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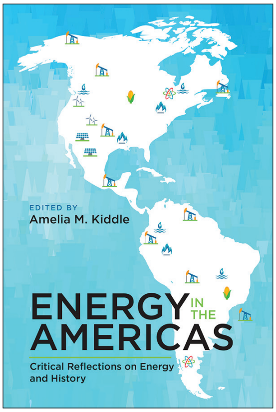

ENERGY IN THE AMERICAS: CRITICAL REFLECTIONS ON ENERGY AND HISTORY

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The Commercial and Political Dynamics of the Crude Oil Industry: The Case of the Royal Dutch/Shell Group in Venezuela, 1913–1924

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The development of the oil industry in Venezuela took place during the dictatorship of General Juan Vicente Gómez, who came to power in a bloodless coup on 19 December 1908 and died in his sleep on 17 December 1935. In order to secure peace and stability at the beginning of his rule, Gómez maintained a delicate neutrality between the various political factions that were claiming him as their true leader. Venezuela in 1908 was little known to the outside world, but by the time of Gómez's death almost three decades later, the country was the second-largest crude oil producer in the world and of vital strategic importance to the British Empire, as well as a significant supplier of crude oil to the Atlantic Seaboard of the United States.

Venezuelan historiography tends to treat as predetermined the fact that the country would by 1928 be the world's second-largest crude oil producer after the United States. There is also the widespread assumption that the Royal Dutch/Shell Group (henceforth Shell) was protected by the Gómez government. However, as we shall see, Shell's experience during the early phase of the industry's development was far from easy. Between

1913 and 1924, most of its oil concessions were disputed by the Venezuelan government, American oil companies, and foreign and Venezuelan nationals, in particular close members of Gómez's family.[1] As a way of illustrating the non-operational problems faced by a foreign oil company developing a nascent oil industry, this chapter, after a brief look at Gómez's economic plans and the international oil industry, examines Shell's initial entry into Venezuela and the legal difficulties encountered by its various operating subsidiaries.

Background

The political and economic problems that Gómez faced at the beginning of his rule in December 1908 were considerable. Gómez's initial economic plans were ambitious, given the backwardness of the country's economic infrastructure and Venezuela's bad reputation in the major international money markets. Gómez was well aware of the economic constraints operating in the country and the adverse influence that German trading houses exerted on its economy. It was therefore necessary to stimulate the development of an independent source of revenue free from traditional political influence. Consequently, from the outset of his rule, Gómez encouraged the establishment of a healthy and thriving mining industry.[2] There was nothing new in this idea, as past rulers had also pinned their hopes on large mining revenues. What was novel in Gómez's case was that he achieved his objective through exploitation of the country's crude oil reserves during the 1920s. As a result, Venezuela was one of the few countries in Latin America to survive intact the Great Depression of the 1930s, largely due to increasing government revenues from the crude oil industry. When Gómez came to power in 1908, the foreign debt stood at $43.3 million and the internal debt at $13.9 million. In the ensuing years after 1908, the debt was gradually paid off every year until 1930, when a budget surplus of $20.6 million allowed Gómez to celebrate the December 17 centenary of Simón Bolívar's death by cancelling the country's large foreign debt.[3] Similarly, the domestic public debt, which stood at $13.9 million in 1908, was almost completely paid off by the time of the dictator's death in December 1935.[4]

The relationship between oil companies and governments is one of continuous adjustment to the changes in the international oil markets and the local economic and political situation, with the host government being in a fundamentally weaker position than the companies. At the beginning of the twentieth century, especially after the invention of the diesel engine, world oil consumption increased rapidly.[5] The First World War demonstrated the importance of oil as a cheap source of energy, as well as the dependence of the industrial world on this new motive power. At the time, the two main oil-producing countries in the world were the United States and Russia, with the former accounting for 68 per cent of total world oil production in 1918. Western Europe did not possess large reserves of crude oil, with countries having to source their crude oil supply from outside the region. The British government, for example, in order to guarantee crude oil supplies to its navy in 1914, acquired a 51 per cent stake in the Anglo-Persian Oil Company, which held a large oil concession in Persia (Iran).[6] Prior to the First World War, the United States produced enough crude oil to supply itself and its foreign markets, but after the cessation of hostilities in 1918 it became alarmed at the possibility that it would no longer be able to supply its domestic market. With the decline of production from its continental oil fields, it was predicted that the US would soon be importing large volumes of foreign crude oil to satisfy its growing demand for petroleum products in the transport and industrial sectors.[7] As a result, after the First World War American crude oil companies started to explore "how and where [they] can secure a sufficiency of crude to enable it to meet both the domestic and foreign demand for refined products."[8] In 1919, the State Department sent a circular to all US ambassadors and ministers urging them to assist American capital in its search for oil concessions.[9] This allowed Shell, and later Exxon and Gulf Oil, to supply their foreign markets with cheap Venezuelan oil at relatively high US prices through the "Gulf +" pricing structure then in use for international crude oil trades.[10]

The rapid development of the Venezuelan oil industry was directly linked with the exploitation of the crude oil concessions held by Shell. In the 1920s, Venezuela offered Shell an alternative source of oil that was more attractive than a politically unstable Mexico, which was 5,000 miles away from Britain, compared to Venezuela's 3,700 miles.[11] The decade also

Table 3.1 Average Cost of Delivered Crude Oil to the Atlantic Seaboard: Comparison between US, Venezuela, and Rest of World (Including Venezuela), 1927–1930 ($/barrel)

	1927–1930		
Area of Activity	**US Domestic**	**Venezuela**	**Rest of the World**
Cost of production	1.09	0.62	0.87
Selling costs	0.04	0.0	0.0
Pipeline costs	0.49	0.0	0.0
Tanker charges	0.27	0.25	0.28
Total	**1.89**	**0.87**	**1.15**

Source: US House of Representatives, 1932, House Document No. 195, Adapted, Table 25, 49.

saw increasing doubt about the sustainability of Mexican crude oil production, with many oil companies looking for a secure alternative source of crude oil to supplement US domestic oil production. Venezuelan crude oil first entered the United States in large quantities in 1926, when 12.5 million barrels were imported; this rose to 50.7 million barrels in 1929, while Mexico's share of total oil imported into the United States declined from 99 per cent in 1920 to 14 per cent in 1936. Venezuela's share of US crude oil imports increased from 2 per cent in 1925 to 70 per cent in 1936.[12] Venezuela also became the largest crude oil supplier to Britain, delivering 40 per cent of the country's total demand on the eve of the Second World War.[13] Venezuela's large increase in oil production was accompanied by a huge rise in foreign capital investment in the country's oil industry. US investments in the country grew from $8 million in 1914 to $247.2 million in 1930, compared with British investments of $125 million in 1930.[14]

The Royal Dutch/Shell Group

In 1913, Shell secured large crude oil concessions in Venezuela by purchasing two General Asphalt Company (GAC) subsidiaries, the US-registered Caribbean Petroleum Company (CPC) , which held the Rafael Maximiliano Valladares concession of 2 January 1912,[15] and the British-registered Colon Development Company Ltd. (CDC), which held the

Andrés Jorge Vigas concession of 31 January 1907.[16] Sir Henri Deterding, managing director of Shell, later acknowledged that this was the group's "most colossal deal."[17] In addition, in 1915 Shell further added to its acreage by acquiring the British-registered Venezuelan Oil Concessions Ltd. (VOC), which held the Antonio Aranguren concession of 28 February 1907.[18]

Shell first found crude oil in commercial quantities on 31 July 1914, when CPC drilled and completed the Zumaque No. 1 well that discovered the large Mene Grande oil field. Eight years later, on 14 December 1922, VOC drilled the Los Barrosos-2 well, which initially produced 87,600 barrels of oil per day (BOPD) and discovered the La Rosa oil field.[19] These discoveries meant that Shell would play an important role in developing Venezuela's oil industry, and it soon became the country's largest oil producer. Shell produced 166,005 BOPD in 1933, equivalent to 51.2 per cent of the country's total production, followed by Exxon, with 30.5 per cent of the total.[20] Shell's crude oil production in Venezuela increased so rapidly that in 1925 it overtook the company's production in Mexico, and by 1929 it surpassed its domestic US production (see figure 3.1).

In 1925, as figure 3.2 shows, VOC overtook CPC to become Shell's largest oil-producing subsidiary in Venezuela.

