

# ARABIAN OIL VENTURES

H. St. J. B. Philby



## Philby's Last Work

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*H. St. J. B. Philby*

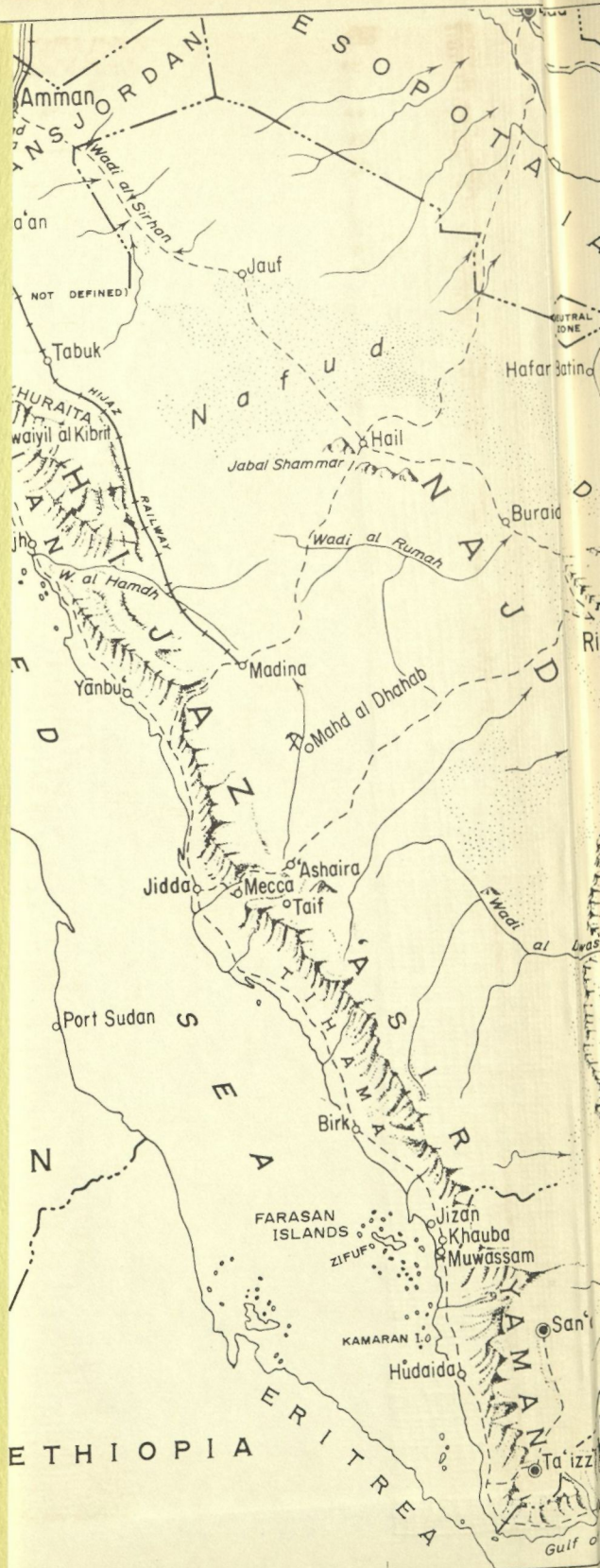
"Arabia has prevented me from seeing much of the world," Philby wrote the publishers a few weeks before his death, at the time he sent us the manuscript of this present work, his last. But he did see Arabia clearly and took part in much of its dramatic emergence into the modern world. This is the story of how the oil concession of Saudi Arabia was made, from his own intimate view as a participant in the negotiations.

Harry St. John Bridger Philby was born on a tea plantation in Ceylon on April 3, 1885 and died in Beirut, Lebanon, on September 30, 1960. These seventy-five years constituted a remarkable life.

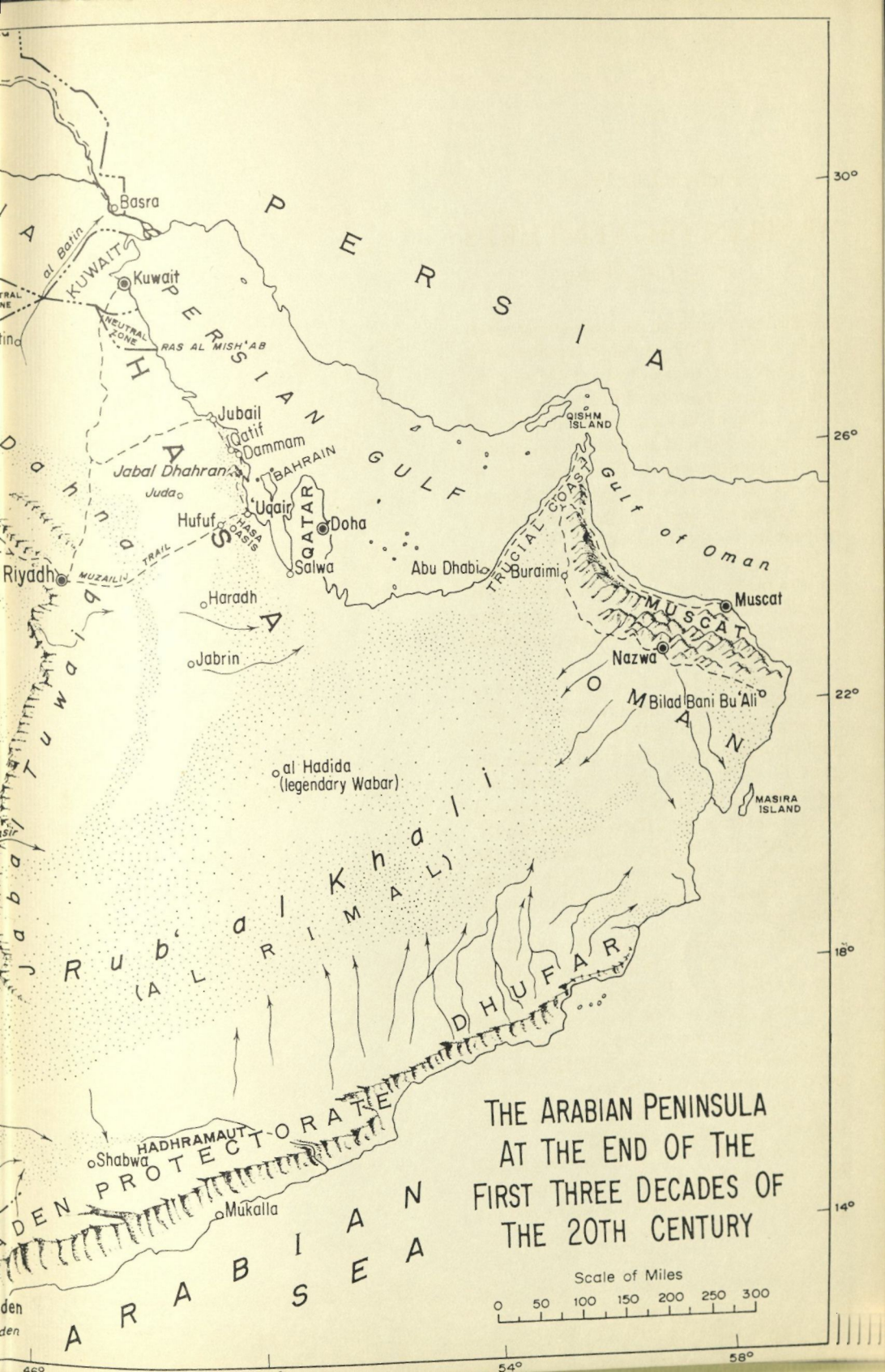
At Cambridge he had the good fortune to study Persian and to begin Arabic—"... perhaps the finger of Fate beckoning me on the path I scarcely dreamed to tread"—under the great E. G. Browne. After his entry into the Indian Civil Service, Philby continued the study of languages. But it was late in 1915, aged thirty, that he went to Basrah with the Mesopotamian expeditionary force of the Indian Army and started his real career, so richly recorded.

In Iraq (to be) he worked under Sir Percy Cox and with A. T. Wilson and Gertrude Bell. He also, briefly, had dealings with T. E. Lawrence. Even at this time, he disagreed with all of them on matters of fundamental policy. From then on, much of his life was spent in controversy and he never shied away from the battle. Like another "old campaigner," he loved "a good fight."

When, in 1917, Philby visited Najd and met 'Abd al-'Aziz Al Sa'ud, the confrontation gave the rest of his life purpose and direction. He remained in the service of the









*Arabian Oil Ventures*



*H. M. (then Amir) 'Abd al-'Aziz Al Sa'ud,  
in 1924, when he was Ruler of  
the Najd and its Dependencies.*

COURTESY OF MR. THOMAS E. WARD

# *Arabian Oil Ventures*

H. ST. J. B. PHILBY

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*With a Foreword by*

FRED A. DAVIES

THE MIDDLE EAST INSTITUTE

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1964



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## *Editor's Preface*

St. John Philby completed the writing and sent the typescript of the present work to the Middle East Institute shortly before his death in September, 1960. Although the text was in good condition, our inability to consult with the author on some points raised questions. Fortunately, Mr. Philby's papers and journals were available for checking, and some of these questions were resolved by recourse to them. On a few occasions, where Mr. Philby's memory or record seems to have been faulty, we have put in a note giving another version on the event, or have eliminated a sentence, or a phrase, from the text. No additions were made to Mr. Philby's words as set down by him, and the only changes made were to bring transliteration of personal and place names in Arabic into consistency, and to employ American instead of British usage.

The privilege of publishing this, the last of the works from one of the last of the great explorers, is one of which this Institute is proud.



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## *Foreword*

H. ST. J. B. PHILBY was born on a tea plantation in Ceylon on April 3, 1885 and died in Beirut, Lebanon on September 30, 1960. The intervening seventy-five years marked one of the most notable Middle Eastern careers.

Philby first visited what is now Saudi Arabia during the First World War in 1917 on a British diplomatic mission from Sir Percy Cox, Civil Commissioner of Mesopotamia, now Iraq, to 'Abd al-'Aziz ibn Sa'ud, then the ruler of the Najd and al-Hasa in Arabia. Even during this early visit, he found it possible to exercise his exploring instinct, and gathered the material published eventually as *The Heart of Arabia* (Constable 1923) and *Arabia of the Wahhabis* (Constable 1928). His feeling for Arabia and his great respect for 'Abd al-'Aziz were such as to cause him to return and make his home there from 1927 until his death. In the intervening years he traversed the Kingdom from north to south and east to west and learned to know the Arab—his customs, religion and philosophy—from King to Bedouin. He quickly learned to love Saudi Arabia.

With his boundless energy and his keen powers of observation, he was able to see and to learn the country as no other Westerner has

done. Having a strong desire to acquaint the world with Arabia, he followed up his travels and his observations with the writing of many more books about them. His books for the most part have been geographical, historical, biographical and ethnic.

Years later, Aramco geologists in their search for oil made daily use of Philby's early books and of his account of his crossing the great sand desert, *The Empty Quarter* (Constable 1933). Our American technicians never ceased being amazed at the boundless energy and keen powers of observation revealed in these works. His maps stood the test of use and, although details were modified with the passage of time, the basic information he collected has been transferred with relatively little change to the latest maps drawn from aerial photography.

Philby himself was fond of saying that the best way to see a country is to go on foot or camelback, and that is how he performed all his early journeys. Most of his successors had neither the patience nor the perseverance to hold themselves to so slow a pace. Philby also liked to say that the trouble with aerial photographs is that they bear no labels giving the Arabic names of topographical features. In contrast, the maps and descriptions of the areas he visited contain a profusion of names, which constitute one of his most valuable contributions to the prospector and the student of geography.

Some of Philby's manuscripts went begging for a publisher for years. One of these was his trail-blazing work on southwestern Saudi Arabia, published as *Arabian Highlands* for The Middle East Institute by Cornell University Press in 1952. In spite of the fact that its bulk alone must have frightened away many a purchaser, it attracted a wide enough audience to be out of print today. The proposed publication of the present book was the final incident during Philby's lifetime of his association with The Middle East Institute, which had remained as cordial over the years as his relationship with Aramco.

The present volume is somewhat different in nature from his other works. It is Philby's account of three episodes in the story of oil in Saudi Arabia—the two earlier, abortive efforts to locate oil, and, thirdly, the negotiations in 1933, in which he took so prominent a part and which eventually led to the discovery of Saudi Arabia's oil. This discovery, naturally, has had a profound effect on the modern history of Saudi Arabia and has greatly increased outside interest in that country.

As Philby relates, Lloyd N. Hamilton and Karl S. Twitchell, representing Standard Oil Co. of California, arrived in Jidda, Saudi Arabia, on February 15, 1933, for the purpose of negotiating an oil concession agreement with the Government of Saudi Arabia. The discovery, in 1932, of oil in commercial quantities by a subsidiary of Standard of California on Bahrain Island in the Persian Gulf, some twenty miles off the eastern shore of the Saudi Arabian mainland, was the event which sparked this particular visit.

However, for the sake of the record, it should perhaps be pointed out that Standard of California's interest in Saudi Arabia predated the Bahrain discovery considerably. In the spring of 1930 the Company had sent two representatives to Bahrain to examine and report on its oil prospects. I was one of them. From the day we first set foot on Bahrain, we had a strong desire to examine the geology of the mainland in Saudi Arabia, not only because of its bearing on what might be expected below the surface on Bahrain but also because it was thought there might well be oil possibilities in the vastly larger area of the mainland. Major Frank Holmes, with whom the Company had dealt in its introduction to Bahrain and who is prominently mentioned in this book, was requested to arrange for such a visit, but nothing came of this approach. Upon the discovery of oil in Bahrain in June, 1932, Standard of California cut its ties with Major Holmes and got in touch with the Saudi Arab Government through Philby, with the successful results related in this volume.

As the reader will learn, Hamilton with the valuable assistance of Philby and Twitchell successfully negotiated an Agreement, signed on May 29, 1933. Pursuant to this Agreement, the California Arabian Standard Oil Co., a subsidiary of Standard Oil Co. of California—joined later by Texaco Inc., Standard Oil Co. (New Jersey) and Socony Mobil Oil Co.—found, developed and is continuing to develop the gigantic petroleum reserves in Saudi Arabia. In 1944, the name California Arabian Standard Oil Co. was changed to Arabian American Oil Co., now commonly known as Aramco.

Philby's account, as he puts it, virtually ends with the arrival in Saudi Arabia of the first geologists, just a few months after the Agreement was signed. Dammam Dome, whose topographic expression had caught our eye from Bahrain, was found and mapped almost at once. The first well was spudded on April 30, 1935. Some oil was found in the same horizon which was productive on Bahrain at a depth of



about 3,200 feet but only in erratic and discouraging amounts. After several wells were drilled to this zone, the decision was made to go deeper. On March 5, 1938, oil in large quantities was found in what is now called the Arab zone, at a depth of about 4,700 feet. The lid was off! Barge shipments of oil to the refinery on Bahrain commenced six months later. A pipeline was laid to Ras Tanura and the first tanker was loaded in May, 1939. King 'Abd al- 'Aziz himself was present at the ceremony, and gleefully opened the valve to the submarine loading line.

Geological work continued and other likely areas were located. The Abu Hadriya and the much larger Abqaiq fields were discovered in 1940. Production, which had averaged only 1,357 barrels per day in 1938, grew to 13,866 barrels per day in 1940. The Second World War then intervened and operations were drastically curtailed. However, a 50,000-barrel-a-day refinery was constructed at Ras Tanura during the final stages of the war and went on stream in September, 1945.

After the end of the war, exploration and development burgeoned. A total of ten separate fields have been found, including the mammoth Shawar Field, some 150 miles in length, and Safaniya, the world's largest offshore field. Production averaged 58,386 barrels per day in 1945, the year the war ended, shot up to more than 546,000 barrels per day in 1950—and reached 1,247,140 barrels per day in 1960. More than four billion barrels have been produced to date from the Saudi Arabian fields, and the proven reserves are larger than those of the entire United States. The refinery has been enlarged several times, undersea pipelines have been laid to Bahrain, and the trans-Arabian pipeline has been constructed to Sidon on the Mediterranean, with a capacity of 470,000 barrels per day.

The development of the oil resources of Saudi Arabia has been a very satisfying and successful venture for both the Government and the Company. The Government is employing ever greater proportions of its income for improvements of all kinds—schools, hospitals, roads, railroads, agriculture, and countless other projects. The Company employed some 11,000 Saudi Arabs at the end of 1960. It instituted and maintains an intensive training program for Saudi Arabs, both in Saudi Arabia and elsewhere, which has resulted in more and more Saudi Arabs occupying responsible positions with Aramco. In addition, many of those trained are now located with other industries

in Saudi Arabia. A health program has been carried on for many years, and its results can be seen on all sides.

Other benefits, too numerous to mention here, have stemmed from the Agreement which Philby helped so ably to bring into being. By the part he played, he has helped his adopted country and people. He served well his friend and master, King 'Abd al- 'Aziz, and the country which bears his family's name, and the Company also. His honesty, frankness, and sense of balance enabled him to act as liaison or go-between without either side then or since having the feeling that he was unduly favoring the other. A truly remarkable performance!

I first had the pleasure of meeting Philby in 1937 on his home grounds in Jidda. He was a raconteur of great wit and charm, but it was for more substantive reasons that I came away from our first meeting, and our many subsequent ones, with a greater respect for the man and his accomplishments. His integrity and wholehearted devotion to the purposes he had set for himself in life made a deep impression. Saudi Arabia is better for his having been a part of it.

F. A. DAVIS

*Former Chairman of the Board of Directors  
Arabian American Oil Company*

*Lafayette, California  
March 1, 1961*



PART I

*Much Ado About Nothing*

PART I

Much Ado About Nothing

IT WAS THE FIRST WORLD WAR that emphasized the importance of oil in the new age of mechanized transport, and intensified the search for petroleum deposits in the Middle East. But at the beginning of the century the D'Arcy Exploration Company had already embarked on its long and distinguished career of exploration and exploitation in the Persian oilfields. By the end of the war, during which the British Government had acquired a large holding of its shares, it was able to report a net profit of £2,378,313, after paying to the Persian Government royalties amounting to £322,479, for the year 1919/20. By 1925/6 these figures had risen respectively to £4,383,232 and £734,356, on the basis of a total production of 4,556,157 tons of oil. And it may be mentioned, in passing, that in 1950, the last year of the Anglo-Iranian (formerly Anglo-Persian) Oil Company, production had reached the prodigious total of nearly 32 million tons.<sup>1</sup> In June 1957, under the arrangements made between the National Iranian Oil Company and an international Consortium (including the A.I.O.C.), it was reported to be at the rate of 35 million tons a year.<sup>2</sup>

But this development, and much else in the Gulf area, was still "forty years on" at the end of the first war. Meanwhile, for some strange reason, possibly the conservative policy of the Anglo-Persian Oil Company and the limitation of interest in the Gulf region to "wildcat" speculation, the attention of prospectors seemed to be concentrated on the other side of Arabia, where the possible existence of oil and the long-entertained conviction of the presence of other

valuable minerals (e.g., gold) tended to encourage the seeking of concessions. This was no new development. As long ago as 1877 and 1878 Sir Richard Burton had been employed by Khedive Isma'il of Egypt to examine and report on the mineral possibilities of the Land of Midian, then under Egyptian sovereignty; and his enthusiastic recommendation of immediate full-scale prospection and exploitation had set the tide of speculation flowing. But the deposition of Khedive Isma'il in 1879, and the resumption of control of the area by the Sublime Porte, put an end to any possible Egyptian initiative in the matter. And it was not till six years later (1885) that the next step forward was taken, when "the Managing Director visited the country [Midian?], and subsequently with Sir Richard Burton. Nothing eventuated until 1896, when Admiral Sir Edmund Commerell suggested taking up the business. The political situation proving too unfavourable, the proposition was abandoned. In 1905 the Managing Director was able to submit the business to the Sultan for a Moorish *quid pro quo*, and the present organisation was formed."<sup>3</sup>

The organization in question was the X.Y. Prospecting and Developing Syndicate, Limited, of 15 Angel Court, Throgmorton Street, London: formed with the object of entering "into a partnership agreement with the Imperial Ottoman Government to develop the mineral wealth of the Land of Midian."<sup>4</sup> The identity of the Managing Director is not specifically disclosed in the document quoted; but there seems good reason for supposing that he was Admiral Sir Henry Woods Pasha who, with three Turkish notables, was appointed to the local committee operating in Constantinople. The material points of the agreement were: "A partnership with the Turkish Government to exploit the area defined. Sole prospecting rights for ten years. The right during this period to mark out any working area. The annual rent payable for any area so marked out to be approximately £1 per acre for gold and silver, and 4s per acre for other minerals and oils. From the date of such payment, the lease shall be for a period of 50 years, on the expiry of which the working area, including all buildings and machinery, shall, without any payment, become the sole property of the Government. In addition to the rent the Government shall be paid 10 per cent of the dividends distributed, and all taxes and dues shall be paid as are levied on Turkish subjects. Any disputes arising to be settled by arbitration."<sup>5</sup>

The "Moorish *quid pro quo*" was presumably a *douceur* of some

kind to the people concerned in arranging the agreement, which, having been duly signed and sealed by the Managing Director in the presence of Grand Vizir, was to be followed up immediately by the formation of "The Dead Sea Oil Company," with a capital of £ 1 million, to work the area round Sodom and Gomorrah. "Further companies would subsequently be formed to exploit the copper deposits of Central Midian, and the gold mines of southern Midian." A well-deserved tribute was paid to the distinguished German geologist, Professor Max Blanckenhorn, who had studied Arabian geology for a quarter of a century and was the acknowledged authority on the subject at that time. A copy of a short report by him, by which the Directors of the X. Y. Syndicate had been guided, was enclosed with the circular letter to the members of the Syndicate for their information. But the letter, prepared and issued nine years after the agreement above referred to and the decisions consequent thereon, had nothing to report regarding the activities or results of the Dead Sea Oil Company, which had not even been formed, much less of the other two projects envisaged *ab initio*. Actually nothing had been done to give effect to the good intentions of the founders of the concern, whose object in issuing the circular was indeed to advise the members that, "now that the business has been so far completed, it is the opinion of the Managing Director that the personal element, which for nine years has been the dominant factor in the business, should be eliminated. He will be succeeded by Mr. George Kitchen, Mr. Murray Griffiths, well-known members of the London Stock Exchange, and Mr. Herbert L. Bromhead, whose office staff has kept the records since the inception of the business. They will, as Directors of 'Midian Limited,' carry on the further business of the undertaking."<sup>6</sup>

It all seems to grow "curiouser and curiouser" when we are told quite frankly<sup>7</sup> that "Midian Limited" will in fact be a mere change of name for the X.Y.P.&D. Syndicate, the members of the latter becoming automatically the shareholders of the former. After all, a rose by any other name would smell as sweet; but this one was being presented without thorns, and some may have wondered if it was real. Midian Limited was to acquire "every benefit and interest in the agreement with the Imperial Ottoman Government, free of all obligations and responsibilities as regards the past . . .," its capital of 80,000 5s shares being issued to X.Y. members on the basis of four



Midian shares to each X.Y. one, up to a limit of 57,600, which would leave a small margin for running expenses of the new company, and other charges: these 22,400 shares being "issued and distributed as widely as possible, and at the most substantial premium (for the sole benefit of Midian Limited), that can be obtained in the open market."<sup>8</sup> Midian's first priority was to be the formation and equipment of the Dead Sea Oil Company: "the evidence of the Dead Sea area being all in favour of producing oil at a profit," while, according to Lord Cowdray<sup>9</sup> "the demand for fuel oil is growing day by day: the more assured the supply becomes, the greater the demand." It was admitted that "the copper and gold deposits of Central and South Midian may be more speculative, but with possibilities of greater profits. . . ."<sup>10</sup> Much patience has been necessary to carry through the scheme formulated by Burton some 35 years ago for the development of the Land of Midian, but . . . with the data available as regards the mineral wealth of the country, the reward should be equally satisfactory." The memorandum quotes Burton to encourage confidence: "The tale of these mining cities reads like a leaf from *The Arabian Nights*, yet it is sober truth. It is hardly necessary to say that my assertions are borne out by the report of the mineralogists officially appointed by the Viceroy."

So the pillar of cloud led its votaries through the wilderness (in imagination) for yet forty years; and it was probably not until 1953 that the ghost of *King Solomon's Mines* was finally exorcised by a distinguished American geologist, Richard G. Bogue, during an extensive expedition which he and I made at the time through the whole area concerned. That is anticipating matters; but it may be said at once that, while we discovered an immense deposit of iron ore of promising quality in the Khuraita area between Dhaba and Tabuk,\* the prospect of finding any other minerals of interest had to be written off as negligible, for the simple reason that the ancients had long since picked every pocket of gold, silver, copper and lead, etc., leaving nothing for modern man to exploit. Above all, not a trace of oil has been found yet in the Land of Midian, nor anywhere along the eastern shore of the Red Sea. In fairness to Blanckenhorn it should be said that, while he was himself responsible for an exaggerated esti-

\* Geographical and personal names appearing in quoted material have on occasion been changed to agree with Philby's usage and the forms on the sketch maps illustrating the text.—Editor.

mate of the oil possibilities of the Dead Sea area, which he knew well and which does not concern us here, he was more cautious on this point so far as the Midian coast was concerned. "On the Red Sea," he specifically stated,<sup>11</sup> "occurs the same Miocene gypsum formation as in Mesopotamia; yet hitherto oil has only been drilled on the Egyptian coast thereof. But also, near the Arabian coast, according to Wellsted's report, oil has been obtained by the Arabs in considerable quantities on the gypsum-rich island of Tiran at the entrance of the Gulf of 'Aqaba. The same holds good, according to British consular reports (of 1896) for the Farasan Islands." In his report to the members of the Syndicate he does, however, go as far as saying that "on the shore of the Red Sea, in the northern part of Midian, oil should also be obtained."<sup>12</sup> As regards the gold and other minerals, Blanckenhorn had no personal experience of the Midian country, and had allowed himself to be misled by excessive confidence in Burton's reports. It is perhaps unnecessary to dwell on expectations of finding asphalt on the Red Sea coast (in the cretaceous formations and the diluvium) and in the sea itself.

The circular on the formation of Midian Limited, prepared earlier in 1914, was not circulated to the members concerned till after the entry of Turkey into the war against Britain and her allies; and it was accompanied by a covering letter<sup>13</sup> from the Managing Director, dated November 3rd 1914, from Dunkerque, where he was engaged in military operations. It admitted that "a reconstitution of some of its details" might be necessary, though "these can only be revealed by the course of subsequent events." It went on to envisage the possibility of "a German collapse, and in the near future"; while it contained an assurance to the shareholders that "whatever the future, the grant of the concession will be honoured. . . . On the other hand, should the war lead to the breaking up of the Turkish Empire, . . . then the province of the Hijaz (in which the Midian concession is situated) will according to a speech made by the Prime Minister, Mr Asquith, . . . come under the special consideration of the British Government." So all would be well for Midian Limited in the long run, which saw the Turks shorn of their Arabian empire, and the rise of the Hijaz, phoenix-like, from its ashes, as an independent kingdom under King Husain, a direct descendant of the Prophet. Midian Limited had to reckon with a new host, who by no means considered himself bound, legally or morally, by anything which his

former suzerain had done. He had also, inevitably, been encouraged by interested parties to entertain fantastic ideas of the immense wealth underlying the scorched hills and plains of his barren land.

One of these men was a Mr. (or Major) H. St.C. Garrood, who appears to have received from King Husain a prospecting license, dated May 22nd 1920, to investigate certain native reports of oil seepages in the vicinity of Dhaba on the Midian coast, specimens of which had been forwarded to Mecca by the local authorities. At some unspecified date after the receipt of this license Mr. Garrood appears to have made a first reconnaissance of the area, of which I have seen no record, though it apparently resulted in the conclusion that a second expedition, including competent geological staff, would be necessary before an authoritative pronouncement on the proposition could be made. The second visit to the area, of which a full report is available,<sup>14</sup> took place in May 1921. Mr. Garrood had meanwhile spent some time in Egypt, trying to secure a competent geologist to assist him. There he found that a reconnaissance of the Sinai peninsula was being arranged by the Q.S.P. Syndicate,<sup>15</sup> which was only interested in Egypt and had obtained Government licenses for exploration. These were taken up by the British Burmah Petroleum Company and later acquired by the British Sinai Petroleum Company, whose unproductive test-drilling resulting in the abandonment of operations in 1923. Meanwhile Mr. Garrood had tried to secure the services of the Company's geologist, Mr. H. G. Busk, for his Dhaba venture. He tells us that political trouble caused the deal to fall through, though the assistant geologist, Mr. Mainprize, agreed to go with Mr. Garrood for a period of ten or twelve days. This however also fell through, and Garrood left Suez on May 1st with two Egyptian interpreter-assistants and one servant. They arrived at Dhaba on May 3rd and were being very hospitably received by the local governor, Shaikh Mahmud Badawi, and the principal Huwaitat Shaikh of the district, Ahmad ibn Muhammad Abu Tuqaiqa. It was not, however, till ten days later (May 13th) that the party was permitted to begin work, as the governor of Wajh, Sharif Hazza', had announced his decision to preside over the launching of the expedition, the whole cost of which was incidentally being borne by King Husain. The first seepage was found about two miles from Dhaba, quite close to the sea and oozing up through cracks in the coral beach about six feet above the high-water mark, and trickling slowly down into the

sea. On the 14th a march of six miles brought the party to the headland of Ras al Ghal, where good water was found near the sea, though no mention was made of any seepage. Twelve miles on they came to the hillock of Tuwaiyil al Kibrit (the sulphur hillock), overlooking the inlet of Sharm Jubba. Specimens of the rock were taken; and all along the coast lumps of bitumen were found, one three feet long and weighing 15/20 lb. It was suggested by the Huwaitat Shaikh that this bitumen was sea-borne from the island of Yubu'a, about 30 miles out at sea, where he knew of seepages. During the operations in Sharm Jubba "we could distinctly smell petroliferous vapour, but could not ascertain whence it came. It may of course have come from the melting bitumen on the seashore, but not entirely so, as we smelt it at times in the valleys a little distant from the shore."<sup>16</sup> Signs of bitumen were also observed on the north side of the cove, possibly from the sea, while more was found on a raised beach. On May 16th the Kibrit hillock was visited for topographical work, and the collection of more specimens, while Burton's camp of 1878 was still traceable, as also his shafts which Garrood attributes to old Egyptian workings for sulphur, of which the yield was admittedly very small. The afternoon saw the party back at Dhaba, whence, starting at 3 a.m. on May 18th, Wajh was reached at dawn on the 19th. Two reported seepages on the coast were to have been examined *en route*, but unfavorable winds prevented landings at Ghubbat Balaka (?) and Sharm al Marra, the mouth of a considerable wadi from far in the interior. It will be noted that the effective part of the expedition was limited to only four days in all; but Garrood comments:<sup>17</sup> "The results of the expedition were most satisfactory, and might easily have been more so, had not various circumstances prevented. The writer did not feel justified in making a lengthy journey, nor indeed would the weather permit. At times the heat was so great that the limit of human endurance was almost reached. Had it not been considered necessary to prove the native reports, the expedition would not have been undertaken so late in the year. . . . We were gratified to learn from Shaikh Ahmad that the Badouin will come in to work, when a start is made; and he informed me that many of his men are working in the Egyptian oilfields. . . . Native reports must always be taken *cum grano salis*; but, from what is now actually known, more than a little credence must be given them."

Mr. Garrood lost no time in reporting the results of his journey to

King Husain by letter before leaving Wajh for Suez on May 23rd 1921; and in due course he received the king's acknowledgement in a letter dated at the end of June. "I thank God," wrote His Majesty, "for the result of your efforts during the whole voyage. May all our hopes be realized! As to the remaining work to be carried out, . . . it is quite understood. I have instructed the Qaim-maqam of Wajh to put all your expenses to the charge of the Government, as we did the previous time. I have also granted decorations to all the Shaikhs . . . , who did the necessary for your comfort and safety. As to the question of starting the work, I may say that it is necessary to wait a short time. . . . There is no reason why you should allude to any rival companies which . . . may compete with you. You should dismiss such an idea entirely from your mind, as our common and mutual interests necessitate that we should never give any preference to any foreign company, even an English one, other than your Excellency's. . . ."<sup>18</sup>

Meanwhile Mr. Garrood had returned to London, where he was in contact with certain finance houses during the summer and autumn regarding the development of his enterprise. The result of their deliberations were in due course summed up in a letter to Messrs. John Taylor & Sons, dated October 10th 1921, and signed by one R. R. Tweed, who had presumably introduced the parties to each other. "With reference to the various interviews," it ran, "which I have had with members of your firm, I now beg to set out the arrangement verbally agreed to between Messrs. Bessler, Waechter & Co., Ltd., Messrs. John Taylor & Sons, Mr. H. StC. Garrood and Mr. R. R. Tweed in connection with the exploration and financing of the Hijaz territory under the prospecting certificate granted to Mr. Garrood by the King of the Hijaz, dated 4th Ramadan 1338 (22/5/1920), No. 555." Incidentally this certificate had been in the form of a personal letter of the date mentioned to Major H. Garrood from the Sharif 'Abdullah, second son of the King and acting Foreign Minister in His Majesty's Government. The essential features of the letter were as follows:<sup>19</sup> "His Majesty permits you personally, for the sake of your services, to prospect in the places, most probably ripe for investigation, near Wajh. His Majesty would not permit any other applicant to make such search, or even to wander about and survey a single inch of the country under present conditions, in order to obviate the envy of our common enemies: you know well the

reasons for our cautiousness. His Majesty confirms that you are the preferred candidate, and that, as the Government considers the time ripe for the work, you shall therefore be granted the license. His Majesty is prepared to give you all facilities to proceed thither when you think convenient; and he recommends you to take the Qaimmaqam to assist you in finding suitable persons for your work. As to the terms of prospection and the scope of the undertaking, this will be easily settled between us when the investigation has taken place and the execution of the enterprise becomes inevitable."

It will be noted that the area of the proposed undertaking was limited in this letter to the Wajh neighborhood, and that its extension to the Midian tract as a whole was not envisaged: much less the whole kingdom of the Hijaz. Yet, obviously, success in the chosen area would lead to extensions of the scope of the enterprise; and it was presumably on that basis that the discussions with Mr. Garrood by the companies concerned were conducted. The understanding set forth in Mr. Tweed's letter envisaged that: (a) Messrs. Taylor & Sons shall, at their own expense, send Mr. Garrood out to the Hijaz immediately, with a view to obtaining from the king a boring contract not less favorable than the original Egyptian Government contracts; (b) Mr. Garrood's salary shall be £100 *per mensem*, plus expenses, as from October 1st 1921, payable in Cairo; (c) if and when such boring contract is obtained, Messrs. Taylor shall immediately take over and carry on the geological survey of the territory, providing the necessary staff and equipment, and shall pay the whole of the expenses thereof, including Mr. Garrood's salary; (d) Messrs. Taylor shall purchase for cash from Messrs. Bessler, Waechter & Co., at a price to be mutually agreed, the stores and equipment now in Egypt, purchased for the purpose of the exploration; (e) Messrs. Bessler, Waechter & Co. and Mr. Garrood undertake to transfer to the Camel Exploration Co., Ltd., all their rights and interests in the exploration concession for the Hijaz, including all reports and information obtained by them; (f) for the capital of the Camel Exploration Co., Ltd., namely 10,000 shares of £1 each, shall be allotted as follows, fully paid up: 4690 shares to Messrs. Bessler, Waechter & Co.; 500 shares to Mr. Garrood; 120 shares to Mr. Tweed; and 4690 shares to Messrs. John Taylor & Sons, when they shall have spent in approved expenditure for the purposes of the enterprise a sum of not less than £5000.

Apart from one or two matters of minor importance, the letter ended with the statement that Mr. Garrood "is ready now to start for the Hijaz immediately he receives your instructions."

And start for the Hijaz he presumably did very soon afterwards, for the next we hear of the matter is a tale of woe from Cairo, dated December 22nd 1921. He had never reached the Hijaz, but he had been in contact with King Husain, whose undated letter of "dis-engagement" he encloses for the information of Messrs. John Taylor & Sons, together with a "literal translation." It ran: "I received your letter with great pleasure and happiness, as news of you had been cut off from us, which caused me surprise as I did not know the reason for it. I had been enquiring from Egypt, but could get no satisfactory answer. So now I thank God and praise Him, knowing that you are in good health. But, as for your important discussions, which prove your friendship and love of the Arab country: Oh, my dear! I don't know what to say about your sensitiveness, as I am full of sorrow, and desperate, as I am unable to give you a definite answer about the important matter, because the present political situation has forced me once more to abdicate [*sic*]. So, my dear, you must excuse me for not answering, for in excusing me you help me to peace; and I trust in God to encompass us all with success."

