. His only sign of

impatience—if it was impatience—was an incessant slight tapping of the

arm of his chair with his white fingers.

The outcome of this examination of Mr. Rockefeller was that Mr. Monnett

and his colleagues called for those books of the trust which would show

exactly how the original trust certificates had been liquidated. It was

then that the copies of the transfers of Mr. Rockefeller’s trust

certificates and of his assignments of legal title printed in the

Appendix, Number 54, were obtained. Although Mr. Monnett had added to

his knowledge of the Standard’s operations between 1892 and 1898, he was

not yet convinced that the Standard Oil Company of Ohio was conducting

its own business. He had found that, in spite of the order of the court

in 1892, 13,593 shares of that company’s stock were still outstanding in

trust certificates. He knew these certificates drew dividends. Was the

company paying money directly or indirectly to the liquidating trustees?

They said no, that they had been paying no dividends since 1892, that

the money paid the holders of trust certificates came from the other

nineteen companies, that all their earnings had been used in improving

their plant, or were invested in government bonds. Besides, said they,

we are not the thrifty concern we used to be. Mr. Monnett demanded proof

from their books. The secretary of the company, on advice of his

counsel, Virgil P. Kline, refused to produce the books asked for, on the

ground that they would incriminate the company. The court supported Mr.

Monnett, and ordered the company to produce those of their records

showing the gross earnings since 1892, and what had been done with them.

The order met with a second refusal.

Such was the status of the proceedings when Mr. Monnett received an

anonymous communication stating that, about the time the company was

ordered by the court to produce its records, a great quantity of books

had been taken from the Standard’s office in Cleveland and burned. An

investigation was at once made by the attorney-general, and a number of

witnesses examined. The fact of the burning of sixteen boxes of books

from the Standard offices in Cleveland was established, but these books,

the officers of the company contended, were not the ones wanted by Mr.

Monnett. “Then produce the ones we want,” ordered the court. But, on the

ground that such records might incriminate them, the officers still

refused.

The fact was, the Standard Oil Company of Ohio was in a very tight

place, and it is difficult to see how an examination of their books

could have failed to incriminate not only it, but three other of the

constituent companies of the trust which held charters from the same

state. These three companies were the Ohio Oil Company, which produced

oil; the Buckeye Pipe Line, which transported it; and the Solar Refining

Company, which refined it. Mr. Monnett had learned enough about these

organisations in the course of his investigations since November, 1897,

to convince him that these companies—all of them enormously

profitable—were, for all practical purposes, one and the same

combination, and that they were all working with the Standard Oil

Company of Ohio, and that their operations were in direct violation of a

state anti-trust law recently passed. As soon as he had sufficient

evidence he had filed petitions against all four of them. Now, these

petitions were filed about the time he demanded the books showing the

earnings of the Standard Oil Company of Ohio, for use in his contempt

case. It was the old story of one suit being used as a shield in

another. A witness cannot be made to incriminate himself.

The reasons F. B. Squire, the secretary of the Standard Oil Company of

Ohio, gave for refusing to produce the books as ordered by the court

were as follows:

1st. Because they are demanded in an action instituted against the

Standard Oil Company for contempt of court, and for the purpose of

proving said company guilty of contempt in order that the penalties

for contempt may be inflicted upon it and its officers; and I am

informed that, to enforce their production in such a case and for

such a purpose, is an unreasonable search and seizure.

2nd. Because the books disclose facts and circumstances which may be

used against the Standard Oil Company, tending to prove it guilty of

offences made criminal by an act of the Legislature of Ohio, passed

April 19, 1898, entitled “An Act to define trusts and to provide for

criminal penalties, civil damages, and the punishment of

corporations,” etc.

3rd. Because they disclose facts and circumstances which may be used

against myself personally as an officer of said company, tending to

prove me guilty of offences made criminal by the act aforesaid.[165]

All through the winter of 1898 and 1899, up to the end of March, when

the commission declared the taking of testimony closed, the wrangle over

the production of the books went on. Depositions had begun to be taken

at the same time in the cases against the constituent companies for

violation of the anti-trust laws, and by the time the contempt case was

closed in March, 1899, the exasperation of both sides had reached fever

pitch. Nor did the judgment of the court quiet it, for three judges

voted for finding the company guilty of contempt, and three for clearing

it.

Unsatisfactory as this was, Mr. Monnett still had his anti-trust suits,

through which he expected and through which he did secure much further

evidence that the four Standard companies in Ohio were practically one

concern so shrewdly and secretly handled that they were evading not only

the laws of the state, but that policy of all states which decrees that

it is unsafe to allow men to work together in industrial combinations

without charters defining their privileges, and subjecting them to

reasonable examinations and publicity. Mr. Monnett’s work on these suits

came to an end with the expiration of his term in January, 1900, and the

suits were suppressed by his successor, John M. Sheets! Unfinished as

they were, they were of the greatest value in dragging into the light

information concerning the methods and operations of the Standard Oil

Combination to which the public has the right, and which it must digest

if it is to succeed in working out a legal harness for combinations

which, like the Standard, demand freedom to do what they like and do it

secretly.

The only refuge offered in the United States for the Standard Oil Trust

in 1898, when the possibility arose by these suits of the state of Ohio

taking away the charters of four of its important constituent companies

for contempt of court and violation of the anti-trust laws of the state,

lay in the corporation law of the state of New Jersey, which had just

been amended, and here it settled. Among the twenty companies which

formed the trust was the Standard Oil Company of New Jersey, a

corporation for manufacturing and marketing petroleum products. Its

capital was $10,000,000. In June, 1899, this capital of $10,000,000 was

increased to one of $110,000,000, and into this new organisation was

dumped the entire Standard aggregation. The old trust certificates

outstanding and the assignments of legal title which had succeeded them

were called in, and for them were given common stock of the new Standard

Oil Company. The amount of this stock which had been issued, in January,

1904, when the last report was made, was $97,448,800. Its market value

at that date was $643,162,080. How it is divided is of course a matter

of private concern. The number of stockholders in 1899 was about 3,500,

according to Mr. Archbold’s testimony to the Interstate Commerce

Commission, but over one-half of the stock was owned by the directors,

and probably nearly one-third was owned by Mr. Rockefeller himself.

The companies which this new Standard Oil Company has bought up with its

stock are numerous and scattered. They consist of oil-producing

companies like the South Penn Oil Company, the Ohio Oil Company, and the

Forest Oil Company; of transporting companies like the National Transit

Company, the Buckeye Pipe Line Company, the Indiana Pipe Line Company,

and the Eureka Pipe Line Company; of manufacturing and marketing

companies like the Atlantic Refining Company of Pennsylvania, and the

Standard Oil Companies of many states—New York, Indiana, Kentucky, Ohio,

Iowa; of foreign marketing concerns like the Anglo-American Company. In

1892 there were twenty of these constituent companies. There have been

many added since, in whole or part, like gas companies; new producing

concerns, made necessary by developments in California, Kansas and

Texas; new marketing concerns for handling oil directly in Germany,

Italy, Scandinavia and Portugal. What the total value of the companies

owned by the present Standard Oil Company is it is impossible to say. In

1892, when the trust was on trial in Ohio, it reported the aggregate

capital of its twenty companies as $102,233,700, and the appraised value

was given as $121,631,312.63; that is, there was an excess of about

$19,000,000.

In 1898, when Attorney-General Monnett of Ohio had the Standard Oil

Company of the state on trial for contempt of court, he tried to find

out from Mr. Rockefeller what the surplus of each of the various

companies in the trust was at that date. Mr. Rockefeller answered: “I

have not in my possession or power data showing ... the amount of such

surplus money in their hands after the payment of the last dividends.”

Then Mr. Rockefeller proceeded to repeat as the last he knew of the

value of the holdings of the trust the list of values given six years

before.[166] This list has continued to be cited ever since as

authoritative. There is a later one, whether Mr. Rockefeller had it in

his “possession or power,” or not, in 1898. It is the last trustworthy

valuation of which the writer knows, and is found in testimony taken in

1899, in a private suit to which Mr. Rockefeller was party. It is for

the year 1896. This shows the “total capital and surplus” of the twenty

companies to have been, on December 31 of that year, something over one

hundred and forty-seven million dollars, nearly forty-nine millions of

which was scheduled as “undivided profits.”[167] Of course there has

been a constant increase in value since 1896.

The new Standard Oil Company is managed by a board of fourteen

directors.[168] They probably collect the dividends of the constituent

companies and divide them among stockholders in exactly the same way the

trustees of 1882 and the liquidating trustees of 1892 did. As for the

charter under which they are operating, never since the days of the

South Improvement Company has Mr. Rockefeller held privileges so in

harmony with his ambition. By it he can do all kinds of mining,

manufacturing, and trading business; transport goods and merchandise by

land and water in any manner; buy, sell, lease, and improve lands; build

houses, structures, vessels, cars, wharves, docks, and piers; lay and

operate pipe-lines; erect and operate telegraph and telephone lines, and

lines for conducting electricity; enter into and carry out contracts of

every kind pertaining to his business; acquire, use, sell, and grant

licenses under patent rights; purchase, or otherwise acquire, hold,

sell, assign, and transfer shares of capital stock and bonds or other

evidences of indebtedness of corporations, and exercise all the

privileges of ownership, including voting upon the stocks so held; carry

on its business and have offices and agencies therefor in all parts of

the world, and hold, purchase, mortgage, and convey real estate and

personal property outside the state of New Jersey. These privileges are,

of course, subject to the laws of the state or country in which the

company operates. If it is contrary to the laws of a state for a foreign

corporation to hold real estate in its boundaries, a company must be

chartered in the state. Its stock, of course, is sold to the New Jersey

corporation, so that it amounts to the same thing as far as the ability

to do business is concerned. It will be seen that this really amounts to

a special charter allowing the holder not only to do all that is

specified, but to create whatever other power it desires, except

banking.[169] A comparison of this summary of powers with those granted

by the South Improvement Company shows that in sweep of charter, at

least, the Standard Oil Company of to-day has as great power as its

famous progenitor.[170]

The profits of the present Standard Oil Company are enormous. For five

years the dividends have been averaging about forty-five million dollars

a year, or nearly fifty per cent. on its capitalisation, a sum which

capitalised at five per cent. would give $900,000,000. Of course this is

not all that the combination makes in a year. It allows an annual

average of 5.77 per cent. for deficit, and it carries always an ample

reserve fund. When we remember that probably one-third of this immense

annual revenue goes into the hands of John D. Rockefeller, that probably

ninety per cent. of it goes to the few men who make up the “Standard Oil

family,” and that it must every year be invested, the Standard Oil

Company becomes a much more serious public matter than it was in 1872,

when it stamped itself as willing to enter into a conspiracy to raid the

oil business—as a much more serious concern than in the years when it

openly made warfare of business, and drove from the oil industry by any

means it could invent all who had the hardihood to enter it. For,

consider what must be done with the greater part of this $45,000,000. It

must be invested. The oil business does not demand it. There is plenty

of reserve for all of its ventures. It must go into other industries.

Naturally, the interests sought will be allied to oil. They will be gas,

and we have the Standard Oil crowd steadily acquiring the gas interests

of the country. They will be railroads, for on transportation all

industries depend, and, besides, railroads are one of the great

consumers of oil products and must be kept in line as buyers. And we

have the directors of the Standard Oil Company acting as directors on

nearly all of the great railways of the country, the New York Central,

New York, New Haven and Hartford, Chicago, Milwaukee and St. Paul, Union

Pacific, Northern Pacific, Delaware, Lackawanna and Western, Missouri

Pacific, Missouri, Kansas and Texas, Boston and Maine, and other lesser

roads. They will go into copper, and we have the Amalgamated scheme.

They will go into steel, and we have Mr. Rockefeller’s enormous holdings

in the Steel Trust. They will go into banking, and we have the National

City Bank and its allied institutions in New York City and Boston, as

well as a long chain running over the country. No one who has followed

this history can expect these holdings will be acquired on a rising

market. Buy cheap and sell high is a rule of business, and when you

control enough money and enough banks you can always manage that a stock

you want shall be temporarily cheap. No value is destroyed for you—only

for the original owner. This has been one of Mr. Rockefeller’s most

successful manœuvres in doing business from the day he scared his twenty

Cleveland competitors until they sold to him at half price. You can also

sell high, if you have a reputation of a great financier, and control of

money and banks. Amalgamated Copper is an excellent example. The names

of certain Standard Oil officials would float the most worthless

property on earth a few years ago. It might be a little difficult for

them to do so to-day with Amalgamated so fresh in mind. Indeed,

Amalgamated seems to-day to be the worst “break,” as it certainly was

one of the most outrageous performances of the Standard Oil crowd. But

that will soon be forgotten! The result is that the Standard Oil Company

is probably in the strongest financial position of any aggregation in

the world. And every year its position grows stronger, for every year

there is pouring in another $45,000,000 to be used in wiping up the

property most essential to preserving and broadening its power.

And now what does the law of New Jersey require the concern which it has

chartered, and which is so rapidly adding to its control of oil the

control of iron, steel, copper, banks, and railroads, to make known of

itself? It must each year report its name, the location of its

registration office, with name of agent, the character of its business,

the amount of capital stock issued, and the names and addresses of its

officers and directors!

So much for present organisation, and now as to how far through this

organisation the Standard Oil Company is able to realise the purpose for

which it was organised—the control of the output, and, through that, the

price, of refined oil. That is, what per cent. of the whole oil business

does Mr. Rockefeller’s concern control. First as to oil production. In

1898 the Standard Oil Company reported to the Industrial Commission that

it produced 35.58 per cent. of Eastern crude—the production that year

was about 52,000,000 barrels.[171] (It should be remembered that it is

always to the Eastern oil fields—Pennsylvania, Ohio, Indiana, West

Virginia—that this narrative refers. Texas, Kansas, Colorado and

California are newer developments. These fields have not as yet been

determining factors in the business, though Texas particularly has been

a distributing factor.) But while Mr. Rockefeller produces only about a

third of the entire production, he controls all but about ten per cent.

of it; that is, all but about ten per cent. goes immediately into his

custody on coming from the wells. It passes entirely out of the hands of

the producers when the Standard pipe-line takes it. The oil is in Mr.

Rockefeller’s hands, and he, not the producer, can decide who is to have

it. The greater portion of it he takes himself, of course, for he is the

chief refiner of the country. In 1898 there were about twenty-four

million barrels of petroleum products made in this country.[172] Of this

amount about twenty million were made by the Standard Oil Company; fully

a third of the balance was produced by the Tidewater Company, of which

the Standard holds a large minority stock, and which for twenty years

has had a running arrangement with the Standard. Reckoning out the

Tidewater’s probable output, and we have an independent output of about

2,500,000 in twenty-four million. It is obvious that this great

percentage of the business gives the Standard the control of prices.

This control can be kept in the domestic markets so long as the Standard

can keep under competition as successfully as it has in the past. It can

be kept in the foreign market as long as American oils can be made and

sold in quantity cheaper than foreign oils. Until a decade ago the

foreign market of American oils was not seriously threatened. Since

1895, however, Russia, whose annual output of petroleum had been for a

number of years about equal in volume to the American output, learned to

make a fairly decent product; more dangerous, she had learned to market.

She first appeared in Europe in 1885. It took ten years to make her a

formidable rival, but she is so to-day, and, in spite of temporary

alliances and combinations, it is very doubtful whether the Standard

will ever permanently control Russian oil.

In 1899 Mr. Archbold presented to the Industrial Commission a most

interesting list of foreign corporations and individuals doing an oil

business in various countries. According to this there were more than a

score of large concerns in Russia, and many small ones. The aggregate

capitalisation shown by Mr. Archbold’s list was over forty-six and a

half millions, and the capitalisation of a number of the concerns named

was not given. In Galicia, four companies, with an aggregate capital of

$3,775,100, and in Roumania six large companies, with an aggregate

capital of $12,500,000, were reported. Borneo was shown to have nearly

three millions invested in the oil fields; Sumatra and Java each over

twelve millions. Since this report was made these companies have grown,

particularly in marketing ability. In the East the oil market belonged

practically to the Standard Oil Company until recently. Last year

(1903), however, Sumatra imported more oil into China than America, and

Russia imported nearly half as much.[173] About 91,500,000 gallons of

kerosene went into Calcutta last year, and of this only about six

million gallons came from America. In Singapore representatives of

Sumatra oil claim that they have two-thirds of the trade.

Combinations for offensive and defensive trade campaigns have also gone

on energetically among these various companies in the last few years.

One of the largest and most powerful of these aggregations now at work

is in connection with an English shipping concern, the Shell Transport

and Trading Company, the head of which is Sir Marcus Samuel, formerly

Lord Mayor of London. This company, which formerly traded almost

entirely in Russian oil, undertook a few years ago to develop the oil

fields in Borneo, and they built up a large Oriental trade. They soon

came into hot competition with the Royal Dutch Company, handling Sumatra

oil, and a war of prices ensued which lasted nearly two years. In 1903,

however, the two competitors, in connection with four other strong

Sumatra and European companies, drew up an agreement in regard to

markets which has put an end to their war. The “Shell” people have not

only these allies, but they have a contract with the Guffey Petroleum

Company, the largest Texas producing concern, to handle its output, and

they have gone into a German oil company, the Petroleum Produkten Aktien

Gesellschaft. Having thus provided themselves with a supply they have

begun developing a European trade on the same lines as their Oriental

trade, and they are making serious inroads on the Standard’s market.

The naphthas made from the Borneo oil have largely taken the place of

American naphtha in many parts of Europe. One load of Borneo benzine

even made its appearance in the American market in 1904. It is a sign of

what well may happen in the future with an intelligent development of

these Russian and Oriental oils—the Standard’s domestic market invaded.

It will be interesting to see to what further extent the American

government will protect the Standard Oil Company by tariff on foreign

oils if such a time does come. It has done very well already. The

aggressive marketing of the “Shell” and its allies in Europe has led to

a recent Oil War of great magnitude. For several months in 1904 American

export oil was sold at a lower price in New York than the crude oil it

takes to make it costs there. For instance, on August 13, 1904, the New

York export price was 4.80 cents per gallon for Standard-white in bulk.

Crude sold at the well for $1.50 a barrel of forty-two gallons, and it

costs sixty cents to get it to seaboard by pipe-line; that is, forty-two

gallons of crude oil costs $2.10, or five cents a gallon in New

York—twenty points loss on a gallon of the raw material! But this low

price for export affects the local market little or none. The tank-wagon

price keeps up to ten and eleven cents in New York. Of course crude is

depressed as much as possible to help carry this competition. For many

months now there has been the abnormal situation of a declining crude

price in face of declining stocks. The truth is the Standard Oil Company

is trying to meet the competition of the low-grade Oriental and Russian

oils with high-grade American oil—the crude being kept as low as

possible, and the domestic market being made to pay for the foreign

cutting. It seems a lack of foresight surprising in the Standard to have

allowed itself to be found in such a dilemma. Certainly, for over two

years the company has been making every effort to escape by getting hold

of a supply of low-grade oil which would enable it to meet the

competition of the foreigner. There have been more or less short-lived

arrangements in Russia. An oil territory in Galicia was secured not long

ago by them, and an expert refiner with a full refining plant was sent

over. Various hindrances have been met in the undertaking, and the works

are not yet in operation. Two years ago the Standard attempted to get

hold of the rich Burma oil fields. The press of India fought them out of

the country, and their weapon was the Standard Oil Company’s own record

for hard dealings! The Burma fields are in the hands of a monopoly of

the closest sort which has never properly developed the territory, but

the people and government prefer their own monopoly to one of the

American type!

Altogether the most important question concerning the Standard Oil

Company to-day is how far it is sustaining its power by the employment

of the peculiar methods of the South Improvement Company. It should

never be forgotten that Mr. Rockefeller never depended on these methods

alone for securing power in the oil trade. From the beginning the

Standard Oil Company has studied thoroughly everything connected with

the oil business. It has known, not guessed at conditions. It has had a

keen authoritative sight. It has applied itself to its tasks with

indefatigable zeal. It has been as courageous as it has been cautious.

Nothing has been too big to undertake, as nothing has been too small to

neglect. These facts have been repeatedly pointed out in this narrative.

But these are the American industrial qualities. They are common enough

in all sorts of business. They have made our railroads, built up our

great department stores, opened our mines. The Standard Oil Company has

no monopoly in business ability. It is the thing for which American men

are distinguished to-day in the world.

These qualities alone would have made a great business, and

unquestionably it would have been along the line of combination, for

when Mr. Rockefeller undertook to work out the good of the oil business

the tendency to combination was marked throughout the industry, but it

would not have been the combination whose history we have traced. To the

help of these qualities Mr. Rockefeller proposed to bring the peculiar

aids of the South Improvement Company. He secured an alliance with the

railroads to drive out rivals. For fifteen years he received rebates of

varying amounts on at least the greater part of his shipments, and for

at least a portion of that time he collected drawbacks of the oil other

people shipped; at the same time he worked with the railroads to prevent

other people getting oil to manufacture, or if they got it he worked

with the railroads to prevent the shipment of the product. If it reached

a dealer, he did his utmost to bully or wheedle him to countermand his

order. If he failed in that, he undersold until the dealer, losing on

his purchase, was glad enough to buy thereafter of Mr. Rockefeller. How

much of this system remains in force to-day? The spying on independent

shipments, the effort to have orders countermanded, the predatory

competition prevailing, are well enough known. Contemporaneous

documents, showing how these practices have been worked into a very

perfect and practically universal system, have already been printed in

this work.[174] As for the rebates and drawbacks, if they do not exist

in the forms practised up to 1887, as the Standard officials have

repeatedly declared, it is not saying that the Standard enjoys no

special transportation privileges. As has been pointed out, it controls

the great pipe-line handling all but perhaps ten per cent. of the oil

produced in the Eastern fields. This system is fully 35,000 miles long.

It goes to the wells of every producer, gathers his oil into its storage

tanks, and from there transports it to Philadelphia, Baltimore, New

York, Chicago, Buffalo, Cleveland, or any other refining point where it

is needed. This pipe-line is a common carrier by virtue of its use of

the right of eminent domain, and, as a common carrier, is theoretically

obliged to carry and deliver the oil of all comers, but in practice this

does not always work. It has happened more than once in the history of

the Standard pipes that they have refused to gather or deliver oil.

Pipes have been taken up from wells belonging to individuals running or

working with independent refiners. Oil has been refused delivery at

points practical for independent refiners. For many years the supply of

oil has been so great that the Standard could not refuse oil to the

independent refiner on the ground of scarcity. However, a shortage in

Pennsylvania oil occurred in 1903. A very interesting situation arose as

a result. There are in Ohio and Pennsylvania several independent

refiners who, for a number of years, have depended on the Standard lines

(the National Transit Company) for their supply of crude. In the fall of

1903 these refiners were informed that thereafter the Standard could

furnish them with only fifty per cent. of their refining capacity. It

was a serious matter to the independents, who had their own markets, and

some of whom were increasing their plants. Supposing we buy oil directly

from the producers, they asked one another, must not the Standard as a

common carrier gather and deliver it? The experienced in the business

said: “Yes. But what will happen? The producer rash enough to sell you

oil may be cut off by the National Transit Company. Of course, if he

wants to fight in the courts he may eventually force the Standard to

reconnect, but they could delay the suit until he was ruined. Also, if

you go over Mr. Seep’s head”—Mr. Seep is the Standard Oil buyer, and all

oil going into the National Transit system goes through his hands—“you

will antagonise him.” Now, “antagonize” in Standard circles may mean a

variety of things. The independent refiners decided to compromise, and

an agreement terminable by either party at short notice was made between

them and the Standard, by which the members of the former were each to

have eighty per cent. of their capacity of crude oil, and were to give

to the Standard all of their export oil to market. As a matter of fact,

the Standard’s ability to cut off crude supplies from the outside

refiners is much greater than in the days before the Interstate Commerce

Bill, when it depended on its alliance with the railroads to prevent its

rival getting oil. It goes without saying that this is an absurd power

to allow in the hands of any manufacturer of a great necessity of life.

It is exactly as if one corporation aiming at manufacturing all the

flour of the country owned all but ten per cent. of the entire railroad

system collecting and transporting wheat. They could, of course, in time

of shortage, prevent any would-be competitor from getting grain to

grind, and they could and would make it difficult and expensive at all

times for him to get it.

It is not only in the power of the Standard to cut off outsiders from

it, it is able to keep up transportation prices. Mr. Rockefeller owns

the pipe system—a common carrier—and the refineries of the Standard Oil

Company pay in the final accounting cost for transporting their oil,

while outsiders pay just what they paid twenty-five years ago. There are

lawyers who believe that if this condition were tested in the courts,

the National Transit Company would be obliged to give the same rates to

others as the Standard refineries ultimately pay. It would be

interesting to see the attempt made.

Not only are outside refiners at just as great disadvantage in securing

crude supply to-day as before the Interstate Commerce Commission was

formed; they still suffer severe discrimination on the railroads in

marketing their product. There are many ways of doing things. What but

discrimination is the situation which exists in the comparative rates

for oil freight between Chicago and New Orleans, and Cleveland and New

Orleans? All, or nearly all, of the refined oil sold by the Standard Oil

Company through the Mississippi Valley and the West is manufactured at

Whiting, Indiana, close to Chicago, and is shipped on Chicago rates.

There are no important independent oil works at Chicago. Now at

Cleveland, Ohio, there are independent refiners and jobbers contending

for the market of the Mississippi Valley. See how prettily it is

managed. The rates between the two Northern cities and New Orleans in

the case of nearly all commodities is about two cents per hundred pounds

in favour of Chicago. For example, the rate on flour from Chicago is 23

cents per 100 pounds; from Cleveland, 25 cents per 100 pounds; on canned

goods the rates are 33 and 35; on lumber, 31 and 33; on meats, 51 and

54; on all sorts of iron and steel, 26 and 29; but on petroleum and its

products they are 23 and 33!

In the case of Atlanta, Georgia, a similar vagary of rates exists. Thus

Cleveland has, as a rule, about two cents advantage per 100 pounds over

Chicago. Flour is shipped from Chicago to Atlanta at 34 cents, and from

Cleveland at 32½; lumber at 32 and 28½; but Cleveland refiners actually

pay 48 cents to Atlanta, while the Standard only pays 45 from Whiting.

There is a curious rule in the Boston and Maine Railroad in regard to

petroleum shipments. On all commodities except petroleum, what is known

as the Boston rate applies, but oil does not get this. For instance, the

Boston rate applies to Salem, Massachusetts, on all traffic except

petroleum, and that pays four cents more per 100 pounds to Salem than to

Boston.

The New York, New Haven and Hartford Railroad gives no through rates on

petroleum from Western points, although it gives them on every other

commodity. It does not refuse to take oil, but it charges the Boston

rate plus the local rates. Thus, to use an illustration given by Mr.

Prouty, of the Interstate Commerce Commission, in a recent article, if a

Cleveland refiner sends into the New Haven territory, say to New Haven,

a car-load of oil, he pays 24 cents per 100 pounds to Boston and the

local rate of 12 cents from Boston to New Haven. On any other commodity

he would pay the Boston rate. Besides, the rates on petroleum have been

materially advanced over what they were when the Interstate Commerce

Bill was passed in 1887, although on other commodities they have fallen.

In 1887 grain was shipped from Cleveland to Boston for 22 cents, iron

for 22, petroleum for 22. In 1889 the rate on grain was 15 cents, on

iron 20 cents, and on petroleum 24. Of course it may be merely a

coincidence that the New Haven territory can be supplied by the Standard

Oil Company from its New York refineries by barge, and that William

Rockefeller is a director of the New York, New Haven and Hartford

Railroad.

An independent refiner of Titusville, Pennsylvania, T. B. Westgate, told

the Industrial Commission in 1898 that his concern was barred from

shipping their products to nearly all New England and Canadian points by

the refusal of the roads to give the same advantages in tariff which

other freight was allowed. Mr. Westgate made the suggestive comment that

very few railroads ever solicited oil trade. He pointed out that when

the United States Pipe Line was building, agents of various roads were

after the oil men soliciting shipments of the pipe, etc., to be used.

“We could ship iron, but the oil—we must not handle. That is probably

the password that goes over.”

Examples of this manipulation might be multiplied. There is no

independent refiner or jobber who tries to ship oil freight that does

not meet incessant discouragement and discrimination. Not only are rates

made to favour the Standard refining points and to protect their

markets, but switching charges and dock charges are multiplied. Loading

and unloading facilities are refused, payment of freights on small

quantities are demanded in advance, a score of different ways are found

to make hard the way of the outsider. “If I get a barrel of oil out of

Buffalo,” an independent dealer told the writer not long ago, “I have to

\_sneak\_ it out. There are no public docks; the railroads control most of

them, and they won’t let me out if they can help it. If I want to ship a

car-load they won’t take it if they can help it. They are all afraid of

offending the Standard Oil Company.”

This may be a rather sweeping statement, but there is too much truth in

it. There is no doubt that to-day, as before the Interstate Commerce

Commission, a community of interests exists between railroads and the

Standard Oil Company sufficiently strong for the latter to get any help

it wants in making it hard for rivals to do business. The Standard owns

stock in most of the great systems. It is represented on the board of

directors of nearly all the great systems, and it has an immense freight

not only in oil products, but in timber, iron, acids, and all of the

necessities of its factories. It is allied with many other industries,

iron, steel, and copper, and can swing freight away from a road which

does not oblige it. It has great influence in the money market and can

help or hinder a road in securing money. It has great influence in the

stock market and can depress or inflate a stock if it sets about it.

Little wonder that the railroads, being what they are, are afraid to

“disturb their relations with the Standard Oil Company,” or that they

keep alive a system of discriminations the same in effect as those which

existed before 1887.

Of course such cases as those cited above are fit for the Interstate

Commerce Commission, but the oil men as a body have no faith in the

effectiveness of an appeal to the Commission, and in this feeling they

do not reflect on the Commission, but rather on the ignorance and

timidity of the Congress which, after creating a body which the people

demanded, made it helpless. The case on which the Oil Regions rests its

reason for its opinion has already been referred to in the chapter on

the co-operative independent movement which finally resulted in the Pure

Oil Company. The case first came before the Commission in 1888. At that

time there was a small group of independent refiners in Oil City and

Titusville, who were the direct outgrowth of the compromise of 1880

between the Producers’ Protective Association and the Pennsylvania

Railroad. The railroad, having promised open rates to all, urged the men

to go into business. Soon after came the great fight between the

railroads and the seaboard pipe-line, with the consequent low rates.

This warfare finally ended in 1884, after the Standard had brought the

Tidewater into line, in a pooling arrangement between the Standard, now

controlling all seaboard pipe-lines, and the Pennsylvania Railroad, by

which the latter was guaranteed twenty-six per cent. of all Eastern oil

shipments on condition that they keep up the rate to the seaboard to

fifty-two cents a barrel.

[Illustration:

A 25,000–BARREL TANK OF OIL IN FLAMES

]

Now, most of the independents shipped by barrels loaded on rack cars.

The Standard shipped almost entirely by tank-cars. The custom had always

been in the Oil Regions to charge the same for shipments whether by tank

or barrel. Suddenly, in 1888, the rate of fifty-two cents on oil in

barrels was raised to one of sixty-six cents. The independents believed

that the raise was a manipulation of the Standard intended to kill their

export trade, and they appealed to the Commission. They pointed out that

the railroads and the pipe-lines had been keeping up rates for a long

time by a pooling arrangement, and that now the roads made an

unreasonable tariff on oil in barrels, at the same time refusing them

tank cars. The hearing took place in Titusville in May, 1889. The

railroads argued that they had advanced the rate on barrelled oil

because of a decision of the Commission itself—a case of very evident

discrimination in favour of barrels. The Commission, however, argued

that each case brought before it must stand on its own merits, so

different were conditions and practices, and in December, 1892, it gave

its decision. The pooling arrangement it did not touch, on the ground

that the Commission had authority only over railroads in competition,

not over railroads and pipe-lines in competition. The chief complaint,

that the new rate of sixty-six cents on oil in barrels and not on oil in

tanks was an injurious discrimination, the Commission found justified.

It ordered that the railroads make the rates the same on oil in both

tanks and barrels, and that they furnish shippers tanks whenever

reasonable notice was given. As the amounts wrongfully collected by the

railroads from the refiners could not be ascertained from the evidence

already taken, the Commission decided to hold another hearing and fix

the amounts. This was not done until May, 1894, five years after the

first hearing. Reparation was ordered to at least eleven different

firms, some of the sums amounting to several thousand dollars; the

entire award ordered amounted to nearly $100,000.

In case the railroads failed to adjust the claims the refiners were

ordered to proceed to enforce them in the courts. The Commission found

at this hearing that none of their orders of 1892 had been followed by

the roads and they were all repeated. As was to be expected, the roads

refused to recognise the claims allowed by the Commission, and the case

was taken by the refiners into court. It has been heard three times.

Twice they have won, but each time an appeal of the roads has forced

them to appear again. The case was last heard at Philadelphia in

February, 1904, in the United States Circuit Court of Appeals. No

decision had been rendered at this writing.

It would be impossible to offer direct and conclusive proof that the

Standard Oil Company persuaded or forced the roads to the change of

policy complained of in this case, but the presence of their leading

officials and counsel at the hearings, the number of witnesses furnished

from their employ, the statement of President Roberts of the

Pennsylvania Railroad that the raise on barrelled oil was insisted on by

the seaboard refiners (the Standard was then practically the only

seaboard refiner), as well as the perfectly well-known relations of the

railroad and the Standard, left no doubt in the minds of those who knew

the situation that the order originated with them, and that its sole

purpose was harassing their competitors. The Commission seems to have

had no doubt of this. But see the helplessness of the Commission. It

takes full testimony in 1889, digests it carefully, gives its orders in

1892, and they are not obeyed. More hearings follow, and in 1895 the

orders are repeated and reparation is allowed to the injured refiners.

From that time to this the case passes from court to court, the railroad

seeking to escape the Commission’s orders. The Interstate Commerce

Commission was instituted to facilitate justice in this matter of

transportation, and yet here we have still unsettled a case on which

they gave their judgment twelve years ago. The lawyer who took the first

appeal to the Commission, that of Rice, Robinson and Winthrop, of

Titusville, M. J. Heywang, of Titusville, has been continually engaged

in the case for sixteen years!

In spite of the Interstate Commerce Commission, the crucial question is

still a transportation question. Until the people of the United States

have solved the question of free and equal transportation it is idle to

suppose that they will not have a trust question. So long as it is

possible for a company to own the exclusive carrier on which a great

natural product depends for transportation, and to use this carrier to

limit a competitor’s supply or to cut off that supply entirely if the

rival is offensive, and always to make him pay a higher rate than it

costs the owner, it is ignorance and folly to talk about constitutional

amendments limiting trusts. So long as the great manufacturing centres

of a monopolistic trust can get better rates than the centres of

independent effort, it is idle to talk about laws making it a crime to

undersell for the purpose of driving a competitor from a market. You

must get into markets before you can compete. So long as railroads can

be persuaded to interfere with independent pipe-lines, to refuse oil

freight, to refuse loading facilities, lest they disturb their relations

with the Standard Oil Company, it is idle to talk about investigations

or anti-trust legislation or application of the Sherman law. So long as

the Standard Oil Company can control transportation as it does to-day,

it will remain master of the oil industry, and the people of the United

States will pay for their indifference and folly in regard to

transportation a good sound tax on oil, and they will yearly see an

increasing concentration of natural resources and transportation systems

in the Standard Oil crowd.

If all the country had suffered from these raids on competition, had

been the limiting of the business opportunity of a few hundred men and a

constant higher price for refined oil, the case would be serious enough,

but there is a more serious side to it. The ethical cost of all this is

the deep concern. We are a commercial people. We cannot boast of our

arts, our crafts, our cultivation; our boast is in the wealth we

produce. As a consequence business success is sanctified, and,

practically, any methods which achieve it are justified by a larger and

larger class. All sorts of subterfuges and sophistries and slurring over

of facts are employed to explain aggregations of capital whose

determining factor has been like that of the Standard Oil Company,

special privileges obtained by persistent secret effort in opposition to

the spirit of the law, the efforts of legislators, and the most

outspoken public opinion. How often does one hear it argued, the

Standard Oil Company is simply an inevitable result of economic

conditions; that is, given the practices of the oil-bearing railroads in

1872 and the elements of speculation and the over-refining in the oil

business, there was nothing for Mr. Rockefeller to do but secure special

privileges if he wished to save his business.

Now in 1872 Mr. Rockefeller owned a successful refinery in Cleveland. He

had the advantage of water transportation a part of the year, access to

two great trunk lines the year around. Under such able management as he

could give it his concern was bound to go on, given the demand for

refined oil. It was bound to draw other firms to it. When he went into

the South Improvement Company it was not to save his own business, but

to destroy others. When he worked so persistently to secure rebates

after the breaking up of the South Improvement Company, it was in the

face of an industry united against them. It was not to save his business

that he compelled the Empire Transportation Company to go out of the oil

business in 1877. Nothing but grave mismanagement could have destroyed

his business at that moment; it was to get every refinery in the country

but his own out of the way. It was not the necessity to save his

business which compelled Mr. Rockefeller to make war on the Tidewater.

