

Randy Foutch

His success as an oil and gas executive began with forming privately held companies.

Chapter 01 - 1:25

Introduction

Announcer: Randy A. Foutch fits the bill as an entrepreneurial oilman. Born in Oklahoma and raised in Texas, he earned a Bachelor of Science in Geology at the University of Texas and a Master of Science in Petroleum Engineering at the University of Houston. His success as an oil and gas executive began with forming privately held companies. Foutch founded Lariat Petroleum, Inc. in 1996 and served as President until January 2001 when it was sold to Newfield Exploration, Inc. Foutch also founded Latigo Petroleum, Inc. and served as President and CEO until selling it to Pogo Producing Co., for 750 million dollars in 2006. Latigo co-won an Oklahoma Venture of the Year Award. He also founded Laredo Petroleum in 2006 and served as Chairman and CEO until 2019.

Among many other honors and appearances, Randy was inducted into the University of Tulsa's 2010 Business Hall of Fame. He has been a guest commentator on CBS News and was an invited speaker at Harvard Business School's 2010 Annual Energy Symposium. Randy was inducted into the 2008 Tulsa Historical Society Hall of Fame and received the American Association of Petroleum Geologists' Public Service Award at its 1999 convention.

If you are interested in the oil and gas business and like to hear from someone with a strong work ethic, you will enjoy this story, heard on the oral history website VoicesofOklahoma.com.

Chapter 02 - 10:07

Denmark

John Erling: My name is John Erling. Today's date is March 1, 2019. Randy, would you state your full name, please?

Randy Foutch: My name is Randy Allen Foutch. My given name is Raymond Allen Foutch.

JE: Where does Randy come from?

RF: There's a lot of stories behind that family folklore. The facts are my dad's name was Raymond Doyle Foutch and part of the story is that he was in Korea when I was born, never liked the name Raymond, but my mother chose to name me after him. When he came back, he decided that I would be called something other than Raymond. I don't know if that's true, John.

JE: We'll never know the truth apparently.

RF: Not now.

JE: Your date of birth?

RF: I was born July 13, 1951.

JE: Makes your present age?

RF: 67.

JE: Where are we recording this interview?

RF: We are recording this interview in Tulsa, Oklahoma at Loreda Petroleum's offices.

JE: Where were you born?

RF: I was born in Muskogee at the hospital just like, you know, the Merle Haggard song. My parents are from that part of the country and that's where I was born.

JE: Brothers and sisters?

RF: I have one younger brother, two years younger than me, Ricky Dale Foutch. He just retired. He was an American Airlines pilot.

JE: Okay and you're a pilot too that we want to talk about a little later. Your mother's name?

RF: My mother's name was Alma Sue Rombach, maiden name. Of course, she married my dad and took his last name Foutch.

JE: Where did she grow up/where was she from?

RF: She was born October 7, 1931, near Haskell. She was one of nine kids. Her father died when she was very young, so her mother raised nine kids on a waitress's salary in and around Haskell, Oklahoma.

JE: Wow. What kind of a personality did she have?

RF: She was a great basketball player, a full belief in education. My early memories of her were that she was always going to night classes or day classes to school and wound up with, you know, a couple of other degrees. She taught for 40 years. Her view of life was everything's good, education is important, and if you work hard and really do...you know, they were very devout Christians...if you do what you're supposed to do, things turn out okay.

JE: So she was a big encourager in your education.

- RF:** Both mom and dad were. I think mom not only encouraged it but she walked the walk. We saw her, interestingly, studying and going to night school and driving from Tulia, Texas to Canyon to go to night school and coming home late at night.
- JE:** Hmm. And you said she taught—where did she teach?
- RF:** She taught in Tulia Public Schools, retired from there. She mostly was a third grade teacher, wound up getting a library in science degree and worked in the library. Then after both mom and dad retired, they moved back to a house they had on Lake Eufaula and she wound up teaching in the school systems around there, mostly Checotah, as a librarian.
- JE:** Is she still living?
- RF:** No she died several years ago.
- JE:** Your father's name?
- RF:** Father's name is Raymond Doyle.
- JE:** Would he be alright with you calling him Raymond? (laughs)
- RF:** No he probably wouldn't. Some people called him Raymond; most people called him Ray.
- JE:** Where did he grow up?
- RF:** Well he was also born in and around Haskell. He was born in November 1929. He was also one of nine kids and he was the oldest. My grandparents were farmers in and around Haskell, never owned much land. Dad was the oldest of the nine kids. He quit school in the eighth grade because my grandpa broke his leg and dad quit school to run the farm. Interesting enough, I can remember when I was in early junior high, dad was sitting at the table with me. He was studying for his GED at the same time I was in early junior high. So I think my mom influenced his education process also.
- JE:** So he got his GED?
- RF:** He did.
- JE:** And that's where his education ended?
- RF:** Yes it is.
- JE:** But was he as encouraging as your mother then about degrees and education?
- RF:** My brother and I, we just knew we were going to go get more education. I mean, I don't remember ever having a direct conversation about it but I think we were just raised knowing that education matters.
- JE:** Your father, what did he do for a living?
- RF:** Oh that's interesting. He actually came back from Korea and worked in the oilfields awhile and then he went to Tulsa Welding School and got whatever certificate or diploma or whatever that gets and then moved to Tulia, Texas and went to work as a welder. Tulia was a farming and ranching community. He was repairing equipment and building wire rollers and things like that. Then ultimately he started his own welding shop.
- JE:** That was his profession then for his life...
- RF:** That was it, yeah. He was a very good welder, very good machinist.

JE: Were they around long enough to realize your success?

RF: You know, yes, I think so. Mom died three years ago, now a little over three years ago. Dad died in '07. But I think they knew that both my brother and I turned out okay. I'm sure there were things we did that they wished they could have heavily influenced all through my life. But yeah, I think they knew that.

JE: I was thinking of welding and your profession takes on welders, you know, so there was a commonality there that he might have been interested in.

RF: Yeah and you know the way we were raised is I worked in his welding shop. I can't remember not welding myself. I think part of his pressure on getting education was if you don't get an education, son, you're going to come work for me in my machine shop and in my welding shop. So he was a big influence on education.

JE: But you became a welder at a young age. You could do that.

RF: Yes and all the parts that go with that. The actual welding is the best part of that. It's the getting things ready to weld that is often the worst part of being a welder.

JE: You grew up in what town and raised in what area?

RF: My entire grade school, junior high and high school was in Tulia, Texas, which is south of Amarillo about 50 miles. Interesting to that, I spent a year in Denmark as an exchange student. My senior year of high school was in a small town in one of the islands in Denmark in [indecipherable]. I went there, never even really knew much about...I'm not even sure I knew where Denmark was. I went to a language camp, an intensive language camp, for six weeks and went to live with a Danish family. I kind of had my high school senior year in Denmark. I came back to Tulia and worked half-time and went to school at Tulia High School. In Texas, you had to have four years of English to go to Texas Public Schools, you had to have another year of Texas history, some things like that. So I spent another year back in Tulia taking some required classes that I could have taken at the university or in Tulia and working a half day.

JE: Why Denmark?

RF: Well it wasn't my choice. I applied...it's called AFS—American Field Service. I had a choice of going earlier to Australia and they're a half-year cycle off from us. My parents and I talked about it and it would have meant that I probably couldn't have played football, which I wound up not playing anyway. So we turned that down and then they offered me Denmark, which is the same school cycle more or less as we have in the states.

JE: Did you learn how to speak Danish?

RF: I did learn how to speak Danish. Growing up in Tulia, you kind of halfway spoke some sort of Spanish. It certainly wasn't grammatically or even King's English Spanish by any means. But I went to Denmark and went to a Danish language school where everything was in Danish. I actually did pretty well at the school in science and math and things like that, did poorly and struggled with Danish literature. You don't know the nuances and

the subtleties of what words mean until you've actually lived there for awhile, but I got pretty fluent in Danish. I think I always had a Texas accent. They knew I wasn't native, but I communicated very, very well in Danish.

JE: Was that a good experience? As you look back on it, you're glad you did it?

RF: I am very glad I did it. I actually think it was in some ways a defining experience for me. Growing up in a very small town in rural Texas has a lot of advantages but one of the disadvantages is it's a very small town in rural Texas. So going to Denmark and spending 14-15 months in Europe and then seeing that there's another world out there with a lot of people I think was meaningful.

JE: Did you make it to the country of my extraction, Norway?

RF: I actually did, I think maybe for half a day, but yes.

JE: I suppose you were in Oslo when you did that?

RF: We took a ferry over. It was kind of one of those things where I said yeah I've been there but I can't say that I saw much of the country.

JE: Well if you'd stayed longer, you would have seen a beautiful country and down to Bergen where my grandfather came from. But this is not my story, it is certainly yours. But what a great opportunity for you to have traveled in Europe. To Sweden too?

