



# The Early Days 1933-1944

*"Training was our second job, if not our first. ..."*  
– Early American employee

 n May 29, 1933, at Khuzam Palace, then on the outskirts of Jiddah, representatives of the Kingdom of Saudi Arabia and Standard Oil of California (Socal) signed the Concession Agreement that allowed Socal to explore for oil in Saudi Arabia. This book is about some of the events that followed that agreement. Specifically, it is about the growth of an oil company, and the transformation of mostly illiterate and unskilled Saudi laborers into executives and technicians in charge of the largest, and one of the most advanced oil companies in the world.

## The Concession Agreement

 audi Arabia's negotiators were led by Shaykh 'Abd Allah Al-Sulayman, the Minister of Finance to King 'Abd al-'Aziz Al Sa'ud. He came to the negotiations armed with knowledge of the terms already won by Iraq and Persia for oil concessions to the British. Harry St. John B. Philby, friend and unofficial advisor to King 'Abd al-'Aziz, described Shaykh 'Abd Allah as a polite, shrewd and keenly intelligent man. Born in the Qasim area northwest of Riyadh and trained as a clerk in India, Shaykh 'Abd Allah rose to the position of finance minister on the basis of his performance as a clerk and loyal personal secretary to King 'Abd al-'Aziz. In the lean years of the new country, Philby said, Shaykh 'Abd Allah "frequently found himself in the unenviable position of having to produce loaves and fishes out of non-existent ovens and seas."

The Socal team was led by Lloyd N. Hamilton, a lawyer specializing in contracts, and Karl Twitchell, a mining engineer who had already completed a surveying expedition across the Arabian Peninsula. Hamilton, just turned 40, had traveled to Saudi Arabia from London, where he represented Socal's foreign interests. He was described as a keen judge of character, affable yet discreet, a man whose word could be trusted. After graduating from the University of California, Hamilton served as a U.S. Army infantry officer in France during World War I and attended Oxford University in England after the war. In 1933 these two men and their wives were the only Americans in Saudi Arabia.

Negotiations started on February 19, 1933, with Shaykh 'Abd Allah asking for an initial

*Opposite:  
Dhahran camp  
with Well No. 1  
in March 1935.  
Below: Shaykh  
'Abd Allah  
Al-Sulayman  
and Lloyd N.  
Hamilton sign  
the Concession  
Agreement  
between Saudi  
Arabia and Socal.*



loan against royalties of 100,000 English pounds, gold (about \$500,000 U.S.), plus rentals and other fees if oil was found in commercial quantities. Hamilton countered with an offer of \$50,000 up front and smaller other payments than those sought by the government. His offer was included in a 10-point proposal — a working paper for negotiation — modeled on other Socal concession agreements. Point seven read: “The direction and supervision of the enterprise shall be in the hands of the Americans, who shall employ Saudi Arabian nationals as far as practicable.”



Harry St. John  
B. Philby, 1938.

This passage was the first mention of employing Saudis. Socal stated it would give preference to Saudis in hiring, but indicated it felt no obligation to train them.

On at least one occasion, Shaykh ‘Abd Allah pressed for a commitment to train and educate Saudi workers. Hamilton reported to Socal’s San Francisco headquarters on May 16, 1933, that there had been: “... an extended discussion, involving the question of whether the company would agree to train a certain number of Saudi Arabians in the oil business and send a certain number to the United States for schooling.” He concluded: “I think we managed to avoid these obligations, after much argument.”

No further mention of training, human resource development, or the transfer of skills and technology to Saudis is found in Hamilton’s correspondence with the company, nor did Philby report any discussion of these topics at the Saudi privy council meeting where terms of the agreement were explained to national leaders and approved by them.

After three and a half months of hard bargaining, an agreement was finally reached. The historic signing is captured in a photograph that shows the chief Socal negotiator, Lloyd N. Hamilton, signing the agreement with Shaykh ‘Abd Allah Al-Sulayman. Shaykh ‘Abd Allah’s private secretary and interpreter, Najib Salihah, watches the signing over Hamilton’s left shoulder.

The Kingdom of Saudi Arabia Royal Decree Number 1135 “granting a concession for the exploration of petroleum” was issued July 7 and officially proclaimed on July 14, 1933, in the government gazette.