"His Majesty," explains Mr. Garrood, "is not disposed to grant the concession just yet. At the same time, he does not refuse it, which shows plainly that the advice given him by Colonel Lawrence<sup>20</sup> has only had the effect of perplexing him severely. I know for certain that Lawrence warned the King to have nothing to do with me or my company, saying that, if he did, we would certainly rob him of the royalties and such-like. The Arab diplomatic agent in Cairo,<sup>21</sup> who was at Jidda during the time that Lawrence and Haddad Pasha were there, told me that he actually heard Lawrence tell the King to beware of me and those backing me, and that, when he found that the King was so favourably disposed towards me, and preferred me to anyone else, and would certainly not give the concession to another, he changed his attitude and advised the King not to give it to any foreigner, evidently forgetting that he had originally put forward the claim of Midian Limited. The only reason I can ascribe for this hostile action on the part of Colonel Lawrence is that both he and Haddad Pasha were turned down by the King on the question of Midian Limited.

“During the interview I had with Lawrence at the Continental Hotel, he told me that he was glad that I had got rid of Mr. Tilden Smith, and was good enough (!) to approve of your good selves; but he added that, in the event of your turning me down, I would do well to go to Mr. Robin Buxton of Lombard Street. Colonel Lawrence has, I am convinced, no power with King Husain; but he has very successfully been the means of frightening him for the time being. The King is in such a nervous state, thanks to the combined efforts of Lawrence and Haddad, that it is not expedient for me to press him too hardly now; but I am confident of ultimate success. My return to Egypt, as it so happened, was unfortunately at the very worse possible time, but I did not bargain for such hostility on the part of Lawrence. He will do his best, when you see him, to convince you that the King will never grant me the concession, because he wants you out of the way, so as to leave the field clear for Midian Limited.

“I have put all my cards on the table, gentlemen, holding back nothing; and it is for you to decide whether you will continue your support or not. I know from the luke-warm attitude with which you took on this venture, that you did not pin any great faith on my success; but, until the King gives me a definite No!, there is great hope of success. I shall not give up hope until I see that there is no possible chance of getting the concession; and my difficulties will be multiplied tremendously without your backing. King Husain is at the present time, to all intents and purposes, on strike and, as you will note from his letter, mentions going as far as to abdicate. He will not abdicate, unless driven into a corner by the machinations of Lawrence; and it would be a calamity for the Hijaz and the Muslim world in general, were he to do so.

“I have had several interviews with Shaikh Yusuf, Minister of Public Works in the Hijaz Government, who has been on a short visit to Cairo, and have given him all particulars of my case; and he has promised to lay everything before the King. He admitted that my arguments were sound and, if put to the King in the right way, will turn the balance in my favour. . . . I am working hard by various means to bring King Husain to my way of thinking; and I am confident that, before the new year is very old, I shall get all that I am seeking.”

That seems to be all that is on record about this business, which of



course died of inanition owing to the failure of Mr. Garrood to secure the desired concession from King Husain, for whom the sands of time were already running out fast. With his dignified refusal to consider the demand of Lawrence for his formal recognition of the Palestine mandate and its provisions for the creation of a national home for the Jews, he had sacrificed the last shreds of British sympathy and support. And soon he would be left "all naked to his enemies," with the Wahhabi flood already lapping against the outer defenses of his realm. His often-threatened abdication, which had scarcely caused a ripple of consternation in Whitehall, was to materialize in very different circumstances; and, meanwhile, the obstinate old man was to be accorded a brief glimpse of glory: a sort of apotheosis, with the Prophet's mantle draped over his shoulders. The political setting of his last few years was scarcely propitious for the consideration of such economic problems as the exploitation of the Dhaba seepages. But Garrood's letter does raise one point of interest, in its references to Lawrence's alleged efforts to revive the claims of Midian Limited to the old Turkish concession which it had inherited from the X.Y. Syndicate under the arrangements envisaged in 1914. There is nothing inherently improbable in the suggestion that Midian Limited, having lain fallow during the war period, had been encouraged by its results to seek support for its claims which, *prima facie* at least, could be urged against the successor governments of the area concerned, namely Palestine, Trans-Jordan and Hijaz. Lawrence, with his special relationship with Winston Churchill, would obviously have been the ideal "friend at court" for such an organization.

I can find no reference to Haddad Pasha in any of Lawrence's books, or in any of the books about him. But Robert Graves<sup>22</sup> tells us that Lawrence was in Jidda from June to August 1921, that is to say while Garrood was in London making arrangements to exploit his Dhaba discoveries of May. And it is quite possible that the matter was discussed in Jidda on the lines suggested by the latter. Later in the same year I relieved Lawrence in the post of Chief British Representative at 'Amman, which he had held on a temporary assignment for a few months to straighten out the rather tangled political situation. During my tenure of the post I became aware of the activities of Midian Limited in the Dead Sea basin through Mr. Loftus Brooke, a Director or representative of the firm; but it was not until the end of 1923 that my interest in the matter was re-aroused by a

letter from the same gentleman. He wanted to know whether I had "heard any opinion as to this part of the country being, as we believe, rich in oil."<sup>23</sup> The letter continued: "There is a rumour in the City that it is not worth surveying, but this is very different from the reports which we hold, so any information will be most welcome, especially now as we have got the concession after surmounting innumerable difficulties with the Foreign Office and the King of the Hijaz. . . . Nothing is published yet, as we are waiting for the signing of the contracts, which ought to be in order very shortly now, as we have entered into a contract with the Anglo-Persian to find all the money necessary. So we are looking for big things in the near future. I have been steadily following your career in the papers, and gather how busy the Government seems to keep you. I am glad they are sensible enough to judge a good man when they get him." My reply is not on record, but its receipt was duly acknowledged on April 2nd 1924, when I was still in Trans-Jordan, though rapidly nearing the end of my official tether. And, with the letter was enclosed a copy of the draft of a concession to be sought of King Husain, who also was still on his throne. In fact he had only recently (March 24th) left 'Aqaba, on his return to Jidda, after a State visit of nearly three months to Trans-Jordan, with the Califate, as it were, in his pocket. It is unnecessary to discuss the terms of the proposed concession, as the events of the remaining months of the year were to throw the whole business back into the melting pot. The Kuwait conference having terminated, without agreement between the Arab States concerned, and all British subsidies to those States having come to an end, the Wahhabis attacked Trans-Jordan in August (without success), and Taif the following month. King Husain abdicated in October, and left the country for 'Aqaba, while the Wahhabis occupied Mecca without opposition. Ibn Sa'ud arrived in Mecca in December, and a year later the last vestige of Sharifian rule disappeared from the Hijaz, of which Ibn Sa'ud was proclaimed King on January 8th 1926.

My next contact with Midian Limited was in March 1925, when, on my return to England from Jidda, I received another letter from Mr. Brooke.<sup>24</sup> "The Midian is still alive," he wrote, "and I would very much like to have a chat with you about it, as you might be of considerable help to us at this stage. Your name was mentioned to us by the Colonial or Foreign Office, or it may have been Dr. Naji al

Asil,<sup>25</sup> as one who would be very useful in the negotiations that are going on now." On March 5th I saw Mr. Brooke and Mr. Herbert Bromhead at the office of the latter for a general discussion of the subject, which was followed by further correspondence and meetings with a view to an ultimate arrangement for my employment by the firm, as soon as I had shaken off the shackles of Government service. On May 25, 1925, exactly a hundred years after Charles Lamb's departure from the India House, I would be retiring from the Indian Civil Service "with a pittance in my fob."

The details of personal arrangements discussed are of no public interest; but we were constantly confronted by doubts as to the validity of the concession which Midian Limited claimed so confidently. This was a vital point, on which we all had to be satisfied before I could be expected to embark on negotiations with Ibn Sa'ud with any prospect of success. Besides I had other irons in the fire: in particular the prospect of joining an expedition for the exploration of the Sahara by car, which was being organized by two Frenchmen, le Comte Byron de Prorok and M. Reygasse, both of whom had had previous experience of desert travel. To tell the truth, my own inclinations favored the desert venture against the business deal; but in both cases it was a question of finance, and it was ultimately with great reluctance that I decided against the Prorok expedition. My negotiations with Midian Limited continued in a desultory fashion; but in the end it was another business proposition that carried the day with me, and resulted in my permanent establishment in Arabia.

But, to return to Midian, I had of course the professional advice of my solicitors,<sup>26</sup> who, being naturally more concerned with the financial future of myself and my family, wrote on May 18th: "As regards the suggested [Prorok] expedition, I should have thought that the Midian proposition was a better one; but after all there is no reason why you should not ascertain more particulars of the other proposal, and then decide on your future course of action." Two days later they wrote: "I have your letter; and the fact that other people are negotiating in connection with the Midian concession makes it desirable that Mr. Huntley (the solicitor of Midian Limited) be at once informed of this." On May 29th Mr. Horne again wrote: "I have now seen Mr. Huntley. . . . As I expected, Midian Limited have entered into a contract with the D'Arcy Exploration Company, and this has placed them in a very awkward position. Apparently the Ex-

ploration Company are entitled to the concession which Midian Limited are to obtain. As you know, Midian are unable to produce written evidence of the concession, though they claim that the concession has been granted, there is the difficulty as regards the mandated territory (Palestine), and it would be necessary for the British Government to claim on behalf of Midian Limited that they were entitled to the concession in that area. As regards the subrogated territory [Hijaz], which represents nine-tenths of the concession, this ought to be upheld by the Foreign Office direct with the Hijaz Government. From what I could gather from Mr. Huntley, I think Midian Limited will have the greatest difficulty in proving that they have a concession, in which case the Government will move very slowly, if at all. The D'Arcy Exploration Company allege that the concession has not been granted, and that therefore they are under no obligation to find the necessary money. It may be that Midian Limited can force the D'Arcy Company to assume that the concession is valid, or otherwise put an end to the contract, but I do not think that they can. . . . It seems quite obvious to me that, if any of the subsidiary companies are anxious to obtain a concession direct from the Hijaz Government, they would rely on the contract between Midian Limited and the D'Arcy Exploration Company as a means of delaying any activity of Midian while their negotiations were being carried through; and the position, therefore, in my opinion, is very unsatisfactory."

This letter was followed a few days later by another: "I have pointed out [to Mr. Huntley] the difficult position in which the company is placed owing to the conditions of the agreement. I have told him that, in the circumstances, you are not prepared to hold your services at the disposal of the company indefinitely, and that, unless some arrangement is come to with you in the course of a week or two, you must be free to enter into other arrangements. It would be better for you to enter into negotiations elsewhere, and possibly to utilise your knowledge of the position of Midian Limited to secure them the interest in return for their assistance. But it may be that the company have not gone far enough to render any assistance." It was indeed fairly obvious at this stage that Midian Limited was more in need of assistance than in a position to render any; and it did not surprise me to receive an urgent invitation to meet Mr. Loftus Brooke. "Midian matters," he wrote, "are approaching a crisis, and I would like to have your views thereon."<sup>27</sup>

Some weeks later he wrote again: "Just a few lines to let you know that we are getting along with our negotiations, and that the company's representative has had an interview with four Directors of the A.P. Co. [Anglo-Persian]. When we are a little further advanced, we shall bring the business before them, either to accept or reject; and, in view of the latter possibility, we are also in negotiation with another group, who seem disposed to take up the business. In case you meet Dr. Najj al Asil, I think you ought to know that Colonel des Champs, who has been negotiating with him on behalf of Midian, paid a visit last weekend to the Doctor at Oxford, and a contract is in negotiation for turning over the Doctor's mining rights in the Hijaz to the Midian Company. Our idea in getting this is to have something to build on, which we can show to the A.P. Co. as a solid basis; but, no doubt, as you have already stated, the document will require confirmation and approval in Arabia, before it can be acted on. . . . We hope shortly to be in a position to put some definite proposal before you."

It is to be regretted that my own contributions to these discussions were made orally at meetings or in longhand before I had taken to the use of a typewriter; but the reference in the penultimate sentence of the above will serve to give an idea of my attitude, which was that, whatever wishful thinking and legal quibbles might be indulged in in London, no concession relating to the Hijaz would in effect be valid, or safe to operate, without the approval of the local Government, which, as I envisaged the future, would be presided over by Ibn Sa'ud. With him would rest the last word as to who should have what rights, if any, in his country. Meanwhile the British authorities in Trans-Jordan had, in June 1925, occupied the 'Aqaba-Ma'an district of the Hijaz (Midian) by force; and my advice was sought as to whether "this annexed portion is that upon which oil is more likely to be found than in southern Midian; because, if so, that would be rather serious for the company." Mr. Brooke's letter continued: "The negotiations with Dr. Najj al Asil are proceeding slowly, but satisfactorily; and Colonel des Champs is at present in negotiation with Mr. Handcock, a barrister representing Dr. Najj, concerning the agreement of transfer, which I hope we shall have settled up within a few days, if the promises made are carried out." I had no knowledge of the terms on which Dr. Najj proposed to turn over his rights to Midian Limited; but I did know that, the Doctor being the official represent-

ative of the Hijaz Government in the United Kingdom, his alleged rights would cease to have any value on the completion of the occupation of the Hijaz by Ibn Sa'ud. In fact the Wahhabis were already in solid occupation of the whole area of Midian, excluding the Ma'an-'Aqaba district; so Colonel des Champs was actually at the time negotiating for an asset, whose value had completely evaporated. Even so he was having difficulties, as the Doctor's concession embraced also rights in connection with the Hijaz Railway, and these had to be separated from the mining element. I was assured that all would be well "within the next few days," while in referring to a letter from my solicitors to Mr. Huntley, Mr. Brooke was good enough to say: "I quite sympathise with the point of view taken up in that letter; and of course Midian must not stand in your way, if the business cannot be brought to the point where your valuable services can be utilised." And that was the end of the matter so far as I was concerned personally. Two days later (July 22nd 1925) I was advised by my solicitor that "I certainly consider that you are free to join any other syndicate which is prepared to take up the concession in the Midian area." For eighteen months, or so, I had placed myself freely at the disposal of those directing the fortunes of Midian Limited, giving them information and advice; but, at no time during that period, was it ever suggested that some payment for my trouble, at least to the extent of meeting such expenses as I might have incurred, would be appropriate. I never had a penny out of Midian Limited; but they did me the honor of continuing to believe that I could help them in achieving their object. And, when they did come back at me early in 1926, with a strong appeal for my personal help and a munificent offer of £50 to cover possible expenses, they found me no longer free to give the one or accept the other! I was on the point of laying the foundations of Sharqieh Limited at Jidda; and all my subsequent contacts with Midian Limited were in my capacity of Resident Director of Sharqieh, of which Midian Limited ultimately became a shareholder to the tune of £2500, with a contingent liability to present the company with 5000 of its own shares in certain circumstances, which never actually materialized. The truth lay in the old, old story of too little and too late. And, by the time that the long-drawn-out negotiations between Midian and Sharqieh were concluded, the whole atmosphere of the concession areas of Arabia had been transformed out of all recognition. The Government expected substantial pay-

ments for concessions; and the experience of the Hasa concession had caused it to look askance even at British companies!

I had had the interesting experience now of seeing a number of small and impecunious companies at work in search of concessions on the old fashioned principle of getting something worth having for nothing, especially in the East where widespread poverty tended to exaggerate the value of relatively small sums. I had good reason to know that that state of affairs had been upset by the lavish expenditure of the allied and rival armies in the various areas of their operations. Prices had risen, of services as well as goods; and it seemed fairly clear that to go empty-handed in search of concessions was to return without them. I did not countenance bribery in the securing of orders or privileges; but I did maintain that a fair price, in cash or contingent benefits, should be paid for all advantages accruing. No *douceur* was needed to secure for my company the Ford monopoly concession, the Marconi wireless stations contract, the contract for the first consignment of silver riyals minted in Birmingham, or for a large coal contract for the servicing of the sea-water condensers of those days. The price was the decisive criterion; and it was sometimes difficult to persuade speculators or concession-seekers that the advantages they sought had a cash value, which ought to be offered to the Governments concerned. Some of the small companies were, of course, not in a position to contemplate such payments, much less to make them, except in the form of promises dependent on future results or of participation in shares, etc. Sharqieh itself, for instance, was operating on a paid-up capital of about £12,000, while the paid-up capital of Midian Limited was £16,000; and even the question of out-of-pocket expenses was a constant source of argument between the two companies. The details of such discussions are immaterial to the story, of which the essential crux was the inducement which could be offered to the Government in order to create a favorable atmosphere for the necessary negotiations.

On this point the draft agreement prepared by Midian Limited is crystal clear. It envisaged the concession to the company, for a period of fifteen years, of the "exclusive right to prospect and mine" for the mineral resources of Midian, together with the right to transfer the concession to a third party, of course without prejudice to the interests of the Government. There was no suggestion of any *quid pro quo* for this arrangement, whose next stage provided for the right of

the company to mark out the areas in which it was proposed to conduct serious mining operations. In such areas the company would, subject to the payment of an annual rental, acquire an exclusive lease for 65 years, on the expiry of which all the buildings, plant, etc., of the company would become the property of the Government at an agreed valuation. Meanwhile the company would pay to the Government an annual rental of 10s per hectare (roughly  $2\frac{1}{2}$  acres) for oil areas, £ $2\frac{1}{2}$  for gold and silver mining, and appropriate sums for precious stones, coal and other minerals. In addition the Government would be entitled to a royalty of one-tenth of the profits made and distributed in dividends. It will be seen from this that the Government, which had by now suffered a grievous disappointment in the matter of the Hasa concession, could not hope to derive any benefit from the grant of the concession until the value of the area had been proved and realized; while the company, with luck, could dispose of its rights for cash and leave the development of the concession in other hands.

It was difficult to make progress under such limitations; and the situation was complicated by the advent of competitors looking for speculative openings. Curiously enough, Longrigg does not so much as mention either the X.Y. Prospecting and Development Syndicate or Midian Limited; but he does tell us<sup>28</sup> that "The Middle East Development Company, registered in London in 1919 as an Anglo-French enterprise to develop petroleum in Syria and Arabia, included the interests of Lord Inchcape; no field work, however, resulted from its efforts." He ignores, however, a later development in this connection. In September 1926, while I was home on leave, Mr. Loftus Brooke reported, on the strength of "most reliable information, that Lord Inchcape has applied, through the Middle East Corporation (presumably the same M.E.D.C.), to Ibn Sa'ud for an oil concession for the whole of the Hijaz. The Midian people are very perturbed, as they say the information is absolutely authentic." I was asked to do something about it, though the proposition looked somewhat tough, with an impecunious company competing against powerful finance interests. Yet I suspected that the report was somewhat exaggerated by natural fears; and I even suspected that the area of interest to Lord Inchcape had little to do with the territory claimed by Midian Limited. It seemed more probable that interest had been revived in the Farasan Islands, formerly under the sovereignty of the



Idrisi of Asir, but now a protectorate of Ibn Sa'ud and soon to be merged completely in his dominions. According to Longrigg,<sup>29</sup> these islands had been of interest to the Eastern Petroleum Company in the early part of this century, and a concession obtained by it from the Turks "was transferred in 1912 to a company formed to develop it, the Farsan Islands Oil Company, and a geologist was sent to examine the islands," with what results we are not told.

When I returned to Arabia, Ibn Sa'ud was absent in the neighborhood of Madina, discussing political problems with the British Agent, Mr. S. R. Jordan; and the breakdown of their negotiations had necessitated further talks at a higher level, which occupied the full attention of Ibn Sa'ud throughout the summer months before a satisfactory compromise could be arrived at. The British delegation was ably led by Sir Gilbert Clayton; and it is highly probable that the intervals of political wrangling—for it amounted to that—were spent in discussing matters of economic interest to the two countries; and Sir Gilbert was no doubt aware of Lord Inchcape's interest in the Farasan Islands, and had opportunities of pressing his suit. It is, indeed, probable that Longrigg refers to these negotiations in a later passage of his book,<sup>30</sup> although he makes no direct reference to Lord Inchcape or the Middle East Development Company. After some remarks on developments in eastern Arabia, he goes on to say: "the first serious drilling in Arabia was starting elsewhere; the Shell group had accepted the transfer to themselves of exploration rights recently obtained for the Farasan group from the Idrisi ruler of Asir. The Red Line Agreement was not yet signed, the allegiance of this Red Sea archipelago was anyhow doubtful; and Shell, feeling justified in retaining its rights, registered in January 1927 the Red Sea Petroleum Company, as a subsidiary of Anglo-Egyptian Oilfields. Their geologists were favourably impressed; an expedition was dispatched and drilling started in the same year; but some months' work and a test well at Zifuf, which penetrated great depths of salt, were enough to disappoint immediate hopes. The party withdrew and the enterprise was abandoned in 1929." Longrigg says nothing of this enterprise being the result of any concession granted by Ibn Sa'ud, or of the terms of the concession if granted. It is unlikely that it was obtained for nothing, though it is possible that it may have been thrown in by Ibn Sa'ud, as a typical gesture of conciliation, in return for political favors obtained from the Clayton mission. In any case the venture was un-

productive: another concession, another expedition, and another blank. But it was not the end of the story.

I had always maintained that, under modern conditions in Arabia, a country desperately in need of money, no concessions were likely to be forthcoming except in return for a substantial *quid pro quo*; and I had made it quite clear to my friends that Ibn Sa'ud did not, and would not, recognize the validity of concessions granted, or alleged to have been granted, by the Ottoman or Sharifian Governments. Everything had to be negotiated afresh on the basis that Ibn Sa'ud's Government had a completely free hand in the disposal of its favors and easements. In any case no concession could be safely operated in his territory without his good will. In September 1926 this point of view received strong, and somewhat surprising, support from an unexpected quarter. Midian Limited received a letter from no less a person than Professor Max Blanckenhorn, the main points of which may be summarized as follows: In view of his previous relationship with the originators of Midian Limited and his desire to renew the old connection with the company in the capacity of "geologist and prospector" in the event of any field-work being undertaken in the area concerned, he had consulted a Berlin lawyer and businessman, named V. Behr, who had communicated to him his considered opinion on the subject.

"No reliance," he had written, "can be placed on the old concession, which was granted by the Turkish Government, and a simple application for a renewal of these rights. The old concession has lapsed; and it is necessary to take up the negotiations anew. My political instinct tells me that the present Arabian ruler, whether it be Husain or Ibn Sa'ud, will by no means give such an extensive mining concession on the Red Sea to a *purely* English company. The Germans certainly have better chances of obtaining a concession, as political doubts do not exist here. It is very improbable, however, that it will be possible to obtain German capital for such an enterprise in the early future . . . . In putting the Germans in the foreground in this matter, I am urged neither by national nor by egoistic motives, but solely by political considerations. English capital, and also Zionist [!] capital, could naturally take a share in the matter. The enterprise would, however, have to be under the German flag externally. Before the formation of a firm group of interested parties . . . I would give an urgent warning against any application to the Hijaz Government.

A false step may wreck the whole affair. If the Englishmen wish to proceed alone, it is their concern. The Germans have no participation in the old Midian concession . . . . The holders of the old concession must apply to us Germans for our participation."

Blanckenhorn was evidently not deterred by this opinion from seeking employment with Midian Limited; nor, as we have seen, was the company discouraged from going its own way, though that way offered little prospect of success. It was not, indeed, till 1931 that a faint glimmer of hope seemed to pierce the "insipissate gloom" of the worldwide economic recession of that period, the effects of which reached Arabia in the shape of reduced pilgrim visitations, and therefore reduced revenues. One, and the main, sequel to this situation must be left for another chapter; but here, at last, it did seem that the door was opening cautiously to the knocking of concession-hunters who had anything to offer to tide the Government over its financial difficulties. I thought of Midian Limited, with which I had had no effective contact for four years; and I sent a letter, dated Mecca, March 29th 1931, to Mr. Bromhead.

"You will perhaps remember that some years ago I had the pleasure of discussing with you the possibility of mineral exploitation in Arabia . . . . I told you then that King Ibn Sa'ud was too busy with other matters to be able to deal with such a proposition, and that therefore the time was scarcely suitable for any action on your part. Recently, however, in conversations with His Majesty, I have gathered that he is now disposed to consider the development of the latent resources of his country; and I think it is only right that I should pass this information on to you for the information of your Board, in case you should now desire to open up negotiations with the Government. If I can be of any use to you in this matter, I should of course be delighted to place my services at your disposal. It must of course be clearly understood that this Government does not, and cannot, recognise the validity of any concession relating to its territories given by the Turkish Government. Your negotiations would therefore have to be conducted entirely afresh. . . ." I should perhaps explain that, by this time, I had taken to the use of a typewriter, and could therefore keep copies of my letters.

In a letter to Mr. T. D. Cree, the Managing Director of Sharqieh Limited, with which I enclosed a copy of the above letter and a rough draft of a suitable communication to be sent to the King by Midian

Limited, I developed my ideas regarding a suitable *quid pro quo* for the desired concession in some detail. "The present economic depression," I wrote, "may in the long run prove to be a blessing in disguise. During recent weeks there has been more talk in court and government circles about developing the latent resources of the country than I have heard in as many years. Hitherto the tendency has been to avoid European exploitation in the hope that some day the people themselves may become equipped to do the work. Now there is a general realisation of the fact that the administration of the country has during the past few years been developed on lines which involve considerable risk of collapse in the event of a serious shortage of pilgrims. At the present moment the pinch is being acutely felt, and the exploitation of the possible mineral resources of the country seems the only way out of the impasse. In effect the King would probably be willing to give an all-embracing concession for mineral exploration, etc., in his country for the loan of a million sterling. Yesterday, while out driving with him, I took advantage of the conversation turning in this direction . . . to mention to him that, in pre-war days, a certain British firm had secured from the Turks a concession for the exploration and exploitation of the Midian areas for oil, gold, etc. . . . He replied that he would not approach that or any other firm, but that he would be quite ready to discuss matters with it on its sending out a qualified representative to approach him . . . . I asked him if I might convey this information to the firm, whose Directors I knew personally; and he replied: Very well.

"So, after much patient waiting . . . I have actually been able to raise what a few years ago would have been a very delicate and almost unapproachable subject. It now remains for us to consolidate the position . . . . I forget the exact terms of our agreement with Midian; but I would suggest the following procedure as being in the best interests of both parties. In the first place it must be clearly understood that this concession will on no account be given away for nothing. A substantial *quid pro quo* will be insisted on, and should be offered; and the best form in which to offer it would seem to be a loan without interest, to be paid in annual instalments until the production stage is reached: when repayment might begin, say, to the tune of 25 *per cent* annually of the Government's share of the net profits, until the whole loan is repaid. The Government share should be 20 *per cent*, though a higher rate may well be demanded, while the amount

of the loan should be £50,000. You may think I am being over-solicitous for the interests of the Government; but it is commonly believed here that a sum of £200,000 annually was recently offered to the Iraq Government in consideration for: (a) the rejection of all rival offers for the exploitation of the areas not included in the Turkish Petroleum Company's concession, and (b) non-insistence on the development of the T.P.C.'s area . . . . I imagine that Midian will find it none too easy to come by the amount suggested . . . but I don't think it is much use hoping for favourable developments unless something on the lines of a loan can be arranged . . . . Incidentally, if it comes to sending out a representative to negotiate, it would impress all concerned, if one of the many peers on the list of Midian shareholders could be the man. I should of course be entirely at his service; and he must keep clear of the British official element so as to avoid arousing suspicions."

Cree's reply was cautious, though he had not had time to consult Bromhead. "I am afraid," he wrote, "the ideas of the King as to the price which anyone will pay for the right to find out if there is anything in the country worth exploitation, even if this carries with it the further right of exploitation after the proving of the existence of commercially workable oil or minerals, are very inflated. There is no analogy between the case of Iraq and that of the Hijaz. In Iraq the existence of a vast oilfield has been proved; and the payment referred to, if it has actually been agreed, is for the purpose of keeping the oil out of a market flooded with supplies" (!) Ten days later Bromhead replied to my letter, saying that: "we have held a Board meeting of Midian Limited and, having discussed the proposals made by you, have decided to proceed on the lines suggested. . . . We shall find it exceedingly difficult to raise £50,000, or any similar sum, as a loan . . . and this new condition causes me some anxiety, because, if we now approach the King and are turned down owing to our inability to raise this money, it will not tend to improve our position. With reference to the point you raise in your letter to Mr. Cree . . . the fact is that the oil markets of the world are at present flooded, and prices generally unremunerative, so that the T.P.C., in their own interests, were willing to pay a heavy fine to suspend production in Iraq. This is quite a different matter from putting down a large sum of money for a concession for minerals, the existence of which, in paying quantities has still to be proved . . . . Your idea of sending out

one of our peers . . . to conclude negotiations is not a bad one; but we could not brief a peer for this purpose without a handsome retaining fee, and we must have something tangible to work on before we can replenish our coffers! . . . . You mention 20 *per cent* royalty for the Government; but this seems to me very high, and I do not think it should exceed 10 *per cent*, the figure fixed in the original concession. We must not hamper the concession with too onerous conditions, or we shall not be able to get the required financial assistance. Some years ago I sent you a draft form of concession,<sup>81</sup> the general terms of which would be suitable to the present circumstances; and if you could work on this, it would help us on this side. If a loan secured on Government's royalty must be granted, it ought to bear interest; but, if this is impossible owing to religious objections, then the only way I can see of arranging the matter would be by way of making the loan at a heavy discount (say 25 *per cent*). In conclusion, I congratulate you on at last reaching a stage where a deal appears possible, and I do hope that you will succeed in getting a concession on business-like terms . . . . The Midian shareholders have had to exercise a lot of patience all these past years, and I should much like to see them adequately rewarded."

This letter was not very helpful, and it certainly did seem that Midian Limited was never likely to find the funds for serious operations in Arabia. The letter was dated April 23rd 1931, exactly a week after the arrival at Jidda of Mr. Karl S. Twitchell, a mining engineer whose services had been placed at the disposal of Ibn Sa'ud's Government by Mr. Charles R. Crane.<sup>82</sup> Twitchell was soon off the mark; and on May 18th I was able to report to Cree that he had made a reconnaissance of the Hijaz and a rough survey of its mineral resources. His conclusions were mildly optimistic, though couched in vague terms, which were of course not published. In fact his examination of the Midian territory had been rather perfunctory and mainly confined to the coastal seepages which did not arouse any great interest. His subsequent work in the Hasa province did, however, intensify the interest already aroused by the discovery of oil in Bahrain; and early in 1932 he was well enough equipped with knowledge of the general possibilities of the country to be authorized by the Government to proceed to the United States with a view to encouraging bids for the concessions available. So far as the Hijaz was concerned no interest was shown in the data he had collected; and on December

13th 1932, after a series of talks with 'Abdullah Sulaiman, the Finance Minister, I was able to convey a formal offer of the Midian concession in a letter to Cree, the relevant part of which ran as follows: "*Midian*. For some strange reason Twitchell did not examine the territory covered by the old Midian concession, although he visited the oil seepages around Dhaba on the coast. Now, subject to the King's approval which I may get before posting this letter, 'Abdullah Sulaiman is prepared to give the concession to Midian Limited on the following essential terms:-

- a. The Government to have a 30 per cent share of the net profits of the undertaking.
- b. Midian Limited to pay £5000 (gold) per annum, payable in advance, to cover rent of the area, protection, etc.
- c. Midian Limited to begin work within four months of the signing of the concession.
- d. Actual details of the concession can be negotiated without delay or difficulty, once the conditions above are accepted as basis."

I continued: "Of course any sum payable to Midian would actually be paid to Sharqieh in reduction of the Government's debt to us. There is therefore nothing for it but that Midian Limited should profit by the present opportunity to establish its concession once for all if it can. If this chance passes, it will not recur, and the company might as well wind up. Will you, accordingly, pass on this information to Bromhead, and impress upon him the urgent necessity of losing no time? The Government wanted a loan in addition to the above; but I stood out against that, and the demand was not pressed, on the understanding that, if the above terms are accepted, there will be no delay in getting to work. Please let me know by wire if Midian Limited is agreeable to proceeding on these lines, in which case they should send out a fully authorised representative at once to negotiate the details of the concession. If they don't accept these conditions, they must make a specific offer against (a), (b) and (c) for me to place before the Government. But it will be of no earthly use reducing the proposed terms too low, as it is obviously essential to have all the goodwill of the Government behind the undertaking."

This letter was acknowledged by Cree on January 3rd 1933. "On receipt of the king's approval of the suggested terms," he wrote, "the proposal can be put to Midian as a definite offer in terms of the agree-

ment between the companies. This will bring things to a head, and we can call on Midian either to take up the offer, or to free us to negotiate elsewhere. At the same time it would be very undesirable to take any such step in the absence of Mr. Bromhead, so I hope you will be able to keep the matter open until his return in April." But Mr. Bromhead, on his return, seemed to be completely bewildered by the turn of the tide. "Mr. Cree having also expressed the view," he wrote to me on August 8th, "that he would be quite in favour of modifying the Midian-Sharqieh contract, if that should block a deal, I will make another attempt to get in touch with somebody about the matter. In trying to get a few facts together, to appeal to a buyer, I find many difficulties arise; and the first is the question of area." [!!] For a man who had been dealing with the concession for twenty years this was certainly a surprising admission; but, on August 17th, he was again assuring me that "I am putting the Midian matter before several new parties, and hope for the best under somewhat difficult conditions; and you may rest assured that failure will not be for want of trying." It sounded like the death-knell of Midian, whose other principal champion, Mr. Loftus Brooke, had died in 1930, "in great suffering," as his wife wrote to me, no doubt exacerbated by disappointment and anxiety over the affairs of his beloved company.

Early in May 1934 Bromhead wrote to Sir Edward Dunbar, Managing Director of Sharqieh: "I have been talking with my brother, and we rather think it would be better to wind up Midian. But, before taking action, it might be as well to ask Philby whether he sees any objection, or any possibility of making use of the company in the future. I could obtain more than half the shares, thus giving control; and of course such a concern saves a lot of initial expense, and moreover has certain advantages as a company dating before 1916." My reply was as follows: "As you know, I have at various times discussed this matter with Bromhead and Cree. As the result of such discussions, I can only arrive at the conclusion that Midian is not in a position to operate any concession on such terms as are likely to be obtainable under modern conditions. I have communicated to Bromhead various proposals, on the basis of which a concession might be negotiated; but they have apparently not met with favour, as they all involved cash payments to the Government and other conditions less favourable than those of the original concession. If, therefore, Midian is not likely to be able to meet the changed conditions, I see no par-



ticular advantage in keeping the company in being. So far as I am concerned, therefore, there would seem to be no objection to the proposed winding-up, though I regret that this should happen just when the Government is anxious to get its mineral resources examined and exploited."

"Incidentally," I added, "it may help Bromhead to a decision to know that recently [in April] Dr. Nomland, the assistant chief geologist of the California Standard Oil Company,<sup>33</sup> paid a visit to the alleged oil area on the Midian coast, near Dhaba. I understand that he has reported very unfavourably on the oil prospects of that area, as the surface show of oil, so much talked about in the past, appears to have nothing underneath it. In fact he thinks that it is no more than a collection of surface oil from the sea, which has found its way into the Dhaba creek, and ebbs and flows with the tide! Of course this is not official, and I don't suppose that any official announcement will be made; but it is significant that the company does not propose to compete for a concession in this area. Thus it is only the gold and kindred minerals that may be of interest; and it is these that the Government would like to see exploited. It seems to expect a lot from them but, so far, no one seems to be very anxious to take up a concession on the terms proposed. I don't think there is much more to be said about the matter, except to express my regret that it has turned out so poorly."

Actually the tireless energy of Twitchell had located an ancient gold mine, still known by the name of Mahd al Dhahab (the cradle of gold), where in his opinion modern methods of extraction could be used profitably on some 500,000 tons of tailings, from which the ancients had not been able to extract all the metal and which had been abandoned when the mine itself flooded by a local cloud-burst. It was also hoped, though this hope was to be disappointed in the end, that further mining of the hill might produce still greater quantities of gold-bearing ore. In any case, Twitchell had been able to interest British and American metallurgical firms in the proposition; and early in 1934 he had arranged a concession with the Government on behalf of a newly created Anglo-American organization, called the Saudi Arabian Mining Syndicate (S.A.M.S.). Work was started on the mine at once, though the second world war interrupted operations; and, to anticipate events, it may be said here that the company was wound

up in 1954, having made a net profit in twenty years of \$20 millions,\* divided in equal shares between itself and the Government. Incidentally, this mine was situated about half-way between Mecca and Madina, and thus lay more than 200 miles south of the southern boundary of the concession of Midian Limited.

However, the public announcement of the formation of this company in 1934 had raised a spark of hope in the breast of Midian Limited, whose Directors, without reference to me (I was then at Jidda), immediately wrote to the Syndicate, inviting its cooperation in taking up the moribund concession, which I had placed before them in December 1932 without effect. It was but a desert mirage. They knew nothing of the strength of the new organization; and my reaction to the news, in a letter of June 6, 1934, must have damped their ardor. "I have no doubt," I wrote, "that this syndicate is the result of the activities of Mr. K. S. Twitchell . . . who went home last December, with the authority of the Government to do what he could to interest mining concerns in the development of the mineral resources of this country, of which he has acquired a good superficial knowledge during the past few years . . . I do not suppose that the new Syndicate will be much interested in your proposition; and, if anything develops from their coming visit, the hopes of Midian must be considered extinguished. The only reasonable course for Midian is to compete, but I am quite aware that its resources do not permit of that . . . And it must be admitted that Twitchell, if he has the necessary financial backing, is a formidable candidate for the concession. He should certainly know the country better than anyone."

