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Tesoro Petroleum Co.

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Introduction

Tesoro Petroleum Co.: The Story of An American Company explores the remarkable rise, transformation, and ultimate fate of one of the United States' most dynamic energy companies. From its humble beginnings in late 1960s Texas to its absorption into a petroleum supermajor five decades later, Tesoro's trajectory reflects both the turbulence and opportunity that have long characterized the American oil industry. Throughout its history, Tesoro's leaders pursued bold visions, diversified aggressively, faced daunting challenges, and helped shape the fuel economy of the Western United States.

Founded in 1968 by Dr. Robert V. West Jr., Tesoro Petroleum Corporation entered the energy sector at a time of great economic optimism and rapid change. The company's name, meaning "treasure" in both Spanish and Italian, symbolized the ambition and potential sensed by its early founders. From the start, Tesoro chased growth, acquiring companies in exploration, refining, marketing, and even coal and natural gas. Strategic international partnerships, notably in Trinidad and Tobago, and the construction of the Kenai refinery in Alaska, signaled that Tesoro would be no ordinary regional player.

Tesoro's journey was marked by cycles of bold investment, success, setbacks, and reinvention. The oil crises of the 1970s injected both windfall profits and harsh lessons, pushing the company to test the limits of diversification while contending with market volatility, regulatory scrutiny, and at times, outright legal jeopardy. Losses from ill-timed acquisitions, notably in Puerto Rico, forced hard choices and new directions. Yet, adversity often proved to be a crucible for Tesoro, catalyzing changes in corporate strategy and leadership that prepared it for new eras.

By the late 1990s, Tesoro was a company transformed, shifting its primary focus from upstream drilling to downstream refining, distribution, and retail. Through a series of high-profile acquisitions—from refineries in Hawaii, Washington, and California, to hundreds of gas stations across the western United States—Tesoro built a formidable presence as a refiner-marketer. This transformation continued apace through the early twenty-first century, with an expanding retail footprint, substantial logistics operations, and steady financial growth accompanied by record earnings and market share.

The pinnacle of Tesoro's journey arrived with a bold corporate makeover: the rebranding to Andeavor following the pivotal Western Refining acquisition. This strategic evolution positioned the company as a leading integrated energy provider and made it a highly attractive target for further consolidation within the industry. The

story's final pages were written in 2018, when Marathon Petroleum acquired Andeavor, forming the largest U.S. refiner by capacity—a testament to the enduring value that Tesoro's assets, people, and history brought to the American energy landscape.

In this book, we chronicle the full arc of Tesoro Petroleum Co.: its founding ideals, its expansion across continents and markets, its resilience in the face of adversity, and its legacy as part of the modern American oil and gas industry. Through company documents, market analysis, and interviews with key players, we seek to capture the lessons and significance of Tesoro's story for today's business leaders, energy professionals, and anyone interested in the shifting fortunes of American enterprise.

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CHAPTER ONE: The Maverick Founder and the Texas Roots

Every grand enterprise has a genesis, a spark that ignites its journey. For Tesoro Petroleum Co., this spark was Dr. Robert V. West Jr., a man deeply ingrained in the world of oil and gas, who held a vision that would transform a small Texas venture into a significant force in the American energy landscape. Tesoro Petroleum Corporation officially opened its doors on December 26, 1968, though its true origins stretch back even further, to West's foundational efforts.

Dr. West, a chemical and petroleum engineer by training, had spent his entire professional life immersed in the intricate world of the petroleum industry. His career trajectory saw him rise through the ranks, eventually becoming the president of Texstar Petroleum Company. This entity was a subsidiary of Texstar Corporation, a larger conglomerate under the control of the famed Texas wildcatter, Tom Slick. It was this deep experience and understanding of the industry that would provide the bedrock for Tesoro's future.

The narrative of Tesoro truly began to unfold after Tom Slick's untimely death in a plane crash. Seizing the opportunity, Dr. West shrewdly convinced the executors of Slick's estate to sell him the very company he had been running—Texstar Petroleum, complete with its valuable oil-producing properties. This acquisition formed the initial asset base upon which Tesoro would be built. West embarked on this entrepreneurial endeavor with a rather modest personal investment of \$1,000.

Despite the skepticism from many in the industry, who believed a poorly capitalized company outside of traditional oil centers like Houston was doomed to fail, West was undeterred. He famously recounted being told he was "crazy" for attempting such a feat from San Antonio. Yet, he harbored an unwavering belief in his vision and possessed a drive to prove the naysayers wrong. His strategy involved more than just personal capital; he sought out strategic financing, securing a \$6.5 million loan to facilitate the purchase and merger of Texstar into his nascent company.

To further solidify Tesoro's foundation and ensure its stability, West sought to integrate it with other established entities. He successfully identified and merged with two publicly traded companies: Intex Oil Company and Sioux Oil Company. These mergers, finalized in 1968, were pivotal, laying the groundwork for the newly constituted Tesoro Petroleum Corporation. This initial phase of growth through calculated acquisitions established a pattern that would define Tesoro for decades to come.

Tesoro's initial operational focus was predominantly on petroleum exploration and production, a natural extension of Dr. West's expertise and the company's foundational assets. From its San Antonio headquarters, a city that would later proudly claim Tesoro as its first Fortune 500 company, the company embarked on its mission to unearth and extract valuable hydrocarbon resources. This early concentration on upstream activities defined Tesoro's identity in its formative years, but it was merely the opening act in a much broader story.

The company's swift growth in its early years was not accidental but rather the result of a deliberate and aggressive strategy of expansion through acquisition. Tesoro, as it was conceptualized by West, was not content to remain a small, regional player. It sought to build a diverse portfolio of energy businesses, encompassing various segments of the petroleum industry. This foundational period showcased West's astute business acumen and his relentless pursuit of opportunity wherever it lay.

The very name "Tesoro," meaning "treasure" or "treasury" in both Italian and Spanish, was chosen with purpose. It encapsulated the company's aspirations and the inherent value its founders believed lay hidden within the earth and within the broader energy sector. This symbolic moniker foreshadowed Tesoro's future success in unearthing significant value, both in terms of natural resources and corporate growth. The name itself was a declaration of intent, a statement of the company's ambition to discover and manage significant wealth.

The initial mergers with Intex Oil and Sioux Oil were just the beginning of what would become a hallmark of Tesoro's growth strategy: an unyielding pursuit of acquisitions. This approach allowed the company to rapidly expand its reach and capabilities, quickly gaining a foothold in various aspects of the petroleum industry. It demonstrated a pragmatic understanding that in the dynamic and capital-intensive energy sector, strategic consolidation could accelerate growth in ways that organic development alone could not.

From a relatively humble start in San Antonio, Texas, Tesoro Petroleum Corporation, under the guiding hand of Dr. Robert V. West Jr., began its improbable ascent. The early years were characterized by a blend of calculated risk-taking, strategic mergers, and a clear vision for growth within the petroleum industry. It was a period of laying strong foundations, of demonstrating resilience in the face of skepticism, and of setting the stage for the remarkable journey that lay ahead for this ambitious American company.

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