He and the Tidewater could both have lived. It was to prevent prices of

transportation and of refined oil going down under competition. What

necessity was there for Mr. Rockefeller trying to prevent the United

States Pipe Line doing business?—only the greed of power and money.

Every great campaign against rival interests which the Standard Oil

Company has carried on has been inaugurated, not to save its life, but

to build up and sustain a monopoly in the oil industry. These are not

mere affirmations of a hostile critic; they are facts proved by

documents and figures.

Certain defenders go further and say that if some such combination had

not been formed the oil industry would have failed for lack of brains

and capital. Such a statement is puerile. Here was an industry for whose

output the whole world was crying. Petroleum came at the moment when the

value and necessity of a new, cheap light was recognised everywhere.

Before Mr. Rockefeller had ventured outside of Cleveland kerosene was

going in quantities to every civilised country. Nothing could stop it,

nothing check it, but the discovery of some cheaper light or the putting

up of its price. The real “good of the oil business” in 1872 lay in

making oil cheaper. It would flow all over the world on its own merit if

cheap enough.

The claim that only by some such aggregation as Mr. Rockefeller formed

could enough capital have been obtained to develop the business falls

utterly in face of fact. Look at the enormous amounts of capital, a

large amount of it speculative, to be sure, which the oil men claim went

into their business in the first ten years. It was estimated that

Philadelphia alone put over $168,000,000 into the development of the Oil

Regions, and New York $134,000,000, in their first decade of the

business. How this estimate was reached the authority for it does not

say.[175] It may have been the total capitalisation of the various oil

companies launched in the two cities in that period. It shows very well,

however, in what sort of figures the oil men were dealing. When the

South Improvement Company trouble came in 1872, the producers launched a

statement in regard to the condition of their business in which they

claimed that they were using a capital of $200,000,000. Figures based on

the number of oil wells in operation or drilling at that time of course

represent only a portion of the capital in use. Wild-catting and

speculation have always demanded a large amount of the money that the

oil men handled. The almost conservative figures in regard to the

capital invested in the Oil Regions in the early years were those of H.

E. Wrigley, of the Geological Survey of Pennsylvania. Mr. Wrigley

estimates that in the first twelve years of the business $235,000,000

was received from wells. This includes the cost of the land, of putting

down and operating the well, also the profit on the product. This

estimate, however, makes no allowance for the sums used in

speculation—an estimate, indeed, which it was impossible for one to make

with any accuracy. The figures, unsatisfactory as they are, are ample

proof, however, that there was plenty of money in the early days to

carry on the oil business. Indeed, there has always been plenty of money

for oil investment. It did not require Mr. Rockefeller’s capital to

develop the Bradford oil fields, build the first seaboard pipe-line,

open West Virginia, Texas, or Kansas. The oil business would no more

have suffered for lack of capital without the Standard combination than

the iron or wheat or railroad or cotton business. The claim is idle,

given the wealth and energy of the country in the forty-five years since

the discovery of oil.

Equally well does both the history and the present condition of the oil

business show that it has not needed any such aggregation to give us

cheap oil. The margin between crude and refined was made low by

competition. It has rarely been as low as it would have been had there

been free competition. For five years even the small independent

refineries outside of the Pure Oil Company have been able to make a

profit on the prices set by the Standard, and this in spite of the

higher transportation they have paid on both crude and refined, and the

wall of seclusion the railroads build around domestic markets.

Very often people who admit the facts, who are willing to see that Mr.

Rockefeller has employed force and fraud to secure his ends, justify him

by declaring, “It’s business.” That is, “it’s business” has to come to

be a legitimate excuse for hard dealing, sly tricks, special privileges.

It is a common enough thing to hear men arguing that the ordinary laws

of morality do not apply in business. Now, if the Standard Oil Company

were the only concern in the country guilty of the practices which have

given it monopolistic power, this story never would have been written.

Were it alone in these methods, public scorn would long ago have made

short work of the Standard Oil Company. But it is simply the most

conspicuous type of what can be done by these practices. The methods it

employs with such acumen, persistency, and secrecy are employed by all

sorts of business men, from corner grocers up to bankers. If exposed,

they are excused on the ground that this is business. If the point is

pushed, frequently the defender of the practice falls back on the

Christian doctrine of charity, and points that we are erring mortals and

must allow for each other’s weaknesses!—an excuse which, if carried to

its legitimate conclusion, would leave our business men weeping on one

another’s shoulders over human frailty, while they picked one another’s

pockets.

One of the most depressing features of the ethical side of the matter is

that instead of such methods arousing contempt they are more or less

openly admired. And this is logical. Canonise “business success,” and

men who make a success like that of the Standard Oil Trust become

national heroes! The history of its organisation is studied as a

practical lesson in money-making. It is the most startling feature of

the case to one who would like to feel that it is possible to be a

commercial people and yet a race of gentlemen. Of course such practices

exclude men by all the codes from the rank of gentlemen, just as such

practices would exclude men from the sporting world or athletic field.

There is no gaming table in the world where loaded dice are tolerated,

no athletic field where men must not start fair. Yet Mr. Rockefeller has

systematically played with loaded dice, and it is doubtful if there has

ever been a time since 1872 when he has run a race with a competitor and

started fair. Business played in this way loses all its sportsmanlike

qualities. It is fit only for tricksters.

The effects on the very men who fight these methods on the ground that

they are ethically wrong are deplorable. Brought into competition with

the trust, badgered, foiled, spied upon, they come to feel as if

anything is fair when the Standard is the opponent. The bitterness

against the Standard Oil Company in many parts of Pennsylvania and Ohio

is such that a verdict from a jury on the merits of the evidence is

almost impossible! A case in point occurred a few years ago in the

Bradford field. An oil producer was discovered stealing oil from the

National Transit Company. He had tapped the main line and for at least

two years had run a small but steady stream of Standard oil into his

private tank. Finally the thieving pipe was discovered, and the owner of

it, after acknowledging his guilt, was brought to trial. The jury gave a

verdict of Not guilty! They seemed to feel that though the guilt was

acknowledged, there probably was a Standard trick concealed somewhere.

Anyway it was the Standard Oil Company and it deserved to be stolen

from! The writer has frequently heard men, whose own business was

conducted with scrupulous fairness, say in cases of similar stealing

that they would never condemn a man who stole from the Standard! Of

course such a state of feeling undermines the whole moral nature of a

community.

The blackmailing cases of which the Standard Oil Company complain are a

natural result of its own practices. Men going into an independent

refining business have for years been accustomed to say: “Well, if they

won’t let us alone, we’ll make them pay a good price.” The Standard

complains that such men build simply to sell out. There may be cases of

this. Probably there are, though the writer has no absolute proof of any

such. Certainly there is no satisfactory proof that the refinery in the

famous Buffalo case was built to sell, though that it was offered for

sale when the opposition of the Everests, the managers of the Standard

concern, had become so serious as later to be stamped as criminal by

judge and jury, there is no doubt. Certainly nothing was shown to have

been done or said by Mr. Matthews, the owner of the concern which the

Standard was fighting, which might not have been expected from a man who

had met the kind of opposition he had from the time he went into

business.

The truth is, blackmail and every other business vice is the natural

result of the peculiar business practices of the Standard. If business

is to be treated as warfare and not as a peaceful pursuit, as they have

persisted in treating it, they cannot expect the men they are fighting

to lie down and die without a struggle. If they get special privileges

they must expect their competitors to struggle to get them. If they will

find it more profitable to buy out a refinery than to let it live, they

must expect the owner to get an extortionate price if he can. And when

they complain of these practices and call them blackmail, they show thin

sporting blood. They must not expect to monopolise hard dealings, if

they do oil.

These are considerations of the ethical effect of such business

practices on those outside and in competition. As for those within the

organisation there is one obvious effect worth noting. The Standard men

as a body have nothing to do with public affairs, except as it is

necessary to manipulate them for the “good of the oil business.” The

notion that the business man must not appear in politics and religion

save as a “stand-patter”—not even as a thinking, aggressive force—is

demoralising, intellectually and morally. Ever since 1872 the

organisation has appeared in politics only to oppose legislation

obviously for the public good. At that time the oil industry was young,

only twelve years old, and it was suffering from too rapid growth, from

speculation, from rapacity of railroads, but it was struggling manfully

with all these questions. The question of railroad discriminations and

extortions was one of the “live questions” of the country. The oil men

as a mass were allied against it. The theory that the railroad was a

public servant bound by the spirit of its charter to treat all shippers

alike, that fair play demanded open equal rates to all, was generally

held in the oil country at the time Mr. Rockefeller and his friends

sprung the South Improvement Company. One has only to read the oil

journals at the time of the Oil War of 1872 to see how seriously all

phases of the transportation question were considered. The country was a

unit against the rebate system. Agreements were signed with the

railroads that all rates henceforth should be equal. The signatures were

not on before Mr. Rockefeller had a rebate, and gradually others got

them until the Standard had won the advantages it expected the South

Improvement Company to give it. From that time to this Mr. Rockefeller

has had to fight the best sentiment of the oil country and of the

country at large as to what is for the public good. He and his

colleagues kept a strong alliance in Washington fighting the Interstate

Commerce Bill from the time the first one was introduced in 1876 until

the final passage in 1887. Every measure looking to the freedom and

equalisation of transportation has met his opposition, as have bills for

giving greater publicity to the operations of corporations. In many of

the great state Legislatures one of the first persons to be pointed out

to a visitor is the Standard Oil lobbyist. Now, no one can dispute the

right of the Standard Oil Company to express its opinions on proposed

legislation. It has the same right to do this as all the rest of the

world. It is only the character of its opposition which is open to

criticism, the fact that it is always fighting measures which equalise

privileges and which make it more necessary for men to start fair and

play fair in doing business.

Of course the effect of directly practising many of their methods is

obvious. For example, take the whole system of keeping track of

independent business. There are practices required which corrupt every

man who has a hand in them. One of the most deplorable things about it

is that most of the work is done by youngsters. The freight clerk who

reports the independent oil shipments for a fee of five or ten dollars a

month is probably a young man, learning his first lessons in corporate

morality. If he happens to sit in Mr. Rockefeller’s church on Sundays,

through what sort of a haze will he receive the teachings? There is

something alarming to those who believe that commerce should be a

peaceful pursuit, and who believe that the moral law holds good

throughout the entire range of human relations, in knowing that so large

a body of young men in this country are consciously or unconsciously

growing up with the idea that business is war and that morals have

nothing to do with its practice.

And what are we going to do about it? for it is \_our\_ business. We, the

people of the United States, and nobody else, must cure whatever is

wrong in the industrial situation, typified by this narrative of the

growth of the Standard Oil Company. That our first task is to secure

free and equal transportation privileges by rail, pipe and waterway is

evident. It is not an easy matter. It is one which may require

operations which will seem severe; but the whole system of

discrimination has been nothing but violence, and those who have

profited by it cannot complain if the curing of the evils they have

wrought bring hardship in turn on them. At all events, until the

transportation matter is settled, and settled right, the monopolistic

trust will be with us, a leech on our pockets, a barrier to our free

efforts.

As for the ethical side, there is no cure but in an increasing scorn of

unfair play—an increasing sense that a thing won by breaking the rules

of the game is not worth the winning. When the business man who fights

to secure special privileges, to crowd his competitor off the track by

other than fair competitive methods, receives the same summary

disdainful ostracism by his fellows that the doctor or lawyer who is

“unprofessional,” the athlete who abuses the rules, receives, we shall

have gone a long way toward making commerce a fit pursuit for our young

men.

THE END

APPENDIX

NUMBER 37 (See page 2004)

ARTICLES OF INCORPORATION OF THE TIDEWATER PIPE LINE

Incorporation Tidewater Pipe Company, Limited, of Titusville,

Pennsylvania. Recorded November 22, 1878. William F. Dickson,

Recorder.

The undersigned persons, to wit: Byron David Benson, Robert Emmet

Hopkins, Andrew Worton Perrin, Alanson Ashford Sumner, David Boyd

Stewart, David McKelvy, Samuel Queen Brown, Adam Clark Hawkins,

Willis Booth Benedict, Marcus Brownson, William Henry Nicholson,

Calvin Nathaniel Payne, John Hahn Dilks, Hascal Ledger Taylor,

William Henry Conley, Thomas Benton Riter, Clark Isaac Hayes,

Gershom Hyde, James Henry Caldwell, George Lawrence Benton, George

Hill Graham, Elisha Gilbert Patterson, Benjamin Bakewell Campbell,

Delos Olcott Wickham, Joseph Henry Simmonds, Lewis Henry Smith,

desire to form a partnership association, pursuant to the provisions

of an act of the General Assembly of the Commonwealth of

Pennsylvania, entitled, “An Act, authorising the formation of

partnership association in which the capital subscribed shall alone

be responsible for the debts of the association except under certain

circumstances,” approved the second day of June, A.D. 1874, and the

several supplements thereto for the purpose of conducting a legal

business or occupation, within the United States or elsewhere, whose

principal office or place of business shall be established and

maintained within the state of Pennsylvania, by subscribing and

contributing capital thereto, which capital shall alone be liable

for the debts of such association, and to that end sign and

acknowledge the following statement:

Full names of the persons desiring to form such association are:

Byron David Benson, Robert Emmet Hopkins, Andrew Worton Perrin,

Alanson Ashford Sumner, David Boyd Stewart, David McKelvy, Samuel

Queen Brown, Adam Clark Hawkins, Willis Booth Benedict, Marcus

Brownson, William Henry Nicholson, Calvin Nathaniel Payne, John Hahn

Dilks, Hascal Ledger Taylor, William Henry Conley, Thomas Benton

Riter, Clark Isaac Hayes, Gershom Clark Hyde, James Henry Caldwell,

George Lawrence Benton, George Hill Graham, Elisha Gilbert

Patterson, Benjamin Bakewell Campbell, Delos Olcott Wickham, Joseph

Henry Simmonds, Lewis Henry Smith.

The amount of capital of said association subscribed for by each is

as follows, to wit:

Said Byron David Benson has subscribed for $100,300 of the capital

of said association; the said Robert Emmet Hopkins has subscribed

for $72,400 of the capital of said association; said Andrew Worton

Perrin has subscribed for $24,700 of the capital of said

association; said David Boyd Stewart has subscribed for $16,800 of

the capital of said association; said David McKelvy has subscribed

for $72,500 of the capital of said association; said Samuel Queen

Brown has subscribed for $25,000 of the capital of said association;

said Adam Clark Hawkins has subscribed for $6,000 of the capital of

said association; said Willis Booth Benedict has subscribed for

$5,000 of the capital of said association; said Marcus Brownson has

subscribed for $10,000 of the capital of said association; said

William Henry Nicholson has subscribed for $5,000 of the capital of

said association; said Calvin Nathaniel Payne has subscribed for

$5,000 of the capital of said association; said John Hahn Dilks has

subscribed $82,300 of the capital of said association; said Hascal

Ledger Taylor has subscribed for $50,000 of the capital of said

association; said William Henry Conley has subscribed for $2,500 of

the capital of said association; said Thomas Benton Riter has

subscribed for $2,500 of the capital of said association; said Clark

Isaac Hayes has subscribed for $10,000 of the capital of said

association; said Gershom Clark Hyde has subscribed for $1,000 of

the capital of said association; said James Henry Caldwell has

subscribed for $2,500 of the capital of said association; said

George Lawrence Benton has subscribed for $1,000 of the capital of

said association; said George Hill Graham has subscribed for $1,000

of the capital of said association; said Elisha Gilbert Patterson

has subscribed for $5,000 of the capital of said association; said

Benjamin Bakewell Campbell has subscribed for $10,000 of the capital

of said association; said Delos Olcott Wickham has subscribed for

$2,500 of the capital of said association; said Joseph Henry

Simmonds has subscribed for $1,000 of the capital of said

association; said Lewis Henry Smith has subscribed for $1,000 of the

capital of said association.

\_Second.\_—The total amount of the capital of the said association is

$625,000, and said capital shall be paid at the times and in the

manner following, to wit: Twenty-five per cent. thereof on the

second day of December, A.D. 1878; twenty-five per cent. thereof on

the second day of January, A.D. 1879; twenty-five per cent. thereof

on the first day of February, A.D. 1879, and the balance of

twenty-five per cent. thereof the third day of March, A.D. 1879. The

whole of said capital shall be paid in lawful money to the treasurer

of said association at the principal office or place of business of

said association at Titusville, Pennsylvania.

\_Third.\_—The character of the business to be conducted by said

association is the production, shipping, refining, storing,

insuring, buying and selling of petroleum and its products, and the

acquisitions, manufacture and management of such property, real,

personal and mixed, as may be deemed necessary or advisable to use

in such business or in connection therewith. The location of the

business to be conducted by said association is at the city of

Titusville, in the county of Crawford, and state of Pennsylvania,

where the principal office or place of business of said association

is established and shall be maintained.

\_Fourth.\_—The name of the said association is the Tidewater Pipe

Company (Limited).

\_Fifth.\_—The contemplated duration of said association is twenty

years from the date of this statement.

\_Sixth.\_—The names of the officers of said association selected in

conformity with the provisions of said act are as follows:

The managers of said association so elected are: Byron David Benson,

Hascal Ledger Taylor, Alanson Ashford Sumner, Robert Emmet Hopkins,

and John Hahn Dilks, of whom said Byron David Benson is so selected

chairman of said association; said Robert Emmet Hopkins is so

selected treasurer of said association; and said Alanson Ashford

Sumner is so selected secretary of said association.

\_In Witness Whereof\_, the persons named in this statement have

hereunto severally signed their names, this thirteenth day of

November, \_Anno Domini\_ one thousand eight hundred and

seventy-eight:

ELISHA GILBERT PATTERSON, BYRON DAVID BENSON, MARCUS BROWNSON,

HASCAL LEDGER TAYLOR, GEORGE LAWRENCE BENTON, ALANSON ASHFORD

SUMNER, DELOS OLCOTT WICKHAM, DAVID MCKELVY, ADAM CLARK HAWKINS,

DAVID BOYD STEWART, JOHN HAHN DILKS, GEORGE HILL GRAHAM, WILLIAM

HENRY NICHOLSON, JOSEPH HENRY SIMMONDS, GERSHOM CLARK HYDE, LEWIS

HENRY SMITH, WILLIS BOOTH BENEDICT, BENJAMIN BAKEWELL CAMPBELL,

WILLIAM HENRY CONLEY, CALVIN NATHANIEL PAYNE, THOMAS BENTON RITER,

JAMES HENRY CALDWELL, CLARK ISAAC HAYES, ANDREW NORTON PERRIN,

SAMUEL QUEEN BROWN, ROBERT EMMET HOPKINS.

NUMBER 38 (See page 2015)

TESTIMONY OF HENRY M. FLAGLER IN REGARD TO THE TIDEWATER CONTEST

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3,112, page 783.]

\_Q.\_ Now you can make your statement.

\_A.\_ I want to say this: The Tidewater Pipe Line was the first line

built to the seaboard, and it had a connection with the Reading

Railroad, by which the railroad and the line jointly undertook to do

business. We had several discussions of pipe-lines of the future

with the representatives of the Tidewater Pipe Line, and would have

had no difficulty whatever in making satisfactory arrangements with

them, which would have removed all unnecessary competition, but the

New York Central, the Erie road, and the Pennsylvania Central said

to us: “Gentlemen, we don’t want you to make any alliance of any

formal nature with the Tidewater Pipe Line.” They added: “We will

protect you in the matter of rates as against any competition

furnished by the Reading and Tidewater Pipe Line.” I replied to

that: “I have never seen a contest begun of this kind but what there

was an end to it. Now, we can make a satisfactory arrangement with

the Tidewater Pipe Line and avoid all this contest. It is not

necessary for you to throw away any money. We are not seekers after

low rates. We have done our business by you, and are willing to

continue, but only upon one single, solitary condition: we would

prefer not to have this contest; it is better that the Tidewater and

Reading Railroad should be recognised.” The reply was: “We never

will recognise them as carriers of oil.”

\_Q.\_ That was the reply of these three trunk lines?

\_A.\_ Yes, sir. I said: “Gentlemen, the other thing is of a great

deal more importance than the rates. The rates are short-lived

affairs.” Now, I will make this explanation in justice to ourselves,

in reply to the remark you made of our contest with the Tidewater

Line. We had no contest. It was simply a contest of the

transportation lines, and we, like fools, allowed ourselves, instead

of making arrangements with the Tidewater Line, to say to the trunk

lines: “Very well, then, we will stick to you and leave you to fight

out this battle.” They fought it for a year or two, and you know how

it ended.

\_Q.\_ Three or four years, was it not?

\_A.\_ I thought it was two years.

\_Q.\_ Then I understand you to say that all that struggle, and the

low rate that the trunk line charged at the time the competition

with the Tidewater and Reading came into existence, was brought

about by the trunk lines themselves?

\_A.\_ It was a struggle on the part of the trunk lines to hold the

entire oil business, and they avowed it to me not once, but many

times, that it was their firm intention never to recognise the

Tidewater to the seaboard.

\_Q.\_ And during that struggle they actually carried it at fifteen

cents a barrel?

\_A.\_ I should have said twenty or twenty-five cents. I knew it was a

ridiculously low rate.

NUMBER 39A (See page 2024)

AGREEMENT BETWEEN STANDARD AND TIDEWATER REFINERIES

[From manuscript presented to the Industrial Commission by Lewis

Emery, Jr.]

This agreement, made and entered into the ninth day of October, A.D.

1883, by and between the Standard Oil Company, a corporation of

Ohio, the Standard Oil Company of New York, a corporation of New

York, and the Standard Oil Company of New Jersey, a corporation of

New Jersey, who collectively constitute the party of the first part,

and the Ocean Oil Company, a corporation of New Jersey, the Chester

Oil Company, a corporation of Pennsylvania, and Ayres, Lombard and

Company, a corporation of New York, who collectively constitute the

party of the second part.

\_Witnesseth\_: That in consideration of the mutual covenants and

agreements hereby made and entered into, the said parties do hereby

covenant and agree to and with each other as follows:

\_First.\_—That for the purpose of this contract the business of

refining petroleum is defined to mean the distillation of crude

petroleum within the United States, without regard to where the

crude is obtained; the quantity of crude petroleum received at each

refinery, except for export in its crude state, shall be regarded as

the quantity refined by it.

\_Second.\_—That in said business the refineries named in schedule “A”

and schedule “B” (which schedules are hereto attached and made a

part of this agreement) shall respectively be entitled to have and

do the following percentage or proportionate part of the aggregate

business of all refineries named in both schedules, viz.: The

refineries named in Schedule “A,” eighty-eight and one-half (88½)

per cent. thereof, and the refineries named in Schedule “B” eleven

and one-half (11½) per cent. thereof.

\_Third.\_—The refineries named in Schedule “A” and the refineries

named in Schedule “B” shall respectively do as nearly as practicable

their said proportion or percentage of said business; and is agreed

that,

\_A.\_—If in any calendar month the refineries named in Schedule “A”

shall receive more than their said percentage of the said aggregate

of crude petroleum received except for export in its crude state,

the party of the first part hereto will pay to the party of the

second part hereto, twenty (20) cents per barrel on the quantity so

received in excess of their said percentage.

\_B.\_—If in any calendar month the refineries named in Schedule “B”

shall receive more than their said percentage of the said aggregate

of crude petroleum received except for export in its crude state,

the party of the second part hereto will pay to the party of the

first part hereto twenty (20) cents per barrel on the quantity so

received in excess of this said percentage.

\_C.\_—If in any year the refineries named in Schedule “A” shall

neglect or refuse to do eighty (80) per cent. of their said

percentage of said business, then the party of the first part shall

return and repay the party of the second part the sums received

under the provisions of this paragraph in excess of the sums paid

under the same provisions during the same year.

\_D.\_—If in any year the refineries named in Schedule “B” shall

neglect or refuse to do eighty (80) per cent. of their said

percentage of said business, then the party of the second part shall

return and repay to the party of the first part the sums received

under the provisions of this paragraph in excess of the sums paid

under the same provisions during the same year.

\_Fourth.\_—Each party hereto shall make to the other daily reports

showing all crude petroleum received at the refineries named in said

schedule, and when, where and from whom received, and all crude

petroleum exported therefrom, and when, where and to whom delivered.

The reports of the party of the first part shall show the crude

received at and exported from refineries named in Schedule “A,” and

the reports of the party of the second part shall show the crude

received at and exported from refineries named in Schedule “B.” The

correctness of such reports shall, if required of either party, be

verified by the party making them.

\_Fifth.\_—A settlement shall be made, on or before the fifteenth day

of each month, of all business done under this agreement during the

preceding month, and payments shall then be made of all such sums as

under the terms hereof shall be found payable by either party to the

other.

\_Sixth.\_—All refineries now owned or controlled by those owning or

controlling a majority of the refineries embraced in Schedule “A”

are or shall be included in Schedule “A,” and all refineries which

may hereafter be acquired or controlled in the same interest shall,

as acquired or controlled, be added to said Schedule “A,” and by

such addition be included in the terms of this agreement. All

refineries now owned or controlled by those owning or controlling a

majority of the refineries embraced in Schedule “B,” and all

refineries which may hereafter be acquired or controlled in the same

interest shall, as acquired or controlled, be added to said Schedule

“B,” and by such addition be included in the terms of the agreement.

\_Seventh.\_—It is understood that forty-two gallons constitute a

barrel.

\_Eighth.\_—A year, whenever used in this contract, is understood to

mean a calendar year.

\_Ninth.\_—This agreement shall take effect on the first day of

October, 1883, and remain in force for fifteen (15) years from said

date.

\_Provided\_, however, and it is agreed that it shall not remain in

force longer than a certain other agreement of even date herewith

between the National Transit Company and the United Pipe Lines of

the first part, and the Tidewater Pipe Company, Limited, of the

second part, shall remain in force, and that a termination of said

other agreements shall at the same time terminate this one.

\_In Witness Whereof\_, the said parties have caused their common and

corporate seals to be hereto attached and to be attested by the

signature of their proper officers the day and year first aforesaid.

Standard Oil Company, by

O. H. PAYNE, \_Vice-President\_.

[S. O. C., Cleveland] Attest: W. P. THOMPSON, \_Secretary\_.

Standard Oil Company of New York, by

WILLIAM ROCKEFELLER, \_President\_.

[S. O. C., New York] Attest: GEORGE H. VILAS, \_Secretary\_.

Standard Oil Company of New Jersey, by

J. A. MCGEE, \_President\_.

[S. O. C., New Jersey] Attest: GEO. H. VILAS, \_Secretary\_.

NUMBER 39B (See page 2024)

AGREEMENT BETWEEN STANDARD AND TIDEWATER PIPE LINES

[From manuscript presented to the Industrial Commission by Lewis

Emery, Jr.]

This agreement, entered into the ninth day of October, A.D. 1883, by

and between the National Transit Company and the United Pipe Lines,

each being a corporation of the state of Pennsylvania, parties of

the first part, and the Tidewater Pipe Company, Limited, a limited

partnership association formed under the laws of the state of

Pennsylvania, party of the second part.

\_Witnesseth\_: That in consideration of the mutual covenants and

agreements hereby made and entered into, the said parties do hereby

covenant and agree to and with each other as follows:

\_First.\_—That for the purposes of this contract the business

hereinafter referred to is divided into departments, one known as

the “Gathering Department,” one known as the “Transporting

Department,” one known as the “Interior Export Department,” and one

known as the “Seaboard Export Department.”

All crude petroleum received directly or indirectly from wells

located in the state of New York or state of Pennsylvania, and into

the system of pipes and tanks now owned or controlled, or which may

hereafter be owned or controlled by any party hereto, either

directly or indirectly, shall constitute gathering, and the business

of so receiving crude petroleum is the business of said gathering

department. All deliveries from local lines of pipe of crude

petroleum gathered as aforesaid, to or for any of the refineries

then embraced in Schedule “A” or Schedule “B” (which schedules are

hereto attached and made part of this agreement), and also all

deliveries of crude petroleum from any of the trunk lines of pipe

now owned or controlled, or which may hereafter be owned or

controlled, by any party hereto, either directly or indirectly, and

the getting of such crude petroleum to the point of delivery shall

constitute transporting, and the business of so getting and

delivering crude petroleum is the business of said transporting

department, except, and it is agreed, that whatever petroleum

gathered as aforesaid shall be delivered to or for any party hereto,

or to or for any refinery or refining company then embraced in

either of said schedules, for export in its crude state, whether the

same shall be delivered from a local line of pipe or a trunk line of

pipe, shall not be included in transporting, nor in the business of

said transporting department.

All petroleum gathered as aforesaid and delivered from local lines

of pipe for export in its crude state (other than deliveries to

trunk lines of pipe of such petroleum for export in its crude state)

by or for any party hereto or by or for any refinery or refining

company then embraced in either of said schedules, shall constitute

interior exporting and the business of receiving and exporting such

petroleum in its crude state shall be the business of said interior

export department.

All petroleum gathered as aforesaid and delivered from trunk lines

of pipe for export in its crude state by or for any party hereto or

by or for any refinery or refining company then embraced in either

of said schedules shall constitute seaboard exporting, and the

business of receiving and exporting such petroleum in its crude

state shall be the business of said seaboard export department.

All pipes used for gathering and delivering at points in the

oil-producing regions are herein called local lines.

All lines of pipe used for transporting beyond the oil-producing

regions are herein called trunk lines.

\_Second.\_—That in each said department of the business the

respective parties hereto shall be entitled to do the following

percentage or proportionate part of the aggregate business done by

all parties hereto then in said department, viz.: The said parties

of the first part eighty-eight and one-half (88½) per centum

thereof, and the said party of the second part eleven and one-half

(11½) per centum thereof.

\_Third.\_—Each party hereto shall do as nearly as practicable its

said proportion or percentage of said business. And it is agreed

that:

\_A.\_—If in any calendar month either party shall gather more than

its said percentage of said aggregate of crude petroleum gathered,

as gathering is herein defined, it shall pay to the other party on

the quantity gathered in excess of its said percentage an amount per

barrel equal to three-fourths of the then current full rate per

barrel charged for collecting and delivering crude petroleum in the

oil-producing regions—commonly called local pipage;

\_Provided\_, however, and it is hereby agreed that this clause shall

not be applicable to crude petroleum gathered as aforesaid prior to

September 1, 1884.

\_And provided, further\_, That the excess over its said percentage

gathered prior to September 1, 1884, by either party shall on demand

of the other be delivered to the other party at some point or points

in the oil-producing regions convenient to both the party receiving

and the party delivering (the means and places to be mutually agreed

upon) when and as often as the said excess amounts to ten thousand

(10,000) barrels, upon legal orders or certificates with storage and

assessments thereon paid to date of delivery being presented

therefor, or upon the payment of the then market price of United

Pipe Line certificates for a like quantity. The party receiving

shall pay the party delivering the same a gathering charge of ten

(10) cents per barrel upon all petroleum so delivered.

\_B.\_—If in any calendar month either the parties of the first part

or the party of the second part shall transport and deliver more

than their or its said percentage of the said aggregate of crude

petroleum transported, as transporting is herein defined, they or it

shall pay to the other party twenty-five (25) cents per barrel upon

the quantity transported and delivered in excess of their or its

said percentage.

\_Provided\_, That the amount payable under this clause shall not

exceed the amount it would cost to bring said excess from the mouth

of a local pipe in the oil-producing regions to either the port of

New York or the port of Philadelphia at the then current rate of

transportation by any route or method not owned or controlled

directly or indirectly by any party hereto.

\_C.\_—If in any calendar month either party shall do more than its

said percentage of business in either the exterior export department

or the seaboard export department, it shall pay to the other party

twenty-five (25) cents per barrel upon the quantity so exported in

excess of its said percentage.

\_Provided, however\_, That the amount per barrel payable under this

clause shall not exceed the amount per barrel which would be payable

under Clause B and its proviso at the same time for excess in the

transporting department.

\_D.\_—If in any year either party shall neglect or refuse to do

eighty (80) per centum of its said proportion or percentage in any

department of said business, then the party so doing less than

eighty (80) per centum of its said proportion shall return or repay

to the other party the sums received in that department under the

provisions of this paragraph in excess of the sums paid in the same

department under the same provisions during the same year.

\_Fourth.\_—Each party shall make to the other daily reports showing:

1st. All crude petroleum gathered, as gathering is herein defined.

2nd. All crude petroleum delivered from local lines other than

deliveries to trunk lines, stating when, where and to whom

delivered.

3rd. All crude petroleum delivered from local lines to trunk lines,

stating when, where and to which line delivered.

4th. All crude petroleum delivered from trunk lines, stating when,

where and to whom delivered.

5th. All crude petroleum exported in the crude state, stating when,

where and from whom received, so as to distinguish between receipts

from local lines and receipts from trunk lines, and when, where and

to whom delivered for export. The correctness of such reports shall,

if required by either party, be verified by the party making them.

\_Fifth.\_—On all deliveries of crude petroleum from local lines made

by said parties of the first part or either of them, other than such

deliveries as constitute transporting, as transporting is

hereinbefore defined, the parties of the first part will account for

and pay to the party of the second part eleven and one-half (11½)

per centum of the then current full rate of local pipage, first

deducting from such full rate ten (10) cents per barrel for the work

of gathering and delivering such petroleum.

On all deliveries of crude petroleum from local lines made by said

party of the second part other than such deliveries as constitute

transporting as hereinbefore defined, the party of the second part

will account for and pay to the parties of the first part

eighty-eight and one-half (88½) per centum of the then current full

rate of local pipage, first deducting from such full rate ten (10)

cents per barrel for the work of gathering and delivering such

petroleum.

\_Sixth.\_—It is agreed that in case of excess of deliveries over the

quantity gathered, as gathering is herein before defined, by all the

parties hereto, the stocks in custody of the respective parties

shall to the extent of such excess be diminished in the ratio of

eighty-eight and one-half (88½) per centum thereof from the stocks

in custody of said parties of the first part, and eleven and

one-half (11½) per centum thereof from the stocks in custody of said

party of the second part; and to this end it is agreed that whenever

and as often as under the working of this agreement the depletion of

the stocks in the custody of either of the respective parties shall

amount to ten thousand (10,000) barrels in excess of such party’s

percentage of depletion, then the other party shall and will on

demand deliver, and the party whose stocks are so depleted will when

tendered receive, said ten thousand (10,000) barrels at some point

or points in the oil-producing regions convenient to both the party

receiving and the party delivering (the means and place to be

mutually agreed upon), upon legal orders or certificates with

storage and assessments thereon paid to date of delivery being

presented therefor, or upon the payment of the then market price of

United Pipe Line certificates for a like quantity. The party

receiving shall pay to the party delivering a gathering charge of

ten (10) cents per barrel upon all petroleum gathered.

\_Seventh.\_—A settlement shall be made on or before the fifteenth day

of each month of all business done under this agreement during the

preceding month, and payment shall then be made of all such sums as

under the terms hereof shall be found payable by either party to the

other.

\_Eighth.\_—If in any year the profits of the party of the second part

added to the profits of the several refineries then embraced in

Schedule “B” shall in the aggregate amount to less than five hundred

thousand (500,000) dollars (excluding from the calculations all

profits realised and losses sustained from speculation and the value

of property destroyed by fire), then the said party of the second

part shall have the right within three months from the time the

profits of such year shall have been ascertained to cancel this

agreement.

\_Provided, however\_, That the said right shall not exist or shall

not be exercised under the following circumstances, to wit:

1st. If the average of such profits during the said year and all

previous years from the beginning of this agreement shall equal five

hundred thousand (500,000) dollars per year.

2nd. If the said parties of the first part or either of them shall

contribute to the said party of the second part such sums of money

as together with the said profits for the said year will make the

average profit five hundred thousand (500,000) dollars per year.

\_And provided, further\_, That in exercising the right of

cancellation the said party of the second part must give to one or

both of said parties of the first part three (3) months’ written

notice of said cancellation, which notice must be accompanied by a

statement of the said profits of the party of the second part, and

of said refineries then embraced in Schedule “B,” and any

contributions made as aforesaid must be made within the said three

(3) months.

The party receiving said notice shall have the right to verify the

statement by an examination of the books of said party of the second

part, and books of said refineries.

\_Ninth.\_—All refineries now owned or controlled by those owning or

controlling a majority of the refineries embraced in Schedule “A”

are or shall be included in Schedule “A”; and all refineries which

may hereafter be acquired or controlled in the same interest shall,

as acquired or controlled, be added to said Schedule “A,” and by

such addition be included in the terms of this agreement.

All refineries now owned or controlled by those owning or

controlling a majority of the refineries embraced in Schedule “B”

are or shall be included in Schedule “B”; and all refineries which

may hereafter be acquired or controlled in the same interest shall,

as acquired or controlled, be added to said Schedule “B,” and by

such addition be included in the terms of this agreement.

