Michael Benedum’s Enduring Lessons

$500 in cash and a million dollars’ worth of nerve
2009 MARKS THE 50TH ANNIVERSARY of the death of Michael Benedum. In recognition, this year’s Report features a story on the enduring lessons that can be derived from his life and career.

Our first thought for this story was triggered by the pending boom in natural gas drilling because of the region’s enormous deposits in the Marcellus Shale. If he were alive today, it is certain that the Great Wildcatter would already be at work to recover this remarkable resource. In his long and extraordinary career, Mike Benedum demonstrated the characteristics of successful entrepreneurship—a willingness to take risks, look ahead, learn from mistakes, adopt emerging technology—and he was a man of integrity. Those qualities are just as critical today if our region is to take best advantage of this and other opportunities.

The enduring lessons of Mike’s life, however, are not just about taking chances, bouncing back from setbacks, and reaping great rewards. He remembered his roots and shared the fruits of his success with his many business partners. He demonstrated a generosity of both spirit and wealth, which were hallmarks both of his life and, through the Benedum Foundation, of his legacy. Ultimately, the Mike Benedum story is about character, in itself an old-fashioned concept, but one that is forever relevant.

William P. Getty, President
A poor Appalachian youngster born four years after the Civil War, Mike Benedum grew up to discover oceans of oil. His spectacular strikes gushed from the swamps of Colombia, the Carpathian Mountains, and the west Texas plains. During the first half of the 20th century, he amassed a $100 million fortune through an unflinching willingness to think big.

“He could probably have combined his many oil interests and created a big public-type company, like Gulf Oil,” recalled his grandnephew Paul Benedum in 1994. “But he liked to be independent and to do things his way. Remember, he was from West Virginia.”

Fifty years after his death, the legacy of the Great Wildcatter is more than the foundation endowed in the name of his only son. His essential talent, honed over a seven-decade career, was risk-taking. Constantly putting his profits to work in new venues and new ventures, he found more oil than anyone else in the world. His audacity and optimism remain a valuable lesson for today’s entrepreneurs.

The search for new technologies and resources shifts direction with each generation. Mike Benedum understood that. In the 1890s, when he began drilling for oil, half the world’s production went to kerosene, the commodity the world prized. Electricity dimmed that demand. Then, less than two decades later, the invention of the Model T ignited a century of demand for gasoline.

“I remember hearing my elders point out that all of the tillable land throughout our section of the country had been taken up and developed, and that, consequently, the younger generation had nothing to look forward to,” Benedum told a college audience in 1940. “They could not foresee that America was soon to be transformed from an agrarian to an industrial nation … that beneath their feet lay untold treasures … .”

In the 21st century, the next revolutionary discovery may encompass millions of acres on the ocean floor or a single molecule engineered in a nanotechnology lab.

Some of those treasures, like the natural gas in Appalachia’s massive Marcellus Shale, literally lie beneath our feet. Others emerge from labs: scientists are now advancing beyond silicon to make even faster microchips, while the mapping of the human genome offers new techniques to cure disease.

But, as Benedum realized, it takes vision and toughness to turn discoveries into profits.

Incidents from various points in his long career illustrate the lessons he learned—lessons that can inspire entrepreneurs as they strive for a place in a new, technology-driven economy.
trust your instincts.

“When Benedum started in the oil business at the age of 20 with $500 in cash and a million dollars’ worth of nerve.”
— Time Magazine, 1948

When Mike Benedum left Bridgeport, West Virginia, on a hot summer morning in 1890, he was acting on the best possible advice for a business career: he was going where the jobs were. With savings from his job at a gristmill, he was heading for Parkersburg, where the discovery of oil had created a bright spot during a national recession.

As Benedum struck out on his own, the nation’s economy was entering a familiar-sounding tailspin. The recession began with a bank crash. By the end of 1893, 500 banks and nearly 16,000 businesses were bankrupt. Railroad construction had fallen to its lowest point since 1851; during the worst months of the year, the national unemployment rate was 20 percent. From August 1892 to August 1896, stock prices had dropped 68 percent.

Benedum was undeterred.

By the 1920s, when he posed for this portrait in New York, Mike Benedum had already discovered major oil fields in five U.S. states, Mexico, Colombia, and Romania, with his biggest finds still to come.
Despite a meager grammar school education, his innate good manners gained him his first break. Giving up his seat on a crowded train, he fell into conversation with the man who took it. That man was John Worthington, a shrewd field manager for South Penn Oil, and he offered Benedum a job on the spot.

