CONCLUSION

This study of Doheny's business career began with a statement describing how the indelible effects of the oil scandal have colored perceptions of his life. Doheny knew this was going to happen, and after exhibiting faith and optimism in the face of innumerable obstacles, he spent his last years a bitter and dispirited man, the victim of political forces that he could not control. Had he died before 1924, Doheny would have left a large void in the front ranks of the oil industry, and his accomplishments would have been duly celebrated. Instead, the oil scandal became the motif for his whole career. To his critics, both then and now, Doheny was one of the last of a generation of oil buccaneers who symbolized everything that was wrong with the industry.

The details of his business conduct, however, do not bear out this negative assessment. Doheny was not a ruthless plutocrat scheming to rob the world of its oil, nor was he a simple prospector who lived by the code of the West and struck it rich by luck. In reality, Doheny built an oil empire at a time when he was forced to bridge the gap between the individual wildcatter and the Wall Street industrialist—and he tended toward the latter almost from the beginning. But along the way, he also stood out as a pioneer in almost everything he did. This was especially true with respect to his activities in Mexico, where Doheny set the pattern for the expansion of the American oil industry abroad. Over the years, he assembled a massive corporate structure to support the exploration of Mexican oil in an era of rapid economic change. In pursuing his objectives, Doheny paved the way, and paid the price, for much of the modern oil industry.

Although part of Doheny's success came from hard work and persever-
ance, he complemented these prosaic virtues with a vision of the future of the oil industry that enabled him to press forward when others hesitated or failed to see. In this way, Doheny's career can be seen as an example of the entrepreneurial spirit at its best. As a usable concept, the nature of entrepreneurial behavior has escaped concise description but encompasses what one economic historian calls an “alertness” to heretofore undiscovered, or overlooked, possibilities in the market. After having reviewed Doheny's business dealings in detail, I find that nothing describes his role better than this emphasis on being alert to the opportunities around him. As we have seen, Doheny never actually discovered anything that had not been known and explored by someone before him. But what he recognized, both in California and in Mexico, was the possibility of marketing fuel oil to the railroads, industry, and maritime companies as a cost-efficient replacement for coal. Doheny was only slightly ahead of his competition in most of his endeavors, but he always proved to be more strong-willed and determined than his rivals.

When Doheny “discovered” oil in Los Angeles in 1892, his desire to succeed had been fortified by twenty years of frustration, near misses, and repeated failure as a mining prospector, but he came away from his years in New Mexico with an invaluable education. On the most basic level, he had learned the rudiments of practical geology, which were readily transferable from mineral treasure to oil. More important were the hard lessons learned about building a business in a volatile environment. After working in isolated places like Kingston or Silver City, Doheny understood the value of infrastructure and integration when his lead or silver ore proved to be as worthless as the dirt around it without the smelters and railway links required to deliver the product to market. And like most prospectors, Doheny soon discovered the necessity for external financial support. But, from his own experience, he also knew that viable opportunities were often wasted through the machinations of stock promoters who cared little for the mining business and devoted themselves to quick profits at someone else’s expense. Outside investors played a crucial role in the early success of Doheny’s oil companies, but he made certain that they were dependable, close relationships that could stand the strain of long-term development.

Similarly, one of Doheny’s greatest assets was his ability to cultivate advantageous friendships with influential individuals, from corporate heads to Washington officials. Nowhere was his promotional ability more impressive than in his initial success in winning the business and financial support of the Santa Fe Railway in Los Angeles. Whether Doheny sought out the local officials of the Southern California Railroad, whether they
approached him, or whether he and the railroad met by accident is unknown, but he did not hesitate to couple his fledgling oil business to the railway. To his good fortune, the Santa Fe wanted to have a secure supply of oil, immune from market fluctuations, and it paid Doheny a premium for his Los Angeles product. Later, the railroad gave him a free hand to expand its oil operations whenever, and wherever, he saw the chance. Thus, when he became the railroad's exclusive oil agent in 1897, Doheny held the unique position of being a wildcatter with a safety net. Over the next five years, Doheny provided the Santa Fe with the oil expertise it required, and he gained a first-hand education in how to successfully build and operate a large business. The railroad also supplied a core set of investors who stayed with him through the first crucial decade in Mexico.