\_Tenth.\_—It is agreed that any business done in either the interior

export department or the seaboard export department by any of the

refineries or refining companies then embraced in Schedule “A” shall

be treated for the purpose of this agreement as if done by the

parties of the first part; and that any business done in either of

said export departments by any of the refineries or refining

companies then embraced in Schedule “B” shall be treated for the

purposes of this agreement as if done by the party of the second

part.

\_Eleventh.\_—It is understood that forty-two (42) gallons constitute

a barrel.

\_Twelfth.\_—A year, whenever used in this contract, is understood to

mean a calendar year.

\_Thirteenth.\_—This agreement shall take effect as of the first day

of October, 1883, and unless sooner cancelled, as provided in the

eighth paragraph, shall remain in force for fifteen (15) years from

said first day of October, 1883.

\_In Witness Whereof\_, the said parties of the first part have caused

their common and corporate seals to be hereto attached and to be

attested by the signatures of their proper officers; and the said

party of the second part has caused the same to be signed in its

name and on its behalf by two of its managers, the day and year

first aforesaid.

NATIONAL TRANSIT COMPANY,

[Nat. Tran. Co. Seal.] (Signed by) BENJAMIN BREWSTER, \_Vice-President\_.

Attest: JOHN BUSHNELL, \_Secretary\_.

UNITED PIPE LINES,

[U. P. L. Seal.] (Signed by) J. J. VANDERGRIFT, \_President\_.

Attest: H. D. HANCOCK, \_Secretary\_.

SCHEDULE OF REFINERIES REFERRED TO IN THE ATTACHED AGREEMENT

SCHEDULE “A”

Atlas Refining Co. Works at Buffalo, N. Y.

Acme Oil Co. of Pennsylvania Works at Titusville, Pa.

Acme Oil Co. of New York Works at Olean, N. Y.

Atlantic Refining Co. Works at Philadelphia, Pa.

American Lubricating Oil Co. Works at Cleveland, Ohio.

Baltimore United Oil Co. Works at Canton, Md.

Bush Denslow Mfg. Co. Works at South Brooklyn, N. Y.

Camden Consolidated Oil Co. Works at Parkersburg, W. Va.

Camden Consolidated Oil Co. Works at Canton, Md.

Central Refining Co., Limited Works on Newtown Creek, L. I.

Empire Refining Co., Limited Works on Newtown Creek, L. I.

Eclipse Lubricating Co., Limited Works at Franklin, Pa.

Eclipse Lubricating Co., Limited Works at Olean, N. Y.

Eagle Oil Co. Works at Communipaw, N. J.

Galena Oil Works, Limited Works at Franklin, Pa.

Imperial Refining Co. Works at Oil City, Pa.

Pratt Mfg. Co. Works at Bushwick Creek, L. I.

Jenny & Son, S. Works at Wallabout Land.

Donald & Co., James Works at Newtown Creek, L. I.

Portland Kerosene Co. Works at Portland, Me.

Paine, Ablett & Co., Limited Works at Smith’s Ferry.

Paine, Ablett & Co., Limited Works at Freedom, Pa.

Sone Fleming Mfg. Co., Limited Works at Newtown Creek, L. I.

Standard Oil Co. of New York Works at Newtown Creek, L. I.

Standard Oil Co. of New York Works at Hunter’s Point, L. I.

Standard Oil Co. of New Jersey Works at Bayonne, N. J.

Standard Oil Co. of Pennsylvania Works at Pittsburg, Pa.

Standard Oil Co. of Ohio Works at Cleveland, Ohio.

Union Refining Co., Limited Works at Oil City, Pa.

Vacuum Oil Co. Works at Rochester, N. Y.

SCHEDULE “B”

Chester Oil Co. Works at Chester, Pa.

Ocean Oil Co. Works at Bayonne, N. J.

Seaboard Oil Co. Works at Bayonne, N. J.

Solar Oil Co. Works at Buffalo, N. Y.

NUMBER 40 (See page 2028)

TWO AGREEMENTS OF EVEN DATE, AUGUST 22, 1884, BETWEEN THE PENNSYLVANIA

RAILROAD COMPANY AND THE NATIONAL TRANSIT COMPANY

[Report of the Industrial Commission, 1900. Volume I, pages

663–666.]

Memorandum of a traffic agreement, made this twenty-second day of

August, 1884, between the Pennsylvania Railroad Company, hereinafter

designated the railroad company, and the National Transit Company,

hereinafter designated the transit company, \_Witnesseth\_:

That for consideration mutually interchanged, the parties hereto

agree, each with the other, as follows:

\_First.\_—The transit company owns an extended system of local pipes

in the Oil Regions of Pennsylvania and New York, which are grouped

into a separate division, known as the United Pipe Lines Division of

the National Transit Company. This division will be hereinafter

designated as the Transit Company’s Local Division.

The business of this division is to collect oil from producer, store

it in tanks, and deliver it, as may be desired, to any through

carrier of petroleum, which will transport the same to where it is

to be refined or otherwise disposed of.

The transit company also own certain through or trunk line pipes,

extending from several points of connection with the aforesaid local

pipe division to various refining and terminal points.

With these latter pipes, which will be hereinafter entitled the

Transit Company’s Trunk Line Division, it competes in the through

carriage of petroleum with all other through carriers, whether pipe

or rail.

The business of its local division is therefore entirely distinct

from the business of its through trunk line division.

It undertakes and agrees that its local division will deliver into

cars furnished by the railroad company at any of its regular

delivery points and under its regular delivery rules whatever

petroleum the owners thereof may desire to have so delivered, and as

the railroad may furnish cars to transport, and will make no

discrimination in its local charges for carriage, storage, and other

services, or in the use of any of its local facilities, against such

oil, but will at all times treat it in the said respects as

favourably as it at the same time treats any other petroleum which

may be delivered to its own trunk line division or to any other

through carriers.

\_Second.\_—The transit company agrees that all petroleum brought to

the Atlantic seaboard by all existing carriers, whether rail or

pipe, now engaged in transporting such property, or which may

hereafter engage in such transportation in conjunction with the

transit company’s pipe-lines, shall be ascertained monthly, and so

much of it as shall have been shipped in the refined state shall be

reduced to its equivalent in crude oil by considering that one and

three-tenths (1–3/10) gallons of crude are required to make one (1)

gallon of refined oil. It further undertakes and agrees that if of

the total so transported the railroad company shall not have moved

in its cars twenty-six (26) per centum thereof, the transit company

shall cause to be delivered to cars furnished by the railroad

company at Milton, Pa., such quantity of crude petroleum as shall,

when added to the amount which has been actually transported by the

railroad company to the seaboard in said month, make the total

transported by the railroad company in said month equal to said

twenty-six (26) per centum.

The railroad company agrees to furnish the needful cars and

facilities, and promptly transport the oil which the transit company

agrees in this contract to deliver to it at Milton:

\_Provided\_, That if during any month the railroad company is not

able to assign from its oil equipments a sufficient number of cars

to the traffic of the transit company to move the proportion of oil

herein provided to be delivered at Milton, then during that month

the transit company shall only be required to so deliver to the

railroad company such quantity of oil as the railroad company shall

be able to transport, and shall not be required to make up any

deficiency that may occur during said month.

Efforts shall be made by the transit company to deliver so much

during each month as will probably be necessary to make the total

carried by the railroad company equal to said percentage.

Shortages, if not due to short supply of cars, and such excesses as

may be found to have occurred in any month, shall be adjusted in the

following month, or as soon afterwards as shall be possible.

\_Third.\_—It is agreed that the proportion of petroleum which the

transit company is to deliver under the second section of this

agreement shall be considered as petroleum transported from

Coalgrove, Pa., via Milton, Pa., to the Atlantic seaboard, and that

the railroad company shall be entitled to one-half of the current

through rates thereon.

It is agreed that whenever the through rates shall be so low that

the railroad company shall suspend the movement of oil by its cars,

at other points than Milton, the transit company shall during such

suspension not be bound to deliver to the railroad company any oil

at Milton.

\_Fourth.\_—All joint rates for the joint transportation of oil from

any delivery point of the local pipe division aforesaid to any

refining or terminal point shall be fixed by the railroad company,

subject to the advice and concurrence of the transit company.

It is agreed that said joint through rates shall be uniform to all

parties. The railroad company stipulates that it will make no

discrimination whatever, either in rates or facilities, against the

transit company or against the oil which the said transit company

herein covenants to deliver to it.

It is agreed that the joint through rates to Philadelphia shall

always be five cents less per barrel on crude oil, or its refined

equivalent, than shall be currently charged to New York harbour.

It is agreed that the joint through rates, which shall be so fixed

from time to time, shall be as low as shall be currently made

between same and similar points by rival carriers of petroleum, and

shall not be higher than an approximate mileage proportion of rates

current on petroleum produced south of Oil City, nor than rates from

Olean and similar points.

It is also agreed that rates on refined oil and other products of

crude oil shall be fixed by the railroad company upon the following

basis, viz.:

From railroad stations in the Oil Regions to which oil is delivered

by local pipes the rate to any point east thereof on a barrel of

refined oil or other products shall be one and three-tenths (1–3/10)

times the current rate on a barrel of crude oil to the same point.

From Pittsburg the rate to any point east thereof on a barrel of

refined oil or other products shall be one and three-tenths (1–3/10)

the rate currently charged on crude oil to any such eastern point

from rail points south of Oil City:

\_Provided\_, That one and three-tenths times the charges for moving a

barrel of crude oil by rail or through pipe from the local pipe to

Pittsburg shall first be deducted therefrom.

From Cleveland and Buffalo the net rate on a barrel of refined oil

or other products to any point east thereof shall be not less than

is currently charged to the same point from Pittsburg.

\_Fifth.\_—Whenever the term barrel is used herein, unless otherwise

specified, it means forty-five gallons of crude petroleum; and

whenever the term oil is used herein, unless otherwise specified, it

means crude petroleum.

\_Sixth.\_—The transit company hereby agrees that it will not make any

more favourable terms with any other rail line connecting with any

of its pipes than the terms which under this agreement are given to

the railroad company; or if for any reason it should desire to do

so, it hereby agrees to modify this contract so as to give the said

“more favourable terms” to the railroad company.

\_Seventh.\_—All existing contracts between the parties hereto shall

be deemed to have been accomplished, and shall become void and of no

effect upon the day this contract goes into operation.

\_Eighth.\_—This contract shall take effect as of the first day of

August, 1884, and shall continue until terminated under the

provisions hereof. It may be terminated after August 1, 1889, by

either party hereto giving ninety days’ written notice to the other

of a desire that it shall end, at the expiration of which notice it

shall cease and determine.

\_In Witness Whereof\_, the parties hereto have executed this

agreement under their corporate seals the day and date above

written.

THE PENNSYLVANIA RAILROAD COMPANY,

[L.S.] By FRANK THOMSON, \_Second Vice-President\_.

Attest: JOHN C. SIMS, JR., \_Secretary\_.

THE NATIONAL TRANSIT COMPANY,

[L.S.] By C. A. GRISCOM, \_President\_.

Attest: JOHN BUSHNELL, \_Secretary\_.

\* \* \* \* \*

Memorandum of agreement, made this twenty-second day of August,

1884, between the Pennsylvania Railroad Company, hereinafter

designated the railroad company, and the National Transit Company,

hereinafter designated the transit company.

\_Witnesseth\_: That for considerations mutually interchanged the

parties hereto hereby agree with each other as follows:

\_Whereas\_, The parties hereto have made an agreement of even date

herewith, in which, among other things, it is stipulated that under

certain circumstances the transit company shall deliver certain

crude petroleum into cars furnished by the railroad company at

Milton, Pa.; and

\_Whereas\_, It has been proposed that the railroad company shall

contract with the transit company to the effect that the transit

company shall transport through its pipe-lines the aforesaid crude

oil, which, under the other contract aforesaid, it has undertaken to

deliver into the cars of the railroad company at Milton.

\_Now, therefore\_, this agreement witnesseth:

\_First.\_—The railroad company agrees that instead of delivering said

crude oil to said cars at Milton, the transit company shall

transport the same through its pipes to destination, and the transit

company undertakes and agrees to do such transportation. It is

mutually agreed that the compensation to the transit company for

doing said work shall be as follows:

Whenever the through rate for transporting a barrel of crude

petroleum from Olean to Philadelphia shall be forty cents, the

transit company shall receive eight cents per barrel as such

compensation for so much of said oil as under the provisions hereof

shall be considered as Philadelphia oil.

For each five cents of increase or diminution in said rates from

Olean to Philadelphia the said compensation on Philadelphia oil

shall be increased or diminished one cent per barrel.

\_Provided, however\_, That the transit company shall not be obliged

to accept less than six cents per barrel, and shall not receive more

than ten cents per barrel on such Philadelphia oil.

It is agreed that the said compensation on the oil, which under the

provisions hereof is to be deemed New York oil, shall be one cent

per barrel greater than it currently shall be on Philadelphia oil.

Whenever, and from time to time, as the said joint through rates

shall be so low that the said minimum compensation to the transit

company of six cents per barrel shall be as much or more than the

railroad company’s share of said joint through rates, this contract

may, at the option of either party hereto, be suspended during all

or any part of the time such low rates shall prevail. During such

suspension the aforesaid other contract shall alone remain in force;

but whenever, and from time to time, as said joint through rates

shall again be high enough to make the said minimum compensation,

under said sliding scale, less than the said share of said joint

through rates, this contract shall again resume its force and

effect.

\_Second.\_—The transit company agrees to account for, and pay to the

railroad company, on or before the twentieth of each month, the

latter’s share of the joint rates on joint business \_via\_ Milton (as

provided in said other contract) during the next preceding month,

first retaining, however, the proportion of such share which it is

hereinbefore agreed the transit company is to have for its services

in pumping said oil to the seaboard.

It is agreed that all such joint business shall be considered as

having transported from Coalgrove \_via\_ Milton, Pa., to the Atlantic

seaboard, and that it shall be considered as having gone either to

Baltimore, Philadelphia, or New York, or partly to each. The

proportion thereof which has constructively gone to New York shall

be determined upon the following basis:

The total amount of oil transported in any month by the railroad

company to New York shall be compared with fifty (50) per centum of

the total oil which the railroad company is entitled to carry in

said month under the aforesaid other agreement. If the amount which

has been in such month carried by cars to New York shall be less

than fifty (50) per centum, then the difference shall be considered

as having been moved by the pipe to New York, at New York rates, and

shall be accounted for accordingly. The remainder of the oil \_via\_

Milton shall be accounted for at Philadelphia rates.

This contract shall commence and terminate simultaneously with said

other contract.

Witness the corporate seals of said parties duly attested the day

and date above written.

THE PENNSYLVANIA RAILROAD COMPANY,

[L.S.] By FRANK THOMSON, \_President\_.

Attest: JOHN C. SIMS, \_Secretary\_.

THE NATIONAL TRANSIT COMPANY,

[L.S.] By C. A. GRISCOM, \_President\_.

Attest: JOHN BUSHNELL, \_Secretary\_.

NUMBER 41 (See page 2060)

TABLE SHOWING PRICES OF OIL AT COMPETITIVE AND NON-COMPETITIVE POINTS IN

1892

[Trust Investigation of Ohio Senate, 1898. Appendix, pages 43–44.]

───────────┬─────────────────────────────────────────┬────────────────────

TERRITORIES│ │

AND STATES.│ PRIME WHITE OIL. │ WATER-WHITE OIL.

───────────┼────────────────────┬────────────────────┼────────────────────

〃 │Non-competitive per │ Competitive per │Non-competitive per

│ gallon. │ gallon. │ gallon.

───────────┼────────┬─────┬─────┼────────┬─────┬─────┼────────┬─────┬─────

│ │ │ │ │ │ │ │ │

〃 │ │ │ │ │ │ │ │ │

│ │ │ │ │ │ │ │ │

│Barrels.│Case.│Bulk.│Barrels.│Case.│Bulk.│Barrels.│Case.│Bulk.

───────────┼────────┼─────┼─────┼────────┼─────┼─────┼────────┼─────┼─────

Arizona │ │ │ │ │ │ │ │ 31 │

Arkansas │ 14 │ │ 13 │ 8 │ │ 7½│ 16 │ │ 17

Alabama │ 13 │ │ 8½│ 8¼│ │ 6½│ 17 │ │ 12

California │ │ │ 16 │ 13 │ │ 12½│ │ 26½│

Colorado │ │ 26 │ 21 │ 10 │ 15 │ 7 │ │ 31 │ 25

Florida │ 13½│ 16 │ 12 │ │ │ │ 17 │ 18½│

Georgia │ 14 │ │ 9½│ 9½│ │ 6½│ 17 │ │ 14

Idaho │ 22½│ 29 │ │ │ │ │ 22½│ 30 │ 17

Illinois │ 10 │ │ 8 │ 7½│ │ 5½│ 15 │ │

Indiana │ │ │ │ 6¼│ │ 5 │ 12½│ │

Iowa │ 9½│ │ 8 │ │ │ 7 │ 12 │ │

Kansas │ 10½│ │ 9½│ 8½│ │ │ 16½│ │

Kentucky │ 9½│ │ 8¾│ 7 │ │ 6½│ 12 │ │

Louisiana │ 12 │ │ 10 │ 7¼│ │ 7 │ 16 │ │ 14

Michigan │ 8½│ │ 6¾│ 6¾│ │ 3½│ 8½│ │ 7

Minnesota │ │ │ 9 │ 7½│ │ 5 │ 13 │ │ 11

Mississippi│ 13½│ │ │ 7¼│ │ │ 15½│ │

Missouri │ 12 │ │ │ 6 │ │ 5½│ 17 │ │

Montana │ │ │ 20 │ │ │ 13 │ 21 │ 33 │ 25

Nebraska │ 18 │ │ │ 7½│ │ │ 27 │ │

Nevada │ │ 37½│ │ │ │ │ │ │

New Mexico │ │ 31 │ 26 │ │ │ │ │ 32 │ 28

North │ │ │ │ │ │ │ │ │

Dakota │ 15½│ │ │ 12½│ │ │ 18 │ │ 14

Oregon │ │ 21 │ 14 │ │ 19 │ 13 │ │ 24 │

Oklahoma │ │ │ 15 │ 9½│ │ │ │ │ 17

South │ │ │ │ │ │ │ │ │

Carolina │ 12½│ │ │ 8 │ │ │ 13½│ │

South │ │ │ │ │ │ │ │ │

Dakota │ 11½│ │ │ │ │ 8 │ │ │ 12

Tennessee │ 11½│ │ 8½│ 7¾│ │ 6 │ 17 │ │

Texas │ 25 │ 27½│ 19 │ 8 │ 14 │ 9 │ 30 │ 33½│ 24

Utah │ 23 │ 28 │ 25 │ 13 │ │ │ │ │

Washington │ 16 │ 20½│ 15 │ │ │ │ │ 25½│

Wisconsin │ 9 │ │ │ 7½│ │ 6 │ 15¼│ │

Wyoming │ 20 │ 25 │ 15 │ │ │ │ 21 │ 35 │ 29

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TERRITORIES│ │

AND STATES.│ WATER-WHITE OIL. │ PER GALLON.

───────────┼────────────────────┼───────────────────────────────────────

〃 │ Competitive prices │

│ per gallon. │ 〃

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│ │ │ │ │ │ │Difference

〃 │ │ │ │ │ │ │ per tank

│ │ │ │ │ │ │car 6,000

│Barrels.│Case.│Bulk.│Highest.│Lowest.│Difference.│ gallons.

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Arizona │ │ │ │ 31 │ │ │

Arkansas │ │ │ │ 17 │ 7½│ 9½│ $570

Alabama │ 10¾│ │ │ 17 │ 6½│ 10½│ 630

California │ 13 │ 17½│ 11½│ 26½│ 11½│ 15 │ 900

Colorado │ │ │ │ 31 │ 7 │ 24 │ 1,440

Florida │ │ │ │ 18½│ 12 │ 6½│ 390

Georgia │ │ │ │ 17 │ 6½│ 10½│ 630

Idaho │ │ │ │ 30 │ 17 │ 13 │ 780

Illinois │ 7¾│ │ 3½│ 15 │ 5½│ 9½│ 570

Indiana │ 6½│ │ │ 12½│ 5 │ 7½│ 450

Iowa │ 10½│ │ 8 │ 12 │ 7 │ 5 │ 300

Kansas │ 9½│ │ │ 16½│ 8½│ 8 │ 480

Kentucky │ 8½│ │ │ 12 │ 6½│ 5½│ 330

Louisiana │ 7¾│ │ 7½│ 16 │ 7 │ 9 │ 540

Michigan │ 7½│ │ 3⅖│ 8½│ 3½│ 5 │ 300

Minnesota │ 8 │ │ 5½│ 13 │ 5 │ 8 │ 480

Mississippi│ 9½│ │ │ 15½│ 7¼│ 8¼│ 435

Missouri │ 7¾│ │ 5½│ 17 │ 5½│ 11½│ 690

Montana │ │ │ │ 33 │ 13 │ 20 │ 1,200

Nebraska │ 8½│ │ │ 27 │ 7½│ 19½│ 1,170

Nevada │ │ │ │ 37½│ │ │

New Mexico │ │ │ │ 32 │ 26 │ 6 │ 360

North │ │ │ │ │ │ │

Dakota │ 12¼│ │ 11¼│ 18 │ 11¼│ 6¾│ 405

Oregon │ │ 23 │ │ 24 │ 13 │ 11 │ 660

Oklahoma │ │ │ │ 17 │ 9½│ 7½│ 450

South │ │ │ │ │ │ │

Carolina │ 9 │ │ │ 13½│ 8 │ 5½│ 330

South │ │ │ │ │ │ │

Dakota │ │ │ 8 │ 12 │ 8 │ 4 │ 240

Tennessee │ 8½│ │ │ 17 │ 6 │ 11 │ 660

Texas │ 12 │ 16½│ 8 │ 33½│ 8 │ 25½│ 1,530

Utah │ │ │ │ 28 │ 13 │ 15 │ 900

Washington │ │ │ │ 25½│ 15 │ 10½│ 630

Wisconsin │ 7½│ │ 6 │ 15¼│ 6 │ 9¼│ 555

Wyoming │ 8 │ 16 │ 15 │ 35 │ 8 │ 27 │ 1,620

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PRIME WHITE OIL

The table shows that this grade of oil ranges in price as follows:

In barrels 6 to 25 cents per gallon

In cases 14 to 37½ cents per gallon

In bulk 3½ to 25 cents per gallon

WATER-WHITE OIL

This table also shows that this grade of oil ranges in price as follows:

In barrels 6½ to 30 cents per gallon

In cases 16 to 35 cents per gallon

In bulk 3½ to 29 cents per gallon

A comparison of these two grades of oil shows:

A difference of 24 cents per gallon on barrelled oil

A difference of 21 cents per gallon on case oil

A difference of 25½ cents per gallon on bulk oil

NUMBER 42 (See page 2069)

STANDARD OIL COMPANY’S PETITION FOR RELIEF AND INJUNCTION

[In the case of the Standard Oil Company \_vs.\_ William C. Scofield

\_et al.\_, in the Court of Common Pleas, Cuyahoga County, Ohio,

1880.]

The said plaintiff, the Standard Oil Company, now comes and says

that on the twentieth day of July, A.D. 1876, it was and still is a

corporation organised and existing under and by virtue of the laws

of the state of Ohio, and that at the same time the said defendants,

William C. Scofield, Charles W. Scofield, Daniel Shurmer and John

Teagle, were and still are partners doing business in the firm name

of Scofield, Shurmer and Teagle, and the said plaintiff complains of

the said defendants, and says: That on the said twentieth day of

July, A.D. 1876, the said plaintiff and the said defendants as such

partners were each separately engaged in the business of refining

and dealing in crude petroleum and its products, said plaintiff

having a number of refining establishments at Cleveland, Ohio, and

the said defendants owning and operating one refinery only, also

located at Cleveland, Ohio, on the line of the Atlantic and Great

Western Railroad, and while so engaged and on the said twentieth day

of July, A.D. 1876, the said plaintiff and the said defendants as

such partners entered into a joint arrangement in writing in and by

which it was, amongst other things, agreed between the said

plaintiff and the said defendants individually and as such partners

that the said defendants would continue their then business in the

firm name of Scofield, Shurmer and Teagle of buying, refining and

selling crude petroleum and its products as theretofore carried on

by them, for a period of ten years from July 20, A.D. 1876, and

furnish for the conducting of said business their refinery aforesaid

with all tanks, fixtures, buildings, erections, tools, and all

mechanical appliances then or theretofore used by them in their said

business, together with the land on which the same are situated, and

also within five days from the date of said agreement furnish for

the use of said joint business adventure the sum of ten thousand

dollars in cash to be used continuously in said business until July

20, A.D. 1886. That the said William C. Scofield, Charles W.

Scofield, Daniel Shurmer and John Teagle, in and by said agreement

for conducting said joint adventure, further covenanted and agreed

with the plaintiff to devote all their time and personal attention

necessary to conduct the said business for the period aforesaid, and

that during the existence of said adventure they would not nor would

either of them as a firm or as individuals directly or indirectly

engage or be concerned in any business connected with petroleum or

any of its products in Cuyahoga County or elsewhere, except in

connection with the parties of the first part under this agreement,

nor would they or either of them enter into any new business which

would interfere with the time necessary to be devoted to the full

and faithful conduct of the business of said adventure.

That the said William C. Scofield, Charles W. Scofield, Daniel

Shurmer and John Teagle, in and by said agreement for conducting

said joint adventure, further covenanted and agreed with said

plaintiff that the amount of crude petroleum to be distilled by them

in the business of said adventure should not exceed annually

eighty-five thousand barrels of forty-two gallons each in any year,

but the same should be distributed as nearly as practicable in equal

quantities of 42,500 barrels of forty-two gallons each, each and

every six months from the twentieth day of July, A.D. 1876, but the

said 42,500 barrels might be run in a less period than six months.

That in and by said agreement for conducting the business of said

joint adventure it was stipulated and agreed by both parties,

amongst other things, that from the net profits of the business of

said joint adventure the said defendants should first be entitled to

retain and be paid the sum of $35,000 per annum while the said

agreement was in force and operation, and in the case the net

profits should not amount to $35,000 for any year that said

agreement for conducting said joint adventure was in force and

operation, then at the expiration of any such year the plaintiff

should on demand pay to the said defendants a sum of money

sufficient to make that amount, viz., $35,000 for any year that said

agreement should be in force and operation. That all net profits

over the amount of $35,000 so stipulated to belong to said

defendants annually should belong and be paid to said plaintiff

until the plaintiff should receive therefrom as much as said

defendants had received from the net profits under the provisions of

said agreement, and all net profits in excess of $70,000 annually

should be divided equally between the parties thereto.

That in consideration thereof and in and by said agreement for

conducting said joint adventure, the said plaintiff stipulated and

agreed with the said defendants, amongst other things, that on or

before the twenty-fifth day of July, A.D. 1876, it would furnish to

the said defendants for them to use in the business of said joint

adventure the sum of $10,000 in cash, which sum was so paid in as

agreed and still remains in the business.

That the said plaintiff would receive, dock, and sell in the city of

New York all oil and the products of petroleum consigned to it for

sale at New York by said firm of Scofield, Shurmer and Teagle at

actual cost of brokerage and handling without commissions.

That the said plaintiff would and did in said agreement guarantee to

the said defendants that their share of the net profits arising from

the business of said joint adventure should for ten years from July

20, A.D. 1876, to July 20, A.D. 1886, amount to the sum of $35,000

annually, during the operation of this contract, as hereinbefore

stated. The plaintiff further says that between July 20, 1876, and

the present time, the said defendants have repeatedly violated their

said agreement in this, to wit: that every year since the making of

said agreement the said defendants have distilled over 85,000

barrels of crude petroleum; that during the year from July 20, 1876,

to July 20, 1877, they distilled 89,983.34–42 barrels; that during

the year from July 20, 1877, to July 20, 1878, they distilled

87,754.4–42 barrels; that during the year from July 20, 1878, to

July 20, 1879, they distilled 100,246.25–42 barrels, and from July

20, 1879, to July 20, 1880, they distilled 90,082.34–42 barrels.

That up to the present time the defendants have distilled more than

by the terms of their said agreement they have a right to distil up

to January 20, 1881, and have purchased large quantities of crude

petroleum and are distilling portions thereof, and threaten to

distil the balance without regarding their said contract. That the

crude petroleum so as aforesaid distilled by the defendants has not

by them been distributed as nearly as practicable in equal

quantities of 42,500 barrels of forty-two gallons each, each and

every six months as they agreed to do, but in violation of their

said agreement they distilled from July 20, 1876, to January, 1,

1877, 43,509.36–42 barrels; from January 1, 1877, to July 20, 1877,

46,473.40–42 barrels; from July 20, 1877, to January 1, 1878,

50,416.12–42 barrels; from January 1, 1878, to July 20, 1878,

37,337.34–42 barrels; from July 20, 1878, to January 1, 1879,

56,974.15–42 barrels; from January 1, 1879, to July 20, 1879,

43,272.10–42 barrels; from July 20, 1879, to January 1, 1880,

57,499.35–42 barrels; that on or about the twentieth day of July,

1879, the plaintiff having discovered that the said defendants had

in violation of said agreement distilled about 22,984 barrels of oil

more than they were entitled to by the terms of said agreement, the

plaintiff objected and complained to the defendants in regard

thereto, and thereupon the defendants admitted the violation of the

contract in that respect, and it was agreed between the parties that

the defendants would and should during the then coming year diminish

their manufacture sufficiently to bring the entire amount of

manufacture under said contract within the terms of said agreement.

That during the then coming year from July 20, 1879, to July 20,

1880, the said defendants did not diminish their distillation below

the 85,000 barrels as they had agreed to do, but from July 20, 1879,

to January 1, 1880, they distilled 57,499.35–42 barrels, and from

January 1, 1880, to July 20, 1880, they distilled 32,582.41–42

barrels, making a total of 90,082.34–42 barrels for the year, thus

increasing their distillation over the 85,000 barrels 5,082 barrels,

instead of diminishing it as they had agreed to do.

That the defendants threaten to and have informed the plaintiff that

they will hereafter wholly disregard said contract and continue to

distil crude petroleum without regard to quantity.

The plaintiff further says that since the making of said agreement

and within the past year the said Daniel Shurmer and John Teagle

have in violation of their said contract engaged and been connected

in constructing a refinery at Buffalo, New York, for the purpose of

distilling crude petroleum with others than the plaintiff under said

agreement and are now so engaged.

That within the past year the said Daniel Shurmer and John Teagle

and each of them have invested money to the amount of $10,000, and

are now engaged and connected in constructing refineries for the

purpose of distilling crude petroleum and its products with others

in no way connected with the plaintiff or under said agreement, but

intending thereby to establish and prosecute with others the same

business as that contemplated and conducted under said agreement,

and thereby establishing and conducting a rival business to the

business of said adventure and tending to involve the plaintiff in

loss by reason of its guarantee that the profits of said adventure

should amount to the sum of $35,000 annually to defendants, and have

during the past year been at said Buffalo and other places giving

the said business their time and personal attention, and have done

so at times when their time and personal attention was needed and

was requisite to properly conduct the business of said adventure

under said agreement at Cleveland.

The plaintiff further says that because of the said failures and

refusals of the defendants to carry out their said agreement it has

already sustained great damage and will sustain further damage if

the said defendants are permitted to continue their said violation

of said agreement. That the said plaintiff has no adequate remedy

therefor at law for the reason that the damages arising therefrom

are so remote and difficult of ascertainment, and constantly

recurring would necessitate a multiplicity of suits and would

involve the plaintiff in the increased hazards of losses arising

from such increased manufacture and deprive it of all the benefits

of said contract.

The plaintiff therefore prays that the said William C. Scofield,

Charles W. Scofield, Daniel Shurmer and John Teagle may by proper

process be made defendants herein and compelled to answer this

petition; that a preliminary injunction and restraining order be

granted restraining the said William C. Scofield, Charles W.

Scofield, Daniel Shurmer and John Teagle, and each of them

individually and as partners in the name of Scofield, Shurmer and

Teagle, until the further order of the court, from distilling at

their said works at Cleveland, Ohio, more than 85,000 barrels of

crude petroleum of forty-two gallons each in every year, and also

from distilling more than 42,500 barrels of crude petroleum of

forty-two gallons each, each and every six months, and also from

distilling any more crude petroleum until the expiration of six

months from and after July 20, 1880, and also from directly or

indirectly engaging in or being concerned in any business connected

with petroleum or any of its products, except in connection with the

plaintiff under their said agreement, and that on the final hearing

of this case the said defendants may in like manner be restrained

and enjoined from doing any of said acts until the expiration of

said agreement, and for such other and further relief in the

premises as equity can give.

M. R. KEITH,

R. P. RANNEY,

\_Attorneys for Plaintiff\_.

NUMBER 43 (See page 2070)

ANSWER OF WILLIAM C. SCOFIELD \_ET AL.\_

[In the case of the Standard Oil Company \_vs.\_ William C. Scofield

\_et al.\_, in the Court of Common Pleas, Cuyahoga County, Ohio,

1880.]

That the so-called agreement is and at all times has been utterly

void and of no effect, as being by its terms in restraint of trade

and against public policy.

These defendants further say that they deny that through any action

of theirs said plaintiff has sustained or will sustain any damage

whatever, but these defendants say that their business of distilling

oil has been carried on at a large profit, and that the same is now

attended with large profits, and the price of refined oil is now so

high, and there is such a large margin between the price of crude

oil and refined, that the manufacture and sale of refined oil is

attended with large profit; that it is impossible to supply the

demand of the public for oil if the business and refineries of both

plaintiff and defendant are carried on and run to their full

capacity, and if the business of defendants were stopped as prayed

for by plaintiff it would result in a still higher price for refined

oil and the establishment of more perfect monopoly in the

manufacture and sale of the same by plaintiff.

These defendants further say that said plaintiff has constantly and

persistently violated the terms of said so-called written agreement

in that it has intentionally failed to give and has withheld from

the defendants the benefits of the advantages therein agreed to be

given, and that it has not given to defendants the benefits of its

contracts relating to freight on crude and refined oil, but these

defendants have been constantly required to pay more and larger

freights than said plaintiff, and that said plaintiff has not

allowed to defendants the same rebate that it has received with

different carriers; and, further, that said plaintiff has recently

constructed a pipe-line to the Oil Regions of Pennsylvania through

which its oil has been pumped to Cleveland at an expense of about

twelve cents a barrel, but has charged defendants for pumping their

oil through the same pipe twenty cents per barrel.

The defendants further say that at the time when said writing was

signed said plaintiff was endeavouring by contracts with divers

persons to establish a monopoly in the manufacture of refined oil in

the state of Ohio and in the United States, and that, for the

purpose of monopolising the trade in refined oil and enhancing the

price thereof, and maintaining an unnaturally high price, said

plaintiff entered into said so-called agreement under the form of a

joint arrangement or adventure, and for no other purpose, and

contributed to the capital of said so-called adventure the sum of

$10,000, whereas those defendants contributed thereto the sum of

$73,000 and their time and attention, and their refinery had the

capacity for refining 180,000 barrels of crude oil per year, as

plaintiff well knew, and said plaintiff thereby, and by said other

contracts made with the same design, succeeded in creating a

substantial monopoly and averting competition and maintaining an

unnaturally high price for refined oil, and that said so-called

agreement is therefore in restraint of trade and against public

policy, and void.

These defendants further say that defendants have from time to time

paid to plaintiff their full share of the profits of said so-called

adventure, and at no time has plaintiff been required to pay any sum

whatever to defendants, but has realised large profits from said

business, and on the fourth day of March, 1880, with full knowledge

of how much oil in excess of 85,000 barrels per year had been

manufactured by defendants, demanded of said defendants that they

should pay to plaintiff the entire profits upon said excess, and

claimed that its monopoly was so perfect that it would have sold

said excess if defendants had not, and defendants did pay to

plaintiff the one-half of the profits on said excess.

NUMBER 44 (See page 2071)

AFFIDAVIT OF JOHN D. ROCKEFELLER

[In the case of the Standard Oil Company \_vs.\_ William C. Scofield

\_et al.\_, in the Court of Common Pleas, Cuyahoga County, Ohio,

1880.]

John D. Rockefeller being duly sworn, says that for about eighteen

years past he has been engaged in the business of refining crude

petroleum; that from about the year 1863 to 1870 he was engaged as a

member of firms in such refining, and from January, 1870, he has

been and still is engaged in such refining business as president of

said plaintiff, the Standard Oil Company; that during said time he

has given the business personal attention and has thereby become

familiar with the general business of refining crude petroleum, with

the amount of crude petroleum produced, with the amount of crude

petroleum refined, so far as the same can be ascertained, and

especially with the business of the Standard Oil Company.

