



## Oklahoma Bank and Commerce History Project

*a program of the Oklahoma Historical Society*

**Interview with Frederick Drummond**  
**Cleveland Bank, Drummond Family History, 3/17/2011**  
**Interviewer: Michael J. Hightower**  
**Audio taped at F. Drummond's office in Pawhuska and transcribed by MJH**

MJH: It is March 17, 2011, and I am speaking with Frederick Drummond at the First National Bank in Pawhuska, Oklahoma as part of the...

FD: I'm with the Cleveland Bank. I office at the First National Bank in Pawhuska.

MJH: Correction: We are at the First National Bank of Pawhuska, but Frederick is with the Cleveland Bank down in Cleveland, Oklahoma.

We are talking about the early years of his family in Osage County. Thank you so, so much for taking time to do this. If you would just start with your grandfather, who was a Scottish immigrant...

FD: I'll tell you that story, Michael. Grandfather Drummond, Frederick Drummond, was a Scottish immigrant. Two sons went to the United States in the 1870s, early 1870s, and two went to South Africa. Frederick Drummond wound up in Texas, where he made his fortune in the cattle industry. Most of the money he had was soon gone, because he did not know enough about what was going on, probably. He was working his way back to and got to St. Louis, and that's where the jumping off point was for the West, at that time. He ran into a gentleman in the Indian trade by the name of Charlie Skinner, and he said, "Come trade with me in the Osage."

Mr. Drummond had no idea where that was. He was young and single, and a teenager. He went to Osage County as an Indian trader, probably the second or third white man here. The Osages came in here in 1873-74, and he probably came in around 1880, I'm guessing. The Osages had bought the Osage County, which is larger than Rhode Island, larger than Delaware—a million and a half acres—from the Cherokee tribe. It was part of the Cherokee Strip that they [**paid two cents an acre?**]. There were 2,229 of the original allotted Osages.

Grandfather Drummond was in the trading company here, in Pawhuska, and my father was born here. And his name was Frederick Drummond, Frederick \_\_\_\_ (?) Drummond. He had two brothers: R.C. Drummond and A.A. "Jack" Drummond. He was here for awhile, and then he moved to Hominy, and thought there was more opportunity there. He founded the Hominy Trading Company. Also, shortly after that, he established the First National Bank

in Hominy. Back in those days, you know, there was no FDIC insurance. Every little town had three or four banks, supposedly, but very little capitalization. But the First National Bank, he established, and he was also the first mayor of that little town. And the trading business was very good. The Osages, there particularly, as time came on...

In early '14, the first oil production was found in Osage County. It came in very, very significantly. At that time, Mr. ...the Indian Territory Illuminating Oil Company acquired the whole Osage Nation, the whole million and a half acres. It really developed kind of by selling off. They knew they couldn't develop it all at that time. Of course, the Nellie Johnstone well was found in the late 1800s there in Bartlesville, and the eastern part of the county was easily developed because it was shallow and with the equipment that they had, they could develop the shallow wells. The further west you went, the deeper they got. So the early...eastern part of Osage County was where a lot of the oil industry in Oklahoma really got started. J. Paul Getty's first well was in Osage County. So petroleum, of course, in Bartlesville, and the history there...The first wells were near the Burbank field, the first major million-barrel field, that was found, and that was here in Osage County.

So the Osages had a mess of oil wells, and lots and lots and lots of money. A lot of books have been written about...At one time there in the twenties, when it was the height of the boom, in the early twenties, they were the wealthiest per capita people in the world. The first Rolls Royce agency west of the Mississippi River was in Pawhuska, Oklahoma...Pawhuska was a town of 15,000. There were hundreds of attorneys here, all the bad men, and I think some of the lawyers fit into that category. They were involved with so many activities that were brought on here. Even Clark Gable was an oilfield roughneck in Barnsdall. Can you imagine that? Clark Gable. So Barnsdall's claim to fame is that he was there at one time. The old movie, *Boomtown*, was predicated on Schyler (?), Oklahoma, which is a little town right up in the middle of the Burbank field, which is just a wonderful field that is still developed.

Anyhow, there was a lot going on here at that time, and my grandfather started the first bank. So the family has been, more or less, in the banking business ever since. When I graduated from Stanford, I went to work for a bank in Kansas City in 1958—no, 1957, I guess. 1957. On the death of my father, I came back to run the family ranches. At that time, my father had sold the bank several years before. But along with my cousin, Fred A. Drummond, we bought the Mullendore (?) bank in Cleveland, Oklahoma.