The concession contained 37 separate articles. It pledged Socal to loans of 50,000 English pounds in gold (equal to about \$250,000 at the time), yearly rentals of 5,000 English pounds (about \$25,000), and royalties of four shillings (about \$1.00) per ton of oil produced. In return, Socal obtained exclusive right to prospect for and produce oil in eastern Saudi Arabia and preferential rights in most of the rest of the Kingdom.

Article 23 of the concession concerned the hiring of Saudis to work for the company. In it Socal had made no commitment to train Saudi workers. The company merely promised to give preference to “suitable” Saudis. The first paragraph of Article 23 read: “The enterprise under this contract shall be directed and supervised by Americans who shall employ Saudi nationals as far as practicable, and in so far as the Company can find suitable Saudi employees it will not employ other nationals.”

A second paragraph, added at the government’s insistence, makes clear the labor laws of Saudi Arabia, not those of any other country, apply to company workers. It read: “In respect of the treatment of workers, the Company shall abide by existing laws of the country applicable generally to workers of any other industrial enterprise.”

Article 23 was a small opening — yet wide enough to open the industrial age to thousands of Saudis. It did so partly because of the government’s aggressive

*Casoc’s first  
payment to the  
Saudi government  
being counted  
at Dutch Bank in  
Jiddah, 1933.*



enforcement of Article 23, no matter how small the issue. For example, the government protested vigorously in September of 1934 when company geologists brought three English-speaking workers (a cook, a waiter and a houseboy) from Bahrain.

The acting minister of finance declared in a letter that the workers were foreigners and could not be employed under Article 23. The company replied this was true, "from a purely technical standpoint," but pointed out the personal nature of their services and the difficulty with servants who do not understand one's language, customs and manner of living.

The three were allowed to stay, but the minister cautioned the company to abide strictly by the provisions of Article 23, since it was a matter in which the King had a particular interest. "Any infraction of that article will create difficulty for the company and the Ministry of Finance," he warned.

## California Arabian Standard Oil Company (Casoc)

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**I**n May 1933, Socal assigned its concession rights to a wholly owned subsidiary, California Arabian Standard Oil Company (Casoc). The company operated in Saudi Arabia under that name for the next 10 years. With the Concession Agreement signed and the corporate structure settled, the next step was to explore the newly opened territory — some 320,000 square miles of casually mapped, barren desert — an area larger than France or the state of Texas.

In the previous decade Socal had spent more than \$50 million on ventures in half a dozen countries, from Central and South America to the East Indies, without success of note. Then, in 1928, Socal signed a concession to search for oil in Bahrain, an island nation in the Arabian Gulf just off the coast of Saudi Arabia. Four years later it hit oil on the island, in formations very much like those visible in the lumpy brown *jabals* (hills) of broken limestone visible on the horizon in nearby Saudi Arabia. They struck oil in rocks of the Cretaceous period at the depth of 2,000 feet, to the surprise of British experts around the Arabian Gulf who believed oil in this area could be found only in younger, Tertiary period formations.

Socal operated in Bahrain through a wholly owned Canadian subsidiary, Bahrain Petroleum Company (Bapco), so the first geologists sent to map the new concession on behalf of Casoc were experts from Bahrain Petroleum Company who traveled the few miles from Bahrain to Saudi Arabia on a motor launch.



*Company headquarters in San Francisco.*

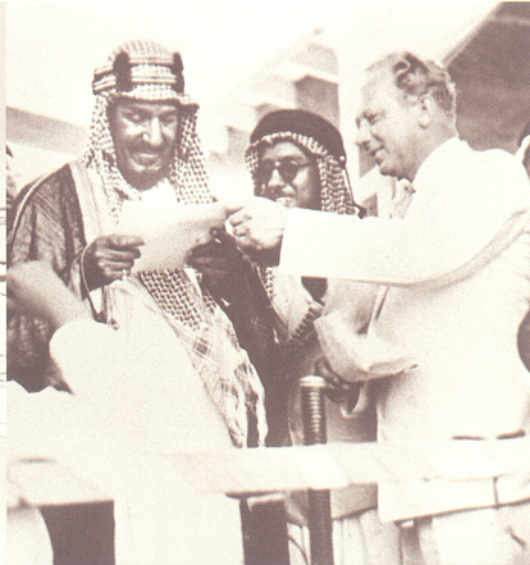
## Early Arrivals

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**R**obert "Bert" Miller and Schuyler "Krug" Henry landed September 23, 1933, at Jubail, 20 miles north of present day Ras Tanura. Karl Twitchell joined them after crossing the Arabian Peninsula from Jiddah, following old camel trails, with two touring cars rented from the government, plus drivers and mechanics. All three men had grown beards and wore Arab dress to avoid appearing too conspicuous to the local people, most of whom had never seen a Westerner. They were greeted by the local Amir, an escort of soldiers, and a throng of curious locals.

