PITTSBURGH was the first major American city to receive natural gas service, supplied from the now famous Haymaker well near Murrysville. The year was 1883.

Grime and soot from burning coal and wood, both at home and in factory, fouled the air. With glass, iron and steel being made as nowhere else, industrialists wanted a fuel cleaner, cheaper and easier to transport than coal. By the late nineteenth century, a wave of European immigrants would come, providing first the muscle for industrialization and later the consumer demand for a new kind of mass production economy. By the turn of the century Pittsburgh’s population had trebled, placing still further demands on the city’s energy requirements.

While the region’s history is bound up inextricably with the natural gas industry’s, the full impact of gas was not felt in Pittsburgh until the late 1940s, when its large-scale introduction replaced coal as a home furnace fuel. This was a major factor in clearing the Smoky City’s skies. Cleaner air was among the first, and clearly the most visible, product of the city’s broad range of reforms called the First Renaissance.

The importance of the industry to the area’s history suggested the logic of an interview with someone who knew the industry well. Jack Tankersley retired in 1987 from his job as chief executive officer at Consolidated Natural Gas Co. The first key executive to be recruited from outside the organization, he joined the company in 1966, moved to the Pittsburgh corporate headquarters in 1974 and became president in 1979. He is still president of CNG’s executive committee. Active in civic affairs, Tankersley has publicly suggested a wide view of the importance of cultural institutions. He believes major supporters get much more than favorable publicity; a vibrant cultural life makes Pittsburgh a dynamic place to live and work, a reputation that modern cities simply must have for corporations to attract top employees and to remain competitive.

A CNG subsidiary, Peoples Natural Gas, is a major retail distributor in Pittsburgh. Peoples and a chief competitor, Equitable Gas Co., trace their lineage to the early days of the industry in the Murrysville fields. By 1900 discoveries of gas in Western Pennsylvania were dwindling, and exploration in other states yielded major new fields. The industry’s production center permanently shifted from its birthplace, but not without leaving Pittsburgh a vital financial, research, and information city for the industry.

CNG sells gas in more than 1,000 communities in Ohio, Pennsylvania, and West Virginia and its wholesale operation also provides more than half the gas piped to upstate New York. It is one of the world’s largest “integrated” gas companies — so called because it drills, ships, and retails natural gas.

Standard Oil Co. (New Jersey) created the company in 1943 after Congress passed a law preventing com-
companies engaged in other businesses from owning utilities in more than one state. Standard Oil's response was a technicality: CNG, a holding company, was set up to operate five of the giant firm's gas companies — Peoples, East Ohio Gas Co., Hope Natural Gas Co., West Ohio Gas Co. and The River Gas Co.

The interview with Tankersley was conducted at his office in the new CNG Tower in downtown Pittsburgh.

Q: Please describe the pattern of discovery of major natural gas sources in North America and the way changes in the industry have tended to mirror those developments.

Tankersley: In general, people were not looking for gas when it was discovered. They were oil companies looking for oil, and discovered natural gas and they would sell it wherever they could, for whatever price they could. After World War II, however, natural gas became so popular that the "local fields," like Appalachia, couldn't produce enough gas, and that led to the development of the interstate pipeline system, moving gas from more prolific areas — Louisiana, Texas, Oklahoma — towards the East. Actually, the East is a Johnny-come-lately as far as natural gas consumption goes. Most of the consumption has come since World War II.

The gas industry used to be a very simple type of industry, in all honesty. I entered in 1949 and it was divided into three parts: the producer normally was an oil company; he sold to the pipeline company that moved the gas, and the pipeline company sold to a distribution company, which sold to the ultimate consumer. I used to irritate some of my associates by saying an orangutan with a slide rule could run a gas company back in those days.

Due to new regulations (as a result of federally mandated deregulation, beginning in 1978), which changed that relationship of producer, pipeline, and distributor, the distributor can go directly to the field and buy his gas and then tell the pipeline, "Now you deliver that gas straight to me." And so that makes it much more competitive, and an orangutan cannot run a company under those conditions. Today running a natural gas company can be one of the most complex businesses, rather than one of the simplest.

Q: So the history of the industry is that the first discoveries of gas were in the East and then there's generally been a movement west and south, while the reverse is basically true of consumption!

Tankersley: That's right. The Rocky Mountains (and west) are even a later development.

Q: In the early and mid 1970s gas executives, including those at CNG, warned of severe gas shortages coming. Today, companies, again including CNG, are in a major push to increase natural gas consumption. What has happened in the last 10 years to so dramatically change the supply situation?

Tankersley: In 1954, the Supreme Court told federal regulators they had to regulate the price of gas at the wellhead. It had never been regulated. Like all regulations do, this one quickly created a shortage. That began to show up in 1968 and 1969. The price was entirely too low and no one would sell their gas. The producers just decided prices were so low they would hang on to their property leases and not drill until prices went up.

Then the federal government got concerned about the shortage. Simplifying a lot of complexities, they deregulated natural gas prices at the wellhead. That brought a lot of gas on stream. As the prices rise, more and more people drill for it. It's that simple.

Q: CNG was one of the early companies to drill in the Gulf of Mexico. Yet into the '80s, you continued to increase your drilling in Appalachia, in so-called "deep-well" drilling. You still get roughly 25 percent of your supplies from Appalachia. What are the issues in deciding whether to explore further on your own in the Gulf, buy gas from independents in the Southwest or drill for gas much closer to home, in Appalachia?