A few days later I received a letter from Twitchell himself, who was on his way out to Jidda. "As you know by this time," he wrote, "I have finally been successful in forming a syndicate for mining development in Saudi Arabia. Whether or not these negotiations with the Saudi Government are successful, there will be a period after their conclusion, of perhaps six weeks or two months [during which he proposed to make a brief visit to an alleged gold area in the Syrian desert]. In London, Mr. Bromhead called at the office, and told us about the arrangement with Sharqieh. We can discuss that when we

\*Mr. Philby seems here to have confused profit with value of gold and silver mined. Cf. his *Saudi Arabia* (London, 1955), in which he mentions \$10 millions as the net profit to Government and Company.—Editor.

meet, but I want you personally to know that our syndicate wishes cooperation with people who are seriously anxious to undertake mining development. Midian Limited has spent a lot of money to date with no results: possibly we can assist with technical advice . . . .” Bromhead also wrote to me about his interview with Twitchell and a Director of the new syndicate, without adding materially to my knowledge of the situation, except that his last sentence was as follows: “In the circumstances I think it would be advisable not to place Midian in liquidation at present, but to wait and see if it becomes possible to formulate any scheme for our mutual benefit.” Roughly speaking, he seemed to envisage a merger between Sharqieh, Midian and S.A.M.S. under the aegis of the Anglo-Oriental Mining Corporation Limited, which appeared to be sponsoring the new organization. But his views seemed to me to be optimistic rather than practical.

There is little more to be added to the sad story of Midian. Twitchell having arrived at Jidda in June, it was not till September 19th that the Government made him a definite and final offer, which the Syndicate promptly accepted. Even so further negotiations on points of detail dragged on until December 23rd, when the concession was duly signed and sealed. A few days later I reported on the subject to Sir Edward Dunbar, as follows: “Twitchell has taken a long time bringing his negotiations to a successful issue, and he has, of course, had to improve very considerably on his original terms. The final outstanding point, namely whether the Government was to get 15 *per cent* fully paid up shares of the nominal capital of each mining company formed, or only 15 *per cent* of the capital subscribed and paid, has been settled in favour of the Government. The area now definitely excludes the Najd, but comprises the whole of the Hijaz from ‘Aqaba to Birk. It thus includes the whole of the original Midian area and a good deal more. I really don’t see what can be done to give Midian a look-in at this stage; and, in any case, any arrangement for its cooperation with S.A.M.S. would have to be arranged in London. It is all very disappointing; but I don’t think any other result could reasonably have been expected, seeing that Midian neither had funds for handling such a concession, nor anything to offer the Government. On the other hand the Syndicate is committed to spending £20,000 in investigating the territory, and to forming the necessary companies for working any mines discovered.”

Dunbar replied: “I must say I agree that one could hardly have ex-

pected Midian to have had much chance of obtaining a concession, considering their complete lack of funds; and I doubt the Syndicate being willing to give away anything for nothing!" This last remark was prompted by Bromhead's plea for an effort to induce S.A.M.S. to absorb Midian Limited (and indeed Sharqieh) on favorable terms. S.A.M.S. was always strong enough to stand on its own feet, with no inclination to help lame dogs over styles! Mr. Bromhead was game to the end, though, in a letter to me dated January 14th 1935 from Port Sudan, reached in the course of a prolonged holiday tour in Africa, he suggested that he had more or less retired from active business. So far as I was concerned, it was his swan song, naturally devoted in the main to somewhat bitter comments on what might have been, had things been different. "The proposed concession to Mr. Twitchell," he wrote, "is so reasonable and moderate in terms that, had it been obtainable at the time the Midian-Sharqieh agreement was executed, or within a year or two thereafter, when I was in active business, I have little doubt that Midian Limited could have actively exploited the affair, for our share-holders had just put up £2000, and were all hot to follow up their money. Unfortunately the position is now quite otherwise, and I fear they mostly regard the business as dead . . . . You now write that Twitchell has been negotiating this concession since June last. So it is obvious that he went to Jidda from our interview of June 5th, and immediately applied for this concession. I confess that I cannot understand his code of ethics, for it is evident that it was due to the information I supplied him with that he made this application: for you will see in my letter of June 5th that he and his collaborators then stated that they were 'quite prepared not to encroach on our territory.' Moreover at that time they certainly said they only had the intention of floating off a few mines, if the first venture turned out satisfactorily. However, putting aside all this, I want you to help me save my face with my own share-holders, by getting them to absorb Midian Limited, even if the larger proposal of also taking in Sharqieh does not meet with your approval . . . . A few shares in their concession company would not matter to them: our issued capital is not great, although the shares were issued at a high premium, which has been coming down as the years advanced. It would placate ill-feeling, and provide a good body of share-holders for them . . . . I should think that any deal ought to provide for a definite distribution to share-holders and some shares over to square

our creditors. Our issued capital is £16,908, but unfortunately we have £15,400 owing to creditors, which might possibly be reduced considerably in a concrete scheme . . . . Please do all you can in the matter, at any rate as far as Midian is concerned, for after all it is Sharqieh's contractual obligation to safeguard Midian Limited."

It was all very sad; but none of the statements made in this letter call for the slightest comment, and I never attempted to argue the matter. In fact, to the best of my memory, I never saw or heard from Mr. Bromhead again; and I have no record of what happened in the end to Midian. All I do know is that the £2000 they invested in Sharqieh, probably the only productive investment they ever made, were worth £10,000 in 1946, when the firm, founded by me and nursed through twenty years, was bought out by Messrs. Mitchell Cotts & Co. The Midian concession is certainly as dead as a doornail; and it is perhaps a mercy that it never reached the stage of actual mining operations, for there is almost certainly nothing in Midian today except the empty shells of its once-famous goldmines, a smear of oil and sulphur here and there, and large masses of iron ore, which may, or may not, be worth working.

Much of this chapter has inevitably turned on minerals very different from oil; but oil was one of the pillars on which Midian Limited had hoped to build the great industrial edifice of its dreams. And, in fact, we have not yet reached the end of the story of the search for oil on the Red Sea coast. For the last act of the drama, we turn again to Longrigg and the part he himself played in the closing scene, before the curtain was rung down, possibly for the last time, on an empty stage, strewn with the *débris* of shattered hopes.<sup>34</sup> But, before I embark on that tale, there is one more incident to record, in which I had some part: an incident so strange, that the name of its hero, the only person concerned in the story besides myself and the Saudi Minister of Finance, must remain veiled in mystery for reasons which will soon be obvious. Mr. Q., whom I came to know personally only in this connection, was a public character of some distinction, won in a variety of spectacular fields; and I had every reason to believe that he commanded considerable influence in City circles: just the sort of person who might play an important part in the desired development of Arabia's resources. I had fully explained to him the situation in the country as regards concessions already granted: eastern Arabia was in the hands of the California Standard Oil Company for oil develop-

ment, while a great part of the west (Hijaz and Midian) had been allocated to S.A.M.S. for the exploitation of gold and other hard minerals. The rest was all to play for, including oil in the western area. With all this fully understood, the story opens with a letter from Mr. Q. to me, dated September 27th 1935, in which he says: "I now recapitulate the conclusions arrived at during my conversations with you [we were both then in England]. The Government of Saudi Arabia will grant to me: (a) a concession in the usual form granting the exclusive right to search for, win and deal with oil and precious metals in the Hijaz and Asir provinces (except such areas as are prohibited in and around the holy cities of Mecca and Madina) and the littoral of the Red Sea and the islands which appertain to it, and the Gulf of Aqaba and the islands thereof, and over part of Saudi Arabia from the top of the Gulf of Aqaba along the boundary of Trans-Jordan up to Latitude 30° until it intersects the frontier of Iraq, and along the frontier of Iraq until it intersects Longitude 47° and southwards along this Longitude until it intersects the Yaman-Saudi Arabia frontier and the Yaman-Asir boundary to the Red Sea, *excepting* such areas as are held by the Standard Oil Company for oil and the Saudi Arabian Mining Syndicate for gold." It will be noted that the precision of this boundary definition removed all possibility of doubt or misunderstanding regarding the area involved in the proposition: roughly speaking, it embraced the whole of Saudi Arabia except the areas allocated to the two companies mentioned, and also those areas in respect of the minerals in which those two companies were not interested.

Mr. Q. was also interested in "(b) the monopoly for taking over the directing of all motor transport throughout Saudi Arabia in the terms of the Royal Decree of May 15th 1935." This decree referred to a project for the unification of all existing private motor transport companies in a single organization for the benefit of the pilgrim traffic.

"The price" he continued, "for the oil and mineral concession is £100,00 in cash and the provision of £50,000 in cash for the transport company to be formed. The company will further place shares at the disposal of the Government to the nominal value of £50,000, to enable the Government to negotiate the acquisition by the company of the undertakings of the motor transport companies now operating in Saudi Arabia, thus assuring to the company the mo-

nopolly intended for it by the Government." It was certainly a grandiose, though very attractive proposition; and there was no ambiguity about it: the *quid* and *quo* were clearly stated both in this letter and in the draft of the proposed agreement, which I duly received on my return to Arabia in the autumn. In response to various queries from Mr. Q. I duly sent him a rough sketch-map, showing the areas involved. And, at the end of December 1935, I was able to send him a preliminary report on the reactions of the Government to my proposals and on the progress being made with the S.A.M.S. operations. This company had estimated the net value of the tailings at Mahd al Dhahab at some £2 millions and was seeking to get its exploration rights extended to areas outside its concession limits, without extra payment. This was itself a promising sign, while it was obvious that the Government would give preference to any organization willing to pay for the privilege of peeping beyond those limits. It also, naturally enough, had other demands to make.

"Roughly speaking," I wrote, "(apart from the down-payment of £50,000 for the gold-mining concession) the conditions would, on the analogy of Twitchell's concession, include the following stipulations: (a) Government to have 10 *per cent* of the refined gold available for export; (b) Government to have a 20 *per cent* share-holding in the company, free of cost; (c) Company to pay 15 *per cent* (as against the normal 25 *per cent*) Customs duty on all its imports; and (d) concession to be for 75 years, at the end of which it reverts to Government, with all plant, buildings, etc., free of charge. The other £50,000 would be for a similar oil concession, confined to the west coast of the Hijaz and the Asir province, including the Farasan Islands. Royalty would be at the rate of 4s (gold) *per* ton of crude oil exported, as in the Hasa concession; and Government would want a 15 *per cent* share-holding in the enterprise. Conditions (c) and (d) above would also apply. As regards the oil prospects in this area I am very much in the dark and cannot give you any information. On the whole (between you and me) I doubt if the prospects are very brilliant; but you can have the concession on the above terms if you want it . . . . I have done my part so far, and have been rather surprised to find no very serious obstacle in the way except the activities of S.A.M.S. You may judge their opinion of the goldmining prospects here by the fact that they have already a staff of 25 Europeans in this

country, and are employing over a thousand men in their various works."

I had hitherto (for more than four months) been working in the interests of Mr. Q., without the slightest hint on his part that my services had been of value to him and his friends, of whose identity I was completely unaware, but I now thought it time, especially in view of the definite possibility of arranging a concession, to make some inquiries on the subject of my personal position in the matter. My experience with Midian Limited suggested the advisability of such a step, while my own company, Sharqieh, was in no way concerned in the matter. So, in a letter of about this time, I suggested to Mr. Q. that the personal aspect of the proposition required clearing up. "I think you will agree," I wrote, "that, as the introducer and negotiator of the concession, I am entitled to some remuneration. I think this should take the form partly of a cash payment at the time of the delivery of the questions and partly of shares in the companies to be formed. I should be grateful if you would consider this point and let me know what your views are." To this he replied on January 4th 1936: "With regard to your personal remuneration, I certainly consider that you should be properly protected; and we could no doubt settle this, *inter alia*, when I come out to Saudi Arabia, as I shall probably have to do. Meanwhile, you can assure the Government that we are well able to handle the matter." This last sentence doubtless referred to a paragraph in a previous letter of mine. "I should be much obliged," I had written, "if you would wire me, giving a definite assurance that the sums mentioned to you . . . will be definitely forthcoming in the event of the concession being granted. You will realise that this is a matter of great importance. You can draw back now, and we can drop the matter; but, if I go through with the negotiations in reliance on your assurances, I should be placed in a very difficult position *vis-à-vis* the Government if you and your friends failed to take up the concession." I suggested that a credit should be opened in some bank for payment of the sums against receipt of the concessions, signed and sealed.

Meanwhile, of course, rumors had been floating about the city regarding the activities of concession-seekers in Arabia; and I received a number of letters and telegrams from Mr. Q., appealing for assurances that all was still well, in view of his decision to visit Jidda to



clinch the bargains. I wired briefly: "Everything all right subject to my conditions in letter of December 28th" (already extensively quoted above).

Mr. Q. duly arrived at Jidda, as my guest, on March 22nd and found everything ready for the formalization of an agreement. After interviews with the Finance Minister for the discussion of various details, he was able to telegraph the conditions offered by the Government in connection with the oil concession on the 24th. On March 26th 1936, having received a brief unsigned telegram of acceptance, he informed me in writing as follows: "I am authorised to accept the offer made by the Saudi Arabian Government for an oil concession, as defined in the agreement drawn up, on the following terms: £25,000 sterling in cash payable, as stated in the above agreement, and £5000 sterling annually for a period of five years, in addition to the royalties and rentals specified in the agreement. The above-mentioned sum of £25,000 sterling to be payable within sixty days of the joint ratification of the agreement by the King and Government and the Board of Directors, against delivery of the royal decree. Would you therefore kindly arrange for the necessary agreement and annexe to be prepared for joint signature?"

Mr. Q. then received a long unsigned telegram *en clair* from London, dated March 29th, reading as follows: "Oil concession. Powerful British group at special board meeting Friday agreed take oil on terms your cable 24th, which were £25,000 cash and £5000 annually for five years and four shillings per ton royalty. They also offered to pay minimum guaranteed royalty of £5000 annually after expiry of first five years, which is over and above payments requests. Now you ask fifteen *per cent* shares as well, which is impossible as their existing British company, owning large interests, would develop concession, not fresh company. Enormous development expenditure by group would be necessary: probably three millions before oil could be produced, if it is there. This development expenditure would bring great benefits to the country. Respectfully stress these points with King and Government. As stated, group willing take oil concession on terms indicated your telegram 24th, provided usual conditions for working concession, as incorporated in draft agreement, are accepted by King. This draft being posted you Wednesday's air mail. It contains minimum guaranteed royalty of five thousand annually after expiry of first five years, which is additional to payments asked for by King. To

secure above group's firm acceptance, this draft must be signed without substantial alteration. Cable soonest possible after receipt draft whether King accepts. Endeavour get four shillings ton royalty payable sterling."

A second short unsigned cable of the same date was received by Mr. Q., *en clair* and reading as follows: "Private. If necessary, increase royalty to five shillings sterling. State what period concession. Gold concession terms all right, if twelve months allowed for balance payment forty-five thousand." A few days later another cable announced the dispatch of the draft agreement, with a brief summary of the payment details, which made it clear that the minimum guaranteed royalty after the first five years was in lieu of the 15 *per cent* interest in the company, which the Government had claimed. Apart from that it suggested that £5000 should be paid down "on approval of the agreement" and the balance of £20,000 on actual receipt of the concession. And, about the same time, I was shown a cable from a firm of London solicitors, Messrs. Wedlake Saint & Co., by Najib Salha, the deputy Finance Minister, which read: "Our clients have instructed us to inform you that they will pay in £25,000 to the National Bank of Egypt, London, for the account of His Majesty, at the same time as the Bank hands over oil agreement duly signed by His Majesty. Agreement, posted April 1st, must be signed without material alteration, granting concession in name of (Mr. Q.). Payment can be made within fifteen days as above."

Meanwhile complications had been piling up. A well-known Syrian businessman, Abdul-Ghani Ydlibi, had arrived in Jidda, purporting to have authority to negotiate on behalf of Petroleum Concessions Limited, a subsidiary of the Iraq Petroleum Company (the old Turkish Petroleum Company). He was offering £16,000 (gold) in lieu of four years ground rent in advance, on condition of having two years free of serious obligations, whereafter his company would have to undertake drilling in at least two places. But the Government was demanding also a down-payment of £20,000 (gold) on signature or ratification of the concession, and he had cabled for instructions about this. Moreover, in response to an official notification of these activities by the Finance Minister, Mr. W. J. Lenahan of the California Arabian Standard Oil Company had, on March 29th, applied to the Government for the first refusal of the western oil concession on such "terms and conditions as may be offered in good faith by others," if

the Government was disposed to accept them. In connection with the negotiations as the result of which this company had obtained its comprehensive concession for eastern Saudi Arabia, I still held a sort of watching brief in its interests (on a retainer basis); and I had naturally kept the company's representatives fully informed of all developments in the west. In particular, apart from Mr. Lenahan who was at Jidda, I was in constant correspondence with Mr. Lloyd Hamilton, who had negotiated the eastern agreement, and who was now representing the company in London. He was aware of Mr. Q.'s aspirations and had made inquiries in London regarding them, without "eliciting any interesting information," but he would be interested in any proposals he might have to make to the Saudi Government. At the same time (in February 1936) he explained that "the California Arabian is so occupied in concentrating on its exploration work and drilling in the Hasa that, for the time being, it would prefer to leave in abeyance the question of exploring, or exploiting, other available areas such as the Farasan Islands and the Asir coast. Nevertheless, if any definite proposals should be made to the Government, the company hopes that it will be offered an opportunity to interest itself."

I wrote to him on April 4th, when the situation had become clearer with the arrival of Mr. Q. and subsequent developments. "On March 22nd," I said, "[Mr. Q.] arrived to stay with us; and next day I had a long talk with him, as the result of which I was completely convinced that he had no authority from any company or syndicate to negotiate any concession whatever. I sent Lenahan a copy of a letter he has from our old friends [X and Y], to show that, as regards oil, there is nothing more behind him than their willingness to try and place any concession he may be able to get on his own. Of course he will get no concession on any such basis, and he will be asked by 'Abdullah Sulaiman, whom he is seeing today, to pay down a substantial sum of money (£100,000 is suggested): such sum being absorbed as part of the down-payments of £50,000 for each concession which may thereafter materialise. As he is acting in his own interests, he will not be able to agree to this condition, or make any payment. He will probably be leaving shortly, as I have already told him it is no good wasting his time and ours, unless he can really produce the goods. Indeed I can't understand how he could have thought it worth while coming out all this way (apparently at his own expense) with so little to show for his pains." Incidentally this letter was written on March

25th, but not finished or posted till April 4th, when I added: "[Mr. Q.] is still staying on hopefully, while Ydlibi is here actively negotiating."

The reader will, however, have gathered from what has preceded that Mr. Q. had actually received offers of the two concessions on better terms than I had anticipated, namely for £50,000 each, payable not in lump sums but in instalments, and that these offers had been accepted by his friends at home in unsigned cables, presumably emanating from Messrs. X and Y. Yet matters seemed to be dragging. The Finance Minister had, on April 10th, demanded of Mr. Q. that the money required "should be deposited immediately in the Bank, to be paid to the order of His Majesty on receipt of telegraphic intimation from him that the agreement has been signed." He was only prepared to open negotiations on the draft agreement (not yet received) on telegraphic report from the Bank that the money had been deposited. In communicating this information to Lenahan, I suggested that, while there seemed to be no urgency about the matter, his company should seriously "consider to what limit they will go in certain circumstances." He was actually asked for his advice in the matter, and replied that "my position," as he wrote to me, "is such that I can give none whatever. . . . I can't help feeling that the whole thing is dead, a thing of the past."

It certainly seemed to me that he was not far wrong. Meanwhile, on April 6th, I had written to Mr. Q. as follows: "In view of our conversation of yesterday, I think it will be well to place the upshot of it on record for the avoidance of all further misunderstanding between us. You appear to have come out without any Power of Attorney to negotiate on behalf of any responsible body at home. You appear to be unwilling to make any cash deposit, as suggested, to prove the seriousness of your quest; and you have produced no effective guarantee of your ability to implement any conditions which you may sign. You will surely see that, in such circumstances, the Government cannot start serious negotiations with you. I have very regretfully come myself to the conclusion that you are not in a position to execute the business on which you have come out here. And, as I explained to you yesterday, I feel that I cannot cooperate with you any longer, unless and until you straighten things out a bit. As I see things, the alternatives before you are:—(a) to return home immediately to fix things up properly with whoever is behind you in

this venture, and to return with due authority to negotiate, backed by a forfeitable deposit; (b) to prove your authority to commit your friends by disposing first of the gold-mining concession, the actual terms of which are more or less agreed, and which could be put through at once in the absence, at the moment, of effective competition; or (c) to purchase an immediate option on either or both of the concessions for, say, two or three months, on payment of £5000 for each to the Government: these sums would not be recoverable, but would be taken as part of the consideration for the concessions, if either materialises.

"In any case, I must insist that, if you wish me to cooperate in the matter any further, you must settle my claim for reasonable treatment in the most unequivocal manner. As you seem to have some difficulty in making up your mind as to what such treatment should be, I propose to help you with a perfectly frank statement of my minimum demands, which are as follows:—(a) Immediate payment of £1000 into my account at Lloyds Bank, 6 Pall Mall, London: immediate meaning any time before next Sunday, when you may expect to receive the draft agreement, air-mailed on April 1st. This payment to cover my past and further services up to the time of the signature of any one concession; (b) if, on the signature of one concession, you wish to continue negotiations for the other, you will pay me a further £500 for my further services in connection with the necessary negotiations; (c) payment of £5000 in respect of each concession within ten days of the signature thereof at Jidda; (d) an advisory post, or local directorship, with a salary of £1000 a year, so long as my effective head-quarters are, as at present, in Arabia: on retirement from which a directorship on the board at home, with a salary equal to that of other directors, or to that of the highest-paid director, if their salaries vary. It is of course understood that I should be free to retain my present commercial, political and literary interests, and to acquire other interests not prejudicial to my obligations to your company. . . . In any case, I am afraid I must insist on the first-mentioned payment (a), and, if the prospective loss of so small a sum is a matter of serious moment to your friends, it only increases my conviction that the business is scarcely worth pursuing further. Besides I am convinced that I have already earned that sum by the arrangements I have made to have everything settled in broad outline before your arrival. I may add that not the least valuable part of my services to

you is the advice, freely given against my own ultimate interest, to concentrate on the gold (and the transport) and to drop the oil. I trust you will, after consideration of the above, take steps without delay to get matters placed on a proper footing, so that we can proceed smoothly to the work on hand. Otherwise I think your best course would be to adopt the alternative suggested at (a) above, while there is still time to catch the bus."

The response to this challenge, in a lawyer's cable of April 9th, was more prompt than satisfying. "Our clients instruct us to inform you that they confirm [Mr. Q.'s] guarantee to pay you £7000 cash immediately documents, as mailed, are returned to National Bank of Egypt, signed by king without material alteration, and are handed over against cash payment of £25,000. This can be within fifteen days." I took this as referring to the oil concession; and, on April 14th, I received the following message from Mr. Q. himself: "I have just received a telegram, in response to telegraphic communications from me, and can give you an assurance that you will be paid £11,500 on completion of the oil and gold concession agreements. I hope that this will be satisfactory to you, and that we may now proceed smoothly to the work in hand. You may take this letter as an undertaking to pay the above amount when agreement and ratification have been reached." The sum mentioned obviously comprised my demands for two payments of £5000, plus £1000 and £500 for services rendered. But it was difficult to have any confidence in such diffidence over a token payment of £1000 cash, especially as Mr. Q., in a second letter of the same date, informed me that "I have endeavoured to secure a preliminary payment, but my group are unwilling to make any such payment until the business has been completed. On the other hand I am authorised to guarantee you the payment of £7000 on the completion of the oil agreement. Should this not meet with your approval, the only course open is for me to take the alternative (a), as indicated in your letter" (namely to go home).

It did not meet with my approval; and I had reason to believe that Mr. Q. was casting round for support in other quarters, as he seemed to be frequently in the company of Ydlibi, his supposed rival. I thought they might be pooling their resources, or bids; and on April 13th, when my wife had retired for her siesta after lunch, I had a short talk with Mr. Q., and asked him to cease being our guest, as he had been for more than three weeks. He lost no time in departing,

and took a room at the Egyptian Hotel for the rest of his stay, which was not very long. I reported the matter to the Finance Minister the following day; and I was certainly astonished when he told me that Mr. Q. and Ydlibi had produced identical draft agreements and maps, and were thought to be representing the Eastern & General Syndicate of earlier Hasa fame, for whom Major Frank Holmes was now working in Bahrain and the Trucial Coast. This certainly seems to confirm information I received from Lloyd Hamilton soon afterwards. "It would appear," he wrote on April 30th, "that the international oil groups connected with the I.P.C. have formed another company called Petroleum Concessions Limited, evidently for the purpose of securing any available concessions in the Persian Gulf and Red Sea areas. Our old friend Major Holmes claims to be representing that group in the Persian Gulf, and evidently Ydlibi is making a similar claim in the Red Sea area. What I am not clear about is the part, if any, that the Eastern & General Syndicate may be playing in these activities. We know that formerly, if not at the present time, Ydlibi was representing the syndicate. At the present time he may still be representing the syndicate, which in turn may have some arrangement with Petroleum Concessions Limited; or it may well be that he is directly representing P.C.L. in his activities in Jidda. Whether the Standard Oil group is sufficiently interested to compete for further concessions in the Persian Gulf areas I do not know . . . but they are keenly interested in keeping fully informed of the oil activities in the whole region."

"Perhaps you know," he says in the same letter, "that Stephen Longrigg now has a position in Petroleum Concessions Limited, and is located in London in the capacity, I think, of General Manager. He has just told me that neither [Mr. Q.] nor Ydlibi is working for Petroleum Concessions Limited, but each was told that, if he could get a concession satisfactory to P.C.L., they would take it off his hands." Oil makes strange bed-fellows! and here we have them all: I.P.C. and its daughter P.C.L. and Eastern & General Syndicate and Holmes and Ydlibi and Mr. Q., all competing in a closed circuit, and ready to take in each other's washing. Only Midian Limited was missing from the City of London team. For the moment I was quit of all business obligations, and busily preparing for a nine-months expedition in the desert; to map the Yaman-Saudi frontier, to explore Shabwa, and to complete my crossing of the Arabian peninsula from

the Mediterranean to the Indian Ocean: a feat which is still, I believe, unique, unless the Queen of Sheba did it in years long gone by. But before embarking upon that long journey, I was to receive a parting shot from Mr. Q., in a letter dated April 30th, when he was still at Jidda. "This is to give you formal notice," it ran, "that, as you emphatically declined to assist me in the matter of the gold and oil concessions, and as you stated, also on the afternoon of the 14th, that you would make every effort to baulk and upset any negotiations which might be carried out by me, my two letters to you of April 14th 1936, regarding your demands for commission and advance payments, totalling £11,500, to which you have not replied, are hereby cancelled." My reply had actually been given to him verbally, namely that I was not prepared to work for him on the basis of promises which I could not trust; and that was why I had asked him to leave our house. What happened after our break I never knew, nor cared, and I only met him once thereafter at a cocktail party in London, when, mistaking him for an old friend of mine of Persian fame, I had a long talk with him about Persian politics! He must have been surprised at my affability, but nothing like as surprised as I was when my wife asked me after the party what I had been saying to him!

Otherwise the only backwash of our short acquaintance took the form of a letter of reproach from 'Abdullah Sulaiman, the Finance Minister, who, in forwarding to me a copy of an English popular pictorial during the summer of 1937, containing an offensive article about Saudi Arabia by Mr. Q., wrote as follows: "Without discussing the matter of the article, I think it best to invite your attention to it because you were the first to introduce [Mr. Q.] to us, and recommended him as one of the outstanding personalities in England. Now, if what he wrote were the truth, or had at least some vestige of accuracy, we would not have worried about his remarks. But all that he has written in this article is lies and rubbish; and it is impossible for anyone who knows this country and its King and Government not to laugh at his effusion and wonder at its manifest inventions. You will surely take the necessary steps to refute the statements of this man, either in the press or in some other effective manner." I have no record whether I took any action on this letter; and it is probable that I thought it best to treat the offense with silent disdain. It is evident that he was peeved at his failure to get the concessions, though I often wondered whether the nuisance value he had



acquired on his visit to Jidda might not have won for him some slight consolation for his disappointment and trouble. It matters little.

But now we approach the end of the story, the hero of which was Mr. Longrigg himself, whose own account of the matter cannot be bettered. After explaining the genesis of Petroleum Concessions Limited, formed late in 1935 and owned by the I.P.C., with the object of affiliates being created to deal with concessions obtained in various countries of the area, he continues:<sup>35</sup> "In pursuance of this policy, it was decided early in 1936 to apply for rights in the Hijaz province, with 'Asir, on the east coast of the Red Sea: a region which, though largely volcanic, was known to be bordered seawards by a thin strip of sedimentary rocks." Longrigg tells us nothing of the preliminary steps taken in this direction, nor whether, and if so what, cat's-paws were used in pulling the chestnuts out of the fire. So we have no reason to credit Ydlibi, or the Eastern & General Syndicate, much less Mr. Q., with any part in the process which led up to the "resulting concession, duly negotiated and signed (by the present writer) [i.e., Mr. Longrigg himself] at Taif on 1 July, [1936] was to cover for sixty years a strip 100 kilometres in depth, stretching from the Transjordan boundary to the Yemen, but excluding a central area around the Holy City of Mecca [and Madina?]. Two-thirds of the concession was to be surrendered within three years of the commencement of drilling and half of the rest five years later; and the concession would be null and void if no commercial oil had been discovered within ten further years. The Company, which proceeded to form Petroleum Development (Western Arabia) Limited, was exempt from all taxation; exploration and drilling obligations were moderate." Up to this point the arrangements seem too good to be true; or perhaps the Government was softening! Not a bit of it: the sting was in the tail. And Mr. Longrigg continues: "An initial payment of 35,000 gold sovereigns, or their sterling equivalent, was to be made and annual dead-rent payments were to rise, until oil should be discovered, by stages from 7,500 to 10,000 sovereigns. Small quantities of refined products, and one per cent. of crude oil produced were to be handed annually to the Government." These were indeed stiff demands; and the acceptance of them by a subsidiary of the I.P.C. in 1936 seems in strange contrast with the I.P.C.'s own unwillingness in 1933 to offer more than £10,000 (gold) for the eastern Arabia concession, covering what is now known to be one of the world's greatest oilfields. And,

curiously enough, it was Longrigg himself, who was the company's spokesman on both occasions!

His narrative continues: "Early steps were taken for the carrying out of the concession. An office was opened at Jidda and two geological parties were sent out to operate, one in each of the two coastal blocks, during the winter of 1936-7. The researches of neither, unfortunately, could reveal any hopeful prospects; and the same verdict was given by a geological survey party, for whom, early in 1937, permission was obtained from the Imam of the Yemen rapidly to explore a restricted coastal strip of his kingdom, from Hudaida northward. The known seepage, however, on the Farsan Islands (where Shell had drilled ten years earlier) suggested that the desirability of further research in that archipelago, which the present Hijaz Concession included. Two seasons' work by a geological party of Petroleum Development (Western Arabia) was carried out in 1937-8 and 1938-9. With the help of the Aden and the Kamaran Island authorities a suitable mobile and amphibian organization was created and good use was made of the resources, manpower, and transport (by dhow and launch, camel, and handcart) of these primitive and little-visited communities. Core drilling to depths of from 450 to 1,600 feet was carried out in seventeen wells spread over eight of the islands. Geophysical methods were adopted at the same time on the adjacent mainland near Jizan to assess the underlying structure, but with discouraging results; no hopeful formation was located below the deep overlying salt. The failure to find prospects of interest, either on the islands or on the mainland, seemed, in the end, to condemn the Western Arabian Concession as of little value." We are left with the inference that the project was abandoned, though Longrigg does not tell us exactly when, or how, the concession was relinquished. All the efforts, spread over nearly thirty years, to find oil in western Arabia, had indeed proved to be "much ado about nothing"; and it would seem that they are scarcely likely to be renewed, though "hope springs eternal in the human breast." Angels had at last trodden where fools had rushed in before; but it was all of no avail.

I myself had a fleeting contact with the last stages of the Farasan project. In the course of my mapping of the Yaman-Saudi frontier, I had arrived at Jizan on December 14th 1936, and a few days later I had left again to survey the Tihama section of the boundary. On my return to Jizan three weeks later (January 11th 1937), the Amir had

told me that two geologists of the oil company had arrived the previous day, and had gone off in the morning to the Farasan Islands in the Government's motor-barge. On the 14th I had left again, to complete my survey in the coastal area round Muwassam, during which I was held up for four days by an acute attack of fever. The governor of Khauba, apprised of my condition, had sent a messenger to Jizan, to say that I was apparently dying! But my time had not yet come, and by February 1st I was back at Jizan, with only nineteen days to reach Mecca on donkeys for the pilgrimage. On the following morning I was going along the jetty for a bathe in the sea, when I observed two rather bedraggled Europeans landing from a sailing boat. They were the two geologists of whom I had previously been told: Messrs. Pike and Walford, both Americans, recently come to Arabia from work in Argentina and Venezuela. They were evidently feeling the strain of Arabian conditions; and had been working hard from sunrise to sunset daily for some time, and they had not escaped occasional bouts of malaria. On the way down from Jidda to Jizan they had run a compass traverse of the country, though they had no guide with them to give them the names of the hills and other features along their line of march. As already noted, they had left Jizan on January 11th by the motor-barge, and had duly arrived in the Farasan Islands for their work. But, on the way back, the navigation of the skipper had been faulty, and the barge had stuck obstinately on a sand bank. So they had hailed a dhow, to bring them to Jizan. All the information they had gathered about the geology of the country was of great interest to me, though they had found the oil prospects in the islands entirely negative.<sup>36</sup> And it was presumably their report which discouraged the company, although a second visit of inspection was made to the islands during the following season, before hope was entirely abandoned. I know of no subsequent attempt to revive interest in the Farasan group; but the Saudi Arabian Government, with its 47,000 gold sovereigns, had good reason to be content with its deal. The Red Sea bubble had at last burst.

NOTES ON PART I

1. Stephen Hemsley Longrigg: *Oil in the Middle East* (Oxford University Press, 1954), p. 150.
2. *L'Orient* of Beirut, December 2, 1957.
3. Report of Managing Director of X.Y.P. & D. Syndicate (1914).
4. *Ibid.*
5. *Ibid.*
6. *Ibid.*
7. *Ibid.*
8. *Ibid.*
9. *Ibid.*
10. *Ibid.*
11. Max Blanckenhorn: "Syrien, Arabien und Mesopotamien" in G. Steinmann and O. Wilckens, eds., *Handbuch der Regionalen Geologie*, Bd. V, 4 (Heidelberg 1914), p. 143.
12. Report of Max Blanckenhorn, dated January 21, 1914.
13. Letter of Managing Director of X.Y.P. & D. Syndicate, November 4, 1914.
14. H. St.C. Garrood: Report on Dhuba Seepages, May 1921.
15. *Ibid.*
16. *Ibid.*
17. *Ibid.*
18. Letter from King Husain to Mr. Garrood, of June 1921.
19. Letter from Amir 'Abdullah ibn Husain to Mr. Garrood, of May 22, 1920.
20. Letter from Mr. Garrood to Messrs. John Taylor & Sons, December 22, 1921.
21. *Ibid.*
22. Robert Graves: *Lawrence and the Arabs* (Jonathan Cape, 1927), p. 401.
23. Letter from Mr. Loftus Brooke to author, December 27, 1923.
24. *Ibid.*, March 3, 1925.
25. He was at this time the representative of the Hijaz Government in London.
26. Letter from Mr. B. W. Horne to author, May 18, 1925.
27. Letter from Mr. Loftus Brooke to author, June 2, 1925.
28. Longrigg: *op. cit.*, p. 42.
29. *Ibid.*, p. 26.
30. *Ibid.*, p. 100.
31. Letter from Mr. H. L. Bromhead to author, April 23, 1931.
32. H. St.J. B. Philby: *Arabian Jubilee* (Robert Hale, 1952), p. 177.
33. Philby: Letter to Sir Edward Dunbar, May 17, 1934.
34. Longrigg: *op. cit.*, pp. 114-5.
35. *Ibid.*
36. H. St.J. B. Philby: *Arabian Highlands* (1952), pp. 479, 579.