MJH: When was that, when you bought the bank?

FD: 1962. So I have been involved, directly and indirectly—I've been chairman of the board of that bank since 1962, and that's...fifty years...involved. Time gets away in a hurry, Michael! That little bank is a hundred-year-old bank. It was the...the Mullendore family had established that bank...It was a hundred-year-old bank two years ago....It received an award from the OBA.

So things have been very interesting. They're always interested, of course. The FDIC, that you're familiar with, now have established banks, and they usually ride out the storm. And there are quite a few storms! Of course, the storms of the thirties were the ones that...

MJH: Describe some of those, if you want to. How did the bank do in the 1930s?

FD: Poorly! Not that many survived.

MJH: And here, we are talking about this bank, or the one in...?

FD: The bank in Hominy.

MJH: Hominy. You were still in Hominy.

FD: Yes, But that bank survived. And I think they sold that bank in, probably, 1930.

MJH: Okay. And at that time, the principals in the bank in Hominy were your father...

FD: My father and one of his brothers. I think they sold that bank just before the storm.

MJH: I guess they got out at the right time.

FD: They got out at the right time!

And so it ended up, nobody in the family got back into the banking business until I did. I was primary principal in buying the Cleveland Bank in 1962. That was fifty years ago. But I've done more in borrowing from banks than I have in operating banks.

MJH: I've heard it said that banks are often established by people who don't want to lend money, but by people who want to borrow money.

FD: That often was true. That was quite often the truth. It's interesting, because most of the families that were significant in the cattle industry and the oil industry borrowed their money—you had to have larger amounts of money. So they borrowed in Tulsa, Oklahoma City—a great deal of our family money was borrowed from banks in Kansas. That's where our products were sold. The cattle were shipped to Kansas City, via rail—there were no trucks, basically, at that time, to take them to the \_\_\_\_\_, so they were shipped up there, and that's where they were sold, in the Kansas City stockyards, and cattle people from here and the Flint Hills of Kansas, which was a great summer grazing area as well as the Osage, would receive the money for what they had worked for all year in Kansas City. So they did their business in Kansas City—that was one reason I went to work in Kansas City.

MJH: When did your family get into the ranching business?

FD: Oh, since my grandfather did. He was not only a merchant, but his sons—he put them in the cattle business, because there more... You could lease a great amount of land from the Tribe and from the Indians, and this was well known for summer grazing prospects. Originally, you know, the cattle drives came through from Texas, and they would graze them all summer long en route to the railroads in Kansas. And that's where \_\_\_\_ was, and all the packing plants were. And so there was the history of the Texans and the cattle drives. There was the Chisholm Trail that went further west—of course, it terminated in Dodge City. But a lot of the eastern part of the state—the Cherokees and Choctaws—had wonderful grazing land, and some of those families were Texas originators—people who came through here and—a lot of history on those families that came in from Texas. Osage County was full of Texans that came in.

The Records family also had—did George tell you about the Cherokee Strip cowboy?

MJH: Yes, that's an interesting story...

FD: Laban. It's a wonderful story. It's documented very, very well as to what a rigorous life...

MJH: Laban was a cook at the Pawhuska Indian Agency—the Osage Indian Agency.

FD: That's right. Right here. That name... Laban was one of the great Indian agents—that was his name. That was his name. It's also interesting... Laban Miles, that was his name, Laban Miles. Laban Miles, M-i-l-e-s. Colonel Miles—he was the Bureau of Indian Affairs head of the \_\_\_\_ federal government here in Osage County. He had a nephew that had come out from [Kansas City?], and that turned out to be president of the United States—[tried to recall name]... Herbert Hoover. He spent several summers here in Pawhuska, Oklahoma! He was Laban Miles' nephew. And so, I think part of his interest in the West was from having been here in Pawhuska, Oklahoma, as a young boy.

MJH: I had no idea.

FD: He came from a large family, and they almost just put them out with the relatives! So the story goes—I have no idea. That would probably be an interesting story on its own, because when you go to Stanford, and the president's house—I think it's the Lou Ella Hoover (sp?) home, and that's the president's house at Stanford University. And that was his home that he gave to Stanford University. And of course, the Hoover Institute there is named after him.

MJH: Sounds like another project.

FD: Another interesting project!

