

PROFILE

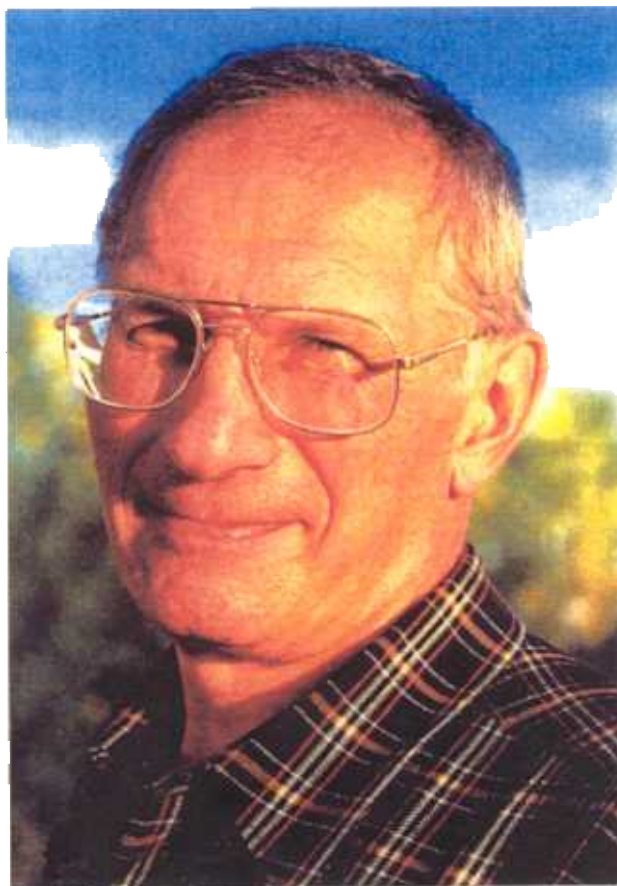
By Gordon Jaremko

Alliance father, John Lagadin, speaks softly but delivers big deeds

The biggest industrial project under way in North America is an unsigned masterpiece. Known only to intimate associates, the industrial artist responsible has avoided celebrity status – done entirely without publicity, in fact – for a 40-year career as one of the Canadian oil and gas community's most potent creative forces.

Believe it when fans put the label home-grown on Alliance Pipeline, now under construction for \$4.5 billion by a 7,000-strong army of workers for 3,080 kilometres between Chicago and northeastern British Columbia. The same goes for closely-allied Aux Sables Liquid Products, a US\$365-million plant that about 1,000 workers will build near Chicago to extract up to 70,000 barrels per day of ethane, propane, butane and natural gasoline from the Alliance deliveries. There is no other way to describe the projects and the 61-year old Calgarian credited by insiders as its father – John Lagadin. “It was really John’s vision – a combination of his vision and his know-how,” Alliance president Dennis Cornelson recalled in an interview as the mammoth pipeline construction job accelerated until the the project was spending \$15 million per day by late summer. “He’s an enthusiastic, energetic, visionary sort of guy.”

Similar admiration was voiced by Brian Soutiere, an industry veteran who had senior roles in two other Lagadin masterpieces: Direct Energy Marketing and QuickTrade.



John Lagadin

Direct, started from scratch in 1985, grew into a million-customer gas marketer in Canada and the United States, with sales approaching two billion cubic feet per day and annual revenues in the \$800-million range – a major trading concern that matured by 1996 into the cornerstone of a popular income fund called Optus, which bought Lagadin’s founding interest. Alliance was born at Direct, where Lagadin, mathematician Glen Perry, engineer Ian Morris and industry veteran Jack Crawford turned the concept from a computer model into a live project secured by \$12 billion-

worth of transportation-service contracts, majority-owned by an international consortium of pipeline giants and financed by an international syndicate of 42 banks. Also born at Direct was QuickTrade, a pioneer venture in electronic commerce that grew up into a continental gas-trading network that Texas-based rival Altra Energy Technologies Inc. bought early this year rather than continue to try competing with it.

Lagadin does not want to be a celebrity. “I’m very much a background person,” he said in an Oilweek interview which was his first contact with the press and an event that at times made him visibly nervous. He has no taste for the conspicuous consumption that has made some western oilmen famous across Canada as blue-eyed sheiks with lavish homes, picture-postcard ranches, exotic cars and gold bathroom fixtures.

“It’s not the money – it’s accomplishment,” Lagadin says in explaining what drives him and why he has no intention of retiring when he hits the official age in four years. “It’s just really nice – satisfying – to see something that should be done, done.” Reports, ledgers and pictures are not enough. He took a field trip this month to see a leg of Alliance under construction near Edmonton and marvel at the efficiency of automated, assembly-line welding and pipe-laying developed in Canada and spreading to the U.S.