Shell's activities in the country yielded spectacular financial results, with VOC reporting net profits averaging $10.6 million between 1927 and 1929 and a return on equity above 80 per cent in 1928–9.[21] As we can see in figure 3.3 below, Shell's performance is even more outstanding when compared with the financial results of the Canadian-registered British Controlled Oilfields Ltd. (BCO).

With Shell's entry into Venezuela in the 1910s, there was optimism in government circles that an oil bonanza was about to start, especially after the company constructed in 1912 a small 1,200-BOPD refinery at San Lorenzo, Zulia State.[22] In spite of this optimism, the various Shell subsidiaries faced a number of major operational drawbacks, the most important being the country's lack of adequate infrastructure. In addition, the initial progress made by VOC was hampered by unhealthy working conditions and the impossibility of preventing workers from getting malaria. In the case of CDC, its geological prospecting team also had to contend with attacks by the Indigenous Motilone people.[23] As a result, most of Shell's

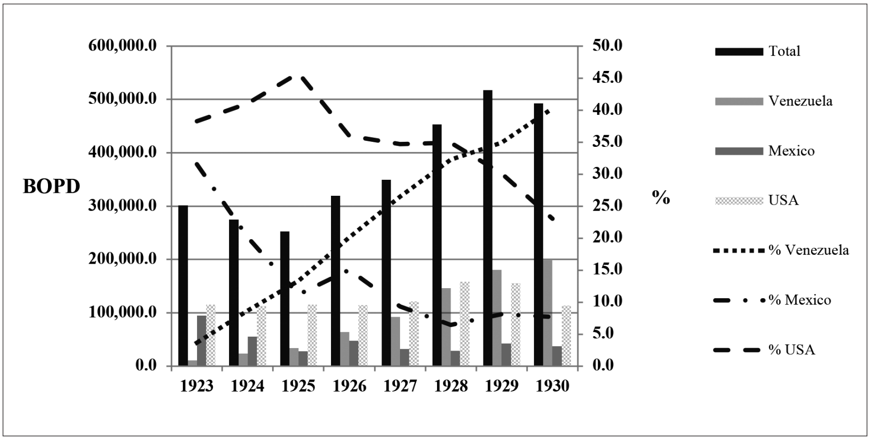

Figure 3.1 Shell Production: Total, Venezuela, Mexico, and US, 1923–1930 (BOPD and %)

Source: Adapted from Royal Dutch Company, *Annual Reports*, 1923–1930.

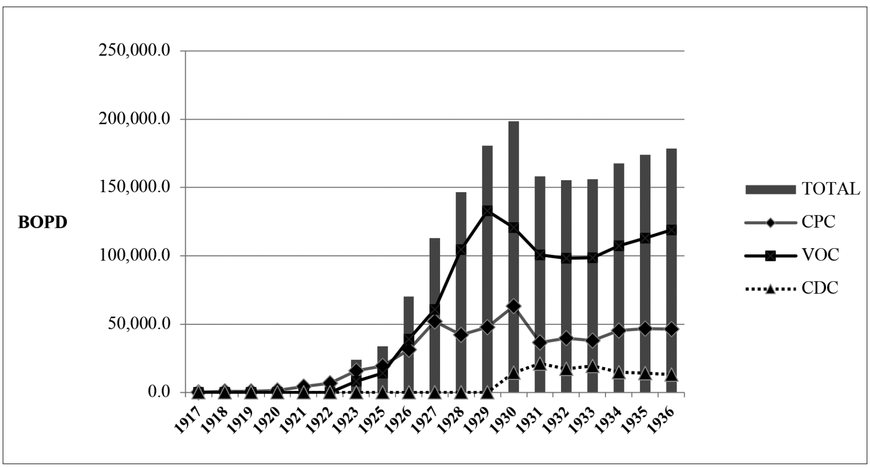

Figure 3.2 Shell: Venezuelan Crude Oil Production by Subsidiaries, 1917–1935 (BOPD)

Source: Adapted from Royal Dutch Company, *Annual Reports*, 1917–1935.

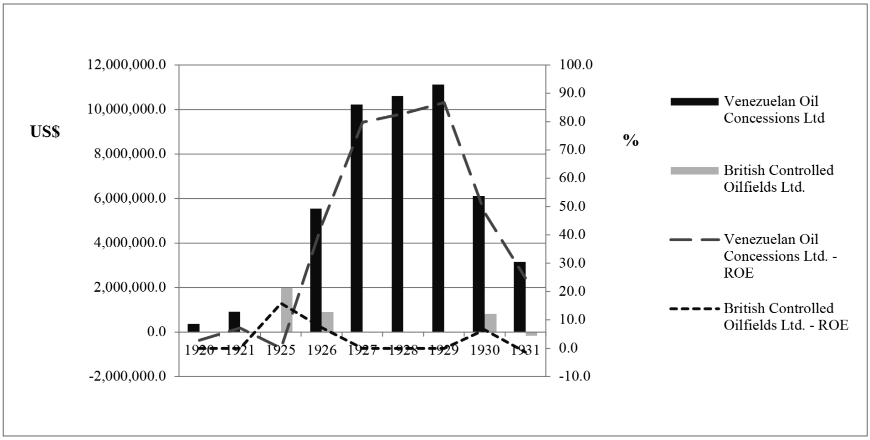

Figure 3.3 VOC and BCO: Net Profits and Return on Equity (ROE), 1920–1931 ($). To simplify matters, the net profits of VOC and its parent company, OCHCL, were added together.

Source: Calculated from *Oil News*, *Petroleum Times*, and *South American Journal*, 1920–1931.

acreage remained unexploited, and government revenues from the nascent oil industry remained low. This caused friction between the government and Shell, as the former threatened to cancel the company's concessions if large-scale exploitation of its acreage did not start soon. Furthermore, a number of American oil companies that entered Venezuela after the First World War were prepared to acquire Shell's oil assets if the government rescinded the company's concessions. Other vested interests that wanted to acquire Shell's assets included close members of Gómez's family, in particular the dictator's brother, General Juan Crisóstomo Gómez (Juancho Gómez), who since 4 August 1913 had served as president of the Federal District.[24] Juancho Gómez was one of the main instigators—with the backing, in some cases, of certain American oil companies—who sought to challenge the legality of Shell's concessions. Hence, the biggest problem that Shell faced at this early stage was not operational but, rather, the struggle to retain its large concessions. The legal challenges to Shell's concessions, examined in more detail below, can be grouped into three broad categories: (1) threats from private interests; (2) the slow development of its concessions; and (3) overlapping claims over the same acreage.

Threats from Private Interests

THE MERCADO-ARANGUREN DISPUTE

On 4 March 1907, Aranguren sold half his concession to Lorenzo Mercado and Manuel Revenga for Bs. 15,000.[25] A year later, in March 1908, Aranguren bought back Revenga's share and sold a further 5 per cent stake to Mercado, who transferred it to Eduardo Brasch and David Bickart.[26] When the Mining Law of 29 June 1910 was enacted, the Aranguren concession was rescinded because it was awarded under the previous Mining Law of 14 August 1905 and its regulations of 23 February 1906. However, on 28 June 1912, Aranguren adapted his concession to the new 1910 Mining Law.[27] Mercado, however, did not adapt his 25 per cent share of the concession to the 1910 Mining Law, allowing Aranguren to inadvertently retain the sole right to the whole concession.

