

# THE HISTORY OF THE STANDARD OIL COMPANY: PART TWO

BY

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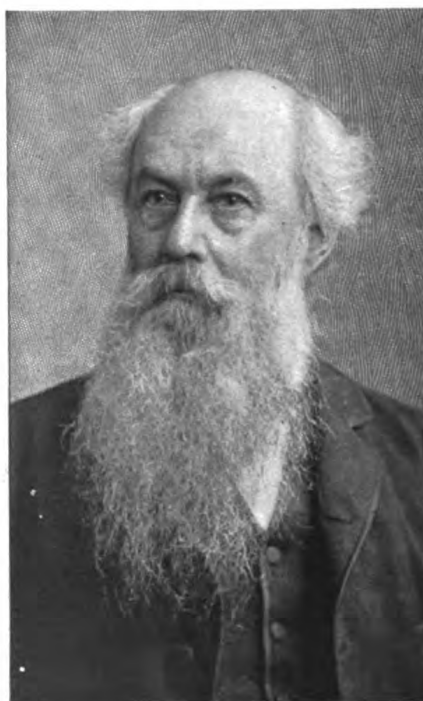
## CHAPTER TWO

### THE FIGHT FOR THE SEABOARD PIPE-LINES

**I**T is doubtful if the commerce of this country has ever known a man so successful as Mr. John D. Rockefeller in making people think what it is to his advantage they should think. So remarkable is Mr. Rockefeller's persuasiveness that he has even been able to convince a large part of the general public that his great combination, far from being *his* work, is the inevitable result of the operations of "Natural Law," "Economic Forces." A fine illustration of how much "Natural Law" has had to do with much of Mr. Rockefeller's combination is found in the story of the harmonizing of the Standard Oil Trust and the Tidewater Pipe Line—the organization to which is due one of the most revolutionary and important developments in the oil business—the demonstration that crude oil could be pumped through pipe-lines over the mountains of Pennsylvania to the seaboard.

Readers of the first part of this History\* will recall that the independent oil men of Pennsylvania, from the beginning of their revolt against the extortions and discriminations of the railroads, had under discussion one or another scheme for securing an oil route of their own to the seaboard. Northwestern Pennsylvania is furrowed to-day by deserted beds of railroads, projected or begun in the hope of securing some connection which would free the oil business. Early in the '70's

the talk of free rail connection was silenced by talk of a pipe-line which would carry oil over the mountains to the sea. As, heretofore, the pipes had been used only



DAVID HOSTETTER

*The famous Hostetter's Bitters, by which "Dr." Hostetter is chiefly remembered, were manufactured from a formula he had received from his father, a physician. He first made the bitters about 1855 in Pittsburg and from the start made money. This he invested in many enterprises, among others, oil production. It was to insure an outlet for his oil that he built the Columbia Conduit Line, a venture which cost him heavily in litigation. "Dr." Hostetter died in 1888.*



\* The first part of this History began in McClure's MAGAZINE for November, 1902, and closed in July, 1903.

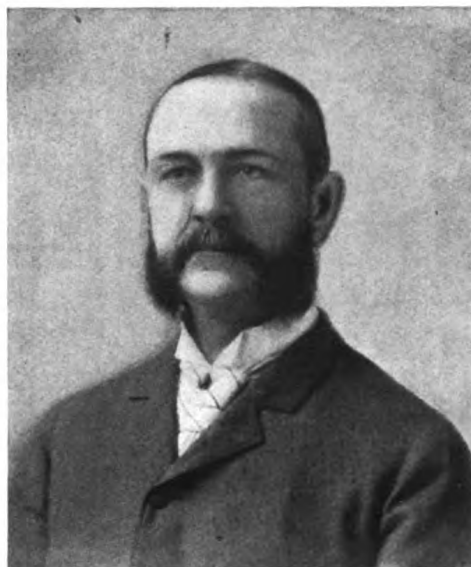


BYRON D. BENSON

*The success of the Tidewater Pipe Line was probably due more to the efforts of Mr. Benson, its first president, than to any other one man. Mr. Benson first came to the Oil Regions in 1865 from Onondaga County, New York, where he was born in 1833, and engaged in the lumber business with Major Hopkins. The firm soon drifted into oil producing, at which they were successful. This led them into the pipe-line enterprises described in the present article. Mr. Benson remained at the head of the Tidewater until his death in 1888.*

