

ROBERT BRYCE

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# CRONIES

OIL, THE BUSHES, AND THE RISE OF TEXAS,  
AMERICA'S SUPERSTATE



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**ROBERT BRYCE**



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The good Lord didn't see fit to put oil and gas only where there are democratically elected regimes friendly to the United States.

—Richard B. Cheney, "Defending Liberty in a Global Economy,"  
speech at the Cato Institute, June 23, 1998

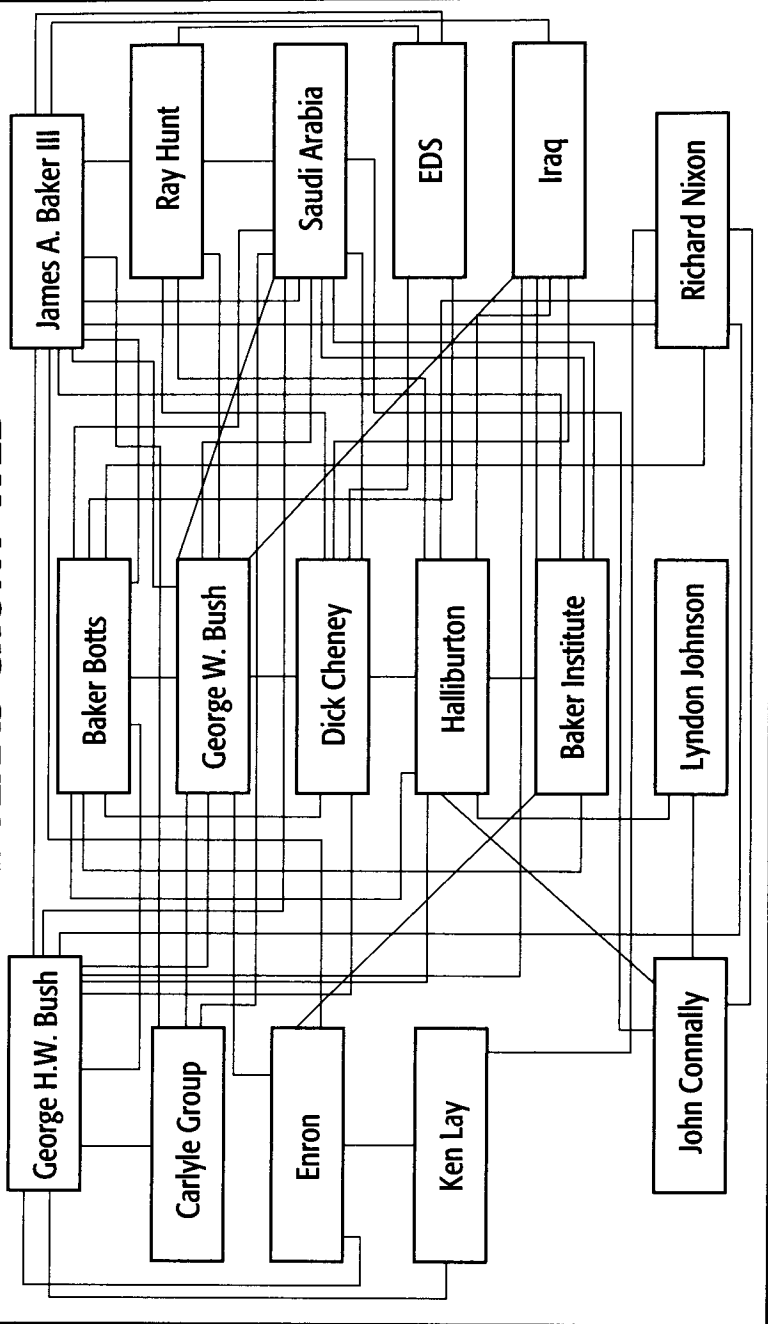
Texas is a state of mind. Texas is an obsession. Above all, Texas is a nation in every sense of the word.

—John Steinbeck, *Travels with Charley*, 1962

It may not be a wholesome thing to say, but the oil industry today is in complete control of the state government and state politics.

—Robert Calvert, chairman,  
Texas Democratic State Executive Committee, 1947  
(quoted in Anthony Champagne, *Congressman Sam Rayburn*)

# THE TEXAS CRONY WEB





## Author's Note

The thesis of this book grew out of research I did for my first book, *Pipe Dreams: Greed, Ego, and the Death of Enron*. Enron was a classic example of a hugely influential Texas energy company that set out to change the world. Its leaders, like its CEO, Ken Lay, were members of the Texas crony network. Enron's political power, market power, and media power were indicative of something deeper that I wanted to explore: the roots of Texas power and how it has grown to dominate America.