Affiant says the said Standard Oil Company owns and operates its

refineries at Cleveland, Ohio, and its refinery at Bayonne, New

Jersey; that it has no other refineries nor any interest in any

other refineries, nor does the Standard Oil Company operate or

control in the United States any other refineries of crude

petroleum; that there are in Ohio, West Virginia, Pennsylvania, New

York, and New Jersey a large number of refineries of crude petroleum

that are not owned or controlled by said Standard Oil Company, and

in which the said Standard Oil Company has no interest whatever,

directly or indirectly, which are now and for years past have been

refining crude petroleum and selling it in the open market; that the

amount of crude petroleum refined by the said Standard Oil Company

does not exceed thirty-three per cent. of the total amount refined

in the United States.

Affiant further says that the capacity of all the refineries in the

United States is more than sufficient to supply the markets of the

world, and in the judgment of affiant if all the refineries were run

to their full capacity they would refine at least twice as much oil

as the markets of the world require; that this difference between

the capacity of refineries and the demands of the market has existed

for at least seven years past, and during that period the refineries

of the Standard Oil Company have not been run to their full

capacity, and in the judgment of affiant not to exceed one-half of

their capacity.

Affiant further says that during all the period of time that he has

been engaged in the business of refining oil he has been familiar

with the price of crude oil and with the price of refined oil and

with the profits to be derived therefrom, and from such experience

he states that the average price of refined oil and the average

profits to the manufacturer per gallon on same since 1876 have been

much less than the average profit for several years previous to

1876; that said Standard Oil Company has no means now and never has

had any of influencing the price of refined oil, save by the sale of

its product in the open market.

Affiant further says that the Standard Oil Company has not nor did

it ever have any interest in any oil property or any control over

the production of crude petroleum; that it does not own any oil

wells or land producing oil, and never did; nor has it any control

over the price of crude petroleum, but relies upon obtaining its

supplies, as all others do, by purchase in the open market and at

the prices paid by others at the same time; that the said Standard

Oil Company is not now nor has it ever been a stockholder in any

railroad, pipe-line, or other common carrier for the transportation

of oil, but within the year past it has for its own convenience

constructed, and owns and is now operating, a pipe-line from

Cleveland to the western line of the state of Pennsylvania for the

purpose of bringing oil to its refineries at Cleveland; that said

pipe-line is now insufficient to supply the demands of the Standard

Oil Company for crude oil for its own refineries, and for that

reason it has been and is now compelled to bring crude oil to

Cleveland in cars to supply its wants.

That from the deponent’s experience in business he knows it to be

true that a large manufacturer always has an advantage in cheapness

of manufacture over a small manufacturer; that all the advantages

derived by the Standard Oil Company are legitimate business

advantages, due to the very large volume of supplies which it

purchases, its long continuance in the business, the experience it

has thereby acquired, the knowledge of all the avenues of trade, the

skill of experienced employees, the possession and use of all the

latest and most valuable mechanical improvements, appliances and

processes for the distillation of crude oil, and in the manufacture

of its own barrels, glue, etc., etc., by reason of which it is

enabled to put the oil on the market at a cost of manufacture much

less than by others not having equal advantages. These advantages,

by reason of which the Standard Oil Company is enabled to refine oil

cheaper than smaller manufacturers, are not exclusive to the

Standard Oil Company, but are open to every person doing business

under similar circumstances. That this state of facts has been

detrimental to smaller refineries and has prevented them from making

as much profit as they desired, and in some cases compelled them to

suspend refining, and this constitutes the only foundation for the

oft-repeated expressions “crushed out,” “squeezed out,” and

“bulldozing.”

Affiant says he has examined the answer of the defendants, Shurmer

and Teagle, and his attention has been called to various statements

contained in it. In regard to the statement made therein that “if

the business of the defendants were stopped as prayed for by

plaintiff, it would result in a still higher price for refined oil

and the establishment of a more perfect monopoly in the manufacture

and sale of the same by plaintiff.” The same is untrue, as there is

not, never has been, and never can be a monopoly in the manufacture

of refined oil, nor has the limitation in said agreement as to

quantity to be manufactured affected, nor will the stoppage by the

defendants of their manufacture, as prayed for in plaintiff’s

petition, in the least affect the price of refined oil, for the

reason that leaving out the entire capacity of the refinery of

defendants there would still remain a large excess of capacity for

supplying all the demands of the public, and hence there would be no

opportunity for advancing the price, nor would it tend to create a

monopoly of the business by the plaintiff.

Affiant further says that it is not true that the said plaintiff has

at any time or in any manner violated the terms of said agreement as

alleged in said answer or in any other manner. That it is not true

that plaintiff has intentionally or otherwise withheld from the

defendants the benefit of the advantages agreed upon in said

contract to be given them, nor is it true that the plaintiff has not

given to defendants the benefit of its contracts relating to freight

on crude and refined oil, but the plaintiff has given to the

defendants privileges not required by the agreement. That it is not

true that the defendants have ever been required to pay larger rates

of freight than were paid by the plaintiff when the defendants made

any shipments of oil in accordance with the terms of the contract;

nor is it true that the plaintiff has not allowed to defendants the

same rebates that it has received from different carriers upon any

shipments of oil made in accordance with the terms of the contract.

That it is true that the plaintiff has recently constructed a

pipe-line from Cleveland to the western line of the state of

Pennsylvania, through which its oil has been pumped to Cleveland

since the spring of 1880, but it is not true that it is the owner of

the said pipe-line from the western line of the state of

Pennsylvania to the Oil Regions. That it is true that to promote the

interest of the defendants, the plaintiff has furnished to

defendants crude oil through said pipe-line and charged them twenty

cents per barrel for the transportation of same; but it is not true

that said pipe-line was constructed for the purpose of transporting

oil for others than the plaintiff, nor is it true that under the

terms of said agreement the defendants are entitled to the

transportation of oil through said pipe-line, nor is it true that

the charge of twenty cents per barrel is an unreasonable price for

transporting oil through said pipe-line from the Oil Regions to

Cleveland; but affiant avers it to be true that during the time it

so furnished the oil through the pipe-line at twenty cents per

barrel, of forty-two gallons each, the railroads were charging

freight at the rate of from thirty-five to fifty cents per barrel,

of forty-five gallons each.

Plaintiff continued to deliver defendants through the pipe-line, and

at twenty cents per barrel, until they had received all they were

entitled to manufacture under the contract dated July 20, 1876.

Affiant says that it is not true that “at the time when said

agreement was signed, said plaintiff was endeavouring by contracts

with divers persons to establish a monopoly in the manufacture of

refined oil in the state of Ohio and in the United States.” Affiant

avers that it has made but one other contract with other persons

like the one made with defendants, and that was a contract made at

the same date, viz., July 20, 1876, with the Pioneer Oil Company of

the City of Cleveland, of which the defendants had full knowledge.

Affiant further says that he was present and participated in the

negotiations which resulted in the formation of the contract with

these defendants, and that it is not true that said contract was

entered into for the purpose of monopolising the trade in refined

oil or for the purpose of enhancing the price thereof and

maintaining an unnaturally high price for the same; and affiant says

that it is not true that plaintiff by said contract, and by the said

other contract made with the same design, succeeded in creating a

substantial monopoly and averting competition, and maintaining an

unnaturally high price for refined oil; but said contract was made,

as is therein stated, for the purpose of equalising the business of

manufacturing oil and giving to each of said contracting parties

their due proportion thereof, and that the amount of 85,000 barrels

per annum to which the distillation of defendants is by said

contract limited is, as agreed, a relative proportion to their full

capacity, as is the amount distilled by plaintiff per annum since

said contract was entered into to its total capacity for refining

oil; and it is not true that said agreement is in restraint of trade

and against public policy, as alleged in the said answer of

defendants, Shurmer and Teagle. Affiant says that on or about the

first day of October, 1879, it came to his knowledge that the

defendants had, in violation of said agreement, distilled about

22,984 barrels of oil more than they were entitled to by the terms

of said agreement, and thereupon he had an interview with

defendants, W. C. Scofield and John Teagle, who admitted the

defendants had distilled in excess of the quantity stipulated in the

contract, and agreed to reduce the quantity distilled during the

year following, July 20, 1879, by the amount they had already

distilled in excess up to that date, but requested they might be

allowed to distribute said reduction equally over each six months of

the year instead of wholly in either the first or last six months of

the year following July 20, 1879, to which request affiant assented.

Affiant says that it is not true that “the plaintiff, on the fourth

day of March, 1880, with full knowledge of how much oil in excess of

85,000 barrels per year had been manufactured by defendants and

plaintiff, demanded of said defendants that they should pay to

plaintiff the entire profits upon said excess,” other than as is

hereinafter stated; and it is not true that plaintiff, at the time

it demanded said profits, claimed that it had any monopoly, or that

its monopoly was so perfect that it would have sold said excess if

defendants had not, or that it was entitled to said profits in

consequence of any monopoly; but affiant says that it did claim the

profits upon the oil sold in excess of said 85,000 barrels, because

defendants had broken their agreement with said plaintiff, and the

profits on such excess the plaintiff at that time was willing to

accept as compensation for such breach of said contract.

Affiant says that he does not know what contracts for the sale of

oil defendants may have made, or what contracts for the manufacture

or for the construction of barrels they may have entered into, or

what obligations they may be under to their customers; but he says

that for a long time past the defendants have had notice that

plaintiff would insist upon the performance by them of their

obligations under their said contract, and that if they have entered

into contracts for the sale of oil as alleged by them and entered

into other obligations, they have done so with the full knowledge

that they were thereby violating and continuing the violation of

said agreement of July 20, 1876.

I have read the affidavit of H. L. Taylor, filed in this case

October 18, 1880, in which he says “that he has been for some six or

eight years last past acquainted with Mr. Rockefeller, Mr. Flagler,

Mr. Payne, and others; that he has had conversations with some of

these parties with regard to the control by the Standard Oil Company

of the distilling and refining business in the state of Ohio and in

the United States, and that he has heard them say in substance that

the Standard Oil Company intended to wipe out all the refineries in

the country except theirs, and to control the entire refining

business in the United States.” Affiant says that he has been

acquainted with H. L. Taylor for several years past, that all the

foregoing statements so far as they relate to him are false, and

that he never made to said Taylor or to any person in his hearing

any such statement, nor statements in substance to that effect.

Affiant further says that he never in company with said Taylor

visited any of the cities or places mentioned in his affidavit for

the purpose of inspecting or examining refineries, though he may

have met said Taylor incidentally at various places, but that he

never showed him refineries that were formerly under the control of

others and running independently and stated that the same had passed

under the control of the Standard Oil Company, nor did anybody else

make such statements to Taylor in his hearing.

Affiant says that it has not come to pass, as sworn to by said

Taylor, that said Standard Oil Company has “wiped out” the refining

business of the United States or that it to-day controls it, but

affiant believes that at the time said Taylor made his affidavit he

knew there were very many refineries running independently of and in

no way connected with the Standard Oil Company, and that said Taylor

was himself then interested in the profits of a large refining

business represented by a number of refiners who were large

competitors of the Standard Oil Company.

With respect to the assertion of said Taylor that “in many instances

to his knowledge the Standard Oil Company has bought refineries and

taken them down,” affiant says that several years ago when the

business was very much scattered, in several instances and for

greater economy in manufacturing, the Standard Oil Company

dismantled refineries unfavourably located and utilised the

construction, machinery, and appliances of the same to increase its

manufactory at Cleveland.

It is true that in many cases persons who had been unsuccessfully

engaged in refining, but had experience, were to some extent

employed by the Standard Oil Company in its business of refining,

but that with respect to the averment in said Taylor’s affidavit

that “in other cases said company employed men who had refineries,

at large salaries and at the same time gave them no absolute

employment,” the same is untrue. But it is true that it has

restricted its employees from entering the business of refining and

distilling oil except under said company’s direction.

But none of these things were done by the plaintiff for the purpose

of creating and maintaining a monopoly of the business of refining,

but were done for the purpose of conducting its business more

efficiently.

And affiant says that it is not true, as sworn to by said Taylor,

that the Standard Oil Company during a large portion of the time

that he refers to, to wit, six or eight years past, or for any

length of time, has substantially controlled the transportation of

oil; that it is not true that said Standard Oil Company ever had, or

that it now has, any contract with any lines of transportation in

which it was stipulated that it should have a lower rate of freight

than other shippers undertaking the same obligations and furnishing

equal terminal facilities; that in all the contracts ever had with

the railroads, the railroad companies have reserved the right to

charge others the same rate of freight as that paid by the Standard

Oil Company; and affiant further says that even those contracts with

the railroad companies which gave the Standard Oil Company a

commission for facilities furnished have long been abrogated and

abandoned.

Affiant says that with respect to the statement in said Taylor’s

affidavit that “other language has been used to him—said Taylor—by

the officers of said Standard Oil Company to the effect that the

said company intended to have all the refineries and aimed at having

entire control of the oil market,” the same, so far as it related to

him, is wholly untrue.

Affiant says that it is not true that the plaintiff got control of

the refineries of the firm of Logan Brothers of Philadelphia, Octave

Oil Company, Easterly and Davis, and Bennett, Warner and Company of

Titusville, Pennsylvania; R. S. Waring and Citizens’ Oil Works of

Pittsburg, or of either of them. The statement of H. L. Taylor that

“the principal way by which these independent refineries came under

the control of the Standard Oil Company was from the fact that said

company had such rates of transportation that the small companies

could not compete with it, and when said company had such in its

power it would make such arrangements with parties engaged in these

refineries as would prevent them from thereafter competing with the

Standard Oil Company,” is false in its facts and its inferences.

Affiant has already correctly stated the facts as to the purchase of

refineries by the Standard Oil Company of Cleveland, what led to

such purchases, and that persons engaged in such refineries were in

some cases employed by said company; and any statement or inference

to the effect that by illegal means or unfair influences the

plaintiff “squeezed out” or “crushed out” small refiners and

prevented them from again entering into the business of refining, is

untrue.

Affiant further responding to the affidavit of said Taylor, says

that with reference to the statement therein contained that “the

effect of the control of the refining business by the Standard Oil

Company upon the oil market is to largely increase the price to

consumers beyond what they ought to pay,” the same is untrue, and he

avers again that since the date of the contract with defendants the

average price to consumers of refined oil has been lower than for

years previous.

As to the allegation of said Taylor that “if the business was

distributed among the independent refineries it would furnish

employment to a much larger number of persons than at present, and

the interests of the country would be decidedly promoted by having

the refining business in the hands of competent parties,” in so far

as the same implies that there are not independent competing

refineries outside of the works of said plaintiff, the same is

untrue, and that it is a fact that a larger number of persons are

now employed in connection with the business of refining oil than

ever before.

Affiant says that with reference to the language used by the said

Heisel in his affidavit that he, Heisel, was not afraid, to which

Mr. Rockefeller replied, “You may not be afraid to have your head

cut off, but your body will suffer,” “and that this was said by

affiant prior to the time that he sold his interest in the refining

business to Bishop and was said for the purpose of inducing affiant

to sell out to the Standard Oil Company,” that affiant has no

recollection of ever using any such language to said Heisel, and so

far as said statement implies threats or inducements held out to

said Heisel to procure the control of the works of Bishop and Heisel

by the Standard Oil Company, the same is wholly false in spirit and

effect.

Affiant says respecting the statement in said Heisel’s affidavit,

that “the effect resulting from the control by this one company—the

Standard Oil Company—of the entire refining business in Cleveland

has been to largely increase the price of refined oil to consumers,

to lessen its production, to reduce the number of hands employed in

the refining business, and to reduce the price paid labourers for

their work, and thereby to largely injure the public,” the same, so

far as it alleges that there is a control by the Standard Oil

Company of the entire refining business, is false; and that so far

as it undertakes to state consequences of said alleged control by

the Standard Oil Company, it is also false.

I have read the affidavit of Mrs. B. filed in this case on October

18, 1880. Said affidavit is incorrect, erroneous and in many

respects false.

The first interview that I ever had with Mrs. B. was at her house,

when she sent for Mr. Flagler and myself to consult with her in

reference to selling out her establishment to one of her employees.

This occurred during the year 1876. She stated to us the terms of an

offer that she had received from the said employee, and expressed an

earnest desire to dispose of the business and to be free from its

perplexities and annoyances, and evinced a disposition to accept the

offer, and we advised her to accept providing the payments were made

secure. I did not see her again until the fall of 1878, more than

two years later. Then at her urgent request I met her at her house,

at which time she made reference to the conversation she had had

with Mr. Jennings, and desired me to pursue negotiations with her

with reference to the sale of her property, which I positively

declined, stating to her that I knew nothing about her business or

the mechanical appliances used in the same, and that I could not

pursue any negotiations with her with reference to the same, but

that if, after reflection, she yet desired to do so, some of our

people familiar with the lubricating oil business would take up the

question with her. She was very desirous to begin negotiations, but

I declined to negotiate and advised her not to take any hasty

action, as from her own statements there was no such change in the

condition of the business as to discourage the expectation that she

could do as well in the future as she had in the past. When she

responded expressing her fears about the future of the business,

stating that she could not get cars to transport sufficient oil, and

other similar remarks, I stated to her that though we were using our

cars and required them in our own business, yet we would loan her

any number she required or do anything else in reason to assist her,

and I saw no reason why she could not prosecute her business just as

successfully in the future as in the past. This is the last

interview I had with her.

Affiant thinks it is true that Mrs. B. stated in the course of the

conversation in substance that “the B. Oil Company was entirely in

the power of the Standard Oil Company, and that all she could do

would be to appeal to affiant’s honour as a gentleman and to his

sympathy to do with her the best that he could do.” To the statement

that she was in the power of the Standard Oil Company, affiant made

a positive denial, and stated to her there was no foundation for the

fears she expressed, and in this connection made the offer to her to

furnish her with cars. He cannot remember what was said by Mrs. B.

at this interview in relation to an agreement upon the part of the

Standard Oil Company not to touch the lubricating branch of the

trade. It is true that the Standard Oil Company had a contract with

the B. Oil Company, made early in 1873, terminable on sixty days’

notice by either party, in reference to carbon oil only—which

contract had been voluntarily assumed by the B. Oil Company—and it

was entirely optional with the said B. Oil Company to discontinue

said contract upon a notice of sixty days and thereby relieve itself

from its obligations if it so desired; but said contract was

continued in full force and effect up to the time of the sale by

Mrs. B. of her interest in said B. Oil Company; but the Standard Oil

Company had no contract with B. Oil Company by which it “agreed not

to touch the lubricating branch of the trade,” nor did it have any

contract with the said B. Oil Company having reference in any

particular to the lubricating oil business, nor did affiant have any

such contract. While affiant declined to enter into a negotiation

with the said Mrs. B., it may be true that during the interview

alluded to he said to her that in case a sale were made she could

retain whatever stock in the B. Oil Company she desired. As a result

of the negotiations, in which affiant took no part, the construction

and good-will of the B. Oil Company was purchased for sixty thousand

dollars, which was at least twenty thousand dollars in excess of its

value, and largely in excess of the value placed upon it by Mrs. B.

in the interview above referred to between Mr. Flagler and affiant

with her in 1876. In addition to the construction and good-will

which was purchased for the sum of sixty thousand dollars, there was

purchased of the B. Oil Company its entire stock of oils on hand at

the full market value, and the sum paid for same amounted to

$19,144.49, making an aggregate of $79,144.49, and did not include

any other assets of the company, such as cash, accounts receivable

and accrued dividends.

With respect to the allegation in said affidavit that “Mrs. B.,

seeing that the property had to go, asked that she might, according

to the understanding with the president of the company, retain

fifteen thousand dollars of her stock,” so far as said statement

implies that she was parting with her property under any duress,

restraint, or undue influence, or was forced thereto by any acts of

the Standard Oil Company, the same is absolutely false; and it is

also false that she ever had any understanding with the president of

the Standard Oil Company that she should retain fifteen thousand

dollars of the stock of the B. Oil Company, nor was there any

reference to that subject save as is hereinbefore stated; and if the

said Mrs. B. refers to this affiant in that connection wherein she

says that “to this request the reply was, ‘No outsider can have any

interest in this concern’ and ‘that said Standard Oil Company had

dallied as long as it would over this matter, that it must be

settled up that day or go, and insisted upon her signing the bond

above referred to,’” the same is also false; nor has he any

knowledge that during said negotiation any such language was ever

used, or that the negotiations were ever carried on or closed in any

such spirit.

Affiant says that it is not true that he made any promises that he

did not keep in the letter and spirit; and it is not true that he

was instrumental to any degree in her being obliged to sell the

property much below its true value; and he avers that she was not

obliged to sell out, and that such sale was a voluntary one upon her

part and for a sum far in excess of its value, and that the

construction which was purchased of her could be replaced for a sum

not exceeding twenty thousand dollars.

On Saturday, the ninth day of November, 1878, the negotiations were

closed and payments made to Mrs. B. Affiant had no knowledge of

dissatisfaction upon her part until the receipt of a letter dated

Monday, November 11, which reached him on the 12th, and on November

13 the reply thereto was made, copy of which is as follows:

November 13, 1878.

\_Dear Madam\_: I have held your note of 11th inst., received

yesterday, until to-day, as I wished to thoroughly review every

point connected with the negotiation for the purchase of the

stock of the B. Oil Company, to satisfy myself as to whether I

had unwittingly done anything whereby you would have any right

to feel injured. It is true that in the interview I had with you

I suggested that if you desired to do so you could retain an

interest in the business of the B. Oil Company by keeping some

number of its shares, and I then understood you to say that if

you sold out you wished to go entirely out of the business. That

being my understanding, our arrangements were made in case you

concluded to make the sale, that precluded any other interests

being represented, and therefore when you did make the inquiry

as to your taking some of the stock our answer was given in

accordance with the facts noted above, but not at all in the

spirit in which you refer to the refusal in your note. In regard

to the reference that you make as to my permitting the business

of the B. Oil Company to \_be taken\_ from you, I say that in

this, as in all else that you have written in your letter of

11th inst., you do me most grievous wrong. It was of but little

moment to the interests represented by me whether the business

of the B. Oil Company was purchased or not. I believe that it

was for your interest to make the sale, and am entirely candid

in this statement, and beg to call your attention to the time,

some two years ago, when you consulted Mr. Flagler and myself as

to selling out your interests to Mr. Rose, at which time you

were desirous of selling at \_considerably less price\_, and upon

time, than you have now received in cash, and which sale you

would have been glad to have closed if you could have obtained

satisfactory security for the deferred payments. As to the price

paid for the property, it is certainly three times greater than

the cost at which we could now construct equal or better

facilities; but wishing to take a liberal view of it, I urged

the proposal of paying the sixty thousand dollars, which was

thought much too high by some of our parties. I believe that if

you would reconsider what you have written in your letter, to

which this is a reply, you must admit having done me great

injustice, and I am satisfied to await upon your innate sense of

right for such admission. However, in view of what seems your

present feelings, I now offer to restore to you the purchase

made by us, you simply returning the amount of money which we

have invested and leaving us as though no purchase had been

made. Should you not desire to accept this proposal, I offer to

you one hundred, two hundred, or three hundred shares of the

stock at the same price that we paid for the same with, this

addition that if we keep the property we are under engagement to

pay into the treasury of the B. Oil Company an amount which,

added to the amount already paid, would make a total of

$100,000, and thereby make the shares one hundred dollars each.

That you may not be compelled to hastily come to conclusion, I

will leave open for three days these propositions for your

acceptance or declination, and in the meantime, believe me,

Yours very truly,

JOHN D. ROCKEFELLER.

To which letter no reply was ever received, and since which time

affiant has had no communication with Mrs. B. upon any subject.

Affiant says that he has had his attention called to the affidavit

of Daniel Shurmer, filed in this case October 18, 1880, and to the

language as follows: “That the Standard Oil Company had already

squeezed out one refining concern with which he was connected,

whereby he had lost over twenty thousand dollars.” Affiant says that

the same is false, as nothing of the kind ever occurred.

Affiant says that he conducted most of the negotiations which led to

the making of the contract with defendants, and that at no time

previous or during the same were any threats made by him or any

officer of the Standard Oil Company or agent to his knowledge to the

effect that the firm of Scofield, Shurmer and Teagle would be ruined

if they did not make such a contract, and no promises were made by

him nor anybody else in behalf of said Standard Oil Company to said

Shurmer or any of the defendants, that if said contract was signed

the Standard Oil Company and defendants would control and monopolise

the whole refining business in Cleveland; nor is it true, as alleged

by said Shurmer, that he was reluctant to enter into said agreement,

but, so far as affiant knows, the said Shurmer was anxious to make

the arrangement, believing it to be a profitable one for the

defendants. That some time in the year 1872, when the refining

business of the City of Cleveland was in the hands of a number of

small refineries and was unproductive of profit, it was deemed

advisable by many of the persons engaged therein, for the sake of

economy, to concentrate the business and associate their joint

capital therein. The state of the business was such at that time

that it could not be retained profitably at the City of Cleveland by

reason of the fact that points nearer the Oil Regions were enjoying

privileges not shared by refiners at Cleveland, and could produce

refined oil at a much less rate than could be made at this point.

That it was a well-understood fact at that time among refiners that

some arrangement would have to be made to economise and concentrate

the business or ruinous losses would not only occur to the refiners

themselves, but ultimately Cleveland as a point of refining oil

would have to be abandoned. At that time those most prominently

engaged in the business here consulted together, and as a result

thereof several of the refiners conveyed to the plaintiff their

refineries and had the option in pay therefor to take stock in the

Standard Oil Company at par or to take cash. That at this time the

Standard Oil Company, by reason of its facilities and large cash

capital, was agreed upon as the one best adapted to concentrate the

business, and for no other reason whatsoever. That said Standard Oil

Company had no agency in creating this state of things which made

that change in the refining business necessary at that time, but the

same was the natural result of the trade; nor did it in the

negotiations which followed use any undue or unfair means, but in

all cases, to the general satisfaction of those whose refineries

were acquired, the full value thereof either in stock or cash was

paid, as the parties preferred.

Since that time the Standard Oil Company, by diligent and faithful

attention to its business, by the exercise of the most rigid

economy, by promptly taking advantage of all legitimate business

opportunities, has acquired large and valuable property at Cleveland

with a capacity to refine oil largely in excess of any local

refinery, but he denies that from 1872 to the present time, by any

conclusion, conspiracy, or undue means from first to last, the

present standing and capacity of the Standard Oil Company has been

acquired, or that it seeks to maintain its hold upon business

through any purpose to create or maintain a monopoly.

JOHN D. ROCKEFELLER.

NUMBER 45 (See page 2072)

FINDINGS OF FACT

[Transcript of record, Supreme Court of the United States, October

term, 1886. Number 1,290. The Lake Shore and Michigan Southern

Railway Company, plaintiff in error, \_vs.\_ Scofield, Shurmer and

Teagle, in error to the Supreme Court of the state of Ohio, pages

14–21.]

This cause came on to be heard upon the pleadings, exhibits, and

testimony, and was argued by counsel; in consideration whereof the

plaintiffs, having moved for a reservation to the Supreme Court, the

judges are unanimously of opinion that important and difficult

questions exist in the case, making it proper that the same should

be reserved to the Supreme Court for decision, which questions

embrace the following propositions:

1st. Is this a case upon the face of the petition and under the laws

of the state in which the court ought to interfere by injunction?

2nd. Whether such remedy by injunction will apply as well to the

case of shipments over the defendants’ road alone, as to cases of

through shipments over such road and connecting roads?

3rd. What are the duties and obligations of common carriers at

common law as distinguished from the statutory provisions of this

and other states and countries?

4th. Are the defendants at common law obliged to carry freight at

the same price for all parties or members of the public, without

regard to quantity or circumstances connected with the

transportation?

5th. May the defendant, as a common carrier and a corporation

organised for that purpose, contract with a party controlling 90/100

or more of all the freight of a particular class, at a given city or

point, to carry the same for less than general tariff rates, in

consideration that it shall receive all the freight thus controlled

by such party?

6th. May the defendant, as a common carrier, in consideration of

receiving all the freight of such party, that the quantity shall not

be diminished, and that terminal facilities as to loading,

unloading, and delivering the freight shall be furnished different

from regular or usual freight and with less expense and risk to the

carrier, contract to carry such freight, with such convenience and

benefits, for less than general tariff rates to the public?

7th. May the defendant, as common carrier, transport over its road

large quantities of oil, amounting to many full car-loads per day,

for a less price per car-load than it charges the public generally

per barrel or for single car-loads or less, provided all persons are

charged like prices for like quantities?

8th. May defendant, as common carrier, make any distinction in

prices for carrying like freight on the ground of quantity and

covenants to continue the same if thereby it can make a greater

profit than to charge the same prices for quantities small and

great? Is defendant, under all circumstances, obliged to charge the

same prices per ton or other quantity, for the same distance, to all

persons tendering freight of the same class, or may it, in good

faith and without intention to injure other producers or patrons,

contract to carry for one party at a less price than general rates

if thereby it can secure a large and profitable business which would

otherwise be diverted from it, in whole or part?

8½. Should decree be rendered for plaintiffs; and, if so, to what

extent should it be enforced—only within the bounds of the state or

to all parts of the country within or without the state, to all

points reached by defendant and connecting lines?

9th. Was section 3373 of the Revised Statutes intended to apply to

cases like the present, and under it is there any authority for the

injunction relief prayed for in this action?

10th. Whether upon such shipments so made by the defendant’s cars by

the barrel, either in car-load lots or in less amounts, the

plaintiffs are, either by common law or by the Ohio statutes on the

subjects, entitled to have their said products carried at the same

rate of charge between like points of shipment as are allowed to

said Standard Oil Company or other shippers, either to points on its

line or branches of said road beyond?

11th. Whether the defendant, as a common carrier, may exact from the

plaintiffs upon such shipments in barrels any amount greater than

the amount charged to said Standard Oil Company upon shipment of

like amounts by such tank-cars so long as the plaintiffs offer to

ship by their own tank-cars on substantially like terms?

12th. Whether, if such defendant can be required to give to said

plaintiffs equal rates of freight upon its shipments with those

allowed said Standard Oil Company to points upon its line and

branches, it can be required to give as low a rate to terminal

points as the rate it receives for its proportion of the service to

such points, on shipments to points beyond, and on its connecting

lines on a through rate fixed by it, and such connecting line or

lines for the through shipment?

13th. Whether the fact of the existence of such arrangement, and the

fact of the said Standard Oil Company being a shipper in amounts

larger than the plaintiffs, is any justification for the making of

such charges to the plaintiffs in excess of such charges made to

said Standard Oil Company? And in order that the same may be legally

presented to said Supreme Court, the District Court do find the

facts as follows:

1st. The court find the plaintiffs are, and since 1875 have been,

partners, carrying on, in a large way, at Cleveland, Ohio, where

this refinery is situated, the business of refining petroleum and

selling the refined product mainly throughout the territory west and

northwest of Cleveland, and extending throughout the Western and

Northwestern states, this business being one in which they have

invested a large amount of capital, and in which they have

established a large and profitable trade throughout such territory,

which constitutes the natural market for the sale of such products

manufactured at Cleveland, the cost of plaintiffs’ refining being

about $70,000, with a refining capacity of about 150,000 barrels per

year.

2nd. That the defendant is a consolidated railroad company, owning

and operating a railroad extending from Buffalo, in the state of New

York, to Chicago, in the state of Illinois, and passing through

parts of the states of New York, Pennsylvania, Ohio, Indiana,

Michigan, and Illinois, and also owning and operating branches from

Toledo, in the state of Ohio, to Detroit, in the state of Michigan,

and also from White Pigeon, in the state of Michigan, to Grand

Rapids, in the state of Michigan.

3rd. That said railroad, so far as the same is constructed and

operated in the state of Ohio, extends from the Easterly line of

Ashtabula County to the Westerly line of Williams County; that it is

a corporation engaged as common carrier in the business of

transporting persons and property for hire and reward over its said

line of road and branches.

4th. That it crosses and connects with other lines of railroads at

Toledo, Coldwater, and Chicago, over which it can and does forward

passengers and freight to their destination and consignment points

as requested and directed; that it holds itself out as ready to make

and does make the rates to points reached by connecting roads; that

defendant, as such common carrier, has been accustomed to receive

for transportation property over its line and branches to points

beyond the termini of the same by delivering the same at such

termini to connecting roads for carriage to the points of

consignment.

5th. That the rates for such through freights are fixed by agreement

between the different companies owning the lines over which such

freights are carried, and not by the defendant alone, and are

charged by like agreement, from time to time.

6th. That what are termed local rates, being for property received

and delivered at points on the line of defendant’s road, are fixed

exclusively by the defendant.

7th. That some of the towns and cities on the main line and branches

of the defendant’s road can only be reached by shippers from

Cleveland over its said road and branches; and all of them, as well

as the towns on most of its connecting branches, can be most

directly reached by means of its line from Cleveland.

8th. That the defendant is sufficiently supplied with cars and

engines and appliances for transportation necessary to enable it, in

the ordinary course of its business, to receive and carry for the

plaintiffs such products from Cleveland to such markets.

9th. That for a period of time extending back beyond the time when

plaintiffs commenced the manufacture of oil in the City of

Cleveland, the defendant has published for the benefit of the

public, tariff rates for local and through freights, which have been

frequently changed, and including rates for the carriage of oil in

barrels.

10th. The plaintiffs commenced and established their present

business in Cleveland in the spring or summer of 1875, and

subsequently, in July, 1876, became engaged in the same by

arrangement with the Standard Oil Company to the partial extent of

their own manufacturing establishment.

10½. That during the time in the petition named the Standard Oil

Company, the plaintiffs’ principal competitor in business, has also

been and still is engaged in a like business with them, it having at

Cleveland a large refinery from which it sells like products in same

markets; that the refineries of both are situate on the line of

railroads other than that of the defendant, but having like

connection with it; that each has switch tracks extending to their

refineries from the main lines of its roads on which they are

situate, by means of which shipments from them are made, the course

of business in making shipments by defendant’s road by the car-load

(which is the manner in which nearly all the business is done) being

for the defendant, on request of either, to furnish its cars, which

are switched from its connecting track by the road on which the

refineries are situate to the refineries, then loaded by the

shippers, and by said road drawn out and placed on the defendant’s

tracks for shipment by its road. By some traffic arrangement between

the roads a switching charge per car for such service is charged by

the local road against the defendant, which is by it at its

discretion charged against the shippers with its general freight

charge. Upon shipments in less than car-load lots delivery is made

to the defendant’s freight depot.

11th. That the Standard Oil Company was then, and ever since has

been, engaged in the same business at Cleveland and elsewhere, and

did then and ever since has manufactured and shipped more than

ninety one-hundredths of all the illuminating oil and products of

petroleum manufactured and shipped at and from the City of

Cleveland.

12th. The court further find that prior to 1875 it was a question

whether the Standard Oil Company would remain in Cleveland or remove

its works to the oil-producing country, and such question depended

mainly upon rates of transportation from Cleveland to market; that

prior thereto said Standard Company did ship large quantities of its

products by water to Chicago and other lake points, and from thence

distributed the same by rail to inland markets; that it then

represented to defendant the probability of such removal; that water

transportation was very low during the season of navigation; that

unless some arrangement was made for rates at which it could ship

the year round as an inducement, it would ship by water and store

for winter distribution; that it owned its tank-cars and had

tank-stations and switches or would have at Chicago, Toledo,

Detroit, and Grand Rapids, on and into which the cars and oil in

bulk could be delivered and unloaded without expense and annoyance

to defendant; that it had switches at Cleveland leading to its works

at which to load cars, and would load and unload all cars; that the

quantity of oil to be shipped by the company was very large, and

amounted to 90 per cent. or more of all the oil manufactured or

shipped from Cleveland, and that if satisfactory rates could be

agreed upon it would ship over defendant’s road all its oil products

for territory and markets west and northwest of Cleveland, and agree

that the quantity for each year should be equal to the amount

shipped the preceding year; that upon the faith of these

representations the defendant did enter into the contract and

arrangement substantially as set forth in defendant’s answer; that

the rates were not fixed rates, but depended upon the general card

tariff rates as charged from time to time, but substantially to be

carried from time to time for about ten cents per barrel less than

tariff rates, and, in consideration of such reduced rates as to bulk

oil, the Standard Company agreed to furnish its own cars and tanks,

load them on switches at distributing points, and unload them into

distributing tanks, and was also to load and unload oil shipped in

barrels, and without expense to defendant, and with, by reason

thereof, less risk to defendant, which entered into the

consideration, and was also to ship all its freight to points west

and northwest of Cleveland, except small quantities, to lake ports

not reached by rail, and to so manage the shipments, as to cars and

times, as would be most favourable to defendant; that defendant then

agreed to said terms; that said agreement so made in 1875 has

remained in force ever since.

13th. That at a cost exceeding $100,000 said Standard Company had

and constructed the terminal facilities promised and herein found;

that, in fact, the risk of danger from fire to defendant, the

expense of handling, in loading and unloading, and in the use of the

standard tank-cars is less (but how much the testimony does not

show) than upon oil shipped without the use of such or similar

terminal facilities; that said Standard Company commenced by

shipping about 450,000 barrels a year over defendant’s road, which

increased from year to year until, in 1882, the year before the

filing the petition in this action, the quantity so shipped on

defendant’s road amounted to 742,000 barrels, equal to 2,000 barrels

or one full train-load per day.