However, Doheny never intended to rely solely upon the railroad for business, and because he had to scour Los Angeles for every conceivable customer in the early 1890s, he developed a broad conception of the fuel-oil market. In particular, he believed that the conversion to fuel oil would have its greatest impact on the shipping lines engaged in mass long-distance distribution. And once the shipping industry adopted oil, Doheny knew he would reap the rewards of industrial expansion on an international scale. Although this was not a plan he could put into effect immediately, it was another instance of his alertness to the potential for his product. When the opportunity to push the use of oil came during the First World War, Doheny was in position to monopolize the business by virtue of his large holdings in Mexico. In fact, as we have seen in detail, Doheny waged a sales campaign during the war which, in the opinion of one analyst, literally created the fuel-oil age.

Thus, when Doheny accepted the Mexican Central Railway's offer to hunt for oil near Tampico in 1900, he was already aware of the many possibilities for the heavy crude he would find at Ebano. Furthermore, despite his putative contract with the railroad, Doheny went to Mexico not simply to locate oil but to establish an industry based on domestic consumption. After transforming the industrial capacity of Mexico with the use of fuel oil, he knew he could move on to a larger international market. In the beginning, except for the fear of excessive American control, Doheny's plans fit into the economic modernization program undertaken by Porfirio Diaz. But after 1911, the foreign-owned petroleum sector, with Doheny in the lead, entered a protracted conflict with Mexico's revolutionary government over the control of natural resources. Doheny's attempt to build an internal market for fuel oil was one of the first casualties of Mexico's civil war. Thereafter, the demands of the European war siphoned an increasing
amount of Mexican oil into the United States, as the Mexican oil business
came to resemble other extractive industries. Consequently, as the only
profitable sector in an economy otherwise devastated by revolution, the
petroleum industry garnered an unprecedented degree of attention and
criticism from the Mexican government.

Nevertheless, because of the political conflict in Mexico and the accom­
panying fight with the Wilson administration over American policy, Do­
heny emerged as a national leader of the oil industry in the late 1910s.
Throughout this period, his companies accounted for the largest produc­
tion of fuel oil in the world. However, Doheny's success in Mexico and his
total dominance of one phase of the industry cost him a larger role in other
areas. In particular, he did not see that it was gasoline, rather than fuel
oil, which would ultimately revolutionize the transportation industry. For
several years, therefore, Doheny lagged behind as the other major firms
expanded rapidly to capture the American gasoline market. Part of his in­
terest in the Elk Hills Naval Reserve in 1921, aside from the issues of secur­
ity in the Pacific, stemmed from the need to jump into the gasoline trade
in mid-stream.

Another miscalculation was his abandonment of the California Petro­
leum Company after he failed to consolidate the West Coast independents
into Pan American Petroleum in 1916. Had he at least maintained some
financial control over California Petroleum, he might not have taken any
interest in the Naval Petroleum Reserve as a business proposition in 1921.
Doheny realized this mistake in the mid-1920s and tried to reacquire the
company, but he was unsuccessful. Ultimately, California Petroleum, with
its large production and growing network of distributing stations, became
a crucial component in the Texas Company's strategy to diversify its opera­
tions in 1928.3

Thus, by 1925 Pan American Petroleum, with its vast holdings in Mex­
ico, was still the preeminent company in the fuel-oil market, but it was
only beginning to develop its gasoline business in the United States
through the purchase of several retail outlets east of the Mississippi. Unfor­
tunately, this lopsided development made it an ideal target for an estab­
lished retail company seeking crude oil reserves, and it did not take long
before Standard Oil of Indiana set its sights on Pan American. At that
point, although Doheny was fully engaged in making up ground in the
hunt for marketing areas on both coasts, he was growing weary of the
Mexican headache he had been battling for almost fifteen years. Surveying
his predicament in the early months of 1925, Doheny decided to retain the
western segment of the company, represented by his investments in Elk
Hills, and let Standard Oil have the remainder. In the end, by absorbing the bulk of the assets of Pan American Petroleum, which had been the nation's ninth-largest oil company for the preceding decade, the Indiana corporation vaulted into permanent position as an oil giant. Doheny, on the other hand, staked the future of his California operations on the sanctity of his government leases, and he lost.

An argument can be made that, under different circumstances, events could have gone in another direction. Despite its concentration in Mexican production, Pan American Petroleum was never in a vulnerable financial position and did not have any fatal weakness. In the United States, Doheny proved to be an effective competitor in the retail market and was even challenging Standard Oil Indiana in its own territory. But in 1925, Doheny was also nearing retirement, and the Elk Hills project had become a legal and political nightmare. While there was no overwhelming reason to sell the company, there was no compelling justification for continuing the business along its present lines.