Tankersley: The probability of hitting very large volumes of gas is so much greater in the Gulf of Mexico. One well there could equal hundreds of wells in Appalachia. There are certain places in Ohio, it makes no difference where you drill, you'll hit gas — you could drill in the parking lot of a General Motors plant and hit gas — but it's low volume gas.

The exploration is so different that we have a company that drills in Appalachia and one that drills in the rest of the United States. It's much more technical in the Southwest. We drill in the eastern section of the Gulf of Mexico oil and gas area (off the East Texas and Louisiana coasts).

Q: If the supply of gas is so tightly linked to financial incentives for independent exploration and production, is it possible to say with any degree of certainty how much undiscovered gas is out there in quantities large enough to make it worthwhile commercially?

Tankersley: The experts seem to feel there is a very large supply of gas available, but at varying pricing levels.

Q: So when we see statistics about potential gas reserves, they are accurate only to the extent that the industry feels the gas can be sold for a good price at a
given time? It's all dependent on price.

**Tankersley:** I think that's fair. The price of natural gas is very low right now. There's a number of people, though who look, frankly, to higher prices in the future because it's a good product. The major oil companies have made announcements that they're going to drill in the United States for natural gas.

**Q:** Between World War II and the late '60s, gas companies tried to encourage natural gas use, primarily through advertising and marketing campaigns that sold gas as a clean, safe fuel for homes. Then came the shortages of the 1970s. Now you are pushing gas hard again. The industry seems to have a cyclical attitude about conservation. Do you fear that today's marketing efforts could again lead to severe shortages in the near future?

**Tankersley:** No, I think the lack of regulation at the wellhead is the big change. There's a lot of undiscovered natural gas. We're getting smarter, from a technical point of view. We used to say that one of 10 wells we drill in a given area would be productive; that number has gone up now quite a bit, because of our ability to apply science to exploration. So, I can't imagine running into a shortage, unless we get into a situation where oil is almost gone. Then gas turns out to be the only highly mobile energy form. You have other energy forms, but nuclear is not all that great, coal is not that movable — they've been trying to pipeline coal now for years — and so if you get down to mobility, and if oil begins to taper off, gas is going to fill that void.

**Q:** You mentioned gas was cheap right now. Is it as cheap as it was in the early '70s, when adjusted for inflation?

**Tankersley:** It's certainly not as cheap as it was when we were under regulation. Gas then at the wellhead was the equivalent of about $4 for a barrel of oil, but that was a false price, you see, because of regulation. The equation is six-to-one, gas to oil.

**Q:** To produce equivalent amounts of heat, right?

**Tankersley:** That's right.

**Q:** And I suppose you think these low prices today are almost completely a result of the enormous supply?

**Tankersley:** Yes, but I think most people would agree these excess supplies are going to be gone either in 1988 or 1989. That will begin to tighten up the market. The whole pricing mechanism, like anything else, is strictly a supply/demand equation.

**Q:** I guess this is a major reason for CNG's movement out of liquified natural gas, which you pioneered. Gas became so available domestically that you didn't need the expense of going abroad?

**Tankersley:** That's exactly right. We were the first base-load project in America for liquified gas.

**Q:** You have a figurine there on your desk behind you, an Arabian man, in his region's traditional dress. What is its significance?

**Tankersley:** We hope he runs out of oil and has to walk down to the service station and get his own can of gasoline.

**Q:** How have problems in heavy manufacturing in this decade affected CNG?

**Tankersley:** There's absolutely no question we've lost a great deal of load over the last several years serving the industrial east — not just Pittsburgh, but Cleveland and Akron and Warren and Youngstown and Buffalo. But we've compensated by finding other outlets for our natural gas: in cogeneration we sell gas to a very small, a... powerplant really, and it makes electricity. The electricity is used by the purchaser and by the local electric company, and the heat that's generated is used within the plant for heating purposes. Overall, that's a much less expensive way to go. We also are using our technical expertise in the making of steel by promoting natural gas injection in blast furnaces. So, it's these types of things we're getting into. It's a different ballgame, but we're still selling gas to industry, and I think we've become quite good at finding new ways of using natural gas.

Our philosophy is this: we want our producing people to sell their gas at the best price they can, whether they sell it to us or not; we want our transmission people to buy their gas as low as they can, whether they buy from our producing people or not; and we want our distribution people to buy the lowest priced gas they can, whether they buy from our pipeline or not. That's the type of discipline you've got to have in this business.

Ideally, what you'd like is to have your own producing company selling to your own transmission company selling to your own distribution company, and get the profit three times on the same cubic foot of gas. But that's not realistic.
AFTER the interview with Tankersley was finished, John Conti, CNG's public relations director, produced several large cardboard boxes of uncatalogued photographs that comprise the company's photo archives.

An interesting thing about these photographs is the way they depict changes in the company's marketing techniques, changes which Tankersley mentioned. A current company advertising campaign shows a man standing in a field talking about cogeneration, with a tiny flame in his palm dramatizing the idea of combining electricity generation and waste heat for industrial use. It's an idea long the province of environmentalists and advocates of conservative energy policy, and now promoted at the highest echelons of this enormous gas company.

These photographs vividly reveal the industry's promotional past: the "all gas home" goal of the 1950s and 1960s. Clockwise from lower left: A Peoples Natural Gas salesman gives it his best in 1964; marketing men mull over the yard light/grill "Patio Pair" sales campaign in 1968 with a national gas shortage scare only months away; a gas company field rep explains the product's virtues to an appliance store salesman, c. 1968; company meeting, 1964.