14th. That said arrangement was not exclusive, but was at all times

open to others shipping a like quantity and furnishing like service

and facilities; that it was not made or continued with any intention

on the part of the defendant to injure the plaintiffs in any manner;

that plaintiffs knew of an arrangement between defendant and

Standard Oil Company years before January 1, 1880, and on or about

July 20, 1876, contracted with the Standard Company to give it the

control of the shipments of plaintiffs’ oil and the plaintiffs the

benefit, if any, of any arrangements then existing or that might

thereafter exist with the Standard Oil Company upon shipment of oil,

and which plaintiffs received until about January 1, 1880, when they

ceased operating with the Standard Oil Company, and thereafter were

charged and paid the regular tariff rates published by defendant and

by it charged and collected from all the public except the Standard

Oil Company under the arrangement aforesaid.

15th. That the testimony on behalf of the plaintiffs fails to show

the quantity manufactured or shipped by them, and how much they

could or would ship by defendant’s road if the Standard Company were

charged tariff rates, does not appear in the testimony, although the

testimony does show that plaintiffs shipped many car-loads, but the

court find that the Standard Company have shipped and do ship over

defendant’s road more than 90/100 of all the oil manufactured at and

shipped from Cleveland.

16th. The court further find that at the time of filing the

petition, and at all times after November 29, 1882, the prices

charged the Standard Company from Cleveland to Chicago was fifty

cents per barrel on oil in barrels, and forty dollars for each

tank-car; that at the time of filing the petition, and from and

after May 19, 1883, the tariff rate between the points aforesaid was

sixty cents per barrel, while from November 20, 1882, to May 19,

1883, the tariff was seventy cents per barrel; that prior to the

dates aforesaid the tariff rates and rates to the Standard

frequently changed, and the difference was frequently greater than

after said dates; that sixty-one barrels constitute a car-load and

eighty barrels are estimated to the tank, but that some tanks hold

one hundred and some one hundred and twenty barrels, and that at no

time were tariff rates made or published for tank-cars carried by

defendant with refined oil except when furnished by said Standard

Company.

17th. That after said May 19th, 1883, about the same difference of

ten cents per barrel existed between tariff rates and the prices

charged to the Standard Oil Company to the different points along

the line and consignment points beyond the termini of defendant’s

road; that five barrels of oil make a ton, and that the prices

charged the Standard after November, 1882, from Cleveland to

Chicago, amounted to 70/100 of one cent per ton, per mile, and

tariff rates to 83/100 of one cent per ton per mile; that the

contract of arrangement made with defendant has been largely

profitable to defendant; that during the season of water navigation

the Standard Company could have shipped to said distributing points

on vessels by the lakes and river barreled oil for a less sum than

the rates charged to it by defendant—to plaintiffs and the public

were reasonable rates in themselves.

18th. That the defendant from time to time published and still does

publish and hold forth to the public a certain printed tariff of

rates of charge for the shipment and delivery of all classes of

freight, including the products of the plaintiffs’ refinery, between

Cleveland aforesaid and the various towns and cities upon its said

line, branches, and connecting lines, and has refused and still does

refuse to ship such products for the plaintiffs to any of such

points named in its tariff or schedule except for the prices therein

named; and that such schedule fixes the prices for oil shipment at

so much per barrel to the public, irrespective of their being

shipped in barrels by ordinary freight cars or in bulk by means of

tank-cars.

19th. That the plaintiffs have since December, 1879, frequently

applied to the defendant both for reduced rates upon such tariff

rates and for like rates with those made to such Standard Oil

Company, both upon their general shipments by the ordinary freight

cars of the defendant and also upon shipments to be by them made in

bulk by means of tank-cars owned by them, they proposing to load and

unload the same at terminal points, and to assume all risks by fire

or leakage; but that the defendant has and still does refuse to

allow them by either course of shipment rates less than such tariff

rates, the tariff charged and demanded upon such shipments in bulk

being on the basis of eighty barrels allowed to be shipped by each

tank-car.

20th. The defendant has received ever since the first day of

December, 1879, and still does receive from said Standard Oil

Company at Cleveland and ship for \_him\_, like products to those of

the plaintiffs at rates much less than such schedule rates, and

receives and ships for said Standard Oil Company oil for shipment in

bulk to such points by means of tank-cars of said Standard Company

at rates much less than said schedule rates and much less than the

rates allowed to said company for the shipment of oil by barrels in

ordinary freight cars, and that such reduced rates to said Standard

Oil Company by means of such tank-cars are allowed both by the

making to it a lower rate upon its shipments by the defendant’s cars

in barrels, and also by means of its being allowed to ship by means

of its said tank-cars to their full capacity, running from 80 to 120

barrels each, and averaging over 100 barrels each, and the reduced

rate being charged on a basis of 80 barrels per car. The defendant

charged the plaintiffs the switching charge, and omitted to charge

the same to the Standard Oil Company; that it was a further part of

such understanding, that should the defendant give to other shippers

like rates, said Standard Oil Company would as far as possible

withdraw from it its shipments; and that for the purpose of

effectually securing at least the greater part of said trade, the

defendant, on the completion of the New York, Cleveland and St.

Louis Railway, a competing line from Cleveland to the West, in the

year 1883 entered into a traffic arrangement with it, giving to it a

portion of the shipments of said Standard Oil Company west, on a

condition of its uniting with it in the carrying out of such

understanding as to reduced rates to said Standard Company, which

arrangements still exist.

21st. That upon the shipment made by the defendant for said Standard

Oil Company of such products the rates paid for shipment to points

of delivery upon the defendant’s connecting lines and beyond its

line have been and are less for the rateable amount of carriage

charged for the distance transported over its own line, than said

schedule rates or than the lower rates charged to said Standard Oil

Company for shipments to the terminal points at which said shipments

went from said road to its connecting line; how much less the

defendant has refused to state.

22nd. That the reduced rates charged to said Standard Oil Company

upon its shipments are arrived at by charging upon such shipments

full tariff rates, and afterward, in accordance with some

prearranged method agreed on with said Standard Oil Company,

refunding to it a portion of the freight so charged and collected,

the amount refunded being known as a “drawback” or “rebate.”

23rd. That the evidence does not establish the fact whether or not

all the various advantages claimed as secured to defendant by its

contract with the Standard Oil Company are the equivalent for the

discrimination made to it in freights.

NUMBER 46 (See page 2080)

LETTER OF EDWARD S. RAPALLO TO GENERAL PHINEAS PEASE, RECEIVER CLEVELAND

AND MARIETTA RAILROAD COMPANY

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3,112, pages 576–577.]

32 NASSAU STREET, NEW YORK, March 2, 1885.

GENERAL PHINEAS PEASE,

Receiver Cleveland and Marietta Railroad Company.

\_Dear Sir\_: My opinion is asked as to the legality of your making

such an arrangement with the Standard Oil Company as set forth

below.

The facts, as I understand them, are as follows:

The Standard Oil Company proposes to ship or control the shipping of

a large amount of oil over your road, say a quantity sufficient to

yield to you $3,000 freight per month. That company also owns the

pipes through which oil is conveyed from the wells owned by

individuals to your railroad, except those pipes leading from the

wells of George Rice, which pipes are his own. The company has, or

can acquire, facilities for storing all its oil until such time as

it can lay pipes to Marietta, and thus deprive your company of the

carriage of all its oil.

The amount of oil shipped by Mr. Rice is comparatively small, say a

quantity sufficient to yield $300 per month for freight.

The Standard Oil Company threatens to store, and afterward pipe all

oil under its control unless you make the following arrangements,

viz.: You shall make a uniform rate of thirty-five cents per barrel

for all persons excepting the Standard Oil Company; you shall charge

them ten cents per barrel for oil and also pay them twenty-five

cents per barrel out of the thirty-five cents collected from other

shippers.

It may render the subject less difficult of consideration to

determine, first, those acts which you cannot with propriety do as

receiver.

You are by the decree vested with all the powers of receiver,

according to the rules and practice of the court; are directed to

continue the operations of the railroad and can safely make

disbursements from such moneys as come into your hands for such

purposes only as the decree directs, viz.: wages, interest, taxes,

rents, freights, mileage on rolling stock, traffic balances and

certain debts for supplies.

In my opinion this would not protect you in collecting freight from

one shipper and paying it over to another.

All moneys received, therefore, from any person for freight over

your road, must pass into your hands and there remain to be

disbursed by proper authority. After an examination of your statute,

however, I find no prohibition against your allowing a discount, or

charging a rate less than a schedule rate to a shipper on account of

the large amount shipped by him.

As you are acting, therefore, in the interest of the company, and

endeavouring to increase its legitimate earnings as much as

possible, I find nothing in the statutes to prevent your making a

discrimination, especially where the circumstances are such that a

large shipper declines to give your road his freight unless you

allow him to ship at less than the schedule rates. Therefore, there

is no legal objection to the making of an arrangement which in

practical effect may be the same as that proposed, provided the

objections pointed out above are obviated.

You may with propriety allow the Standard Oil Company to charge

twenty-five cents per barrel for all oil transported through their

pipes to your road, and I understand from Mr. Terry that it is

practicable to so arrange the details that the company can, in

effect, collect this direct, without its passing through your hands.

You may agree to carry all such oil of the Standard Oil Company or

of others delivered to your road through their pipes, at ten cents

per barrel. You may also charge all other shippers thirty-five cents

per barrel freight, even though they delivered oil to your road

through their own pipes, and this I gather from your letter and from

Mr. Terry would include Mr. Rice.

You are at liberty, also, to arrange for the payment of a freight by

the Standard Oil Company calculated upon the following basis, viz.:

Such company to be charged an amount equal to ten cents per barrel,

less an amount equivalent to twenty-five cents per barrel upon all

oil shipped by Rice, the agreement between you and the company thus

being that the charge to be paid by them is a certain sum

ascertained by such a calculation. If it is impracticable so to

arrange the business that the Standard Oil Company shall, in effect,

collect the twenty-five cents per barrel from those persons using

the company’s pipes from the wells to the railroad without its

passing into your hands, you may properly also deduct from the price

to be paid by this company an amount equal to twenty-five cents per

barrel upon the oil shipped by such persons provided your accounts,

bills, vouchers, etc., are consistent with the real arrangement

actually made, you will incur no personal responsibility by carrying

out such an arrangement as I suggest. It is possible that by a

proper application to the court, some person may prevent you in the

future from permitting any discrimination. Even if Mr. Rice should

compel you, subsequently, to refund to him the excess charged over

the Standard Oil Company, the result would not be a loss to your

road, taking into consideration the receipts from the Standard Oil

Company, if I understand correctly the figures. There is no theory,

however, in my opinion under the decisions of the courts, relating

to this subject, upon which, for the purpose, an action could be

successfully maintained in this instance.

Yours truly,

EDWARD S. RAPALLO.

NUMBER 47 (See page 2084)

TESTIMONY OF F. G. CARREL, FREIGHT AGENT OF THE CLEVELAND AND MARIETTA

RAILROAD COMPANY

[In the case of Parker Handy and John Paton, Trustees, \_vs.\_ The

Cleveland and Marietta Railroad Company \_et al.\_, Circuit Court of

the United States, Southern District of Ohio, Eastern Division.]

\_Q.\_ The auditor reports it (the $340) remitted on October 29, 1885.

Please state by whom it was held from the first of May to that time.

\_A.\_ We might as well go back of that, and I will make a clean

sweep, so far as I am concerned. This overcharge of twenty-five

cents was held by the Macksburg Pipe Line Company. Whether this was

my fault or the fault of the general agent I am not able to say. I

know no difference between Mr. Rice’s oil and the Pipe Line

Company’s.

\_Q.\_ The books of the company show from the 26th of March, 1885,

until April 28, 1885, Mr. Rice shipped from Macksburg to Marietta

1,360 barrels; that upon these shipments $340, or twenty-five cents

per barrel, were reported to the auditor of the Cleveland and

Marietta Railway upon the 29th of October. Who sent the

money—$340—to the railroad company, and who reported the amount of

money to the auditor?

\_A.\_ If I understand correctly, if it is the amount I think it is,

that is the amount for overcharge. It came through my office.

\_Q.\_ In whose hands had the $340 been from the time paid by Mr. Rice

until it was sent by you to the bank at Cambridge?

\_A.\_ I received check from Pipe Line.

\_Q.\_ How soon did you send money to Cambridge after receiving check?

\_A.\_ I think the next day.

\_Q.\_ How did you come to get that check?

\_A.\_ I don’t understand.

\_Q.\_ Did you go after it?

\_A.\_ No, sir; it was sent to me by mail.

\_Q.\_ Where was it mailed?

\_A.\_ Oil City, I think.

\_Q.\_ By whom was the check signed?

\_A.\_ By the treasurer, J. R. Campbell, I think.

\* \* \* \* \*

\_Q.\_ If I understand the arrangement during the month of April,

1885, you collected thirty-five cents per barrel for all oil shipped

by George Rice, and paid ten cents to the receiver of the railroad

company and twenty-five cents to the Macksburg Pipe Line?

\_A.\_ Yes, sir; as long as Mr. Rice shipped.

\_Q.\_ Afterwards the Macksburg Pipe Line Company sent the money thus

paid to it to you, and you paid the money into the depository of the

railroad company on the 29th of October, 1885?

\_A.\_ Yes, sir.

NUMBER 48 (See page 2084)

REPORT OF THE SPECIAL MASTER COMMISSIONER GEORGE K. NASH TO THE CIRCUIT

COURT

[In the case of Parker Handy and John Paton, Trustees, \_vs.\_ The

Cleveland and Marietta Railroad Company \_et al.\_, Circuit Court of

the United States, Southern District of Ohio, Eastern Division.]

TO THE HONOURED THE CIRCUIT COURT OF THE UNITED STATES,

Southern District of Ohio, Eastern Division.

By an order of your court made on the 18th day of December, 1885, in

the case of Parker Handy and John Paton, Trustees, \_vs.\_ The

Cleveland and Marietta Railroad Company \_et al.\_, I was appointed a

special master commissioner to investigate and report to the court

for its action what discriminations have been made in freights by

Receiver Pease, or during his administration by those under him, and

to this end I was authorised to summon and examine witnesses and to

cause their testimony to be reduced to writing so far as in my

discretion it might be necessary. I was also required to inquire

fully and particularly into the facts and report to the court what

discriminations had been made, under what arrangements and to what

extent, and to report fully all the facts and show to what extent

and under what circumstances discriminations have been made against

shippers as well as in favour of shippers, and by whom such

discriminations were authorised and by whom made. In compliance with

this order I proceeded to examine the matters therein referred to,

and in the course of such examination called the following-named

persons as witnesses:

T. D. Dale, C. C. Pickering (auditor of the Cleveland and Marietta

Railroad Company under Receiver Pease), F. G. Carrel, J. E. Terry,

Daniel O’Day, George Rice, H. L. Wilgus, W. H. Slack, W. J. Cramm,

George Best, Jr., and J. C. McCarty, whose evidence I caused to be

reduced to writing by A. C. Armstrong, a stenographer, and is

herewith submitted.

I find from the evidence that soon after General Pease was appointed

receiver of the Cleveland and Marietta Railroad, an arrangement was

entered into with Daniel O’Day and W. T. Scheide, by which it was

agreed that the rate to be charged by Receiver Pease and his

subordinates upon all crude oil shipped from Macksburg and vicinity

upon the line of the Cleveland and Marietta Railroad Company to

Marietta should be thirty-five cents per barrel; that the agent of

the receiver at Marietta should also pay the agent of the parties

represented by O’Day and Scheide; that his compensation was to be

$85 per month, $60 of which was to be paid by Receiver Pease and $25

by the parties represented by O’Day and Scheide; that it was the

duty of this joint agent (one F. G. Carrel) to collect from all

shippers the sum of thirty-five cents per barrel, and to account to

Receiver Pease for ten cents of this sum, and to the parties

represented by O’Day and Scheide for the balance. This arrangement

went into force on the 20th day of March, 1885, and continued in

force until September, 1885, at which time one George Rice made

complaint to your court that discriminations were being made by the

receiver against oil shippers.

Negotiations for this arrangement were opened in the City of Toledo

on the 8th day of February, 1885, at a meeting which was attended by

Daniel O’Day, W. T. Scheide, A. G. Blair (acting general freight and

passenger agent of the receiver of the Wheeling and Lake Erie

Railroad Company), and J. E. Terry (general freight and passenger

agent of Pease, the receiver of the Cleveland and Marietta Railroad

Company). The agreement above referred to was substantially reached

at this meeting. Mr. Terry reported the same to General Pease,

receiver of the Cleveland and Marietta Railroad Company, who

thereupon wrote a letter to his general counsel in New York, asking

advice in regard thereto, which letter was transmitted to said

counsel by J. E. Terry in person. E. S. Rapallo, an attorney in New

York City, replied to the letter of General Pease, and a copy of his

letter is now on file in your court and is a part of a report filed

by General Pease in November, 1885. This arrangement seems to have

been entered into with full knowledge of General Pease, the

receiver, and after consultation with his counsel, and with the full

knowledge of his general freight and passenger agent, J. E. Terry.

George Rice was the owner of certain oil wells in the Macksburg Oil

Region and he also purchased some oil from the owners of certain

other wells in the same district. The oil which he produced and also

the oil which he purchased he was in the habit of transporting to

his refinery at Marietta, Ohio, by means of the Cleveland and

Marietta Railroad. Before the arrangements to which I have referred

went into effect he had been charged upon the shipment made by him

the sum of seventeen and one-half cents per barrel. After the 20th

of March, 1885, he was charged thirty-five cents per barrel upon all

oil shipped by him. Between the 20th of March and the 30th of April

following, Mr. Rice shipped from Macksburg to Marietta over the

Cleveland and Marietta Railroad, 1,360 barrels of oil. Upon this oil

he was charged thirty-five cents per barrel, or the sum of $476.

This money was collected by F. G. Carrel, the agent of the receiver

and also the agent of the parties represented at Toledo by O’Day and

Scheide. This money was divided according to the agreement, and $136

was sent by Carrel to the bank of the receiver at Cambridge, Ohio,

and the remaining $340, or twenty-five cents for each barrel of oil

shipped by Rice, was sent by Carrel to the oil parties who had their

headquarters at Oil City, Pennsylvania. On or about the 29th of

October, 1885, this $340 was returned to Mr. Carrel at Marietta, by

a check from Oil City, which check was signed by one J. R. Campbell,

treasurer. This money was sent by Carrel to the bank in Cambridge in

which the receiver made his deposits. It will be observed that this

money was returned from Oil City some ten or twelve days after Judge

Baxter made his order directing the receiver to make a report

showing what discriminations, if any, had been made by him in the

shipments of oil, which order had been obtained upon the complaint

of George Rice. It was also returned after a consultation had by J.

E. Terry with Daniel O’Day in the City of Cleveland. Mr. Terry

states that the receiver was made acquainted with the steps taken by

him in connection with this transaction. The receiver did not submit

himself to an examination in regard to this matter, but filed an

affidavit with me which I attach to this report, in which he states

in substance that he did not know at the time he filed his reports

with your court that that part of the agreement between himself and

the oil parties which required that twenty-five cents per barrel of

the moneys collected by him should be paid to the oil parties had

been carried out, or that the money thus paid by Rice, and by Carrel

paid over to the oil parties, had been returned. The reason given by

Receiver Pease and by Mr. Terry for entering into this agreement was

that the parties represented by O’Day and Scheide were threatening

to put down a pipe-line from Macksburg to Parkersburg, through which

to transport the oil produced by them in this region to the latter

city, and that if this threat was carried out, the Railroad Company

would be prevented from carrying oil produced by them to Marietta.

They further stated that in consideration of the arrangement to

which I have referred, the parties represented by O’Day and Scheide

agreed not to put down a pipe-line, but to ship their oil over the

Cleveland and Marietta Railroad.

As soon as George Rice found that the rates on oil had been raised

from seventeen and one-half to thirty-five cents per barrel, and

that he could not get any better terms for his shipment from the

railroad, he commenced to lay a pipe-line from his wells in the

Macksburg field to Lowell, on the Muskingum River. This line was

completed about the first of May, 1885, and from that time he

transported all his oil through this pipe to Lowell, and thence

shipped it to Marietta by boat on the Muskingum River. As soon as

the parties represented by O’Day and Scheide ascertained that Rice

was putting down a pipe-line, they proceeded also to lay a pipe-line

from the Macksburg oil field to Parkersburg, in West Virginia. Since

the completion of their pipe-line all the oil sent to Parkersburg

and Marietta has been sent through this pipe-line. For several

months they continued to ship some of their oil North over the

Cleveland and Marietta Railroad to Cleveland, but during the last

two months these shipments have ceased, and all the oils now

produced by the parties represented by O’Day and Scheide are sent by

them through their pipe-line to Parkersburg.

Mr. Rice, since the completion of his pipe-line, has shipped through

it to Marietta more than forty-five thousand barrels of oil. The

shipments by Mr. Rice might have been retained for the benefit of

the railroad had the rate of seventeen and one-half cents per barrel

been continued. It is probable that had not the arrangement which we

have been considering been entered into, a line would have been put

down by the parties represented by O’Day and Scheide, but without

the arrangement the patronage of Mr. Rice could have been retained.

The result of the arrangement seems to be that the railroad has lost

the patronage not only of the parties represented by O’Day and

Scheide, but also of Mr. Rice, and it is not to-day carrying a

barrel of oil.

The Argand Oil Works and the Argand Refining Company, two

corporations located at Marietta, Ohio, have made complaint that

from the eighteenth day of February until the fourteenth day of

October, 1885, they were shippers of oil from the Macksburg Oil

Region, over the Cleveland and Marietta Railroad, and that they were

discriminated against by the receiver and his agents. I conceived

that the order of your court referring this subject to me was broad

enough to cover the complaint made by these corporations and I

accordingly called W. H. Slack, W. J. Cramm, C. C. Pickering, and F.

G. Carrel as witnesses in regard to this complaint, and their

testimony is herewith submitted, together with the account presented

by these two corporations and the receipted bills taken by them in

payment of freight. From the evidence of these witnesses it appears

that these corporations, during the time covered by the complaint,

were engaged in refining oil at Marietta, Ohio. They purchased their

crude oil of the parties represented by O’Day and Scheide at

Macksburg. Their purchases were made by ordering their oil when

needed by telegraph from a man by the name of Seep, located at Oil

City, Pennsylvania, and they were charged therefor the market price

of oil at Oil City on the day when the telegraphic order was given.

The oil was then shipped to them over the Cleveland and Marietta

Railroad and a bill for freight presented to them in the form

following: “The Argand Oil Works, Marietta, Ohio, To the Cleveland

and Marietta Railroad Company, Dr.”

In these bills they were charged for all oil shipped at the rate of

thirty-five cents per barrel. This amount was paid by them to

Carrel, the agent of the receiver, at Marietta, Ohio. Of this amount

Carrel paid to the receiver ten cents, and to the parties

represented by O’Day and Scheide, twenty-five cents. I am of the

opinion that these parties were in the same position as George Rice,

with the exception that Mr. Rice produced his oil from the ground

and shipped it over the Cleveland and Marietta Railroad, and these

parties bought their oil instead of producing it from the ground. I

cannot see as this difference modifies in any way the discrimination

made against them. They claim that from February 18, 1885, until

October 14, 1885, they shipped 3,679–6/10 barrels of oil, for which

they were charged $1,232.06 as freight, and that the discriminations

against them amounted to $888.70. From their bill certain reduction

should be made. All shipments made prior to March 20, 1885, should

be excluded for the reason that the discriminating arrangement

entered into between the receiver and the parties represented by

O’Day and Scheide did not go into effect until the 20th of March,

1885. Two shipments, one made on the 7th of August, and the other

made on the 21st of September, from Dexter City, should also be

excluded for the reason that all oils shipped from Dexter City were

charged for at the same rates as these complainants were taxed.

After making these deductions, I find that under the contract

complained of, the Argand Oil Works and the Argand Refining Company

shipped from the 20th of March until the 14th of October, 2,695

barrels of oil; that they were required to pay upon these shipments

the sum of $894.59, and that of this sum Carrel, the agent of the

receiver at Marietta, paid to the receiver the sum of $245.44, and

to the parties in Pennsylvania represented by O’Day and Scheide the

sum of $649.15.

A complaint of a similar character is made by the Marietta Oil

Works, a partnership engaged in the business of refining oils at

Marietta, Ohio. Upon their complaint, I examined George C. Best,

Jr., J. C. McCarty, W. H. Slack, C. C. Pickering, and F. G. Carrel

as witnesses, and their evidence is submitted herewith in full,

together with the account presented by this partnership and the

receipted bills presented by the Cleveland and Marietta Railroad and

paid by them. Their case in all respects seems to be precisely like

that of the Argand Oil Works and the Argand Refining Company. They

claim that from the 1st day of April until the 31st day of August,

1885, inclusive, they shipped 2,717 barrels of oil, for which they

were charged as freight $950.95, and that they were discriminated

against to the extent of $679.25. From their bill I think that there

should be excluded two shipments from Dexter City, one made on the

12th day of June, and the other on the 18th day of June, for the

reason that no discriminations were made in freights, by the

receiver, of oils shipped from Dexter City. After taking into

account these two shipments, I find that the Marietta Oil Works

shipped from Macksburg and Elba on their account 2,547 barrels of

oil; that the freights paid by them upon these shipments amounted to

the sum of $891.45, and that out of this sum Carrel, the agent at

Marietta, paid to the receiver the sum of $251.70, and to the

parties represented by O’Day and Scheide the sum of $639.75.

I find that during the receivership of General Pease, no oils were

shipped from Macksburg North over the Cleveland and Marietta

Railroad except such as were shipped by the parties represented by

Messrs. O’Day and Scheide.

I have purposely referred to the parties who entered into this

arrangement with Receiver Pease and his freight agent, J. E. Terry,

as “the parties represented by O’Day and Scheide,” for the reason

that I have not been able to ascertain who or what the parties are.

It appears from the evidence that during the time that M. D.

Woodford had control as manager of the Cleveland and Marietta

Railroad, one W. J. Brundred and T. D. Dale conceived the idea of

running pipes to all the wells in the Macksburg Oil Regions, and

then by concentrating them together convey all the oils thus

gathered through the main line to the Cleveland and Marietta

Railroad and deposit it in tanks, and with this end in view entered

into a contract in writing with said Woodford, a copy of which

contract is attached to the report of Receiver Pease, filed in your

court in November, 1885. After this contract was entered into, they

organised a corporation known as the Ohio Transit Company, with T.

D. Dale as president and W. J. Brundred as vice-president, to which

corporation this contract was assigned. This company continued in

the business until January, 1885. Mr. Dale, the president, states

that “We said we could not compete with the Standard Oil Company,

and for that reason we sold out at a fair price.” When asked to whom

his company sold their property, Mr. Dale answered, “I don’t know

what company, but my recollection is that it might have been the

National Transit Company.” “It was done in their office. I don’t

know whether the bill of sale was made to Mr. O’Day or to Mr.

Scheide.” Mr. Dale further states that “Mr. O’Day was vice-president

of the National Transit Company, and that Mr. Scheide was its

general manager; it, however, is conjecture on my part.” In another

place Mr. Dale states that the gentleman managing the National

Transit Company bought the property of the Ohio Transit Company, and

gives as their names Daniel O’Day, W. T. Scheide, and J. R.

Campbell. The corporation or partnership, or whatever it is which

now manages the pipe-line system in Macksburg oil fields, and

extending from there to Parkersburg, is known as the Macksburg Pipe

Line. One Daniel O’Day, now having his headquarters at Macksburg, is

the manager of this pipe-line. When O’Day was asked, “To whom does

the Macksburg Pipe Line belong?” he answered, “I do not believe I

can answer that; I do not know.” When asked, “Who has general

control of it?” he answered, “Mr. Scheide, Mr. O’Day, and J. R.

Campbell.” He stated that “Mr. Scheide lives in Titusville, Mr.

Campbell at Oil City, and Mr. O’Day at Buffalo.” He also stated that

these gentlemen were officers of the National Transit Company and

the United Pipe Line, a division of the National Transit Company;

that Mr. O’Day is general manager of the National Transit Company,

and when asked whether the Macksburg Pipe Line is also a branch of

the same system, he answered, “Really, I am not well enough posted

to know, but I presume it is.” Daniel O’Day also stated that the

National Transit Company is a corporation organised under the laws

of New York, and that its principal office is located in New York

City. He also stated that “its property is located throughout the

state of New York and the state of Pennsylvania, and some in Ohio.”

The line located in Ohio he described as running from Parker’s

Landing, in Pennsylvania, to Cleveland. He also stated that the

United Pipe Line is a division of the National Transit Company which

runs from wells to railroad points or pumping stations, and that the

wells to which he referred are located in Alleghany County, New

York, and throughout a large portion of Pennsylvania. He also stated

that the Macksburg Pipe Line controls, by lease and deed, sixty or

seventy acres of land in this state of the line of the Cleveland and

Marietta Railroad Company, and that the lease and deeds for this

land are in the name of one Benjamin Brewster, of New York City, and

that said Brewster is the vice-president of the National Transit

Company. When Mr. O’Day was asked, “What relation does the National

Transit Company and the United Pipe Line Company sustain to the

Standard Oil Company?” he answered, “I believe that people having

stock in the National Transit Company or the United Pipe Line can

hold stock, and do hold stock, in the Standard Oil Company, but I do

not know what further relations they have.”

\* \* \* \* \*

I have attempted to summarise in a very brief manner the evidence

which has been taken by me under the order of your court, but in

order to obtain a full understanding of the situation, it will

perhaps be necessary to read all the evidence which is herewith

submitted in full, in connection with the reports and exhibits filed

by General Pease, in November, 1885.

Respectfully submitted,

(Signed) GEORGE K. NASH,

\_Special Master Commissioner\_.

NUMBER 49 (See page 2120)

A STATEMENT FROM AN OIL-PRODUCER’S STAND-POINT FOR 1886

[Circular used in the campaign against the Billingsley Bill.]

Total production for the year, 25,145,088 barrels.

Average price per barrel, .71½.

The gross income from the entire Oil Regions, based on these

figures, $17,978,237.

The cost of producing the above amount of oil was as follows:

Wells drilled, 3,525—at an average cost of

$3,000 each $10,575,000

Cost of pumping and raising the oil to the

surface and keeping rigs and wells in repair,

estimated at .25 per barrel of production 6,286,272

Add estimated cost of royalty, one-eighth 2,247,342

———————————

Total expenditures $19,108,614

Deduct total income of the entire Oil Regions 17,978,737

———————————

Net loss to oil producers during the year $1,129,877

If the estimated value of the one-eighth royalty be not added, then

the value of five acres of land should be added to the cost of each

well and the result would be practically the same.

The daily production January 1, 1886, was

59,603 barrels, valued at $750 per barrel $44,702,250

The daily production January 1, 1887, was

66,383 barrels, valued at $500 per barrel 33,191,500

———————————

Showing a shrinkage in value of the producing

territory for the year 1886 to be $11,510,750

NOTE.—To make it more clear to the uninitiated, the foregoing means

that producing territory was bought and sold in 1885 on the basis of

$750 to each barrel of production, and in 1886 on the basis of $500.

It is on this basis that the value of oil-producing territory is

estimated. A well producing one barrel a day at the present time is

valued at $500; one year ago it was worth $750.

The valuation of the stock of the Standard Oil Company at the

present time is $150,000,000, or nearly five times as great as the

entire Oil Region country valuation. The profits of the Standard Oil

Company for the year 1886 were over $26,000,000.

Strangers may ask, Why is there no competition in pipage and storage

of oil if the profits are so great? We answer, that with rebates,

drawbacks, discrimination, and conspiracies the Standard Oil Company

has been able to freeze out and suppress nearly every attempt at

competition.

Does not the foregoing array of figures, showing as it does the

terrible shrinkage which the property of the oil producers has

sustained, amounting to nearly twenty-five per cent. in one year,

demand such relief in pipage, storage, and shrinkage, as is

contemplated by the Billingsley Bill, now before the Senate of

Pennsylvania?

NUMBER 50 (See page 2121)

THE BILLINGSLEY BILL

[Legislature of Pennsylvania. File of the House of Representatives.

Number 104, session of 1887.]

An act to punish corporations, companies, firms, associations and

persons and each of them engaged in business of transporting by

pipe-lines or lines or storing petroleum in tank or tanks, under

certain restrictions and penalties from charging in excess of

certain fixed rates for receiving, transporting, storing, and

delivering petroleum, and to regulate deductions for losses caused

to petroleum in pipe-lines and storage tanks by lightning, fire,

storm, or other unavoidable causes.

SEC. 1. Be it enacted by the Senate and House of Representatives of

the Commonwealth of Pennsylvania in general assembly met, and it is

hereby enacted by authority of the same: That no corporation,

company, firm, association, person or persons who are now, or shall

hereafter engage in the business of transporting or storing crude or

refined petroleum by means of pipe-line or pipe-lines, or storage by

tank or tanks, shall demand or receive any rate of charge in excess

of ten cents per barrel, reckoning forty-two gallons for each

barrel, for all services performed within this commonwealth in

receiving petroleum from tank or tanks or other receptacle on the

lease or farm at the place of its production and transporting and

delivering the same, or petroleum of like kind and quantity in every

essential particular in the division of such pipe-line within which

the same shall have been received at any shipping point in said

division which may be designated by the holder, owner, or purchaser

of said petroleum, whether said petroleum is held by certificate,

voucher, receipt, credit balance, accepted order or otherwise. And

such corporation, company, firm, association, person or persons, and

each of them are hereby required immediately upon this act becoming

a law to erect and establish, if not already established, and

maintain thereafter at least one shipping point within each

pipe-line division within this commonwealth of sufficient

dimensions, capacity and equipment to accommodate the entire trade

within each such pipe-line division.

SEC. 2. No such corporation, company, firm, association, person or

persons shall demand or receive from any person or persons, firms,

association, company or corporation owning or holding a credit

balance for petroleum in line or tank within this commonwealth, any

rate of charge whatever for the tankage or storage of petroleum

owned or so held by credit balance for the first thirty days from

the date of said credit balance. And no corporation, company, firm,

association, person or persons who are now engaged or shall

hereafter engage in the business of transporting or storing crude or

refined petroleum by means of pipe-line or pipe-lines, or storage

tank or tanks, shall demand or receive, from any source whatever,

for the tankage of crude or refined petroleum within this

commonwealth any rate of charge in excess of one-sixtieth of one

cent per barrel of forty-two gallons a day or fractional part

thereof so long as said petroleum shall thereafter be held and

stored in tank.

SEC. 3. Such corporation, company, firm, association, person or

persons are hereby obliged and required, and it is hereby made the

duty of such corporation, company, firm, association, person or

persons, and each of them, to hold and store in tank any and all

petroleum offered for storage or transportation, or any and all

petroleum received and transported by them or either of them for the

owner thereof; or for the person or persons holding certificate,

voucher, receipt, credit balance or accepted order thereof, for a

period of one year or for any shorter period than one year from the

time when said petroleum was first received by such corporation,

company, firm, association, person or persons for storage, if

requested so to do by the owner thereof, or by the person or persons

holding certificate, voucher, receipt, credit balance or accepted

order therefor, at and for the rate of charge of one-sixtieth of one

cent per barrel of forty-two gallons for each day, or fractional

part thereof thereafter. Except that when said petroleum is held by

credit balance, no rate of charge whatever shall be made or charged

on said credit balance for the first thirty days from the date of

said credit balance.

SEC. 4. Such corporation, company, firm, association, person or

persons shall be allowed to make a deduction from the crude

petroleum received, transported or stored, not to exceed one-half of

one per cent. of said petroleum so received, transported or stored,

on account of water, sediment, evaporation, waste, and the like. The

deduction mentioned in this section shall be made when the petroleum

is first run or transported by such corporation, company, firm,

association, person or persons, from the tank or receptacle on the

lease or farm where produced, and it is hereby declared to be

unlawful for such corporation, company, firm, association, person or

persons to make the reduction in this section provided for at any

other time or place than as above provided.

SEC. 5. Any corporation, company, firm, association, officer or

officers, agent or agents, person or persons, engaged in the

business of transporting or storing crude or refined petroleum

within this commonwealth by means of pipe-line or pipe-lines or

storage tank or tanks shall, upon application of the owner of any

well or wells, lay pipe or pipes to any well or wells on any lease

or leases in any locality where there is any oil on any farm or

farms in this commonwealth, and receive the oil therefrom and

transport the same through their pipe-line or pipe-lines and store

the same in their storage tank or tanks, in any division or in any

place in any division designated by the owner or purchaser of said

petroleum, and hold the same subject to the owner or purchaser at

the rate or charge prescribed in the preceding sections.

SEC. 6. Such corporation, company, firm, association, person or

persons shall be liable for all loss caused by lightning, fire,

storm, or other unavoidable cause to the petroleum received,

transported or stored by them, and in the event of any such loss the

same shall be charged by said corporation, company, firm,

association, person or persons, \_pro rata\_, upon and deducted from

all petroleum in the custody of such corporation, company, firm,

association, person or persons, at the date of such loss.