for gathering oil, and as it was obviously to the interest of the railroads that their function be limited to this duty, the idea that they be put into competition with the roads let loose a flood of objections. As Mr. Rockefeller's hopes depended at that moment on continued discrimination from the railroads, he naturally joined in discouraging and ridiculing the notion.

The idea had vitality in it, however, and in 1876, Mr. Henry Harley, the president of a pipe-line company doing business in the upper oil fields, resolved to test its feasibility. He employed the eminent civil engineer, General Hermann Haupt, to study the mechanical problems involved, and General B. F. Butler to wrestle with the legal side of the undertaking. By the summer of 1876, the serious problems had been so far worked out that the matter was made public. The authority and seriousness of the scheme, as it was set forth, aroused much more than local attention. The whole East was interested. "It was an undertaking," said the *New York Graphic*, "worthy to be coupled with the Brooklyn Bridge, the blowing up of Hell



DAVID K. MCKELVY

*About 1870 Mr. McKelvy became a member of the oil producing firm organized by Mr. Benson and Major Hopkins in 1865, the name of the firm being changed to D. McKelvy and Company. It was this company which leased the Columbia Conduit Line from "Dr." Hostetter and operated it until it was sold to the Standard. Later, Mr. McKelvy was one of the most aggressive of the Tidewater managers. He became the president of the company on the death of Mr. Benson and remained in the position until ill health obliged him to resign.*

Gate, and the tunneling of the Hudson River."

It is altogether probable that Mr. Harley's pipe-line would have gone through at this time, in spite of the strenuous efforts made to prevent him from securing a right of way, if in the fall of the year a rumor had not started that his company was financially embarrassed. The rumor proved only too true. The company had been grossly mismanaged, and the verifications of the charges against it put an end to the first scheme for a sea-board pipe-line. But it was only for the time being. The continued growth of the Standard and the increasing bitterness of the oil men kept the public mind fixed on the idea of relief through an independent oil route to the sea, and in 1878, when the region was inflamed by the troubles in the Bradford region, the idea was revived by three well-known independent oil men, Messrs. B. D. Benson, David McKelvy, and R. E. Hopkins, all of Titusville. The campaign which these three men began this year turned out to be one of the most exciting, as well as most important in its results, in the history of the Oil Regions.



MAJOR ROBERT E. HOPKINS

*A native of the same county as Mr. Benson, Robert Hopkins became his partner in the lumber business undertaken near their home before either young man was of age. The war broke up this business, Mr. Hopkins raising a company of volunteers and entering the army. He was captured at the battle of Chancellorsville and for some time was confined in Libby Prison. At the close of the war he was raised to the rank of major and honorably discharged. He at once joined Mr. Benson in the Oil Regions and embarked in the enterprise already described. Major Hopkins was elected treasurer of the Tidewater at its organization and remained in the office until his death in 1901.*

### *A Daring Project*

Messrs. Benson, McKelvy, and Hopkins were not without experience in the pipe-line business, when they undertook, in 1878, to form a company to put through a seaboard pipe-line, nor were they unfamiliar with the methods of the big opponents of the idea. Indeed, they were fresh from one of the several failures to secure an opening to the sea—for they had been managing, for many months, under a lease, the Columbia Conduit Line, built in 1875 by Dr. David Hostetter, the maker of the famous Hostetter's Bitters. Dr. Hostetter had laid a line from the Butler oil field, on the Allegheny River, to Pittsburg, to connect with the Baltimore and Ohio Railroad, which at that time was out of the oil pool. In the fall of 1877, however, the Baltimore and Ohio had joined the other oil-carrying roads, and Dr. Hostetter, disgusted with

his venture, had been glad enough to sell the Columbia Conduit to Mr. Rockefeller. The sale of the line released Messrs. Benson, McKelvy, and Hopkins. They were far from discouraged with the pipe-line business. They had learned that 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 revived the old scheme of Mr. Harley, and engaged General Haupt to survey a route from Brady's Bend, on the Allegheny River, to Baltimore, Maryland—a distance of 235 miles.