Of all the elements that have contributed to Texas' power, one factor stands out: oil. Oil is money. Money is power. Texas has oil. Therefore, Texas has power. But there's more to the story of Texas power than just energy. The more I looked, the more it became clear that it was the relationships among a few key players that helped propel Texas to prominence. The cronies who ran Texas in the past—and who run Texas today—have been able to convert those relationships into political power, market power, and incredible wealth. And as they have done so, the lines between their personal business and government have become nearly indistinguishable. This book is not meant to be an attack on business or an attack on government. I'm all for business. I'm all for government. I just don't want them to be the same thing.

In the course of my research, it didn't take long to realize that the

people I really needed to talk with were people like James A. Baker III and George H. W. Bush. Alas, they didn't want to talk to me. No one at Baker's law firm, Baker Botts, would talk. James A. Baker III's secretary responded to my request for a formal interview by saying that he was "unable to commit to an interview due to prior commitments. He appreciates your request." Ray Hunt, the head of Hunt Oil, also refused to answer any questions, saying, "That's one of the advantages of being a private company." The press office at Halliburton, the biggest oilfield service-construction company in America, refused to answer questions. George H. W. Bush's office in Houston did not respond to my request for an interview with the former president.

Furthermore, I found the archival material for this book to be less extensive than I'd have liked. The records managers at the George Bush Presidential Library at Texas A&M in College Station informed me that none of the papers from George H. W. Bush's tenure as vice president are available to the public. A similar situation holds true for the papers of James A. Baker III. Baker himself gives permission to researchers wanting to view his papers, which are now at Princeton University. Librarians at Princeton indicated that Baker has not yet permitted anyone to view his papers, which are also still being catalogued.

The most maddening efforts to obtain material for this book came in dealing with the White House. The Kremlin under Leonid Brezhnev was surely an easier institution to deal with.

Perhaps this lack of access, this lack of public dialogue, is to be expected. The powerful don't want to discuss the power they wield.

Even though a handful of people avoided me, many more were interested and helpful. Thanks to Peter O'Donnell, George Bayoud, Bill Clements, Jim Wright, Robert Strauss, Charles Matthews, and several others for their cooperation and insights. I'm certain some of the conclusions in this book don't match theirs, but I appreciate their willingness to talk to me.

Thanks also to Bill Lee, Arlie Sherman, George Strong, Jim Moore,



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Particular thanks to Bob Elder for his encouragement and critiques, and to my older, smarter, and better-looking brother, Wally Bryce. Thanks also to Ann Bryce, R. J. Bryce, Eileen Bryce, Patti Bryce, and Mary Fox for their unflagging love and support. Thanks, too, to Leslie McLain, Amy Smith, Peter Voskamp, and Pokey Anderson for their research work; to Mimi Bardagjy for her punctilious fact checking; and to Kate Scott, who copyedited the manuscript and provided many helpful changes and clarifications.

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Robert Bryce  
Austin, Texas  
February 2004



PublicAffairs is a publishing house founded in 1997. It is a tribute to the standards, values, and flair of three persons who have served as mentors to countless reporters, writers, editors, and book people of all kinds, including me.

I. F. STONE, proprietor of *I. F. Stone's Weekly*, combined a commitment to the First Amendment with entrepreneurial zeal and reporting skill and became one of the great independent journalists in American history. At the age of eighty, Izzy published *The Trial of Socrates*, which was a national bestseller. He wrote the book after he taught himself ancient Greek.

BENJAMIN C. BRADLEE was for nearly thirty years the charismatic editorial leader of *The Washington Post*. It was Ben who gave the *Post* the range and courage to pursue such historic issues as Watergate. He supported his reporters with a tenacity that made them fearless and it is no accident that so many became authors of influential, best-selling books.

ROBERT L. BERNSTEIN, the chief executive of Random House for more than a quarter century, guided one of the nation's premier publishing houses. Bob was personally responsible for many books of political dissent and argument that challenged tyranny around the globe. He is also the founder and longtime chair of Human Rights Watch, one of the most respected human rights organizations in the world.

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For fifty years, the banner of Public Affairs Press was carried by its owner Morris B. Schnapper, who published Gandhi, Nasser, Toynbee, Truman, and about 1,500 other authors. In 1983, Schnapper was described by *The Washington Post* as "a redoubtable gadfly." His legacy will endure in the books to come.