The chance encounter echoed a popular American theme of the day: Horatio Alger had published dozens of rags-to-riches tales of similarly earnest and talented young men. But the career that Benedum was beginning was no fiction. From his start in Parkersburg, the tall, handsome 21-year-old toured rural West Virginia, negotiating leases with farmers with a warmth and style that brought immediate success.

He could “charm the fangs off a rattlesnake,” remembered his grandnephew Paul Benedum, and was “a shrewd but fair negotiator. Often people told me that when he finished a negotiation, the terms were better not only for Uncle Mike but also for the person who brought in the original deal.”

He had a knack for spotting likely oil deposits. West Virginians described that instinct as “creekology”: examining creek beds to analyze the directions that porous sandstone would slant to trap oil.

In Pennsylvania and West Virginia, oil was found under formations that ran northeast to southwest. In later years, Benedum would learn that other formations had footprints different from those in his home territory; in some rich fields, like those in the De Mares field in Colombia, the oil simply seeped from the ground.

But no matter what others said—even in the instances in which he disagreed with his lifetime business partner, Joe Trees—Benedum trusted his gut.

It was Trees, the strapping engineer and famous Pitt football player, who shared Benedum’s first success as a wildcatter. “Trees was the better engineer, Mike was the better negotiator; both were hustlers who believed in calculated risks,” wrote Sam Mallison in his biography of Benedum. Their first well, near St. Marys in Pleasants County, West Virginia, hit a gusher late in 1896. Benedum’s instincts had paid off. He was ecstatic.

“No man who has never had the experience can understand the feeling of exhilaration that comes when you bring in an oil well, especially your first one,” he later said. “You are staggered and filled with awe at the realization that you have triumphed over a stubborn and unyielding Nature, forcing her to give up some of her treasure.”

Mike Benedum found another faithful lifelong partner in 1896. After he and Trees scored their first success, he married Sarah Lantz of Blacksville, West Virginia. Both relationships would endure for the next five decades.
Mike Benedum trusted “creekology,” but he was receptive to new theories and equipment in geophysical exploration. Twenty years into his career, that willingness to innovate was the key to opening up the vast oil fields of the Permian Basin under west Texas.

In 1918, a rangy young geologist named William Wrather appeared in Mike Benedum’s office. He clutched a set of Texas maps detailing a series of anticlines, where rock strata arched in opposite directions from a ridge, in north central and west Texas. Oil had never been found under such structures in the eastern Appalachians, and most wildcatters, including Joe Trees, doubted Wrather’s new theory. But to Benedum, the scientific data made sense. He agreed

Gasoline rationing during World War II prompted U.S. industry to innovate. Mike Benedum encouraged his West Virginia friend Jennings Randolph (left), then a U.S. Congressman, in his efforts to promote synthetic gasoline, but pragmatically told a reporter at this 1943 event that “it costs too much right now.”
to drill with Wrather in central Texas. Two gushers came in March of that year, confounding the conventional wisdom and igniting the great Desdemona oil boom. As experienced hands and hordes of unemployed veterans swarmed to the new field, Benedum posed a question to Trees, the former skeptic: “What do you think now?”

Twentieth-century tools like the magnetometer and seismograph revolutionized geology. For the first time, wildcatters could test a potential field without the risk and expense of drilling dozens of dry holes. Being able to measure physical differences between rocks that contained hydrocarbon deposits and those that did not revolutionized oil exploration. In 1926, when Wrather theorized that an oil field was trapped between parallel fault lines in west Texas, Benedum trusted the unproven idea. In July 1926, he brought in the Nigger Creek wildcat, which soon pumped 22,085 barrels a day from 33 wells.

“[Benedum] was always forward-looking on everything—new ideas and inventions,” recalled his grandnephew Paul. As the possibility of long-distance aviation excited the nation, air derbies attracted the nation’s fastest planes and daredevil pilots. Realizing that high-speed flight would afford tremendous advantages, Benedum backed construction of a U.S. entry in a 1937 trans-Atlantic competition. A Texas barnstormer and old friend, flying ace Jimmie Mattern, designed the new aircraft and navigating equipment. The romantic era of the lone aviator waned, but Benedum purchased the plane, renamed The Texan, for business use.
A YOUNG MAN’S PROSPECTS IN AMERICA: “FIRST RATE, IF HE HAS ABILITY, INTEGRITY, AND IS ON THE SQUARE.”

— JOHN D. ROCKEFELLER, JR.