On 29 May 1913, Aranguren transferred his concession to VOC. Two years later, in early 1915, the company ran into financial difficulties and was taken over by Shell.[28] On 28 June 1915, with VOC now a Shell subsidiary, Mercado initiated at the Juzgado de Primera Instancia en lo Civil in Caracas a suit against Aranguren and the company in which he claimed that 25 per cent of the concession, valued at "*two million* bolívars," still belonged to him.[29] Aranguren and VOC countered that Mercado's claim was null and void because he failed to adapt his share of the concession to the 1910 Mining Law. Moreover, article 7 of the 1905 Mining Law and article 132 of the attached regulations prohibited the transfer of a contract to a foreigner without the previous consent of the Development Ministry, something that Mercado, a Spanish citizen, had failed to obtain. Finally, when Mercado was expelled as *persona non-grata* by the Cipriano Castro government on 11 July 1908, he lost his concession because the 1905 Mining Law automatically rescinded any concessions held by a foreigner when they left the country.[30] As a result, the court dismissed Mercado's suit on 14 December 1915.[31]

Mercado appealed to the Superior Court of the Federal District to get the decision revoked, arguing, *inter alia*, that the concession's transfer to VOC was null and void because no price was stipulated in the contract.[32] VOC and Aranguren opposed the action, using the same arguments they had brought before the lower court. Mercado now sought to obtain a favourable decision in his appeal by using his influence in government circles. Dr. Antonio María Delgado Briceño, secretary general of the Federal District—described by Preston McGoodwin, US minister, as "unscrupulous and brutal in the extreme"[33]—met with Justices Juan Pablo Colmenares, Juvenal Anzola, and Carlos Jesús Rojas Fernández to inform them that Juancho Gómez required a court sentence "favourable to Mercado."[34] A few days later, Delgado Briceño handed Rojas Fernández, the chancellor of the court, a letter from Alejandro Urbaneja, Mercado's attorney, containing the text of the decision the court should render and reinforcing Juancho Gómez's desire that the court should follow Urbaneja's instructions in deciding the case.[35] Rojas Fernández took the matter directly to Juancho Gómez, who declared that neither he nor his brother had interfered in the legal case, as they "wanted the absolute independence of the Judiciary and the strict adherence of the law."[36] Following this clarification, which was later strengthened by orders received directly from Gómez on the judiciary's independence, Rojas Fernández concluded that Delgado Briceño and Urbaneja were influencing the court's proceedings for personal gain, with the court deciding on 28 June 1916 in favour of Aranguren and VOC.[37] In spite of the Superior Court's sentence, Mercado on 18 January 1917 appealed the decision at the Federal and Cassation Court (CFC in Spanish).[38]

In London, the rumours that VOC was about to lose its concession because of its dispute with Mercado had an adverse impact on the company's financial standing.[39] As a result, Duncan Elliott Alves, VOC's chairman, appealed to Gómez in October 1918 to resolve the quarrel; it was, he explained, causing "great dissatisfaction" among VOC's shareholders to the detriment of Venezuela's creditworthiness.[40] Alves stressed that the development of the oil industry would be hindered unless the court decided in VOC's favour.[41] He also explained his fears to Pedro César Domínici, Venezuelan minister at London, who informed Gómez that any delay in resolving the case would only increase the hostile sentiment against

Venezuela—again, to the detriment of the country's ability to access British money markets—because "these English merchants are only interested in making money."[42] Gómez replied to Alves assuring him and his shareholders that a quick solution would be reached in the dispute by persuading VOC and Mercado to negotiate an out-of-court settlement.[43]

THE ERCON WALD WOLSTAM HODGE CLAIM

Under the Código de Hacienda (Treasury Regulations) of the time, any oil concessions that were subsequently found to have been granted under illegal terms reverted to the state, with the government granting 40 per cent of the property to the denouncer of the illegal contract. On 16 February 1917, Ercon Wald Wolstan Hodge, a Trinidadian, entered a petition at the CFC against the Ministries of Finance and Development claiming that "the Valladares concession (held by CPC) was illegal and unconstitutional."[44] A week later, on 23 February 1917,[45] Hodge sold his legal case for Bs. 10,000 to the Paria Transport Corporation (PTC),[46] an American company that would acquire 40 per cent of the Valladares concession if the claim was upheld.[47]

Urbaneja, now attorney general, needed to consider a number of issues before allowing the court to adjudicate on the case, including the government's ability to decide under the Treasury Act whether the property was indeed denounceable, whether the property in question belonged to the government, and whether there was sufficient proof on which to base a claim.[48] In the end, Urbaneja did not need to consider these issues as the law provided a convenient escape clause by allowing the government to determine whether a valid claim was in the best interests of the country.[49] In assessing whether the claim was beneficial to Venezuela, the government considered a possible US reaction to CPC, an American-registered company, losing its concession to a company owned by "undisputed American capital."[50] Bernardino Mosquera, foreign affairs minister, concluded after seeing McGoodwin on March 13 that the American government would probably press for compensation for CPC.[51] PTC did not want the State Department's help because it felt that the government would cancel the concession to appease an American government that was intensely irritated with Venezuela's avowed neutrality during the First World War.[52] The State Department, however, showed no interest in the case because its only concern was to help bona fide American interests that had been "manifestly denied justice."[53] The cabinet, after debating the Hodge claim, concluded on 17 March 1917 that the Valladares concession was null and void from a legal point of view.[54] However, after consulting with Gómez,[55] the cabinet decided that cancellation of the Valladares concession was not in the national interest, and so declared the Hodge claim "inappropriate."[56]

The Slow Development of Oil Concessions

CPC

The slow development of CPC's large concession, with production increasing from 0.25 BOPD in 1912 to a paltry 87.8 BOPD five years later in 1917, brought it into conflict with the Development Ministry. On 7 February 1918, Development Minister Gumersindo Torres informed the company that it was not fulfilling its legal requirement to develop its concession.[57] Lewis J. Proctor, CPC's managing director, believing that the company was being harassed by the government because of a misunderstanding,[58] replied to Torres on 12 April 1918 that CPC was not only at the forefront of the country's nascent oil industry—it was also the largest company exploiting Venezuela's natural resources, with total capital investments of Bs. 20,782,842,[59] second only to the Callao Gold Mining Company, which started exploiting its gold reserves in 1870, with total investments in 1918 of Bs. 20,000,000.[60] Moreover, Proctor argued that CPC's operating concession was stricter than other mining companies, as it had to drill on each of its selected exploration blocks, whereas other concessions only required work on one site for the government to declare the concession in production. Additionally, CPC's tax bill in 1917–18 of Bs. 1,495,960 was higher than any other oil/mining company in the country.[61] However, CPC's taxes on crude oil production amounted to a trifling Bs. 56,960, equivalent to 3.8 per cent of the total paid, while the prorogation of titles and stamp duty accounted for 61 per cent of total taxes.[62]

In May 1918, Torres decided that the best way forward was for the cabinet to discuss the issue. It ultimately concluded that CPC could retain its concession provided it paid the minimum production tax of Bs. 1,000 for each of its 185 production blocks, even though almost all of them were not in production, and that its remaining 235 exploration blocks should also pay the minimum production tax per block and be in production within three years, something the company accepted.[63]

CDC

The government was also unhappy with CDC's slow development of its Vigas concession, which in 1915 only had three blocks in production covering 800 hectares out of its total of 1.98 million hectares.[64] The problem was that Shell had no intention of developing CDC's concession until it had resolved the problem of the Vigas "B" minority shares in the company held by the American-owned Carib Syndicate Ltd. (CS). The shares gave CS the automatic right to a 25 per cent participation in any future funding without having to pay for the additional equity issue.[65] CDC decided to ignore the government's enquiry, but after waiting for eighteen months for a reply, Torres, who felt that this was "too long for an answer,"[66] informed the company in October 1919 that it "could not claim exclusive right to all the petroleum deposits in the district," and that its concession would be declared lapsed.[67] Cecil Dormer, British minister, felt that Torres had been "got at by some Americans acting through Julio Felipe Méndez, Gómez's son-in-law"[68] because "the threat was such a monstrous one and so in direct contradiction to the terms of the contract that it seemed to be a clumsy attempt to induce the company to give up a part of the concession out of fear."[69]

In spite of Torres's impending legal action, CDC still refused to address the minister's concerns. Consequently, on 5 January 1920 the government notified the company that it was taking it to court,[70] an action that CDC protested vigorously. Further notes followed in which both parties reiterated their divergent views. However, in early March 1920, Torres appeared to have changed his mind, as he informed Major Stephen H. Foot, CDC's representative in Caracas, that he was ready "to discuss the matter in a friendly way."[71] Dormer immediately met with Esteban Gil Borges, foreign relations minister, to seek an explanation for Torres's attitude, explaining that he was "at a loss to understand it after the repeated assurances of General Gómez and Dr. Victorino Márquez Bustillos, the Provisional President of the country, that foreign capital was safe in this country."[72] Dormer further warned Gil Borges of the consequences if

CDC's concession was rescinded, but the minister denied that such action was contemplated and promised to speak to Torres. After the meeting, Dormer reported to the Foreign Office in London that Gil Borges was so "emphatic that I no longer felt any misgivings."[73]