Among peers, Lagadin is anything but shy and uncertain. To work with him is to rub shoulders with a rare case of the genuine strong, quiet type – a model ►

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of tenacity who stands out as an inspiring leader from the pack of followers and ladder-climbers in established corporations and fields, Soutiere said.

Lagadin exercises command with the force of his ideas and personality, rather than symbols of rank. He dispenses with formalities as president and part-owner of GeoScope Exploration Technologies Inc., his fifth fresh start from small beginnings. He also holds appointments as a director of Alliance, Cabre Exploration Ltd. and Petro-Reef Resources Ltd. At J.L. Energy Transportation Inc., he owns the patent on a means of shipping an extra-rich stream of gas and naturally-occurring liquid byproducts that was a key to Alliance's success and could have applications around the world. But true to his private motives, he gladly made an agreement for Morris and Perry to have a royalty share on any proceeds from the patent in recognition of their role in crafting the technical breakthrough. Alliance uses it under licence. But rather than start a Monday by putting on the suit-and-tie armor of conventional status and titles, Lagadin arrives in the downtown Calgary heart of Canada's second-biggest concentration of head offices after Toronto from a low-profile suburban house, dressed in a western outdoorsy style that evokes an earlier era of the petroleum industry by bringing to mind images of homespun settlers who took pride in doing deals with handshakes rather than lawyers.

Trappings of power make little or no impression on Lagadin, except perhaps as warning signs of the challenge that he sees as the biggest faced by his kind of people: professional managers and experts with hard-won corporate roles that can breed tunnel vision. Is the oil and gas industry as open as its admirers like to say? "Sometimes there is peer resistance. Everybody has their own agenda. When people have jobs,

they look at things from a security point of view. They translate an idea into the question, 'What does it mean to me?' That becomes an encumbrance."

Lagadin long ago accepted the verdict of an industrial psychologist who gave him aptitude and personality tests at an early stage in his career, when he was identified as potential executive material in a gas utility company. The verdict was that he would not fit in well with any big organization unless he ran it. In the polite business phrase, he and the utility parted company. "I'm not a politician." He pushed too hard for the gas company to go into new ventures beyond simply growing slowly and dully in the conventional way, by adding to its pipeline grid as population gradually expanded in a franchise area established

by government regulation. "I didn't want to be a utility engineer." He has a happy memory of the parting: "It was the best opportunity I ever had. You get a pocketful of money, and thinking time."

Striving, cultivating a network of associates he could trust and repaying their loyalty came naturally. He grew up in a community that had to make it on its own. He fits a phrase still heard among the older generation of his ethnic group. He is a good Ukrainian boy. He goes silent while tears come to his eyes when he recalls his mother, Mary, who died three years ago. He never knew his father, who died young. "She was honest, straight-forward, hard-working. She had a strong influence. She was very smart, but not educated. She was a hard-working Manitoba Ukrainian." She spent long

Many follow but few truly lead in corporate industry



years doing manual labor in a dry-cleaning establishment in Thunder Bay so her two sons could get educations and do better, Lagadin as an engineer and his brother as a teacher.

Lagadin's education as an industrialist began with a student job as a laborer in a pipe-coating yard. It supplied pipe for a gas-distribution grid spawned by the construction of TransCanada PipeLines in the 1950s. After graduating in 1962 from Michigan Technological University, he spent 14 years with distributor Northern & Central Gas Co. in North Bay, rising to chief engineer. He became an Albertan in 1978, when ICG Utilities Ltd. recruited him to be its engineering vice-president and general manager in Edmonton. The job gave him his first taste of developing a new venture, immersing him in all the complexities of a big project ranging from corporate rivalry to participating in hearings before the National Energy Board. He had a big hand in the major expansion of gas service that resulted from the construction of Trans Quebec & Maritimes Pipeline to extend the TransCanada system. He played a key role in the creation of Consul Gaz for distribution beyond Gaz Metropolitain's Montreal franchise. His group also won a distribution franchise for New Brunswick, although it died when TQ&M stopped short of building its proposed mainline to the maritimes.