MJH: You mentioned something that I keyed into. Your father was a merchant as well? He was a banker...

FD: He was a merchant first. He came in as an Indian trader. I've got a picture...

*Looked at photo*

MJH: That is so often the way banks started—merchants had businesses but didn't have any banking facilities, and so they sort of morphed into banks.

FD: That's exactly right. They'd take things in trade...

MJH: Can I get a photocopy of this? Do you have a photocopier?

FD: Well, I'll tell you what: That's why you've got to go to the Drummond House—there are a lot of photographs down there. Isn't that a great one? I'll even trust you with it...

*Tried to loan photo to me, but I declined*

MJH: I'll make a note of that. It was the Hominy Trading Company... There we're talking really... Would that be your grandfather or your father?

FD: That's my grandfather. The guy with the moustache. He was a Scotchman. The banker and the \_\_\_\_\_. That's my father right there. And interestingly enough, he was in the third business school class at Harvard, in 1913, the year of the...

MJH: Did you put the first 1040 Form down in the lobby? I saw that—the first tax form.

FD: I don't think so...

MJH: As you come in the bank—I just saw it this morning—and I thought, "This is from 1913, the same year..."

FD: A 1913 tax form... I didn't think they were collecting federal income tax until the 1930s.

MJH: No, that came under Wilson, the very first one. Downstairs, I'm sure I just saw it. It's like four pages. I mean, I could almost figure it out.

FD: I'll have to look at that, because the Wilson that was one of the original members of the Pioneer Store... The Hominy Trading Company became the Pioneer Store. There was another group of people, and merged with them. And it was the Wal-Mart of the southern Osage. It was a big deal.

MJH: And what was that store called?

FD: The Pioneer Store?

MJH: Okay, it was definitely called the Pioneer Store?

FD: In Hominy, Oklahoma. Wal-Mart finally made them obsolete. It closed about seven or eight years ago. Wal-Mart put them out of business, like they did everything else. But they had ladies' and gents' furnishings, \_\_\_\_\_, hardware, groceries, furniture—they had everything you could ...

*Hey, Harry, good morning! Thank you, Harry...*

They had everything that...It was the genesis of ...Really a large...kind of like the [Dalby?] in Ardmore, Oklahoma, founded about the same time, only up here.

MJH: So the Pioneer Store, that would date back to territorial days?

FD: Dates back to the Hominy Trading Company, right there, so it dated back to the 1890s—before that, yes.

MJH: So your grandfather had the Hominy Trading Company...

FD: Yes, it started off here...

MJH: Started off...So it really started in Pawhuska. The business started in Pawhuska?

FD: Yes.

MJH: Okay. And then moved down to Hominy. And then emerged as the Pioneer Store.

FD: Yes, he started the Pioneer Store; it became the Pioneer Store, when other merchants merged with them. So that's when it became the Pioneer Store. If you go down to see the Drummond home, you'll see it—it covers over a half a block there on Main Street. But it's empty now...

MJH: So you came back from Stanford, then Kansas City for awhile, then moved back down here to go into business, basically, with your father?

FD: Well, my father—I probably would not have come back...When I was with the bank in Kansas City, he developed lung cancer. And my mother, Emma (?), found out he had six months to live, and my mother said, "You've got to come home." So I came home and took over the family businesses.

MJH: Okay. And at that time the family businesses were...

FD: Primarily ranching, primarily ranching. And the Pioneer Store was still doing well at that time.

MJH: Were there family members, then, operating the Pioneer Store?

FD: Yes, there was a cousin operating that. I just had my office down there for twenty years. So I moved up here.

MJH: You probably officed there until the early eighties.

FD: Yes...George Records has been in that office. He got the biggest kick of that, because the stairs coming up to my office squeaked, and I said, "George, there's a reason they squeak. That's the way I know who's coming up."

*Laughter*

MJH: I'll bet he could make them squeak. He's a pretty big guy!

FD: There were some pretty big Osage Indians!

MJH: Okay, so then, you were involved primarily in ranching. By then you had bought the bank in Cleveland, which isn't all that far from Hominy, is it? Probably...ten miles?

FD: The Mullendore family is another interesting family. There have been several books written about them.

MJH: What are some of your memories, then, of the Mullendore family? Did you know some of the...

FD: The Mullendore family put their ranches together, and that's what so many of those early bankers did: They bought land. And of course the Mullendore murder mystery—you'll have to read that, which is an interesting, interesting book. There were about four or five of those Mullendore boys, and he had—E.C. (?) Mullendore—had the bank there in Cleveland, which we now own.