However, at the next cabinet meeting Attorney General Guillermo Tell Villegas Pulido was instructed to start legal action at the CFC against CDC to get the company to either reduce its concession to its current 800 hectares or pay the surface tax of Bs. 2 per hectare over its entire concession.[74] Dormer immediately sought Gil Borges's explanation for this unexpected turn of events, with the foreign affairs minister expressing "the greatest concern" about the problem and assuring the British minister that "the matter had never come before the Cabinet."[75] This was a blatant distortion of the facts by Gil Borges, probably designed to keep Dormer at bay because he later confessed privately to the British minister that he was unable to do anything for "fear of being accused of having a personal interest" in the case.[76] Dormer felt that the issue was "more than a departmental matter," because there were a number of concession hunters in the country, including Exxon, who were backing the government's position, and he advised London that he wanted to give the government "a friendly warning that, if the courts decided against the company, His Majesty's Government would not look with indifference on the setting aside of a contract."[77]

In spite of its posturing, the Venezuelan government was looking for an early settlement, with Dormer encouraging Foot to arrange with Villegas Pulido a postponement of the litigation, which was achieved on March 15, the very day that CDC needed to respond to the charges the government had introduced at the CFC.[78] Torres interpreted CDC's move as a moral victory for the administration, proof that the company was ready to accept the government's terms. Gómez also felt the same way, expressing to McGoodwin in early April that the concession was too large for CDC and that he intended to press it to "show cause why concession should not be annulled for non-compliance with terms."[79] However, as there was no further progress with CDC, on 7 April 1920 Gómez took matters into his own hands and initiated legal proceedings to get "Shell to pay annual taxes of Bs. 3,800,000 (retroactive from 1915) or renounce its concession."[80]

The government, encouraged at this juncture by Exxon, "who may be making determined efforts to turn out the British companies,"[81] was also considering challenging the concessions held by VOC and BCO. Dormer reported that "American secret support of [the] government's attitude is more patent than concealed,"[82] a view that was later confirmed by David W. Murray, head of the Latin American Division at the State Department, in a memorandum to Sumner Welles, assistant secretary of state, that indicated that the American government's main aim was to get CDC's concession cancelled[83] and that it therefore refused to assist any companies that were "either British controlled or closely affiliated with British control companies,"[84] including, *inter alia*, CDC, GAC, and CS. On 16 April 1920, the American Addison H. McKay,[85] who was closely connected with Méndez and Juancho Gómez,[86] offered on behalf of the Sun Oil Company and Exxon to pay $1,350,000 each to the government and Gómez for the privilege of exploring for one year the concessions held by CDC, VOC, and BCO.[87]

In London on 11 May 1920, Foreign Office representatives and the directors of CDC, VOC, and BCO held urgent talks with Domínici, who afterwards telegraphed Gómez to say that the intended legal action against the British oil companies had caused "deep concern in financial circles interested in oil development."[88] In a lengthy report to Gómez the next day, Domínici explained that forcing the companies to pay the production tax of Bs. 2 per hectare on their entire concessions would mean BCO would have to pay an additional annual tax of Bs. 1 million, with the other companies paying slightly less, leading to the "abandonment of production" and "panic among thousands of shareholders in those companies."[89] Moreover, the dispute would significantly delay the development of the Venezuelan oil industry "because nobody in England would invest a penny before knowing the outcome of the legal case." According to Domínici, that was bound to "cause us abroad more harm than good," with a loss of confidence that "will take a long time to regain."[90]

CS also viewed developments in Caracas with "great alarm," because if the Vigas concession was annulled it would lose its investment in CDC, which was valued at $10,000,000.[91] GAC was also concerned about its stake in CDC, with a series of meetings between CS, GAC, and State Department officials in Washington that culminated on 18 May 1920 when Carl Kendrick MacFadden, CS managing director, requested US assistance in the company's legal fight.[92] However, the American government refused to help a British-controlled company resolve its problems in Venezuela.[93] In London, the Foreign Office was also concerned, instructing Dormer that he should take "all possible action to prevent any reduction in areas for which concessions have been obtained."[94]

The Venezuelan government did not want to rescind the concession, but instead was trying to reach a compromise solution, agreeing on three consecutive occasions to postpone its legal action against CDC up to a final deadline of June 10.[95] However, as there was no adequate response from CDC, the cabinet at a meeting in early June decided unanimously to annul the Vigas concession because the company had been given ample time to reach a settlement.

Dormer believed that Gómez did not want to alienate British capital and was sure the debacle would end once he was fully aware of the unintended consequences that such action would entail. Consequently, on June 10, Dormer sent such a strong diplomatic note to Gil Borges that it left the latter no option but to forward it to Gómez. In it, Dormer stressed that the British government did not "support a reduction in the area of concessions acquired by legal contract between the government of Venezuela and the British Companies if said reduction is not freely agreed between both parties."[96] Two days after forwarding Dormer's note to Gómez, Gil Borges sent a copy to Torres, who was extremely angry because it was in stark contrast to the "moral obligation given by Mr. Dormer and signed by Mr Foot" to seek an amicable solution with the Development Ministry that had granted three extensions to CDC to facilitate a settlement.[97] Torres concluded that CDC's lack of any serious proposals showed that the company was reluctant to engage in legal battle, and that it was instead aspiring to "make it a diplomatic issue" as this was the only way it could win the dispute.[98]

The government's ineffective actions to get itself out of the imbroglio worsened further when Gómez received Domínici's and Alves's correspondence. Although Gil Borges had informed Dormer on June 7 that he had not received any information from Domínici on the impending court action against the British oil companies, it is clear that the foreign affairs minister had reviewed the correspondence, as he commented to Torres that the Venezuelan minister in London "seems to act more as an employee of the Colon than as an official representative of Venezuela."[99]

On June 12, Villegas Pulido requested the CFC to either force CDC to pay the full taxes demanded by the government or annul the Vigas concession, leaving the company with its three producing blocks. Similar legal action would follow against VOC, BCO,[100] and the North Venezuelan Petroleum Company (NVPC), a small British company that held the Francisco Jiménez Arraiz concession.[101] If the court's decision favoured the government, then the long-term effects on Shell and other British oil companies would be devastating.[102] While the future of a number of British oil companies was in play, six of the largest American oil companies were in Venezuela looking to acquire concessions. McGoodwin reported on June 11 that the companies were "confident of the ability to secure contracts covering" the concessions held by CDC, VOC, BCO, and NVPC prior to the "adjournment of Congress" on 27 June 1920.[103] By this point, CDC appeared to be in a hopeless position, as it was only a matter of days before the court's decision to rescind its concession appeared in the *Official Gazette*, thereby rendering it official. However, no announcement was published because according to McGoodwin a number of "legal complications had arisen."[104]

The pernicious influence of Juancho Gómez was again in evidence, with the British minister reporting that the government was acting on the orders "of General Gomez's [*sic*] brother."[105] Dormer felt that the situation was so serious that it warranted diplomatic intervention in spite of the signs that the government was "looking for a way out of the crisis,"[106] and that Gómez did not "realise the importance of the matter, because no one dares to incur his brother's hostility by telling him the facts."[107]

Gil Borges's evasiveness with Dormer in early June was intended to gain time to negotiate an agreement where the government did not lose face. Domínici's and Alves's reasoning convinced the government that an amicable solution was needed because the loss of confidence among the international bankers and capitalists of London willing to invest in the country would not only mean that an important source of credit dried up, but also that Venezuela would be wholly dependent on American capital. Such a situation would lead to the country's oil industry being mostly developed by American oil companies, something Gómez wanted to avoid as this could lead in the future to possible US intervention. Torres remained hopeful that an agreement would be reached even though there were "probably strong influences at work" getting the concession rescinded.[108] Nevertheless, in order to prevent a miscarriage of justice, Torres requested from his legal advisers Juan Mendoza and Pedro Itriago Chacín (a justice at the CFC) an opinion on CDC's legal position with its concession. Torres's advisers concluded that the Vigas concession, together with the other oil concessions awarded in 1907, were badly drafted and ambiguous, with the result that CDC could retain its 1.9-million-hectare concession unexploited as long as it paid the minimum surface and production taxes.[109] While this was occurring in Caracas, the State Department modified its policy toward the Vigas "B" minority rights that belonged to CS, which would acquire "all the rights of the original holder of the concession" if the government was persuaded to respect these rights.[110] Such an argument convinced Secretary of State Bainbridge Colby to instruct McGoodwin on 24 June 1920 that CS's equitable rights in CDC should be "recognised and protected"[111] by the Gómez administration.[112]

It was clear that CDC had the legal right to retain its concession but it would either have to fully develop it or pay back taxes of Bs. 19,000,000, which was the total minimum annual tax of Bs. 3,800,000 over the previous five years. CDC could not pay such a heavy tax bill on an unproductive property, and it proposed instead in August 1920 to pay Bs. 40,000 annually as a minimum production tax.[113] Torres rejected the proposal and the dispute dragged on for several more months. During this period, the appetite of the American oil companies in the country for acquiring CDC's concession waned, with Dormer reporting in October 1920 that there was "no great danger at present of our oil interests in Venezuela being injured."[114] The prospects of an amicable arrangement between CDC and the government improved and a settlement was agreed on 15 March 1921 that allowed CDC to retain its full concession for a further ten years in order to explore its acreage.[115] At the end of the first five-year period, CDC would pay an additional annual surface tax of Bs. 0.20 per hectare on its selected acreage. A second five-year exploration period would follow, allowing CDC to determine the tracts it wanted to exploit. Any acreage not selected by CDC at the end of the period reverted to the government.