RF: I actually spent about the same amount of time in Sweden as I did Norway.

Chapter 03 - 6:12

Moon Rocks

John Erling: So you finished high school, then what?

Randy Foutch: I went to the University of Texas. I initially went as an aerospace engineer. The Vietnam war was winding down. Boeing laid off a whole bunch of aerospace engineers (laughs) so I said well wait a minute, I need to do something different, and I wound up with a geology degree, a BS in geology, from the University of Texas.

JE: Why were you thinking about aerospace?

RF: That's interesting. I never knew anyone that flew in my family, although there were some in the past. But from day one, John, I think I was one of those kids that if a plane flew over, I would stop what I was doing and look at it. I actually vividly remember counting how many hours I would have to drive a tractor to get enough money to take another flying lesson. So I actually soloed as soon as I could at 16, the day turned 16. I went to Denmark after that and did not finish the private pilot's license. In Denmark, I was old enough to do a lot of things—not old enough to drive or fly or do a lot of other things—and then I came back and was saving money for the university. So I didn't really finish my

flying lesion until I'd been out of the university several years and had some money. But I always wanted to fly, thought aerospace engineering was the way to do that.

JE: You said tractors...were you driving tractors?

RF: Oh in Tulia, the interesting thing was I could work for my dad for room and board or I could work for a farmer or a rancher and dad still paid room and board and then the farmer or the rancher would pay me also. So as early as possible, I got jobs that paid besides working in the welding shop for my dad.

JE: Alright. Did the idea of being a farmer or rancher appeal to you at all?

RF: No, no. I left Tulia and swore I was never going to wear boots, never going to have a horse, never going to have cattle, and went as far away from that as I could. Now you look at me—I wear boots most of the time, I have a ranch just north of town. I quit really competing. I was never very good at it but I team roped at Gymkhanas and roping and rodeos for years and years and years. My kids grew up riding with me. So you just need to be careful about saying never.

JE: I guess! In rodeos, was that as a youngster?

RF: No I didn't do it until I was probably 30s and mostly team roping, no rough stock. I wasn't very good even at team roping but I enjoyed the activities. My two oldest girls were actually pretty good. All four girls were good on horseback. So we spent a lot of weekends at team roping and things like that together growing up.

JE: You went to the University of Texas...

RF: I did.

JE: What happens there?

RF: I had a pretty good run there, I think. I actually got a couple of things published while I was there and so I got to work on some of the...well the first moon rocks coming back from the moon. University of Texas was very involved in training the NASA astronauts so I got to actually do some x-ray diffraction work on the first moon rocks coming back from the moon, which I think is kind of cool.

JE: Yeah.

RF: Two other people and I published a guidebook on a canyon in Big Bend National Park that was very difficult to access physically. You had to float the river. You couldn't walk the canyon. I haven't looked at that guidebook in years but the last time I looked at it, I was greatly embarrassed about how sophomoric we were. But it hadn't been published before, so I had a really good—I think—career there.

JE: What was your degree in?

RF: My degree was a BS in geology, the first one in the University of Texas.

JE: Alright. Were you always a good student?

RF: No. My kids found a copy of my transcripts which was a mistake. It was extremely erratic. There were semesters in which I had perfect kind of grades, and there were semesters in which I did not. I mean, I normally always passed. My explanation to that was that if it was something I was really interested in, I did much better. Or if it was during a period of time where I wasn't working full-time and going to school, then I did much better. That was my excuse to my kids. So my grades were, I think, overall good, probably overall above average but very erratic.

JE: You could have done better...

RF: I could have done better at just about everything!

JE: (laughs) When were you married?

RF: Jean and I have been married about 30 years now. We were both married before. I had two kids from my first wife, Jean had a daughter, and then Jean and I had a daughter. So we have one of those his, hers and ours families. But Jean has, you know, kind of raised all the kids.

JE: The names of your daughters?

RF: My oldest daughter is Laura, now Laura Brown. She has a grandson and a granddaughter. She lives in Dallas. Her husband is a Dallas policeman. The #2 daughter is Stephany Foutch, now Stephany Foutch-Nichols. She actually lives here in town, has a couple of grandkids also. She was a land man in the oil and gas industry, you know, when she started. When she got married and went to having kids, she quit that. She also has a grandson and a younger granddaughter. My third daughter is Annie Backenstose, which was Jean's first marriage name. She lives in L.A. Then Jean and I have Caroline Foutch, who lives here in Tulsa and works at Gilcrease.

JE: They're all out of the house now?

RF: They're all out of the house, more or less off the payroll, you know, but we're still involved in their lives.

JE: Well with four daughters in the house at the same time, at one time at least, you had some interesting fun times, I'm sure.

RF: It was interesting because four daughters, a wife, and then my mother-in-law, who still lives with us...when her husband died 18 years or so ago, she came to live with us and is still there. So at one time, I was greatly outnumbered!

JE: (laughs) Yeah you were! That's a long time. We always think about mothers-in-law as being a tough situation but that's obviously worked for you.

RF: Oh it's worked well. She is a unique person.

Chapter 04 - 7:17**Move to Tulsa**

John Erling: So you get your bachelor of science in geology at the University of Texas. Then what do you do?

Randy Foutch: I went to work for a consulting firm in Houston called Keplinger, which is the son of Keplinger from Tulsa. There is a building at the University of Tulsa named after him. They were an engineering firm and he came to the University of Texas to interview—the son. I had several job offers. That was actually a pretty decent time to be graduating.

JE: What year was that?

RF: 1976. But he told me look, come to work for me. You will find out quicker what this business is all about. We will find out much, much faster than going through a major company trading program what parts of it you like and don't like. You'll get a lot more exposure and you'll find out if you're any good. So I went to work for him. And it was true—I did see a lot of things and spent a lot of time in the capital markets in New York and on Wall Street and London and Paris and other places...and got to spend a lot of time in boardrooms and with CEOs as a consultant. So a really good job to start.

JE: And how old were you?

RF: 1976 I went to work for him, I was born in '51...so 25.

JE: 25, that was a great experience. So tell us that company again did what?

RF: It was a reservoir reserve appraisal firm in which they would estimate oil and gas reserves for companies. That was the mainstay but on top of that, then they had a lot of other additional consulting roles. And I really spent more time in the consulting role than I did the actual reserve estimation role.

JE: They must have hired you, obviously, because of your personality and who you are but your grades were particularly good in your bachelor's program?

RF: Again, going to school at the University of Texas, I basically paid my own way and supported so I always worked, sometimes 40 hours a week, other times not depending on what I was doing. So kind of like high school and grade school, my grades were a little bit erratic—sometimes very good and sometimes just okay. I think the reason they hired me was partially the fact that I knew how to work, I think.

JE: You had a work ethic.

RF: Yeah, and I think that they also saw perhaps some of my college career that we just talked about with some of the things that we'd done was a little bit unique. But I never asked them. I'm just grateful they hired me.

JE: Absolutely. So that was a nice break for you wasn't it, right out of school. How long are you there in that job?

RF: I started actually going to night school there and I worked with them until 1981, so 5 years.

JE: This is in Houston?

RF: Yes.

JE: You worked for them for 5 years, going to night school for what?

RF: A masters in petroleum engineering.

JE: When did you graduate?

RF: It was interesting. In 1981, I wound up moving to Denver to work for another company.

JE: To Denver?

RF: Yes. I finished my course work for the masters in petroleum engineering at Colorado School of Mines. But I had kind of a choice in those days of which school to graduate from. If I'd stayed at School of Mines, I would have transferred the credits from U of H to Colorado School of Mines but I would have had to have written a thesis. The flipside of that was if I transferred my School of Mines hours to the University of Houston, I could take 6 more credit hours and not have to write a thesis. To me, that was a pretty easy decision...

JE: (laughs)

RF: So I finished the masters. It took me a long time to do it going to night school and traveling and everything else. But I did wind up with a masters in petroleum engineering.

JE: What was the name of the company you went to work for?

RF: It was a company called Anschutz, an individual Phil Anschutz, who has been very, very successful...one of the smartest people I have ever been around...a very good person. I stayed there until 1988, weathered another down cycle in the business, and in 1988 moved to Tulsa.

JE: Was Anschutz in Denver?

RF: Yes.

JE: And you were there for all these years then?

RF: From 1981 till 1988.

JE: But doing work at the University of Houston along the way doing night school.

RF: Yeah, I was still going to night school at the School of Mines. I transferred and took classes there and then transferred those hours back to the University of Houston.

JE: So then you get your masters of science in petroleum engineering there?

RF: Yes.

JE: You said from Denver then you moved to Tulsa?

RF: That's correct.

JE: You could have moved 100 different places. Why Tulsa?