*Previous page: King 'Abd al- 'Aziz Al Sa'ud and one of his advisers, Shaikh Yusuf Yasin, Jidda, 1937.*

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*Below: Lloyd N. Hamilton and Shaikh 'Abdullah Sulaiman signing the original concession agreement between the Saudi Arabian Government and Standard Oil Company of California in Jidda on May 29, 1933.*



*Right: H. St. J. B. Philby with Lloyd N. Hamilton, signer of the Aramco concession, at Jidda.*





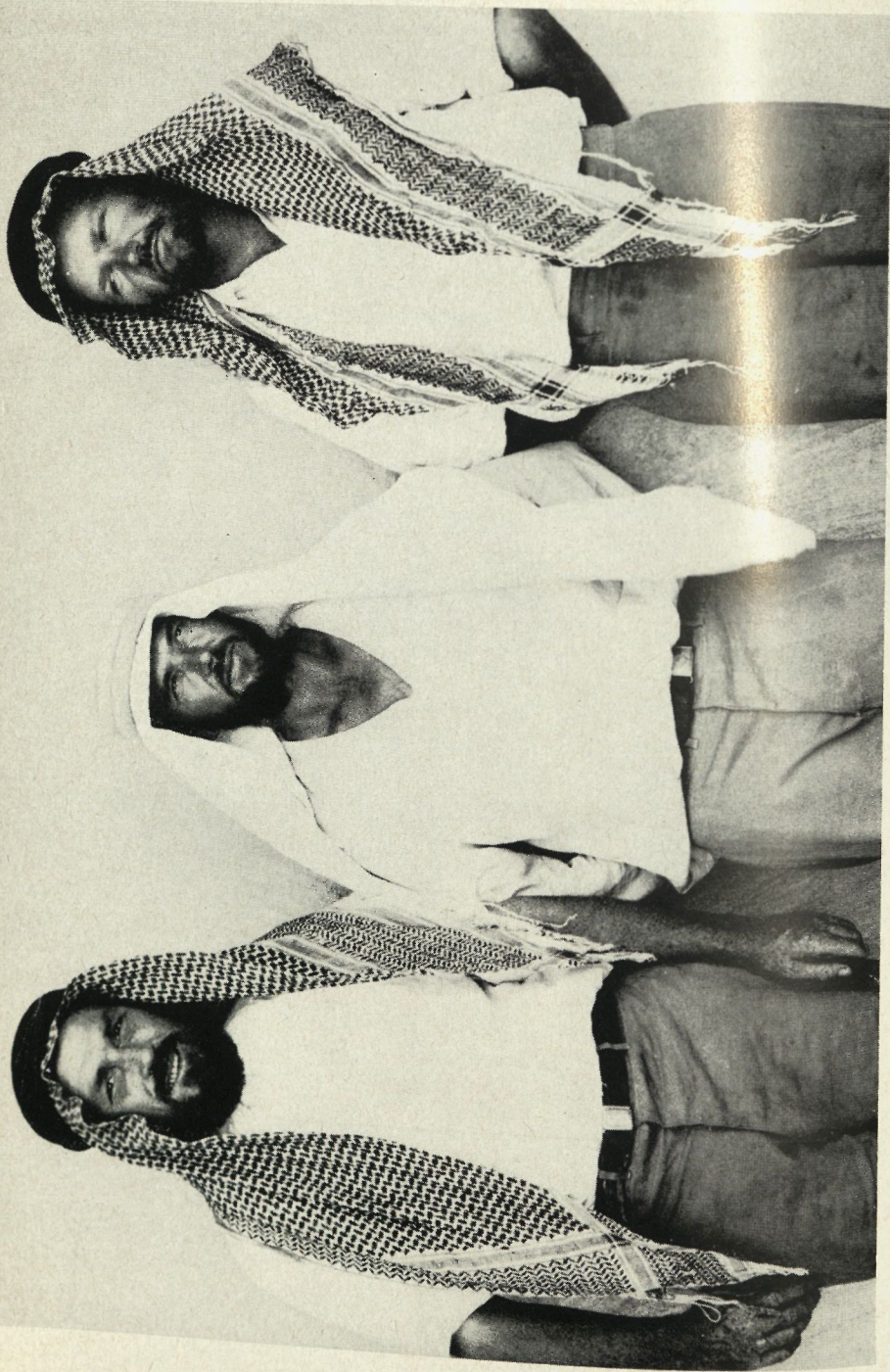




*Oilmen in Riyadh in 1937. Floyd W. Meeker, Max W. Thornburg, Lloyd N. Hamilton, F. A. Davies, and Muhammad Al Mani'.*

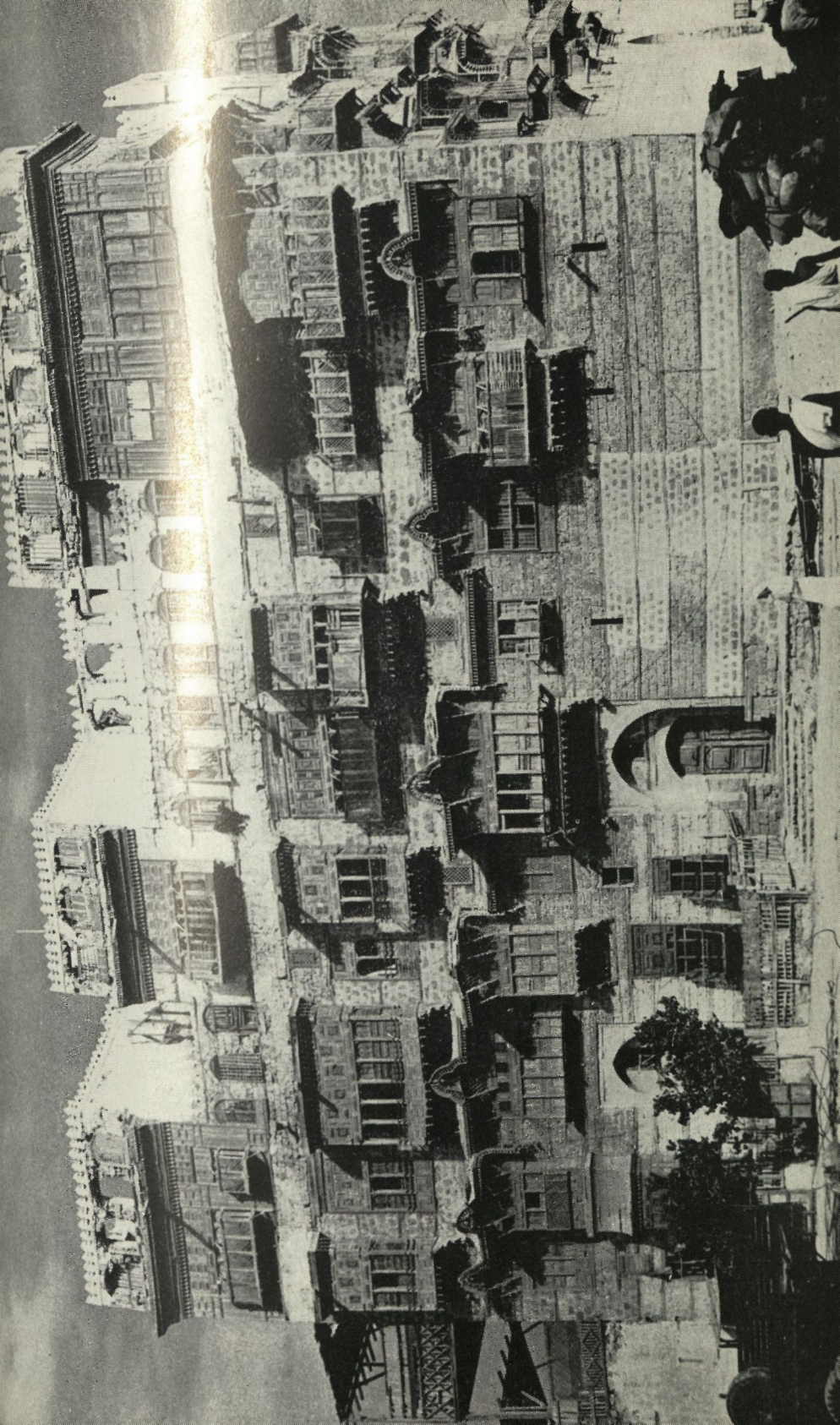
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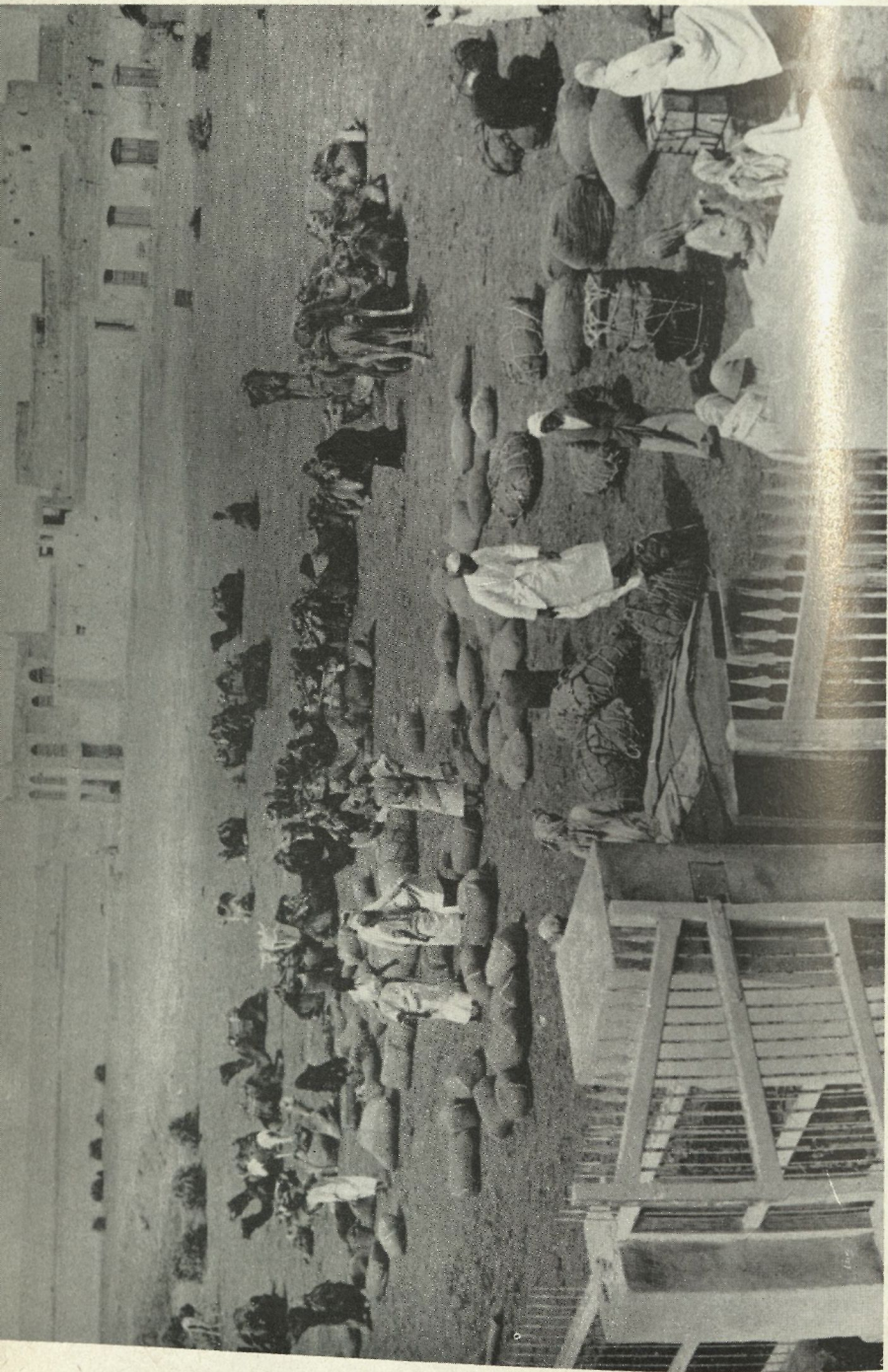
*Left: Shaikh 'Abdullah Sulaiman, signer of the Aramco concession, at Jidda in 1937.*



Max Steineke, S. B. Henry, and J. W. Hoover, California Standard oil geologists, in Jubail in 1935.

Opposite: Bait Baghdadi, an example of traditional Ijda architecture.

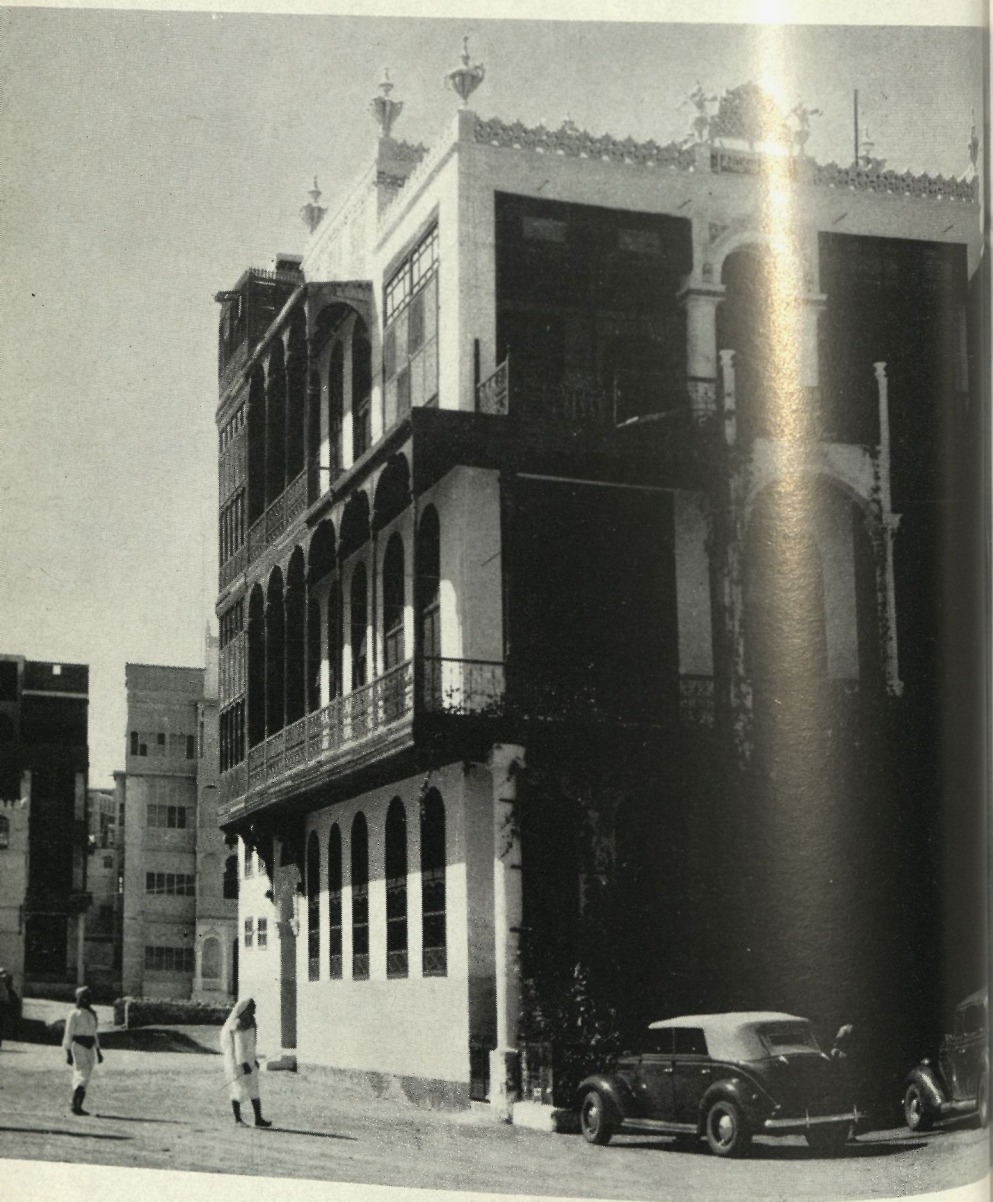




Organizing caravans at 'Uqair, c. 1934.

Opposite: Oilmen in Jidda, 1937. Mubammad Al Mami, Khamayyis ibn Rimthan, F. A. Dacies, Max W. Thornburg, Max Stein-  
cke, Floyd W. Mecker, and Lloyd N. Hamilton.





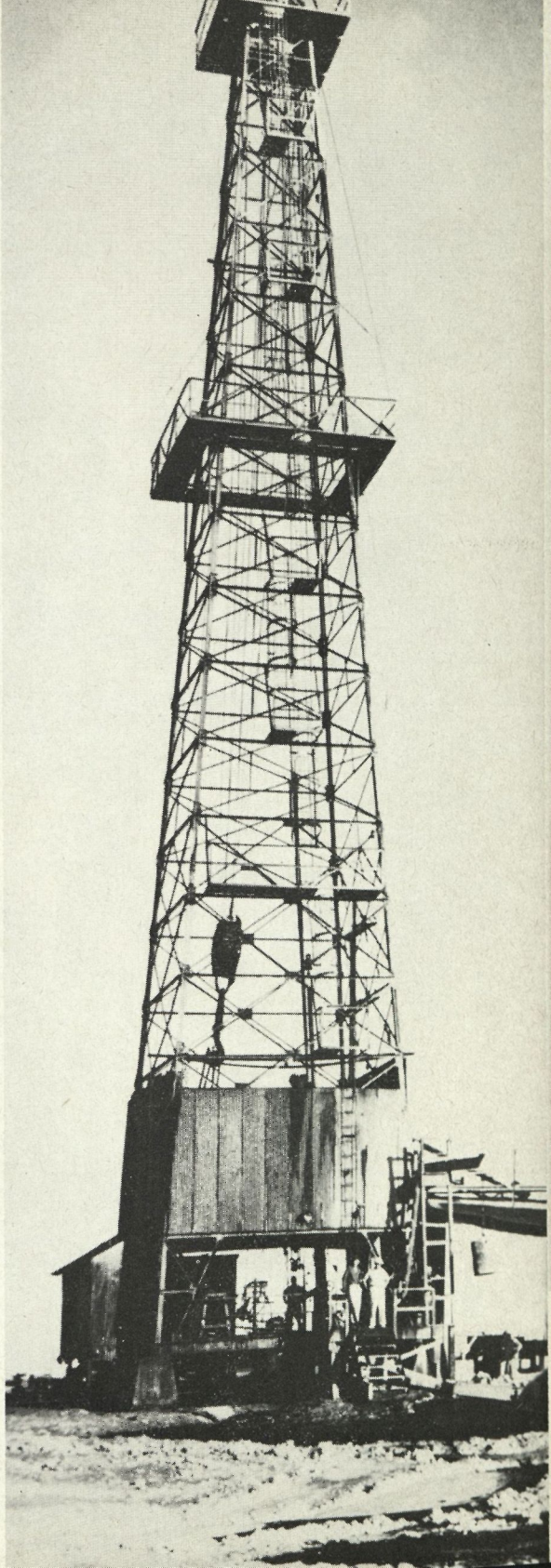
*Left: Bait Americani, 1937, the home and office in Jidda of William J. Lenahan, then California Arabian Standard Oil Company representative.*

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*Right: Dammam No. 1 blowing off gas and oil. Commercial production of oil was not discovered until the drilling of Dammam No. 7.*

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*Following page: Major Frank Holmes.*





PART II

*The Hasa Concession of 1923*



IN *The Times* OF MAY 21ST 1923, under the heading of PERSIAN GULF OIL CONCESSION, appeared a message from Basra, reading as follows: "*The Baghdad Times* announces that Mr. Frank Holmes, on behalf of the Eastern General Syndicate, has obtained from Ibn Sa'ud, the Sultan of Nejd, a valuable concession for an area of four thousand miles in the province of Hasa. The concession covers three hundred miles of the coast of the Persian Gulf. . . . I understand that the contract gives Ibn Sa'ud a fifth of all profits and, should the field prove rich, Ibn Sa'ud proposes to utilize the revenues in organizing Hasa as a separate province on modern lines, with motor roads, irrigation works under a British expert, education and medical services. The province is plentifully supplied with springs, but Ibn Sa'ud has hitherto lacked funds. The development of the province might greatly influence the Wahhabi movement, and also have other political results. . . ."

The probable effects of unaccustomed wealth on the economy and life of desert Arabia were thus early anticipated by an intelligent journalist; but it was to be some time yet before his prophetic utterance was translated into fact at other hands than those of Major Holmes and his business associates, of whose activities in Arabia we have only the most meager accounts. The story of this first bid for Arabian oil is, however, well worth telling in full, or at least as fully as the known facts permit. In his comprehensive study of *Oil in the Middle East*<sup>1</sup> Mr. Stephen Longrigg tells us very little about the

matter: apparently regarding the venture as a "wildcat" scheme destined to failure, and deservedly so as the Eastern & General Syndicate, a finance company of the City of London presided over by Mr. Edmund Davis, had no recognized standing among the great oil companies of the world. He does not mention that one of those companies, the Anglo-Persian Oil Company, had what may be described fairly as a watching brief during the negotiations between Ibn Sa'ud and Major Holmes, though he does say that its "rival interest," supported by "the cautious counsels of the (British) Political Agent and the natural suspicion of Shaikh Ahmad" of Kuwait delayed for a year the grant of exploration rights to Major Holmes in the Kuwait Neutral Zone, belonging jointly and undivided to the Shaikh and Ibn Sa'ud under the frontier settlement agreed upon by the latter and Sir Percy Cox at the 'Uqair Conference of 1922.

Be that as it may, it must be admitted that Major Frank Holmes had an extraordinary flair for the possibilities of the situation, enabling him to play a major part in obtaining the necessary permits for the opening up of the largest reservoir of oil in the world. With the concessions for the Hasa (1923), the Kuwait Neutral Zone (1924), Bahrain (1925) and Kuwait some years later, this "tough and patient New Zealander," as Longrigg calls him, achieved a proud record in his lifetime. And his name will always be associated with the development of the Arabian oilfields, although the first of his ventures, covering the greatest potential area of production, came unaccountably to grief. It is with this area alone that I am concerned in this work, the vast field of Saudi Arabia which came to fruition under other auspices, inspired by the first discovery of oil in Bahrain, the smallest of the areas in which he had acquired the right of prospection.

Longrigg's description of the Hasa venture leaves much to be desired; and he seems to have gone out of his way to belittle an achievement which he himself was destined in later years to emulate without success as the representative of one of the world's greatest oil companies, the Iraq Petroleum Company. "In the winter of 1922," he writes, Major Holmes "followed the negotiations between Sir Percy Cox and the Sultan of Najd regarding the Kuwait-Hasa frontier. . . . Holmes on this occasion presented to Ibn Sa'ud his suggestions for an oil exploration licence to cover the al-Hasa province. The Sultan, advised by Cox, was wisely cautious; nevertheless, a permit in the desired sense was issued to Holmes in May 1923, involving the carry-

ing out of exploration and the payment of a small annual sum and including an option valid, for two years, for a subsequent concession. A Swiss geologist was sent to the area by Eastern and General late in 1923 and test-drilling was contemplated; but in the event, since the Syndicate could not itself face the costs of development and failed to interest any acceptable major company, the licence and option were destined, after two renewals, to lapse in 1927" (actually 1928).

By and large this highly condensed statement of the case, which I have quoted in full, may be regarded as passing muster for general purposes. But it is by no means the whole story of the genesis of Arabian oil, for which we are fortunate in having an eye-witness account of the proceedings at 'Uqair, not quoted or even referred to by Longrigg, by a well-known American citizen of Lebanese extraction. Ameen Rihani, the author of *Ibn Sa'oud of Arabia*,<sup>2</sup> had no specific interest in anything so commercial as oil, but was deeply concerned with the politics of the new post-war Arabia, whose various States and kingdoms he had been visiting during this period, to preach their need for peace and unity, and to assess for himself the prospects of the realization of those inestimable boons in the then conditions of the peninsula and its periphery. It was pure accident that brought him to the Hasa coast on the eve of a political conference, whose main business was the fixing of boundaries between the territories of Ibn Sa'ud and various protégés of Great Britain in the Persian Gulf area, though it was understood by the negotiators on all sides that lines drawn at a venture across the desert to separate folk who had never been separated before might make all the difference to them between immense wealth and intense poverty. Even so Rihani might have been far from 'Uqair on this occasion but for the delays and restrictions seemingly inseparable from lawful travel in the brave new world which had emerged from the first war. Before visiting the Yaman in April 1922 he had written to Ibn Sa'ud, requesting permission to visit him in Riyadh; and the Wahhabi monarch had sent all necessary instructions to his agent in Bahrain to give Rihani all requisite facilities for the purpose. Yet, on emerging from the Yaman at the end of June, he had been delayed six weeks in Aden by the British authorities there, who, hearing that he wished to visit Najd, insisted that he must first report to their colleagues in Baghdad: to be vetted by Gertrude Bell and Sir Percy Cox, who would decide whether he could be permitted to visit Ibn Sa'ud. On August 22nd he eventually arrived in

Bombay, to be informed officially by the security police that, though they were aware that he "is expected at Bahrain; that there is no objection to his proceeding to Baghdad and that, in any case, it will be necessary for him to proceed thither first." There, in due course, he found that the High Commissioner was on the point of visiting Ibn Sa'ud at 'Uqair. What more natural than that they should travel together to that destination? And that was indeed the arrangement agreed to; but Sir Percy Cox was delayed by matters of high political moment, and Rihani proceeded alone to Basra, and thence, still alone, to Bahrain. There he at last found himself among friends, more than ready to forward his quest of Ibn Sa'ud, to whom he sent a letter announcing his arrival and readiness to meet him. A few days later he landed at 'Uqair.

At Bahrain Rihani had made the acquaintance of Major H. R. P. Dickson, the Liaison Officer, about whom he had little to say, though he was in attendance on Sir Percy Cox throughout the 'Uqair conference. And Dickson himself, in his *Kuwait and her Neighbours*,<sup>3</sup> has little of interest to tell us about the oil aspect of the deliberations on that occasion. He does however reveal a fact of some importance, also mentioned quite casually by Rihani in a footnote<sup>4</sup> in connection with his visit to Riyadh, which explains why, according to Longrigg, Major Holmes "followed the negotiations . . . regarding the Kuwait-Hasa frontier." Major Holmes indeed was no stranger to Ibn Sa'ud, who during the early part of 1922 had been visited in Riyadh by a certain Dr. A. Mann, apparently in his professional capacity as a doctor. He had however other interests than medicine, and he had talked to his host about oil, with the result that he had gone to London as Ibn Sa'ud's personal representative with a roving commission. No doubt he had heard the then prevalent rumors, mentioned by Dickson, about the existence of an oil seepage in the neighborhood of Qatif; and it would seem that he was introduced to Major Holmes by a Captain J. L. Cheney, then working at Baghdad, who was later to claim payment for this introduction from the Eastern & General Syndicate, after the latter had received the Hasa concession. Be that as it may, Holmes and Mann arrived in Bahrain, *en route* for Riyadh, in October 1922 with a prodigious number of packing cases containing medical stores and other gifts for Ibn Sa'ud, as representatives of the Eastern & General Syndicate. The Dicksons entertained them during their stay, after which they sailed to the Arabian coast and duly

reached the Wahhabi capital, where the project of an oil concession was broached with some success.

Holmes was next heard of at Basra, whence he sailed for Bahrain in the same vessel as Rihani, who was given to understand that his companion was "travelling in those parts for his health!" In Bahrain they did not meet; but, on his arrival at 'Uqair shortly afterwards, Rihani was shown in confidence a document on which he was asked to express his opinions for the benefit of Ibn Sa'ud. The sudden arrival of Holmes himself, the author of the document, delayed its study; but Holmes was soon off on a night-ride to Hufuf, intent on seeing Ibn Sa'ud before his arrival at the coast. Rihani was then free to examine the twenty pages of the script, in English and Arabic, which he, with a few suggested changes, "strongly recommended" for the Sultain's acceptance. It was the draft of an oil concession for the Hasa.

A day or two later it was suggested to Rihani that Ibn Sa'ud might like to see him before the arrival of Sir Percy Cox; and he set out across the sands between the coast and the Hasa oasis. He had camped for the night, when Ibn Sa'ud's cavalcade arrived; but he was honored at once with a long interview, during which only politics were discussed. Next day they rode together to 'Uqair, where a spacious camp had been prepared for the expected guests, who arrived after dark on November 27th. The political proceedings of the conference, which occupied the next five days, do not concern us here. But Major Holmes, who had not accompanied Ibn Sa'ud back from Hufuf to 'Uqair, arrived at the coast on November 30th and "pitched his tent near our side of the camp." But Rihani adds: "He eats with his own people, however, although he does not share their confidence. The Anglo-Persian Oil Company also wants the concession for which he has applied; and the A.P.O. has the British Government behind it—it is virtually the British Government, who hold 70% of its shares . . . . For this reason, principally, the High Commissioner says to the Major: 'Go slow about the concession. The time is not yet ripe for it. The British Government cannot afford your Company any protection.'!" And, in connection with a letter from Sir Arnold Wilson, then holding a high position in the A.P.O.C., in which he spoke of an early visit to Ibn Sa'ud with a view to arranging a deal about oil, Rihani comments: "Evidently, it is not untimely for the A.P.O. to negotiate for a Concession."

On the following day Holmes visited Rihani, professing to regard

him as "a friend at Court," to which he had replied that he had already given his advice to Ibn Sa'ud in the matter, and had "no axe to grind." Having committed to his diary under date of December 1st some exasperated and ill-natured comments on the exclusiveness of British controls in the Persian Gulf, he resumes his record on the following evening, when things did not seem to be going particularly well. "Major Holmes and his Contract," he writes, "are now in the hand of the High Commissioner." Ibn Sa'ud had confided to him in private that "I see the justice of certain objections he [Sir Percy] made to our additions and conditions. But I have entrusted the matter to my friend Sir Percy Cox, and I shall accept what he and the Major agree upon." Later the same evening he records "a bit of bad news about the Hasa Concession. Sir Percy Cox has asked the Sultan to write a letter to Major Holmes saying that he cannot give his decision till he has made certain inquiries of the British Government and consulted them about the matter." Cox had apparently sent to Ibn Sa'ud a draft of the letter to be written, with a copy to himself for information; but thrice had Ibn Sa'ud refused to comply with his demand. Thrice he had insisted; and "the letter was finally written." And there the matter rested for the time being.

Many days later at Riyadh Rihani's diary records his efforts to persuade Ibn Sa'ud that, as the sovereign of his country, he had a perfect right to "give a Concession to whatever Company you please, so long as it is English. Your Pact with the British Government does not bind you to accept the Company they prefer. Here are two English Companies, one of them practically owned by the British Government, while the other has nothing to do apparently with politics, is free from all Government influence, and you have a right to have your own choice in the matter . . ." And much else in the same sense. Obviously Ibn Sa'ud was in complete agreement with him; but he could not altogether disassociate his economic aspirations from the political problems which confronted him on every side of his desert realm. His immediate financial expectations from the Holmes deal had to balance a solid bird in hand, the British subsidy of £60,000 (gold) a year, of which he was still in receipt, though Britain's obligations in the matter of subsidies to all Arabian potentates were to be liquidated as from the end of the financial year 1923-4. Ibn Sa'ud could not afford to risk the immediate termination of this grant on the strength of what he might hope to get from the syndicate: a mere matter of



£2000 a year, as we shall see, as rental of the territory to be included in the concession. Moreover there were many political problems in the balance, regarding which he had some, though slender, grounds for hoping that the British Government might adopt an attitude more favorable to his aspirations. Sir Percy Cox was an expert in mixing threats with cajolery: the carrot and the stick.

The months of 1923 went by with the concession hanging on a thread; and it was at Baghdad on April 10th that Rihani made his next diary entry on the subject. "Here is Major Holmes again. He has been waiting all this time for a decision from somebody—from the Sultan, from the Residency, from the Colonial Office—about the Concession. Nothing has come—nothing favourable—and he has cold feet. He is packing up and returning home. 'My own Government is against me,' he said. But I know that the Sultan is well disposed—I left him so—towards him and his Company; and I told the Major to change his mind and go back to Al-Hasa. The Sultan will soon be there. 'I will give you a letter to him, and I'm certain you'll get the Concession . . . . Never mind what Sir Percy Cox says . . . . By all means, accept the invitation of Lady Cox to tea, and tell her you are going back home . . . . Say Good-bye, too, to Sir Percy. For if he suspects that you are going back to Al-Hasa, he might get ahead of you to the Sultan with one or two of those lead-pencil notes of his . . . . Goodbye and good luck.'" Evidently Rihani did not see the paragraph in *The Times*, with which I began this chapter. His next reference to the subject is dated at Freike in the Lebanon in August 1923, when he had just received a letter from Ibn Sa'ud, saying that "he has granted the Concession of Al-Hasa to the Syndicate of Major Holmes."

Nothing appears to have been published regarding the reasons for the withdrawal of British objections to the arrangements made between Ibn Sa'ud and Major Holmes. The tenacity of both parties no doubt had something to do with their ultimate triumph, while some credit is doubtless due to Ameen Rihani for his consistent support of the project from the very beginning. He was probably influenced in the main by considerations of a political character; and there was a great deal to be said against the granting of the concession to a company in which the British Government was a substantial shareholder, whose political influence might, and probably would be, used in the company's interests in the event of disputes and disagreements. So far

as we know, his support of Major Holmes was entirely altruistic and inspired by a desire to promote the best interests of Ibn Sa'ud.

It is of course possible that the Anglo-Persian Oil Company had, on reconsideration of the whole position, cooled in its anxiety to win the concession, which may itself have been in large part due to a desire to obviate competition with its own major interests in Persia on the part of a rival company. It is scarcely likely that, at this time, anybody was seriously obsessed by the thought that the fate of a major oilfield was in issue; and the refusal of the Anglo-Persian Oil Company, apparently on the strength of a geological reconnaissance, to take up the Bahrain concession, when it was offered to it a few years later, would seem conclusive on this point. It is difficult to take seriously Colonel Dickson's much later references to oil<sup>5</sup> in connection with the 'Uqair conference, which may well have been occasioned by actual subsequent developments. In particular it is difficult to believe that any suspicion of the existence of oil in the region had anything to do with Sir Percy Cox's insistence on the creation of the Kuwait Neutral Zone,<sup>6</sup> which was easily justified by the then cogent reasons for the institution of common grazing grounds for the camels of the tribes of the two States. In Dickson's first book of reminiscences, indeed, *The Arab of the Desert*,<sup>7</sup> there is no reference at all to the subjects of oil and the conference, except the mention of the author's dream of 1937, which apparently led directly to the discovery of the Burqan oilfield. In *Kuwait and her Neighbours*,<sup>8</sup> however, he does tell us of his earlier (1920) interest in and unsuccessful search for a reported oil-seepage in the neighborhood of Qatif. While waiting for the 'Uqair conference to materialize, he says, "I had amused myself by writing to Sir Percy about my oil theories. . . ." And, when apprised of the imminent arrival of Major Holmes, "I wired Sir Percy in code . . . voicing the suspicion that he was coming out to advise Ibn Sa'ud on the possibilities of oil in the vicinity of Qatif and Jabal Dhahrán . . ."

With all this fore-knowledge of the possibilities of the area, it is surprising that Dickson, who gives us a full and interesting account of the frontier controversies discussed and settled at the 'Uqair conference, showed but little interest in the arrival of Major Holmes (after meetings with Ibn Sa'ud at Hufuf) at 'Uqair on November 30th (according to Rihani). "It was not until the last day [i.e. December 2nd] of the conference," he tells us, and his account should be compared with the diary entries of Rihani already quoted above, "that Major

Holmes took any part. In a private talk between Ibn Sa'ud and Sir Percy, I being the only other person present, Ibn Sa'ud raised the question of granting an oil concession to the Eastern and General Syndicate. He told Sir Percy all about Major Holmes's visit to Hasa; that Holmes had made a favourable report and was anxious to take out an oil concession immediately. Ibn Sa'ud inquired whether His Majesty's Government would have any objection to this being granted. 'No,' said Sir Percy. 'Go ahead, but I warn you that the Eastern and General Syndicate is not an oil company, and will probably sell the concession to others.' Ibn Sa'ud thanked him and said he understood everything. Major Holmes was then called in and, having been introduced to Sir Percy [with whom he and his staff had been feeding, according to Rihani, since his arrival at 'Uqair] stated his case and oil hopes . . . Sir Percy did not like Major Holmes and obviously thought his presence inimical to His Majesty's Government's interests. Holmes had got in, so to speak, by the back door, and there is little doubt that Sir Percy would have condemned him and his activities to Ibn Sa'ud if he could have done so safely. Being, however, personally very fond of Ibn Sa'ud, and not wanting to antagonize him after the boundary affair, he pacified him by leading him to believe that His Majesty's Government was out to help him develop his country and gain him revenue."

