



APACHE NEWS



Raymond Plank: A Retrospective

Part Two: Building a Billion-Dollar Business

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“Uncertainty resulting from change brings opportunity. The real challenge is to be ready for it.”
— **Raymond Plank**

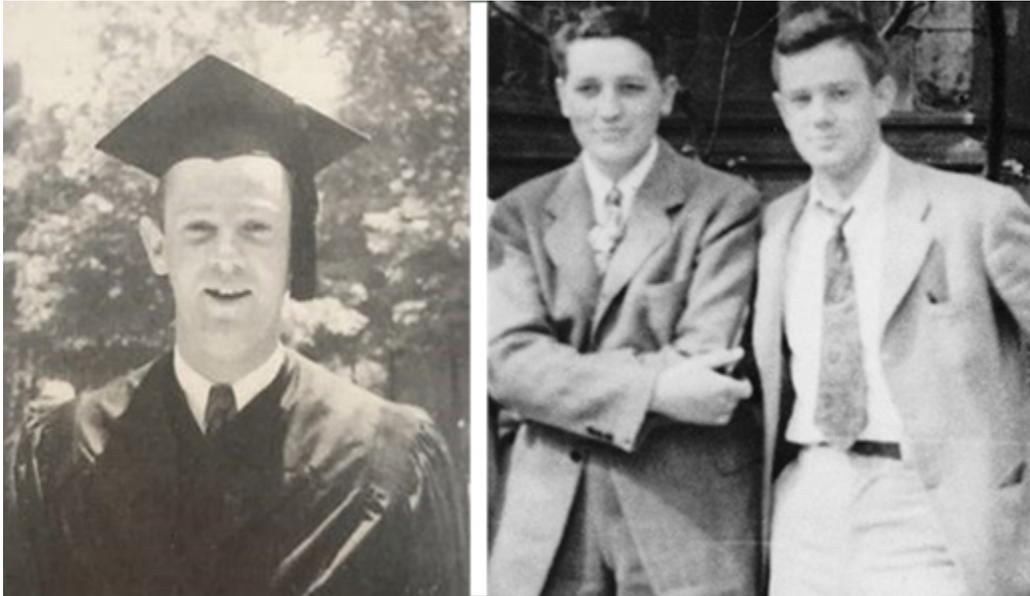
Apache founder Raymond Plank is often described by those who knew him as a man who could see around corners. His career spanned more than 50 years, and, in that time, he established himself as a premier business leader and a true visionary. Plank’s business acumen, unparalleled determination and ability to both spot and act on opportunities are well-known. In this second installment of the three-part Raymond Plank retrospective, *Explore* takes a look at how these abilities helped Apache grow from two recent college graduates sitting on folding chairs in a tiny Minneapolis office to the global multi-billion-dollar business it is today.

Read part one [here](#).

Small Business Beginnings

When we last left Raymond Plank, WWII had just ended, America’s servicemen were returning home and Plank had to decide on which path his life was to follow. Plank used his G.I. credits to finish his education at Yale where he graduated on the dean’s list. After graduation, he found himself at a crossroads. The business world was where he was headed, but he had to decide whether to accept a safe-but-unfulfilling position at an established company or risk it all by going into business for himself. Plank chose the path less traveled.

With Yale friend Brooks Fields and a beat-up Army surplus jeep bought for a borrowed \$500, Plank started a small bookkeeping operation called Northwest Business Service. The pair set up shop in a tiny, unheated, 12- by 8-foot office on the third floor of the Times Building in Minneapolis and paid themselves \$20 per week. Plank and Fields worked hard to generate leads, and the small company grew.



Left: Plank graduates from Yale, 1946.

Right: Brooks Fields and Raymond Plank in 1946.

One new addition to the team was Carl Somekawa. Somekawa's family were American citizens of Japanese descent living in California. Following Pearl Harbor, U.S. fears of a Japanese west coast invasion led to the confiscation of their assets and internment in a prison camp.

When freed, Somekawa studied at the University of Minnesota, graduating with a degree in accounting. Due to the rampant discrimination of the time, he had been unable to obtain employment. Plank saw Somekawa's excellent qualifications and hired him on the spot. When Fields later left Northwest Business Service for a high-paying position at a larger company, Somekawa became Plank's new business partner.

Plank soon became well-respected in the Minneapolis business scene. He accepted board positions on a St. Paul life insurance company, a manufacturing company, a national wholesaler of jams and jellies, a high-tech computer company and an international sporting goods manufacturer.

After the departure of Fields, the company was renamed Plank and Somekawa. The business continued to grow, and soon had hundreds of clients. This led directly to the formation of Apache. In the early 1950s, America's energy supply was still severely depleted from WWII, and the government was quick to incentivize the search for domestic oil through tax incentives. Plank quickly realized the enormous opportunity this presented.