RF: Well I speak highly of Phil Anschutz in many ways, but I think I'd run my course there and it was time for me to look for something different. I had an opportunity to come to Tulsa. At the time, I was single with two young girls—custody. My parents were here back in the

area. So when this opportunity came up, I actually jumped on it. It was to go to work for a company that had been a limited partnership raising...you know, they did a bunch of limited partnership and that business had changed dramatically. So they were struggling trying to figure out what they wanted to do. I think there were three or four of us hired at about the same time to try and figure out what the company should do.

JE: What was the name of the company?

RF: The name of that company was Dyco Petroleum. It took us three years to really stabilize the company and get it going again profitably. It's a long story but it was ultimately traded in exchange for take or pay provisions with Arkla; they took over. By then, Jean and I had gotten all of our kids in school in Jenks and we were kind of embedded in Tulsa. I looked around and just decided that we wanted to stay in Tulsa.

JE: Dyco...what was it's mission in the business?

RF: It was an exploration and production company.

JE: Okay. You have no idea where you are going to go yet, or has the seed been planted—I want to have my own business.

RF: When we finished with Dyco, Jean and I really decided...as I said, we wanted to stay in Tulsa. And it wasn't a good time in the oil and gas business in Tulsa. It wasn't horribly bad; it just wasn't a really good time. The jobs that I could find were back in Denver or Houston or maybe New York where there some things working in which there was still a fair amount of activity going on. We just decided that if our desire was to stay in Tulsa, I was going to have to create a job. So there was never a burning desire to start my own firm and be CEO. Although I'm very, very thankful for the way it turned out, the goal was not so much to create my own company as it was just to put food on the table.

JE: Right, but this is oil and gas country. There are oil and gas companies in this town. You could have gone to work for one without creating your own.

RF: In 1990-91, it was not a great time in the business in Tulsa. Yeah I probably could have found something. The better jobs that I was looking for weren't here, but we started Colt Resources in 1991.

Chapter 05 - 5:00

Colt Resources

John Erling: Colt Resources. I notice the names you picked for your companies all have to do with ranching and Texas maybe and all that kind of thing. Am I right?

Randy Foutch: Uh, yes, although I would like to have some real interesting story on why that is but at the time we started Colt, I was still doing a lot of horseback and actually training some colts. We literally looked around the secretary of state of Oklahoma and other

places trying to find a name that wasn't too Enron-sounding, you know, dot.com sounding. There was maybe 5 minutes thought went into Colt Resources.

JE: Right (laughs), the name at least!

RF: Yeah the name at least!

JE: So the market wasn't all that great when you started.

RF: It was a little scary.

JE: What was Colt Resources...what was your mission?

RF: We were principally a prospect generating shop. I had some partners that are actually a land man and a geologist and some engineers that were actually pretty good at what they did. We would generate an idea, put together the land and then try and sell the prospect. We had a company at Oklahoma City that backed us a little bit on first right of refusal. In those days, there was a view that we were running out of natural gas in the U.S., and the government had put together...we called it colloquially a self-help program for utilities in which utilities were actually investing in oil and gas directly because they wanted the product, mostly gas, for their power generation. So we were putting together the prospects. We had several of these utilities who wound up taking most of the prospects. We operated and drilled them, and we would get a carried working interest. What you find out is that is a very tough way of making a living because you are always as good as your last well.

JE: And you're always gambling.

RF: You're always gambling. In those days, there were very, very few private equity providers that did oil and gas. But what we noticed was that our investors that participated with us that had capital, we had the same percentage increase in rate of return and return on equity and so forth as they did but they were taking several tens of millions of dollars and making hundreds of millions and we were just barely, you know...we were spending what we were making on G&A and everything else. So we started looking for ways to finance the company better. We talked to a lot of private equity providers but there were only just a few that had interest in true exploration and production companies. We found one that had made some investments that partially worked. They had some production but overall they were kind of upside down on their overall investment. They merged that production into us and then we started really getting the benefit of having capital. Once they got to where they were profitable overall on their total investment—not just with us but we covered what they had done before—they called up and said we need to sell Colt Resources.

JE: We need to sell it?

RF: Uh huh. I had kind of thought Colt Resources was going to be, you know, it for a long time...a long, long time. But that's not how it worked out.

JE: This was your company and now because they had invested so much into it, they were in control.

RF: Exactly. That's how it works.

JE: You felt that coming on, obviously.

RF: At the time, I didn't. We knew that they had equity control. I mean, that's how it works. I think in hindsight, there were probably signs. And it was actually a pretty good deal for them and it was a pretty good deal for us. We took cash out in the transaction and we built a little bit of a reputation of having been successful which made it easier to do the next company. So I was very surprised when I got the phone call.

JE: Is that the way it comes about? You get a phone call?

RF: I don't remember if it was a phone call...

JE: We're selling your company (laughs).

RF: Yeah I don't remember if it was a phone call or in person or not. I just remember thinking well so this isn't going to be my long-term company...and that's okay. We've learned a lot since then.

JE: But you came out of it financially ahead, didn't you?

RF: Yes.

JE: So it was good?

RF: Yes.

JE: And so that little twist in the road propelled you onto...alright, I started a company, it was sold, so now what do I do?!

RF: Yeah pretty much. Once we had a purchase and sell agreement signed to sell Colt...I didn't take enough money out of Colt to retire by any means (laughs). But I had a little bit of stamina. We really started figuring out what we wanted to do next and what I decided was I liked this private equity model in which we do the management, we do the technical work, we do the operations, but they provide the capital.

Chapter 06 - 13:40

Lariat Petroleum

Randy Foutch: We got introduced to all of the people in, I think, most of the north America that did that kind of private equity. There weren't very many of them. Warburg Pincus had been around a long time and they wound up being our equity provider at Lariat Petroleum. We started that in 1996. It was a mid-continent...you know, it was going to be an Oklahoma Permian kind of a company. We were going to put together prospects and drill them, and we were actually going to make acquisitions. Warburg's first funding was \$20 million, which at the time was a huge number.

John Erling: But you brought money to the table too at that point.

- RF:** Yes but nowhere near that level, I mean not even close.
- JE:** But they saw that your money was in on it too...
- RF:** Yeah. When we did cash calls/capital calls from them, I had to write a check also. So I had skin in the game. For me at the time, the checks that I was writing were significant checks for me. They weren't large in most people's minds but they were significant for me.
- JE:** But they knew that and they knew that you were taking the risk...
- RF:** That's why they do it that way.
- JE:** Exactly. So Colt propelled you to that position. That was great.
- RF:** You know, I had some of my own money in Colt Resources too, although a pretty muted level. But Colt Resources, even though it wasn't a huge number success, it did set the stage for Lariat in a couple ways. The governance was good, we did it with integrity, we made money for our investors, and that really goes a long way. Once you've done it once, it's easier to do it the second time as far as attracting capital. The first time is tough.
- JE:** The name Lariat. Why did you choose that?
- RF:** Oh that's also interesting. At the time, I was still team roping and, of course, lariat is Spanish for rope. We were having a short meeting and we needed to pick a name. We had done a lot of other work and it was down to the point we needed to pick a name. We confirmed that no one was using Lariat in about 5 or 10 minutes—it was a phone call—and we just picked it up. So not a lot of sight again went into that name.
- JE:** Are you still a horse lover?
- RF:** Yeah. You know, I actually quit team roping when I was 51 or 52, somewhere along there. My knees got bad. My kids had left home. They were all in college or scattered out and weren't roping with me. So I quit roping. I do have horses at my ranch but I don't ride hardly at all.
- JE:** You know, you're a big man. How tall are you?
- RF:** Somewhere north of 6'1, I think, 6'2.
- JE:** Were your parents tall?
- RF:** Dad was 6 feet or so. Mom was tall for a woman but not particularly tall.
- JE:** Were you tall for a competitive horse man?
- RF:** Well team roping size is not that critical. Now if you're trying to ride rough stock, my build is not good for riding rough stock. That's the excuse I always use...the facts are, I was just scared (laughs) so...
- JE:** (laughs) Lariat—how long are you with them and tell us about some of the exploration.
- RF:** Lariat was founded in 1996. Again, Warburg Pincus, who I think very highly of...they were our equity provider, made the initial funding. As you said earlier, I did have my skin in the game but, you know, my skin was several decimal points removed from the size of theirs. Our goal was to be, again, similar to Colt; to put together prospects, drill those

prospects in mid-continent Oklahoma and the Permian, west Texas, and also make acquisitions if we could find good acquisitions. We found a fair amount of oil and gas. We did make a couple of pretty significant acquisitions. In the Lariat days, Phillips was not Conoco Phillips. If you remember, they were having trouble with other companies, Boone Pickens and Chevron nibbling on them some. We did at the time what we thought was a huge acquisition. We bought Phillips properties out of Oklahoma except the far western counties of the panhandle that fed down into their Borger, Texas refineries. These were some of the iconic fields in Oklahoma, you know; some of the original Oklahoma discoveries wound up being Phillips. That was in some ways meaningful to us in that we kept those properties in Oklahoma for a long time.