Interviewed in 1909 on a young man’s opportunities, 35-year-old John D. Rockefeller, Jr. said that character would carry the day. He might have been describing Mike Benedum, whose honesty grounded his dealings with associates like Trees and competitors like Rockefeller.

Often cutthroat and conspiratorial, deal-making was the lifeblood of the West Virginia oil boom. Benedum strove to make his agreements open and above board. When his South Penn superior implied that Benedum was taking a cut from the leases he negotiated for the company and demanded he take the leases himself, the 26-year-old manager was outraged. Benedum quit the firm on the spot, and immediately borrowed $7,500 to purchase the leases.

The Fish Creek properties he assumed proved immensely productive — so much so that South Penn, a division of Rockefeller’s Constantly traveling West Virginia at the turn of the century, Benedum stayed close to his brothers and sisters. His half-brother Jim (right) and brother Charlie both worked with him during his career, as would several nephews.
Standard Oil, soon wanted them back. After a face-off with the leaders of arguably the country’s most powerful company, Benedum returned the leases to Standard for $400,000.

He also backed the promises his employees made to others, with occasionally spectacular results. When Transcontinental, a Benedum firm, leased a poor west Texas ranch, employee Levi Smith told owner Ira Yates that it would also drill on the property. Benedum thought the effort a lost cause, but told Smith that he would honor the commitment to the rancher. On October 29, 1926, a mere thousand feet below the surface, the drill struck the great Yates Field, with gushers that exceeded 200,000 barrels a day. The discovery well, now owned by Kinder Morgan, is still yielding crude and has produced 1.4 billion barrels to date.
As West Virginia oil production diminished, Benedum’s brother Charlie urged him to put his proceeds from the Standard deal in some safe local concerns. He agreed, investing conservatively in glass and pottery plants and the First Citizen’s Bank of Cameron. But in 1904, all three ventures failed. Bank president Benedum was wiped out. Borrowing $3,000 from another bank, he doubled down on his wildcatter instincts, using $2,500 to buy a lease. A well hit. With the proceeds, he repaid every bank creditor. For the rest of his career, he avoided all industries but oil.

Within a year, he had made another fortune. Flush from a spectacular $8 million strike in Illinois, Benedum and Trees decided to test their luck in Oklahoma. Leasing several thousand acres, they attempted to drill an exploratory well. Hidden rock formations stymied that effort, and the pair quit after $50,000 of hard labor.

Learn from failures.

“'I'VE ALWAYS LOST MONEY WHENEVER I FOOLLED WITH ANYTHING BUT OIL.”

— MIKE BENEDUM

Gushers like the one at left in Crawford County, Illinois, in 1907 promised opportunity to wildcatters and roughnecks alike. Reports of oil strikes drew thousands to Oklahoma, Louisiana, and Texas to make—and often lose—their fortunes.
They could not know that they had stopped just 130 feet short of a giant oil field; the Cushing pool would be discovered by Tom Slick, Sr. five years later. But the near-miss taught them a lesson.

They moved in 1907 to Caddo, Louisiana, where a field of natural gas and oil had tempted many drillers. But explorers seeking oil found unpredictable hazards. Earth-shaking explosions of natural gas would turn wells into craters, often swallowing the drilling equipment. On a hunch that oil underlaid the gas deposits, Benedum and Trees began to drill on a lease of 130,000 acres, a much bigger gamble than their Oklahoma stake. When they drilled six feet deeper than their competition had gone, they hit a 3,600-barrel-a-day gusher.

As the wildcatters drilled alongside the lakes and bayous, others grabbed nearby leases to drill underwater. The competition was stiff; the submerged wells were deep and expensive.

“You see,” Benedum later recounted with a smile, “we made a little mistake. We thought we had the entire field to ourselves and could develop it at our pleasure… it never occurred to us that you could drill for oil in water.” Forty years later, with the necessary capital in hand, Benedum would build a $500,000 floating rig to successfully capture offshore oil in the Gulf.

At the end of the Roaring Twenties, Benedum’s willingness to think big lured him to a far grander venture in South America.

Over an area as big as Florida and Mississippi combined, a Peruvian railroad engineer offered Benedum and Trees a vast concession—if they would finance and build a $15 million railroad to the Pacific over the Andes Mountains. Mike Benedum quickly realized the region’s potential riches of oil, lumber, iron, and minerals. His European emissary quietly met with heads of state in Spain, Germany, and Italy, all of whom promised vast numbers of willing immigrants.