The surface and production taxes remained at Bs. 2 per hectare per year and Bs. 2 per ton, respectively.

Soon afterwards, on 4 April 1921, the government brought a similar suit at the CFC against VOC arguing that its production was inadequate for the size of its concession. This time it only took three weeks for the company to reach an agreement on 25 April 1921 on the same terms as CDC.[116] According to Villegas Pulido and Henry Hammond Dawson Beaumont, Dormer's replacement as British minister, the settlement was directly attributable to Gómez's intervention.[117]

Overlapping Claims

THE VALBUENA-ESPINA-BOHÓRQUEZ (VEB) DISPUTE

The threat to CPC's concession continued in 1921 when it was involved in a particularly nasty private litigation action. On 16 May 1904, Andrés Valbuena, Andrés Espina, and Federico Bohórquez (VEB) obtained the titles to the asphalt mines of San Juan, Rosario, Monteverde, and Santa Efigencia in Zulia State, with a surface area of 1,200 hectares.[118]

Soon after registering their asphalt titles on 12 July 1915 under the 1910 Mining Law, VEB demanded that CPC vacate its oil blocks of Zigualzamara, Zamarises, Zamaro, Zampalo, and Zambo, which partly covered their asphalt mines.[119] CPC ignored this request, believing that VEB's "titles had been annulled" when it acquired the Valladares concession. VEB then sued CPC at the Juzgado de Primera Instancia en lo Civil for the annulment of its concession.[120] It was clear at this early stage that VEB had powerful backers in the government, with Juancho Gómez holding a 25 per cent stake in their titles.[121] On 15 April 1916, the court, "in spite of orders from certain government officials that a decision should be given against the Company," decided in favour of CPC because the plaintiffs' concession was awarded under the 23 January 1904 Mining Code, which only referred to asphalt deposits and not to crude oil reserves.[122]

VEB appealed to the Corte Suprema Accidental del Distrito Federal con Asociados to reverse the lower court's decision, which on 8 July 1916 confirmed VEB's sole right to all the minerals found on its four blocks. Once again, Delgado Briceño was the "evil influence at work . . . trying to subvert the course of Justice" on behalf of Juancho Gómez.[123] CPC felt that the court's decision was flawed because VEB's original contract under the 1904 Mining Code allowed various parties to exploit different resources on the same acreage. However, the procedural irregularities and the attempts to influence the judges against CPC were the main reasons for the company appealing to the superior court. VEB employed the same dirty tactics as before, trying to get three justices removed and succeeding in replacing two judges "closely connected to one of the people having an interest in the suit."[124] The other justices were irritated when they received instructions from Juancho Gómez on the outcome of the dispute and appealed to Gómez for fair treatment, who counselled that "under no circumstances were they to be influenced by anyone and that all cases in the Court should be decided on their merits."[125] Nevertheless, on 29 September 1917 the CFC confirmed the lower court's decision, ordering CPC to pay the plaintiffs' costs of Bs. 75,000.[126]

Though CPC then appealed to the CFC, it felt that it would never get a fair hearing because of the influence exercised by Juancho Gómez. Proctor suggested to McGoodwin that he should discuss the case with Foreign Affairs Minister Mosquera, in order for him to persuade Gómez to prevail on the presiding justice of the court to "consider the case *en banc*, instead of permitting the decision to be prepared by one of the Associate Justices."[127] The outcome of the meeting was that Delgado Briceño was dismissed as secretary general to Juancho Gómez and warned not to influence or issue instructions on how the court should proceed.[128]

At this juncture, CPC was confident of winning the legal case because the Supreme Court of the Federal District could only apply the principles outlined by the CFC. However, further delays and complications followed as none of the justices that had previously presided over the case were eligible to hear it again. Finally, on 11 June 1920, "much to the surprise of nearly everybody,"[129] the CFC rendered its decision in favour of VEB and ordered CPC to transfer its blocks to the plaintiffs. CPC immediately requested that the court freeze any further action by VEB while it appealed the decision. A favourable outcome for CPC was vital because under Venezuelan law costs and damages could be a maximum of 50 per cent of the value of the assets under litigation, which was approximately Bs. 5,200,000.[130] Moreover, if CPC did not settle immediately, VEB could freeze its other assets, such as its refinery at San Lorenzo and its oil-producing wells.

In early 1921, William Tecumseh Sherman Doyle, who up to 1913 was chief of the Division of Latin American Affairs at the State Department, replaced Proctor as CPC's managing director. Doyle felt that it was almost certain that CPC would lose the case because VEB controlled the majority of the court's panel considering the case, and the plaintiffs intended to influence Rojas Fernández, the presiding justice at the CFC. Doyle approached McGoodwin for help because he had been instrumental in resolving CDC's dispute with the government.[131] On 14 March 1921, Doyle requested that the American minister take up CPC's case with Gil Borges, and if necessary with Gómez. Later that day, McGoodwin saw Gil Borges and "impressed him with the importance of taking prompt action."[132] The foreign affairs minister left the following morning for Maracay to confer with Gómez. On his return to Caracas the next day, Gil Borges informed McGoodwin that within four days Gómez would instruct Rojas Fernández to have the case heard *en banc*. This did not happen, and a week later Rojas Fernández ruled against CPC, which meant that once the decision appeared in the *Official Gazette*, the company would have to pay VEB's legal costs and damages of approximately Bs. 2.6 million.[133] Gil Borges, however, delayed the publication of the ruling in the *Official Gazette* until after his departure to the United States on an official visit. Pedro Itriago Chacín, deputy foreign affairs minister, replaced Gil Borges in his absence and was reluctantly persuaded by McGoodwin to confer with Gómez to receive new instructions. Afterwards, on April 3, Itriago Chacín informed McGoodwin at a "rather formal social call" that the case would be heard *en banc*, and that there was "every indication that justice would be given" because Gómez had instructed the three members of the court and the presiding judge to remain impartial.[134]

However, in April 1921 the State Department withdrew its support of CPC when it became aware that it was an American-registered company that was 75 per cent owned by Shell, with the remaining 25 per cent equity held by GAC.[135] Shell then requested British diplomatic assistance in the hope that "the American Minister may be disposed to co-operate."[136] It was also becoming clear to CPC and to both the American and British legations in Caracas that VEB's litigation was financed by speculators, "the exact identity of whom has not been disclosed."[137] R. S. Fuerth, a naturalized American of German origin,[138] was the most likely candidate as he was closely associated with General Francisco Antonio Colmenares Pacheco, Gómez's brother-in-law.[139] Fuerth claimed to have purchased VEB's property on 15 September 1920 for $2,000,000,[140] but Willis C. Cook, the new American minister, felt that what he acquired from VEB was a spurious option to purchase the property and that he would be "paid a commission" for his services in the event that the suit succeeded.[141]

The connivance between VEB and Fuerth provided GAC with a good reason to renew its representation for US assistance. On 8 June 1922, Frank Seamans, vice-president of GAC, met with State Department officials to request that the Venezuelan government be "informally advised that the State Department is interested in seeing justice being done in this case, and justice will not be done unless the litigation shall be speedily and justly concluded."[142] A week later, on June 14, GAC made a formal request for US help,[143] but the State Department declined initially because it was being extremely cautious on account of the CDC affair and did not want to be "misinterpreted in any quarter."[144] Seamans countered that the State Department's previous involvement in CDC's case was precisely the reason why American intervention was needed, because the Venezuelan government would interpret such a refusal as a loss of interest by the US government in the outcome of the litigation. Seamans reasoned that if the British and Dutch interests assumed a similar position, no corporation would invest in Latin America for fear of being inadequately protected by their respective governments.[145] After the meeting, the State Department began to modify its view on the dispute, with Fred Kenelm Nielsen of the department's Office of the Solicitor advising that the reason for "non-interference is a narrow one,"[146] while his boss, Richard W. Flournoy, the solicitor at the State Department, also felt that the US government could, "without violating international laws, extend protection to the Caribbean Petroleum Co. because it was incorporated in the U.S., although only 25 percent of its stock is held by American citizens."[147]