JE: Were they prosperous?

RF: Yeah I think they were. Phillips was a very large company, they had Ekofist in the North Sea, they had all sorts of things, and they had kind of starved Oklahoma for attention. You know, it just wasn't part of their game plan to do the things that Lariat could do to those properties. So yeah, that was actually a pretty good investment for us. I think what we paid was a pretty good deal for Phillips. We had to do a lot of work to take that investment and make it profitable, but I think we did.

JE: Were you a meaner-leaner company that could move faster than bigger companies? Did that have an advantage?

RF: Part of that is true. Always in this business, if you're a big company and have a lot of places you can put your capital. A company like ours, we were pretty focused and laser focused. So that's an advantage. You're not distracted by having international projects and lots of other things going on. You're focused on...you know, you're driving to it three hours away.

JE: What was a big discovery with Lariat that was particularly satisfying for you?

RF: We didn't have a huge discovery at Lariat but what we had was a series of taking old fields and really concentrating on improving the capital efficiency of those fields, trying to get the highest margin we could from the production and do it in an environmentally and safe manner. But there were a number of cases where we were actually able to drill exploration wells deeper on some of those old shallow fields and we made some pretty nice discoveries. They were all nice but none of which were earth shattering kind of discoveries.

JE: But you were improving on it, for sure. So Lariat...you're enjoying it, you're having fun with it...

RF: You know, one of the advantages of doing your own company—which I didn't think of at the time—is that you kind of get to pick who you work with. And I found all four companies to be extremely enjoyable in that way. We were, or at least I thought we were, kind of a team and everything else. So Lariat was, I think, very satisfying, as were the other companies. In those days in the industry, we were viewed as running out of oil and

gas in the U.S. You know, there weren't places to drill. We were fortunate in that we felt like we had, say, three years of future drilling identified and that was pretty good for the industry. We got to the point at Lariat that we kind of needed to make decisions about what we were going to do next. We were growing at a good rate. We didn't have to do anything but we were big enough, even at what's now a relatively small size company, to go public. That would have allowed us liquidity for employees. It would have allowed our private equity people ultimately liquidity for employees and them. So we put together the S1, which is the SEC document you need to go public. We hired some bankers, law firms, and, you know, all of those things you gotta have. In the course of that process, I started getting inbound phone calls from people wanting to buy the company.

JE: You started Lariat in '96...

RF: Right.

JE: So then when are you getting these phone calls?

RF: 2000 and into 2001. I kind of talked the board into letting us take a few of those phone calls, so we invited five companies in. We kind of drew a line in the sand and said okay, if we do this we'll go public, if we do better than that we'll just sell it. We got some offers that were better than we thought it was worth so we sold it. Newfield, which had been a very successful company mostly in the offshore, had not had much onshore, they bought it. And that was kind of the foundation in some ways for the Newfield presence in Tulsa up until recently. You know, Newfield is a big player now in Oklahoma in what's called the scoop stack play and a lot of that is acreage that we had at Lariat. We were drilling vertical wells, never even thought about drilling the horizontal wells. That's 10 years later and we'll get to that today. So we sold Lariat. Newfield kept the employees. I pretty much went straight from Lariat to Latigo.

JE: Okay wait a minute now...something's going on here. I mean, you did very well at this. You personally did quite well at it.

RF: Well it depends on your definition of quite well. I'm very happy with how I did on that. But one of the things that I think I've done a little bit different is at every one of these companies, all of my employees had equity ownership, either directly or through stock options and grants throughout time. So I was never the sole employee owner. And in fact, that's the case today at this company. We felt like the way you build a successful company is to have commonality of ownership. So we distributed a lot of the ownership throughout employees.

JE: You know, this is sounding pretty smooth. But there were risks you took. I mean...

RF: It was scary.

JE: Were there sleepless nights? It's not as smooth as it sounds for sure.

RF: No and, in fact, in some ways, it is amazing how scary it is to be the CEO of a start-up company. In a business, which we are, in which our commodity price is the most volatile

of any commodity and we have little ability to control that price swing. I mean look at what we're seeing today. We still haven't recovered from the December 15/early 2016 commodity price drop. You know in '15, we were talking about \$100 oil and \$6-7-8 natural gas per M. Today natural gas is \$275/M and oil is mid 50s. It's been down as low as 30 and \$1/M. So, you know, we're in a business in which you don't control your commodity price. It's also a little bit interesting in that we're in a business to where you can destroy all of your capital. If you drill a dry hole, it's not as if you have an uneconomic retail shop in which you're only getting back 90 cents on the dollar. If you drill a dry hole, you lose 100% of your investment. So while I am very thankful for my career, there were a lot of sleepless nights and, to be honest, there's still that. I think that comes with being the CEO, being the founder.

JE: So any dry holes for you?

RF: Yeah, oh yeah. I mean, it was brutal if you had a quarter where you had a couple of dry holes in early days before we really found the shale oil and shale gas and horizontal drilling. We don't hardly drill dry holes any more but early days, there were lots of times we were like okay, why did we do this?

JE: I'm glad you shared that because it sounds pretty easy (laughs).

RF: Well...we had a lot of good people, and we still do. But if you're the CEO, one of the problems you have is that a lot of your decisions, if they were easy decisions, someone would have already made those decisions before you got to them. So you're doing strategy and you're trying to look out two or three years. So you really don't know the consequences of your decision for several years in some cases. So it gets to be tremendously rewarding if you do it right and tremendously confusing and sad if you don't make those decisions right.

JE: So you did make incorrect decisions?

RF: Oh there's no question. And I keep kind of a running list of those and I think about them a lot.

JE: Keeps you humble, huh?

RF: I just don't want to ever to get to the point to where I think I'm always making the right decision. I want to keep in mind the fact that...look, this is a complicated business and you don't always have enough data to know which way you should go. So I want to make sure we keep in mind the fact that there are failures in this business.

JE: And then you don't know what Saudi Arabia is going to be doing that day!

RF: Yeah, you don't know what Russia, Saudi Arabia, OPEC...you don't know what tweet Trump is gonna, you know, send out on pricing. So it is interesting in that it's a business in which the price of our commodity is the most volatile and we never know which way it's gonna go.

JE: See I grew up in a farming area/community in North Dakota and they're at the mercy of Mother Nature. They can't control that any more than you can control what these other countries are doing. It's kind of the same deal.

RF: You understand exactly the point. The price of grain...

JE: Not only do they have Mother Nature but then what is the market doing on top of it.

RF: Exactly, yeah. You can have a good year, do everything right, and get wiped out right before harvest.

Chapter 07 - 7:07

Latigo

John Erling: Look at all those things that could have happened to you. You could have been wiped out, but here you sell Lariat, make a nice profit there, and you said you went right to Latigo?

Randy Foutch: Pretty much. I think I was still too young and I had kind of a business model that was working, so I took a lot of the same people from Lariat and just rolled into Latigo. We called Warburg back, Warburg Pincus, and we'd made them some money at Lariat and they said yeah we'll do it, kind of the same model. It wasn't that simple but we stayed away from the areas where we'd been working with Lariat so we kind of just slowly put together Latigo and kind of did the same thing.

JE: How old are you about then?

RF: It was 2002, I was born in '51, so 50.

JE: Could you have retired at that age?

RF: Well there's all sorts of inflections on that question. Could I have retired? I think I've been of the mind all along that I could always make a living doing something. If I have to, John, I'll go back to welding. So...could I have retired and lived on the island in the Bahamas...no, no.

JE: But there's a lifestyle you could have retired to...

RF: Yeah, whether or not that was the lifestyle I wanted is doubtful.

JE: You gotta be working...

RF: Yeah...

JE: You gotta be doing things, creating things. So Latigo...okay, I'll ask you. Where did that name come from?

RF: Well Latigo is also Spanish for small rope. It took about, again, 5 minutes to come up with that. But it was just kind of a continuation...we did not want to be some sort of a high, flash-in-the-pain dot.com name. I certainly didn't want my name on it anywhere. I wanted

something that kind of conveyed...I think there's a value system from cowboys and west Texas that matters. So we kind of wanted to keep that kind of line of thinking. But there was no thought that went into the actual name.