Despite occasional comments in the press about creating a family dynasty in the fuel-oil trade, Doheny seems to have abandoned any idea of maintaining the company for the sake of posterity. The most likely reason was that his son had not have proven to be a viable successor. After several years as a vice-president, Ned Doheny had not made his role in the company obvious, and if the information about his alcoholism is correct, he was in no shape to assume control of an international oil business. Doheny's grandsons were, at the time, just young boys; Doheny may have assumed that they would do better inheriting a fortune than a demanding corporate obligation. Despite the presence of numerous outside directors and a large managerial staff, Doheny retained a controlling financial interest in the company as its founder and chief executive officer, and his decision to sell out determined its fate.

In the absence of the litigation surrounding the Elk Hills lease, Doheny might have had the energy and the determination to keep the company intact and to ensure its future. From a financial standpoint, even the problems at the Naval Petroleum Reserve were not great enough to force the sale to Standard Oil, and the loss of the government leases could have been made up without crippling the business. But the oil scandal took such a personal toll that it soured Doheny on everything else and made him a victim of his own ego. On one level, his proposal to privately develop the oil reserve offered genuine cost advantages to the government and guaranteed his company a field of expansion far into the future. For all his astuteness, though, Doheny seemed to disregard the political consequences
of his actions. Against the better judgment of his business associates, he went ahead with his plans, believing that he alone could save the country from Japanese aggression. When the details of the Elk Hills arrangement became public knowledge, Doheny expected Washington's gratitude, not suspicion and hostility. Having succumbed to the blandishments of naval officers and government officials, Doheny truly believed that he could ensure the nation's military preparedness in the Pacific. And he was not pretending when he appeared genuinely wounded during the oil investigation, as critics interpreted his actions in a sinister and self-serving light. He never understood why so many of his friends in both political parties abandoned him as a liability during the 1924 campaign and thereafter. In the end, disillusionment and frustration consumed all other concerns in his fight to save his name. Unfortunately, the criminal trials were not concluded until 1930, when Doheny's declining health left him a reclusive invalid. And what remained of his public image was inextricably tied to the scandal.

Eventually, it took Doheny's death and Estelle's subsequent rise to prominence in her own right to begin to resurrect the family's reputation. That process started the day Estelle burned her husband's private papers in the basement incinerator of their Chester Place mansion. Over the years, Estelle Doheny had given Edward every assistance in his business, accompanying him on dozens of shared trips to the Mexican oilfields during the revolution. She sat on the board of Pan American Petroleum as one of the first female directors of a major oil company. Knowing how much of her life had been tied up in the fortunes of the company makes it hard to believe that she would willingly destroy the only record of their accomplishments. But during his final years, when Edward could no longer talk and was confined to a wheelchair, Estelle stood as his protector. The destruction of his papers was the final defense of her husband's reputation. Still, even though she was only acceding to Edward's wishes, Estelle must have come to regret this decision many times during the remainder of her life. Her friend and personal assistant, who reluctantly helped burn the documents, stated that it was Mrs. Doheny's greatest mistake.  

In the twenty-three years between Edward's death and her own in 1958, Estelle Doheny earned a different reputation than her husband's through her philanthropic work in Southern California, large benefactions to the Catholic Church, and a late career as a rare book collector with a national reputation. And she intended her collection and the Doheny Memorial Library she commissioned to house it as a lasting tribute to Edward, hoping that it would grow in value and scholarly importance over time.
But in a region which included such institutions as the Huntington Library and the Getty Museum, the Doheny collection at St. John's Seminary in Camarillo proved to be too isolated and esoteric to attract much attention. Ultimately, the Church sold it for over $37 million, a record amount for a private library sold at auction.5

What proved more lasting was Estelle's creation and funding of the Doheny Eye Foundation and Eye Bank in Los Angeles. When she discovered in 1944 that she was suffering from glaucoma, Estelle learned that the region had no facility to study and treat the disease, and her efforts to rectify that situation did as much as anything else to rehabilitate the Doheny name. But for Estelle to succeed, Edward and the legacy of the oil scandal had to be left behind. The success of her efforts was recently made clear when, in December 1991, Town & Country magazine featured a picture of Mrs. William H. Doheny Jr. on its cover. Inside, the young Mrs. Doheny was noted for being the granddaughter of Loren Berry, a pioneer of the telephone industry. Her husband, William Doheny, was identified as the great-grandson of Carrie Estelle Doheny, known for her endowment of the Doheny Eye Institute. Edward L. Doheny, pioneer of the American oil industry, was not mentioned at all.6