That is all Dickson has to say about the affair. He tells us nothing about the letter which Ibn Sa'ud so unwillingly wrote to Holmes, nor of the subsequent obstruction of the project. Indeed his only further reference to the subject,<sup>9</sup> in connection with the Shaikh of Kuwait's objection to going half-shares with Ibn Sa'ud in the Neutral Zone, is as follows: "It is a fact, however, that in May 1924 [actually May 1923] Ibn Sa'ud granted a concession to the Eastern and General Syndicate Ltd. for the province of Hasa. As the company did not comply with its obligations to commence and carry on operations within three years of signature, the concession was declared null and void by Ibn Sa'ud." As for the Neutral Zone, he does not mention that, in May 1924 according to Longrigg,<sup>10</sup> Holmes obtained exploration rights in the area and an option from both rulers for a future concession. It is also from Longrigg<sup>11</sup> that we learn that, while this permit was kept valid for a time by renewals, it lapsed in due course at an unspecified date. Dickson contents himself<sup>12</sup> with relating a much later development in 1948-49, when "Shaikh Ahmad agreed

with Ibn Sa'ud to grant a concession [for the Neutral Zone] to the American Independent Oil Company and the Pacific Western Oil Company. He did this, he said, out of his desire to maintain friendship for Ibn Sa'ud, whose support was slowly becoming worth more to him than that of the British, who, with the coming of oil to his land, and with their policy daily becoming more pro-Israel and less pro-Arab, had alienated the whole Arab and Muslim world, *not excluding himself.*" According to Longrigg, the potentiality of the Neutral Zone field was still uncertain in 1953: five dry wells having been drilled before one, at Wafra, and another small producer were tapped, while further exploration was being pressed on.<sup>13</sup>

It only remains to consider the terms of the Hasa concession, and the short sad story of its life. So far as I know, the actual document ultimately signed by Ibn Sa'ud and Major Holmes has never been published; but its general character and content seem clear enough from copies (in my possession) of the original draft brought out to Arabia by Holmes. The latter's sketch-map, published by Rihani,<sup>14</sup> gives the area of the concession as 36,000 square miles, bounded as follows: (a) on the north by a straight line, running west to east and 65 miles in length, from Hafar al Batin to the junction of the northern tip of the Kuwait Neutral Zone with the semi-circle of Kuwait itself (roughly along north latitude 29°); on the west by an oblique and nearly straight 400-mile line, running from Hafar al Batin, through Wabra and Juda, to Haradh in the south; on the south by a straight 90-mile line, roughly along north latitude 25° 10', from Haradh to the base of the Qatar peninsula; and, on the east, the coast-line of the Persian Gulf from slightly north of Ras al Mish'ab to Salwa. It will be seen that this area includes the whole of the effectively productive oil zone afterwards developed by Aramco, though the area held by the latter is of much greater extent than that of the original Hasa concession.

Within these limits, the concessionaire was granted: (1) exclusively the entire concession of all the oil and petroleum wells and kindred deposits, including all minerals and mineral salts, together with all necessary easements, rights and privileges, including all surface rights for the erection of buildings and machinery requisite for the efficient development of the concession; (2) the exclusive right to explore the territory and utilize the minerals therein found: including the right to drill wells, construct pipe lines, build railways and dwelling houses,

install telegraph and telephone lines, and do all things necessary for the exploration of the area; the exclusive right to erect oil refineries, and to use any water found in the area: subject always to the condition that the Government should have the right to use all these easements (particularly railways and telegraphs), in the event of its being involved in war; (3) free use of all ports and harbors, including the right to improve and develop them, in the area: it being understood that the Customs administration of such ports should remain in the hands of the Government, whose flag alone should fly over the territory, while the concessionaire, when developing such ports, should provide conveniently large buildings for the use of the Customs administration; (4) freedom to sell and export, at his discretion and free of all export dues or duties, any oil and other minerals he may obtain, while the Government should not interfere with the internal management of the concession, though the concessionaire would have to pay import duty on the food, clothes and general merchandise brought into the country; (6) exemption from all harbor dues, taxes, tolls and land rents; (7) the right to cede or sell the rights, easements and privileges conferred by the concession, in part or in whole, to one or more British companies: provided that the rights and interests of the Sultan are not thereby affected; and (8) freedom of the concessionaire's representatives in Arabia, who shall be exclusively responsible to London, from any local interference without the permission of the concessionaire.

Apart from these general easements and privileges, the concessionaire was required (a) to start his operations within the area within nine months of the signature of the agreement by sending experts to examine the geological conditions thereof, with a view to selecting suitable sites for drilling: on pain of the cancellation of the concession in the event of his failure to do so, unless this is due to *force majeure*. In the event of such cancellation, the concession shall be deemed null and void, and neither party shall have any claim against the other in consequence thereof; (b) if, after operations have been commenced, the concessionaire shall, for any cause but *force majeure*, discontinue them for a period of two years, the provisions of the concession would be regarded as having lapsed, while no responsibility would attach to the concessionaire; (c) the concessionaire shall not interfere in any way with the politics of the Sultan's dominions; (d) the concessionaire was placed under an obligation to employ local labor,

under the charge of his European and other officials, in so far as such employment might be compatible with the successful operation of the concession; and the Sultan and his officials would assist him in obtaining such labor, while he would be free to import both skilled and unskilled labor to the extent of his requirements; (e) the concessionaire would pay fair wages to local labor, as arranged at the time of engagement, and would provide them with suitable medical attention and medicines free of charge during the term of their employment; (f) the Government should not in any way interfere with the projects and plans of the concessionaire and should provide him with all assistance and protection, while the concessionaire's representatives should be solely responsible to London in respect of any work they might undertake or abandon.

The term of the concession was to be seventy years, at the expiration of which all the local assets of the enterprise—buildings of all kinds, pits, wells and mines, pipe lines, tanks and refineries and other installations—would become the absolute property of the Sultan, free of charge; although it was conceded that, if the concessionaire desired to terminate the concession within 35 years of its signature, he should have the right of removing his plant, tools and machinery. In view of the leniency of the clauses providing for the concessionaire's abandonment of the enterprise without good cause before or after the commencement of his operations (see a and b above) without penalty or prejudice, it will be seen that Major Holmes had obtained very favorable conditions for his company. And the question may well be asked whether Ibn Sa'ud, in agreeing to such terms, had been able to secure a reasonable *quid pro quo* for what he was giving away. The answer lies in clause 17 of the draft concession, which provides that "the Sultan shall have the right to have allotted to him, as fully paid shares, twenty *per cent* of all and every class of shares issued by any company or companies which the concessionaire may form or float for the exploitation of the concession hereby granted." Furthermore it was provided in the same clause that "every such company or companies formed or floated shall, upon its incorporation and before going to allotment, offer to the Sultan for cash (but otherwise upon the usual terms of its issue) such number of shares as shall nominally represent twenty *per cent* of its issued capital; and the Sultan shall signify, through his representative in London, his acceptance or refusal of such offer, either *in toto* or in part, within sixty days after the

same shall have been communicated by the concessionaire to such representative: after which time, in the event of no reply having been received, the offer shall be deemed to have been refused *in toto*, and the issuing company shall be free to deal with the shares so offered in any manner it shall think fit. The Board of Directors of every company so formed or floated by the concessionaire shall include as directors (which term includes Managing Director and/or Chairman) two nominees of the Sultan, whose status, as regards remuneration, shall in no way differ from that of the other Directors." It was specifically provided in this clause that the Sultan's first nominee should be Dr. A. Mann, already mentioned as his roving representative in London. Dickson<sup>15</sup> seems to have thought that he was already a member of the Eastern & General Syndicate, though this was probably not the case, as his initial contact with Ibn Sa'ud was a medical one.

After various clauses of a general nature, providing against the concessionaire's inadvertent or deliberate overstepping of the limits of his privileges and easements, and for the method under which such errors should be considered and put right locally, it is laid down that in more serious cases of dispute or misunderstanding such differences should be referred to a single arbitrator in London, to be appointed either by the International Court of Justice of the League of Nations or by the President of the London Chamber of Commerce in accordance with the provisions of the Arbitration Act of 1889.

Finally, while it was agreed that all shares accruing to the Sultan under the provisions of the concession should be deposited with the Eastern Bank Limited, of Crosby Square, London, the only point which does not seem to have been the subject of inclusion in the contract was probably the one by which the Sultan himself set the greatest store. As always he was in dire need of hard cash, which had an astonishing way of slipping through his ever-generous hands; and it was probably understood from the beginning of the negotiations that this should be supplied to him as the nominal rental of the area of the concession. The sum fixed was in fact £2000 gold *per annum*, payable in advance each year; and everybody seemed satisfied with the deal. The Sultan was doubly so when he received the first year's rent; and there is reason to believe that he was optimistic about the prospects of receiving a similar sum for a number of years, while the experts went about the dreary task of discovering that Arabia had no

oil. Even in much later times, while willing to try any proposition promising some addition to his revenues, he remained pessimistic about the prospects of oil being found in his land: until his skepticism was blown sky-high by the great "gusher" of March 1938.\*

The first year's rental having been paid by the Eastern & General Syndicate after the signing of the agreement, the company proceeded to organize a team of prospectors under a geologist of Swiss nationality. There is no published record of its operations and their results; but it is known that they found no structure justifying further investigation by actual drilling during the 1923-4 cold weather season. Nevertheless, the second year's rental was duly paid to Ibn Sa'ud in the summer of 1924, while further prospection by the geologists was undertaken during the following winter months: apparently without encouraging results. Meanwhile, of course, as Sir Percy Cox had predicted, the Syndicate had been making every effort to interest the great oil companies in its concessionary rights, both in Bahrain and in the Neutral Zone, and in the Hasa. In general there were no takers for such a doubtful proposition; and, according to Longrigg,<sup>16</sup> both the Shell and Anglo-Persian Companies declined the offer of the Syndicate's licenses, which were due to lapse on December 7th 1927. The Standard Oil Company of New Jersey studied the proposition somewhat platonically and was discouraged by the prospect of British interference with operations in areas under their effective political control. It was not till almost the last minute that a Gulf Oil Corporation subsidiary took up an option on the Bahrain and Neutral Zone territories. We are not concerned here with the complications, which ultimately resulted in the Bahrain rights of the Syndicate passing by purchase into the hands of the California Standard Oil Company at the end of 1928 and the later creation of a Canadian subsidiary in 1930 to operate them. But it should be realized that this was in fact the first vital step towards the discovery and exploitation of Arabian oil.

For the time being, however, nobody was seriously interested in the Hasa concession, which was left on the hands of the Eastern & General Syndicate. Already a sum of £4000 (gold) had been disbursed by

\* As the author states earlier, his information about the terms of the concession granted the Eastern & General Syndicate in 1923 was based on a draft brought to Arabia by Holmes. Changes were in fact made in the text before signature, e.g., neither Dr. Mann nor the Eastern Bank was mentioned by name, and the annual rental of £2,000 gold was changed to an annual £3,000 gold "protection fee."—Editor.



the company on account of rent, and a much larger, though unspecified, amount had been spent on the exploration of the area. For all this expenditure there was nothing to show in the way of results; and the Syndicate, unwilling to surrender its rights, as it could have done without prejudice under clause 12 of the concession, was forced to reconsider its attitude, in the event it defaulted, without explanation, on the payment of the rental due in May 1925. It also, without explanation, failed to continue its exploration of the area during the winter of 1925-6. In May 1926 there was silence on the part of the company on the subject of the rent due, followed by complete inactivity during the winter season of 1926-7. The two-year period, envisaged in clause 12, had thus passed, with the company defaulting on the two main conditions of its contract. Ibn Sa'ud, however, held his hand, hoping perhaps that the arrears of rent and the rental due in May 1928 would be paid and exploratory operations resumed by the company. Ostrich-like, the latter buried its head in the sand, only to be disturbed by a warning from Ibn Sa'ud that he would be compelled to terminate the concession forthwith if the Syndicate did not pay up its arrears of rent and resume operations at once. Silence was its answer, and the concession was cancelled towards the end of 1928.

Such was the end of an enterprise, which had caused so much searching of political hearts at its inception only a few years earlier, and which might have turned out very differently in competent hands. But the weight of expert opinion seemed to be against the pioneers, though one is left with the feeling that the principal oil companies operating in the Middle East at the time were more concerned to preserve their existing monopolies than to encourage the search for and development of competitive fields. Yet the main share of the blame would seem to attach to the geologists working in the area, whether or not their activities were influenced by the instructions of superiors more interested in the commercial aspects of the problem than in the acquisition and application of specific data. I have mentioned the refusal of the Anglo-Persian Oil Company to take up the Bahrain concession, which seems to be a case in point, while another pointer in the same direction is provided by a letter to me, dated August 18th 1923, from Sir Arnold Wilson, who was at that time joint General Manager of the Anglo-Persian Oil Company: a post to which he was appointed in 1921, on relinquishing the acting Civil Commissionership of Iraq after the Mesopotamian rebellion of 1920. Wilson

and I had never seen eye to eye on the subject of Mesopotamian politics; but our personal relations had always remained reasonably friendly, though at times strained, and I had good reason to be grateful to him for assistance in getting to Arabia in 1924, when the Wahhabi legions were in full cry against King Husain's régime in the Hijaz. We shared indeed to the full a dislike of the current British policy of creating Hashimite kingdoms in Iraq and Trans-Jordan, while the center of Hashimite influence in western Arabia was tottering to its end. I was actually at the time the Chief British Representative at Amman: having relinquished my post in Iraq on the arrival of the Amir Faisal, as a candidate for its throne, and been appointed to help 'Abdullah in his efforts to create an independent Arab State in Trans-Jordan.

"Faisal," he wrote, "is getting steadily more unpopular, I gather, and is for ever seeking to place the blame elsewhere . . . . I am sorry 'Abdullah is not doing better, and I wish you could go back to Ibn Sa'ud and keep him straight." He was probably referring to the current series of Wahhabi raids on the borders of Iraq and Trans-Jordan, which were greatly exercising the attention of the British Government. "I personally cannot believe," he continued, "that oil will be found in his territory. As far as I know, there are no superficial oil-shows, and the geological formation does not appear to be particularly favourable, from the little we know of it; but in any case no company can afford to put down wells into a formation in these parts (however favourable) unless there is some superficial indication of oil."

So much for Wilson's views. So far as the Eastern & General Syndicate was concerned, the cancellation of its concession by Ibn Sa'ud involved no responsibility on its part, as provided in clause 12; but it would seem that, having held the concession until the end of 1928, it had incurred a contingent liability in respect of rent not paid during the last three years of its tenure. Ibn Sa'ud certainly regarded the company as owing him the sum of £6000 (gold) on account of arrears of rent; and, as will appear in due course, this fact was to play an important part at a later stage of the oil history of Saudi Arabia. For the moment, Ibn Sa'ud had received and spent an unearned increment of £4000 (gold); and an outstanding debt of a mere £6000 was not seriously worrying him during these halcyon days of bumper pilgrimages.

In conclusion of this section it may be remarked that neither Rihani nor Dickson make any reference to the serious illness suffered by Ibn Sa'ud during his sojourn in the Hasa after the 'Uqair conference. Exaggerated reports of it had reached the outside world, some of them going as far as to announce his death. One such report had created much excitement in Whitehall, with the result that all senior officials serving in the Middle East were invited to communicate their views on the probable impact of such an event on the political situation in the area. I was among those who received the invitation, and my reply was brief and to the point: it seemed unnecessary, I said, to attempt an appreciation of the consequences of Ibn Sa'ud's death on the Arabian situation, as I had good reason to know that he was alive and well (and back at Riyadh) after the date of his alleged demise. In those days there was a frequent coming and going of folk from Najd in Trans-Jordan; and it so happened that, shortly before the receipt of the Whitehall letter, I had been inspecting the ruins on the citadel hill above Amman, when I was accosted by a man whom I had known slightly while in Arabia. He had just arrived from Riyadh, and was able to give me all the latest news from there, including the King's return from the Hasa, and other details. The more sensational reports probably referred to a severe infection of the eyes which he had suffered about this time, and as the result of which he lost the sight of one eye. In due course the eye was replaced by a glass one, whose stare was always disconcerting to strangers. His good eye was always hawk-like, but one never knew which way it was looking.

## NOTES ON PART II

1. Stephen Hemsley Longrigg, *Oil in the Middle East* (Oxford University Press, 1954).
2. Ameen Rihani, *Ibn Sa'oud of Arabia* (Constable, 1928).
3. H. R. P. Dickson, *Kuwait and her Neighbours* (George Allen & Unwin, 1956).
4. Rihani, *op. cit.*, p. 158.
5. Dickson, *op. cit.*, pp. 268 ff.
6. Dickson, *op. cit.*, pp. 274-5.
7. H. R. P. Dickson, *The Arab of the Desert* (George Allen & Unwin, 1949).
8. Dickson, *Kuwait and her Neighbours*, pp. 269, 278.
9. Dickson, *op. cit.*, p. 279.
10. Longrigg, *op. cit.*, p. 100.
11. Longrigg, *op. cit.*, p. 110.
12. Dickson, *op. cit.*, pp. 279-80.
13. Longrigg, *op. cit.*, pp. 215-6.
14. Rihani, *op. cit.*, p. 85.
15. Dickson, *op. cit.*, p. 268.
16. Longrigg, *op. cit.*, p. 101.

## GENERAL NOTE

It may be recorded as a matter of general interest that Sir Olaf Caroe, in his study of Middle East oil developments entitled *Wells of Power* (Macmillan & Co., 1951), does not so much as mention the Hasa concession discussed in this section, or Major Holmes, or the Eastern & General Syndicate, or the 'Uqair negotiations.

Another oil book, entitled *Big Oilman from Arabia*, by Michael S. Cheney (Ballantine Books, New York, 1958), an excellent story of service in Aramco, is only concerned with the last ten years of the enterprise, from 1948, and has no reference to the old negotiations. On page 143, the author writes: "The beginnings of the enterprise seemed already to have sunk into history."

PART III

*The California Concession*

PART III

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PART III

The California Concession

ARTICLE I

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### A. *Opening Gambits*

I HAD SPENT the autumn of 1930 at Taif, as a member of the court of King 'Abd al 'Aziz ibn Sa'ud; and in October we all moved down to Mecca for the winter, with a short visit to Riyadh before the fast of Ramadhan, which was spent at Mecca, from January 21st onwards. The general atmosphere at this time was one of gloom and depression. The world economic recession had set in with a vengeance, and Arabia was in for a lean time. The prospects of the next pilgrimage visitation were somewhat grim, as the agricultural communities of India and the Far East had been badly affected by the slump in the prices of their products. Hitherto the bulk of the annual pilgrimage had come from those parts; and now their peoples had not the wherewithal to make the long and expensive journey. Meanwhile the ample revenues of the fat years preceding the slump had been dissipated on an impressive scale. The King and his ministers became increasingly glum; and the talk at Taif and Mecca had turned largely on ways and means of meeting the expected shortage of funds: to say nothing of schemes or dreams of remedying the situation. Inevitably I became involved in the lugubrious debate; and, in previous volumes,<sup>1</sup> I have briefly sketched my contributions to the daily discussions of the topic. The general line I took was that the Government, given the large and apparently irreducible demands of its purse, could not hope for security or stability unless it could find more reliable sources of steady revenue than the precarious pilgrimage, on which it had hitherto almost

entirely depended. The country obviously had hidden mineral resources which could only be developed with the cooperation of foreign experts, while the policy of the Government precluded the participation of foreigners in their discovery and development. The King, in view of his recent troubles with the more fanatical leaders of the Wahhabi movement, was reluctant to open his country to the infidel. But the Finance Minister, 'Abdullah Sulaiman, had a more open mind on the subject, to say nothing of his personal responsibility to keep the country solvent. And the merchants and notables of the Hijaz, having themselves no Wahhabi inhibitions and being familiar with foreign trading, were mainly concerned to see the country prosper to their own advantage. Suffice it to say, for the moment, that the idea of foreign participation in the development of the country had its advocates, who knew full well that everything depended on the attitude of the King.

During the frequent drives in his car, on which I was privileged to accompany him, the subject of his financial difficulties was freely discussed. On one occasion I had made bold to say that he and his people were like folk sleeping over a vast buried treasure, but without the will or energy to rise and search under their beds. On this and other occasions I had opportunities of explaining my parable in terms of the mineral possibilities of the country, though I always emphasized the fact that their proper investigation would necessitate the employment of foreign capital and technological skills. On one such occasion, at Taif, the King blurted out: "Philby! if anyone would offer me a million pounds now (pounds were then gold of course), I would give him all the concession he wants." I replied that, while no one would give him anything at all without having reasonable ground for believing that the minerals were there, he would win far more than the sum he had mentioned if they did in fact exist and were intelligently exploited. I went on to tell him of a man who could, and would, certainly be able to help in his quest: a man, who was then in Egypt, or on the point of arriving there. In the winter of 1926-7 he had actually visited Jidda, desirous of making the King's acquaintance, though Ibn Sa'ud, then at Madina, had not thought fit, either to invite him thither (or near-by) or to travel to Jidda simply for the purpose of meeting an unknown stranger. He had then passed on to the Yaman, whose king and government he had helped liberally in the carrying out of certain harbor and road improvement schemes. I as-



sured the King that, if he could guarantee to be in Jidda for a reasonable period at any time during the winter, or preferably after the pilgrimage (i.e., late April or early May), the gentleman in question would certainly be delighted to pay him a visit. Without very much enthusiasm Ibn Sa'ud authorized me to inform Mr. Charles R. Crane that he would spend ten days or a fortnight at Jidda in early May; and I immediately wrote to him, adding that the King would be glad to have him as his guest.

Once the die was cast, the desire to discuss the rapidly deteriorating economic situation with one reputed to be able to cure it, gathered impetus; and it was during an outing in Mecca, after our arrival there, that the King, still depressed and despondent, confided to me that he would like to advance the date of Crane's visit if possible to a period between Ramadhan and the pilgrimage. Crane was already in Cairo, and I asked the king to instruct his minister there to discuss the matter with his prospective guest, with a view to arranging a suitable date.

It was thus that Crane arrived at Jidda on February 25th 1931 for a week of lavish hospitality and entertainment, during which every aspect of the country's needs and resources, actual and potential, was discussed between him and the King and his ministers. He himself was accompanied by George Antonius<sup>2</sup> as guide, philosopher and friend. They were lodged in the spacious mansion of Shaikh Muhammad Nasif, a leading and learned citizen of the town, in which the King himself had been accustomed to reside during his occasional visits to Jidda until this year, when the "Green Palace" had been completed for his accommodation. Besides the usual royal banquets, Crane had also been entertained by the Jidda Municipality at a dinner, served to some 200 guests, in view of the fact that the most urgent need of Jidda at that time was the establishment of a piped water-supply: an ideal object for the much-publicized philanthropy of a wealthy American industrialist. The King and his Finance Minister had meanwhile been discussing less publicized matters; and when Crane departed on March 3rd in an atmosphere of universal good-will, he had not only received from the King a present of two pedigree horses, but had himself distributed gold watches and other valuable presents to all those with whom he had been in contact. The best gift of all, which Crane offered to the country as a whole, was the promise of the services of a mining and civil engineer, who had been working for him, both in Abyssinia and in the Yaman. This gift was conditioned by the

undertaking of the Government to place at his disposal all the transport, escorts and other facilities which he would need for a proper exploration of the resources of Arabia. Incidentally, as I told Antonius some years later, Mr. Crane never so much as sent me a post-card of thanks for the part I had played in enabling him to meet the great Ibn Sa'ud: apparently the only crowned head which he had not had the honor of meeting!

It was thus that Karl S. Twitchell arrived at Jidda on April 16th, starting work a week later with a visit to Wadi Fatima to study the water situation there in relation to the pressing needs of Jidda. Khalid al Qarqani, a Tripolitanian by birth and now one of the King's principal advisers on economic and political questions, was deputed to accompany Twitchell on this trip, and soon afterwards escorted him up the Red Sea coast on a rapid reconnaissance of the water and oil possibilities of the area. His initial reports were optimistic in general terms; and he was kept busy exploring other parts of the Hijaz mountains, for water, gold and anything else that might be of interest. In July the King returned to Riyadh, where I joined him the following month, to prepare for my expedition across the Empty Quarter, which he had solemnly promised to organize in view of the disappointment I had suffered earlier in the year, when Bertram Thomas made his historic crossing of the supposedly uncrossable sands of al Rimal. It was not until December that I saw Twitchell again at the King's camp in the Muzailij area, not far from Riyadh. Having meanwhile travelled extensively in the igneous area of western Arabia, he had been asked by the Finance Minister to visit the Hasa province in the east, to study its famous springs and report on ways and means of expanding irrigation and cultivation in the largest agricultural tract in the whole realm. 'Abdullah Sulaiman was a firm believer in agriculture as the mainstay of the country's economy; and it should be noted that the prospect of oil being found in the Persian Gulf region had virtually been written off with the collapse of the Eastern & General Syndicate's concession. The King was naturally interested to hear the results of Twitchell's wanderings in the Hijaz, where he had located one workable ancient mine, while others he had inspected, near Taif and in the Jabal Radhwa area, seemed to give little promise of worthwhile exploitation.

When Twitchell resumed his journey from the King's camp, I accompanied him to Hufhuf, which was to be the starting-point of my

own venture. And there we parted: he to wander in the Hasa, and incidentally to find encouraging signs of oil (in the hills of Dhahran)\* and myself to discover the meteorite craters of legendary Wabar, and to cross the 400 miles of the waterless desert. And, on the completion of our respective journeys, he went off to America to try to sell Arabian oil to its industrialists, while I went home to lecture about the Rub' al Khali. Meanwhile an event of considerable importance had occurred in Bahrain: an event "of high significance for the whole of Arabia, whose oil prospects were thenceforth to be reconsidered with a new interest by companies encouraged (or perturbed) by the Bahrain discovery."<sup>3</sup> The California Standard Oil Company, having purchased the rights of the Eastern & General Syndicate in Bahrain at the end of 1928, had started drilling on the 'Awali anticline in October 1931; and, according to Longrigg,<sup>4</sup> "oil in considerable quantities . . . was struck on 31 May 1932 . . . at a depth of 2000-2500 feet." I had arrived in London on May 13th, with the prospect of a busy summer before me, lecturing to various societies, studying the results of my collecting (birds, animals, insects, geological specimens, etc.) in consultation with the experts of the British Museum and, last but not least, writing my book<sup>5</sup> for publication as soon as possible. I had no reason to think of oil in any connection; and of course it was not till long after the event that I came to know of the Bahrain development. But "coming events throw their shadows before," and the California Company obviously had reason to know that the discovery of oil there was imminent: it had probably been found already, though not proved to be "in considerable quantities." At any rate I had no reason to associate the idea of oil with a letter dated May 26th 1932, addressed to me by the American Consul General in London, Mr. Albert Halstead. "Please permit me," he wrote, "to introduce to you The Honorable Francis B. Loomis, formerly Under Secretary of State of the United States, and a gentleman whom I have known most favorably for many years. Mr. Loomis has been impressed with your work in the desert in Arabia, and would like to meet you. I am quite certain that the meeting would be mutually agreeable. Would you kindly address Mr. Loomis at this Consulate General . . . , and inform him when it would be possible to meet you? Mr. Loomis is going to The Hague tomorrow night, but will be back within a week or two. With apologies for this intrusion, and thanks in advance."

\* See Editor's note p. 83.

I naturally assumed that Mr. Loomis was somehow interested in exploration and might have heard of the lecture on the Empty Quarter, which I had delivered to the Royal Geographical Society on May 23rd. But it was not till July 7th that I heard again from Mr. Halstead to the effect that Mr. Loomis had arrived that morning at the Mayfair Hotel, and would be leaving for America on the 11th. He wanted to see me during his short stay; and it was arranged on the telephone that I should lunch with him at Simpson's in the Strand on the day of his departure. It was then that he disclosed his interest in Arabia from the oil point of view, as he was particularly anxious to know whether it would be possible to obtain a concession in Ibn Sa'ud's territory. Knowing the King's attitude in the matter, and his dire need of money, I responded positively, with a warning that the obtaining of such a concession would involve a satisfactory arrangement regarding the price to be paid for the privilege of investigating the resources of the mainland. Mr. Loomis said he would first have to consult his colleagues in America on the matter before committing himself to anything definite, but that he would be glad of my cooperation in the event of the company being desirous of proceeding with the business. I told him that I would be glad to help in any scheme which would contribute to the prosperity of Arabia.

He was back in London towards the end of August, and I accepted his invitation to lunch with him at the Mayfair on September 3rd, the day before he was due to return to the States. He was still deeply interested in the proposition we had discussed before, but still unable to commit his company to any decision, though he proposed to keep in touch with me. In return I gave him a general idea of my plans, still rather vague then, for returning to Arabia towards the end of the year; my wife and I were planning to travel by car in easy stages across Europe to Constantinople, whence we would ship to Alexandria. From there we intended to visit Cairo for some days before driving to Suez for shipment to Jidda. Our first few days were to be spent at Ypres with my mother and elder brother, visiting some of the battlefields and the graves of my two brothers killed during the war. After that our nights were spent at Leiden (to stay with the famous Dutch scholar Snouck Hurgronje), Osnabruck, Hamburg, Berlin, Dresden, Prague, Vienna, Buda-Pesth, Belgrade, Sofia and Adrianople. It was to be, and indeed was, a grand tour in every sense of the term. Meanwhile I had my commitment to Constable's for the

book; and we sought out a quiet farm near the "Whistling Sands" of the Lleyn peninsula, in which to spend the summer holidays with our children. I burned the midnight oil with my writing, and my wife typed my script on a broken-down typewriter! It was all great fun, and I had not a care in the world, having achieved the peak of my ambition, and little dreaming that another quarter century of Arabian exploration still lay before me. Oil certainly played no part in such dreams as I had.

But that subject was brought suddenly to my notice again in a cable from Mr. Loomis, dated October 5th from San Francisco, seeking information about the date of my departure for Arabia. October 15th, I replied; and on the 13th I received the following cable message from him: "We are now considering certain pertinent plans, and hope to cable you on arrival, asking if you will not be good enough, on behalf of our company, to inform His Majesty that we are about to submit to him a formal request for permission to make a careful geological survey of Hasa and Neutral Zone areas, in order to furnish him and ourselves with dependable scientific data concerning the probable occurrence of commercial petroleum in these areas. Should we make this request and obtain desired permission, and our survey develops favorable results, we shall hope, with your assistance, to enter into practical working contract for development of petroleum. Will communicate with you on your arrival Jidda giving details. What code do you use? Will mail draft covering cost cables. Loomis."

We actually left London on October 19th and did not reach Jidda till December 3rd. Meanwhile another cable from Mr. Loomis to me, dated November 2nd, was delivered at Jidda reading: "Following my cable of 13th, our company is now desirous of making geological investigations in Arabia. In particular we would like to obtain exclusive right to examine Hasa and neutral territories lying between Kuwait and Qatar peninsula, and the territory lying inland adjacent thereto. Then, if geological indications seem favorable to us, we contemplate a concession for exploration for petroleum, to be followed by lease for producing petroleum, if found in sufficient quantities. Will you not kindly ascertain His Majesty's reaction to this proposal; and, if favorable, we desire your suggestions as to what steps we should take to obtain permission to do this preliminary geological work and your assistance in carrying them out." On November 28th another cable arrived, still in my absence, reading: "Owing to recent develop-

ments, earnestly desire as early as possible answer to my preceding cable. This is very important." Yet another arrived on December 3rd, addressed to Sharqieh, and reading: "Please advise whether there is any way of reaching Philby." To this I was able to reply myself, to the effect that I had arrived and would telegraph as soon as possible.

My reply, dispatched from Mecca on December 22nd, after consultation with the Finance Minister and the Amir Faisal (the King being still at Riyadh), was as follows: "Referring to your telegram of November 2nd, discussed matters with Finance Minister. Can arrange on basis of reasonable *quid pro quo* which is essential. Owing to economic conditions, Government unable to pay debts and urgently need funds. It has however potentially valuable mineral resources, and requires guarantee *bona fide* exploitation of territory as soon as possible, in order to derive advantage. Suggest for consideration: firstly, lease of required area, including protection, *et cetera*, £5000 gold per annum in advance; secondly, Government to have thirty *per cent* of net profits of enterprise; thirdly, your company should loan to Government £100,000 gold recoverable from these payments due to it, or repayable in instalments in event of surrendering concession. In the circumstances some such arrangements seems reasonable. If you are agreeable, details can be arranged rapidly. Telegraph immediately acceptance in principle, or precise counter offer on above three points; and mail terms required, or send representative to continue discussions with my assistance. You should understand clearly that substantial *quid pro quo* is essential to avoid delay. This business must be kept separate from Bahrain for political reasons."

Mr. Loomis replied on the 28th: "We understand His Majesty is favorably inclined to ours as outlined in our cable November 2nd; and we appreciate your efforts on our behalf. However our information concerning His Majesty's terrain is very meagre; and suggested terms seem quite burdensome. One of our Directors, M. E. Lombardi, had decided to leave by first steamer for London, arriving about January 17th. He will communicate with you further. So suggest that you hold matters in abeyance until he reaches London." That looked as if it might be the end of the story; but, lest there should be any misapprehension in the matter in connection with the appreciation of my efforts acknowledged by Mr. Loomis above, I should perhaps explain that, at this stage, my association with the company was a purely platonic one. I had the privilege of cabling to it without pre-

payment, which was natural enough in the circumstances as cabling to America was expensive and had to be paid for in gold; but otherwise I was in no way "retained" and received no remuneration for my services. Indeed I regarded myself primarily responsible, also in a purely honorary capacity, for getting the best possible terms for the Government. The Finance Minister had impressed on me his expectation that I would work on those lines; and later on, when the King returned to the Hijaz, he took me aside one day, and expressed his conviction that I would give priority to the interests of the Government. I assured them both that I would do just that; and all concerned will probably agree that I did.

Be that as it may, part of the proof of it lies in a letter I wrote on December 17th to a great friend of mine, Dr. G. Martin Lees, who was at the time one of the principal, if not the chief, geologists of the Anglo-Persian Oil Company. The occasion of my letter was my desire to recommend a friend of a friend of mine for appointment to some high legal post in the organization. And I continued: "In return for your anticipated services in this matter, I can pass on for your private ear a piece of information anent a territory, in which I understood from you that your folk might be mildly interested. I have been approached by an American concern to apply to the Government for a concession of the exploration and exploitation rights in the Hasa province. I am not in any way committed to serve the interests of said company; but I am generally disposed to help anyone practically interested in such matters, and capable of being useful to the Government. I have accordingly ascertained that the Government, for financial reasons, is prepared to consider the grant of a concession to any reputable concern able to help it in its present difficulties. In other words they want a loan as a guarantee of *bona fide* exploitation; and the figure envisaged is £100,000 gold, repayable from the proceeds of a thirty *per cent* interest in the net profits of the enterprise and an annual rent of £5000 gold to cover rent of the area, protection, *etc.* This information is strictly private, of course, between you and me; but, if your people are interested, there is nothing to prevent them communicating with me, with a view to placing a *definite* offer before the Government. The concession will not be given except for a substantial *quid pro quo*; but the Government is right up against a serious economic situation, and would be bound to accept a reasonable offer. I am of course informing the American concern of the

position, and must retain my liberty to act for them, if they swallow the bait. I am similarly at liberty to work for your friends in the same circumstances, as my main object is to get the concession going in the interests of the Government. I have not asked for or received any personal remuneration, and am quite prepared to leave that matter to the conscience of anyone getting what he wants through me. I know you will handle the matter discreetly, and will say no more. But all good wishes to Hilda and yourself from us both for the New Year." I should repeat that Lees and his wife were great family friends of ours.