- JE:** By this time in the petroleum business, you've gained the attention of a lot of equity companies. They're following you now. So was it easier this time you come around?
- RF:** Oh very much so. What we in fact did was did enough checking of the market to know what market was. And then we went to Warburg Pincus and said we want to do it again and they said what they would do. We confirmed that that was market so we signed up again with Warburg Pincus and it was a pretty simple process.
- JE:** But then you have to strike out a new area because you couldn't hang around where Lariat was, so where are you producing wells?
- RF:** When I started my first company, Colt Resources, I didn't really write a business plan but I kind of wrote some business governance kind of ideas. One of them was I wanted to stay in areas that had been under regulatory control for years. I wanted to know what the rules were. I didn't want to be in a state that hadn't had any oil and gas to speak of. I didn't want to be in any kind of a federal land position where I was going to have to deal with federal bureaucracy and regulations and do EIS statements and EA statements and things like that. I wanted to be in places where the population knew what oil and gas was, where you were hiring employees whose dad and granddad had worked in the business, grandmother knew all about what it was. I wanted to get home most nights if I could. So there were a lot of other kind of governance. So we did stay away for our noncompeting from the areas in which Lariat had been active, but the mid-continent area and the Permian are big areas. So we kind of went back to the mid-continent and Permian. They fit those kind of governance criteria.
- JE:** Alright, for those and myself included, because I'm on the outside looking at your business, the Permian Basin...we hear that a lot. What land does that cover?
- RF:** Oh the Permian Basin is big. It's kind of centered on Midland, Texas, east from I believe 75 miles, north quite a ways, south quite a ways, west all the way into New Mexico. The Permian Basin is kind of split up into two sub-basins. There's the Midland Basin on the east side in which our properties are, then there's the Central Basin platform uplift which brought all of the rocks up shallower, and then there's the Delaware Basin which is on the western side, but it's kind of centered around Midland, Texas.
- JE:** Odessa is down there too...
- RF:** Sure, Odessa is near Midland.
- JE:** There's been a whole lot of exploring there but there is still...
- RF:** Latigo didn't really get into the shale very much at all. But what's interesting is as an industry, we are now taking what we used to consider source rocks, where the oil/gas matured, and we're now making them reservoir rocks where we're producing

hydrocarbons from those old source rocks. We never had the technical ability to produce oil and gas from the source rocks until 10-12 years ago.

JE: You're following technology without attempting to but it followed with you.

RF: In some ways, we've always been pretty high tech as an industry and my companies were always, in many ways, a little bit of a leader when using technology. We've had a view that better data helps you make better decisions, so we were always kind of the first in many ways to try things. Sometimes they worked, sometimes they didn't.

JE: So you're squeezing oil out of rock that had never been explored before.

RF: It had never been produced before, yeah. That's exactly true. You got it. And to jump ahead a little bit, Latigo kind of had a similar fate that Lariat did. We built it up until we were drilling within cash flow, things were looking good, we were trying to decide what we wanted to do next. The public market wasn't really great in 2006 so, again, we invited some people in, drew a line in the sand, and we sold Latigo and provided liquidity to employees and to our investors.

JE: But this was your decision.

RF: The decision was made by the board and, you know, I was part of the board.

JE: But why would you sell? This thing was very successful.

RF: There's lots of reasons. One of them is prices were high and we knew we were in a volatile...I mean, a year later, prices were low so we picked a good time to sell.

JE: And that year was...

RF: 2006 when we sold. But it also provided liquidity to all the employees that had ownership. It provided liquidity to the private equity investors. Providing economic returns to employees as investors is always a good thing. I'm not convinced that Warburg Pincus was 100% in favor of selling either Lariat or Latigo, but it was a really good return for them.

JE: Perfect timing.

RF: Yeah, that matters.

Chapter 08 - 13:00

Laredo

John Erling: So (laughs) here we go again!

Randy Foutch: Yeah. There was a gap between Latigo and Laredo. Even though we sold Latigo in '06 and really founded Laredo in '06 also, it really wasn't until mid 2007 that we first drew down equity and kind of got started. And, again, my goal was to stay in areas with the same kind of governance, mid-continent Permian. You know the rules; you're heavily

regulated; you've got tremendous sections of rock that produces. The Anadarko Basin is 30,000 feet deep with lots of multiple zones. The Permian is maybe not that deep but lots of oil and gas there. We actually found a block of acreage in the Granite Wash Play in the Anadarko portion that was attractive to us and that's what we used to fund the initial activities of Laredo. We bought that with the backing of Warburg Pincus again. So that's the third time I've used Warburg Pincus as a private equity backer. We did our usual high tech thing, shooting the best possible seismic we could. All of the things that we do that we think make better decisions. And we started drilling relatively short length horizontal wells.

JE: Would this make you one of the first?

RF: Yes, yeah way first. Concurrent with that, I hired back the team that I'd had in the Permian living in Midland. We gave them the goal of finding a new area for us to go lease acreage in, and they did in Glascock County which is in eastern Midland Basin part of the Permian. We put together 10,000 acres or so and we drilled two horizontal wells in a formation called the strawn. Those were not particularly great wells. I don't think one of them paid out; the other one paid out. And they were relatively short laterals. But what we noticed was that we had lots of oil shows in a formation called the Wolfcamp and another formation called the Cline. So we took a core, a whole core, and figured out that that's a real target, a real exploration goal. So we started leasing some more acreage. We actually drilled a number of vertical wells trying to get more data. But then we started drilling Wolfcamp and Cline horizontal wells. We were a private company so we didn't talk about it very much. So a lot of the initial Wolfcamp and Cline drilling in the basin we did well before others.

JE: The land that you were able to lease—10,000 acres?

RF: Uh huh.

JE: Why hadn't that been leased before?

RF: Well there had been some drilling on it before but it had been unsuccessful. We wound up with about 120,000 acres. Most of it had had some drilling activity before but not a lot of production. In fact, we bought almost no production. We did ultimately buy out another company called Broad Oak that had drilled a lot of vertical wells and had only drilled one horizontal well. The technology had changed so fast and the application of that technology was not universal. There still is a lot of just vertical drilling in the basin. But I think we recognized early on the economics of drilling horizontal and we were at the time trying to drill 4000 foot length horizontals. Today we've drilled some 16,000 feet, drill down 8 or 10,000 feet and drill out 16,000 feet.

JE: Wow.

RF: Our average is drilled down 8 or 10,000 feet vertical and then drill horizontal over 10,000 feet. We were kind of the first in the basin. We also figured out that the completion, the fracking, had to get better so we were kind of the first in the basin to

use what is called slick water fracking. We had to bring the equipment from south Texas and Eagle Ford Play. And it worked pretty well for us. Now the problem with being first is sometimes it better to be a quick follower and let the first guy make the mistakes. So while we did a lot of good things—back to your comment earlier—there's some things that in hindsight we could greatly improve upon. Our acreage is a contiguous block more or less. For this business, it's pretty contiguous. In hindsight, we should have bought acreage further to the west. It had more oil content. But at the time we bought our acreage, natural gas and oil still had some parity. Now, of course, natural gas is everywhere and it's hard to make it economic. But it turned out to be a really good deal for Laredo.

JE: You were leasing land that some people thought—why in the world...that's not oil producing land. Am I laying it right?

RF: Well we knew it was oil producing land but most people thought it was uneconomic even to drill vertical wells.

JE: Okay.

RF: So we were taking new technology, even when drilled vertical wells, and applying it to lands that had basically been unattractive historically.

JE: It was the technology that gave you confidence.

RF: Yes. Technology matters in this business a lot.

JE: You're doing horizontal drilling...is word beginning to spread? I mean, what are these guys from Oklahoma doing?

RF: Yeah I think that's part of it. We ran a lot of this out of our Midland office. We had boots on the ground. But it took the industry some time to go from vertical drilling to horizontal drilling. You know, that wasn't just universally...I mean, even though it reverberated through the industry—and other basins were drilling horizontal wells with success—it took awhile for the Permian to really catch on to the horizontal drilling. We were buying acreage at less than \$1000 an acre. You talk about mistakes—this is one of my biggest. When it got to about \$1000 bucks an acre, I got scared and we slowed down and then ultimately stopped buying acreage. The acreage values got up to, in some cases, \$40-50,000 an acre further west of us. I don't know what price we would have had to have paid but we should have bought more acreage west of us...because I stopped at 1000 and it went to 30-40-50,000. The technology of shale plays...where we're drilling these horizontal wells, what we've realized is while at a certain level, the geology and the reservoir engineering are the same. When you really get down into it and look at it closely, we're realizing it's extraordinarily complicated. Data makes the difference. So we were always on the shale plays pretty much a big data company. We can argue how economic that was for us, but we took what we learned and applied it to our entire 120,000 acre block of acreage.

JE: So you're in Tulsa but you did this business out of Midland. Were Oklahoma companies getting into horizontal at the same time?

RF: Yes. And we still had our Granite Wash Play in the Anadarko here. We ultimately sold that...and we were drilling horizontal wells in it...we ultimately sold that because the economics of drilling in the Permian were just better. Capital efficiency was better in the Permian than our Granite Wash. I think as an industry, there was such a sea level change...I mean, it was just huge. There's been three or four huge sea level change in our business, in my business. You know, the rotary bit...we went from pounding it with a cable tool bit to a rotary bit. That was transformational. The first offshore well in Louisiana was a couple of miles offshore; I don't remember the details. That was transformational. I think really good 3D seismic was transformational. I think learning that we could drill horizontal wells and frack them successfully was transformational. In each one of those cases—all four of those—it took awhile for the industry to adjust. But it became obvious in all four of those cases that there was a huge economic advantage in changing.