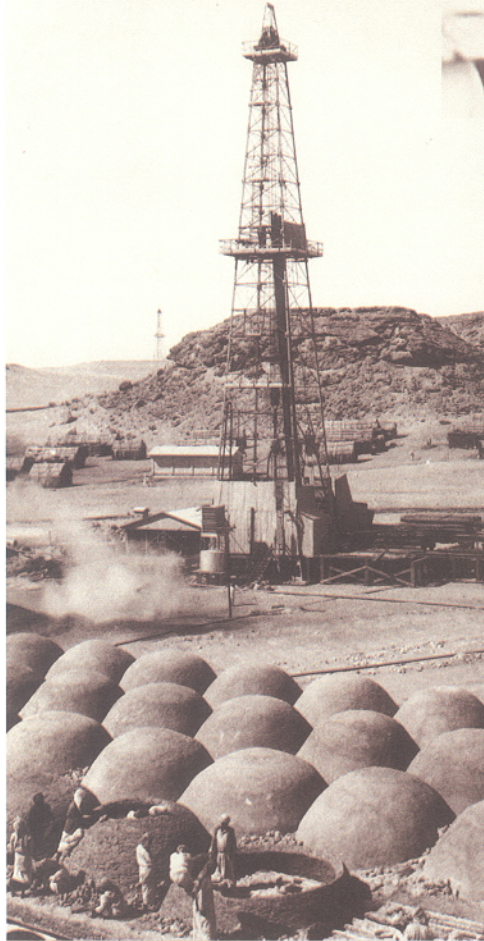
The crowd was in a holiday mood, but the geologists were eager to get to work. After a few courtesy calls and the customary cups of coffee, they piled into one of the touring cars and sped off toward a likely looking, nearby hill called al-Jubayl al-Barri (source of the name for the Berri oil field years later). The Arabs

Jubail Harbor, where the first geologists landed.



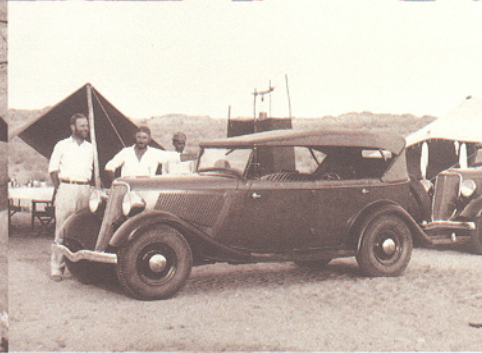
King 'Abd al-'Aziz reads congratulatory cable handed to him by Floyd Ohliger in Ras Tanura, 1939.

Early Dhahran well with dome of the new mosque in foreground.



Khumayyis ibn Rimthan, Saudi guide for early exploration teams.

Casoc geologists with field cars at 1933 encampment.



Aramco pioneers at Jubail in 1934, left to right: T. W. Koch, J. W. Hoover, R. C. Kerr, R. P. Miller, H. L. Burchfield, S. (Krug) Henry, F. W. Dreyfuss, Charles Rocheville, A. C. White and A. B. Brown.



followed them on camels and donkeys and soon caught up. The going was too rough and the sand too deep for the cars, so, amid much laughter, the geologists agreed to leave their touring car and accept a camel ride to the *jabal*.



*Mining engineer Karl Twitchell crossed Arabia in 1932.*

They spent their first night in Saudi Arabia in a building owned by the Al-Gosaibi merchant family. Five days later they visited the limestone hills known as Jabal Dhahran, a distinctive geological feature they had observed from Bahrain. By the last day of the month they were in Hofuf, where they made a courtesy call on the Amir of the province, and rented office space in another house owned by the Al-Gosaibi family. They kept the Hofuf property as a branch office, but had the Al-Gosaibis engage another house in Jubail as the company's first in-Kingdom headquarters.

Reinforcements arrived quickly. Another geologist, J.W. "Soak" Hoover, landed in October, bringing three Ford V-8 touring cars, a mechanic, a helper and two drivers. Before the end of the year three more Americans joined the party: H.L. Burchfield, Felix Dreyfuss and Dr. J.O. Nomland. By September 1934, there were 13 Americans living at the camp, and they had added a Fairchild monoplane for aerial photography and mapping. One of the new men who arrived during that period, Max Steineke, would play a critical role in the discovery of oil in the Kingdom.