The excess profits tax in Minnesota was taking as much as 91 percent of the adjusted gross income of people in the highest tax brackets. This made the tax incentives of oil and gas investments very appealing as they allowed investors to deduct 100 percent of drilling costs.

Plank decided to form a new kind of oil and gas company — one based on a foundation of three basic principles. First, rather than having a visiting promoter as the only contact, the well operator would work directly for the investors, sharing the earnings interest and providing regularly recurring, accurately reported results. Second, sufficient money would be raised to fund such a professional approach. Finally, the risk would be spread over a number of drilling opportunities, rather than the all-or-nothing deals that were being offered by shady promoters with only one or two drilling prospects.

The Birth of Apache

Plank officially founded Apache Oil Corporation in 1954 with two partners — Truman Anderson and Plank’s childhood friend Chuck Arnao. The company started with six employees and \$250,000 in capital. The name came from the first letters of the founder’s last names — APA. Helen Johnson, an early employee, suggested adding “che” to the end and was awarded a \$25 savings bond for her winning idea. Apache was born.



The three founding partners of Apache Corporation – Truman Anderson, Raymond Plank and Charles Arnao.

By his own admission, Plank’s knowledge of the technical aspects of the oil and gas business in the early days of Apache was practically nonexistent. His expertise was in the financial and tax-related aspects of business, but Plank was a lifetime learner. He focused on developing a working knowledge of geology, well drilling, completions, engineering and field operations. Meanwhile, he started hiring the best geologists and drilling experts he could find to give the new company the jump-start it needed.

In the second month of operations, Apache generated \$33,000 in revenues and added \$16,000 to equity. On the list of more than 15,000 upstream U.S. oil businesses, they were still near the bottom, but they were clearly doing something right.

Apache drilled its first wells in the Cushing Field in Cushing, Oklahoma, in 1955. In 1956, Apache was one of the first drilling firms to register with the U.S. Securities and Exchange Commission, providing investors with the protections of SEC reporting requirements and distinguishing the young company from the countless oil patch promoters who pitched suspect investments to naive investors.



Raymond Plank and A.E. Barton, an Apache director, on an inspection trip to one of Apache's first producers.

Growth and Diversification

Oil prices dropped in the 1960s, and Apache responded by diversifying. The company acquired assets in plastics, industrial operations, broadcasting, retail and even orange groves. Diversification helped save the company while other oil and gas businesses failed, but not all of Apache's investments were winners. A venture into real-estate, including office buildings and a shopping mall, proved ill-judged.

"Unlike our careful approach in oil, in real estate, we omitted the important step of learning the business," Plank later wrote.

The company also faced internal strife. Co-founder Arnao had left the company several years earlier to pursue other interests. Seeking to take total control of the company, Anderson sought to push Plank out. He attempted to coerce investors and petition the board to fire Plank. Investors instead requested that Anderson be fired after he was caught in a Watergate-style spying scandal. Anderson was promptly removed.

Plank wrote of Anderson's fall from grace in his memoirs, "A Small Difference." "Lesson? Ego, important to self-acceptance and motivation, can quickly outstrip one's competence and the support of any organization that detects arrogance. Fatheads get flattened."



Plank in his office, 1963. Plank kept a fierce eye on Apache's competitors, the annual reports of which hang on the wall behind him.

The '60s were a tough time for the oil and gas business. It was a decade in which one out of every two petroleum companies went out of business. Thanks to the diversification of its investments, Apache weathered the storm. However, diversification had its own problems. As the decade ended, many of Apache's veteran oil and gas specialists felt that the company was getting away from its roots and their own roles were in danger of being marginalized.

By this time, Apache had moved into Minneapolis' iconic Foshay Tower. It was a common sight to see Plank grilling hamburgers on a two-burner portable stove as he and other staff members worked late into the night and planned the future of Apache. The company was being pressed by program investors who wanted some form of liquidity for program units that could not be traded and whose true market value could not be accurately ascertained.

Something had to change. Plank and future Apache president John Kocur came up with a solution that pleased both investors and restless employees.

"It was time to reorient the company," said Plank. "So I did."



President Raymond Plank, fourth from left, purchased the first 100 shares of Apache's common stock when it began trading on the Big Board May 27, 1969.

Apexco

In 1971, Apache announced the formation of Apache Exploration Company (Apexco), a separate, publicly held company in which Apache was the major stockholder. Set up to operate as an independent oil and gas exploration and production enterprise, Apexco rekindled the morale of Apache's entire exploration and production staff. Apexco helped spark a renewed sense of spirit and drive throughout Apache that lifted it to the \$200 million mark in sales within three years of its establishment.

Apexco was almost instantly hailed by Wall Street and the national business press as one of the most ingenious corporate offerings in the history of the petroleum industry. The general consensus was that Apache had jumped in front of its competitors by anticipating a major domestic energy crisis and reassuring investors of the continued profitability of petroleum exploration.