In Caracas, while CPC renewed its request for British help,[148] the Foreign Office declined primarily because of the anti-Shell feeling in the United States[149] at the time, but also because British shareholders held only 30 per cent of the company's equity, compared with 45 per cent for

Dutch shareholders and GAC the remaining 25 per cent, so that "the British connection of the company would appear to be hardly sufficient" to justify British involvement.[150] All was not lost, however, as Horace James Seymour, head of the South American Department at the Foreign Office, felt that Willem George Emile d'Artillac Brill, the Dutch minister at Caracas, could assist CPC. Beaumont was then instructed to support any representations made by D'Artillac Brill on behalf of CPC to ensure that British interests were "not adversely affected."[151] In Washington, the State Department concluded after further debate that both sides had sufficient legal grounds under various Venezuelan laws to stick to their original position, and that it would be "exceedingly difficult to reach a decision based strictly on Venezuelan law."[152] Consequently, Secretary of State Charles Evans Hughes instructed Cook to join his British and Dutch counterparts in preventing any "further unreasonable delay in reaching a fair settlement."[153]

The VEB court case was to drag on further as it was always difficult to find justices to preside at the court. When a complete panel was assembled, Beaumont reported that the same associates of Juancho Gómez exercised their influence and a decision against the company was prepared, which was only avoided by the resignation of one of the presiding justices.[154] On 6 April 1923, Beaumont, Cook, and D'Artillac Brill held an urgent meeting about the case with Itriago Chacín.[155] Beaumont stressed that a "decision against the company or even further prolonged delay in issuing a final judgement, would react very unfavourably on the importation of foreign capital indispensable for the development of the growing oil industry to the importance of which the President is fully alive."[156] Gómez, after being briefed by Itriago Chacín on the meeting, took an "interest in the matter in order to prevent a miscarriage of justice" by ensuring that no further attempts were made by the plaintiffs to influence the court's decision.[157]

The fortunes of CPC took an unexpected turn on 23 June 1923 when Juancho Gómez was murdered in Miraflores Palace, the president's official residence in Caracas.[158] The loss of VEB's most influential supporter meant that a compromise agreement was reached with CPC, whereby VEB's asphalt mines together with CPC's petroleum blocks were sold as one unit and the proceeds divided equally between the parties after deducting operational and legal costs.[159] On 21 December 1923, the VEB heirs finally agreed to the wording of the settlement, which on 2 February 1924 was approved by the CFC.[160] On 12 September 1927, the property was sold for Bs. 3,380,000 to the Rio Palmar Oilfields Exploration Corporation, an Exxon subsidiary, which struck oil on 23 December 1927.[161]

Conclusion

Shell's entry into Venezuela in the 1910s, while it assured the development of the country's oil resources, also redounded to the company's own advantage. Deterding's decision to take Shell into Venezuela was a bold step at the time and served the group well because the advantages associated with being first, such as securing the best oil-bearing lands and favourable taxation, gave it a considerable edge over its rivals. While Venezuelan historiography tends to treat the oil industry's development as a *fait accompli*, Shell's experience at this early stage indicates the contrary, and the widespread assumption that the group faced little opposition from the Gómez government is not proven by the events detailed in this chapter. Shell's experience during this early phase of development was far from easy; the company's activities produced a great deal of resentment, with most of its oil titles disputed between 1913 and 1924 by the Venezuelan government, American oil companies, and both Venezuelan and foreign nationals.

During these early days, the government initiated legal action to get Shell's subsidiaries and others to increase crude oil production as revenues from this source did not live up to expectations. Such a situation drove the British and American oil companies to enlist the support of their respective governments when their oil concessions were threatened. The Venezuelan government's intention was not to drive Shell away from Venezuela because such action would only limit the development of the country's oil resources to one predominant group or, worse still, entail the complete withdrawal of all the oil companies. Gómez instead wanted to benefit from the rising tax revenues that an increase in oil production would bring, and failing such an outcome wanted the companies to pay surface taxes over all their large concessions.

The case of the Valladares concession held by CPC, which came under a long and determined attack during the 1910s that took almost ten years to resolve, illustrates the difficulty of establishing an oil company in a country without an existing hydrocarbon industry. It is clear that without the intervention of the British government, CPC would have lost its valuable concession to an American oil company. The legal dispute between VEB and CPC also illustrates some of the problems Shell faced in its attempts to develop the new industry. The Foreign Office's superior local knowledge allowed it to outmanoeuvre the State Department, with McGoodwin defending the interests of Shell to the detriment of American oil interests. Gómez used such rivalry in another dispute to encourage CDC to develop its concession at a faster rate. In the end, a compromise was reached whereby the government withdrew its suit to rescind the concession and the company agreed to develop its acreage according to a fixed timetable.

Shell also had to deal with the malicious influence of the Gómez family. Juancho Gómez, in particular, interfered with the judiciary for his own pecuniary benefit, and was one of the most influential persons within the Gómez entourage when it came to finding loopholes in some of the concessions, to secure them for himself and his backers in order to transfer them to the highest bidders, especially the American crude oil companies that were entering the country at the time. It is clear that Gómez was fully aware of the involvement of certain close family members with the oil industry, and it is more than likely that he gave them his tacit encouragement to pursue some of these legal claims.[162] Gómez did not have a completely free hand, though, as he had to weigh the short-term pecuniary benefits to his family against the long-term gains that a thriving oil industry would bring not only to close family members and friends but to the country as a whole. Hence, when it was clear that Juancho Gómez and company had abused the judiciary by openly subverting the legal system, Gómez allowed the courts to resolve these issues according to the rule of law. In the end, Gómez's concern for the impartial administration of the country's mining laws, under which the crude oil concessions were issued during this period, helped to harmonize relations with the international powers involved, as well as prevent the development of major political crises within the country, while at the same time laying the foundation for the remarkable stability and growth of the country's oil industry, which increased its production from 331.5 BOPD in 1917 to 425,000 BOPD in 1936.[163] In spite of the various legal threats to Shell, it weathered this storm, albeit with help from the Foreign Office and the State Department, and by the early 1920s, the group, with its three operating companies, was poised for a large increase in oil production that would propel Venezuela to the forefront of the world's major oil producers.

NOTES

1 In Venezuela, the ownership of the subsoil mineral rights, including hydrocarbons, is vested in the government under what is called the dominial system. Under this system, the government sets the rules and is responsible for vetting the applicants that apply for a licence to explore and exploit the natural resource under what is known as a concession system.

2 At the time, the exploitation of the country's hydrocarbon reserves was treated as a mining activity.

3 All dollar figures given in this chapter refer to US currency.

4 In Gómez's view, this secured the country's economic independence, just as Bolívar's independence movement had secured the country's political independence in the nineteenth century. According to Gómez, "I thought to myself that if they achieved political independence, then I must complete the work by gaining economic independence, establishing peace and organizing public finances to ensure that the country's credit worthiness is stronger than its previous parlous state when I started." Archivo Histórico del Palacio de Miraflores, Copiadores (AHMCOP), 284, Juan Vicente Gómez to Juan Bautista Pérez, 22 May 1930.

5 See Miriam Jack, "The Purchase of the British Government's Shares in the British Petroleum Company 1912–1914," *Past & Present*, no. 39 (1968) 139–69; Gerald D. Nash, *United States Oil Policy, 1890–1964: Business and Government in Twentieth-Century America* (Pittsburgh: University of Pittsburgh Press, 1968); Chester Lloyd-Jones, "Oil in the Caribbean and Elsewhere," *North American Review* 202, no. 719 (1915): 536–43; Brian S. McBeth, *Juan Vicente Gómez and the Oil Companies in Venezuela, 1908–1935* (Cambridge: Cambridge University Press, 1983).

6 United Kingdom, Parliamentary Papers, 1914, "Agreement with Anglo-Persian Oil Company, with an Explanatory Memorandum and the Report of the Commission of Experts on their Local Investigation," Command, 7419, 54, 505–16.