Peter Osnos, *Publisher*

## Contents

<i>Author's Note</i>	xv
1 From Mina al-Bakr to Houston	i
2 From Kilgore to Baghdad	24
3 The Supercapitalists	37
4 Depleting the Federal Treasury	45
5 1948: Lawyers, Airplanes, and Money—Part I	51
6 Brown & Root Cleans Up	69
7 Bush and Baker Join Forces	79
8 Bleeding Oil	90
9 Texas CREEPs for Nixon	96
10 Brown & Root Goes to Vietnam	105
11 All the Shah's Texans	111
12 Brown & Root and Saddam	124
13 "America's Superstate"	131
14 10000 Memorial and the "Texas Strategy"	137
15 "It's Not About Oil!"—Part I	157
16 A Pit Bull on the Pant Leg of Cronyville	168
17 Oil for W (and W for Oil)	181
18 Halliburton Hires a Crony	186
19 Baker Cashes In	196

# **CONTENTS**

<b>20</b>	<b>2000: Lawyers, Airplanes, and Money—Part II</b>	<b>206</b>
<b>21</b>	<b>The President from Baker Botts . . . and Halliburton, and Exxon Mobil</b>	<b>217</b>
<b>22</b>	<b>Dreaming War</b>	<b>228</b>
<b>23</b>	<b>“It’s Not About Oil!”—Part II</b>	<b>236</b>
<b>24</b>	<b>Minister of Nondisclosure</b>	<b>244</b>
<b>25</b>	<b>A Black-Tie Affair</b>	<b>250</b>
<b>26</b>	<b>The United States of Texas</b>	<b>259</b>
	<i>Notes</i>	<b>275</b>
	<i>Bibliography</i>	<b>291</b>
	<i>Appendix</i>	<b>295</b>
	<i>Index</i>	<b>305</b>

## Chapter 1

# From Mina al-Bakr to Houston

**S**ome of the soldiers carried shotguns, others carried Heckler & Koch MP5 submachine guns. A few carried crowbars to be used for breaking open doors. All of the men wore green jumpsuits, body armor packed with ammunition, and black balaclavas to cover their faces. Within a minute or so of boarding their 82-foot-long Mark V jet-boats, the four platoons of Navy SEALs were zipping across the uppermost end of the Persian Gulf at nearly 60 miles per hour. Speed was critical. They had to get from their land base in Kuwait to the target as quickly as possible to avoid detection and to assure the element of surprise. It was March 20, 2003. George W. Bush's ultimatum to Saddam Hussein had expired only a few hours earlier.

The SEALs were heading into the very first battle of the Second Iraq War. Their mission was the capture of Iraq's most valuable asset: its oil spigot.

During the First Iraq War, the generals at the Pentagon hadn't paid attention to details. When U.S. planes began bombing Iraqi targets in January 1991, Saddam Hussein's henchmen responded by opening the valves at various oil terminals, dumping enormous quantities of crude oil into the Persian Gulf. American ground forces began their invasion

several weeks later, but by that time, the Persian Gulf was awash in oil. Several million barrels of crude oil were killing fish, sea birds, and anything else it touched. Hundreds of miles of beach were coated in oil and a Saudi Arabian desalinization plant located at Jubail was nearly forced to shut down because of the contamination. The effects of the massive spill lingered throughout the Persian Gulf for years afterward. After that fiasco, the soldiers were going to make sure that this time, they seized Saddam Hussein's financial arteries right at the get-go.

Within a few minutes of leaving Kuwaiti waters, the SEALs' jet-boats were within range of their targets: Mina al-Bakr, Iraq's main oil export terminal, a sprawling metal spider of pipes, pumps, and pilings; and a smaller terminal located five miles northeast, called Khor al-Amaya. Together, the two terminals—located a few miles southeast of the mouth of the Shatt al-Arab, the river that separates Iraq and Iran—were capable of loading about two million barrels of oil per day onto supertankers in the Persian Gulf. That capacity made the terminals into the equivalent of a cash machine, a machine backed by a nearly inexhaustible supply of liquid money redeemable at dozens of thirsty refineries around the world.

Saddam Hussein's military didn't have a chance.

In addition to the platoons of SEALs on the jet-boats, the Navy had backup SEAL teams flying aboard a flock of UH-60 Sea Hawk helicopters hovering nearby. Snipers aboard the choppers had their rifles at the ready, scanning the oil terminals for signs of trouble. Five miles away, the USS *Valley Forge*, a Ticonderoga-class guided missile cruiser, monitored the action. The ship's control room was crammed with people watching huge monitors showing a live video feed that was beamed to the ship from a camera mounted on one of the helicopters.

When the jet-boats reached Mina al-Bakr, the SEALs quietly crept up the ladders, their weapons at the ready. When they got to the main level, they stormed through the doorways and into the terminal's con-

trol room and cramped living quarters. Instead of a gunfight, all they got was a bunch of sleepy Iraqis eager to surrender. The battle for Mina al-Bakr lasted about two minutes. "I think they were actually relieved to have the place taken over," said one SEAL after the raid.<sup>1</sup>

The takeover of Mina al-Bakr won't be recalled alongside Gettysburg, D-Day, or Khe Sahn in the annals of American military history. But it has more than passing significance. By taking Mina al-Bakr, the American military prevented Iraq from repeating the ecoterrorism-by-intentional-oil-spill of 1991. It further assured that the upper section of the Persian Gulf near the mouth of the Shatt al-Arab was secure and that oil tankers, Navy vessels, and freighters would not be threatened by Iraqi boats.