### *The Old Enemy's Hand*

All through the summer of 1878 the matter was agitated. The most strenuous opposition developed. The newspapers of Philadelphia and Pittsburg fought the project, the chambers of commerce fought it, the farmers fought it—an opposition organized, it was universally believed, by the Pennsylvania Railroad and the Standard Oil Company. Nevertheless, before



SAMUEL Q. BROWN

*The present president of the Tidewater, Mr. Samuel Q. Brown, succeeded David McKelvy in 1893. Mr. Brown is one of the pioneers of the oil business, having been a large operator in the early days. He was one of the first stockholders of the Tidewater, and was president of the Chester Oil Co.—the refinery near Philadelphia—from 1883 to 1893.*

the end of the year the right of way was, in General Haupt's opinion, complete; 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 organized with a capital of \$625,000 to carry out the scheme.

The first work was to get a right of way. The company went at the work with secrecy and despatch. 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.

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 70 horse power, was expected to force the oil through a six-inch pipe to a ~~second~~ station 28 miles away and about 700 feet higher. Here a second pump took up the oil again, driving it to the summit of the Alleghenies, a few miles east. From this point the oil ran by gravitation to Williamsport.

### *A Crucial Moment*

It was announced that the pumps would be started on the morning of May 28th. 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 Mr. 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 traveled 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 Alleghenies, had yet to be overcome. The oil went up to the top of the mountain without an effort, and on June 4th, 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.

### *The Standard at Bay*

A new situation confronted Mr. Rockefeller. 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 35 to 45 cents. The open rate was from \$1.25 to \$1.40, and the Standard Oil Company probably paid about 85 cents, when the roads were not protecting it from "injury by competition." Now, according to General Haupt's calculations, in 1876, oil could be carried in pipes from the Oil Regions to seaboard for 16 $\frac{2}{3}$  cents a barrel. General Haupt calculated the average difference in cost of the two systems to be 23 cents, enough to pay 28 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 pipelines 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.

### *Taking the Offensive*

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 organized 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 Mr. 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."

### *Hostility That Does Not Relent*

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 position vis-à-vis 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. These were what were left of the little group in New York whose trials in getting oil and livable freight rates through the period from 1872 to 1878 have already been described in the first part of this History. They were approached and terms so generous made to them that they “could not afford” to refuse to combine. Only one factory, Lombard & Ayres, stood by the Tidewater, and 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.

### *The Familiar Manœuvres*

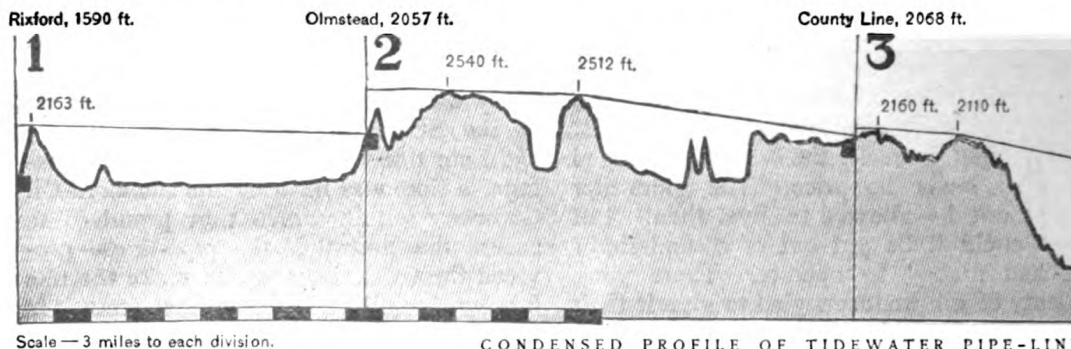
Having done his best to cut off his rival's outlet, Mr. Rockefeller called upon the railroads to carry out that article of their contract with him which bound them to protect him from “injury by competition.” What was done was told a few months later to the Committee on Commerce in the House of Representatives by Mr. 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 20 cents per barrel to the Standard Oil

Company. “It was subsequently reduced to 15 cents,” Mr. Gowen told the Committee, “and I believe, though I do not certainly know, to 10 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 prophecy of four months ago has become the history of to-day.”