JE: Where do you come down on earthquakes—the horizontal, the fracking..

RF: I don't think there's any question that there can be industry-induced earthquakes. We knew that in the '80s at Rocky Mountain Flats in Denver where the government was injecting huge amounts of radioactive water and they triggered some fault movement. The actual fracking that we do does not induce earthquakes; I'm convinced of that. When you think about it, we put a lot of water in the ground, pressure it up, use that water to break the rock, but we have to get that water back out before we get any oil and gas out. So we have a week/2-3 week pressuring up but we pull that water back out as quick as we can. So unless you're fracking right into a fault or something that is already predisposed to move, you're not inducing earthquakes with fracking. However—and this is what the media doesn't really want to focus on, I think—is that we have places where we've injected produced water—water that came out of the ground here in western Oklahoma, north of Dallas in the Barnett line. That water comes out of the ground in association with the hydrocarbons. We've reinjected that water back into zones for decades in some cases, 30-40-50 years. We've pressured up those things and they stay pressured long term and that's caused some problems. So it's not the fracking itself, it's creating high pressure areas by injecting produced water—not frack water in many cases, produced water—back into the zone.

JE: Waste water, call it that?

RF: Yeah, but it's water that came out of the ground. Now what we chose to do at Laredo just to be complete in that is we did several things early, early on. One of them was we chose not to reinject water into any shallow zones. We'd move to putting it away in deeper zones and, in many cases, it goes in on a vacuum so we don't have to pump it. We

also built a water handling system. I think water is going to be important no matter what industry you're in. As population grows, I think water is just going to be critical. There's lots of reasons—agriculture. In our part of the Permian in the Midland Basin, a couple of things; one of them is the competition for our water is really alfalfa and cattle. There's not a lot of towns or people living there. We started monitoring the aquifers day one. We do use a lot of fresh water to frack with. But the most important thing is we've built water recycling facilities and we're re-using about 40% of our produced water.

JE: Hmm.

RF: So we're actually recycling...and I think every year, we're going to recycle more and more and more as we finish building out the water recycling. I think it's clear that injecting water over decades at high pressure can induce...I mean, there's no question, I think. We just need to make sure that we tell the story because the fracking is such a short-term blip. I don't think it's really the issue.

JE: We haven't had here in 2019 in Oklahoma the earthquakes that we had maybe up until two years ago. It's changed.

RF: Well and it's changed because we've been smart as a state and we've regulated those high volume, high pressure disposal wells. We've said you just can't do that. That's another indication that it's not really the fracking and the producing that's the problem, it's just making sure we're smart about how we disposed of that produced water.

JE: Is any of your business today in Oklahoma now?

RF: No, we're currently completely out of Oklahoma except corporate headquarters.

JE: Do you still enjoy getting around roughnecks and getting right on the site and being there? Does that appeal to you?

RF: Yes it does. In fact, that's where I'm the most comfortable. As CEO of a public company, you wind up spending a lot of time dealing with Wall Street and other investments and I think I actually enjoy that. But my first choice, if I had my way, would be further back down into the actual E&P part of it, working with the geologists and engineers and our pumpers and production engineers and the field part.

Chapter 09 - 17:35

Laredo Goes Public

John Erling: By this time, because of your love of flying, you must be buying an airplane. I mean, now you need to be flying around for business reasons. Is that true?

Randy Foutch: There is some of that and I still fly. I'm still current. I still go to flight safety twice a year. I fly 275 hours probably average the last couple of years. And I do fly a jet,

my own plane. The company has a plane that we use to shuttle employees back and forth between Midland and Tulsa two or three days a week. It's interesting because the FAA and the airlines used to make you retire at 60; you couldn't fly past 60. So I told my wife 30 years ago that when I got to be 60, I would quit flying left seat in the front. They moved the retirement age to 65, so I immediately told her that I was going to fly until I was 65. As we said, I'm 67 now and still flying. But that's going to come to an end at some point. I do not want to fly...I know people who are in their 70s and maybe even early 80s who still fly and fly well. But at some point soon, I'm going to quit flying jets and high performance aircraft and just stick to flying single engine things for fun.

JE: One of our other interviewees for Voices of Oklahoma was King Kirchner who, I think, is 91 now but probably gave up flying just a few years ago. You may know that better than I did, but he flew into his 80s.

RF: He did. King is just a remarkable person in many, many ways and he is the exception, I think, to the rule that at some point you need to quit flying. Of course, he has flown hundreds of different types of aircraft. His hangar is right across the taxi way from mine. I can't say enough good things about King.

JE: Yeah, but at 91, he is still doing business (laughs).

RF: Yeah he is still involved.

JE: Which is what you could be doing too.

RF: There's worse things in life than emulating King Kirchner.

JE: (laughs) I think it was in 2009 you drilled your first horizontal well in the Midland Basin.

RF: That sound about right.

JE: And then you drilled I don't know how many...300 more horizontal wells?

RF: Yeah, probably 350 now.

JE: 350. And how many employees do you have?

RF: We have around 350 employees or so today. It's a volatile business. We think we've got good employees. When prices cratered in 2016, we had a pretty big reduction in force, which is very, very painful. The entire industry did. So it's a business in which you kind of have to constantly look at every cost. Employees are how you make money and to do it right, you've got to have them. Unfortunately for most people in the industry, when things get tough, employees are a cost also. We really think we've got good employees.

JE: Have you had employees that have stayed with you from previous companies?

RF: That's part of what I've enjoyed is that we didn't pull very many over from Colt to Lariat, but from Lariat to Latigo to Loredo, we pulled over quite a few. In fact, I think out of the first 50 people at Loredo, 37 or something like that have worked for me before. The problem is we're all getting old and some of my employees that have been with me 20 years, they've monetized some and, you know, it's a hard business and they are retiring/leaving, doing other things.

JE: I'm thinking about a roughneck right now. How old can you be as a roughneck?

RF: The question is how old do you want to be and still out there in the heat and the cold and doing that in the rain and everything else.

JE: You have some who are 60-70?

RF: We have some that are in their 60s. I don't remember any in their 70s but I'm sure we do. Now those are the guys that had the experience so what you want them doing is helping younger guys do it. But if you live in rural west Texas and your parents were roughnecks and you've stayed in rural Texas because you want to be part of that community, you want to be part of that lifestyle, you probably are running some cows someplace and farming on the side...but being in the oil and gas business in the field is kind of where your heart is if you're second or third generation.

JE: So is it easy to be attracting the young people to the petroleum business?

RF: On certain levels it is and I'll talk about that in a second. But if you're in the Permian today, there was an article today in the Wall Street Journal about a barber (cuts hair) who put together a mobile trailer with five chairs and barbers in that. He hauls it from field area to field area literally and cuts hair for field people who do not have time to go to a barber shop, and he makes a phenomenal living.

JE: That's a great idea, wasn't it?!

RF: Yeah actually a pretty good idea. We've seen food trucks. Well this is a hair cutting truck. On the one hand, hiring people across the industry today is extremely competitive. If you want to work in west Texas, you can find a job. If you've got a commercial driver's license and a good safety record and you've passed the drug test, you can make \$120,000/that kind of a number a year driving a truck. It's hard work. You're outdoors a lot. But if you have an attraction to that type of lifestyle, it's pretty good. Now there's a lot of competition between the companies out there. And to some degree, the office is the same way in that if you're a solid employee and have something to contribute to the company, there's lots of places you can go work in this business today. Parts of the business are in basins in which there's not much activity but the Permian is just booming.

JE: It's a good time.

RF: It's a good time to be in the Permian Basin.

JE: About Loredo...we're sitting in your conference room today. Lots of decisions being made around this big table, I'm quite certain.

RF: We just finished a board meeting yesterday.

JE: Somewhere along the line, you said let's take Loredo public.

RF: Yeah. We had built Loredo up until there was clearly an ongoing profitable company. We were building up some pretty good equity value in the company. But what we realized...I mentioned earlier that the companies before when we were kind of doing conventional

drilling, if we had three years of inventory, we were kind of on the really good excellent side of things. What we've now realized with these horizontal plays, these big shale plays, that you have years of inventory. Everybody has inventory. In 2010, we had a debate amongst ourselves about selling the company and in some ways we'd kind of just really gotten started on the horizontal play—a lot of potential...or do we really want to look at taking the next step in terms of accessing capital and go public. I had never taken a company public. This was before a lot of the rules and regulations really were understood. I mean, we had Sarbanes-Oxley and others, so we listed this company on the New York Stock Exchange December 16, 2011. My wife was there, some of my kids were there. I got to ring the bell open December 16...