Mina al-Bakr is significant for another reason: it's a Texas outpost in the heart of the Persian Gulf.

The terminal may be owned by the Iraqi government, but it was built by the quintessential Texas company: Brown & Root. That's the same Brown & Root that helped put Lyndon Johnson in power. That's the same Brown & Root that's part of Halliburton, the world's second-largest oilfield services firm. That's the same Halliburton that, until the summer of 2000, employed a former defense secretary named Dick Cheney. It's the same firm that gave Cheney a going-away present worth tens of millions of dollars for all of his hard work as Halliburton's CEO. It's the same firm that, in 2001 and 2002, *while Cheney was vice president of the United States*, paid him more than \$367,000 in deferred compensation. It's the same firm that has garnered federal contracts worth \$11 billion to rebuild Iraq's oilfields and civil infrastructure. As soon as Baghdad was captured, one of Halliburton's first tasks was to assure that Mina al-Bakr was open and ready for business.

Halliburton's privileged role in Iraq has been controversial—but it's hardly a new phenomenon. Since the 1960s, the United States has been involved in four major fights to extend its military and commercial

interests in the Persian Gulf and the Far East: Vietnam, Iran, the First Iraq War, and now, the Second Iraq War. And in each of those gambits, Texas politicians and Texas corporations have had starring roles. Whether the locale was Saigon, Tehran, Kuwait City, or Baghdad, Texas companies like Halliburton have been planting the Lone Star flag right next to Old Glory and they've been making big profits by doing so. All this action has led to the creation of the slogan "When cannons shoot, call Brown & Root."

The Second Iraq War is just the latest example of Texas politicians' and Texas corporations' taking lead roles in America's foreign policy and energy policy. Ever since 1973, when the Organization of the Petroleum Exporting Countries threw the world into turmoil with the first in a series of price hikes, American politicians, working hand in glove with oil producers from Texas and other states, have been trying to regain some control over the world's oil supply—and therefore world oil prices.

George W. Bush and his supporters have repeatedly said the war against Iraq was not about oil. They've told us it's about stopping terrorism; it's about weapons of mass destruction; it's about spreading democracy in the Middle East; it's about preserving human rights. Whatever the stated reason for the war, the facts of the military action are unassailable: the very first target of the Second Iraq War was an oil facility. And while the SEALs were storming the terminals, American and British troops were seizing Iraq's oilfields. Special Operations forces raced into the oilfields around Kirkuk in northern Iraq. In southern Iraq, 20,000 U.S. Marines and 4,000 British Royal Marines hurried into the prolific oilfields of Rumaila and Basra.

The United States' fundamental and overriding interest in Iraq—and the rest of the Persian Gulf—is oil. By gaining control of Mina al-Bakr and the oil fields, the U.S. sent a message to OPEC that said, in effect, *we're here and we're not leaving any time soon.*

By securing the oil targets first, the United States immediately



gained effective control of the second-largest oil deposits on earth. A cynic might think there's something malicious or untoward about fighting a war over oil, but it is hardly a new phenomenon. Oil has long been a strategic asset. Indeed, the Second Iraq War is markedly similar to the decision made in 1931 by a Texas governor, a fellow who also happened to be an oilman-turned-politician. That year, Governor Ross Sterling—who had served as the first president of Humble Oil & Refining, a company now known as Exxon Mobil—sent more than a thousand troops from the Texas National Guard into the enormously rich oilfields of East Texas to force oil producers there to bow to controls on their production volume. Sterling was forced to act, he claimed, because the oil producers in that region were “in a state of insurrection” and their actions “openly, flagrantly and rebelliously violate the laws.”

The problem for Sterling in 1931—and the problem today—is that oil production is difficult to control. The entire history of the oil business has been marked by swings between too much production, which leads to low prices, and too little production, which leads to high prices. Some critics may think that the oil industry always wants high prices. That isn't necessarily true. The best price for the oil industry is a stable midlevel price, one that assures oil consumers, oil producers, and oil refiners that they won't be hit with a shortage or a surplus.

Managing the supply of the world's most precious commodity is not easily done. It requires collaboration or coercion. Collaboration—or perhaps, more precisely, *price fixing*—works. But price fixing has a rather unsavory history.

Sometimes coercion is the only option. It's doubtful that the Chinese leader Mao Tse-tung ever drilled an oil well. But his line—“Political power grows out of the barrel of a gun”—also applies to the oilfield. Ultimately, the only way to control oil supplies is through the barrel of a gun. That fact has been understood in Texas for seven decades. Now it's being played out once again in the Persian Gulf. And