### *The Tidewater Fights and Prospers*

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. Mr. Samuel Q. Brown, the present president of the organization, 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.



The pipe followed the jagged line representing surface of the ground. The numbers above the surface line show the elevation at each station. From here it flowed by gravitation until the gradient line—the sloping straight line above the surface line—touched the surface, the oil now would flow to Station 4, making many steep ascents without further pumping. The third station was

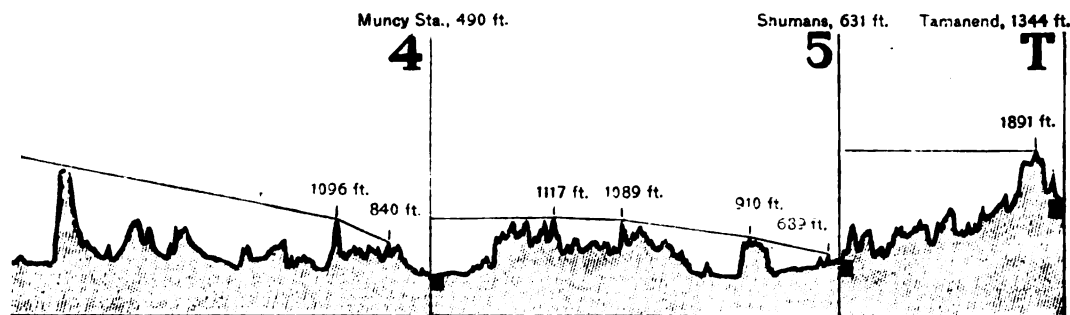
By January, 1882, the Tidewater was in such a satisfactory condition that it decided to negotiate a loan of \$2,000,000 to carry out plans for enlargement. The First National Bank of New York, after a thorough examination of the business, agreed to take the bonds at ninety cents on the dollar, but trouble 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 Mr. 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.

#### *A Machiavellic Stroke*

These manoeuvres 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 Mr. 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 realized, 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 with the State.\* 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

\* Court of Common Pleas, Crawford County, Pennsylvania, *Patterson vs. Tidewater Pipe Company, Limited*. Testimony of E. G. Patterson. December, 1882.



BETWEEN RIXFORD AND TAMANEND, PENNSYLVANIA

*location of the pumping stations from which the oil was forced. The pump at Station 1 lifted the oil over 600 feet. ground. A new station, No. 2, they lifted the oil to the next high point, the crest of the Alleghenies. As the gradient line added to increase the speed of the flow.*

end of April, 1882, and \$5,000 of the money Mr. Patterson paid to the Tidewater for stock he had taken at its organization. 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 manoeuvre 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 coöperate.

Judge Church's decision was given on January 15th. 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.

### *After Cunning—Violence*

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 treasurer, 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 17th, 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 honor 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 recognize 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 of your associates responsible at law for the occurrences of yesterday and for any 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 arrangements 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 four 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 rates 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 favor of the advantage which would result from such a combination. These proposals have always been declined.”