This letter, curiously enough, crossed a letter from him to me, dated December 7th, conveying his good wishes to us. He went on: "What do you think of BP minus a little something some others have got? (At this distance of time the point of his allusion is completely lost on me.) The Persian Government are setting an example which we hope won't become popular among you oriental potentates. Have you any spare concessions to let us have, to keep the flag flying? I expect you will have had the papers with the news of the affair, and how H.M.G. made use of a good old fashioned expression 'will not tolerate,' though they don't seem to have got much change out of it. Meanwhile, we carry on as usual and, presumably, when negotiations recommence, we shall be in a stronger position than before, if it should come to arbitration." (Again I cannot remember the incident to which he was referring.) He continued: "There is rather a lull in affairs in the Gulf at the moment. We are doing a survey of Qatar, commencing in January; and the future programme will depend on the results of the survey. The Americans are drilling a second well at Bahrain, but so far haven't got anything extra in the way of oil. We are moving down the Gulf to Qishm Island to try our luck there, having abandoned Kuh-i-Mund, south-east of Bushire, as a failure. How are oil affairs with you and have you had any further approaches from the other side of the Atlantic?" I may have told him of my talks with Mr. Loomis in London. Martin Lees was a gallant fellow and a good geologist; but I believe it was his adverse report that discouraged the Turkish Petroleum Company from taking up the Bahrain concession, when it was offered to it.<sup>6</sup> But *de mortuis!*

On December 13th I had written to Mr. Cree, Managing Director of Sharqieh Limited (my company at Jidda), giving him a résumé of the situation arising out of my talks with the Finance Minister re-



garding the California approach; but the matter was not of great moment to him, except from the Midian angle, and, as I pointed out, the terms now demanded by the Government were a good deal stiffer than those which Midian Limited had been unable to take up. As for the Loomis-Lombardi contact, the lull in activity seemed likely to continue indefinitely; and on January 16th I wrote to Mr. Loomis as follows: "I quite understand that the speculative nature of the Hasa terrain deters your friends from immediate acceptance of the Government's conditions. But it is no good my holding out to you hopes that you can secure the concession without a substantial *quid pro quo* on the lines suggested in my telegram. The lavish arrangements made with the Iraq Government by the I.P.C. have rather queered the pitch for concession hunters in this part of the world, while the action of the Persian Government in respect of the D'Arcy concession has not been without its effect. But the main point is that Ibn Sa'ud's Government owes a good deal of money, and has had to default on its payments to its creditors. Its only hope of being able to pay them now depends on the mortgaging of its potential resources; and I don't think it will change its policy in the immediate future." After referring to a project for a Jidda-Mecca railway, proposed by an Indian group, professedly ready to put up the sum of £75,000 sterling required on the basis of recuperating itself out of the Government's one-third share of the expected revenue of the line, I continued: "I expect you know that the A.P.O.C. are examining the Qatar peninsula . . . I expect they secured this prospecting licence on easy terms [i.e., under British official pressure]; and doubtless their results will throw some light on the geological formations of the Hasa province. The surface of Qatar plateau is apparently Eocene; but I discovered a Miocene deposit, running inland for a considerable distance between Salwa . . . and Jabrin. This probably underlies a good part of Hasa, along the coast of which, between Ras Tanura and Jubail, Twitchell . . . discovered substantial oil seepages.\* I now hear that Twitchell is expected to arrive at Jidda on February 9th on be-

\* No oil seepages ever have been noted by geologists of the Arabian American Oil Company. Mr. Twitchell, in a recent private communication, states: "I do not remember ever having seen oil seeps in Al Hasa and while my memory is far from perfect, especially after some thirty odd years, I do not recall ever telling Mr. Philby so. I do remember seeing many seeps along the Red Sea near Muwaila and south of there. Perhaps I mentioned these to Mr. Philby and was misunderstood to have been talking of seeps in Hasa."—*Ed.*

half of some American group, which appears to be interested both in the oil and the gold possibilities of Ibn Sa'ud's country. I do not know any particulars of the group, on whose behalf he is coming out; but, having cursorily examined the country, he has doubtless been able to give his people some idea of what they may expect to find. They will, of course, find themselves confronted with the same conditions regarding a *quid pro quo*. You will see, however, that the Government is making a vigorous attempt to place its concessions on the market; and there is therefore no time to lose in arriving at a decision in the matter." Much of this information about Twitchell's activities was, in fact, no news to Mr. Loomis, though I was not aware of this at the time. One of the groups with which Twitchell was in contact was the California Company itself, as we shall see in due course; but Mr. Loomis had not thought it necessary to tell me.

On January 26th 1935 I wired again, asking for news; and the answer came back at once that Mr. Lombardi was replying from London. His reply was certainly interesting and encouraging. "Two of our representatives," it said, "K. S. Twitchell and L. N. Hamilton, leaving here next week, to arrive Jidda February 15th, for the purpose of conferring with you and discussing with the Arabian Government the terms of proposed arrangements and period. Hope they can have your continued support. Lombardi." And, almost immediately afterwards, I received a letter dated January 20th from Martin Lees, acknowledging my letters and continuing: ". . . what with our concession difficulties . . . , it hasn't been easy to get anything decided. The upshot of it is that we are definitely in the bidding for the Hasa . . . . The A.P.O.C. cannot act directly, but we have, of course, a certain influence in the councils of the I.P.C. You will probably hear direct from the I.P.C. in the near future, and they are considering sending someone from Palestine to Jidda to talk things over on the spot. I doubt if any offer we can make will come very near to what the Government seems to be expecting; but perhaps a more modest (and more equitable) offer might be found acceptable."

I replied by letter on the 31st. "Just a line in reply to let you know that Twitchell and a man called Hamilton are arriving here on February 15th on behalf of the Californian Company, to enter into negotiations with the Government. These are the people who have been in correspondence with me, as I told you, and I am not quite sure where I stand in the business. Personally, to be frank, I don't see why

they should need my assistance when they have Twitchell (who has been over the ground and has been serving the Government) at their disposal, unless it is to prevent my helping some other party. But, at the moment, I am not pledged to any party, though I should be glad to know as soon as possible to what extent your people mean serious business. I think the Government would be disposed to consider any *definite* offer which would be of help to them in their present troubles, but you will doubtless bear in mind the competition in the field. Let me know pretty soon, and I will similarly let you know what is happening, so long as I remain morally free to do so. Ramadhan is safely over: very good for the health and figure!"

A letter of January 20th from Twitchell, written at sea, announced his approaching visit, without any details regarding its object. But this was made quite clear in a long communication from Mr. Lombardi, dated January 30th and referring to the telegram already quoted above. After explaining that Mr. Hamilton was an old member of the company, working on the legal and contract side of its work, he added that Twitchell "has been engaged by our company to forward this particular enterprise in Arabia only, on account of his previous experience in that land." He continued: "I would very much like to accompany these representatives to Jidda myself, and there meet and confer with you. . . . However my main business in this part of the world is to look after our works in Bahrain, where we have a concession, and where we have been fortunate enough to discover oil. . . . Our interest in the Hasa area is, of course, occasioned by our discovery of oil in Bahrain. This made it seem probable that the adjacent part of Arabia might also contain important deposits of petroleum. This was also known to other oil companies, particularly the Anglo-Persian and the Iraq Petroleum Company. For many months we endeavored to get in touch with His Majesty Ibn Sa'ud, but were unsuccessful; and, in the meantime, our competitors secured a contract for geologizing the province of Qatar. And, according to reports which we have, and which seem to be reliable, they are now endeavoring to secure an agreement covering Hasa. It was while we were unable to get in touch with the Sa'udi Government, that our Mr. Loomis was fortunate enough to meet you last summer, and you were good enough to agree to aid us to approach Ibn Sa'ud. We much appreciate your efforts on our behalf. . . . Before the receipt [of your telegram of December 22nd], and after we

knew that other oil companies were looking for concessions on the mainland, we became aware that Mr. Twitchell would be a valuable ally in approaching and negotiating with the Sa'udi Government, for reasons that, I think, are quite apparent. We therefore engaged him to go to Arabia for us . . . and I have no doubt that, in consultation with you, the various steps necessary will be easily arranged. . . . Therefore, with your goodwill and advice and influence at court, with Mr. Twitchell's previous experience and former connections with Sa'udi officials regarding oil developments, and with Mr. Hamilton's knowledge of our company's desires and position, our company looks forward to a mutually satisfactory conclusion of the negotiations. . . . I hope to have the pleasure, in the not too distant future, of making your acquaintance, and expressing our company's thanks and appreciation of your efforts on our behalf." It will be noted that, while Twitchell had been "engaged" to work for the company, not the slightest hint had yet been given that the company ever contemplated the making of comparable arrangements with me.

Such a suggestion did, however, emanate, though quite unofficially, from the other side in a telegram from Martin Lees, dated February 13th, and reading: "Your letter of 31st: my friends interested, and propose sending Longrigg to negotiate *unless you can act for them*, in which case Longrigg will acquaint you with their terms, and leave negotiations to you. Telegraph if you accept." To this message I did not reply. The position I had taken up in my own mind was that, in view of my relationship with the King and his Government, I could not decently agree to help any party to the competition, except on the basis of their acceptance *in principle* of the basic conditions which, after full consultation with the Finance Minister, I had tabled, as it were, in December for the information of my friends. In the event of both parties being willing to go all the way, and in so far as my advice might be of any avail with the Government, I should, for purely political reasons, have been inclined to favor the Americans, whose record at that time was entirely free of any imperialistic implications. Otherwise I should favor the higher bidder, for the advantage of the Government; and in neither case did it seem to me politic to conduct the negotiations myself, as the Government would obviously prefer to discuss matters with the principals concerned, rather than through a third party. At the same time I had to admit to myself that neither of the two parties with which I had been in

correspondence had shown any sign of enthusiasm for the basic conditions, which I had communicated to them; while I was fully aware that the Government, quite rightly, was not disposed to sell the concession for a song. The prospects at this stage looked none too bright; but the cards were about to be laid on the table, and the bidding would soon begin.

### B. *Negotiations.*

Lloyd Hamilton and Karl Twitchell arrived at Jidda on February 15th, via Port Sudan (not in March, as stated by Longrigg<sup>7</sup>); and settled down in quarters which we had bespoken for them in the Egyptian Hotel, not exactly a first-class establishment, but the best we had to offer in those days. Twitchell, of course, needed no introducing, as he soon found himself welcome among old friends; but, naturally, he accompanied Hamilton and me on our exacting rounds of visits to the Finance Minister, first of all, and other officials, to say nothing of the local notables, who were deeply interested in the prospect of something being done to ensure the prosperity of the country. In the intervals between such visits we three foregathered in my house for serious discussions of the project which had brought us together. They were quite familiar with my outlook, as explained in my letters of the past few months; but I had yet to learn the lines on which they had been briefed by their principals in connection with the coming negotiations with the Government. And, on the whole, I was pleasantly surprised with their general attitude, which I attributed to Twitchell's influence, as he, like myself, was perfectly aware that success depended largely on the company's readiness to take the Government's demands seriously, and to go as far as reasonably possible to meet them. In particular, Hamilton accepted in principle the necessity of making a substantial loan to the Government, which was after all the chief hurdle to be negotiated: the sum he envisaged as an initial offer being £50,000 gold, while he was clearly prepared to improve on it, if pressed by competition.

I had to go to Mecca, on other business of my company, on the 19th; so we only had two days for our preliminary talks, of which I kept no record. But the upshot of them was satisfactory enough from my point of view, and I was able to accept Hamilton's invitation to work on behalf of his company on the terms he proposed to me, subject to confirmation by the company. They were, I thought,

generous enough, involving a payment to me of \$1000 a month for a minimum period of six months, with substantial bonuses on the signature of the concession, and on the discovery of oil in commercial quantities. I shall have occasion later to disclose the ultimate effect of this arrangement on my fortunes; but for the moment, with the dollar at about \$3.30 to the pound sterling, the prospect of this windfall of some £1800 eased the problem of bills for a son at Cambridge and three daughters at first-class schools. Meanwhile, the Government had been notified of the coming visit of Longrigg, though it was nearly the middle of March before he actually arrived (I think on the 13th). The reason for his delay was in part explained in a letter I received from Martin Lees, dated the 3rd. "I sent you a wire in answer [to my letter of January 31st], and since then, ten days ago, I have been expecting your reply. My folks would have preferred you as their agent for negotiations, if possible, and they are already indebted to you for early advice on events. If you are committed to the other camp, they would propose to send Longrigg, now in Haifa, to negotiate on the spot. . . . If and when Longrigg arrives, he will have authority to make a definite offer, and I hope it will prove to be a better one than the others. But I am afraid it may fall short of Ibn Sa'ud's original expectations. We are still hoping for an answer from you in the affirmative, and we don't want to cable to Longrigg until we have heard."

I had in fact already written to him on March 8th, explaining the change in my position; and he replied in due course: "I am sorry that you have decided definitely to throw in your lot with the other camp. I hope, and expect that events will prove that you have backed the wrong horse, and that it may be possible for you to change over later. . . ." Meanwhile Longrigg had arrived, and I had seen him; it scarcely seemed from what he said that he had any serious intention of competing on the lines which I regarded as indispensable. On the other hand, he had the full backing of the British Legation; and Sir Andrew Ryan always seemed confident that the outcome of the negotiations would be in accordance with his desires. I also had to reckon with the fact that Ibn Sa'ud himself (though not necessarily his chief advisers) would, other things being equal, prefer to give the concession to a British concern. The devil one knows is sometimes preferable to the devil one doesn't! However, so far as I was concerned, the die was cast; and it seemed that I was batting on an easier

wicket than Longrigg. Incidentally, it had been agreed between Hamilton and myself that the negotiations with the Government representatives should be conducted exclusively by himself, with Twitchell in attendance, while I should remain in the background, to provide him with information and advice, if necessary. This was obviously the best working arrangement.

But, to return to the beginning: during my week's absence in Mecca, whence I returned on February 24th, Hamilton and Twitchell had had two meetings with 'Abdullah Sulaiman, at which they had discussed matters on the basis of a rough draft prepared by the company before the mission started on its journey. The principal points of this document may be summarized as follows: (a) The down-payment contemplated was \$50,000 (not pounds gold); (b) Geological work to begin within 3 months, and drilling and exploitation within four years, both to continue without interruption; (c) Company to pay \$10,000 every six months in advance during life of contract (the \$50,000 of (a) being understood to cover the first 2½ years); (d) Government royalty to be  $x$  per ton of oil produced ( $x$  being vaguely envisaged as 4s gold); (e) Term of contract to be 60 years, *etc., etc.* No doubt the Finance Minister demurred at the sum mentioned in (a); but, in a note of February 26th, Hamilton informed me that he had had a cable from his company, saying that it was "considering the matter of providing £50,000 gold by one method or another." He was expecting a wire from Lombardi at any moment. Incidentally, while at Mecca, I had sent a letter to the King, reporting my first impressions after seeing Hamilton; and I was now able to communicate to the latter a translation of the postscript to his reply, dated February 25th: "'Abdullah Sulaiman," he wrote, "has informed me of the conversation which took place between him and you regarding the exploitation of oil in our territories. I am exceedingly obliged for your remarks, and I am confident that you will protect our interests, both economic and political, just as you would protect your own personal interests. So I shall expect your assistance in this matter, as also I shall expect you to give me the benefit of your personal advice, which will be treated as confidential and with all consideration." I also added for Hamilton's information (at his request) some statistics of the internal Saudi consumption of oil products during the previous six months, which are of interest in comparison with the greatly increased needs of today. In those days the

total consumption of gasoline was nearly 650,000 gallons, and of kerosene about 500,000.

On March 3rd I was in a position to send Hamilton a comprehensive review of the situation, as I saw it: "I had a long talk," I wrote, "with 'Abdullah Sulaiman this afternoon on the lines indicated in our discussion of yesterday; and I must try to give you a succinct idea of his reactions, which were on the whole very favourable. Incidentally, he has had no news at all of the reason for the delay in the arrival of the Iraq folk, or of their probable date of arrival. They had certainly applied for and received visas in Cairo; and he wanted to know if I had any news. The first thing we discussed was the loan question, and I explained that, while you realised that some sort of loan would be necessary, the figure of £100,000 was entirely out of the question. Any insistence on that would probably put an end to negotiations, while the figure you are thinking of was nearer £25,000. He didn't like that very much and asked me what I thought, whereupon I replied very frankly that, if you could be induced to accept £50,000, it would be the absolute maximum, and would depend on their willingness to accept some part of it in kind. He showed that he had no objection to some payment in kind, but immediately went off at a tangent, suggesting that they would accept £50,000 in cash and something additional in kind! I told him that he had apparently not understood me, as in my opinion the figure of £50,000 was an absolute limit, including some payment in kind."

I continued: "He then said he would, of course, have to refer this point for the king's instructions, and would do so at once, so I asked him to explain very clearly in his telegram that my considered opinion was that £50,000, including a substantial proportion in kind, was the very utmost that could be obtained, while a firm offer on that basis would clinch the whole matter in a few days. I then explained that you were naturally exercised over the possibility of the Government entering into negotiations with some other group regarding prospecting rights in Farasan or at Wajh: and that, assuming that the present negotiations about the Hasa came to a satisfactory conclusion, there ought to be a clause giving you a prior right of examining those districts, with a view to ultimate negotiations for a concession in the event of favourable conditions being disclosed by such examination. I told him you were primarily interested in the Hasa concession, and were therefore dealing with that first; but that, if you



got that concession, you would certainly be interested to develop other parts of the king's territories, and would view with disfavour the admission of competitors to negotiation on the same terms as yourselves. In those other territories there could be no question of a loan, as proposed for the Hasa area; but I thought that a clause should be inserted in the Hasa concession, giving you the sole right to prospect for oil in Farasan and at Wajh for a prescribed period without any payment, otherwise than for protection, *etc.* He did not seem to have any objection to some arrangement on those lines but asked whether I thought you would meet them in return with a payment or loan in kind [gasoline and kerosene]. I told him I could express no opinion on the matter, as the point had not cropped up in the course of my casual conversations with you. Doubtless you will bear this matter in mind, and think out your answer in advance. It is satisfactory to know that they are disposed to negotiate regarding the other two areas on a different basis from that of the Hasa concession, which they obviously regard as their trump card."

"He also asked me," I went on, "what I considered a fair payment *per* ton to ask for. I replied that I had no experience in such matters beyond the knowledge that the Iraq people are to pay 4s *per* ton, while your company pays 3½ rupees. I said I imagined that this was a very favourable rate, as it was the common view that the Iraq Government had got exceptionally good terms. He asked whether it would be any good asking for 5s and I said it would not be reasonable to press that, though he might suggest it for your consideration. He next asked me whether it would be possible to stipulate that you should discontinue production in Bahrain. I replied that I imagined that would be quite impossible, as you were probably bound by terms of your Bahrain concession to produce specific quantities. I also added that the British Government would probably insist on your implementing your bond in Bahrain, while I expressed the personal hope that, if in fact the conditions proved favourable, the bulk of your production would be on the mainland. He then asked me what your intentions were as regards local refining of oil, as it was important, from their point of view, to have some refining done on the spot, to meet the requirements of the local market. I suggested that he might raise this issue with you at your next meeting, as I had no knowledge of your policy in the matter."

Other points briefly discussed in this letter included the Kuwait

Neutral Zone, in respect of which the Government had already turned down a suggestion from Kuwait that the area should be worked unilaterally on behalf of the Kuwait authorities. As regards the area of the proposed Hasa question, I had suggested the inclusion of the whole area from the northern boundary of the Hasa down to Jabrin and the Oman border. In this case he had agreed that the Government should provide a sea outlet for oil found in the southern area, as all the existing ports on the coast were independent enclaves, more or less under British control. I went on: "He asked me how actively you would take up the work of exploring. . . ., and I expressed my belief that you would do it very intensively, probably with different parties covering the various areas. He stressed the hope that this would be so, and that you would not merely hand over the Hasa to the Bahrain company, to deal with at its convenience. . . . It is important to realise that the Bahrain proposition is to some extent regarded as a possibly hostile rival for your affections! You must convince them that your interests there will in no way conflict with your activities on the mainland. That will presumably not be difficult to do. I told him that you were expecting news from Mr. Lombardi in the very near future. . . ., and that, therefore, it would be all to the good if he himself had the king's instructions regarding the loan figure, when he goes down to Jidda to meet you again. I fancy he will receive a reply by tomorrow, as the king will not delay. On all other points he already has the king's general directions, so you ought to be able to make good progress at your next interview. . . . I think everything looks very promising." Such was the scene, as I set it, for the next act in the drama, in which a new character would appear. For all the cordiality of 'Abdullah Sulaiman, I could not but be aware of his expectation, or at least hope, that the appearance of Longrigg would raise the temperature of the proceedings.

On the following day (March 4th) I was able to inform Hamilton of the dispatch of a three-page telegram by 'Abdullah Sulaiman to the King, in which he had reported fully and accurately on his talk with me. "In general," I added, "the tenour of the telegram seemed to be in favour of early action on the lines suggested, in order to close the deal. And I was quite satisfied with the way he had put the case." I sent both these letters from Mecca, where I had various other matters to discuss with members of the Government; and Hamilton replied on the 5th as follows: "Your letters . . . I found very interesting,

and I think your method of handling the discussion is going to be most helpful to all concerned. . . . In cables I sent to Lombardi (who had arrived in Bahrain on the 2nd) and San Francisco, I pointed out: (1) Our negotiations seem to indicate that we are still in a particularly favorable position to conclude the business without delay, prior to the arrival of competition; (2) We may have to agree to drill within three years; (3) We may have to agree to some local refining. . . . I requested advice on the obligations in this respect which the company would accept; and (4) We should consider asking for a year's option covering Farasan." He also mentioned that Mr. Lombardi had previously expressed to San Francisco his opinion that £50,000 gold was too high a figure, and had made certain suggestions for reducing the burden, which need not be discussed here. He had also suggested that all exploratory work should be confined to the cold weather season, which was reasonable enough. Hamilton continued: "Mr. Lombardi's views will unquestionably carry great weight in San Francisco, and, until we have further word from there, we cannot assume that we have anything final to offer the Government. . . . Meanwhile my only purpose in giving you this information is to keep you fully informed as to the status of our end here, and also to invite from you any suggestions or advice you may have to offer. I may also add that we received a note from Najib yesterday, urging haste on our part before the arrival of our competitors, who, he said, may arrive at any time now. I suspect he was prompted to send that note by someone above him." It should be explained that Najib Salha, a secretary in the Ministry of Finance, had been deputed to accompany Twitchell in his exploratory wanderings during 1931 and early 1932, during part of which Mrs. Twitchell had also been in the party. I should also note that both she and Mrs. Hamilton had arrived with their husbands in Jidda for the period of the current negotiations, adding to the numbers and distinction of the small distaff element in the Jidda society of those days. As more temporary members of that society we also had Lady Evelyn Cobbold, to take part in the pilgrimage of 1933,<sup>8</sup> and a mysterious French lady, Vicomtesse d'Andurain, who spent some time in the Jidda prison, awaiting trial for the alleged murder of her Arab husband from Palmyra.

On March 9th we had a false alarm regarding the imminent arrival of Longrigg, who did turn up a few days later, accompanied by his Syrian interpreter named Mudarris. And a short time after

that we heard rumors of another competitor about to enter the lists: no less a person than Major Frank Holmes of the Eastern & General Syndicate, who has already appeared in this story. The first definite information I had of this development was in a letter from Hamilton, dated March 20th, and giving the gist of a wire received by him from Mr. Lombardi, who had apparently met Holmes in Bahrain, and had been told by him that he had "made arrangements to see the king about the end of this week," the Saturday of which fell on March 25th. "Presumably," continued Hamilton, "Holmes, if he does succeed in seeing His Majesty, will be acting for the Eastern and General Syndicate . . . and any concession sought will be for marketing to some group which the Syndicate may be able to interest. I am not particularly frightened about competition from that source, especially since my conversation with you about the Major. Nevertheless I think you ought to have the information. A thought, which has occurred to me, is that the Major may have in mind soliciting the oil rights in the Neutral Zone, south of Kuwait: arguing that he can obtain such oil [rights?] in that Zone as may be possessed by Kuwait, so that, with the acquisition of the rights held by Ibn Sa'ud, the Neutral Zone may be exploited without delay. I think we should combat that argument, in case it is made. In any case, our proposal, in so far as it has been agreed to by 'Abdullah Sulaiman, includes the oil rights in the Neutral Zone, but with a proviso that the Zone shall not be exploited without the further consent of the Sa'udi Arabian Government. While, to the latter, the Neutral Zone, because of its relatively small area, may appear to be unimportant in our negotiations, our principals do not so regard it; and it may be an upsetting factor in the situation if the rights in the Zone are not included in the concession." This seemed to me a reasonable statement of the case from the point of view of Hamilton's principals; but I was certainly extremely puzzled about a fortnight later, when I received from Mr. Lombardi, then in Cairo in company with Hamilton himself, a letter dated April 3rd, in which he said: "As regards the Neutral Zone, it seems best at the moment to allow the Eastern and General Syndicate, represented in Arabia by Major Frank Holmes, to attempt to bring together the Sa'udi Arabian Government and the Shaikh of Kuwait, so that a contract, satisfactory to both, may be obtained. Major Holmes, however, is not representing us in our attempt to get a contract for Hasa; but his interests are in accord with our attempt

to get such a concession." I was indeed astonished at this statement of policy, and I could scarcely help wondering whether the California company was having second thoughts about the worth-whileness of continuing negotiations. Hamilton had left Jidda for Cairo on March 23rd, in order to meet Mr. Lombardi, and was still there when the latter wrote to me, his letter ending as follows: "In the present circumstances I believe it would be unwise for me to go to Jidda. Mr. Hamilton will return if, within a reasonable time, you think the situation is ripe for another try. In the meantime I hope you will keep us fully advised of developments, and let us know what you think of the situation." It was not the situation at Jidda that needed watching, it seemed to me; but evidently something had happened in San Francisco, and it may well have been that Mr. Lombardi's influence had, indeed, resulted in a sort of *volte-face* on the part of the company. On March 31st Twitchell had informed me of his receipt of a cable from Hamilton, indicating that "the company seemed very determined not to increase the proposed initial loan of \$100,000" (say £20,000 gold). And, if that was so, it seemed to me that my labor had been wasted, especially as the figure now proposed had already produced a violent reaction on the part of the Government. Najib Salha had visited Twitchell with revised demands, reinstating the original demand for a loan of £100,000 gold on signature, to be followed by a further loan of £30,000 gold at the beginning of the second year, and yet another of the same amount at the beginning of the third year, together with 3000 tons of oil, free of charge, annually, and, last but not least, a guaranteed annual royalty payment of £200,000 gold! "It makes me think," commented Twitchell, "that either the Government wishes to prolong negotiations or that it has paid no attention to your advice or our proposals and explanations. . . . If the Government should stick to such terms and if these terms should be published, no oil company in the world would be interested in developing this country; and thereby the desire of the I.P.C. to see this country's oil possibilities lying undetermined would be accomplished at no expense to themselves." I think it is a fair retort that not the Government but the company had ignored my advice!

However it was clear that complications had arisen; and I thought that I recognized the hand which had thrown a spanner into the works of the Finance Minister. But it was the hand, neither of Longrigg nor of Holmes; and I now return to the latter. The week, at

the end of which he had anticipated meeting Ibn Sa'ud, was wholly spent by the latter on the long, long trail from Riyadh to Mecca, where he arrived on March 27th to preside over the pilgrimage ceremonies. On the 26th I had met him on his way at 'Ashaira, whence we had travelled down together to Mecca; and there was certainly no sign of Holmes in either neighborhood. Twitchell's letter, quoted above, had ended with an item of news to the effect that "Holmes had telegraphed to the king, asking him not to conclude any negotiations till he arrived, as he had some very important proposals to make. If this is true, nothing but delay and complications can result, as far as I can see, no matter how good Holmes's intentions are. Do you not agree?" I could not have agreed more heartily, seeing that the delay and complications had already arisen, on Twitchell's own showing. In an earlier letter, of March 26th, he had informed me of a cable from Bahrain, announcing "that Holmes had left by airplane for Jidda. He might go via Cairo and Khartum, and thence to Port Sudan to catch the Khedivial steamer for Jidda. But I think you and I do not fear him as a serious factor. He probably has impressed Lombardi more. But, if he meets Lombardi and Hamilton in Cairo, I imagine there will be some fireworks. . . . I have just replied to the king's letter, suggesting that I make a trip to examine additional oil and mineral possibilities during the pilgrimage and holiday period, if there is no chance of any conferences with him or the Government." Whether Holmes had been informed that there would be no chance of his seeing the King till after the pilgrimage, or not, I do not know; but I do know that Holmes did not make an appearance at Jidda during the pilgrimage and holiday period, i.e. between March 27th and April 9th. And, on April 1st, I had written to Twitchell in reply to his letter of the previous day, quoted above. While deprecating despondency at the contents of Najib Salha's message, I continued: "This does not in any way mean that the Government has gone back on the understanding, which I communicated to you some time ago about the loan figure. It is merely a natural challenge to *your* offer of \$100,000; and I regard the stage as now set for coming to serious business as regards terms on the basis . . . of a loan of £50,000 and an annual payment of some £5000 for protection, *etc.* The only point that is absolutely in the air is the question of a guarantee of serious exploitation in the event of oil being found or, in the alternative, an annual payment calculated on that basis. I have not at-

tempted to discuss the matter in detail with the people here in view of Hamilton's absence, and the possibility of his having encountered complications. But I did say to the king this morning, after lunching with him, that the terms communicated to you seem to have created a certain amount of alarm. He replied: 'Don't worry about that! When I have heard what they have to say, I will tell you my own views.' I think that is good enough for the moment, while Yusuf Yasin told me that the Government (i.e., the king) had quite made up its mind to give you the concession in preference to anyone else in the field, on the assumption that you intend serious exploitation. As regards Holmes, he told me that the king's attitude towards that gentleman was identical with mine, namely that he is no more than an adventurer. Nevertheless, it is quite reasonable on their part to wait and hear what his wonderful offer is to be. If he can offer something better than what has been discussed with you, the situation might be different; but I don't see how this can be possible. The definite refusal of Longrigg's terms was only to be expected in the circumstances; but it cannot be regarded as closing the door on another and better offer, which will no doubt be forthcoming. The key of the situation undoubtedly lies with Hamilton and Lombardi; and any delay in, or prolongation of, the negotiations will be due to them and to any changes that may have ensued in their attitude or views. If Holmes is working with them and has telegraphed to the king with their approval to delay a decision until he appears on the scene, no blame for delay can attach to the king or Government. Anyway there is now no possibility of any further progress until after the pilgrimage, which will fill the whole scene till next Friday inclusive (April 7th); and even then nothing will be possible until Hamilton returns to Jidda with an answer to the Government's counter-offer, unless of course you are authorised to deliver it."

Meanwhile on April 5th I received a cable from San Francisco, asking me to confirm or refute Holmes's claim to have been invited by Ibn Sa'ud to visit him, some time during the period 1930-32. Naturally I had no specific information on this point, though I had no doubt that, if Holmes had proposed such a visit, Ibn Sa'ud would have agreed to it. However, it was only now that the visit was about to be realized; and, on the morning of April 10th, he duly arrived at Jidda, curiously enough in the same Khedivial steamer, S.S. Taif, as Hamilton, who had now been away from the scene of action for nearly three precious weeks. That morning Holmes called on me, a

man of considerable personal charm, with a bluff, breezy, blustering, buccaneering way about him (in the best sense of these epithets). And he opened his guns on me, without any beating about the bush. "What is all this nonsense about, Philby?" he asked. "Here we are, three competitors for the right of exploring the country in search of the oil which will make it rich, if it exists. Can't they see that the best way of ensuring its discovery is to get us all on the job together, instead of setting us all at cutting each other's throats? Obviously their best course is to divide the whole territory concerned into a series of triple strips: giving each of us one in each district, without payment except for escorts, protection, etc., to operate for the ultimate benefit of the Government itself, which would get better terms in the end, if the oil were proved to exist. Certainly no one is going to offer them large sums of money, just for the privilege of providing the Government with valuable knowledge of the resources of the country." And much else in the same strain, to all of which I listened very patiently, wanting to be quite clear about his ideas, and hoping that he would come in the end to the "important proposal," which he had promised the King. But, when I realized that he had no proposal to make involving any payment whatever, I took up the cudgels of argument. "All that you say, Holmes," I replied, "may be perfectly true; but what you don't seem to realize is that the Government is desperately in need of money and intends firmly to remedy that need through these negotiations for a concession which so many people seem to want. Unquestionably the concession will go to the highest bidder, provided his bid is reasonably near the Government's target of £100,000 gold." He scoffed at the very idea as absurd and I continued: "After all, Holmes, you had this very concession ten years ago on very easy terms; and it was not the fault of the Government that you failed to make good with it. This time the price will be a good deal higher. And, by the by, I seem to remember that you still owe the Government something, a matter of about £6000 gold, on account of rental of the area for the three years during which you held the concession rights but did no exploring. I rather think that 'Abdullah Sulaiman will insist on you paying that outstanding debt before being permitted to negotiate at all in the present case. You have given them reason to doubt whether you will, or can, fulfil your engagements." That shaft went right home! Next day the S.S. Taif was due at Jidda from Port Sudan on its way back to Suez; and



Major Holmes was on her passenger list. He had apparently changed his mind about seeing the Finance Minister and the King, and Lloyd Hamilton, who had an appointment to meet me during that morning, sent me a hurried note, postponing the meeting till after lunch, "as I am busy getting the Major off on the Taif this morning." Thus one of the three players had thrown in his hand, and only Longrigg was left to fight it out with Hamilton. Naturally I gave the latter a full account of my interview with Holmes; but I always felt that there had been some understanding between them for the purchase of the concession rights in the event of Holmes being able to secure them on better terms than those proposed by the Government to Hamilton. The gallant Major undoubtedly had the faculty of impressing people; and he certainly had achieved some striking successes. But I never thought that he had a chance of securing the Hasa concession for the second time, and for a song.

### C. Complications.

In the previous part of this section I have referred to the *détente* in the negotiations between the California company and the Government, which seemed to threaten their collapse unless both sides could bring themselves to modify the extreme attitudes they had adopted. The nature of this *détente* may be stated in tabular form as follows:

<i>Company's Revised Offer.</i>	<i>Preliminary Agreement in Principle.</i>	<i>Government's Counter-blast.</i>
\$ 100,000 (£20,000 gold)	£50,000 gold loan	£100,000 gold loan
\$ 20,000 yrly	£ 5000 gold yrly	£ 30,000 gold yrly
Position reserved on minimum royalty, etc.	4s ton royalty on production.	3000 tons free oil yrly £200,000 gold guaran- teed annual royalty.

Apart from details, this statement seems to show fairly clearly the nature of the gap dividing the parties; and it seemed obvious to me that the negotiations could not result in any satisfactory arrangement, unless both parties could at least be induced to reinstate the figures of the middle column as an agreed basis of discussion. Yet the prospect of such agreement seemed somewhat dim in view of the attitude adopted by Mr. Lombardi in his letter of April 3rd. "You are famil-

iar," he wrote, "with the unfortunate impasse to which our negotiations have come. We are still desirous of arriving at an agreement. . . , but it is evident that the Government looks upon these areas as practically assured of oil in large quantities, and are making their terms accordingly. The facts, as we see them, are quite otherwise. The country is practically unknown as to oil possibilities; and it would be the height of folly for an oil company to pay out large sums of money before having had a look at the geology of the area. For this privilege, we think our offer of a loan of \$100,000, plus the first year's rental of \$20,000, was very high; and, as far as I am concerned, this is all I will recommend to my company. I do not think any other oil company will go beyond these figures, unless for a purpose other than strictly economically commercial." Incidentally, it may be noted that Lombardi was probably comparing his "generous" offer with the figures in the middle column above, as there is no indication in his letter of his having received Twitchell's cable of March 31st! The figures reported therein as the Government's latest demands would have given him a fit. Even so his attitude seemed to condemn the negotiations to inanity: he did not, or would not, realize that the Government wanted money at once, and did not seriously believe that all the oil which might some day be found in the land would be worth the sum which it now demanded, and hoped to get, for the privilege of finding out. On this point, of course, I had no data on which to form a judgment; and I never knew the nature of the technical advice thereon, which Twitchell, on the strength of his preliminary investigation of the area, had tendered to the company. The best bet was still that the actual discovery of oil in Bahrain provided *prima facie* evidence on the mainland.

Be that as it may, on the same day as I received Twitchell's letter I had a cable from Mr. Loomis, asking me for a detailed appreciation of the situation; and next day I typed and dispatched (from Mecca) a 4000-word report, from which I cull the following passages. "I will begin by saying that, from the moment of the arrival of Hamilton and Twitchell, everything seemed to go extraordinarily well. I found it a great pleasure to work with them in such close contact; and I had the additional satisfaction of realizing that Hamilton, whatever ideas he may have started out with, was very quick on the uptake, and lost very little time in discovering the idiosyncrasies of this country and its people, who are indeed like nobody else on earth! We soon planned

what I regard as an ideal plan of campaign. They were to conduct all negotiations, while I remained in the background as the friend of both parties, to bring their respective points of view together, as might be necessary from time to time. The king had honored me by asking me to act as his personal friend and adviser in the matter, and that is the attitude which I would in any case have adopted. In such circumstances I had to satisfy myself that your general attitude towards the Hasa project was of a nature which would make it possible for me to take up your brief honestly and wholeheartedly. I gathered from Hamilton that you were seriously desirous of securing the concession for the purpose of genuine exploitation, and that you recognized, in principle, the reasonableness of the Government's demand for a *quid pro quo*. That was sufficient to decide me in favor of working for you," as I had reason to believe that the I.P.C. was not inclined to believe in the *quid pro quo* idea.

"This was roughly the position at the start," I continued, "and there was a time when I thought we were very near getting the concession, signed, sealed and delivered. . . . I was not at all disturbed by the prospect of the arrival of competitors, or by their actual arrival in due course. Within a day or two of their arrival, the Finance Minister showed me the letter containing the terms of their offer, and I was able to report them in detail to Hamilton. They contained nothing to disturb our equanimity. . . . I was in a position to know that the Government would accept £50,000 gold, while I understood from Hamilton that you would not boggle too seriously at that figure, subject to a satisfactory arrangement as to method and times of payment. I therefore regarded £50,000 as a more or less agreed figure, subject to everything else being in order; and I advised Hamilton not to name the figure specifically until everything else was disposed of. . . . The only point of major importance which did crop up was the question of a guarantee of serious production in the event of oil be proved. . . . it was perhaps unfortunate that, in the very early stages, Hamilton and Twitchell mentioned 3000 tons a day as the production capacity of (I think) the Egyptian wells. That figure has cropped up uneasily like a ghost at all subsequent discussions. . . . It should be possible to arrive at a suitable formula on this point; but I still regard the loan figure as the essential issue. The Government will not, as I have frequently told Hamilton, come down below £50,000; and it will be difficult to come to terms until that point is settled."