SEC. 7. Any corporation, company, firm, association, officer or

officers, agent or agents thereof, person or persons engaged in the

business of transporting or storing crude or refined petroleum

within this commonwealth by means of pipe-line or pipe-lines or

storage tank or tanks, who shall demand or receive any rate of

charge in excess of ten cents per barrel, reckoning forty-two

gallons for each barrel, for all services performed within this

commonwealth for receiving petroleum from tank or tanks or other

receptacle on the lease or farm at the place of its production and

transporting and delivering the same or petroleum of like kind and

quality in every essential particular in the division of the

pipe-line within which the same shall have been received at the

shipping points designated by the holder, owner or purchaser of said

petroleum, or who shall fail or neglect to erect and establish

immediately upon this act becoming a law—if not already

established—and maintain thereafter at least one shipping point

within each pipe-line division within this commonwealth of

sufficient dimensions and capacity and properly equip the same to

accommodate the entire trade within each such district, or who shall

demand or receive for the storage of petroleum within this

commonwealth any rate of charge in excess of one-sixtieth of one

cent a barrel of forty-two gallons a day or a fractional part

thereof so long as said petroleum shall thereafter be held and

stored in tank, or who shall demand or receive from any person or

persons, firm, association, company, or corporation owning or

holding a credit balance for petroleum in line or tank within this

commonwealth, any rate of charge whatsoever for the tankage or

storage of petroleum so owned or held by credit balance for the

first thirty days commencing from the date of said credit balance,

or who shall refuse to hold and store in tank any and all petroleum

received and transported by them or either of them for the owner

thereof, or for the person or persons holding certificate, voucher,

receipt, credit balance or accepted order therefor for the period of

one year, or for any shorter period than one year from the time when

said petroleum was first received, by such corporation, company,

firm, association, person or persons for storage if requested so to

do by the owner thereof, or by the person or persons holding

certificate, voucher, receipt, credit balance or accepted order

therefor, at and for the rate of charge of one-sixtieth of one cent

per barrel of forty-two gallons for each day or fractional part

thereof thereafter—but no rate of charge whatever shall be had or

made for the first thirty days from date of credit balance when oil

is held by credit balance—or who shall make any deduction on account

of water, sediment, evaporation, waste, or the like, in excess of

one-half of one per cent. of the petroleum received, transported,

and stored, or who shall violate any or either of the provisions or

requirements of any or either of the first sections of this act,

shall be deemed guilty of a misdemeanour, and on conviction thereof

shall be sentenced to pay a fine of not less than one thousand

dollars nor more than two thousand dollars for the first offense,

and for the second and any subsequent offenses to pay a fine of not

less than two thousand dollars nor more than five thousand dollars,

and to undergo an imprisonment of not less than sixty days and not

exceeding one year, one-half of any such fine or fines to be paid to

the prosecutor and the other one-half to be for the use of the

county in which such offence or offences shall have been committed,

and in addition to the penalties hereinbefore provided shall be

liable in any action of debt to any person or persons, firm,

company, association, or corporation thereby aggrieved for double

the amount of the damage sustained by reason of the violation of any

of the provisions of this act.

SEC. 8. No contract heretofore made or now existing for receiving,

transporting, or storing petroleum within this commonwealth shall be

in any manner impaired or affected by the provisions of this act.

SEC. 9. All acts and parts of acts inconsistent herewith are hereby

repealed.

SEC. 10. This act shall take effect immediately upon its becoming a

law.

NUMBER 51 (See page 2130)

EXTRACTS FROM TESTIMONY OF H. H. ROGERS

[Report of Special Committee on Railroads, New York Assembly, 1879.

Volume III, pages 2613–2618.]

\_Q.\_ Was your firm’s business sold out to the Standard Oil Company?

\_A.\_ I would like to have the question explained.

\_Q.\_ Was there a sale or transfer made of your business to the

Standard Oil Company, by which practically the Standard Oil Company

really controlled your business?

\_A.\_ I will answer this much of the question, by saying that the

Standard Oil Company does not practically control our business.

\_Q.\_ Do they control the rates at which your business gets the

transportation of oil?

\_A.\_ That I don’t know anything about; I don’t know anything about

the rates of transportation.

By the Chairman.

\_Q.\_ Was not your firm taken in with the Standard Oil Company upon

some agreed basis or arrangement, whether you regard it as a

purchase or transfer or not?

\_A.\_ We worked in harmony with the Standard Oil Company for a number

of years.

\_Q.\_ Upon an agreed basis of general business?

\_A.\_ Our interest was in common, to a certain extent.

\* \* \* \* \*

\_Q.\_ Has your firm any contract with the Standard Oil Company?

\_A.\_ That I cannot answer.

\_Q.\_ What member of your firm would be able to answer that?

\_A.\_ I think Mr. Pratt would, if he were here.

\_Q.\_ When was it that your firm began to work in harmony with the

Standard Oil Company?

\_A.\_ I cannot say exactly how long ago; seven or eight years ago we

got up a refining association here; that was the first, and then we

got up another, and we got up another, and we have always been

trying to get into some relations with all the refiners, so that we

might make some money out of the business.

\_Q.\_ Had you difficulty before you entered into relations with the

Standard Oil Company to make money out of the business?

\_A.\_ The competition was always very sharp, and there was always

some one that was willing to sell goods for less than they cost, and

that made the market price for everything; we got up an association,

and took in all the refiners until some of them went back on us, and

that would break up the association; we tried that two or three

times.

\_Q.\_ Then finally you entered the Standard Oil arrangement?

\_A.\_ Then we made an alliance or association with some of the

refiners about here, and it was more successful.

\_Q.\_ What are the refiners about here with whom that alliance was

made, and are they or are they not all of them covered by the

Standard Oil arrangement?

\_A.\_ They would come in and then they would go out; there is no

refiner that I know of, with one exception, about New York but what

has been in the association.

\_Q.\_ What are the refiners that are now in association of the

Standard Oil?

\_A.\_ The people that are working in harmony with us comprise about,

I should think, 90 or 95 per cent. of the refiners.

\_Q.\_ Now tell us their names, the leading ones.

\_A.\_ Some of the leading ones? The Standard Oil Company; Charles

Pratt and Company; the Sone and Fleming Manufacturing Company;

Warden, Frew and Company of Philadelphia; the Standard Oil Company

of Pittsburg; the Acme Oil Refining Company of Titusville; the

Imperial Refining Company of Oil City; the Baltimore United Oil

Company of Baltimore.

\* \* \* \* \*

\_Q.\_ You said that substantially 95 per cent. of the refiners were

in the Standard arrangement?

\_A.\_ I said 90 to 95 per cent. I thought were in harmony.

\_Q.\_ When you speak of their being in harmony with the Standard,

what do you mean by that?

\_A.\_ I mean just what harmony implies.

\_Q.\_ Do you mean that they have an arrangement with the Standard?

\_A.\_ If I am in harmony with my wife, I presume I am at peace with

her, and am working with her.

\_Q.\_ You are married to her, and you have a contract with her?

\_A.\_ Yes, sir.

\_Q.\_ Is that what you mean?

\_A.\_ Well, some people live in harmony without being married.

\_Q.\_ Without having a contract?

\_A.\_ Yes; I have heard so.

\_Q.\_ Now, which do you mean? Do you mean the people who are in the

Standard arrangement, and are in harmony with it, are married to the

Standard or in a state of freedom—celibacy?

\_A.\_ Not necessarily, so long as they are happy.

\_Q.\_ Is it the harmony that arises from a marriage contract?

\_A.\_ Not necessarily, so long as they are happy.

\_Q.\_ When you speak of their harmony, is it a relation of contract?

\_A.\_ I mean by harmony that if you and I agree to go on Wall Street

and buy a hundred shares of Erie at 33, and we agree to sell it out

together at 40, that is harmony. I mean just the same that way—if I

go into the Standard Oil office and conclude to buy some oil of them

and agree on a fair price to sell it out at, that is harmony.

\_Q.\_ Is that the harmony that you mean—that you gentlemen have

agreed between each other the rate at which you will buy and the

rate at which you will sell?

\_A.\_ Well, not going too far into detail, I would say that the

relations are very pleasant.

\_Q.\_ But we want the detail; we want precisely what that harmony is,

what it consists of, and what produces it.

\_A.\_ Well, is it a railroad abuse, or is it an abuse to be in

harmony with people?

\_Q.\_ No; it is not abuse to be in harmony; there are some kinds of

harmony that the law considers conspiracy.

\_A.\_ Well, I have heard so.

By the Chairman.

\_Q.\_ What we want to know is this: This Standard Oil Company in

itself is, as we understand it, a large organisation, not very

extensive, but is made so by contracts with various other

organisations, that are not a part of it, by their written contract

or verbal contract or understanding, or whatever you term it; we

want to know whether that is not the fact, and if that is not what

you refer to when you speak about working in harmony.

\_A.\_ Mr. Chairman, I want to give you all the information that is

necessary in this matter for your purposes, but it is a question in

my mind whether it is a proper thing for me, even if there is no

harm done by it, to divulge my business secrets.

\_Q.\_ We do not ask you for your secrets; we simply ask you the

general nature of this organisation.

\_A.\_ I have explained it, I think, to you quite as fully as I can.

NUMBER 52 (See page 2136)

THE TRUST AGREEMENT OF 1882

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3,112, pages 307–313.]

This agreement, made and entered upon this second day of January,

A.D. 1882, by and between all the persons who shall now or may

hereafter execute the same as parties thereto:

\_Witnesseth\_: I. It is intended that the parties to this agreement

shall embrace three classes, to wit:

1st. All the stockholders and members of the following corporations

and limited partnerships, to wit:

Acme Oil Company, New York; Acme Oil Company, Pennsylvania; Atlantic

Refining Company of Philadelphia; Bush and Company (limited); Camden

Consolidated Oil Company; Elizabethport Acid Works; Imperial

Refining Company (limited); Charles Pratt and Company; Paine, Abbett

and Company; Standard Oil Company, Ohio; Standard Oil Company,

Pittsburg; Smith’s Ferry Oil Transportation Company; Solar Oil

Company (limited); Sone and Fleming Manufacturing Company (limited).

Also, all the stockholders and members of such other corporations

and limited partnerships as may hereafter join in this agreement, at

the request of the trustees herein provided for.

2d. The following individuals, to wit:

W. C. Andrews, John D. Archbold, Lide K. Arter, J. A. Bostwick,

Benjamin Brewster, D. Bushnell, Thomas C. Bushnell, J. N. Camden,

Henry L. Davis, H. M. Flagler, Mrs. H. M. Flagler, John Huntington,

H. A. Hutchins, Charles F. G. Heye, A. B. Jennings, Charles

Lockhart, A. M. McGregor, William H. Macy, William H. Macy, Jr.,

estate of Josiah Macy, William H. Macy, Jr., executor, O. H. Payne,

A. J. Pouch, John D. Rockefeller, William Rockefeller, Henry H.

Rogers, W. P. Thompson, J. J. Vandergrift, William T. Wardwell, W.

G. Warden, Joseph L. Warden, Warden, Frew and Company, Louise C.

Wheaton, H. M. Hanna and George W. Chapin, D. M. Harkness, D. M.

Harkness, trustee, S. V. Harkness, O. H. Payne, trustee; Charles

Pratt, Horace A. Pratt, C. M. Pratt, Julia H. York, George H. Vilas,

M. R. Keith, trustees, George F. Chester.

Also, all such individuals as may hereafter join in the agreement at

the request of the trustees herein provided for.

3d. A portion of the stockholders and members of the following

corporations and limited partnerships, to wit:

American Lubricating Oil Company; Baltimore United Oil Company;

Beacon Oil Company; Bush and Denslow Manufacturing Company; Central

Refining Company of Pittsburg; Cheesborough Manufacturing Company;

Chess, Carley Company; Consolidated Tank Line Company; Inland Oil

Company; Keystone Refining Company; Maverick Oil Company; National

Transit Company; Portland Kerosene Oil Company; Producers’

Consolidated Land and Petroleum Company; Signal Oil Works (limited);

Thompson and Bedford Company (limited); Devoe Manufacturing Company;

Eclipse Lubricating Oil Company (limited); Empire Refining Company

(limited); Franklin Pipe Company (limited); Galena Oil Works

(limited); Galena Farm Oil Company (limited); Germania Mining

Company; Vacuum Oil Company; H. C. Van Tine and Company (limited);

Waters-Pierce Oil Company.

Also, stockholders and members (not being all thereof) of other

corporations and limited partnerships who may hereafter join in this

agreement at the request of the trustees herein provided for.

II. The parties hereto do covenant and agree to and with each other,

each in consideration of the mutual covenants and agreements of the

others, as follows:

1st. As soon as practicable a corporation shall be formed in each of

the following states, under the laws thereof, to wit, Ohio, New

York, Pennsylvania, New Jersey; provided, however, that instead of

organising a new corporation any existing charter and organisation

may be used for the purpose when it can advantageously be done.

2d. The purposes and powers of said corporations shall be to mine

for, produce, manufacture, refine, and deal in petroleum and all its

products, and all the materials used in such businesses, and

transact other business collateral thereto. But other purposes and

powers shall be embraced in the several charters such as shall seem

expedient to the parties procuring the charter, or, if necessary to

comply with the law, the powers aforesaid may be restricted and

reduced.

3d. At any time hereafter, when it may seem advisable to the

trustees herein provided for, similar corporations may be formed in

other states and territories.

4th. Each of said corporations shall be known as the Standard Oil

Company of (and here shall follow the name of the state or territory

by virtue of the laws of which said corporation is organised).

5th. The capital stock of each of said corporations shall be fixed

at such an amount as may seem necessary and advisable to the parties

organising the same, in view of the purpose to be accomplished.

6th. The shares of stock of each of said corporations shall be

issued only for money, property, or assets equal at a fair valuation

to the par value of the stock delivered therefor.

7th. All of the property, real and personal, assets and business of

each and all of the corporations and limited partnerships mentioned

or embraced in class first, shall be transferred to and vested in

the said several Standard Oil companies. All of the property,

assets, and business in or of each particular state shall be

transferred to and vested in the Standard Oil Company of that

particular state, and in order to accomplish such purpose the

directors and managers of each and all of the several corporations

and limited partnerships mentioned in class first are hereby

authorised and directed by the stockholders and members thereof (all

of them being parties to this agreement) to sell, assign, transfer,

convey, and make over, for the consideration hereinafter mentioned,

to the Standard Oil Company or companies of the proper state or

states, as soon as said corporations are organised and ready to

receive the same, all the property, real and personal, assets and

business of said corporations and limited partnerships. Correct

schedules of such property, assets, and business shall accompany

each transfer.

8th. The individuals embraced in class second of this agreement do,

each for himself, agree for the consideration hereinafter mentioned

to sell, assign, transfer, convey, and set over all the property,

real and personal, assets and business mentioned and embraced in

schedules accompanying such sale, and transfer to the Standard Oil

Company or companies of the proper state or states, as soon as the

said corporations are organised and ready to receive the same.

9th. The parties embraced in class third of this agreement do

covenant and agree to assign and transfer all of the stock held by

them in the corporations or limited partnerships herein named, to

the trustees herein provided for, for the consideration and upon the

terms hereinafter set forth. It is understood and agreed that the

said trustees and their successors may hereafter take the assignment

of stocks in the same or similar companies upon the terms herein

provided, and that whenever and as often as all the stocks of any

corporations or limited partnerships are vested in said trustees,

the proper steps may then be taken to have all the moneys, property,

real and personal, of such corporation or partnership assigned or

conveyed to the Standard Oil Company, of the proper state, on the

terms and in the mode herein set forth, in which event the trustees

shall receive stocks of the Standard Oil companies, equal to the

value of the money, property, and business assigned, to be held in

place of the stocks of the company or companies assigning such

property.

10th. The consideration for the transfer and conveyance of the

money, property, and business aforesaid to each or any of the

Standard Oil companies shall be stock of the respective Standard Oil

Company to which said transfer or conveyance is made, equal at par

value to the appraised value of the money, property, and business so

transferred. Said stock shall be delivered to the trustees

hereinafter provided for, and their successors, and no stock of any

of said companies shall ever be issued except for money, property,

or business, equal, at least, to the par value of the stock so

issued, nor shall any stock be issued by any of said companies for

any purpose, except to the trustees herein provided for, to be held

subject to the trusts hereinafter specified. It is understood,

however, that this provision is not intended to restrict the

purchase, sale, and exchange of property by said Standard Oil

companies as fully as they may be authorised to do by their

respective charters; provided only that no stock be issued therefor

except to said trustees.

11th. The consideration for any stocks delivered to said trustees,

as above provided for, as well as for stocks delivered to said

trustees by persons mentioned or included in class third of this

agreement, shall be the delivery by said trustees, to the persons

entitled thereto, of trust certificates hereinafter provided for,

equal at par value to the par value of the stocks of the said

several Standard Oil companies so received by said trustees and

equal to the appraised value of the stocks of other companies or

partnerships delivered to said trustees.

The said appraised value shall be determined in a manner agreed upon

by the parties in interest and said trustees.

It is understood and agreed, however, that the said trustees may,

with any trust funds in their hands, in addition to the mode above

provided, purchase the bonds and stocks of other companies engaged

in business similar or collateral to the business of said Standard

Oil companies on such terms and in such mode as they may deem

advisable, and shall hold the same for the benefit of the owners of

said trust certificates, and may sell, assign, transfer, and pledge

such bonds and stocks whenever they may deem it advantageous to said

trust so to do.

III. The trusts upon which said stock shall be held, and the number,

powers, and duties of said trustees shall be as follows:

1st. The number of trustees shall be nine.

2d. J. D. Rockefeller, O. H. Payne and William Rockefeller are

hereby appointed trustees, to hold their office until the first

Wednesday of April, A.D. 1885.

3d. J. A. Bostwick, H. M. Flagler and W. G. Warden are hereby

appointed trustees, to hold their office until the first Wednesday

of April, A.D. 1884.

4th. Charles Pratt, Benjamin Brewster and John Archbold are hereby

appointed trustees, to hold their office until the first Wednesday

of April, A.D. 1883.

5th. Elections for trustees to succeed those herein appointed shall

be held annually, at which election a sufficient number of trustees

shall be elected to fill all vacancies occurring either from

expiration of the term of the office of trustee or from any other

cause. All trustees shall be elected to hold their office for three

years, except those elected to fill a vacancy arising from any cause

except expiration of term, who shall be elected for the balance of

the term of the trustee whose place they are elected to fill. Every

trustee shall hold his office until his successor is elected.

6th. Trustees shall be elected by ballot by the owners of trust

certificates or their proxies. At all meetings the owners of trust

certificates, who may be registered as such on the books of the

trustees, may vote in person or by proxy, and shall have one vote

for each and every share of trust certificates standing in their

names, but no such owner shall be entitled to vote upon any share

which has not stood in his name thirty days prior to the day

appointed for the election. The transfer books may be closed for

thirty days immediately preceding the annual election. A majority of

the shares represented at such election shall elect.

7th. The annual meeting of the owners of said trust certificates for

the election of trustees, and for other business, shall be held at

the office of the trustees in the City of New York, on the first

Wednesday of April of each year, unless the place of meeting be

changed by the trustees, and said meeting may be adjourned from day

to day until its business is completed. Special meetings of the

owners of said trust certificates may be called by a majority of the

trustees, at such times and places as they may appoint. It shall

also be the duty of the trustees to call a special meeting of

holders of trust certificates whenever requested to do so by a

petition signed by the holders of ten per cent. in value of such

certificates. The business of such special meetings shall be

confined to the object specified in the notice given therefor.

Notice of the time and place of all meetings of the owners of trust

certificates shall be given by personal notice so far as possible,

and by public notice in one of the principal newspapers of each

state in which a Standard Oil Company exists, at least ten days

before such meeting. At any meeting, a majority in value of the

holders of trust certificates represented consenting thereto,

by-laws may be made, amended, and repealed relative to the mode of

the election of trustees, and other business of the holders of trust

certificates; provided, however, that said by-laws shall be in

conformity with this agreement. By-laws may also be made, amended,

and repealed at any meeting, by and with the consent of a majority

in value of the holders of trust certificates, which alter this

agreement relative to the number, powers, and duties of the

trustees, and to other matters tending to the more efficient

accomplishment of the objects for which the trust is created;

provided only, that the essential intents and purposes of this

agreement be not thereby changed.

8th. Whenever a vacancy occurs in the board of trustees, more than

sixty days prior to the annual meeting for the election of trustees,

it shall be the duty of the remaining trustees to call a meeting of

the owners of Standard Oil Trust certificates for the purpose of

electing a trustee or trustees to fill the vacancy or vacancies. If

any vacancy occurs in the board of trustees, from any cause, within

sixty days of the date of the annual meeting for the election of

trustees, the vacancy may be filled by a majority of the remaining

trustees, or, at their option, may remain vacant until the annual

election.

9th. If for any reason at any time a trustee or trustees shall be

appointed by any court to fill any vacancy or vacancies in said

board of trustees, the trustee or trustees so appointed shall hold

his or their respective office or offices only until a successor or

successors shall be elected in the manner above provided for.

10th. Whenever any change shall occur in the board of trustees, the

legal title to the stock and other property held in trust shall pass

to and vest in the successors of said trustees without any formal

transfer thereof. But if at any such time formal transfer shall be

deemed necessary or advisable, it shall be the duty of the board of

trustees to obtain the same, and it shall be the duty of any

retiring trustee, or the administrator or executor of any deceased

trustee, to make said transfer.

11th. The trustees shall prepare certificates which shall show the

interest of each beneficiary in said trust and deliver them to the

persons properly entitled thereto. They shall be divided into shares

of the par value of $100 each, and shall be known as the Standard

Oil Trust certificates, and shall be issued subject to all the terms

and conditions of this agreement. The trustees shall have power to

agree upon and direct the form and contents of said certificates and

the mode in which they shall be signed, attested, and transferred.

The certificates shall contain an express stipulation that the

holders thereof shall be bound by the terms of this agreement and by

the by-laws herein provided for.

12th. No certificates shall be issued except for stocks and bonds

held in trust as herein provided for, and the par value of

certificates issued by said trustees shall be equal to the par value

of the stocks of said Standard Oil Company and the appraised value

of other bonds and stocks held in trust. The various bonds, stocks,

and moneys held under said trust shall be held for all parties in

interest jointly, and the trust certificates so issued shall be the

evidence of the interest held by the several parties in this trust.

No duplicate certificates shall be issued by the trustees, except

upon surrender of the original certificate or certificates for

cancellation, or upon satisfactory proof of the loss thereof, and in

the latter case they shall require a sufficient bond of indemnity.

13th. The stocks of the various Standard Oil companies, held in

trust by said trustees, shall not be sold, assigned, or transferred

by said trustees, or by the beneficiaries, or by both combined, so

long as this trust endures. The stocks and bonds of other

corporations held by said trustees may be by them exchanged or sold

and the proceeds thereof distributed \_pro rata\_ to the holders of

trust certificates, or said proceeds may be held and reinvested by

said trustees for the purposes and uses of the trust; provided,

however, that said trustees may, from time to time, assign such

shares of stock of said Standard Oil Company as may be necessary to

qualify any person or persons chosen or to be chosen as directors

and officers of any of said Standard Oil companies.

14th. It shall be the duty of said trustees to receive and safely to

keep all interest and dividends declared and paid upon any of the

said bonds, stocks, and moneys held by them in trust, and to

distribute all moneys received from such sources or from sales of

trust property or otherwise by declaring and paying dividends upon

the Standard Trust certificates as funds accumulate which in their

judgment are not needed for the use and expenses of said trust. The

trustees shall, however, keep separate accounts of receipts from

interest and dividends, and of receipts from sales or transfers of

trust property, and in making any distribution of trust funds, in

which moneys derived from sales or transfers shall be included,

shall render the holders of trust certificates a statement showing

what amount of the fund distributed has been derived from such sales

or transfers. The said trustees may be also authorised and empowered

by a vote of a majority in value of holders of trust certificates,

whenever stocks or bonds have accumulated in their hands from moneys

purchases thereof, or the stocks or bonds held by them have

increased in value, or stock dividends shall have been declared by

any of the companies whose stocks are held by said trustees, or

whenever, from any such cause, it is deemed advisable so to do, to

increase the amount of trust certificates to the extent of such

increase or accumulation of values and to divide the same among the

persons then owning trust certificates \_pro rata\_.

15th. It shall be the duty of said trustees to exercise general

supervision over the affairs of said several Standard Oil companies,

and, as far as practicable, over the other companies or

partnerships, any portion of whose stock is held in said trust. It

shall be their duty, as stockholders of said companies, to elect as

directors and officers thereof faithful and competent men. They may

elect themselves to such positions when they see fit so to do, and

shall endeavour to have the affairs of all of said companies managed

and directed in the manner they may deem most conducive to the best

interests of the holders of said trust certificates.

16th. All the powers of the trustees may be exercised by a majority

of their number. They may appoint from their own number an executive

and other committees. A majority of each committee shall exercise

all the powers which the trustees may confer upon such committee.

17th. The trustees may employ and pay all such agents and attorneys

as they deem necessary in the management of said trust.

18th. Each trustee shall be entitled to a salary for his services

not exceeding $25,000 per annum, except the president of the board,

who may be voted a salary not exceeding $30,000 per annum, which

salaries shall be fixed by said board of trustees. All salaries and

expenses connected with or growing out of the trust shall be paid by

the trustees from the trust fund.

19th. The board of trustees shall have its principal office in the

City of New York, unless changed by a vote of the trustees, at which

office, or in some place of safe deposit in said city, the bonds and

stocks shall be kept. The trustees shall have power to adopt rules

and regulations pertaining to the meetings of the board, the

election of officers, and the management of the trust.

20th. The trustees shall render at each annual meeting a statement

of the affairs of the trust. If a termination of the trust be agreed

upon, as hereinafter provided, or within a reasonable time prior to

its termination by a lapse of time, the trustees shall furnish to

the holders of trust certificates a true and perfect inventory and

appraisement of all stocks and other property held in trust, and a

statement of the financial affairs of the various companies whose

stocks are held in trust.

21st. This trust shall continue during the lives of the survivors

and survivor of the trustees in this agreement named, and for

twenty-one years thereafter: provided, however, that if, at anytime

after the expiration of ten years, two-thirds of all the holders in

value, or if, after the expiration of one year, ninety per cent. of

all the holders in value of trust certificates, shall, at a meeting

of holders of trust certificates called for that purpose, vote to

terminate this trust at some time to be by them then and there

fixed, the said trust shall terminate at the date so fixed. If the

holders of trust certificates shall vote to terminate the trust as

aforesaid, they may, at the same meeting, or at a subsequent meeting

called for that purpose, decide by a vote of two-thirds in value of

their number the mode in which the affairs of the trust shall be

wound up, and whether the trust property shall be distributed, or

whether it shall be sold and the values thereof distributed; or

whether part, and, if so, what part, shall be divided and what part

shall be sold, and whether such sales shall be public or private.

The trustees, who shall continue to hold their offices for that

purpose, shall make the distribution in the mode directed; or, if no

mode be agreed upon by two-thirds in value, as aforesaid, the

trustees shall make distribution of the trust property according to

law. But said distribution, however made, and whether it be of

property or values, or of both, shall be just and equitable, and

such as to insure to each owner of a trust certificate his due

proportion of the trust property, or the value thereof.

22d. If the trust shall be terminated by expiration of the time for

which it is created, the distribution of the trust property shall be

directed and made in the mode above provided.

23d. This agreement, together with the registry of certificates,

books of accounts, and other books and papers connected with the

business of said trust, shall be safely kept at the principal office

of said trustees.

BENJ. BREWSTER; JNO. D. ARCHBOLD; J. A. BOSTWICK; CHAS. PRATT;

HENRY H. ROGERS; H. A. PRATT; C. M. PRATT; D. M. HARKNESS,

\_Trustee\_, by H. M. FLAGLER, \_Attorney\_; THOMAS C. BUSHNELL; W.

C. ANDREWS; CHAS. F. G. HEYE; WILLIAM T. WARDWELL; WM. H. MACY;

Estate of JOSIAH MACY, JR., WM. H. MACY, JR., \_Executor\_; WM. H.

MACY, JR.; A. M. MCGREGOR; J. N. CAMDEN, by H. M. FLAGLER,

\_Attorney\_; O. H. PAYNE, by H. M. FLAGLER, \_Attorney\_; GEO. F.

CHESTER, \_Trustee\_; GEO. H. VILAS, \_Trustee\_; W. G. WARDEN; H.

M. FLAGLER; JOHN D. ROCKEFELLER; WM. ROCKEFELLER; J. J.

VANDERGRIFT; Mrs. H. M. FLAGLER, by H. M. FLAGLER; A. J. POUCH;

O. B. JENNINGS; D. M. HARKNESS, by H. M. FLAGLER, \_Attorney\_; W.

P. THOMPSON, by H. M. FLAGLER, \_Attorney\_; S. V. HARKNESS, by H.

M. FLAGLER, \_Attorney\_; JOHN HUNTINGTON, by H. M. FLAGLER,

\_Attorney\_; LIDE K. ARTER, by H. M. FLAGLER, \_Attorney\_; H. M.

HANNA and GEO. W. CHAPIN, by H. M. FLAGLER, \_Attorney\_; LOUISE

C. WHEATON, by H. M. FLAGLER, \_Attorney\_; O. H. PAYNE,

\_Trustee\_, by H. M. FLAGLER, \_Attorney\_; CHAS. LOCKHART; JOS. L.

WARDEN, by HENRY L. DAVIS, \_Attorney\_; JULIA H. YORK, by H. M.

FLAGLER, \_Attorney\_; H. A. HUTCHINS, by H. M. FLAGLER,

\_Attorney\_; M. R. KEITH, \_Trustee\_; D. BUSHNELL; WARDEN, FREW

and COMPANY; HENRY L. DAVIS.

\_Whereas\_, in and by an agreement dated January 2, 1882, and known

as the Standard Trust agreement, the parties thereto did mutually

covenant and agree \_inter alia\_ as follows, to wit: That

corporations to be known as Standard Oil companies of various states

should be formed, and that all of the property, real and personal,

assets, and business of each and all of the corporations and limited

partnerships mentioned or embraced in class first of said agreement

should be transferred to and vested in the said several Standard Oil

companies; that all of the property, assets, and business in or of

each particular state should be transferred to and vested in the

Standard Oil company of that particular state, and the directors and

managers of each and all of the several corporations and

associations mentioned in class first were authorised and directed

to sell, assign, transfer, and convey, and make over to the Standard

Oil Company or companies of the proper state or states, as soon as

said corporations were organised and ready to receive the same, all

the property, real and personal, assets, and business of said

corporations or associations; and

\_Whereas\_, it is not deemed expedient that all of the companies and

associations mentioned should transfer their property to the said

Standard Oil companies at the present time, and in case of some

companies and associations it may never be deemed expedient that the

said transfers should be made and said companies and associations go

out of existence; and

\_Whereas\_, it is deemed advisable that a discretionary power should

be vested in the trustees as to when such transfer or transfers

should take place, if at all. Now, it is hereby mutually agreed

between the parties to the said trust agreement, and as

supplementary thereto, that the trustees named in the said agreement

and their successors shall have the power and authority to decide

what companies shall convey their said property as in said agreement

contemplated, and when the said sales and transfers shall take

place, if at all; and until said trustees shall so decide, each of

said companies shall remain in existence and retain its property and

business, and the trustees shall hold the stocks thereof in trust as

in said agreement provided. In the exercise of said discretion, the

trustees shall act by a majority of their number as provided in said

trust agreement. All portions of said trust agreement relating to

this subject shall be considered so changed as to be in harmony with

this supplemental agreement.

\_In Witness Whereof\_, the said parties have subscribed this

agreement, this fourth day of January, 1882.

BENJAMIN BREWSTER; JOHN D. ARCHBOLD; J. A. BOSTWICK; CHARLES

PRATT; HENRY H. ROGERS; H. A. PRATT; C. M. PRATT; D. M.

HARKNESS, \_Trustee\_; D. M. HARKNESS; T. C. BUSHNELL; W. C.

ANDREWS; CHARLES F. G. HEYE; WILLIAM T. WARDWELL; WILLIAM H.

MACY; Estate of JOSIAH MACY, JR., WILLIAM H. MACY, JR.,

\_Executor\_; WILLIAM H. MACY, JR.; A. M. MCGREGOR; J. N. CAMDEN;

JULIA H. YORK, by B. H. Y.; O. H. PAYNE; GEORGE F. CHESTER,

\_Trustee\_; M. R. KEITH, \_Trustee\_; H. M. FLAGLER; JOHN D.

ROCKEFELLER; WILLIAM ROCKEFELLER; J. J. VANDERGRIFT; Mrs. H. M.

FLAGLER, by H. M. FLAGLER; A. J. POUCH; O. B. JENNINGS; W. O.

THOMPSON; S. V. HARKNESS; JOHN HUNTINGTON; LIDE K. ARTER; H. M.

HANNA; GEORGE W. CHAPIN, H. M. HANNA, \_Attorney in Fact\_; LOUISE

C. WHEATON, by H. M. FLAGLER; O. H. PAYNE, \_Trustee\_; CHARLES

LOCKHART; JOSEPH L. WARDEN; HENRY L. DAVIS; W. G. WARDEN;

WARDEN, FREW and COMPANY; D. BUSHNELL; H. A. HUTCHINS; GEORGE H.

VILAS, \_Trustee\_.

NUMBER 53 (See page 2153)

LIST OF CONSTITUENT COMPANIES OF THE STANDARD OIL TRUST, WITH ASSETS AND

CAPITALISATION IN 1892

[From History of Standard Oil Case in the Supreme Court of Ohio,

1897–1898. Part I, page 112.]

ASSETS CAPITALISATION

Anglo-American Oil Co., Limited $6,913,639.49 $5,000,000

Atlantic Refining Co. 8,631,376.67 5,000,000

Buckeye Pipe Line Co. 7,941,038.15 10,000,000

Eureka Pipe Line Co. 1,547,055.16 5,000,000

Forest Oil Co. 3,528,813.11 5,500,000

Indiana Pipe Line Co. 2,014,053.91 1,000,000

National Transit Co. 25,796,712.97 25,455,200

New York Transit Co. 4,999,300.00 5,000,000

Northern Pipe Line Co. 707,067.00 1,000,000

Northwestern Ohio Natural Gas Co. 1,396,760.00 3,278,500

Ohio Oil Co. 8,260,378.04 2,000,000

Solar Refining Co. 711,793.87 500,000

Southern Pipe Line Co. 3,279,018.28 5,000,000

South Penn. Oil Co. 3,021,654.87 2,500,000

Standard Oil Co., Indiana 1,038,518.61 1,000,000

Standard Oil Co., Kentucky 3,604,800.78 1,000,000

Standard Oil Co., New Jersey 14,983,943.30 10,000,000

Standard Oil Co., New York 16,772,186.29 7,000,000

Standard Oil Co., Ohio 3,426,014.72 3,500,000

Union Tank Line Co. 3,057,187.41 3,500,000

———————————————

$121,631,312.63

Capitalisation twenty corporations 102,233,700.00

———————————————

Excess of assets over capitalisation $19,397,612.63

NUMBER 54 (See page 2154)

FORMS OF MR. ROCKEFELLER’S CERTIFICATE OF HOLDINGS IN THE STANDARD OIL

TRUST, WITH ASSIGNMENT OF LEGAL TITLE WHICH TOOK ITS PLACE IN 1892

[From History of Standard Oil Case in the Supreme Court of Ohio,

1897–1898. Part II, pages 53–56.]

KNOW ALL MEN BY THESE PRESENTS

That we, John D. Rockefeller, Henry M. Flagler, William Rockefeller,

John D. Archbold, Benjamin Brewster, Henry H. Rogers, Wesley H.

Tilford, and O. B. Jennings, Trustees, for winding up the Standard

Oil Trust, by W. H. Tilford, our Attorney in Fact, and John D.

Rockefeller, of ...., do hereby constitute and appoint John

Bensinger, of New York City, our true and lawful attorney for the

purposes following, to wit:

\_Whereas\_, John D. Rockefeller has placed in the hands of said

attorney assignment Number A 365 for 256,854/972,500 of the amount

of corporate shares held by said trustees on the first day of July,

1892, in each of the companies whose stocks were so held.

Now the said attorney is hereby authorised to secure from each of

said companies transfer upon their corporate books of said stock and

stock certificates for whole shares, and scrip for fractional shares

thereof, and when the said certificates and scrip are received from

all the companies referred to, the said attorney shall deliver the

same to John D. Rockefeller, and the said assignment Number A 365

shall at the same time be delivered to the said trustees.

And the said attorney hereby agrees to obtain the said certificates

and scrip and to deliver the same and the said assignment as above

specified.