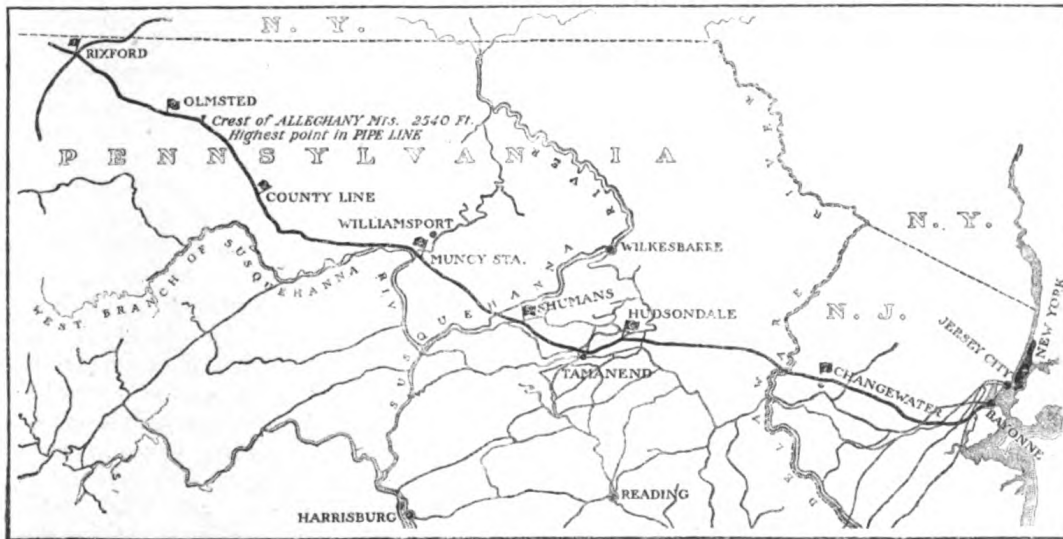
Naturally they were declined—the Standard was not seeking an alliance, it was seeking ownership of the Tidewater; and it expected so to discredit the company that it could buy in its stock for a song. Mr. Archbold's affidavit cooled popular sympathy for the hunted concern no little, however. A suggestion of any kind of a compromise with the Standard was looked upon as rank disloyalty by the Oil Regions, free compe-

tition 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 counter-charges 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

future of competition in oil seemed to be up to the oil men themselves.

But the Oil Regions people 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.



MAP OF TIDEWATER SEABOARD PIPE-LINE

*The first section of the Tidewater extended to Muncy Station and was completed in May, 1879. The line was extended to Tamanend in the summer of 1882 and five years later it reached Bayonne, New Jersey.*

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—a 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

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.

### *The Velvet Hand*

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 yourself 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  $11\frac{1}{2}$  per cent. of the aggregate, the Standard having  $88\frac{1}{2}$  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 output and kept up prices. 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 honorably 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 Fate of the Tidewater*

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 11 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.

#### *Rockefeller Once More Sole Master*

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 reorganized. 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 organized under the name of the United Pipe Lines, and the story of how they had come under Mr. Rockefeller's control has already been told in the first part of this History. The organization 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 46 cents a barrel to take care of the production of one short-lived group of wells in this field, on which they never realized more than 20 cents pipage.

The Standard not only gathered this oil; it stored it, to wait its owner's demand. At this date it controlled fully 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 recognized 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, 20 cents. The service cost them perhaps 2 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 realize. 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 15 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 3 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, organized 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 organization 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.

#### *Clinching Matters*

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 Pennsylvania Railroad. A new situation vis-à-vis of 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 45 cents, to Philadelphia 40, though the actual service probably did not cost over 10 cents. It was very necessary to keep up this price to outside refineries. 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 pittance. There were a few independent refineries near Philadelphia, served by the Pennsylvania Railroad. It was desirable that cost of transportation should be kept up for them in order to make it as difficult as possible for them to do business. 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 26 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 40 cents to Philadelphia, the

railroad was to pay the company 8 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. 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 8 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!

#### *Peace and Monopoly*

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 vigor, 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 National Transit 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 90 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.

*(To be continued)*

## AND MINISTERED UNTO HIM

BY

S. H. KEMPER

*MAY be in His more human weariness  
Came little things to minister and bless;  
To touch Him in a bumble way, to please.  
Perhaps came little earthly memories:  
The simple stir of Nazareth's sun-washed street;  
The busy sound of Mary's housewife feet;  
A pattern of leaf shadows at the door;  
The scent of fresh curled shavings on the floor.*