7 United Kingdom, National Archives, Foreign Office, Political, Series 371 (FO 371)/4585 Despatch No. 989, Sir A. Geddes to Earl Curzon, Washington, 20 July 1920.

8 FO 371/4585 HM Embassy, Trade Dept., Washington, "A Statistical Survey of the Petroleum Situation in the United States of America," undated.

9 FO 371/5641 US State Department, "Circular to US Consuls," Washington, 16 August 1919.

10 The Gulf+ pricing structure was based on *Platt's Oilgram Price Service*, and it tended to prevent price wars because it meant that production was determined by the requirements of the large US and European markets. Under normal competitive conditions, foreign oil suppliers had a greater advantage because of lower costs and more favourable locations vis-à-vis their counterparts in the United States, and they inevitably secured a greater share of the world oil market.

11 The "Shell" Transport and Trading Co. Ltd., "Annual Report, 1917," reprinted in *The Times* (London), 13 July 1917.

12 William Diebold Jr., "Oil Import Quotas and 'Equal Treatment,' " *American Economic Review* 30, no. 3 (1940): 569–73.

13 United Kingdom, National Archives, Ministry of Power (POWE) 33/572 "Imports of Crude Petroleum and Refined Products into the United Kingdom during the Year 1938."

14 *Latin American World*, no. 14 (January 1933): 5.

15 Venezuela, Ministerio de Fomento (MinFo), *Memoria* (1911): 118.

16 Venezuela, *Gaceta Oficial*, 31 January 1907.

17 Sir Henri Deterding, *An International Oilman* (London: Ivor Nicholson and Watson Ltd., 1934), 97.

18 MinFo, *Memoria* (1906), 1:392–5.

19 MinFo, *Memoria*, (1922): 81–7.

20 See United Kingdom, National Archives, Foreign Office, Political, Series 371, FO 371/12063 "Memorandum on Oil Production in Venezuela," 19 August 1927, and *Oil News*, 1 February 1935.

21 This includes VOC's parent company, the Venezuelan Oil Concessions Holding Company Ltd.

22 MinFo, *Memoria* (1911): vii. For more background on Venezuela's oil industry, see Joe Pratt's chapter in this volume, "Exxon and the Rise of Producer Power in Venezuela." For further historical information on the development of the Argentine oil industry, see Esteban Serrani's chapter, "The Expropriation of YPF in Historical Perspective: Limits of State Power Intervention in Argentina, 1989–2015." Gail D. Triner's chapter, "The New Political Economy of Petroleum in Brazil: Back to the Future?," also has historical information on the Brazilian oil industry. Finally, Linda B. Hall, in her chapter on Mexico, "Coming Full Circle: Mexican Oil, 1917–2018," adds an invaluable historical perspective on that country's crude oil industry.

23 FO 371/4254 HM Petroleum Executive, "Report on Venezuelan Oilfields," 27 May 1919.

24 Venezuela, Vol. 36 of *Recopilación de leyes y decretos de Venezuela* (RLDV) (Caracas: Imprenta Bolívar, 1913), Doc. 11,435.

25 MinFo, *Memoria*, (1906), 1:392.

26 See Venezuela, Distrito Federal, Juzgado de la Primera Instancia en lo Civil, *Juicio seguido por Lorenzo Mercado contra Antonio Aranguren y la Compañía Venezuelan Oil*

Concessions Limited. Informes de los Doctores L. Herrera Mendoza y F. Arroyo Parejo en Primera y Segundas Instancias (Caracas: Empresa El Cojo, 1916).

27 José Santiago Rodríguez, *Informes ante el Tribunal de Primera Instancia en lo Civil del Distrito Federal en representación de la compañía inglesa "The Venezuelan Oil Concessions Limited" en el juicio promovido contra ella y contra el señor Antonio Aranguren por el señor Lorenzo Mercado y sentencia recaída en el asunto* (Caracas: Lit. y Tip. del Comercio, 1916), 9.

28 "Venezuelan Oil Concessions (Ltd.). Agreement with the 'Shell' Group. Terms of the Contract," *Daily Telegraph* (London), 15 December 1915.

29 Rodríguez, *Informes leídos ante la Corte Superior*, 47.

30 Venezuela, Ministerio de Relaciones Exteriores (MinRelExt), *Memoria* (1908): 458.

31 Rodríguez, *Informes leídos ante la Corte Superior*, 96.

32 Rodríguez, *Informes leídos ante la Corte Superior*, 46.

33 Records of the Department of State (DS) relating to the Internal Affairs of Venezuela, DS 831.6375/C23/7 Preston McGoodwin to Robert Lansing, 29 October 1918.

34 Venezuela, Archivo Histórico de Miraflores, Correspondencia Presidencial (AHMCP), Enero 16–31, 1917, Carlos Jesús Rojas to Gómez, 18 January 1917.

35 AHMCP Enero 16–31, 1917, Carlos Jesús Rojas to Gómez, 18 January 1917.

36 AHMCP Enero 16–31, 1917, Carlos Jesús Rojas to Gómez, 18 January 1917.

37 Rodríguez, *Informes leídos ante la Corte Superior*, 56.

38 Venezuela, Corte Federal y de Casación (CFC), *Memoria* (1917): 3.

39 AHMCP Oct 1–31 1919 [*sic*], Duncan Elliott Alves to Gómez, 14 October 1918.

40 AHMCP Abril 1–30 1919, Pedro César Domínici to Gómez, 15 April 1919.

41 AHMCP Oct 1–31 1919 [*sic*], Alves to Gómez, 14 October 1918.

42 AHMCP Abril 1–30,1919, Domínici to Gómez, 3 April 1919.

43 AHMCP Mayo 1–30,1920, Domínici to Gómez, 12 May 1920.

44 Julio César Silva to Ministro de Hacienda, and E. W. Hodge to Ministro de Hacienda, in Venezuela, Ministerio de Hacienda (MinHa), *Memoria* (16 February 1917): 47 and 48, respectively.

45 MinHa, *Memoria* (1917): 50.

46 AHMCP Marzo 1–15, 1917, McGoodwin to Gómez, 25 March 1917.

47 MinHa, *Memoria* (1917): "Exposición," x and 49–50.

48 In mining terms, to denounce a mine means to serve legal notice to the government that owns the mining rights of one's intention to exploit the natural resources found within a declared area.

49 AHMCP Febrero 1–28, 1917, Alejandro Urbaneja to Gumersindo Torres, 27 February 1917.

50 DS 831.6375/C23/2 McGoodwin to Lansing, 15 March 1917.

51 DS 831.6375/C23/6 E. P. Greene "Memorandum," 24 April 1917.

52 See Brian S. McBeth, *Dictatorship & Politics: Intrigue, Betrayal, and Survival in Venezuela, 1908–1935* (Notre Dame, IN: University of Notre Dame Press, 2008), 91–129.

53 DS 831.6375/C23/4 William Phillips to Messrs. Douglas, Obear & Douglas, 17 April 1917.

54 Venezuela, Archivo Histórico de Miraflores, Varios (AHMV) 1917–1920, "Informe sobre la situación jurídica de the Caribbean Petroleum Company," 24 February 1917.

55 AHMCP Marzo 1–15,1917, Victorino Márquez Bustillos to Gómez, 17 March 1917.

56 MinFo, *Memoria* (1917), 1:iv; MinHa, *Memoria* (1917): 51–2.

57 Torres to Rafael Max, Valladares, 7 February 1918, in MinFo, *Memoria* (1918): 200.

58 AHMV, 1917–1920, Lewis J. Proctor, "Memorándum que presenta the Caribbean Petroleum Company sobre haber cumplido la obligación de explotar sus concesiones y sobre la negativa de los Guardaminas a expedirle las planillas para el pago de impuestos y certificados de comienzo de explotación," 12 April 1918.

59 Venezuela, Archivo del Ministerio de Fomento (AMF), Proctor to Torres, 21 May 1919.

60 AMF, Telegram Charles Couchet to Torres, 16 May 1919.

61 AHMV, 1917–1920, Proctor, "Memorandum," 1918.

62 AHMV, 1917–1920, Proctor, "Memorandum," 1918.

63 Torres to Proctor, 2 May 1918, in MinFo, *Memoria* (1918): 220.

64 DS 831.6363 McGoodwin to Bainbridge Colby, 11 June 1920.

65 DS 831.6363/473 "Statement of facts with respect to the Vigas Concession, its transfer to the Colon Development Co. Ltd. and the interests of the Carib Syndicate Limited therein" (New York: Evening Post Job Printing Office, 1929), 66.