JE: I saw the picture in the lobby.

RF: Yeah.

JE: That was a great moment for you.

RF: Yeah. Now what I've come to realize is that everybody has bosses. I mean, if I own the company 100%, then I probably have a bank, I probably have obligation to employees; you know, I get lots of input. If you're using private equity, the private equity has a very loud voice at this table with board decision, and they should because they put up the money. What you realize as a public company is you have a lot of bosses. Every shareholder has a right to express his opinion. The rules and regulations and the way you communicate with the investor community take a lot of time, a lot of staff, and a lot of my time. And that's changed over the 8 years that we have been public.

JE: Becoming more complicated...

RF: More intense, more complicated every year. So I think going public was the right thing for the company. I think it was good. But then what you realize is that not only are you in a business in which the volatility of your commodity is extreme, you're in a business in which the investors can get in or out of your stock instantly. And if there's a better place for them to put money, like Apple or Facebook or Netflix or some dot.com or some bank, they're going to do what's best for them and take money out of you and put it there. So now we have a relatively volatile public investor base who can get in and out of the stock pretty quickly. It's another volatility in our company.

JE: How does that affect the company on a daily basis? They're coming in or they're going out...

RF: It actually doesn't affect the company at the operational level hardly at all. As you know, nowadays there's not a lot of retail stock owners; it's mostly big funds and electronically traded platforms of some kind. So I think the volatility really has no short-term impact on our operations. In fact, the company can perform very, very well and still have a declining stock price.

JE: Why?

RF: If the investors decide that they should put that money elsewhere, buy Apple for example—which is a good company and it had tremendous growth—they'll sell your stock and buy Apple.

JE: Sure.

RF: What it's done is it's increased the volatility of the public market value of the company. It doesn't really have much impact on our metrics in the operating of the company itself.

JE: So then the capital that came in from going public, that enhanced your...

RF: It did. It greatly helped us fund our drilling activities and our capital program. That's why you go public is to have access to funds. We sold equity in the IPO and we used those funds for acceleration of our drilling program. Prior to that, we had accessed the high yield debt market some. As a public company, we were able to refinance that high-yield debt to some degree. So being public has some big advantages in that your equity is traded every day.

JE: What are we trading at today?

RF: I haven't looked today but a year ago, we were somewhere around \$10 or \$11; today we're at \$3.5. The entire industry is somewhat out of favor. But, you know, we've seen that before. We've had boom and bust cycles in this industry no matter where you sit, either private or public or MLP or wherever you sit. So we've seen this before.

JE: But your company now is doing well. You said the Permian is gangbusters.

RF: Yeah. It's interesting. If you looked at our company as a Permian company only, we have a little less oil content than some of the people that bought acreage further west so we kind of trade at the bottom end of those dozen or 15 companies. But if you looked at us across North America, we probably are in the top quarter. So it depends a little bit on where you are. The Permian is just so good. I don't think most people realize how the shale revolution has changed our energy position. We're now producing somewhere around 12 million barrels a day in the U.S. We got as low as 5 or so at one point. We are now a power broker on the price of crude worldwide. It's really boiled down to Saudi Arabia, Russia and the U.S. And the Permian is a dominant part of that U.S. position. So what we've seen is we're no longer having to import an increasing amount of oil every year. We're actually exporting significantly more oil each year. On the natural gas side with our L&G exports, we're actually exporting L&G to countries whose only source of energy before was Russia or something, so the United States really has a seat at the table now on worldwide energy prices.

JE: Going public obviously very complicated and all. Are you back and forth with Wall Street? I've never experienced this at all. I'm asking simple questions like many probably who are listening to this. What is your interaction with Wall Street because you went public?

RF: The interaction is more with investors. Now Wall Street is actually a very short street in New York. But there's a lot of investors based in New York. Part of my job is to make sure that I've communicated to investors what our story really is. Here's what we are; here's what we're going to be. So we meet with Wall Street in San Francisco; we meet with them in Dallas; we meet with them in Chicago, a lot of New York. There are investor relations conferences, probably 10 a year. I don't make all of them but if you're public, you really want to make sure that you are communicating with the people that own your shares and the people that you want to own your shares. So probably a third of my time has been spent on the road somewhere talking to current investors and hopefully future investors. And that's a pretty dramatic change from a private company. There's additional governance and SEC filing so you have to have more people, but the communication of what your company is all about is different. And to be honest, I think I'm still learning how to do that.

JE: How to communicate?

RF: How to communicate our story most effectively. There are people who have been public 30 years through 3 or 4 CEOs who have a long history of how to do that. We've been public since 2011. Part of that time was a boom time; part of that time is now not, is a bust time, boom/bust cycle. So as a company and person, we are learning how you really need to communicate. And it's different than talking to a private company board of directors.

JE: But when you're communicating—when you sit down face to face with these people—you get some tough questions I would imagine.

RF: I think they have the right to ask you tough questions.

JE: Right.

RF: They've invested their money in your shares or they are thinking about investing money in your shares. So yeah, I think they do ask tough questions and I think they have the right to do that and I have the obligation to try and answer them.

JE: Right, so you don't take an affront on that. Some can get prickly, I would imagine...their personalities.

RF: Yeah, people are people and some of them have different approaches to how they ask tough questions. You know, I do understand that I'm a public company and I do understand that I have to be in the public with shareholders. Whether I like the way they ask the questions or not is really not germane. Regardless of how 1 or 2% approach it, my job is to make sure I communicate the best I can.

JE: Do you enjoy doing that?

RF: For me, I can't say I've always enjoyed that, partially because of the traveling and being gone from home. I do enjoy telling the story. It's a much more difficult story to tell today than it was even six months ago. But I do enjoy telling the story. We have a group of

good people here who help me do that. So I don't make every one of those meetings nowadays. I have some other people that make some. I don't want to make it sound like I look forward to it every time, because I do want to be home and I do want to be here running the company. It's not distasteful, probably on balance I enjoy it, but I don't like being gone from home.

JE: Right. But you said it earlier—you like telling the story. You're proud of the story that you have to tell.

RF: I am. Even during the bad times—I still think the company has a good bunch of employees, we enjoy a really good acreage base...there may be some better, but ours is good. We have a really good balance sheet. We're not over levered. We have a lot of optionality and things so I enjoy telling the story.

JE: How do you grade your own paper?

RF: (laughs) Well I actually think that one of the things that has helped my companies is that I do grade my own paper. And I also have a board of directors that are very involved in the company and they grade my paper. So I think one of the things that I need to do is to recognize what we've done well but also recognize what we haven't done well and try not to make that same mistake again. So I'm pretty focused on saying okay, what really worked and what didn't work and what can we learn from both of those. The board's job, I think, is to represent shareholders and to help evaluate management and the CEO. So I grade my paper a lot. I don't ever want to get to where I take it for granted that we're going to be successful. I don't want to ever take it for granted that we're not going to make mistakes. But I want to make sure that I've maximized what I've learned from prior mistakes and try and minimize mistakes going forward.

Chapter 10 - 3:16

Harvard

John Erling: You enjoy public speaking in your field, petroleum, in schools and all. Weren't you making a presentation at Harvard?

Randy Foutch: Oh it's interesting, you know. I think it's incumbent upon the industry to tell it's story better than we ever have. You mentioned the fracking and earthquakes. Well that's a story that we need to tell better. I think historically the industry has not done a good job in the PR side of telling its story, so I think that's part of being in the industry is that we need to tell our story. So I've spoke a lot. Years ago, the AAPG awarded us a prize for our outreach speaking. There was a group here in Tulsa, Energy Advocates, in which I chaired and spoke a lot. I still speak some. I just think that's what we need to do. Now the Harvard thing, I taught a little bit at a couple of different universities but Harvard Business School...

JE: You taught there?

RF: Well a single day each semester, so it's not like I taught a class. But what they did was early on through a contact of mine, I was invited to help them prepare a case study for the Harvard Business School, the MBA. They take cases and they kind of modify them a little bit to make a point in their teaching, and those cases are used and then they invite students to actually comment on what the CEO and the company did right and did wrong. I got invited, they picked one of my companies and did a case study on it in a masters energy economics class. I got invited to go to Boston. It's called defend the case study. If it's in the morning, you come the evening before and there's a famous pub there and they reserve a big round table and students come and talk to you. If it's in the afternoon, they reserve a table in one of the cafeterias, their famous cafeteria; they put up a sign and the teacher is there and students come and talk to you. Then during the class, you actually sit in the back of the room. I mean, they know it's you because you're the only old guy sitting there. But anyway, you listen to what these incredibly bright people say about what you should have done. And then you come down in front and you spend 30 minutes, 45 minutes, sometimes an hour answering questions. I found that to be fascinating. So I think I did it four years twice a year, something like that.