The early Westerners found much to admire in Saudi Arabia and its people. In writings and interviews they recall with amazement the ability of their Bedouin guides to find their way across miles of seemingly trackless desert. One of these guides, Khumayyis ibn Rimthan, later had an oil field named after him. The Americans of that period expressed admiration for the skill of pearl divers and the seamanship of dhow captains. They delighted in Saudi hospitality, and respected the average man's devotion to his religion.


At the same time, they found the Saudis they met to be unaware of Western technology. The Saudis still lived much as their ancestors had done for centuries. The Kingdom had only a few privately organized schools, no paved roads and no electric lights.

Many Saudis had never seen an automobile, much less an airplane. They were unfamiliar with such basic hand tools as hammers, saws, screwdrivers or measuring rules. The vast majority of the Saudi people at that time could not read or write. How strange the paraphernalia of an oil company — gauges, meters, routing slips, requisitions, generators and pumps — must have seemed to them. Yet they could not be called uneducated, because they were superbly educated in the ways of living in Saudi Arabia.



*Containers of gasoline being bundled for delivery by camel to remote drilling sites.*

## The Work Begins

he company used both aerial photography and geological field trips in its exploration and mapping of the concession area. By 1935 the area from the center of the vast southern desert known as Rub' al-Khali, or Empty Quarter, all the way to the northwest boundary of the concession area had been photographed from the air. Between 1934 and 1937, exploration teams roamed from the Yabrin oasis on the south, to Maniya and Lafiya on the



*Geological survey field party in 1935.*

north, and inland as far as Hayil. In the spring of 1937, Max Steineke crossed the Arabian Peninsula in both directions, carefully surveying the geography as he went. The information he and his party gathered became the basis for all future geological profiles of the country.

The coming of these motorized geological exploration parties was an unforgettable experience for many of the Saudis. Nassir Al-Ajmi, who would become one of the top executives

in the world's largest oil company and later the president of the government railroad services, was born in a nomadic encampment west of 'Uthmaniyah, on the edge of what would become the Ghawar field, the world's largest oil field. In his autobiographical book, *Legacy of a Lifetime*, Al-Ajmi recalled his initial contact with the oil men and their machines:

"The first time I saw a vehicle was a frightening experience. I cannot remember the date, but it was springtime and I was playing with other children next to our encampment when we heard a strange noise. We saw an odd-looking thing rushing toward us with a cloud of dust behind it. We ran as fast as our legs could carry us and hid inside the tents. As we peeked through the holes to observe the noisy, strange-looking creature, we noticed two or three unfamiliar looking people wearing funny clothes and deep plates or funneled pots over their heads! It was an exploration party asking for water and seeking directions."

To keep two geologists in the field required a small army. A well-equipped field team included 15 to 20 cargo camels, two trucks and a touring car, a guide, a cook and a cook's helper, a houseboy, a mechanic and a mechanic's helper, an automobile driver, four camel drivers and an escort of 15 to 30 armed Bedouins.

The government supplied the people and the "military" escort, but Casoc paid their salaries. The company hired its first Saudi drivers and mechanics from those who had served on these field trips.

## Training Begins

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In the absence of formal industrial training programs, the handful of Americans had to train Saudi recruits as best they could. The first record of on-the-job training appears in the diary of J.W. "Soak" Hoover, one of the geologists mapping the Dammam Dome where Dhahran now stands. In the entry for December 27, 1934, Hoover writes, "I taught 'Abd al-'Aziz how to read the aneroid barometer this a.m." It must have been a memorable experience, for Hoover added, "It's remarkable how easily some can learn, and most remarkable how some cannot get their brains to function at all!"

Training was a necessity for effective operation of the field teams and for the safety of everyone involved. "Training was our second job, if not our first," an American employee of the time said. "But we never thought of them as trainees. We called them hired hands, but you had to teach them everything from the grass roots up."

## Dammam No. 1

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In June 1934, Hoover and Henry completed detailed mapping of the Dammam Dome, named after the larger of two fishing villages in the area, and made a location for the first test well, Dammam No. 1.

The decision to drill triggered a flurry of construction activity. Casoc headquarters in San Francisco authorized construction of the first offices, the first bunkhouses for Americans, the first quarters for the Saudi camp, the first road