66 AHMCP Julio 1–30, 1920, Torres, "Memorándum," 10 July 1920.

67 FO 371/4622 Cecil Dormer to Lord Curzon, 16 March 1920.

68 UK National Archives, Foreign Office, Venezuela, Embassy and Consular Archives, Series 199, FO 199/181 Dormer to Henry Hammond Dawson Beaumont, 20 November 1919.

69 FO 371/4622 Dormer to Lord Curzon, 16 March 1920.

70 Torres to CDC, 5 January 1920, in MinFo, *Memoria* (1919), 3:327.

71 FO 371/4622 Dormer to Lord Curzon, 16 March 1920.

72 FO 371/4622 Dormer to Lord Curzon, 16 March 1920.

73 FO 371/4622 Dormer to Lord Curzon, 16 March 1920.

74 Torres to Guillermo Tell Villegas Pulido, 7 February 1920, in MinFo, *Memoria* (1919): 329; also in CFC, *Memoria* (1920): 167.

75 FO 371/4622 Dormer to Lord Curzon, 16 March 1920.

76 FO 371/4622 Dormer to Lord Curzon, 16 March 1920.

77 FO 371/4622 Dormer to Lord Curzon, 16 March 1920.

78 Archivo Particular del Dr. Gumersindo Torres, Copiador (AGTCop) 5, Gumersindo Torres to Gómez, 25 March 1920.

79 DS 831.6363 McGoodwin to Colby, 7 April 1920.

80 Edwin Lieuwen, *Petroleum in Venezuela: A History* (Berkeley: University of California Press, 1954), 51–2.

81 FO 371/4623 J. C. Clarke to Lord Curzon, London, 12 May 1920.

82 FO 371/4623 Dormer to Lord Curzon, 23 July 1920.

83 DS 831.6363/93 David W Murray to Sumner Welles, 27 April 1920.

84 DS 831.6363/33 F. M. Dearing to McGoodwin, 6 May 1920.

85 McKay was a concessionaires' agent acquiring and transferring many crude oil concessions to American oil companies; see AHMCP Dic. 16–22, 1924, Addison H. McKay to Gómez, 17 November 1924.

86 Venezuela, Archivo Histórico de Miraflores, Correspondencia del Secretario General (AHMCS) Abril 1920, Felipe S Toledo to Enrique Urdaneta Maya, 19 January 1920.

87 DS 831.6363/26 McGoodwin to Colby, 26 April 1920, and DS 831.6363/58 McGoodwin to Colby 5, May 1921.

88 AHMCP Mayo 1–30, 1920 Domínici to Gómez, 12 May 1920.

89 AHMCP Mayo 1–30, 1920 Domínici to Gómez, 12 May 1920.

90 AHMCP Mayo 1–30, 1920 Domínici to Gómez, 12 May 1920. Alves also warned Gómez of the impending disaster for Venezuela; see AHMCP Junio 15–30 1920 [*sic*] Alves to Gómez, 17 May 1920.

91 DS 831.6363/26 C. K. MacFadden to Colby, 3 May 1920.

92 DS 831.6363/29 MacFadden to Colby, 18 May 1920.

93 DS 831.6363/27 Alvey A. Adee to MacFadden, 29 May 1920.

94 FO 371/4623 Lord Curzon to Dormer, 18 May 1920.

95 AGTCop 6, Torres to Esteban Gil Borges, 26 June 1920.

96 AHMCP Julio 1–30, 1920, Dormer to Gil Borges, 10 June 1920.

97 AGTCop 6, Torres to Gil Borges, 26 June 1920.

98 AGTCop 6, Torres to Gil Borges, 26 June 1920.

99 AHMCP Julio 1–30 1920, Torres to Gómez, 14 July 1920.

100 DS 831.6363/33 McGoodwin to Colby, 11 June 1920.

101 Walter R. Skinner, *The Oil and Petroleum Manual* (1920): 123.

102 Lieuwen, *Petroleum in Venezuela*, 52.

103 DS 831.6363/33 McGoodwin to Colby, 11 June 1920.

104 DS 831.6363/58 McGoodwin to Colby, 4 May 1921.

105 FO 371/4623 Dormer to Lord Curzon, 17 June 1920.

106 FO 371/4623 Dormer to Lord Curzon, 17 June 1920.

107 FO 371/4623 Dormer to Lord Curzon, 4 June 1920.

108 FO 371/4623 Dormer to Lord Curzon, 4 June 1920.

109 AHMCS Feb 1923 [*sic*] Juan J Mendoza to Torres, 10 August 1920.

110 DS 831.6363/33 Dearing to McGoodwin, 6 May 1921. Repeats MacFadden to Colby, New York, 16 June 1920.

111 DS 831.6363/33 Colby to McGoodwin, 24 June 1920.

112 DS 831.6363/63 McGoodwin to Charles Evans Hughes, 14 June 1921.

113 AGTCop 6 Torres to Gómez, 11 August 1920.

114 FO 371/4623 Dormer to Lord Curzon, 9 October 1920.

115 MinFo, *Memoria* (1921), 1:10–11.

116 MinFo, *Memoria* (1921), 1:12–13.

117 AHMCP Feb. 1–28 1921 [*sic*] Villegas Pulido to Gómez, 15 February 1920, and FO 371/5722 Beaumont to Lord Curzon, 19 February 1921.

118 Venezuela, Distrito Federal, Juzgado de la Primera Instancia en lo Civil, *Juicio seguido por Lorenzo Mercado contra Antonio Aranguren.*

119 RLDV (1915): Vol. 38, Doc. 11,788, 106–7.

120 FO 199/229 and DS 831.6385/C23/18, "Extract from Report of Caracas Counsel," 28 January 1921.

121 AHMCP 1–14 September 1923 Julio F. (Méndez) to Gómez, 13 September 1923.

122 DS 831.6375/C23/7 Lewis J Proctor, "Memorandum on the Espina, Bohórquez vs The Caribbean Petroleum Company Suit," undated, enclosed in McGoodwin to Lansing, 29 October 1918.

123 DS 831.6375/C23/7 McGoodwin to Lansing, 29 October 1918.

124 DS 831.6375/C23/7 Proctor "Memorandum on the Espina."

125 DS 831.6375/C23/7 Proctor "Memorandum on the Espina."

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130 DS 831.6375/C23/15 McGoodwin to Hughes, 12 April 1921.

131 DS 831.6363/53 McGoodwin to Hughes, 25 May 1921.

132 DS 831.6375/C23/15 McGoodwin to Hughes, 12 April 1921.

133 DS 831.6375/C23/15 McGoodwin to Hughes, 12 April 1921.

134 DS 831.6375/C23/15 McGoodwin to Hughes, 12 April 1921.

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136 FO 371/7325 Clarke to Lord Curzon, 23 June 1922.

137 DS 831.6375/023/15 McGoodwin to Hughes, 12 April 1921.

138 Commercial Bank of Spanish America (CBSA) Archive, Letter Box 8, CBSA to R. S. Fuerth, 13 October 1913.

139 S. Pearson & Sons Ltd. Archive, W. G. Beavan, "Mission to Venezuela, Report No.5," 4–7 August 1923; and AHMCP 1–14 Oct. 1923, F. A. Colmenares Pacheco to Gómez, 31 October 1923.

140 DS 831.6375/C23/20 Willis C. Cook to Hughes, 24 April 1922.

141 FO 199/229 Clarke "Memorandum on Venezuelan Litigation," 23 August 1922.

142 DS 831.6375/C23/22 Frank Seamans to Hughes, 9 June 1922.

143 DS 831.6375/C23/23 Seamans to Hughes, 14 June 1922. A letter followed on the same date.

144 DS 831.6375/C23/24 Leland Harrison to Seamans, 30 June 1922.

145 DS 831.6375/C23/26 Seamans to Hughes, 5 August 1922.

146 DS 831.6375/C23/32 FKN[ielsen] to R. W. Flournoy, 17 July 1922.

147 DS 831.6375/C23/32 RWF[lournoy] to Nielsen, 18 July 1922.

148 FO 371/7325 H. Seymour to Beaumont, 6 July 1922.

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150 FO 371/7325 H. Seymour to Beaumont, 6 July 1922.

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155 AHMCS Mayo 1923, Pedro Itriago Chacín to Urdaneta Maya, 7 April 1923.

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