(Signed in print) JOHN D. ROCKEFELLER,

HENRY M. FLAGLER,

WILLIAM ROCKEFELLER,

JOHN D. ARCHBOLD,

BENJAMIN BREWSTER,

HENRY H. ROGERS,

O. B. JENNINGS,

WESLEY H. TILFORD.

(Signed in ink) W. H. TILFORD, \_Attorney in Fact\_,

JOHN D. ROCKEFELLER, \_per\_ GEO. D. ROGERS,

JOHN BENSINGER.

Received from John Bensinger, Attorney aforesaid, stock certificates

and scrip as follows, being in full satisfaction of Assignment

Certificate No. A 365 aforesaid:

NAMES OF COMPANIES SHARES SCRIP

Anglo-American Oil Co., Limited 6867 465–9725

The Atlantic Refining Co. 13205 8375–9725

The Buckeye Pipe Line Co. 52823 4325–9725

The Eureka Pipe Line Co. 13205 8375–9725

Forest Oil Co. 14526 4350–9725

Indiana Pipe Line Co. 5282 3350–9725

National Transit Co. 134463 131316–9725

New York Transit Co. 13205 8375–9725

Northern Pipe Line Co. 2641 1675–9725

Northwestern Ohio Natural Gas Co. 8659 80890–9725

The Ohio Oil Co. 21129 3675–9725

The Solar Refining Co. 1320 5700–9725

Southern Pipe Line Co. 13205 8375–9725

South Penn. Oil Co. 6602 9056–9725

Standard Oil Co., Indiana 2641 1675–9725

Standard Oil Co., Kentucky 2641 1675–9725

Standard Oil Co., New Jersey 26411 7025–9725

Standard Oil Co., New York 18488 2000–9725

Standard Oil Co., Ohio 9244 1000–9725

Union Tank Line Co. 9244 1000–9725

(Signed in ink) JOHN D. ROCKEFELLER,

\_Per\_ GEO. D. ROGERS.

Received of John Bensinger, Attorney, Assignment

Certificate, Number....

(Signed in ink) JOHN D. ROCKEFELLER,

WILLIAM ROCKEFELLER,

BENJAMIN BREWSTER,

WESLEY H. TILFORD,

HENRY M. FLAGLER,

JOHN D. ARCHBOLD,

HENRY H. ROGERS,

O. B. JENNINGS.

By ..., \_Attorney in Fact\_.

11–3–92.

Number A 365. JOHN D. ROCKEFELLER.

Received from trustees to liquidate the Standard Oil Trust

assignment of legal title to 256,854/972,500 of the amount of

corporate stocks held by them in each of the corporations whose

stocks were so held on July 1, 1892, and I do hereby authorise and

direct the said trustees, or the survivor or survivors of them, to

receive from the respective companies and to pay over to me or my

assigns the dividends upon the stocks so assigned, and actual

transfer thereof is recorded upon the books of the respective

corporations.

(Signed) JOHN D. ROCKEFELLER,

\_Per\_ GEO. D. ROGERS.

There is pasted to this stub the original assignment of legal title

for the transfer of Mr. Rockefeller’s trust certificates into

corporate stock of the respective companies. This has been returned

and marked “cancelled” and attached to the original stub, and is as

follows:

Number A 365.

STANDARD OIL TRUST COMPANY

Assignment of Legal Title to Stocks Heretofore Represented by

256,854 shares.

\_Whereas\_, John D. Rockefeller is the owner of the equitable

title to 256,854/972,500 of the amount of corporate stocks held

by the trustees of the Standard Oil Trust in each of the several

corporations whose stocks were held by said trust on the first

day of July, A.D. 1892, which equitable ownership was

represented by 256,854 shares of Standard Oil Trust surrendered

for cancellation. Now, we, the trustees in whose names the legal

title to said stock stands, do hereby assign and transfer to

John D. Rockefeller and his assigns the legal title to the

aforesaid amount of the said stocks and authorise the proper

officers of the several corporations to transfer upon their

books and to issue corporate certificates for the required

amount of their respective capital stocks upon presentation and

cancellation of this assignment. The several corporations will

issue stock certificates for whole shares and scrip for

fractions of shares and upon presentation of fractional share

scrip sufficient for the purpose, certificates for whole shares

will be issued. When transfer of stock upon the corporate books

is desired by virtue of this assignment, it must be placed in

the hands of an attorney in fact, both for the assignee and the

undersigned trustees, and said attorney shall first obtain the

proper certificates and scrip from all the several companies,

and thereupon shall deliver the certificates to the trustees and

the stock certificates and scrip to the party or parties

entitled thereto.

(Signed in print) JOHN D. ROCKEFELLER,

WILLIAM ROCKEFELLER,

HENRY M. FLAGLER,

JOHN D. ARCHBOLD,

BENJAMIN BREWSTER,

HENRY H. ROGERS,

WESLEY H. TILFORD,

O. B. JENNINGS, \_Trustees\_.

(Signed in writing) H. M. FLAGLER, \_Secretary\_.

W. H. TILFORD, \_Attorney in Fact\_.

On the left-hand corner of this same certificate this indorsement

appears:

Cancelled November 7, 1892. Transfer Number 4833. Certificate

issued.

There appears on the back of this assignment of legal title the

following:

For value received, I hereby assign the corporate stocks mentioned

or referred to in the within assignment, and authorise their

transfer upon the respective corporate books to myself or my heirs.

(Signed in writing) JOHN D. ROCKEFELLER.

NUMBER 55 (See page 2160)

AGREEMENT OF 1887 BETWEEN THE STANDARD OIL COMPANY AND PRODUCERS

[Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3,112, pages 69–70.]

Memorandum of agreement, made this first day of November, 1887,

between the Standard Oil Company of New York and the following-named

persons, partnerships, and corporations, producers of crude

petroleum, Thomas W. Phillips and others, whose names will be found

in the schedule hereto attached and made part of this agreement, as

follows:

\_Whereas\_, there has accumulated in past years an excessive stock of

crude petroleum, which is deteriorating in quality, and a portion of

which each year becomes sediment, valueless for any purpose, and the

carrying of which excessive stock requires the expenditure of vast

sums annually; and

\_Whereas\_, in consequence of the existence of said stock the price

of crude petroleum has for the past year been largely below the cost

at which the same was produced; now, in order as far as possible to

preserve the said stock from further waste, and to conserve the

public interest and our own, this agreement \_witnesseth\_:

That the Standard Oil Company of New York will set apart at

sixty-two cents per barrel, and hold for the use of the above-named

producers and those who shall hereafter become parties to this

agreement, as hereinafter provided, 5,000,000 barrels of

merchantable crude petroleum, of forty-two gallons each, to be sold

and disposed of in the manner hereinafter provided. The said

5,000,000 barrels of petroleum to be subject, until sold by the said

producers, to the usual assessments, storage charges, and interest

upon the same, as also interest on the price of said petroleum, at

sixty-two cents per barrel; said assessments, charges, and interest

to be added to the price aforesaid.

In consideration of which the above-named producers agree to limit

their production of petroleum, that for the year next ensuing from

this date, they or any number of them shall, for said year,

collectively produce at least 17,500 barrels of crude petroleum less

per day than they or any number of them collectively produced per

day for the months of July and August, 1887, and that they will use

every reasonable endeavour to control their production so that the

same shall be in the aggregate 30,000 barrels less per day than it

was during the said period of July and August, 1887.

If at the end of three months from the date hereof the said

reduction of 17,500 barrels per day shall be attained, to be

measured by taking the average production of the above-named

producers for the months of December and January next, and comparing

the same with their average production for the months of July and

August, 1887, a statement of the same being hereto attached and made

part of this agreement, then the said 5,000,000 barrels of petroleum

shall be delivered as fast as the same shall be sold by, upon the

order, and for the account of said producers through their executive

committee appointed by agreement between themselves, and hereinafter

named, to be paid for with interest and storage as delivered; that

the profits aforesaid upon said 5,000,000 barrels of petroleum as

sold, in accordance with the provisions of this agreement, shall, by

said Standard Oil Company and said producers’ executive committee,

be deposited with the United States Trust Company in New York City,

until the expiration of one year from the date hereof, in trust, in

accordance with and subject to the provisions of this agreement; and

in case the above-named producers or any number of them shall not

have lessened their production 17,500 barrels per day for said year

as aforesaid, then all of said profits upon said 5,000,000 barrels

of petroleum shall belong and be paid to the Standard Oil Company of

New York; and in case the said above-named producers or any number

of them collectively shall have lessened their production 17,500

barrels per day for the said year as aforesaid, then the entire

profits aforesaid upon the 5,000,000 barrels of petroleum shall be

paid to said producers’ executive committee, to be by it distributed

in accordance with agreements between themselves to such of said

producers as have fulfilled the terms of this agreement, and all

agreements between themselves relating to such distributions.

The said producers are guaranteed by said Standard Oil Company of

New York against loss within said year upon said 5,000,000 barrels

of petroleum. The lessening of 17,500 barrels per day above provided

shall embrace and include any reduction or lessening of production

by producers who shall sign contracts not to use means to increase

their production by drilling or otherwise.

Producers may become parties to this agreement within the year the

contract is to operate by signing the agreement between producers

authorising the executive committee to sign this contract on their

behalf, and having their names added hereto as parties by said

executive committee.

The following-named persons constitute the executive committee above

referred to, to wit:

(Names omitted by consent of the chairman.)

NUMBER 56 (See page 2187)

JOHN D. ARCHBOLD’S STATEMENT TO THE INDUSTRIAL COMMISSION CONCERNING THE

STANDARD’S OPPOSITION TO THE BUILDING OF THE UNITED STATES PIPE LINE

[Report of the Industrial Commission, 1900. Volume I, page 529.]

Mr. Lee makes a statement regarding the difficulty of his pipe-line,

the United States Pipe Line, in crossing railroads and securing

right of way to the seaboard, and makes a general statement implying

that we have instituted and carried out great obstruction to their

progress. I want to make general denial of this statement. We have

not at any time had any different relations with reference to any

obstruction or effort at obstruction of their line than would attach

to any competitor in a line of business engaging against another.

With reference to the special features referred to by Mr. Lee, and

which he attempts, by implication at any rate, to connect us with,

in the crossing of the Delaware and Lackawanna Railroad in New

Jersey, I want to say that the contention in that respect was

entirely at the hands of the railroad, and not at our hands in any

possible respect. They went there surreptitiously and endeavoured to

force their way, on a Sunday, over a line where they had no right,

either by private purchase or by public franchise. Having

accomplished the crossing of the road in that surreptitious way,

they stationed there an armed force to prevent the railroad company

from asserting its rights and taking out their lines, and kept that

force there for a long period. The railroad went about it in a

peaceful way, in the courts, and the final result is that the

decision is against the line, after the case has been carried up

finally to the supreme court of the state, and they must, of course,

remove their line. But any statement on Mr. Lee’s part, or any other

witness, that we had anything to do with that matter, or with

reference to any of the difficulties interposed in their progress to

the seaboard, is absolutely false.

By Mr. Phillips.

\_Q.\_ Did your company own in fee simple the tract of ground, and was

a roadway reserved by the landholder? Was that purchased by them?

\_A.\_ It was not my case, and I am not conversant with the details

regarding it. The fact that, after having been fought in the

newspapers and in the courts for a term of years, seeking the

sympathy of the judges as well as the public, the supreme court of

the state has ruled against them, is the best evidence, I think,

that the right was against them. I want to say with reference to our

pipe lines, that we never endeavoured to cross any man’s right of

way without first seeing him about it.

\_Q.\_ Still, did they not go through the railroad on their own

ground, and was not this the final decision, that they had not the

right to lay a pipe line where a man had reserved a right of way

under the ground?

\_A.\_ It was not only decided that they had no right there, but they

were ordered to remove.

NUMBER 57 (See page 2194)

TABLES OF YEARLY AVERAGE PRICES OF CRUDE AND REFINED

[All quotations up to 1899 are from the Oil City Derrick; all

quotations for 1900–1903 are from the New York Commercial.]

TABLE OF YEARLY AVERAGE PRICE OF CRUDE

In the following table is presented the highest and lowest price of

oil, the months in which these quotations occurred, and the general

average for each year. The “average” as estimated is usually the

mean price between the highest and lowest quotation of a given time.

It is sufficiently accurate for general purposes of comparison. It

would be an almost impossible task to determine a “true average”

from the reports of the daily sales that are now on record. Previous

to 1875 the quotations are given for points along Oil Creek, and

they hardly represent what the producer actually realised for oil at

the wells. From 1875 onward the trading in oil was placed on a more

satisfactory basis by the general adoption of pipe-line

certificates, and the exchange quotations show very closely the

value of the oil at the wells. When the certificate was finally

purchased by the refiner, it was subject to a uniform charge for

pipage of the oil from the wells to the nearest shipping point.

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YEAR │ Highest │ Price │ Lowest │ Price │ Average

│ Month │ │ Month │ │

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1859 │Sept. │ $20.00 │Dec. │ $20.00 │ $20.00

1860 │Jan. │ 20.00 │Dec. │ 2.00 │ 9.60

1861 │Jan. │ 1.75 │Dec. │ .10 │ .52

1862 │Dec. │ 2.50 │Jan. │ .10 │ 1.05

1863 │Dec. │ 4.00 │Jan. │ 2.00 │ 3.15

1864 │July │ 14.00 │Feb. │ 3.75 │ 8.15

1865 │Jan. │ 10.00 │Aug. │ 4.00 │ 6.59

1866 │Jan. │ 5.50 │Dec. │ 1.35 │ 3.75

1867 │Oct. │ 4.00 │June │ 1.50 │ 2.40

1868 │July │ 5.75 │Jan. │ 1.70 │ 3.62½

1869 │Jan. │ 7.00 │Dec. │ 4.25 │ 5.60

1870 │Jan. │ 4.90 │Aug. │ 2.75 │ 3.90

1871 │June │ 5.25 │Jan. │ 3.25 │ 4.40

1872 │Oct. │ 4.55 │Dec. │ 2.67½│ 3.75

1873 │Jan. │ 2.75 │Nov. │ .82½│ 1.80

1874 │Feb. │ 2.25 │Nov. │ .62½│ 1.15

1875 │Feb. │ 1.82½│Jan. │ .75 │ 1.24¾

1876 │Dec. │ 4.23¾│Jan. │ 1.47½│ 2.57⅝

1877 │Jan. │ 3.69⅜│June │ 1.53¾│ 2.39⅜

1878 │Feb. │ 1.87½│Sept. │ .78¾│ 1.17⅛

1879 │Dec. │ 1.28¾│June │ .63⅛│ .85⅝

1880 │June │ 1.24¾│April │ .71¼│ .94⅛

1881 │Sept. │ 1.01¼│July │ .72½│ .85¾

1882 │Nov. │ 1.37 │July │ 0.49¼│ 0.78½

1883 │June │ 1.24¾│Jan. │ .83¼│ 1.05⅞

1884 │Jan. │ 1.15⅝│June │ .51¼│ .83⅝

1885 │Oct. │ 1.12⅝│Jan. │ .68 │ .88⅜

1886 │Jan. │ .92¼│Aug. │ .59¾│ .71⅜

1887 │Dec. │ .90 │July │ .54 │ .66⅝

1888 │Mar. │ 1.00 │June │ .71⅜│ .87

1889 │Nov. │ 1.12½│April │ .79½│ .94⅛

1890 │Jan. │ 1.07⅝│Dec. │ .60¾│ .86⅝

1891 │Feb. │ .81⅜│Aug. │ .50 │ .66⅞

1892 │Jan. │ .64⅛│Oct. │ .50 │ .55½

1893 │Dec. │ .80 │Jan. │ .52⅞│ .64

1894 │Dec. │ .95¾│Jan. │ .78½│ .83¾

1895 │April │ 2.60 │Jan. │ .95¼│ 1.35¼

1896 │Jan. │ 1.50 │Dec. │ .90 │ 1.19

1897 │Mar. │ .96 │Oct. │ .65 │ .78⅜

1898 │Dec. │ 1.19 │Jan. │ .65 │ .91⅛

1899 │Dec. │ 1.66 │Feb. │ 1.13 │ 1.29⅜

1900 │Mar. │ 1.68 │Nov. │ 1.07 │ 1.35¼

1901 │Nov. │ 1.30 │June │ 1.05 │ 1.21½

1902 │Dec. │ 1.44½│Mar. │ 1.15 │ 1.23

1903 │Dec. │ 1.88 │Mar. │ 1.50 │ 1.58¾

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TABLE OF YEARLY AND MONTHLY AVERAGE PRICE OF REFINED

In the following table is given the average monthly and yearly

prices of refined oil per gallon, in barrels, in New York, from

January, 1863, to December, 1903. During the years when a tax was

levied on this article of domestic production the quotations do not

include the tax:

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│1863│1864│1865│1866│1867│1868│1869│1870│1871│1872

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Jan. │.40 │.46⅝│.70 │.57⅞│.31 │.24¾│.34⅛│.31⅜│.24⅝│.22⅝

Feb. │.38¼│.47⅛│.67¼│.48⅝│.28¼│.25 │.36⅜│.29⅞│.25⅛│.21¾

March │.34¾│.49⅛│.58¾│.41⅞│.27½│.25¾│.32⅛│.27 │.24⅛│.22⅝

April │.33¼│.54⅛│.52⅞│.40⅛│.27 │.26¼│.32¼│.26½│.23¼│.21¾

May │.39½│.59½│.51⅛│.43 │.26¾│.29⅝│.31½│.27½│.24⅝│.23⅜

June │.44½│.72 │.51½│.41⅞│.24¾│.31⅜│.31 │.27 │.25¾│.23

July │.49 │.86⅛│.52⅛│.39½│.30⅞│.34¼│.32¼│.26 │.25¾│.22⅜

Aug. │.53½│.84⅞│.52 │.44⅜│.29¼│.33 │.32½│.25 │.24⅜│.22⅜

Sept. │.58 │.75 │.58¼│.44⅝│.31¾│.31 │.32¼│.26⅛│.24⅛│.24⅛

Oct. │.52½│.63¾│.61¾│.40⅝│.34½│.30 │.32⅞│.24⅝│.23¾│.26

Nov. │.41½│.70 │.62⅝│.35¾│.27½│.30⅞│.34 │.23 │.22⅜│.27

Dec. │.46½│.72¾│.65¼│.31¼│.24¾│.32¼│.31⅛│.23 │.23 │.26

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Yearly │ │ │ │ │ │ │ │ │ │

average│.44¾│.64¾│.58¾│.42½│.28⅜│.29⅛│.32¾│.26⅜│.24¼│.23⅝

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│1873│1874│1875│1876│1877│1878│1879│1880│1881│1882

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Jan. │.22⅛│.13½│.12⅜│.14⅛│.24 │.12⅛│ 9 │ 7⅞│ 9¼│ 7

Feb. │.19⅝│.15 │.14 │.14¼│.18⅝│ 12¼│ 9⅜│ 7⅞│ 9¼│ 7⅜

March │.19 │.14⅞│.15 │.14½│.16 │.11⅝│ 9¼│ 7¾│ 8½│ 7⅜

April │.20 │.15⅝│.13⅞│.14 │.15¾│.11⅜│ 9⅛│ 7⅝│ 7¾│ 7⅜

May │.19¾│.13⅞│.12¾│.14⅞│.14½│.11¼│ 8½│ 7⅝│ 8 │ 7½

June │.19 │.12⅞│.12⅝│.14¾│.13¾│.11¼│ 7½│ 9⅝│ 8⅛│ 7½

July │.18⅛│.12⅛│.11½│.16⅞│.13⅜│.10¾│ 6¾│ 9⅞│ 7⅞│ 6¾

Aug. │.16½│.11¾│.11¼│.19⅞│.13⅝│.10⅞│ 6⅝│ 9 │ 7¾│ 6⅞

Sept. │.16½│.12⅛│.12¾│.26 │.14½│.10¼│ 6⅞│ 10⅝│ 8 │ 7½

Oct. │.16¼│.11⅞│.14⅛│.26 │.14⅝│ 9⅝│ 7½│ 12 │ 7¾│ 8

Nov. │.14⅛│.10¾│.13 │.26¼│.13¼│ 9⅛│ 8 │ 10½│ 7½│ 8¼

Dec. │.13½│.11¼│.12¾│.29⅜│.13⅛│ 8⅝│ 8⅝│ 9½│ 7⅛│ 7⅝

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Yearly │ │ │ │ │ │ │ │ │ │

average│.18¼│.13 │.13 │.19⅛│.15¾│.10¾│ 8⅛│ 9⅛│ 8 │ 7⅜

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APPENDIX, NUMBER LVII

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│1883│1884│1885│1886│1887│1888│1889│1890│1891│1892│

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Jan. │ 7¾│ 9⅜│ 7¾│ 7¾│ 6¾│ 7¾│ 7 │ 7½│7.42│6.45│

Feb. │ 7⅞│ 9⅛│ 7¾│ 7⅝│ 6⅝│ 7¾│ 7⅛│ 7½│7.48│6.42│

March │ 8 │ 8½│ 8 │ 7⅜│ 6⅝│ 7¾│ 7 │ 7¼│7.31│6.32│

April │ 8¼│ 8⅝│ 7⅞│ 7⅜│ 6⅝│ 7⅜│ 6⅞│ 7⅛│7.18│6.10│

May │ 7⅞│ 8½│ 7¾│ 7¼│ 6¾│ 7½│ 6⅞│ 7¼│7.20│6.06│

June │ 8 │ 8⅛│ 8 │ 7⅛│ 6⅝│ 7⅛│ 6⅞│ 7⅛│7.13│6.00│

July │ 7⅝│ 7⅞│ 8¼│ 7 │ 6½│ 7¼│ 7¼│ 7⅛│7.02│6.00│

Aug. │ 7⅞│ 8 │ 8⅜│ 6¾│ 6½│ 7⅝│ 7¼│ 7¼│6.70│6.08│

Sept. │ 8⅛│ 7⅞│ 8⅜│ 6⅝│ 6¾│ 7¾│ 7⅛│ 7⅜│6.42│6.10│

Oct. │ 8⅜│ 7⅞│ 8½│ 6¾│ 6¾│ 7⅝│ 7⅛│ 7½│6.45│6.03│

Nov. │ 8¾│ 7⅞│ 8½│ 6⅞│ 7 │ 7¼│ 7½│ 7½│6.40│5.80│

Dec. │ 9⅛│ 7¾│ 8 │ 6⅞│ 7¼│ 7¼│ 7½│ 7¼│6.44│5.45│

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Yearly │ │ │ │ │ │ │ │ │ │ │

average│ 8⅛│ 8¼│ 8⅛│ 7⅛│ 6¾│ 7½│ 7⅛│ 7⅜│6.93│6.07│

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│1893│1894│1895│1896│1897│1898│1899│1900│1901│1902│1903

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Jan. │5.33│5.15│5.87│7.85│6.13│5.40│7.43│9.90│7.58│7.20│8.27

Feb. │5.30│5.15│6.00│7.35│6.26│5.48│7.40│9.90│7.81│7.20│8.20

March │5.34│5.15│6.75│7.40│6.36│5.82│7.33│9.90│8.00│7.20│8.21

April │5.52│5.15│9.12│7.00│6.13│5.67│7.05│9.51│7.68│7.30│8.35

May │5.20│5.15│8.20│6.75│6.23│6.00│7.01│8.98│7.04│7.40│8.47

June │5.21│5.15│7.83│6.85│6.14│6.16│7.20│7.88│6.90│7.40│8.55

July │5.15│5.15│7.65│6.55│5.87│6.27│7.61│7.90│7.15│7.40│8.55

Aug. │5.18│5.15│7.10│6.65│5.75│6.44│7.82│8.05│7.50│7.21│8.55

Sept. │5.15│5.15│7.10│6.85│5.74│6.60│8.63│7.98│7.50│7.20│8.55

Oct. │5.15│5.15│7.10│6.90│5.55│7.21│9.00│7.48│7.65│7.26│9.01

Nov. │5.15│5.15│7.88│7.15│5.40│7.35│9.40│7.33│7.65│7.71│9.36

Dec. │5.15│5.61│7.77│6.35│5.40│7.40│9.85│7.28│7.43│8.12│9.45

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Yearly │ │ │ │ │ │ │ │ │ │ │

average│5.24│5.19│7.36│6.98│5.91│6.32│7.98│8.50│7.49│7.38│8.62

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NOTE.—In the above tables the quotations down to 1890, inclusive,

are noted in cents and fractional parts of a cent; from 1891 to 1903

the prices are given in cents and decimal parts of a cent, \_i.e.\_,

7.42 signifies seven and forty-two hundredths cents, and 9⅜ means

nine and three eighths cents per gallon. The above are New York

quotations in barrels; bulk oil is generally 2.50c. below these

prices. Philadelphia and Baltimore quotations are five points below

New York; for instance, if New York price was 5.75c., the

Philadelphia and Baltimore price would be 5.70c.

NUMBER 58 (See page 2225)

JOHN D. ARCHBOLD’S STATEMENT ON THE PRICES THE STANDARD RECEIVES FOR

REFINED OIL

[Report of the Industrial Commission, 1900. Volume I, pages

569–570.]

\_Q.\_ Now, the general result then is this: By virtue of your greater

power you are enabled to secure prices that on the whole could be

considered steadily somewhat above competitive rates?

\_A.\_ Well, I hope so. I think we have better merchandising

facilities, better marketing facilities, better distributing

facilities, and better talent than a competitor can have.

\_Q.\_ I am not asking with reference to your power of making profits,

but it is with reference to getting the prices from the consumer.

\_A.\_ Prices are what make the profit. If we had a better average

price, we could get a better profit.

\_Q.\_ You think, generally speaking, that you get prices for oil

slightly above competitive prices?

\_A.\_ Well, I should think so; I could not answer—that is a very

general question, and very difficult to answer. I could not answer

that specifically. I hope that we do.

\_Q.\_ Of course, in this investigation, we are seeing if we can get

some general principles on which legislation might be based, and

these questions are to bring out, if we can, the power that so great

an organisation has in fixing prices. Would you say, then, that in

the case of an organisation that controls perhaps eighty per cent.

of the markets of the country, there is a monopolistic element that

enters in which enables them to hold prices above the regular rate?

Is there a monopolistic power that comes merely from the power of

capital itself?

\_A.\_ Undoubtedly, there is an ability, and when that ability, as I

have said, is unwisely used, it is sure to bring its own defeat.

\_Q.\_ If that ability goes to get an exorbitant price, of course it

will invite competition, but when that ability is kept within modest

limits, would you still say that it was in the power of such an

organisation to get the benefit of the monopolistic power that comes

merely from the power of capital itself?

\_A.\_ Well, I should say that that would be a very restricted power,

a very restricted limit. The competitors in this country are very

active.

\_Q.\_ What?

\_A.\_ The competitors are very active; they are alert at all points

with their small offerings in the hope to find just such a condition

as you describe.

\_Q.\_ Certainly.

\_A.\_ But as I say, as business is and as it has been for many years,

we could not have that ability to any considerable extent as

merchants.

\_Q.\_ If the ability were operative only to a slight extent, would it

still be enough, do you think, to make a difference between what we

may call a moderate dividend, say 6 or 7 per cent., and a pretty

high dividend of between 15 and 20 per cent.?

\_A.\_ Well, that involves so nice a question that I could hardly

undertake to answer it; but generally as to the effect on the

community, I should say——

\_Q.\_ Generally on the prices in the United States?

\_A.\_ I should say that the lessened cost incident to doing business

in a large volume would more than compensate the consumer for any

ability in getting higher prices.

\_Q.\_ Then that leads to this point, whether the large capital does

itself give an organisation the power to get a somewhat higher price

than it could in the market provided the competitors were

substantially equal in power?

\_A.\_ Oh, it may be so, but that is a difficult question to answer.

NUMBER 59 (See page 2254)

W. H. VANDERBILT’S CHARACTERISATION OF STANDARD OIL MEN

[Report of the Special Committee on Railroads, New York Assembly,

1879. Volume II, pages 1668–1669.]

\_Q.\_ Can you attribute, or do you attribute, in your own mind, the

fact of there being one refiner instead of fifty, now, to any other

cause except the larger capital of the Standard Oil Company?

\_A.\_ There are a great many causes; it is not from their capital

alone that they have built up this business; there is no question

about it but that these men—and if you come in contact with them I

guess you will come to the same conclusion I have long ago—I think

they are smarter fellows than I am, a good deal; they are very

enterprising and smart men; never came in contact with any class of

men as smart and able as they are in their business, and I think a

great deal is to be attributed to that.

\_Q.\_ Would that alone monopolise a business of that sort?

\_A.\_ It would go a great way toward building it up; they never could

have got in the position they are in now without a great deal of

ability, and one man would hardly have been able to do it; it is a

combination of men.

\_Q.\_ Wasn’t it a combination that embraced the smart men in the

railways, as well as the smart men in the Standard Company?

\_A.\_ I think these gentlemen from their shrewdness have been able to

take advantage of the competition that existed between the railroads

for their business, as it grew, and that they have availed

themselves of that there is not a question of doubt.

\_Q.\_ Don’t you think they have also been able to make their

affiliations with railroad companies and railroad officers?

\_A.\_ I have not heard it charged that any railway official has any

interest in any of their companies, only what I used to see in the

papers some years ago, that I had an interest in it.

\_Q.\_ Your interest in your railway is so large a one that nobody

would conceive, as a matter of personal interest, that you would

have an interest antagonistic to your road?

\_A.\_ When they came to do business with us in any magnitude; that is

the reason I disposed of my interest.

\_Q.\_ And that is the only way you can account for the enormous

monopoly that has thus grown up?

\_A.\_ Yes; they are very shrewd men; I don’t believe that by any

legislative enactment or anything else through any of the states or

all of the states, you can keep such men as them down; you can’t do

it; they will be on top all the time; you see if they are not.

\_Q.\_ You think they get on top of the railways?

\_A.\_ Yes; and on top of everybody that comes in contact with them;

too smart for me.

NUMBER 60 (See page 2259)

FAC-SIMILE OF ONE OF MR. KEMPER’S SHARES

[From History of Standard Oil Case in Supreme Court of Ohio,

1897–1898. Part II, page 271.]

No. S. 11

509,104/972,500 Incorporated under the Whole Shares

of one share. laws of the State of $50 each.

Pennsylvania.

NATIONAL TRANSIT COMPANY

This certifies that J. L. Kemper is the owner of Five Hundred Nine

Thousand One Hundred and Four 972,500ths of one share of stock in

the National Transit Company. The holder or assignee of this Scrip

will be entitled to a Certificate of Stock, and to have his name

entered on the corporate books as a stockholder, on presentation of

sufficient fractional Scrip to entitle him to one full share.

\_Witness\_ the corporate seal of said Company, attested by the

signatures of its President and Treasurer at Philadelphia, Pa., this

20th day of February, 1896.

H. H. ROGERS,

\_President\_.

GEO. W. COLTON

\_Treasurer\_.

[Seal]

[On the reverse side.]

\_For value received\_ .... hereby sell, assign, and transfer

unto .... 972,500ths of one share of the Capital Stock represented

by the within Certificate of Scrip, and do hereby irrevocably

constitute and appoint .... Attorney to transfer the said Scrip on

the books of the within named company, with full power of

substitution in the premises.

Dated, ......

J. L. KEMPER.

In the presence of HARWOOD R. POOL.

NOTICE.—The signatures to this assignment must correspond with the

name as written upon the face of the certificate in every

particular, without alteration or enlargement or any change

whatever.

NUMBER 61

GENERAL BALANCE SHEET, STANDARD OIL INTERESTS, DECEMBER 31, 1896

[In the case of James Corrigan \_vs.\_ John D. Rockefeller in the

Court of Common Pleas, Cuyahoga County, Ohio, 1897.]

─────────────────┬──────────────────────────────────────────────┬──────────────

│ ASSETS │ NOMINAL

│ │ LIABILITIES

─────────────────┼──────────────┬───────────────┬───────────────┼──────────────

│ │ │ │

│ Plant │ Other Assets │ Total │ Liabilities

─────────────────┼──────────────┼───────────────┼───────────────┼──────────────

Anglo-American │ │ │ │

Oil Co., Lim. │ $6,111,436.75│ $10,877,942.53│ $16,989,379.28│ $8,997,759.61

Atlantic Refining│ │ │ │

Co. │ 4,879,636.08│ 6,637,750.39│ 11,517,386.47│ 357,691.56

Buckeye Pipe Line│ │ │ │

Co. │ 4,559,213.27│ 8,593,413.44│ 13,152,626.71│ 302,998.58

Eureka Pipe Line │ │ │ │

Co. │ 1,489,533.37│ 5,050,615.30│ 6,540,148.67│ 352,320.90

Forest Oil │ │ │ │

Company │ 4,236,370.10│ 800,482.59│ 5,036,852.69│ 198,645.38

Indiana Pipe Line│ │ │ │

Co. │ 992,426.01│ 2,222,381.90│ 3,214,807.91│ 7,821.80

National Transit │ │ │ │

Co. │ 6,800,056.66│ 42,529,353.39│ 49,329,410.05│ 23,296,866.66

New York Transit │ │ │ │

Co. │ 1,860,334.55│ 5,171,303.80│ 7,031,638.35│ 202,139.33

Northern Pipe │ │ │ │

Line Co. │ 639,001.65│ 583,766.46│ 1,222,768.11│ 44,161.69

N. W. Ohio Nat. │ │ │ │

Gas. Co. │ 118,679.71│ 204,480.33│ 323,160.04│ 11,384.76

│ │ │ │

Ohio Oil Co., The│ 4,832,307.19│ 310,705.42│ 5,143,012.61│ 326,923.43

Solar Refining │ │ │ │

Co., The │ 537,797.54│ 1,323,374.92│ 1,861,172.46│ 298,137.91

Southern Pipe │ │ │ │

Line Co. │ 1,527,175.80│ 2,074,374.05│ 3,601,549.85│ 66,929.31

South Penn Oil │ │ │ │

Co. │ 11,300,603.72│ 1,735,979.54│ 13,036,583.26│ 1,278,580.96

Standard Oil Co.,│ │ │ │

Indiana │ 3,105,001.95│ 4,918,025.18│ 8,023,027.13│ 3,372,518.91

Standard Oil Co.,│ │ │ │

Kentucky │ 474,352.83│ 4,236,638.24│ 4,710,991.07│ 49,835.90

Standard Oil Co.,│ │ │ │

New Jersey │ 5,469,277.44│ 13,864,446.39│ 19,333,723.83│ 2,396,607.81

Standard Oil Co.,│ │ │ │

New York │ 4,957,545.26│ 56,822,284.95│ 61,779,830.21│ 48,919,899.34

Standard Oil Co.,│ │ │ │

Ohio │ 1,166,013.90│ 2,752,274.01│ 3,918,287.91│ 1,013,373.13

Union Tank Line │ │ │ │

Co. │ 2,615,594.64│ 340,563.75│ 2,956,158.39│ 11,653.38

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Total Plant │$67,672,358.42│ │ │

Other Assets │ │$171,050,156.58│ │

Total Assets │ │ │$238,722,515.00│

Less Actual │ │ │ │

Liabilities │ │ │ │$91,506,250.35

Total Net Value │ │ │ │

Capital Stock │ │ │ │

Total Undivided │ │ │ │

Profits │ │ │ │

Total Capital and│ │ │ │

Surplus │ │ │ │

Other Assets S. │ │ │ │

O. Trust │ │ │ │

│ │ │ │

│ │ │ │

─────────────────┴──────────────┴───────────────┴───────────────┴──────────────

─────────────────┬─────────────────────────────────────────────────────────────

│ NOMINAL LIABILITIES

─────────────────┼───────────────┬──────────────┬──────────────┬───────────────

│ │ │ Surplus or │

│ Net Value │Capital Stock │ Impairment. │ Net Value

─────────────────┼───────────────┼──────────────┼──────────────┼───────────────

Anglo-American │ │ │ │

Oil Co., Lim. │ $7,991,619.67│ $2,530,666.66│ $5,460,953.01│

Atlantic Refining│ │ │ │

Co. │ 11,159,694.91│ 5,000,000.00│ 6,159,694.91│

Buckeye Pipe Line│ │ │ │

Co. │ 12,849,628.13│ 10,000,000.00│ 2,849,628.13│

Eureka Pipe Line │ │ │ │

Co. │ 6,187,827.77│ 5,000,000.00│ 1,187,827.77│

Forest Oil │ │ │ │

Company │ 4,838,207.31│ 5,500,000.00│ 661,792.69│

Indiana Pipe Line│ │ │ │

Co. │ 3,206,986.11│ 1,000,000.00│ 2,206,986.11│

National Transit │ │ │ │

Co. │ 26,032,543.39│ 25,455,200.00│ 577,343.39│

New York Transit │ │ │ │

Co. │ 6,829,499.02│ 5,000,000.00│ 1,829,499.02│

Northern Pipe │ │ │ │

Line Co. │ 1,178,606.42│ 1,000,000.00│ 178,606.42│

N. W. Ohio Nat. │ │ │ │

Gas. Co. │ 311,775.28│ 1,967,100.00│ 1,655,324.72│

│ │ │ │

Ohio Oil Co., The│ 4,816,089.18│ 2,000,000.00│ 2,816,089.18│

Solar Refining │ │ │ │

Co., The │ 1,563,034.55│ 500,000.00│ 1,063,034.55│

Southern Pipe │ │ │ │

Line Co. │ 3,534,620.54│ 5,000,000.00│ 1,465,379.46│

South Penn Oil │ │ │ │

Co. │ 11,758,002.30│ 2,500,000.00│ 9,258,002.30│

Standard Oil Co.,│ │ │ │

Indiana │ 4,650,508.22│ 1,000,000.00│ 3,650,508.22│

Standard Oil Co.,│ │ │ │

Kentucky │ 4,661,155.17│ 1,000,000.00│ 3,661,155.17│

Standard Oil Co.,│ │ │ │

New Jersey │ 16,937,116.02│ 10,000,000.00│ 6,937,116.02│

Standard Oil Co.,│ │ │ │

New York │ 12,859,930.87│ 7,000,000.00│ 5,859,930.87│

Standard Oil Co.,│ │ │ │

Ohio │ 2,904,914.78│ 3,500,000.00│ 595,085.22│

Union Tank Line │ │ │ │

Co. │ 2,944,505.01│ 3,500,000.00│ 555,494.99│

─────────────────┼───────────────┼──────────────┼──────────────┼───────────────

Total Plant │ │ │ │

Other Assets │ │ │ │

Total Assets │ │ │ │

Less Actual │ │ │ │

Liabilities │ │ │ │

Total Net Value │$147,216,264.65│ │ │

Capital Stock │ │$98,452,966.66│ │

Total Undivided │ │ │ │

Profits │ │ │$48,763,297.99│

Total Capital and│ │ │ │

Surplus │ │ │ │$147,216,264.65

Other Assets S. │ │ │ │

O. Trust │ │ │ │ 4,135.25

│ │ │ │———————————————

│ │ │ │$147,220,399.90

─────────────────┴───────────────┴──────────────┴──────────────┴───────────────

NUMBER 62 (See page 2267)

AMENDED CERTIFICATE OF INCORPORATION OF THE STANDARD OIL COMPANY OF NEW

JERSEY

\_Resolved\_, That it is advisable to alter the charter of this

company to read as below stated, and that a meeting of the

stockholders be called to meet at the principal office of the

company in Bayonne, N. J., on the fourteenth day of June, 1899, at

11 A.M., to take action hereon, notice of such meeting to be signed

by the president and secretary and given to each stockholder in

person or mailed to his proper post-office address at least ten days

previous to the time of meeting as provided by the by-law.