When Lagadin and ICG parted company in 1984, the time was ripe for a new gas venture. A newly-elected Conservative government in Ottawa was dismantling the Liberals' 1980 National Energy Program, ending an era of strict regulation and severe taxation in favor of free markets, open pipelines, and prices determined by supply and demand. The Alberta supply side of the gas industry had huge surpluses and an urgent need for expertise it had never needed before in sales. Lagadin, on intimate terms with both sides of the market after 20 years in distribution, put together Direct Energy as one of the first independent gas trading houses. Producer-owned, the firm went beyond the traditional role of the western industry's former handful of big dealerships in piecing together big blocks of supplies. On behalf of its owners, and eventually a cross-section of the production sector, Direct became a "market aggregator." Besides pooling supplies, Lagadin put together Municipal Gas Corporation to organize sales in Manitoba and Ontario ►

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with the help of endorsements by civic authorities in Winnipeg and Toronto. QuickTrade, born as Energy Exchange Inc., grew out of the new gas market's proliferating numbers of buyers and sellers, their need for speed, the arrival of electronic commerce on computers and quick action by Direct in adapting the new technology.

Lagadin's role is to be business version of Socrates. Rather than pour energy into groping through the intimate workings of new technologies or markets, he learns enough to understand their capabilities or needs. Then he asks questions that challenge the creativity of the experts. "I always look at something for value . . . as opposed to doing the same old thing. That's what

Alliance is all about. It's strictly a new way of looking at things." He collects the most brilliant technical personnel he can find, accepting that they seldom fit easily into office images or routines and can be as much of a handful to deal with as artists, actors – or himself. Lagadin compares truly entrepreneurial, creative business teams to an orchestra. True talent cares most about results, and the biggest egos work together well when it becomes obvious that collaboration lets all involved attain high planes of accomplishment. "The key is the right people at the right time and the right place, to execute strategies. Nothing moves without people. And it isn't numbers – it's quality that counts." Lagadin, disavowing any intentions of running the big firms that his creations mature into more firmly the older he grows, likes to keep the creative industrialist's role simple: "It boils down to dealing with the value of ideas to the right mix of people. It's no different than a gig with a band. Over time, you get an inventory of people you know. It cuts the time and risk down substantially."

Lagadin, a father of four, is an individualist but no loner. At the high end of the energy industry, he echoes a sentiment frequently expressed out in the oilfields. Anyone can get gear – the trick is to find and keep people who know how to use and improve it.

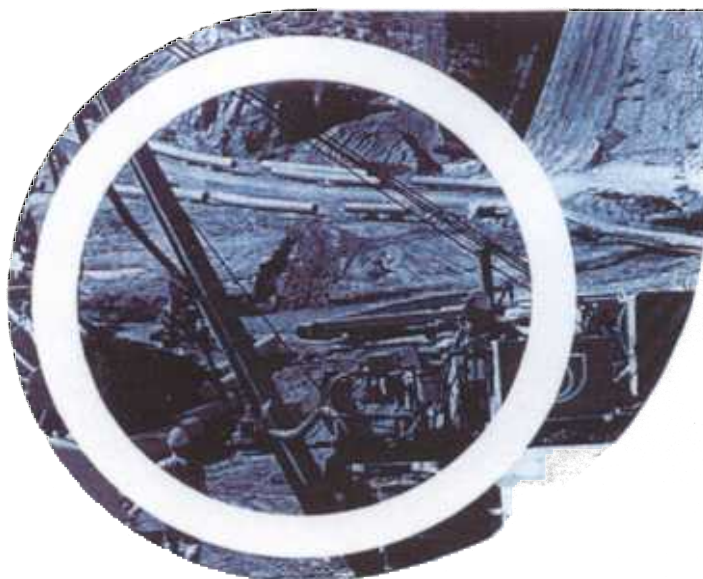
Just one compressor station on Alliance would qualify as a big project elsewhere

CHRIS BEEGER



"I've been lucky that way – but you make your own luck," Lagadin says. The knack of assembling a loyal clan of associates has been essential for his enterprises. All involved challenging the establishment and required esprit de corps to stand up to hostility.

Direct Energy carved out a niche among a handful of giants that dominated gas marketing for decades. The firm had a fight on its hands just to earn respectability. It played its pioneer role at a time when independent dealerships were fenced in and disparaged – as "discounters," undermining industry prices and the public's royalty revenues – even by the Alberta government that signed the famous Hallowe'en Agreement of October 31, 1995, with its counterparts in Ottawa, British Columbia and Saskatchewan to create open national and international markets. Then QuickTrade grew up in intense rivalry with electronic-commerce entries backed by far bigger pipeline organizations. Alliance ran into so much resistance from the pipeline establishment that a fight before the National Energy board delayed construction by nearly a year and surprised even the industry veterans executing the project, starting with president Cornelson. Lagadin never doubted: "There's too much value on the table. Society will not let this die." ■



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