"It soon became apparent, however," I continued, "that Mr. Lombardi, being at Bahrain and entirely out of touch with the local considerations which Hamilton was able to study on the spot and understand, was by no means inclined to be accommodating, either in the matter of the payments or in that of a production guarantee. I urged that he should visit Jidda to study the position personally, and I understand Hamilton supported my suggestion. It was with regret that I learned later that he had been ill; and that later, when he left for Cairo, it was out of the question for him to think of coming here. That, to my mind, was a serious disaster, as it was quite clear to me that, whatever other considerations may have weighed with him in the formation of his views . . . , he had apparently not grasped the basic fact that no concession will be forthcoming without a *quid pro quo* and serious proof of intention to develop the field beyond the stage of mere exploration. If your company's views on these points are the same as Mr. Lombardi's, to the point of your making a final offer on those lines with a 'take-it-or-leave-it' gesture, I cannot think that much progress will result. That would be a matter of great regret to me, although I fully realize that I do not know all the considerations which must or may influence the decision of your company. These matters are, of course, for your people to decide; but I should be false to myself, and to you, if I allowed you to go on thinking that you can get the concession on the terms suggested by Mr. Lombardi's attitude, so far as I know it. . . . I now turn to the next tragedy! When Mr. Hamilton informed me that Mr. Lombardi could not come to Jidda, and that it was, therefore, essential for him to go off at once to see him in Egypt, both on this and other business, I considered it necessary to inform him that, in view of the king's near arrival in the Hijaz, . . . I regarded his sudden departure as most undesirable, if not disastrous. I am still of that opinion, though I fully realize that Hamilton had to decide the matter for himself; and I hoped that all would yet be well. . . , and even that he might prevail on Mr. Lombardi to visit Jidda before coming to any final or irrevocable decisions."

"Curiously enough," I went on, "Longrigg also departed at the same time on a flying visit to Port Sudan, 'to buy a hat,' and, when the king arrived at Mecca, the leaders of both deputations were absent from the country, . . . and their absence did not pass without remark. However that cannot be helped now. Longrigg has returned, to be

informed that the Government does not regard his proposals as a serious basis for negotiations; and he will presumably refer again to his principals, if indeed he did not get further instructions at Port Sudan, with his hat! Hamilton had promised to be back two days ago, . . . but he need not trouble now to return before about the 9th, the first possible day on which the king will be free to visit Jidda. Meanwhile Twitchell has been furnished with the Government's latest demands, which appear to have made him rather despondent about everything, especially in conjunction with news received from Hamilton, which I will deal with in due course. There is no real ground for despondency, as I have informed Twitchell. The figure of £50,000 for the loan is virtually an agreed figure, so far as the Government is concerned. . . , if nothing on your side occurs to release them from their pledge to that effect. Only in the matter of a guaranteed rate of production are both sides free. . . , and I feel that there will be no real difficulty, if your intention is indeed to develop the oil, if and when found."

I continued: "When Hamilton went to Egypt, there were rumors about that Holmes . . . was about to butt into the Hasa business. . . . When I saw the king, he told me that Holmes was indeed coming to see him at Jidda in connection with this oil business; and I fancy that Hamilton suspected that he might be in league with the I.P.C. and coming possibly to replace Longrigg. Otherwise, he might be acting for the Gulf Oil Corporation, or for his own original firm of Edmond Davies. . . . I don't know Holmes personally, though it seems fairly obvious that his past record in connection with this very Hasa concession makes his intervention suspect in high quarters here. I do not regard his challenge as very serious, so far as you are concerned, unless of course he has been able to persuade the I.P.C. or the Gulf people to make a substantially bigger offer than that suggested in Hamilton's negotiations. It was therefore with somewhat mixed feelings that I heard from Twitchell that Hamilton had cabled to the effect that Holmes was also to act for you and had wired to the king, asking him to make no decision until he had had an opportunity of seeing him. This can only be interpreted locally as meaning that he has something really good to propose; and naturally his arrival will be awaited with interest and great expectancy. It is, therefore, somewhat difficult for me to understand Twitchell's further information that Mr. Lombardi was determined not to raise the offer of \$100,000 already made. Evidently Mr. Lombardi has been duly impressed by

Holmes; and it is of course entirely your own business whom you employ to work for you. I did, however, make it clear to you in my original wire that this Hasa concession must be kept out of the orbit of Bahrain, which meant little more perhaps than that Holmes should have nothing to do with it, as I believe him to be a *persona non grata* with the king. . . . When Hamilton first asked me definitely to work for you, I did suggest to him that, with Twitchell already in your service, there seemed to be very little need of me, as he knew the country and the ministers well enough to do all that could be needed in the way of negotiations. There was of course the possibility that, if free, I might work for your competitors (who did in fact ask me too late to represent them in relief of Longrigg); but Hamilton was good enough to think that my assistance might be of use to you. . . . And now, not content with Twitchell and myself, you have added yet another big gun to your batteries. . . . The more the merrier, provided that your attitude towards the Hasa venture remains substantially as it was, say, a month ago, when Hamilton assured me that you were seriously out for development, and were prepared to deal generously with the Government in the matter of terms."

"Nevertheless," I went on, "I cannot help feeling a little uneasy now at the combined news that you have secured the services of Holmes, and have determined not to increase your offer beyond \$100,000. If the latter point represents your last word in the matter, I can only say that, in my opinion you will not get the concession on such terms. It is of no earthly use encouraging you to think you can. You have done me the honor of engaging my assistance, and I must respond by telling you frankly what I believe to be the truth. If Holmes has undertaken to secure better terms, he is very welcome to try and implement his undertaking; it may prove that he understands the situation better than I. On the other hand, the sudden change in your attitude may be the result of some understanding with the I.P.C. and the Gulf Corporation. This would put you apparently in a strong position to dictate terms, and you may have been advised to act accordingly. If so, I believe the appearance to be entirely illusory. I do not believe that you will be able to dictate terms on the lines contemplated by Mr. Lombardi. . . . To sum up: (a) the Government is convinced that your company is the best one to deal with, and it has practically turned its back on the I.P.C., as the latter is not out for full development as much as for the prevention of competition

with its production in Iraq . . . ; and (b) it is equally determined not to give away the concession for nothing . . . ; £50,000 would clearly be acceptable, but nothing less, the method and times of payment being open to arrangement to suit the convenience of both parties."

"Perhaps," I continued, "and I hope it is the case, I have taken too gloomy a view of recent developments since Hamilton's departure. . . . If my reading of the signs is incorrect, so much the better; and the concession may be signed and delivered before you get this. If, however, your attitude has hardened and a set-back occurs in the negotiations, you will be able to appreciate the causes thereof from this screed. And you will then be still in a position to reconsider the whole matter in the light of my remarks. . . . I still hope sincerely that Mr. Lombardi will be able to visit Jidda, to see things for himself. . . . But perhaps Holmes has some magic and dramatic solution up his sleeve! I sincerely hope so, as it would be to the interest of all concerned. . . . It is generally, though perhaps without reason, believed here that the oil prospects of the Hasa are not so unknown a quantity as might be thought. And naturally that has tended to encourage a firm attitude in the Government's demand for a loan. It has also been encouraged by its success in obtaining substantial loans from concessionaires of the proposed State Bank and the Jidda-Mecca railway."<sup>9</sup>

This long letter will serve to make clear the nature of the crisis which had arisen in our negotiations with the Government. And I will go back now to an earlier stage of the proceedings, which opened with the arrival of Longrigg on the scene. On March 14th I reported to Hamilton on an interview I had had that morning with 'Abdullah Sulaiman, to whom I had conveyed a copy of Article 10 of the I.P.C. concession (in Iraq), and explained that the royalty figure of 4s a ton stood definitely for 20 years after the completion of the proposed pipeline, which in effect meant 25 years, while the variations contemplated might just as well be downward to the 2s limit as upward to the 6s minimum. "He understood this well enough," I added, "and I asked him not to tell you or anyone else that I had supplied him with a copy! He told me then the gist of his talk with you, which was practically the same as what you had told me. . . . He then came to the details of his interview last night with Longrigg. The latter had explained that a proved field was a very different thing from one yet to be explored. He had come to ask only for an exploring licence, on the understanding that all information secured

would be placed at the disposal of the Government, which would then be free to negotiate a concession with anyone it liked at its unfettered discretion. This exploration would involve the Government in no expense, while they would be prepared to pay a reasonable charge for protection, *etc.* The question of payments [for a concession] could be considered between the parties in the light of the results of exploration. He had answered that, while he quite understood this point of view, the Government approached the matter from a rather different angle. Last year . . . the king had asked Twitchell to visit the Hasa in connection with its water problems; and in the course of his travels he had found favourable indications of petroleum, while a visit to Bahrain had led him to form the view that the oil proved to exist there would also probably be found on the mainland. So the Government was primarily concerned to arrange a *concession*, and had quite made up its mind to insist on a substantial down-payment and a guarantee of serious exploitation. The figure they had in view was £100,000 gold, while they would insist on some definite rate of production, or an equivalent minimum royalty in lieu thereof. He asked Longrigg to think the matter over, and let him have his specific proposals in writing by 11 a.m. this morning, when they are meeting again."

I continued: "I took the opportunity of telling 'Abdullah Sulaiman the gist of my talk with Longrigg. Firstly, he had told me that they did not need any more oil, as they already had more in prospect than they knew what to do with. At the same time they were vitally interested to keep out all competitors. That being their attitude, it was, I suggested, to the interest of the Government to insist on the down-payment of £100,000; and, secondly, to demand the commencement of drilling operations within two years; and, thirdly, to insist on a substantial minimum production, or its equivalent in royalty payments. He agreed with me and expressed his intention of working on these lines, though he was still of opinion that it would be best to come to an arrangement with you on the sole outstanding point (i.e., rate of exploitation and production). . . . Longrigg is, of course, a thoroughly knowledgeable person and is working direct in his negotiations, without interpreter, *etc.* I imagine he won't throw in his hand without a fight; but he will certainly have to modify all the ideas on which he is at present working, if he wants to get any forwarder. . . ."



On the following day I again wrote to Hamilton: "I rang up 'Abdullah Sulaiman this morning and went round by appointment to see him at 8:30. When you arrived about 9 a.m., I was still with him; and during your interview I remained in the house, studying at his request (in the presence of a secretary!) a two-foolscap-page Arabic document signed by Longrigg. (After a long preamble repeating much that he had already told the Minister, as already reported to you) six conditions were set forth, the gist of which I repeat entirely from memory: (a) Period of permit to be 18 months from 1st of month following that of actual signature; (b) Government to give all facilities for exploration in all needful parts of the country at the sole expense of the company; (c) No other party to be allowed to enter or examine the territory, and no negotiations for a concession with any other party during period of permit; (d) Company to report in full from time to time, and in any case not later than three months after the end of the permit period, on the results of the investigation, which will be treated as confidential by the Government; (e) Company to pay £200 gold *per mensem* to the Government during the currency of the permit, as consideration therefor; (f) Company to be free at any time during permit period, and three months thereafter, to apply for a concession, the terms of which will then be discussed by the parties with a view to reaching a mutually satisfactory agreement. If no such application is made, or no agreement reached, within that period, the Government to be free to negotiate with other parties. . . . No concession can in the circumstances be expected to materialise on such conditions."

My letter proceeded: "As regards the loan, the Minister gave me his quite definite assurance that they would accept £50,000 and not make difficulties over methods of payment. He said, however, that he could not himself propose that figure; and I suggested that, when you were agreed on all other points, he might find it useful to use me as an intermediary to suggest a sum which the Government would accept without further argument if you put it into your final draft proposals. He added that, whereas you had agreed with him to leave the actual figure open, you had actually included the sum of \$100,000: hence his own reinstatement of his original demand for £100,000! And, as regards the royalty figure, he wanted a fixed sum, not a sliding scale, for the whole period of the concession (60 years) and would agree to 4s a ton if that was the basic Iraq figure. Apart

from this and one or two minor points on which I could give him assurances regarding the meaning of your wording, he seemed to make rather a point of the necessity of not regarding 3000 tons a day as a maximum production objective.<sup>10</sup> He wants to be assured that the capacity of the field will be your target, subject of course to market demands. He was however insistent on the minimum royalty being based on a production of 3000 tons a day; and I got no definite answer from him to my suggestion that you should not be unduly pressed on a point which a business concern would have to consider solely on a business footing. Finally, while he was firm in his decision to exclude the Neutral Zone from these negotiations, I gathered that there would be no difficulty in including the Dahna, and even the Tuwaiq range if desired, within the concession limits. There may be political difficulties in respect of the Neutral Zone and I will make further enquiries about that. . . . The field seems clear for you now and I don't think that at this stage he would have shown me Longrigg's proposals, if he had any idea of using them as a bargaining counter." On the same day Hamilton submitted his draft proposals.

On the 17th I was again able to report progress. Meanwhile the rival offers of Longrigg and Hamilton had been sent off to Riyadh, together with the observations of the Executive Council, presided over by the Amir Faisal, and 'Abdullah Sulaiman's own recommendations. "The latter," I wrote, "were roughly on the following lines: Longrigg obviously wants no more than a permit to explore, and is unwilling to offer either a lump-sum payment or a guaranteed rate of production: his offer is therefore clearly unsuitable from the Government's point of view. The answer to him should therefore be a demand for £100,000 gold as consideration for the concession plus an annual payment until the production stage is reached, and thereafter a royalty of 4s gold *per* ton on an agreed minimum rate of production subject to a royalty based thereon. There is every reason to suppose that the king will accept these recommendations as they stand." I went on: "As regards yourselves, he has recommended (he told me) that, in the circumstances, you should be regarded as the favoured candidate and that the Government should meet you at various points where you find it difficult to meet its original demands. And, as regards the loan, he has recommended the acceptance of £50,000. With regard to the proposed annual payments, the Executive Council has suggested that the figure be fixed at £20,000, while he had advised the

king that they should not ask for more than £10,000. I immediately pointed out that the original demand, cabled by me to your company with their authority, had been only £5000. He said that you also had raised this very point and that he had told you that he was not aware of the fact. He went on to say (as he said he had said to you) that the point was not a very serious one, as the original demand may have been for £5000 a year plus £100,000 loan, while his present figures were £10,000 and £50,000 respectively. So, evidently, this point . . . is left in suspense for later argument, when the king's orders are received with his presumed approval of the agreed matters. He did not say what he had recommended regarding a guaranteed rate of production; and I did not think it wise to raise the point in view of Lombardi's attitude on this issue."

"I took advantage of this chat," I continued, "to give him the gist of a long and interesting talk I had with Longrigg last night, when, as you know, he dined with us. You may be interested yourself to hear what passed. While the others were playing Bridge, I gave him every chance of talking if he wanted to; and he obviously did want to. We had not got very far when he told me he was anxious to get back to his work at Haifa as soon as possible. He was therefore looking for someone to take his place in the negotiations, and wondered if I would accept the task. I thought it best to say nothing about my relations with you, but told him it was rather late in the day to make such a proposal. I then explained that the king had asked me to work for the Government as soon as you had arrived to open negotiations, adding that my main object in any case must always be to secure a good deal for the Government. . . . He tried to persuade me that I could in fact best serve the Government's interest by acting for the I.P.C., and I seized the opportunity of saying that, so far as I had gathered, their point of view was too far from that of the Government to make it possible for me to act for them. I eased the situation a bit by suggesting that, in any case, he would no doubt be staying on for some time yet, and that the necessity for a decision on my part might therefore be delayed until he had had an opportunity of judging how near his people could come to the Government point of view, which I understood to be an uncompromising demand for £100,000 gold. He answered that, in that case, they would simply pack up, but that in the meanwhile he must lose no time in finding someone else. I left the matter at that, and I think he realized that I

was definitely unwilling to commit myself to holding their brief. In the course of this conversation he told me a good deal about his people's attitude, much of which I had, of course, already had from 'Abdullah Sulaiman. I agreed with him that his attitude of asking only for an exploring licence, on modest terms, was eminently reasonable, and that, in ordinary circumstances, it would be the best sort of thing for the Government to accept in its own interests. But, I explained, as things are, the Government, while keen enough to get the resources of the country developed, was forced to use its prospects in that direction as a lever for easing off its immediate difficulties. It was therefore holding out for its full demands; and, if they were unacceptable, there would probably be no concession. He said that he fully understood that position, but could not see either themselves or you accepting such terms. He thought indeed that very soon the Government would be begging them to come back on their own terms to explore the land!"

"He said," I continued, "that the demand for a fixed production rate or payment in lieu thereof was the most preposterous of all the Government's demands. . . . 'And what would you bet,' he asked, 'that within a few years the I.P.C. won't have the Bahrain concession in its hands? In any case the I.P.C. would not accept such a condition, though it might perhaps be prepared to consider a small lump-sum payment, say £25,000, for the Hasa concession, without any such conditions.' And he said a good deal more in that strain, which did not seem to show that he had any real understanding of the point of view of the Government with which he has come to negotiate. Nor did he seem to realize at all (at least he did not show any sign of doing so) that other things being equal the Government might prefer to deal with you! There is quite a definite political objection to the I.P.C., but he does not appear to have grasped that . . . . And he added that, at Kirkuk, they have in view all the oil they are likely to want, or be able to market, for ages to come. I naturally passed all these points on to 'Abdullah Sulaiman, with emphasis on the necessary items; and I don't think there is any reason to fear their competition, unless they decide to change their point of view altogether, and come forward with a large bid to keep you out."

On March 18th Hamilton was still hoping that Mr. Lombardi would be visiting Jidda within a week or so; and the former had been informed from San Francisco that the company would find no diffi-

culty in arranging cash payment of the loan's first installment, though it might have to ask for an option to pay the second in cash or kind (gasoline) at its discretion. This was due to the fact that the Bahrain refinery would then be operating, enabling the company to supply fuel to Saudi Arabia at reasonable rates. The company was also considering another important point, namely the rate of exploitation on the basis of an annual minimum royalty regardless of the quantity produced, on the understanding that any such excess payment would be recoverable in subsequent good years. "It is exactly what the Government has been asking for," commented Hamilton, "and what we have consistently opposed in our talks with 'Abdullah Sulaiman . . . . I think it may be helpful to us in our further negotiations, though I am afraid the Government will have in mind a regular minimum annual payment equivalent to the royalty on 3000 tons a day, and I know for a fact that the company will not consider any such amount. It will more likely be one-fourth or one-fifth of that figure, but will nevertheless amount to a substantial sum on which the Government can count with regularity, and which will be large enough to induce the company to continue commercial exploitation without delay, in order to make sufficient money on the investment."

In connection with other Government schemes, based on initial loans, he ended his letter by asking me for details of the terms arranged, to pass on for the information of the company. "Perhaps," he added, "you have heard some of the rumors current here about the bank. One has it that the British Government is actually behind the scheme of establishing a chain of banks in Arab countries for political reasons. Also it is rumored that you are the counselor for the bank to be established here. Sorry I haven't time to make up a good rumor myself, and send it to you!" In sending him the necessary figures and other information, I added: "As you already know, the Bank is to have some sort of lien on all concessions in the country; but this will clearly not affect any concession granted before its coming into existence. I understand that the terms of the concession will not be published until the Bank starts work by producing the loan (£200,000 gold). The rumor about the British Government being behind the Bank is, of course, not true, but the Bank has certain British banking support. I have already told you in confidence (and it now seems to be a matter of public knowledge) that I have been invited to be Adviser-General to the Bank. I have made certain conditions: one of

them being that the Bank should take over my company here (Sharqieh Limited), which would thus become a State company more or less . . . . However I am by no means certain that this condition will be acceptable, in which case the proposal falls to the ground so far as I am concerned."<sup>11</sup>

I have now returned to the point at which Hamilton's sudden departure to meet Lombardi in Cairo seemed to consign all our past work to the melting pot. In writing to Twitchell on April 1st, I remarked: "I have never concealed my opinion that Hamilton's departure from Jidda was a grave mistake insofar as our negotiations are concerned. He certainly gave me to understand that his company had agreed in principle to a loan of £50,000, though there was some doubt as to the annual amount of oil they could agree to produce. The news [from Cairo] you now give me . . . is a serious development. Whatever the other details may be, I regard the principle of £50,000 loan as a *sine qua non* of success; and I am also certain that some sort of production guarantee must be given. If, by any chance, there have arisen complications, or any understanding with the I.P.C. or Holmes's folk, which encourage the S.O.C. to be truculent in their terms, the whole situation will have changed. That is, of course, the affair of the company, which must consult its own interests; but my opinion remains unchanged that the Hasa concession will be obtainable only on some such basic conditions as the following: (a) £50,000 loan payable in part now, and the balance later; (b) an annual payment of £5000 for rent, protection, *etc.*; and (c) a reasonable guarantee of serious exploitation . . . . I hope that, if there is any other idea in the heads of Hamilton and Lombardi, they will *both* come to Jidda, to study the local aspect of the matter before making up their minds finally. I also hope that there have been no negotiations with the I.P.C. to upset the apple-cart. Such a development would be a great shock to the Government here, which would certainly grant no concession and might be forced to fall back on the Bank project."

I have sufficiently dealt with matters discussed in my long letter to Mr. Loomis, of April 1st, as also with the Holmes incident after the arrival of the Major, in company with Hamilton, on April 10th. A long pause ensued during which the whole day of the 17th was devoted to discussions of the oil business with the King, 'Abdullah Sulaiman, and others. But on the 20th I returned to Jidda, to discuss mat-

ters with Hamilton, having prepared a draft cable to San Francisco for his consideration. "Consider present situation," I wrote, "justifies expression of my personal opinion in view of issues being narrowed down to two points, on which it seems regrettable to allow breakdown of negotiations. Firstly, king at private interview explained his desire to give concession to your group in preference to any competitor, but in interests of State must insist on condition requiring your company to operate oil, if found, to best possible extent of your capacity, subject to market conditions at any particular time. This condition appears to be reasonable enough, though I appreciate your reluctance to leave any loophole for possible future dispute. Your inability to guarantee higher minimum annual royalty than £25,000, or possibly £50,000, is also reasonable but creates the impression that you may limit exploitation to something like those figures. In the interests of cordial cooperation between you and Government, it seems therefore best to drop minimum royalty figure, as desired by Government; and, if your *bona fide* intention is to develop oil actively, as Government reasonably demands, actual risk of future disputes seems negligible and might be accepted in the form of the condition proposed. Government cannot reasonably be expected to give you the legal right to limit production, for instance, in agreement with competitor companies, though fully prepared to accept such limitation for technical or market considerations. Earnestly hope therefore that you will not press objection to proposed clause, as this will inevitably create impression here that you are operating under some sort of understanding with I.P.C. Second point relates to initial payment, you being agreed in principle to £50,000, though insisting on payment in two instalments, separated by 18 months. In view of great probability that the second instalment will actually become payable owing to your continuing exploration beyond the 18 months, it seems a pity to allow breakdown on this issue alone. To meet your requirement in part, I would suggest making the first instalment £35,000, with the balance of £15,000 at the end of 18 months, as Government seriously considers £25,000 too small an offer, as against the £100,000 originally demanded. Personally, think Government might accept suggested compromise, though I am not certain. Fully recognise that you must consider matter on basis of your own interests, but fear breakdown likely if you refuse categorically suggested clause guar-

anteeing exploitation to best of ability. Am asking Hamilton to forward these views to you, as I am convinced we have reached bed rock of negotiations, with all other points satisfactorily agreed."

Meanwhile Hamilton had evidently received fresh instructions, on the basis of which he had prepared a memorandum of the "Terms proposed by the Company for Concession," which he discussed fully with me on the morning of the 21st before dispatching it to the Finance Minister with a covering letter in the following terms: "I want to repeat that personally I consider this last offer of my company to be a very liberal one; and, in my honest opinion, it is an improvement over any of the previous offers. I have pushed my company to the limit in my sincere attempt to reconcile two different points of view; and I feel that the enclosed proposal not only imposes a very heavy set of obligations on my company (a set of obligations which few companies in the world would be able to meet), but it also protects adequately your Government's interests. The company cannot possibly make any money on this venture without doing its utmost to develop markets for any oil found; and yet the plan, instead of providing any vague or uncertain standard leading only to disputes, sets forth fixed obligations which anyone can readily understand. If, however, there should be any questions in your mind after studying the proposal, I shall be only too pleased to discuss it further with you, and with Shaikh Fuad Hamza also if he would care to. This also applies, of course, to Shaikh Yusuf Yasin and Shaikh 'Abdullah al Fadhli." It may be noted that the last-named was President of the Advisory Council and Vice-President of the Executive Council, while Yusuf Yasin was Political Secretary to the King, and Fuad Hamza Deputy Foreign Minister, resident for the most part at Jidda to be in contact with the diplomatic representatives of the various countries.

The terms proposed were as follows, summarized as far as possible:

1. Initial payment, within 30 days of signing contract: £35,000 gold, of which £5,000 is rental in advance for the first year, and £30,000 a loan, recoverable from royalties, or otherwise repayable by Government.
2. At end of first year £5000 is to be paid as rental for second year.
3. At the end of 18 months a second loan is to be made, of £20,000 gold, making a total of £60,000 gold in all, of which £50,000 will be recoverable out of royalties, or otherwise, as above.



4. At the commencement of the third year, and of each year thereafter, rental of £5000 a year is to be paid in advance, until the date of commercial discovery of oil.
5. Concession is to cover eastern Saudi Arabia (including islands and territorial waters) from the coast inland to the western edge of the Dahna, with the right to examine geologically the sedimentary area to the west as far as the igneous contact. If the company should be unsuccessful in exploration and/or exploitation work in the original area, it shall have right to explore and exploit the area to the west of the Dahna, as far as the igneous contact.
6. The concession will also give the company a preference right to the Saudi Government's rights in the Neutral Zone. . . . The nature of this preference right will be set forth in a private agreement, signed at the same time as the concession: saying in effect that the company is entitled to such rights upon the same terms and conditions as those which may be conceded by Kuwait for its interest in the Neutral Zone. Otherwise, the Saudi Government will attempt to reach an agreement with Kuwait about the matter; and, upon such agreement being reached, the company may take over such rights, if it wishes to.
7. Actual field work to commence by the end of September 1933 and geological work to be prosecuted without interruption during the cool season.
8. Drilling operations to commence as soon as a suitable structure has been found, but in no event later than three years after the end of September 1933 and to be continued without interruption until oil in commercial quantities has been discovered . . . . If the company does not sooner declare such discovery, it must do so when it has drilled a well, or wells, capable of producing 2000 tons of oil a day . . . .
9. Drilling to continue thereafter till whole area of concession covered.
10. Within 60 days after the discovery of oil in commercial quantities, the company is prepared to advance to the Government the sum of £50,000 gold, with a further sum of £50,000 gold a year later: both sums being recoverable from royalties.
11. Royalty to be at 4 shillings gold *per* ton of oil produced.
12. Company excused from obligations in case of *force majeure*.

13. Remaining terms and conditions in respect of miscellaneous matters to be as already discussed and agreed between the parties.

This document, though perhaps rather over-loaded with detail, which seemed likely to provoke discussion, was certainly a great advance in the right direction, and promised great possibilities of progress. The interlude of complications was, to all appearances, at an end. My price formula was retained in spirit, if not in actual form; and it must be admitted that the contingent monetary inducements proposed went far beyond anything I had ever contemplated, much less suggested. The fundamental factor in the whole business was its immediate money aspect.

#### D. *Progress and Success.*

I went to Mecca the following day (April 22nd), and wrote to Hamilton my first impressions of the local reaction to his new offer. "Just a line," I said, "to let you know that I have seen the king, and discussed matters both with him and with Yusuf Yasin. The king told me that 'Abdullah Sulaiman and Fuad Hamza had his instructions to see you for the purpose of elucidating certain matters, which were obscure to them (perhaps through faulty translation, he suggested). I imagine therefore that you have already had your interview, and I hope it passed off satisfactorily. The king asked me what I thought about things; and I explained that, so far as I knew, your present offer is final, and you are not authorized to go beyond it. Yusuf pointed out that you had omitted to insert the agreed clause about the 20,000 cases of benzine, *etc.*, and I could only reply that that was probably no more than an oversight. I gathered in general that they were a little disappointed with your final terms, but that they would accept them if the Iraq people cannot offer something better."

I went on: "My special reason for writing now is to tell you that Longrigg is being, or has been, approached today, with an invitation to state the best terms he is prepared to offer. He is being asked, rather curiously, to produce his credentials for negotiation on behalf of the I.P.C., and he is also being told that he must give his answer by May 2nd. I explained fully that the I.P.C. . . . would certainly not undertake anything like your programme of continuous drilling. He replied that he would not give a concession for exploration only, and would insist on the working conditions indicated in your last offer, as well as

a substantially bigger initial payment, by which I suppose he now means the £50,000 you have refused to offer. I think it just as well for you to know these facts without delay, in case you may wish to report them to San Francisco. But you will be a better judge than I of the likelihood or otherwise of Longrigg being now able to outbid you. If he does not do so fairly handsomely, I think the probabilities are that you will get the concession."

Hamilton replied next day that he had had no further contact with anyone in the Government, although he had understood that 'Abdullah Sulaiman had arrived at Jidda the previous night. Apart from that he had a piece of bad news to impart. "I don't know what effect," he wrote, "if any, the new move in the States is going to have. After declaring an embargo on the export of gold about March 5th, and then modifying that restriction later. I understand another embargo has just been placed on the export of gold. From brief wireless reports I happen to have (from S.S. Taif yesterday), the inference seems to be that the States have now definitely gone off the gold standard, though it may take several days before the full import of the situation is really known. Meanwhile I am not particularly apprehensive, since San Francisco knew our offer had been made, and has not altered its instructions to me." Another letter of the same date reached me soon after I had received this rather depressing message, which certainly suggested that there might be need of recasting the money terms of the final offer. This second letter, however, did not refer to the gold situation, but contained an account of a long meeting with 'Abdullah Sulaiman, Fuad Hamza, Yusuf Yasin and Najib Salha in the afternoon. "I was particularly impressed," he wrote, "with what appeared to me as a change in the attitude of Yusuf Yasin: hitherto he has seemed to me to be a bit unfriendly; but today he raised few objections, and was, I thought, decidedly more friendly."

"Our proposal was read over," he continued, "and certain points raised about it. None was important except the initial payment. It was stated to be too small; the king insists on the full £50,000 being paid at once. I replied that the company had reached its limit, and there would be no purpose served on my part by referring the case back again. What almost knocked me out of my chair, however, was a point about the loan, which is brand new to me . . . They wanted to know what we meant by the loan being recoverable out of royalties, or 'otherwise repayable by the Government.' . . . they said their pro-

posals had always been that the only way of recovering the money was out of royalties . . . . After much discussion, 'Abdullah Sulaiman said he would present the matter to the king in that light, for his decision. He added that, in any event, he was certain that the king would never accept less than £50,000 as the initial payment. I confess that they appeared to be sincere in their understanding about the recovery of the money; but on the other hand we have discussed it so often, always calling it a loan . . . that I find it difficult to believe that they have entirely overlooked the significance thereof till now . . . . Likewise I pointed out that the sum is a large one today, when money is worth at least twice what it was some years ago, and what it may be expected to be worth some years hence; and that some years hence the difficulties confronting the Government today about repayment will probably disappear, and that in any case we hope to recover it out of oil, since otherwise we would not be here negotiating."

I must admit that, on reading this part of the letter, I was by no means convinced of the validity of Hamilton's argument regarding the probable fall in the value of gold in the future; but, on the other hand, I did not think the Government's claim to immunity from repayment of the loan except out of royalties was valid either. I was not surprised however at the Government jibbing at the idea of including the country west of the Dahna in the deal free of charge: this was a new item not previously discussed, much less agreed; and the Government was well within its rights in asserting that the company could not expect more than a first refusal of the area on matching any other bids made for it. On the whole Hamilton did not seem to be too downhearted as the result of the interview. "Notwithstanding statements made before the end of the conference," he wrote, "that there was not much hope of the king accepting our present proposal, I had the feeling that it would continue to be considered seriously. I have no doubt in my own mind that our competitors will be approached for a better offer, and that meanwhile our offer will be declined, or else that the Government will hold back, awaiting the outcome of further negotiations with the I.P.C. . . . I said that, in my opinion, the Government would be worse off to accept a very large sum, say £100,000 or even £200,000, for a concession which did not insist on the development of the country for oil. Fuad Hamza . . . seemed to agree to this readily; and, when he explained in Arabic to the others,

they also appeared to agree. Finally, then, the negotiations seem to be in abeyance."

I found it difficult to believe, either that the officials present were really impressed by Hamilton's view of the disadvantages of a large initial payment, though they may have expressed their agreement with their tongues in their cheeks, or that Hamilton himself considered his argument convincing. Surely the Government had but to accept the windfall, await the natural death of the concession, and then hawk it round again among the numerous speculators who had been haunting the threshold of Arabia for a quarter of a century. Be that as it may, my reply to Hamilton must have been encouraging. "I rather fancy," I wrote, "that Yusuf had special orders from the king not to frighten you away! My general view now is that, unless Longrigg can substantially outbid you on the initial loan, you will get the concession on the terms now offered by you. The general tone of conversation in high quarters suggests that the thing is practically through. This is rather comforting, and I only hope that the I.P.C. does not make an eleventh hour decision to change what has hitherto been its attitude."

I did not return to Jidda till April 29th; and it must have been on that day or the next that Longrigg paid me a visit. It will be remembered that he had been allowed by the Government until May 2nd for making his final offer in the competition for the concession; and he opened the conversation quite frankly with a request for information regarding the amount of Hamilton's bid so far. "I am afraid I can't tell you that," I replied. "I don't pretend not to know, but my knowledge is confidential; but I can give one interesting bit of information. If you are prepared to offer the sum of £100,000 originally asked for by the Government, you will still be in the running!" "One hundred thousand pounds!" he exclaimed incredulously. "Why no one would even think of that. Do you know what I am authorized to offer?" "No," I answered, "all I know is that you offered a payment of £200 a month for only an exploration permit; but I don't know what you are authorised to offer for the concession." "Well," he said, "the maximum I am able to offer is £5000 gold." "Then," I said, "you might just as well pack up; the Americans are far and away higher than that." That was about all that passed between us on the subject of the concession; and I believe that he cabled home, urging

an increase in the amount he was authorized to bid. I believe also that he received authority to go up as far as £10,000 gold. So he faded out of the picture, leaving the Americans alone in the lists to fight it out with the champions of Arabia.

It is, perhaps, only fair to Longrigg to quote his own very brief and reticent account<sup>12</sup> of the proceedings in connection with this struggle for the Hasa concession. "Since the life of Holmes's permit and option for the al-Hasa province . . .," he says, "had become extinct by 1928, negotiation, by whatsoever party, for rights in the territory must be recommenced. Entry therein, to the extent of free exploration, was sought in 1930 by the Standard of California, but refused: the discovery well at Bahrain in 1932, however, added to the general tendencies of the time, made it certain that the adjacent mainland would soon be in demand. The Hijaz, meanwhile, had been visited in 1931 by an American mining engineer, Karl Twitchell, on behalf of the millionaire philanthropist and arabophile, C. R. Crane. Although his quest for artesian water was unsuccessful, he aroused the interest of Ibn Sa'ud in mineral possibilities and was allowed to cross Arabia in search of indications of petroleum; and at the moment when the Bahrain well revealed itself as a producer, Twitchell was back in America with the King's instructions to find a suitable company to explore his country's oil resources."

"Political conditions in Sa'udi Arabia," he continues, "were by this period reasonably stable, the King's authority unquestioned. But the territory was economically at the lowest ebb. Never self-supporting in food, without minerals or industry or any other resources, the Arabian population had long lived at the barest level of subsistence; the great Mecca pilgrimage itself, sole support of the Treasury was in 1930 greatly reduced in scale, and the King was in desperate straits to maintain a court and government in existence. Twitchell was unsuccessful in his first contacts. The Texas Company rejected his suggestion; the Gulf Corporation was by now bound by Red Line obligations; the American shareholders of the I.P.C. did no more than pass his offers to that Company in London. But the Standard of California, encouraged by events at Bahrain, were willing to take further risks and determined to ask for a comprehensive concession for the mainland territory. Their negotiator, Lloyd Hamilton, accompanied by Twitchell, reached Jidda for this purpose in March [actually February] 1933. The Iraq Petroleum Company had this time decided to

contest the issue. Their representative (the present writer) arrived at Jidda to find negotiations in progress between Hamilton and the Sa'udi ministers, and was invited to make his own offers. Both negotiators interviewed the King, both advanced their proposals, each was assured that his Company and nationality would, all things being equal, be the more acceptable to the Sa'udi King. But the I.P.C. directors were slow and cautious in their offers and would speak only of rupees when gold was demanded. Their negotiator, so handicapped, could do little; and agreement was reached without difficulty between Hamilton and Shaikh 'Abdullah Sulaiman on 29 May 1935 [1933!] for a sixty-year concession for the al-Hasa province."