\_First.\_—The name of the corporation is STANDARD OIL COMPANY.

\_Second.\_—The location of the principal office in the State of New

Jersey is at the company’s refinery, in the City of Bayonne, County

of Hudson. The name of the agent therein and in charge thereof, and

upon whom process against this company may be served, is J. H.

Alexander.

\_Third.\_—The objects for which this company is formed are: To do all

kinds of mining, manufacturing, and trading business; transporting

goods and merchandise by land or water in any manner; to buy, sell,

lease, and improve lands; build houses, structures, vessels, cars,

wharves, docks, and piers; to lay and operate pipe-lines; to erect

and operate telegraph and telephone lines and lines for conducting

electricity; to enter into and carry out contracts of every kind

pertaining to its business; to acquire, use, sell, and grant

licenses under patent rights; to purchase or otherwise acquire,

hold, sell, assign and transfer shares of capital stock and bonds or

other evidences of indebtedness of corporations, and to exercise all

the privileges of ownership including voting upon the stocks so

held; to carry on its business and have offices and agencies

therefor in all parts of the world, and to hold, purchase, mortgage,

and convey real estate and personal property outside the State of

New Jersey.

\_Fourth.\_—The total authorised stock of the corporation is One

Hundred and Ten Million Dollars, divided into One Million and One

Hundred Thousand shares of the par value of One Hundred Dollars

each. Of said stock the One Hundred Thousand shares now issued and

existing shall be preferred stock, and the increase of One Million

shares shall be common stock. Said preferred stock shall entitle the

holder thereof to receive out of the net earnings a dividend of and

not exceeding one and one-half per cent. quarterly before any

dividend shall be paid on the common stock. Common stock may at the

discretion of the company be issued in exchange for preferred stock,

and all preferred stock so received by the company shall be

cancelled. Common stock may also be issued in payment for such

property as the company has authority to purchase. Holders of

preferred and of common stocks shall have like voting power.

\_Fifth.\_—The names and post-office addresses of the incorporators

and the number of shares subscribed for by each shall remain as set

forth in the original certificate of incorporation.

\_Sixth.\_—The duration of the corporation shall be unlimited.

\_Seventh.\_—The corporation may use and apply its surplus earnings,

or accumulated profits authorised by law to be reserved, to the

purchase or acquisition of property, and to the purchase or

acquisition of its own capital stock from time to time, to such

extent and in such manner and upon such terms as its Board of

Directors shall determine; and neither the property nor the capital

stock so purchased or acquired, nor any of its capital stock taken

in payment or satisfaction of any debt due to the corporation, shall

be regarded as profits for the purpose of declaration or payment of

dividends, unless otherwise determined by a majority of the Board of

Directors, or a majority of the stockholders.

The corporation, in its by-laws, may prescribe the number necessary

to constitute a quorum of the Board of Directors which may be less

than a majority of the whole number.

The number of directors at any time may be increased or diminished

by vote of the Board of Directors, and in case of any such increase

the Board of Directors shall have power to elect such additional

directors, to hold office until the next meeting of stockholders, or

until their successors shall be elected.

The Board of Directors shall have power to make, alter, amend, and

rescind the by-laws of the corporation, to fix the amount to be

reserved as working capital, to authorise and to cause to be

executed mortgages and liens upon the real and personal property of

the corporation, and from time to time to sell, assign, transfer or

otherwise dispose of any or all of the property of the corporation;

but no such sale of all of the property shall be made except

pursuant to the votes of at least two-thirds of the Board of

Directors.

The Board of Directors, by resolution passed by a majority of the

whole Board, may designate three or more directors to constitute an

executive committee, which committee, to the extent provided in said

resolution or in the by-laws of the corporation, shall have, and may

exercise, the power of the Board of Directors in the management of

the business and affairs of the corporation, and shall have power to

authorise the seal of the corporation to be affixed to all papers

which may require it.

The Board of Directors from time to time shall determine whether and

to what extent, and at what times and places, and under what

conditions and regulations, the accounts and books of the

corporation, or any of them, shall be open to the inspection of the

stockholders; and no stockholder shall have any right of inspecting

any account or book or document of the corporation, except as

conferred by statute or authorised by the Board of Directors, or by

a resolution of the stockholders.

The Board of Directors shall have power to hold its meetings, to

have one or more offices, and to keep the books of the corporation

(except the stock and transfer books) outside of the state, at such

places as may be from time to time designated by them.

I CERTIFY that the above resolution was adopted by the Board of

Directors of the STANDARD OIL COMPANY, at a meeting held on the

twenty-sixth day of May, A.D. 1899, a majority of directors being

present and voting in favour thereof. Witness the seal of said

corporation.

L. D. CLARKE,

\_Secretary\_.

NUMBER 63 (See page 2270)

PRODUCTION OF PENNSYLVANIA AND LIMA CRUDE OIL BY STANDARD OIL COMPANY

1890–1898

(Expressed in barrels of forty-two gallons.)

[Report of Industrial Commission, 1900. Volume I, page 561.]

─────┬──────────────────────────────┬───────────────────────────────

YEAR │ PENNSYLVANIA OIL │ LIMA OIL

─────┼──────────┬──────────┬────────┼───────────┬──────────┬────────

│ Total │ Standard │Standard│ Total │ Standard │Standard

│production│ Oil Co. │Oil per │production │ Oil Co. │Oil per

│ │production│cent. of│ │production│cent. of

│ │ │ total │ │ │ total

─────┼──────────┼──────────┼────────┼───────────┼──────────┼────────

1890│30,065,867│ 2,618,637│ 8.71│ 15,014,882│ 8,400,568│ 55.95

1891│35,742,127│ 4,913,775│ 13.74│ 17,381,923│ 9,319,156│ 53.61

1892│33,332,306│ 4,338,822│ 13.02│ 16,685,193│ 7,843,324│ 47.01

1893│31,256,283│ 6,705,276│ 21.45│ 17,823,255│ 7,260,899│ 40.74

1894│30,696,716│ 7,210,345│ 23.49│ 18,575,603│ 6,690,951│ 36.02

1895│30,891,868│ 9,119,920│ 29.52│ 21,719,250│ 6,808,876│ 31.35

1896│33,908,041│ 9,380,654│ 27.66│ 25,222,091│ 8,031,793│ 31.84

1897│35,170,367│ 9,787,353│ 27.83│ 22,793,033│ 7,497,349│ 32.89

1898│31,645,151│11,248,443│ 35.55│ 20,266,328│ 7,220,606│ 35.63

─────┼──────────┼──────────┼────────┼───────────┼──────────┼────────

Total│92,708,726│65,323,225│ 22.32│175,481,558│69,073,522│ 39.36

─────┴──────────┴──────────┴────────┴───────────┴──────────┴────────

─────┬─────────────────────────────────

YEAR │ GRAND TOTAL

─────┼────────────┬───────────┬────────

│Pennsylvania│ Standard │Standard

│ and Lima │ Oil Co. │Oil per

│ production │production │cent. of

│ │ │ total

─────┼────────────┼───────────┼────────

1890│ 45,080,749│ 11,019,205│ 24.44

1891│ 53,124,050│ 14,232,931│ 26.79

1892│ 50,017,499│ 12,182,146│ 24.36

1893│ 49,079,538│ 13,966,175│ 28.46

1894│ 49,272,319│ 13,901,296│ 28.21

1895│ 52,611,118│ 15,928,796│ 30.28

1896│ 59,130,132│ 17,412,447│ 29.45

1897│ 57,963,400│ 17,284,702│ 29.82

1898│ 51,911,479│ 18,469,049│ 35.58

─────┼────────────┼───────────┼────────

Total│ 468,190,284│134,396,747│ 28.70

─────┴────────────┴───────────┴────────

NUMBER 64 (See page 2270)

BUSINESS OF STANDARD OIL COMPANY AND OTHER REFINERS 1894–1898

(Barrels of fifty gallons. All products, domestic trade.)

[Report of Industrial Commission, 1900. Volume 1, page 560.]

───────────┬───────────────────────┬───────────────────────┬───────────

YEAR │ STANDARD OIL COMPANY │ OTHERS │ TOTAL

───────────┼───────────┬───────────┼───────────┬───────────┼───────────

〃 │ Barrels │ Per cent. │ Barrels │ Per cent. │ Barrels

│ │ of total │ │ of total │

───────────┼───────────┼───────────┼───────────┼───────────┼───────────

1894│ 18,118,933│ 81.4│ 4,145,232│ 18.6│ 22,264,165

1895│ 18,348,051│ 81.8│ 4,084,720│ 18.2│ 22,432,771

1896│ 16,341,161│ 82.1│ 3,569,719│ 17.9│ 19,910,880

1897│ 18,141,479│ 82.4│ 3,876,706│ 17.6│ 22,018,185

1898│ 19,999,939│ 83.7│ 3,914,999│ 16.3│ 23,914,938

───────────┼───────────┼───────────┼───────────┼───────────┼───────────

Total│ 90,949,563│ 82.3│ 19,591,376│ 17.7│110,540,939

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Witt, Stillman, I, 1063.

Wood, A. D., II, 2164, 2188.

Wright, William, I, 1020.

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Footnote 1:

See Appendix, Number 1. Professor Silliman’s report on petroleum.

Footnote 2:

An elastic pole of ash or hickory, twelve to twenty feet long, was

fastened at one end to work over a fulcrum. To the other end stirrups

were attached, or a tilting platform was secured, by which two or

three men produced a jerking motion that drew down the pole, its

elasticity pulling it back with sufficient force, when the men

slackened their hold, to raise the tools a few inches. The principle

resembled that of the treadle-board of a sewing machine, operating

which moves the needle up and down. The tools were swung in the

driving pipe, or the “conductor”—a wooden tube eight or ten inches

square, placed endwise in a hole dug to the rock—and fixed by a rope

to the spring pole, two or three feet from the workmen. The strokes

were rapid, and a sand pump—a spout three inches in diameter, with a

hinged bottom opening inward and a valve working on a sliding rod,

somewhat in the manner of a syringe—removed the borings mainly by

sucking them into the spout as it was drawn out quickly. \_McLaurin’s

“History of Petroleum.”\_

Footnote 3:

In 1871 the petroleum exports were 152,195,167 gallons. The production

was 5,795,000 barrels, or 243,390,000 gallons.

Footnote 4:

Estimate of J. T. Henry in his “Early and Later History of Petroleum,”

1873. The “Petroleum Monthly” in 1873 estimated the cost to be from

$2,725 to $4,416.

Footnote 5:

See Appendix, Number 2. First act of incorporation of the Standard Oil

Company.

Footnote 6:

Testimony of Mr. Alexander before the Committee of Commerce of the

United States House of Representatives, April, 1872.

Footnote 7:

See Appendix, Number 3. Affidavit of James H. Devereux. At the time

General Devereux made this affidavit, 1880, he was president of the

New York, Pennsylvania and Ohio Railroad.

Footnote 8:

Report for 1871 of the Cleveland Board of Trade.

Footnote 9:

See Appendix, Number 4. Testimony of Henry M. Flagler on the South

Improvement Company.

Footnote 10:

List of stockholders given by W. G. Warden, secretary of the South

Improvement Company, to a Congressional Investigating Committee which

examined Mr. Warden and Mr. Watson in March and April, 1872.

Footnote 11:

Article Fourth: Contract between the South Improvement Company and the

Pennsylvania Railroad Company, January 18, 1872.

Footnote 12:

See Appendix, Number 5. Contract between the South Improvement Company

and the Pennsylvania Railroad Company. Dated January 18, 1872.

Footnote 13:

See Appendix, Number 6. Standard Oil Company’s application for

increase of capital stock to $2,500,000 in 1872.

Footnote 14:

See Appendix, Number 7. Affidavits of George O. Baslington.

Footnote 15:

In 1872 the refining capacity of the United States was as follows,

according to Henry’s “Early and Later History of Petroleum”:

Barrels

Oil Regions 9,231

New York 9,790

Cleveland 12,732

Pittsburg 6,090

Philadelphia 2,061

Baltimore 1,098

Boston 3,500

Erie 1,168

Other Points 901

——————

Total 46,571

Footnote 16:

A History of the Rise and Fall of the South Improvement Company.

Testimony of W. H. Doane, page 45.

Footnote 17:

A History of the Rise and Fall of the South Improvement Company.

Testimony of Josiah Lombard, page 57.

Footnote 18:

See Appendix, Number 8. Organisation of the Petroleum Producers’ Union

of 1872.

Footnote 19:

See page 1056.

Footnote 20:

See Appendix, Number 9. Charter of the South Improvement Company.

Footnote 21:

See Appendix, Number 10. Draft of contract between the South

Improvement Company and producers of petroleum in the valley of the

Allegheny and its tributaries. Dated January, 1872.

Footnote 22:

See Appendix, Number 11. Extracts from the testimony of W. G. Warden.

Footnote 23:

See Appendix, Number 12. Extracts from the testimony of Peter H.

Watson.

Footnote 24:

See Appendix, Number 13. Contract of March 25, 1872.

Footnote 25:

See Appendix, Number 14. Testimony of Henry M. Flagler.

Footnote 26:

The report of the committee of Congress which investigated the South

Improvement Company was not made until May 7, over a month after the

organisation was destroyed by the cancelling of the contracts with the

railroads.

Footnote 27:

See Appendix, Number 15. The Pittsburg Plan.

Footnote 28:

Estimate given in the Oil City Derrick for September 10, 1872.

Footnote 29:

See Appendix, Number 16. “The Agency.”

Footnote 30:

The amount of production was computed from the oil run through the

pipe-lines, all of which had their gaugers and were supposed to report

their runs at regular intervals.

Footnote 31:

See Appendix, Number 17. Contract between Petroleum Producers’

Association and Petroleum Refiners’ Association.

Footnote 32:

The agency was pledged by its constitution to limit the supply of

crude, but this stipulation did not appear in the contract signed by

the two associations. It was a verbal understanding.

Footnote 33:

Testimony of H. M. Flagler before the Ohio State Commission for

investigating railroad freight discrimination, March, 1879. See

Appendix, Number 14.

Footnote 34:

See Appendix, Number 3.

Footnote 35:

See Appendix, Number 14.

Footnote 36:

See Appendix, Number 18. Testimony of George R. Blanchard on rebates

granted by the Erie Railroad.

Footnote 37:

See Appendix, Number 19. Testimony of W. T. Scheide.

Footnote 38:

See Appendix, Number 20. Statements of amounts paid for overcharges

and rebates on oil during the year 1873 by the New York, Lake Erie and

Western Railroad.

Footnote 39:

See Appendix, Number 21. Agreement of 1874 between the Erie Railroad

system and the Standard Oil Company.

Footnote 40:

See Appendix, Number 22. Agreement of 1874 between the railroads and

pipe-lines.

Footnote 41:

See Appendix, Number 23. The Rutter circular.

Footnote 42:

These figures are from Henry’s “Early and Later History of Petroleum,”

published in 1873.

Footnote 43:

The barrels of the Standard Oil Company are painted blue.

Footnote 44:

This account of the meeting at Saratoga was given to the writer by

Charles Lockhart, of Pittsburg.

Footnote 45:

See Appendix, Number 24. Standard Oil Company’s application for

increase of capital stock to $3,500,000 in 1875.

Footnote 46:

See Appendix, Number 25. Henry M. Flagler’s testimony on the union of

the Standard Oil Company with outside refiners in 1874.

Footnote 47:

Mr. Rogers is mistaken here. The production in 1874 was 10,926,945

barrels, the shipments 8,821,500, the stocks at the end of the year

3,705,639. In 1875, the year in which he is speaking, more oil was

consumed than produced.

Footnote 48:

See Appendix, Number 26. George R. Blanchard’s testimony on the

breaking up of the Pipe Pool of 1874.

Footnote 49:

Condensed from Mr. Tack’s testimony.

Footnote 50:

Condensed from Mr. Harkness’s testimony.

Footnote 51:

J. T. Henry, in his “Early and Later History of Petroleum,” gives

twenty-two; E. G. Patterson, in a list presented in court in 1880,

gives the number at the beginning of this combination as thirty.

Footnote 52:

Condensed from testimony of Mr. Morehouse before the special committee

on railroads, New York Assembly, 1879.

Footnote 53:

Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3112.

Footnote 54:

Report of the Special Committee on Railroads, New York Assembly, 1879.

Footnote 55:

The Standard Oil Company were extensive oil transporters at that time,

as has been shown.

Footnote 56:

See Appendix, Number 27. Mr. Flagler’s explanation of the commission

of ten per cent. allowed the Standard Oil Company in 1877.

Footnote 57:

See Appendix, Number 28. Correspondence between William Rockefeller

and Mr. Scott in October, 1877.

Footnote 58:

See Appendix, Number 29. Correspondence between Mr. O’Day and Mr.

Cassatt.

Footnote 59:

See Appendix, Number 30. Henry M. Flagler’s testimony on the rebate

paid to American Transfer Company.

Footnote 60:

See Appendix, Number 31. Letter to President Scott of the Pennsylvania

Railroad from B. B. Campbell and E. G. Patterson.

Footnote 61:

Commonwealth of Pennsylvania \_vs.\_ Pennsylvania Railroad, United Pipe

Lines, etc.

Footnote 62:

Testimony of Charles T. Morehouse before the Special Committee on

Railroads, New York Assembly, 1879.

Footnote 63:

In the case of the Standard Oil Company \_vs.\_ William C. Scofield, \_et

al.\_, in the Court of Common Pleas, Cuyahoga County, Ohio.

Footnote 64:

Coupled with Mrs. B——’s affidavit was one of the company’s

bookkeeper’s testifying that the business had been paying an annual

net income of $30,000 to $40,000 when the sale to the Standard was

made for $79,000, and another from the cashier, who had been present

at most of the interviews between Mrs. B—— and the Standard agents,

and who corroborates her statements in every particular.

Footnote 65:

Mr. Rockefeller’s statements are supported by affidavits from several

members of the firm.

Footnote 66:

Oil City Derrick, January 5, 1878.

Footnote 67:

Derrick Handbook, Vol. II.

Footnote 68:

The stocks on hand at the end of this month were 4,221,769 barrels. On

November 25, 1878, the Derrick published tables showing 4,576,500

barrels of tankage up and building in the Bradford field. Connected

with the United Lines were 1,774,500 barrels already in use and

1,347,000 building.

Footnote 69:

Investigation ordered by the secretary of internal affairs of the

Commonwealth of Pennsylvania, 1878.

Footnote 70:

Abridged from Mr. Campbell’s testimony.

Footnote 71:

See Appendix, Number 32. Producers’ Appeal of 1878 to Governor John F.

Hartranft of Pennsylvania.

Footnote 72:

The story of the Empire Transportation Company, told in the last

chapter, was brought out in this testimony of Mr. Cassatt’s.

Footnote 73:

The testimony taken before the Hepburn Committee has never been

printed in the series of Assembly documents. An edition of 100 copies

was printed during the session for the use of the committee. It is

usually bound in five volumes, and is, of course, very rare.

Footnote 74:

300 copies of the report of the testimony taken were printed. No copy

is to be found in any library of the state of Ohio. The writer has

never seen but one copy of this report.

Footnote 75:

In the case of the Standard Oil Company \_vs.\_ William C. Scofield \_et

al.\_, in the Court of Common Pleas, Cuyahoga County, Ohio, 1880.

Footnote 76:

Ohio State Investigation of freight discrimination, 1879.

Footnote 77:

See Appendix, Number 33. Statement of crude oil shipments by Green

Line during the months of February and March, 1878, to New York,

Philadelphia and Baltimore: showing drawbacks allowed to American

Transfer Company.

Footnote 78:

See Appendix, Number 34. Bill of particulars of evidence to be offered

by the commonwealth.

Footnote 79:

“A History of the Organisation, Purposes and Transactions of the

General Council of the Petroleum Producers’ Unions,” 1880.

Footnote 80:

See Appendix, Number 35. Contract of Petroleum Producers’ Union with

Standard Combination.

Footnote 81:

See Appendix, Number 36. Agreement between B. B. Campbell and the

Pennsylvania Railroad Company.

Footnote 82:

Fractional distillation is a process intended to separate various

products in mixture, and having unlike boiling points, by keeping the

mixture contained in an alembic at regulated successive stages of

temperature as long as there is any distillate at a given point, and

then raising the heat to another degree, etc.

Footnote 83:

This must have been in 1872, not 1870. Up to 1872 the capacity of the

Standard was but 1,500 barrels of crude a day.

Footnote 84:

This draft was presented to the committee in lead pencil. It was never

presented to the producers. See P. H. Watson’s testimony, Appendix,

Number 12.

Footnote 85:

It was 1874.

Footnote 86:

See Appendix, Number 37. Articles of incorporation of the Tidewater

Pipe Line.

Footnote 87:

See Appendix, Number 38. Testimony of Henry M. Flagler in regard to

the Tidewater contest.

Footnote 88:

Court of Common Pleas, Crawford County, Pennsylvania. Patterson \_vs.\_

Tidewater Pipe Company, Limited. Testimony of E. G. Patterson,

December, 1882.

Footnote 89:

See Appendix, Number 39 A. Agreement between Standard and Tidewater

refineries.

See Appendix, Number 39 B. Agreement between Standard and Tidewater

Pipe Lines.

Footnote 90:

See Appendix, Number 40. Two agreements of even date, August 22, 1884,

between the Pennsylvania Railroad Company and the National Transit

Company.

Footnote 91:

The Eighth Section of Article Second of this contract, defining the

duties of the railroads reads: “To make manifests or way-bills of all

petroleum or its products transported over any portion of the

railroads of the party of the second part or its connections, which

manifests shall state the name of the consignor, the place of

shipment, the kind and actual quantity of the article shipped, the

name of the consignee, and the place of destination, with the rate and

gross amount of freight and charges, and to send daily to the

principal office of the party of the first part duplicates of all such

manifests or way-bills.”—Proceedings in Relation to Trusts, House of

Representatives, 1888. Report Number 3,112, page 360.

Footnote 92:

Record of pleadings and testimony in Standard Oil Trust quo warranto

cases in the Supreme Court of Ohio, 1899, page 681.

Footnote 93:

Trust Investigation of Ohio Senate, 1898, page 370.

Footnote 94:

Trust Investigation of Ohio Senate, 1898, page 370.

Footnote 95:

Trust Investigation of Ohio Senate, 1898, page 371.

Footnote 96:

See Appendix, Number 41. Table showing prices of oil at competitive

and non-competitive points in 1892.

Footnote 97:

See Chapter V, page 165.

Footnote 98:

See Appendix, Number 42. Standard Oil Company’s petition for relief

and injunction.

Footnote 99:

See Appendix, Number 43. Answer of William C. Scofield \_et al.\_

Footnote 100:

See Appendix, Number 44. Affidavit of John D. Rockefeller.

Footnote 101:

See Appendix, Number 45, Findings of Fact.

Footnote 102:

See Appendix, Number 45.

Footnote 103:

Number 20, Findings of Facts. See Appendix, Number 45.

Footnote 104:

Ohio State Reports, 43, pages 571–623.

Footnote 105:

Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3,112, pages 575–576.

Footnote 106:

See Appendix, Number 46. Letter of Edward S. Rapallo to General

Phineas Pease, receiver Cleveland and Marietta Railroad Company.

Footnote 107:

Proceedings in Relation to Trusts, House of Representatives, 1880.

Report Number 3,112, pages 577–578.

Footnote 108:

See Appendix, Number 47. Testimony of F. G. Carrel, freight agent of

the Cleveland and Marietta Railroad Company.

Footnote 109:

See Appendix, Number 48. Report of the Special Master Commissioner

George K. Nash to the Circuit Court.

Footnote 110:

The documents from which the statements are drawn are all on file in

the office of the Clerk of the United States Circuit Court for the

Southern District of Ohio, Eastern Division.

Footnote 111:

Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3,112, page 864.

Footnote 112:

Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3,112, page 864.

Footnote 113:

The Derrick published in a four-page supplement to the issue of April

23, 1904, the full text of both statements under the title “More of

Tarbell’s Tergiversations.”

Footnote 114:

Congressional Globe, September 12, 1888, pages 8520–8604.

Footnote 115:

Report Number 1490, United States Senate, Forty-ninth Congress. This

report, and Miscellaneous Documents Number 106, United States Senate,

Forty-ninth Congress, 1886, contain the evidence of bribery collected

by the Ohio Legislature and the majority and minority reports of the

committee.

Footnote 116:

Congressional Globe, July, 1886.

Footnote 117:

Congressional Globe, September, 1886, pages 8520–8604.

Footnote 118:

See Appendix, Number 49. A statement from an oil-producer’s

stand-point for 1886.

Footnote 119:

See Appendix, Number 50. The Billingsley Bill.

Footnote 120:

See Appendix, Number 44.

Footnote 121:

See Appendix, Number 51. Extracts from testimony of H. H. Rogers.

Footnote 122:

See Appendix, Number 48.

Footnote 123:

Report on Investigation Relative to Trusts, New York Senate, 1888

pages 419–420.

Footnote 124:

Report on Investigation Relative to Trusts, New York Senate, 1888,

pages 420–421.

Footnote 125:

See Appendix, Number 52. The Trust Agreement of 1882.

Footnote 126:

Report on Investigation Relative to Trusts, New York Senate, 1888,

pages 9–10.

Footnote 127:

Affidavit of Henry M. Flagler in the case of the Standard Oil Company

\_vs.\_ William C. Scofield \_et al.\_, in the Court of Common Pleas,

Cuyahoga County, Ohio, 1880.

Footnote 128:

Proceedings in Relation to Trusts, House of Representatives, 1888.

Report Number 3,112, page 770.

Footnote 129:

The full style of the case was: The State of Ohio on the Relation of

David K. Watson, Attorney-general, Plaintiff, against the Standard Oil

Company, Defendant.

Footnote 130:

See annual report of the attorney-general to the governor of the state

of Ohio, 1899.

Footnote 131:

History of Standard Oil Case in the Supreme Court of Ohio, 1897–1898.

Part I, pages 27–28. Original opinion of the court.

Footnote 132:

Proceedings of meeting dissolving trust. History of Standard Oil Case

in the Supreme Court of Ohio, 1897–1898. Part 1, pages 80–81.

Footnote 133:

See Appendix, Number 53. List of constituent companies of the Standard

Oil Trust, with assets and capitalisation in 1892.

Footnote 134:

See Appendix, Number 54. Forms of Mr. Rockefeller’s certificate of

holdings in the Standard Oil Trust, with assignment of legal title

which took its place in 1892.

Footnote 135:

Report on Investigation Relative to Trusts, New York Senate, 1888,

page 445.

Footnote 136:

See Appendix, Number 55. Agreement of 1887 between the Standard Oil

Company and producers.

Footnote 137:

Report on Investigation Relative to Trusts, New York Senate, 1888,

page 449.

Footnote 138:

See Chapter IX.

Footnote 139:

Plaintiff’s Exhibit Number 52 in the case of James Corrigan \_vs.\_ John

D. Rockefeller in the Court of Common Pleas, Cuyahoga County, Ohio,

1897.

Footnote 140:

The following table shows the variation from 1890 to 1897 in price of

crude oil per barrel of 42 gallons, and the price of refined oil per

gallon in barrels in New York:

Crude Refined

1890

Jan 1.05⅛ 7½

Dec 67½ 7¼

1891

Jan 74⅛ 7.42

Dec 59¼ 6.44

1892

Jan 62½ 6.45

Dec 53¼ 5.45

1893

Jan 53½ 5.33

Dec 78⅜ 5.15

1894

Jan 80 5.15

Dec 91⅜ 5.61

1895

Jan 98⅝ 5.87

Dec 1.43⅝ 7.77

1896

Jan 1.45¾ 7.85

Dec 97⅞ 6.35

1897

Jan 88⅛ 6.13

Dec 65 5.40

Footnote 141:

See Appendix, Number 56. John D. Archbold’s statement to the

Industrial Commission concerning the Standard’s opposition to the

building of the United States Pipe Line.

Footnote 142:

Adapted from chart printed in Volume I of Report of Industrial

Commission, and brought up to date.

Footnote 143:

See Appendix, Number 57. Tables of yearly average prices of crude and

refined.

Footnote 144:

Figures used in computing this profit are from the Oil City Derrick of

the period, and from practical oil refiners of that day.

Footnote 145:

See Chapter IV.

Footnote 146:

See Chapter V.

Footnote 147:

In 1871 there was something over 132,000,000 gallons of illuminating

oil exported. In 1872 it fell to about 118,000,000 gallons.

Footnote 148:

According to the statement of the Standard Oil Company, made in a suit

for taxes brought by the state of Pennsylvania in 1881, it declared

dividends as follows: In 1873, year ending the first Monday in

November, $347,610; in 1874, $358,605; in 1875 (the capital stock was

raised from $2,500,000 to $3,500,000 in 1875), $514,230; in 1876,

$501,285; in 1877, $3,248,650.01; in 1878, $875,000; in 1879,

$3,150,000; in 1880, $1,050,000.

Footnote 149:

See Chapter VII.

Footnote 150:

Report of the Special Committee on Railroads, New York Assembly, 1879.

Volume IV, page 3680.

Footnote 151:

Plaintiff’s Exhibit, Number 51, in the case of James Corrigan \_vs.\_

John D. Rockefeller in the Court of Common Pleas, Cuyahoga County,

Ohio, 1897.

Footnote 152:

It costs the Cleveland refiner .64 of a cent a gallon to bring oil in

bulk from the Oil Regions to his refinery, and 1.44 cents per gallon

to send it refined in bulk to New York.

Footnote 153:

Trustworthy and regular quotations are not to be obtained earlier than

1881.

Footnote 154:

Report of the Industrial Commission, 1900. Volume 1, page 365.

Footnote 155:

See Appendix, Number 58. John D. Archbold’s statement on the prices

the Standard receives for refined oil.

Footnote 156:

Report on Investigation Relative to Trusts, New York Senate, 1888,

pages 434–435 and 396–398.

Footnote 157:

See Chapter V.

Footnote 158:

In 1872 there were exported as follows:

Crude 16,363,975 gallons.

Naphtha, benzine, gasoline, etc. 8,688,257 gallons.

Lubricating, heavy paraffine, etc. 438,425 gallons.

Residuum, pitch and tar 568,218 gallons.

Illuminating 118,259,832 gallons.

—\_Derrick Handbook.\_

Footnote 159:

The “Standard-whites” are as follows:

S. W. 100 (fl).

S. W. 110.

S. W. 112.

S. W. 115.

S. W. 120.

S. W. 130 Dia. H. L.

S. W. 130.

S. W. 130 P. W. H. L.

S. W. 73 Abel.

S. W. 150.

S. W. 160.

S. W. Canadian Legal Test.

S. W. Georgia P. W. H. L.

S. W. Georgia Dia. H. L.

S. W. Indiana P. W. H. L.

S. W. Indiana S. T.

S. W. Indiana Dia. H. L.

S. W. Iowa S. T.

S. W. Louisiana P. W. H. L.

S. W. Louisiana Dia. H. L.

S. W. Massachusetts S. T.

S. W. Michigan S. T.

S. W. Minnesota S. T.

S. W. Montana S. T.

S. W. Nebraska S. T.

S. W. New York S. T.

S. W. North Dakota S. T.

S. W. Ohio S. T.

S. W. South Dakota S. T.

S. W. Tennessee Dia. H. L.

S. W. Tennessee P. W. H. L.

S. W. Tennessee S. T.

S. W. Wisconsin S. T.

Footnote 160:

The “water-whites” are as follows:

W. W. 110.

W. W. 112.

W. W. 115.

W. W. 120.

W. W. 120 Eupion.

W. W. 130 Sunlight.

W. W. 130.

W. W. 130 Eupion.

W. W. 130 Fireproof.

W. W. 150.

W. W. 150 Headlight.

W. W. 150 for extra Star.

W. W. 150 forty-nine grav.

W. W. 160.

W. W. 165.

W. W. Canadian Legal Test.

W. W. Electric.

W. W. Georgia Sunlight.

W. W. Georgia S. T.

W. W. Indiana Perfection.

W. W. Indiana S. T.

W. W. Iowa Perfection.

W. W. Iowa S. T.

W. W. Kansas Perfection.

W. W. Kansas S. T.

W. W. Louisiana S. T.

W. W. Louisiana Sunlight.

W. W. Massachusetts S. T.

W. W. Michigan S. T.

W. W. Minnesota S. T.

W. W. Nebraska S. T.

W. W. Nebraska Perfection.

W. W. New York S. T.

W. W. North Dakota S. T.

W. W. Ohio Perfection.

W. W. Ohio S. T.

W. W. South Dakota S. T.

W. W. South Dakota Perfection.

W. W. Tennessee S. T.

W. W. Tennessee Sunlight.

W. W. Wisconsin S. T.

Footnote 161:

See Appendix, Number 59. W. H. Vanderbilt’s characterisation of

Standard Oil men.

Footnote 162:

Ohio Circuit Court Reports, Volume VII, 1893, page 508.

Footnote 163:

See Appendix, Number 60. Facsimile of one of Mr. Kemper’s shares.

Footnote 164:

History of Standard Oil Case in Supreme Court of Ohio, 1897–1898. Part

II, page 39.

Footnote 165:

History of Standard Oil Case in Supreme Court of Ohio, 1897–1898. Part

II, page 248.

Footnote 166:

See Appendix, Number 53.

Footnote 167:

See Appendix, Number 61. General balance sheet, Standard Oil

interests, December 31, 1896.

Footnote 168:

The present directors are John D. Rockefeller, William Rockefeller,

Henry M. Flagler, John D. Archbold, Henry H. Rogers, W. H. Tilford,

Frank Q. Barstow, Charles M. Pratt, E. T. Bedford, Walter Jennings,

James A. Moffett, C. W. Harkness, John D. Rockefeller, Jr., Oliver H.

Payne.

Footnote 169:

See Appendix, Number 62. Amended certificate of incorporation of the

Standard Oil Company of New Jersey.

Footnote 170:

See Appendix, Number 9.

Footnote 171:

See Appendix, Number 63. Production of Pennsylvania and Lima crude oil

by Standard Oil Company, 1890–1898.

Footnote 172:

See Appendix, Number 64. Business of Standard Oil Company and other

refiners, 1894–1898.

Footnote 173:

America imported into China, 1893 31,060,527 gallons

Borneo imported into China, 1893 574,615 gallons

Russia imported into China, 1893 13,503,685 gallons

Sumatra imported into China, 1893 39,859,508 gallons

Footnote 174:

See Chapter X.

Footnote 175:

The Petroleum Age, Volume I, page 35.

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