The daring scheme failed. In 1929, the stock market crash and a revolution in Peru destroyed his hopes and his $1.6 million investment. A decade later, as the European nations girded for war, Benedum reflected on the potential impact of a German–Italian colony in the Americas. He offered a low-key observation of his previous plan: “There is such a thing as a man’s being too successful for his own good.”
persevere.

“A WILDCATTER CAN’T QUIT. NO MATTER HOW ENORMOUS THE ODDS AGAINST HIM. THE OIL’S THERE WAITING, BUT IT WON’T SHOW ITSELF UNLESS YOU SEEK IT AND SEEK IT STRENUOUSLY.”
—MIKE BENEDUM

Over a 70-year career, Mike Benedum traveled widely, to Rumania, China, and the Yukon. But he was rarely on vacation. A gambler by profession, he backed his oil bets with constant study of every aspect of his ventures. When others described his unerring instincts, they were often seeing the result of shrewd preparation. “I watched Mike Benedum’s luck,” said an associate. “It consisted in his knowing every well he was drilling, plus the exertion of considerable ability in the way of a great brain and a great personality.”

Benedum taught himself the oil business on the job. Quitting school at 16, he had worked at a gristmill until he nearly lost an arm in an accident. During a painful recuperation, he decided to try a less dangerous occupation. Four years as a South Penn lease hound

Wildcatters carried shotguns as they prospected in 1911 in Tampico, Mexico. As bandits roamed through wild jungles, Mike Benedum (left) was briefly held hostage, but pressed on to secure a major new oil field as World War I loomed.
fourth side to catch the overflow. Joe Trees recounted the story with his characteristic brio: “A spark between the hammer head and a nail would have blown us to eternity.” Benedum waded in to hold the boards as roughneck Shad Pollock nailed them in place—a maneuver that came off without a hitch.

“Mike had plenty of nerve—whether it came to risking money or his skin,” said Trees.

In west Texas, Benedum’s Plymouth Oil Company had drilled an unheard-of 10,000 feet in 1946. The great wildcatter, then 78, had a hunch that a field was waiting, but he lost $1 million waiting for the well that failed to yield. When another driller, Tom Slick, Jr., suggested a partnership in return for a half-interest, Benedum agreed to push on. His tenacity was rewarded. After drilling another 1,500 feet, the well ruptured. Fittingly, the enormous find—over 50 million barrels—was named Benedum Field.

Benedum gambled his capital frequently. When the occasion demanded, he also risked his neck. Drilling as a young man in Caddo, with its fireballs of natural gas, he saved a well’s production with a dangerous move. As the well fired a fierce plume of sand, oil, and gas through the derrick, the team struggled to bring it under control. Benedum decided that the only way to save the oil below was to board up three sides of the rigging and dig a ditch on the
gave him the background to launch his own firm. After days at the office or in the field, he would return home to pore over maps and production figures, divining new opportunities.

Fortune magazine profiled his evenings at his Pittsburgh home, calling his life “a bridge between his office and Greystone”: “[after dinner] he gets out a paper and pencil and, from the geological data on the porosity and thickness of sand beds, he joyously figures the theoretical acre-yield of properties in which he is interested.”

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In West Virginia, Mike Benedum first learned how natural resources could bring prosperity to a community. As late as 1941, he agreed to drill for oil in his home state, though the effort failed. Throughout his life, he cherished his roots there. “The men and women of West Virginia are still the real princes and potentates of the heart to me,” he admitted, long after his move to Pittsburgh. After the turn-of-the-century oil boom had moved on, Benedum invested in other local assets: education and faith.

Benedum quietly provided grants and loans to students at more than two dozen colleges in West Virginia, western Pennsylvania, and Ohio. In 1956 alone, he helped more than 600 men and women complete their degrees. Examples of his affection still stand in his

Mayor of Bridgeport and a vigorous debater, Mike Benedum’s father Emanuel lived to age 92. His grandson Claude, shown with him here, was Mike and Sarah’s only child. Dying of influenza during the epidemic of 1918, he outlived his grandfather by only nine years.
hometown of Bridgeport, where he built its civic center and magnificent Methodist Church.

Believing that giving people work was better than giving them handouts, he used his access to Franklin Roosevelt to urge public works programs. He knew firsthand that they worked, from a practical plan hatched by Joe Trees. Trees had enlisted his partner and other leaders in creating the Helping Hand Fund in Allegheny County, which led to adoption of a similar relief program throughout Pennsylvania and became a model for Roosevelt’s Public Works Administration.