It was a sad end to Longrigg's devoted labors, faced with skill and tenacity. His company was evidently not wholehearted in its desire for the concession, and, perhaps, it counted too confidently on the known friendship of Ibn Sa'ud towards Britain to secure the prize through the good offices and energetic support of the British Legation. It was certainly no fault of Longrigg's that one of the most valuable oil concessions in the world went to others for what we now know to have been a bargain price. I have already recorded<sup>13</sup> how Longrigg himself, on behalf of his company, paid 32,000 gold sovereigns for the oil concession of western Arabia, which produced no results and was soon abandoned. And it is scarcely necessary to mention the huge sums subsequently paid by the companies which secured the rights in the Kuwait Neutral Zone and in its off-shore areas.<sup>14</sup>

But, in quoting Longrigg's mention of the success of Hamilton, I have outrun the course of my own story, to which I now return at the point when a new cloud had appeared on the horizon. I have already mentioned the departure of the United States from the gold standard; and such an event at this moment could scarcely fail to exercise the anxious attention of the San Francisco directors and of Hamilton, who had already committed himself to considerable gold payments in connection with the concession, which was virtually his now for the signing. This matter had been mentioned to the ministers concerned at Hamilton's meeting with them on April 23rd; and, while promising them any information that might come to hand in due course, he had expressed the view that, "although it would undoubtedly have an upsetting effect, temporarily at least, on international exchange . . . I do not think that it would affect our negotiations." Then, on April 25th, he had written to 'Abdullah Sulaiman in

the following terms: "I have obtained no real information beyond the fact that America has again placed an embargo on the export of gold, which has been interpreted in some quarters as meaning that the country has gone off the gold standard. At any rate the move has upset the financial situation, and in consequence the value of the dollar on the international exchange has been reduced, temporarily at least. The value of the dollar, of course, is of particular importance to my company, since it must reckon the relation of the dollar to gold in computing the proposed payments we have discussed. Unless, however, something occurs which is more unexpected than I anticipate just now, such as an unduly prolonged embargo on the export of gold by the United States Government or an eventual restabilization of the dollar on too low a level to justify the payment of the sums under consideration, I can see no reason for altering the basis of our present negotiations with respect to money payments. Personally, I do not feel alarmed about the present trend of events, and in any case the next few days ought to remove most of the uncertainty now existing and should give a more accurate view of the true situation. Meanwhile my company will keep me informed."

In a letter to me, written on the same day, Hamilton remarked: "The only cloud on the horizon, which is a new factor in the situation, is the financial position in the United States. Jacobs, of the [Dutch] Bank here, said yesterday that he had had word from his Amsterdam office that the States had gone off the gold standard. Whether that is a correct inference from the facts at hand, I do not know. At any rate, to protect himself until the clouded situation has been clarified, Jacobs is asking \$5.80 for a gold pound, the so-called par value, as I remember, being about \$4.87. San Francisco, naturally, has to protect itself against developments beyond its control. In a wire received this morning, San Francisco said it was investigating methods of payment, and meanwhile any formal offer to the Government here should be conditioned upon the U. S. Government permitting the payments in gold to be made. Moreover, San Francisco suggested that the present offer should stand upon the basis of \$5.00 to the gold pound. Since I take it that the real purpose is to protect the company for the time being against too great a depreciation of the dollar at the time the loan might have to be made, I considered it inadvisable to follow the legalistic idea of fixing a limit to the value of the dollar; and instead I have written a letter to 'Abdullah Sulaiman along more general lines. A copy of that letter is enclosed. It seemed



to me that any more exact manner of dealing with the situation might frighten the Government unnecessarily; and in my opinion there is every chance of the negotiations not being disturbed by the present events. The primary purpose of the communication, in any case, is to protect myself, as well as the company, against a possible charge of bad faith in case the worst should happen, and the company be compelled, by unexpected events beyond its control, to lower the payments proposed, or to withdraw its present offer. I do not expect this to happen, nor does the company. We shall have a few days to see what really happens. I rather assume that this will fit in with the plans of the Government, which will probably want some time to await a better offer from our competitors."

*There's many a slip 'twixt the cup and the lip:* and the situation looked very grim, especially for the Government which had dilly-dallied in the hope of higher bids, when they could have had the contract signed and sealed before this bolt from the blue. In my letter of the 24th I had suggested to Hamilton that, to avoid delay after the respite given to Longrigg, "a draft concession should now be prepared by you without delay, embodying all matters already agreed on, and your final offers in the case of the items still in suspense. This, I understand, you are already engaged on. When it is ready and translated, it will be available for immediate signature, if and when the Government decides to meet you on the question of the initial payment." The document was ready for dispatch when, on May 3rd, the day after the expiry of the period allowed to Longrigg to make his offer (which he presumably did), Najib Salha phoned Hamilton to enquire whether he had completed it. In a covering letter, addressed to 'Abdullah Sulaiman, Hamilton mentioned that "my company is still investigating the difficulties in providing immediate payments in gold, occasioned by the recent and unexpected developments, not only in America, but in the international exchange as well. I have not yet received clearance from my company to go ahead on this particular point, but I anticipate that in the near future, probably before the concession will be ready to be signed, the difficulties for the time being will have been removed. Meanwhile, I am ready to discuss the form of the concession whenever you and your colleagues may desire." In sending me copies of the documents (the draft concession and a draft letter relating to the Neutral Zone and similar matters) for study, Hamilton commented: "I assume that some days will be oc-

cupied in translating and studying the proposals, and I trust it will not be long before I get clearance from my people as regards the payments."

The struggle was over, leaving behind it a sense of anticlimax, intensified by a new and strange feeling of general insecurity. The Almighty Dollar, the undisputed arbiter of world finance, was ill. As the doctors felt the failing patient's pulse and issued their not very cheerful bulletins, the world looked on in anxious helplessness; and nowhere was the anxiety more acute than in Jidda during these days. But the ill wind had blown some good in our direction. The Government realized that there was now no advantage to be gained by procrastination, while it was Hamilton who had to temporize in attendance on developments in the New World. But the lull was happily short, and the time was spent usefully by both parties in putting the finishing touches to Hamilton's picture. On May 8th an agreed final draft of the concession was ready for the expression of the King's pleasure; and that night in Mecca I attended the privy council meeting, convened to hear and consider the details of the document. It was a long and dreary screech that 'Abdullah Sulaiman read out, clause by clause, interrupted by an occasional remark or question from the royal lips, and the appropriate responses by the lieges. As the proceedings lengthened, the King grew drowsy and dozed off at intervals until he could bear no more. The meeting stood adjourned till the morrow, when we re-assembled in the Ma'abida palace to hear the remainder of the text. 'Abdullah droned on, clause by clause as before; and this time the King went fast asleep, only to wake with a start when the reading ended. "Must have been asleep!" he said. "Well, what do you all think about it?" Of course he already knew all the essential points of the agreement, especially the details of the payments to ensue; and everybody knew that the concession had his blessing. So everybody expressed his satisfaction at the arrangement arrived at. "And what do you think, Philby?" he asked, fixing me with his good eye. I expressed my pleasure at the successful termination of negotiations, which seemed to spell great future prosperity for his people. "Very well!" said the King, turning to 'Abdullah Sulaiman, "Put your trust in God, and sign." The die was cast.

I informed Hamilton by telephone, and he was duly informed in a more official manner by Najib Salha on the same day (May 10th). I had other work to attend to in Mecca, including the securing for my

own company of a concession, giving us a virtual monopoly for the supply of motor vehicles, on suitable credit terms, to the Government and the pilgrim-transport company. This agreement was signed on the 11th, and the following night (Friday) the privy council devoted its sitting to a long and interesting discussion of women and their ways: the King did not sleep on this occasion, and was the life and soul of the party. Incidentally, on the previous night the council had considered and approved the draft of a decree appointing the Amir Sa'ud to be the heir to the throne and Crown Prince; and the formal proclamation to this effect was made in the Great Mosque of Mecca on May 15th amid much public rejoicing. Two days later, the Amir Faisal headed a deputation of princes and notables, proceeding to Riyadh to acquaint his brother with the people's will that he should be their next king. Incidentally, in September 1932 the dual kingdom of the Hijaz and Najd and its Dependencies had been unified under the style and title of Saudi Arabia. The *annus mirabilis* had indeed opened with developments fraught with great promise for the land, which the years to come would see realized in a manner exceeding the wildest dreams of those who had the good fortune to be eye-witnesses of these events.

Having finished my work for the time being, my main objective was to get home for the summer, visiting Egypt on the way to make final arrangements with the Ford Company for the implementation of the terms of my company's concession. My wife and I had arranged to embark on the Dutch ship, *Poelan Roebach*, with the Dutch Minister, A. Adriaanse, and two Dutch employees of the bank, on May 18th. I would get off at Suez, while the rest of the party would go on to Holland and England. On the eve of our departure I called on Sir Andrew Ryan, the British Minister, to say good-bye. We talked about everything under the Arabian sun; but it was only when I got up to take my leave that I said to him: "I suppose you have heard that the Americans have got the concession." He was thunderstruck, and his face darkened with anger and disappointment. He had made certain that his influence behind the scenes, unobtrusive as it certainly was, would have turned the scales in favor of the British competitor. But it was not to be: even he had not appreciated the fundamental issue at stake, the size of the initial loan, of which Ibn Sa'ud's Government stood in urgent need. Our final leave-taking was somewhat strained, though we had always maintained friendly rela-

tions in spite of the wide gap between our political and other views and aspirations. He was indeed the "Last of the Dragomans," bred in the school of traditional western dominance in the eastern world, while I was surely one of the first of the champions of eastern emancipation from all foreign controls. And in those days, twenty-five years ago as I write, we were both in contact with a man whose policy was firmly based on two pillars: the maintenance of friendship with Britain in fair weather or foul and the uncompromising defense of his own sovereign independence. That man was Ibn Sa'ud. Ryan may have thought, indeed he obviously did, that his love of Britain would make him oblivious of the charms of others; but he scarcely realized that true love must be reciprocal. Yet, all through his career, Ibn Sa'ud had experienced rebuffs of one sort or another from the Britain whose friendship he so consistently sought. Britain had all along shown her partiality for the Sharifian cause: for King Husain in the Hijaz, and for the two Sharifian States she had established along the northern frontier of Ibn Sa'ud's realm. And she had favored all the petty principalities of the Persian Gulf coast in such disputes as they had from time to time with Ibn Sa'ud. Moreover she had entered into a pact with the Ottoman Government, after the Turkish occupation of the Hasa had been terminated by Ibn Sa'ud in 1913, for the limitation of the latter's jurisdiction in the southern areas of Arabia; and she had at this very time (1922 onwards) embarked on a long wrangle with Ibn Sa'ud on the subject of his southern frontier, with the ghost of Buraimi looming through the mists of dissension to appear later. Then she had occupied the 'Aqaba-Ma'an district in 1925, to prevent it falling into the hands of the Wahhabis. At all points, indeed, Sa'udi Arabia had more causes of quarrel with Britain than any other country in the world: yet Ibn Sa'ud's friendship towards Britain had stood all these tests unshaken. And Ryan wanted yet more of the King: he wanted control of the economic resources of his country, and Ibn Sa'ud, strangely enough, like a bird mesmerized by a snake, was known to be personally desirous of giving this very Hasa concession to a British company, if only he could get something solid in return. That was not forthcoming, though the Americans were in the field with gifts of value, urgently needed for the maintenance of the country's stability. More than twenty years later, in my presence, the Amir 'Abdullah, the old King's brother, was telling the story to a group of Syrian and Lebanese visitors, who had just dined with him.

"Even at the last stages of the discussion about the concession," he said, "the king was anxious to give it to the British company, as he had been pressed to do by the British Minister; but most of us were for accepting the best terms we could get. And in the end it was this man's advice" (pointing at me) "that persuaded the king to change his mind, and grant the concession to the Americans." It was probably an apocryphal story, but *si non e vero, e ben trovato*. There was at least a grain of truth in it, though I think that my point of view was fully shared by all the persons present during the vital stages of the discussions in the privy council. Yet one of them, Yusuf Yasin, also more than twenty years later, told me to my face that, if he had known at the time that I was actively working for the Americans, he would have done his best to block the grant of the concession to them. "And where," I answered, "would you have been now, if you had succeeded?" I have quoted above Hamilton's feeling that the attitude of Yusuf Yasin had been more friendly at one of the later conferences than it had seemed to be at earlier stages of the discussion. And the change was probably due to the change in the King's own attitude.

To return to the main stream of my story: I left Jidda on May 18th; and, in Cairo later, I was overtaken by a letter from Hamilton, dated on the day of my departure. Its contents were very cheering. "After you left this morning," he wrote, "I decoded a long cable from San Francisco. Briefly, the company gave me the authority I had requested to pay, not only the initial loan of £30,000 in gold, but also the £5000 as the first year's rental, or £35,000 gold in all. As to the other payments, however, I am authorized to offer to pay on the basis of five dollars to the gold pound. If the dollar is re-established on the former gold basis, the Government will benefit and the company will lose; as compared with the present contractual basis of the gold pound. I have sent this information to 'Abdullah Sulaiman. Also I am informing him that the company is willing to make the deductions for loans and advances out of 50 *per cent* only of the royalties due to the Government." His letter ended on a personal note: "I assume you are in accord with my understanding that our agreement, relative to your retainer, expires at the end of June. Also, if we are successful in getting the concession, I assume that the payment then due to you should be deposited in your Cairo bank." Next came a telegram from Hamilton, dated May 29th: "Concession signed today. Expect arrive Egypt next week." I telegraphed my congratulations.

In July I received a letter, dated the 11th of the month, from Mr. Lombardi reading as follows: "On the 5th of this month our Board of Directors ratified the contract covering eastern Sa'udi Arabia; and I am advised that this contract has been ratified by the Arabian Government and will be published during the next few days. This brings to a successful conclusion the first stage of our venture into Sa'udi Arabia; and I am taking this opportunity to extend the thanks of my associates and myself to you for the very valuable assistance which you have given us in negotiating and concluding this contract. I am sorry not to have been able to make your acquaintance while I was in Europe and Asia Minor, but other matters were too pressing for me to go to Jidda. I hope I may have this pleasure some time in the future." I particularly appreciated this kind tribute, in view of the fact that he must have known of my criticisms of his attitude during an earlier stage of the negotiations. The flight of Holmes from Jidda may have contributed to a re-appraisal of the situation on his part, at least there is no evidence, so far as I know, of his opposition to the arrangement suggested by me, which formed the basis of the company's ultimate offer. In this connection, Mr. Loomis, writing about certain boundary questions concerning the concession on June 22nd, had ended his letter with the following sentence: "I am very much under obligations to you for the interesting and informing letter you wrote me in April." I had the pleasure of lunching with him on July 28th, when he was again in London.

The royal decree (No. 1135), "granting a concession for the exploitation of petroleum," was signed by the King on July 7th and published in a supplement of the Mecca (official) newspaper, *Umm al Qura*, on the 10th, while the text of the concession appeared (with some errors and omissions) in the same paper of July 14th. The royal decree is as follows:

We, 'Abd al 'Aziz ibn 'Abd al Rahman Al Faisal Al Sa'ud, King of the Sa'udi Arabian Kingdom:

After putting our trust in God the Most High:

And after perusal of the agreement signed at Jidda on the fourth day of the month of Safar, one thousand three hundred and fifty-two of the *Hijra*, between our Minister of Finance and Mr. L. N. Hamilton, representative of the Standard Oil Company of the American State of California;

And in accordance with the approval of our Council of Deputies, have ordered as follows:

- Clause 1. The Standard Oil Company of the American State of California (Standard Oil Company of California) is permitted to exploit oil and its derivatives in the eastern part of our Sa'udi Arabian Kingdom, within the limits and in accordance with the conditions and provisions set forth in the agreement signed between our Minister of Finance and the representative of the said Company on the fourth day of the month of Safar in the year 1352 of the *Hijra*.
- Clause 2. We approve the agreement referred to above and appended to this our decree; and we order that it be put into execution with effect from the date of its publication.
- Clause 3. We approve also the special agreement appended to the original agreement, and order that it be executed.
- Clause 4. Our Minister of Finance is ordered to execute the provisions of this decree.

Issued at our palace at Riyadh on this day, the 14th of the month of Rabi'al Awwal in the year one thousand three hundred and fifty-two of the *Hijra*, corresponding with July 7th 1933.

'Abd al 'Aziz

By order of His Majesty the King.  
His Majesty's Viceroy,  
Faisal.

At the request of Hamilton, who was now in London, and for whom I had previously checked the Arabic translation of the original English version of the documents signed by him and the Finance Minister, I now made a complete translation of the text, as published in *Umm al Qura*, in supersession of a poor translation of it by one Ahmad Fakhri, an interpreter in the Finance Department, which had been sent to him with copies of the Arabic text. On receipt of it, he wrote as follows: "I was astonished to have your letter yesterday morning, sending me a complete new translation of the official pub-

lication of our concession in Sa'udi Arabia. As I understand it, you are supposed to be on holiday; but, in view of the volume which you have turned out, I suspect that you worked a number of hours at it. I dislike to doubt your word, but there is some question in my mind as to whether Mrs. Philby was quite glad of the typing practice thus provided. At any rate, thanks very much for the translation, which I am sending on to San Francisco."

My connection with the company was now of course at an end. But Hamilton had suggested to his company that, in view of possible difficulties in the early stages of the enterprise, my services would still be useful to its representatives in Arabia, particularly in the matter of contacts with the Saudi Government. He had therefore recommended my re-engagement on a retainer basis; and the upshot of the matter was an offer by the company of continued service on its behalf, with a retaining fee of £1000 sterling per annum. I accepted without hesitation, and was thus able to watch the development of the enterprise at close quarters, without having any very burdensome duties to perform, until the arrangement came to an end with the war, and the resulting curtailment of the company's operations in Arabia. In writing to Hamilton on receipt of his proposal to this effect, I said: "I would like to convey my best thanks to you and your San Francisco friends for the arrangement proposed in your letters. In accepting it with gratitude for the consideration which you have always shown me, I can only express the hope that you will be able to give me sufficient work to enable me to consider myself at least a part-time member of your crew, and not a merely first-class passenger!"

This is virtually the end of my story, as it is no part of the purpose of this book to tell the fantastic tale of the development of the Hasa enterprise: first under the direction of the California Arabian Standard Oil Company, which took over the operation of the concession from the Standard Oil Company of California; and later in the hands of the Arabian American Oil Company (Aramco for short), which is still the operating concern. On September 23, 1933 the vanguard of the California geologists, R. P. "Bert" Miller and S. B. "Krug" Henry, landed on the eastern coast of Arabia. With them was Twitchell, who had driven across Arabia from Jidda and had met them in Bahrain. Work began at once on the part of the geologists, and on April 30th 1935 drilling began on the first well on the Dammam Dome at



Dhahran. A year later it had reached a depth of 3200 feet, with a show of gas, and a second well had reached 1700 feet. By February 17th 1938 a production test on No. 1 showed a yield of 82 barrels (roughly 11 tons) of oil a day, while No. 7 well had reached 4584 feet, with a strong flow of gas and only a small show of oil on top of ninety feet of mud. Yet this was to be the harbinger of all that followed: on March 12th it was producing at the rate of 5,832 barrels (say 900 tons) a day. It is interesting to note that the daily output of the Bahrain field, which had started operation in 1932, had reached 3420 tons a day during the first two months of 1938, when Saudi Arabia was still not among the producing countries of the world. Bahrain was ranked fourteenth among the 26 producing countries then, with an annual output of a million tons a year (1937). No. 7 well maintained its original promise, and it only needed another comparable producer to establish the status of this particular field. By early July a second deep well in the Dammam area had reached the stage of encouraging high hopes, while a third (and fourth?) were in process of drilling. By October these hopes had been realized; and the discovery of oil in commercial quantities was officially published. It was on October 16th 1938 that W. J. Lenahan and W. H. Hoag, of the company's establishment at Jidda, arrived at Riyadh to make the momentous announcement to the King in person. And there was great rejoicing in the land, and especially in Government circles at the prospect of the early payment of £50,000 gold in advance on account of royalties, as provided for in the agreement. Already oil was being sent to Bahrain for refining at the rate of 700 tons a day; and May 1st 1939 was fixed for the first shipment of oil from Ras Tanura in an American tanker. Much was made of that occasion, and the ceremony was duly graced by the presence of the King and a large company of Saudi officials and notables. I was not present, as I was in London "observing" the proceedings of the Palestine Conference at the King's request.

Saudi Arabia seemed set for a long period of unprecedented prosperity, though its hopes were to be temporarily blighted by the outbreak of the second world war. By that time production was running at the rate of about 2000 tons a day, at which figure it was frozen "for the duration" by an embargo imposed by the allies in their own military interests. In 1944, however, the ban was raised; and production went forward by leaps and bounds: until, today (1958), output

has reached the prodigious total of a million barrels a day (some 130,000 tons), while the treasury of Saudi Arabia is benefiting to the tune of about £100 million sterling a year from the operations of Aramco. Who, in his wildest dreams, could have imagined such a climax to the drama, on which the curtain rose but five and twenty years before, with Hamilton and Longrigg and the Government haggling over a few thousand sovereigns as the price of a "pig in the poke"?

I had been able to pay a visit to Dhahran and its neighborhood during the last ten days of August 1938, when No. 7 well was flowing along merrily, though the first shipment of oil to Bahrain had not yet been made. It actually materialized on September 5th, while No. 2 well had not yet come in, though drilling was in the neighborhood of 4000 feet. They had to go down to 4650 feet before the oil was struck on September 15th, flowing at the rate of 2216 barrels (290 tons) a day. The company had then reached its first objective, and it only remained to make sure that all was well before the formal announcement could be made a month later. I then cabled my congratulations to Hamilton in London; and, writing on November 9th, he said: "I am happy, needless to say, about the outcome of the activities of the Arabian company. I think we can look forward to a steady and orderly development, which will be of benefit to the country as well as the company. . . . As I look back over our early association at Jidda, I am the more happy that the company has reached the stage of making a declaration of oil in commercial quantities. The part that you have played in this, both from the point of view of the Government and the company, should I think afford you some satisfaction."

In reply to a later letter from him on the subject of my own claims on the company (in view of the announcement of the discovery of oil in commercial quantities), I agreed to the arrangements he had proposed, while adding: "I would take this opportunity of expressing my cordial thanks for the very generous manner in which your company has dealt with me from the very inception of an enterprise which has happily turned out so well. I know you must be immensely pleased with the success of Dhahran, and I can assure you that my delight is no less than yours. I am proud to have been associated with the small beginnings of a magnificent venture, whose future will be of world-wide importance. I only wish that I could be of more assistance to you all, but, failing opportunities of that, I can assure you of my cor-

dial goodwill, and of my admiration for the skill and tenacity of your company, and for the admirable work your people have done in the field. . . . I wonder if you will be at the ceremony [of May 1st at Ras Tanura]. . . . To my mind, the celebration would be incomplete if the man who struck the first blow for oil in Arabia were not present to see it flow out into the ocean!" My formal connection with the company came to an end in the middle of 1940; but ever since I have watched with sympathy and admiration both its difficulties and its triumphs. It has become not only one of the leading oil-producing companies of the world, but also a philanthropic institution of impressive proportions, to which the people of Saudi Arabia owe an immense debt of gratitude. In education, health, housing, water-supply, agriculture, industry, commerce, and in countless other ways, the company has been an inspiration to the country, and has set an example, on which the Arabs, of their own free will, have built up a standard of living unprecedented in the annals of Arabia Deserta. And this standard is by no means confined, as many seem to suppose, to the upper and middle classes. Folk from the borderlands, especially from the Yaman and the Levant, have flocked to the country in search of work and the fabulous wages it earns. And even the Badawin have not scorned the profitable openings offered for work in the new industrial areas. The oil, which has dotted the desert spaces with numerous towns and villages, has also left its mark on the desert people and their ways. The population is no longer homogeneous; and the trousered Syrian or Egyptian is no longer conspicuous in a land, where, but thirty years ago, he would have been unsafe in anything but Arab garb.

But the strangest feature of this whole episode was, perhaps, that Ibn Sa'ud, with his experience of the Holmes venture behind him, did not himself believe that there was oil in his country. It was financial pressure alone that forced him to negotiate with those who did, in the hope of extracting from the resultant competition the highest possible price in gold for the barren privilege of probing the desert sands. Yet there was something else he needed urgently; and he knew well that only foreign skills could bring to the surface of his land the water which lay far down in its bowels. So the geologists of the oil company were urged to look for water as well as oil; and during this very year (1938) of the first discoveries of the latter, two artesian bores were being drilled by the Aramco staff: one on the Jidda plain,

which by the end of March had reached a depth of 530 feet to find only saline conditions, and was ultimately abandoned; and the other at Riyadh, near the Batin valley, whither in October the company had sent up a new drill to probe deeper than the 400 feet already reached by the old one without result. This bore was ultimately sunk to some 700 feet or more, but all in vain; and it too was abandoned. In later years deep artesian wells were sunk with excellent results in scores of unlikely places in the wilderness, to form the nuclei of Bada-win concentrations which gradually grew into settlements. But, for the moment, it was oil that mattered to the company (and indeed to the Government); and it was oil that was found in evergrowing quantities.

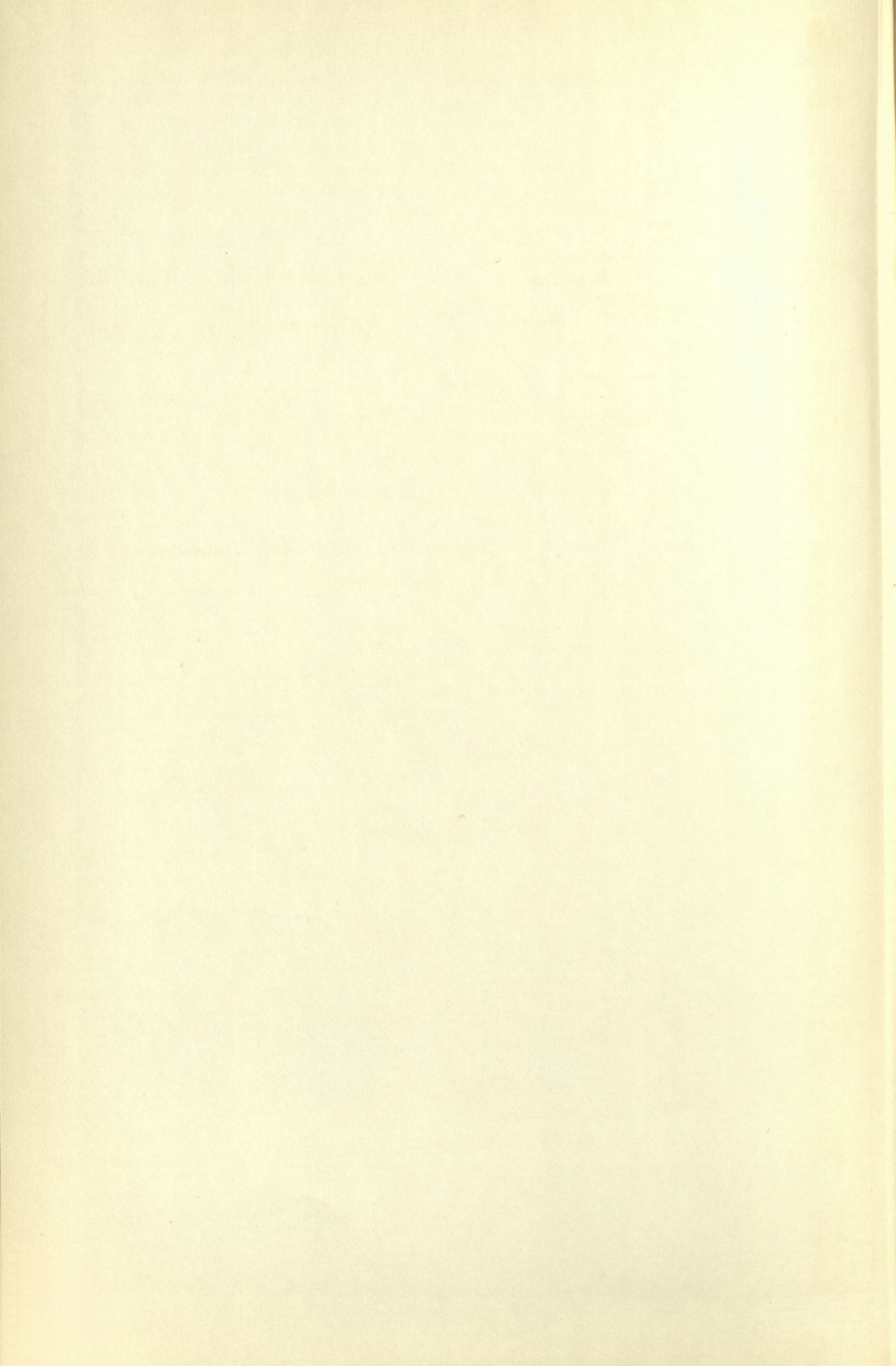
“He asked water, and she gave him milk;  
She brought forth butter in a lordly dish.”

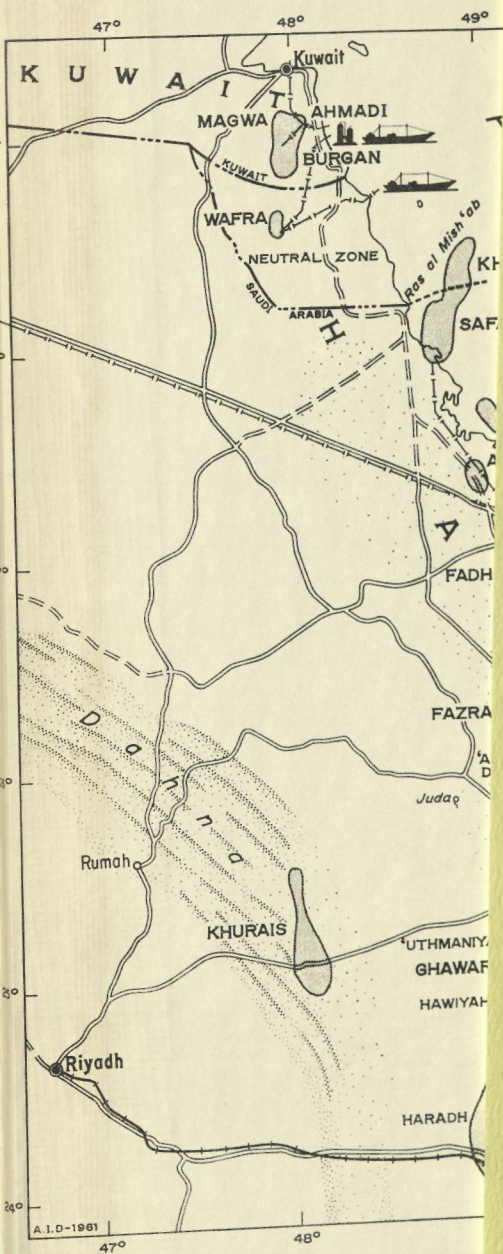
*The Song of Deborah, Judges 5:25.*

#### NOTES ON PART III

1. H. St. J. B. Philby, *Arabian Days* (Hale, 1948) p. 291.  
— *Arabian Jubilee* (Hale, 1952) pp. 111, 164, 177.  
— *Saudi Arabia* (Benn, 1955) p. 330.
2. Author of *The Arab Awakening* (Hamish Hamilton, 1938).
3. Stephen Hemsley Longrigg, *Oil in the Middle East* (Oxford University Press, 1954) p. 102.
4. *Ibid.*, p. 102.
5. H. St. J. B. Philby, *The Empty Quarter* (Constable, 1933).
6. Longrigg, *op. cit.*, p. 102.
7. *Ibidem*, p. 107.
8. Author of *Pilgrimage to Mecca* (John Murray, 1934).
9. Actually neither of these loans and projects ever materialized.
10. It is pertinent to remark that the daily production in 1958 was at the rate of a million barrels (130,000 tons)!
11. As the Bank did not materialize, this proposal also came to naught.
12. Longrigg, *op. cit.*, pp. 106-108.
13. See Section 1, p. 46.
14. According to Longrigg (*op. cit.*, pp. 214-5), the rights in the Neutral Zone, acquired by Aminoil and Pacific Western from Kuwait and Saudi Arabia respectively, involved a total down-payment of \$17 million, plus a total annual payment of \$1,625,000: to say nothing of other severe conditions.







British government until the spring of 1924, after having protested what he considered the imposition of a Hashimite dynasty in Iraq, and having attempted what he also considered to be the protection of Hashimite rights in Transjordan, and resigned therefrom, to spend most of the rest of his productive life in Arabia.

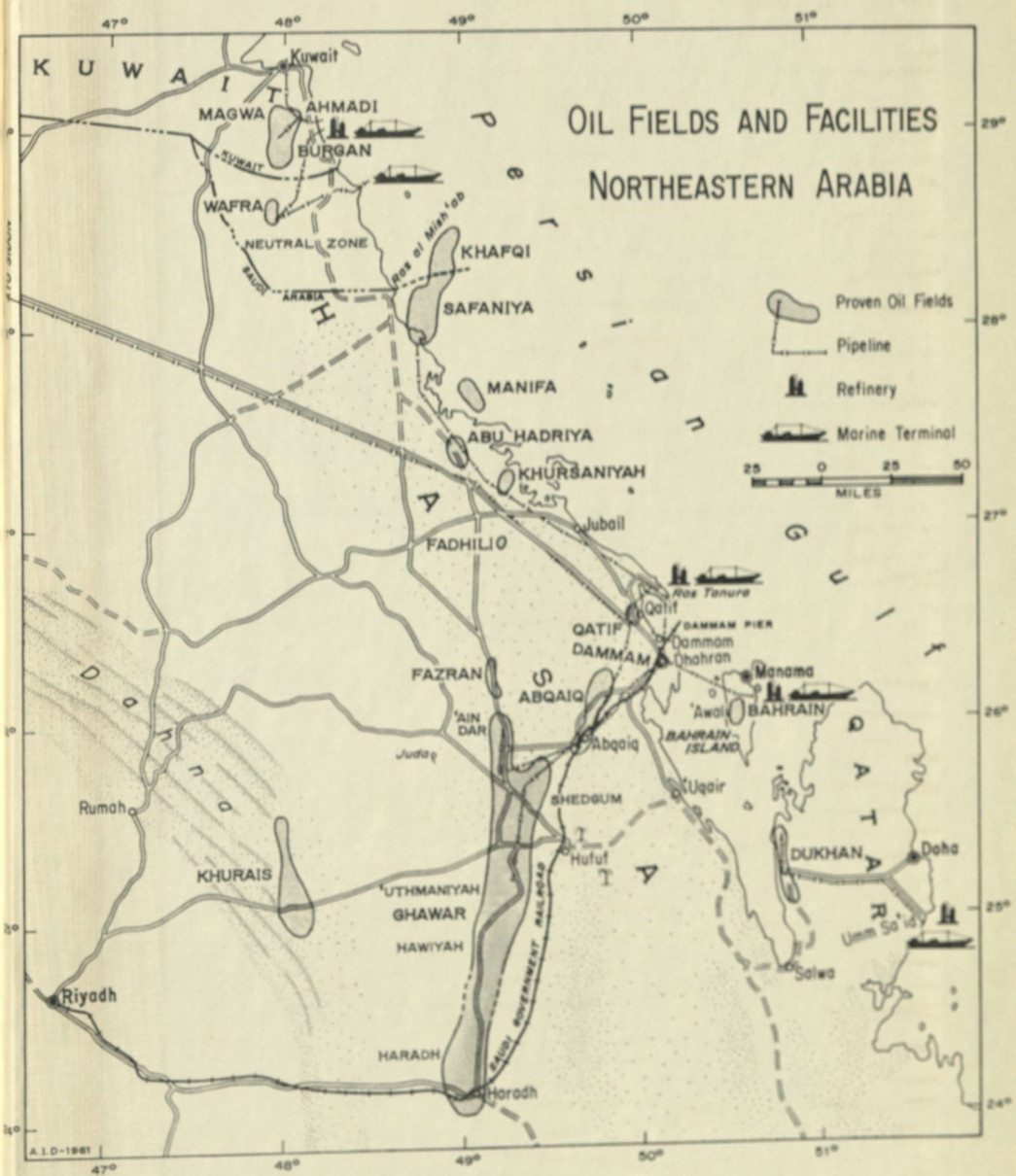
He expressed his passionate libertarianism better than anyone else could do it on the final page of his autobiography:

My ideal has been all-embracing, excluding no people and no part of the earth from its birthright of freedom. But my individual effort has inevitably been limited by circumstances, and I shall be content indeed if the light of freedom, real freedom, dawns upon India and these countries of the Arab world before I pass on from the scene of my endeavours to serve the cause of humanity.

Under the aegis of 'Abd al-'Aziz, Philby traveled more widely over the Peninsula than any Westerner had done before him. From the publication of his first work, *The Heart of Arabia*, he entered the ranks of those who have illuminated the exotic places of our world. The full list of his published works would more than fill this space, but we have pride in mentioning that this Institute was the co-publisher of *Arabian Highlands*, that monumental study of the 'Asir. These geographical studies, the latter history of the Peninsula and, in particular, the works of the Sa'udi dynasty occupied his mind and pen for thirty-five years. Ibn Sa'ud was fortunate in his chronicler, just as Philby was in finding his ideal.







A.I.D. - 1961