JE: Was it tough to hear some young whippersnapper telling you what you had done wrong?

RF: Well sometimes. But, you know, I think they have a voice and I think they need to be heard. Because that's the future of our country.

JE: Well they're interested in the business, aren't they?

RF: Exactly. So I want them to have the clearest view of the industry that they can. You know, I've been invited to do that at some other schools and I'll probably always do that if I can. As long as they invite me to come, I'm going to come. I think it's critical that we put early on in some of those students' minds the fact that this is a pretty important industry in the U.S. We're not going to kill the internal combustion engine in the next 10 or 12 years. And we have responsibility for doing it environmentally as right as we can. Energy translates into standard of living.

Chapter 11 - 11:08

Gilcrease

John Erling: You know, you're so busy with your company. I have a whole paragraph here of boards that you serve on. I don't know how you do it. But just a couple, I want to ask you why. The Catholic Foundation of Eastern Oklahoma—you serve on that board. That's your church, obviously.

Randy Foutch: Yeah, Jean and I are catholic, and the foundation...I'm not on that now, I served on it for a long time, and I felt like that was a good way to help people in this area through the diocese.

JE: The Indian Nations Council of Boy Scouts...were you a scout?

RF: No. The town I grew up in, I don't even think we had scouts.

JE: Okay, how did you come to that council?

RF: John, I thought that there was an opportunity to maybe push scouting into parts of Tulsa that historically the population really hadn't had scouting. So my game plan was to work with the boy scouts and the Catholic church and push scouting with the church being kind of the places where they met into parts of Tulsa that historically hadn't had that.

JE: And how did that work?

RF: It was a huge failure (laughs).

JE: (laughs) Oh really!

RF: And there are others who are trying it now and hopefully they do a better job than I did.

JE: Well maybe boy scouts is not as interesting anymore as it was years ago?

RF: Well there's all sorts of issues. I mean, there are some demographics in which camping in the woods is not what they want to do. And once I realized that I wasn't going to be able to really have the impact I wanted, I kind of drifted off the boy scout board.

JE: But there is a board you had a major impact on and that's Gilcrease Museum. This is a big part of the history of our town. We're all very proud of it, most comprehensive collection of art of the American West. By the way, are you an art collector yourself?

RF: No. And it's funny, Jean and I have bought art over the years. It was explained to me one time that Jean and I are art decorators. We buy art that we like, put it up on the wall and look at it as opposed to a collector.

JE: Well there was a collector by the name of Thomas Gilcrease. He was an oilman and, as we know, an avid art collector. He deeded the museum to the city of Tulsa in 1958. You've served on that for some time and right now, they are in a renovation period as well. When did you come on and why was Gilcrease important and you're still on the board, aren't you, at Gilcrease? Talk to me about your experience and the importance of that museum.

RF: I'd have to think about when I first got involved. But Gilcrease is owned by the city, the building and the art. Cities are normally in the business of providing fire department, police department, fixing roads, utilities, things like that. Early on, Gilcrease was run by a Gilcrease association. There was an attorney here in town who was very involved in things like Gilcrease called Don Marler. I'd been to Gilcrease a number of times for dinners and lunches and things but had never really understood what Gilcrease was. Don invited me to go out there and tour the archives. Don was a lot smarter than I was, as it turns out. What Gilcrease is known for is Russell and Remington and Bierstadt and Morans. But

when you get into the archives, you realize that the art collection is extensive. There are museums who have built themselves on a dozen Morans. Gilcrease has tens of dozens. But what you really realize is we have a document collection that has never really been understood, never really been promoted, that is extraordinarily world class. We also have other archival artifacts that are in the basement. Don arranged for me to go down in the basement and I saw all of Paul Revere's writings, Ben's letter to Custer after Custer said "come quick". I saw the Declaration of Independence. We have several hundred thousand pages of documents from the Spanish colonization of Mexico. It is just phenomenal what we have. What you soon realize is that that's a treasure that could change the perception of Tulsa worldwide. When people who are knowledgeable about these kind of things come to Tulsa, the first thing they say is you need to have the whole world know what Gilcrease is. I've heard that time after time after time. So I got involved early on with the view being that this really is something that separates Tulsa from all other cities really in the U.S. I was in the meeting with Stead Upham from the University of Tulsa when Kathy Taylor proposed that the University of Tulsa run it. That was, I think, brilliant on Mayor Taylor's part. The University of Tulsa...you know, that was a new thing for them. They had to kind of think it through. But Gilcrease is world class and we need to somehow or another convince the rest of the world that we have it.

- JE:** Yes. So the city owns it but management comes from the University of Tulsa is the way the model is now.
- RF:** What the intent is is to really redefine what Gilcrease is because, as I said, most people who know about Gilcrease walk out there and they see the art hanging on the wall. And that's remarkable, that's phenomenal, that's fantastic—but Gilcrease is much, much more deep than that with the archives and the documents. We need to promote all of Gilcrease, not just what we've got hanging on the wall.
- JE:** Yeah. I interviewed Gene Gilcrease, who is the grandson of Thomas Gilcrease, and other members of his family. I went down to Texas to do that. He has fond memories of Thomas sitting out on the porch there at that house and all that. So those who would like to know more about Thomas through the eyes of a grandson, Gene Gilcrease's interview is on our website. You have more than a passing interest in history and you have been particularly supportive of oral history and, in this case, Voices of Oklahoma. Tell us why.
- RF:** Oh, you know it's interesting. I grew up, like I said, south of Amarillo in a small town and did not even realize the local history. Or if I realized it, I didn't care. The time that I was in Denmark, I'd go to the little church near our community that we lived in...a very, very small community in Denmark...had been one kind or another church for like 800 years. It just had no impact on me. But what I realized at some point was that history matters. We are what we are because of history. So I started getting more and more interested

in understanding history. I think it's important, more so than ever, that we preserve our history and that we keep history alive with younger and younger demographic people. The new generations—I think we all know this—they learn from an iPhone or some other phone held in their hand. Their attention span is 30 characters or whatever the limit is. And their group is the people that they associate with on social media. So this history, we need to capture it, in my view. We need to understand it. At some point, I think, what you're doing with Voices of Oklahoma—(laughs) with the possible exception of me—is going to be very, very important for us understanding our history. Oklahoma in many ways is an old, old area/territory/land with hundreds of years of history, thousands of years. John, what you're doing capturing people telling their story, Jean and I think will be very important. I think it's very important now. We've already seen people accessing your site and using it in editorials and using it in news articles.

JE: It was used in an obituary the other day.

RF: Was it? I missed that. So I think capturing that history in that person's voice is pretty critical.

JE: Yeah, and I want to thank you too because we're in our 10th anniversary and you've been with us largely most of those years and great support, so I want to thank you for that.

RF: Oh I thank you for doing what you're doing.

JE: Well I find it to be fun. So advice to young people who are listening, whether they want to be in the petroleum business or whatever they're seeking a career—what do you say to them?

RF: We start every company meeting here at the company with really talking about culture. I think no matter what you're doing, you need to give a lot of thought to a couple of points. And one of them is if you don't have core integrity, it doesn't matter. So if you're not thinking about integrity through all aspects of your life, nothing else really matters. I think you need to have a feeling that your job is to take care of others. I think you need to have a feeling that your job is to respect—treat people the way you want to be treated. Treat people, you know, maybe more than you want to be treated. And I think we're all kind of in this together. You know, it's a lot of teamwork in success but the one thing that we were taught early on was you gotta work at it. And I was taught that you need to be around quality people. Life is short. Sometimes it's a lot of fun to be with people who maybe aren't as high quality as you like, but we were always taught to make sure that whatever time you have, spend it with the most high quality people you can and try and learn from them. So my advice to young people would be don't just let things happen without you being somewhat focused on trying to make the right thing happen.

JE: Then we ask how would you like to be remembered?

RF: Oh, well (laughs). That's pretty personal in some ways, but I want to be remembered as someone who really tried to be a good father and a good husband first and foremost. If

I'm not there, then I've failed. And, you know, none of us know how to raise kids. I mean, when you pick up your first kid, there's no degree that says you know how to do this. But that's first and foremost. I want to be remembered by my family as having tried to do the right thing. On top of that, I think I'd like to be known as someone who represented his industry and his church well—church before industry but represented them well.

JE: I'm sure there'll be many who concur with that statement. You know, you and I have interacted a lot down over the years in short spurts and so forth, but it was fun to sit across from you here face-to-face and visit with you and I enjoyed it very much. Thank you.

RF: No, John, thank you very much for what you do.

JE: You're welcome.

Chapter 12 - 0:33

Conclusion

Announcer: This oral history presentation is made possible through the support of our generous foundation-funders. We encourage you to join them by making your donation, which will allow us to record future stories. Students, teachers, and librarians are using this website for research and the general public is listening every day to these great Oklahomans share their life experience.

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