To support faith-based efforts to provide jobs, Benedum also led a successful capital campaign for the Methodist Church Union, whose Goodwill Industries provided vocational training for the handicapped.

“The individual who seeks to climb the ladder alone will never find the way to Paradise,” he explained in the codicil to his will. “Only those who sustain the faltering ones on the rungs above and extend a helping hand to the less fortunate on the rungs below, can approach the end with the strength of sublime faith and confidence.”

The Benedum family traits of tall, erect posture and blue eyes are reflected in this early photograph of sisters Sophia (seated), Clara (left), and Ella May, and brother Charlie. Charlie’s son Paul would later become one of the first trustees of the Benedum Foundation.
Benedum believed that his employees should share the rewards, as well as the risks, of the Benedum-Trees Oil Company. As the firm grew, moving to its Pittsburgh headquarters in 1907, he helped employees invest in the company’s holdings; one who became wealthy as a result of that sharing was the “prim, gray-hair” bookkeeper, Miss Margaret Davis, who left an estate of $1 million upon her death. In an era with no safety nets for retired workers, Benedum quietly paid pensions to retirees.

His ideas about fairness for workers led him into an active engagement in politics, though he never ran for office. A lifelong Democrat, Benedum became convinced in the 1930s that Roosevelt’s...
campaign for president could be advanced by voter turnout in the black community, at that time a Republican bloc.

Throughout his career, Benedum had supported agencies in Pittsburgh's black community, from the black YMCA to the Urban League. He also understood that the Pittsburgh Courier, a well-respected weekly newspaper, had the potential to reach the national African-American audience.

As the Depression approached, Pittsburgh had the fifth-largest black population in the nation, and Southern blacks were migrating to other Northern industrial cities. Courier publisher Robert Vann sought funds to launch a national edition, but struggled with the $104,000 cost of a new printing plant. Benedum quietly donated a portion of the cost. The exact amount, while never disclosed, was sufficient to earn Benedum the newsroom nickname of “Great White Father.”

By the time Franklin Roosevelt launched his first presidential campaign, the Courier was an influential national voice. When Robert Vann considered defecting to the Democratic party, Benedum enlisted his aid. Both believed that FDR could lure blacks from their traditional home in Abraham Lincoln's party. Pennsylvania had the largest proportion of potential black voters in the nation, and Benedum worked with local and national Democratic leaders to persuade them to change allegiance. He is credited with coining the famous slogan, “Turn Lincoln's portrait to the wall,” that Vann used in urging defection to the Democratic party. Writing weekly checks to the national Democratic committee, introducing Franklin Roosevelt at a Forbes Field rally, and “helping in every way I could,” Benedum helped bring in Roosevelt and Allegheny County's first-ever Democratic victory.

The tide was turned. The Republicans lost their statewide majority in 1934, and the next year the legislature banned racial discrimination in public places.

For Benedum, civil rights was simple justice. “I want the colored people to receive a just and equitable share of the products of this country which for over 300 years they have helped to produce,” he told the Courier in a 1943 interview. “I hold this to be fair. No American should ask for more, and no American should receive less.”
Mike and Sarah’s only son, Claude, died on October 18, 1918, in an army hospital in Washington, D.C. Without an heir, the Benedums directed their fortune to a charitable foundation that would help people help themselves. Established in 1944, the Claude Worthington Benedum Foundation received its first substantial gift of $4.5 million upon Sarah’s death in 1951. Augmented by another $50 million after Mike’s death in 1959, the Foundation’s assets have grown to $294,635,756, and it has made more than 7,200 grants totaling over $355,000,000. The Foundation continues a tradition of commitment to West Virginia and Southwestern Pennsylvania.

Benedum never retired. Ever the optimist, he was mindful of the great opportunities that the 20th century had provided. Three years before his death, he looked back with characteristic appreciation:

“While life is dear and we seek to cling to it, I come down the home stretch with the deepest sense of gratitude that I have been permitted to live in the most productive and exciting time in all of history,” he told a West Virginia audience. “If it were given me to live my life over again, I would not want to make any changes.”

ACKNOWLEDGMENTS:
Robert L. Vann of the Pittsburgh Courier: Politics and Black Journalism
Andrew Buni, University of Pittsburgh Press, 1974
The Great Wildcatter: The Story of Mike Benedum
Sam T. Mallison, Education Foundation of West Virginia, 1953
The Greatest Gamblers: The Epic of American Oil Exploration
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“The Big Strike” Time, January 19, 1948

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