In 1977, Apache sold Apexco to the Natomas Company for \$127 million — the biggest single transaction Apache had ever made. Within three years, the market capital of Apache shares on the New York Stock Exchange rose from \$50 million to a half billion dollars. Investors who had risked much when Apache drilled its first wells in 1955 now saw every \$1,000 of their original investment worth \$121,000.

"Everyone — our employees, shareholders and program investors — was supposed to win," Plank said about Apexco, "and everybody did."

By the end of the late '70s, the energy crisis was in full effect. Apache sold off most of its subsidiaries and refocused on oil and gas. The sale of Apexco gave the company the funds needed to undertake a significant expansion of its internal oil and gas operation. In 1978, Apache was reported as one of the leading deep drilling companies in the U.S., participating in one of every 13 wells drilled below 15,000 feet.



Apache's board in 1977. Standing (left to right): John Kocur, William Foss, Virgil Day and Brooks Fields. Seated (left to right): Dr. M.S. Belzer, Howard Alkire, Raymond Plank, Curtis Carlson and Malcolm Mackay.

Plank Creates the Master Limited Partnership

In 1981, Plank and Apache created the Apache Petroleum Company (APC), the world's first master limited partnership. With a master limited partnership, program investors could choose to remain in their existing oil and gas partnerships or elect to exchange their interests for publicly traded units. APC provided all the tax benefits associated with a limited partnership plus the liquidity of a New York Stock Exchange company.

Within three years, APC had attracted 58,000 unitholders. Annual revenues climbed to \$221 million by the end of 1984. According to Brooks Fields (Plank's old friend and business associate from the early days of Northwest Business Service, and a member of Apache's board of directors), the formation of APC was, "an astonishing program of financial ingenuity that really got Wall Street talking."



Raymond Plank and former Apache president John A. Kocur, 1981.

Forbes magazine praised APC as “the drilling game for the little man.” The publication cited the ability of investors of average means to buy APC ownership at \$20 per unit, with the unit guaranteeing greater liquidity and longer life than previous oil and gas investment programs could offer. Many consider APC to be one of the most significant developments in Apache’s long history.

Apache was the first company to get into master limited partnerships, but it wasn’t the last. The structure proved very popular with investors, and many other companies imitated it, including the Boston Celtics basketball team. However, when new tax laws in the late ‘80s eliminated many of the benefits, APC was restructured. During the restructuring, Apache moved its headquarters to Denver. In 1992, just five years later, the company again moved and settled in Houston, the world nexus of the oil and gas industry.

Entering Egypt and Exiting Enron

One of the attributes that made Raymond Plank such an effective businessman was his contrarian nature. He zigged when others zagged.

In the 1990s, most petroleum companies were leaving Egypt en masse. Plank, however, not only saw the perfect opportunity to get involved in Egypt, but he also cultivated a friendship with then-president of Egypt Hosni Mubarak to cut through some of the red tape. Today, Apache is the largest oil producer in

the country and one of the largest acreage holders in Egypt's Western Desert with over 6 million gross acres in 23 concessions.



Raymond Plank and former Egyptian President Hosni Mubarak.

On the long road from recent college grad to the leader of a billion-dollar business, Plank never lost his integrity. In 2001, he was one of the first to suspect that something unsavory was up with Enron Corporation, whom he frequently, and loudly, referred to as “The Crooked E.” Plank ordered the immediate liquidation of all Enron hedges in Apache’s portfolio. “We’ve got a stack of chips in front of us, and we decided we’d take them and get out of the game,” said Plank.

The move netted Apache and its investors a tidy \$90 million. Not long after, the Crooked E collapsed into bankruptcy, its stock worthless and its leadership charged with fraud.



Raymond Plank testifies on natural gas reform before the House Committee on Energy and Commerce in 2002.

His Enduring Legacy

Plank retired in 2009, but he left behind the foundation of honesty, adaptability and determination that he built into the very bedrock of Apache.

“For the many of us at Apache who knew him, and the many more whose lives he touched, we remember Raymond as a visionary leader and a strong, passionate and caring man,” said John Christmann IV, Apache’s CEO and president. “His leadership, courage, generosity and integrity are central to the core values he instilled at Apache, and they continue to guide us today.”

Though Raymond Plank has passed on, his legacy can be felt around the world and isn’t limited to the thousands of Apache employees whose livelihoods depend on the company that he built. Plank was a man who firmly believed in giving back. In part three, we will learn more about the philanthropy of Raymond Plank, why he always strove to make a difference and how he left behind a world that was more than a little bit better for having had him in it.

“While Apache may sometimes appear to be going in several directions at once, we believe you can easily discern that its true course is in a single direction — the best possible one of all. That direction is up.”

—Raymond Plank



Dick Vogel, Raymond Plank and John Kocur, Naples, Florida, 2016.