MJH: Okay, you bought it directly from the Mullendores...

FD: Yes, we bought it directly from the Mullendores. And his son turned out to be the rancher that was involved in the Mullendore murder mystery. And they bought—he bought a lot of land, mostly during the thirties, when the bankers still had the money and all the landowners needed the money. And that also happened to the Stewart (?) bank in Pawhuska and the Kennedy bank here in Pawhuska. Both of those families acquired a lot of land vis a vis the primogenitors, Mr. Charlie Stewart and Mr. Evan Kennedy. Those have been pioneer banking families that also wound up in the cattle business, kind of like the [Dalby (?)] family did down in Ardmore.

MJH: So interesting: my great grandfather out in Altus bought a ranch down there. He was long gone by the time I came along. The last bit of business was when my dad sold what was left of it to Wal-Mart.

FD: To whom?

MJH: Wal-Mart. So now, where there used to be roundups, there are blue light specials.

*Laughter, digression to discussion of Altus and Oden family*

FD: You've got so much history in your family. My goodness!

MJH: One thing I wanted to ask you about too: How about your relations with the banks in Oklahoma City. Another great grandfather and his brother started the First National down there in the 1920s.

FD: Oh really?

MJH: That was way before the Voses.

FD: Before the Voses?

MJH: R.A. Vose was on the board of directors.

FD: Ah haa!

MJH: But anyway...I get a little perverse pleasure out of that...But my family was all gone in 1944. There was nobody left, and so the Voses stepped into that leadership vacuum.

But did you do much business with the First National? You said you did a lot of business with Kansas City banks.

FD: I did very little with the First National in Oklahoma City. Mostly with the Liberty Bank. And that was...Mr. Tucker.

MJH: Morrison Tucker.

FD: Morrison Tucker. In fact, I was on his board at one time, when he had the Stock Yards Bank, and the other bank. Can't remember which bank. Morrison was a good friend. But I was on his board for several years, before the great debacle of the eighties.

MJH: I've been learning about that. I wanted to mention too that I have interviewed Gerald Marshall, last week...

FD: I know Gerry very well.

MJH: I really enjoyed that. He actually hired by brother. My brother's a banker; I'm not. I don't know what I am...But my brother worked at the First National in the late seventies, I can't remember how long, just into the early eighties, but before it tanked. And Gerry

actually hired him there. And then, I kind of forget—Gerry, I think after that, went to Houston...he'd been to some different places. But he was at the First, and he got to know my brother pretty well, and they're good friends now. But I really enjoyed...

FD: Gerry's a very bright guy. He's a good friend of Jim Tolbert, and Jim's a good friend of mine. And I was on his First Oklahoma Bank Corporation board at one time. And that was primarily when they were doing the—trying to do what they could with the residue of the First National Bank. It was the holding company. I remember well. I got all the mail. I remember that well.

MJH: Jim, well...he was on my board of directors when I was in the publishing business; with Sally Dennison, Paulette Millichap...So Jim would come up to Tulsa...

FD: Council Oak!

MJH: Yes, that was my company.

FD: Council Oak was your company?

MJH: Yes, it was. We sold it in '97. Part of the deal was, I was president, and the guy who bought it wanted his nephew to take over and wanted me to go do something else. That's kind of what happens when you sell a company...That worked out okay—actually, it worked out very well for everybody. But, Jim's a great guy. Of course, I'd known him through his bookstore and all that...

FD: Sure you would. Wonderful guy.

MJH: I have the best memories—he'd come up to Tulsa, and we'd go over to the Mexican restaurant (not Chimi's, I'll think of it in a minute)—we'd have our board meetings, and he was always full of really good advice. Or, we'd troop down to Oklahoma City, to Bricktown, and, you know...

FD: Real bright guy. Wonderful guy.

*Digression to Beth Tolbert's health; small talk about health issues and mutual acquaintances; Charlottesville; Ashley; Frank Hightower...*

*Turned off recorder as we talked about horses. Resumed taping with conversation about banking in 1980s.*

FD: ...He was just trying to survive. If you had been serving your customers, if you had any oil and gas loans, of course, or real estate loans, they all went down the tube—a lot like what happened...Really, it's kind of interesting, because Paul Volcker, at that time, was the president of the FDIC. On every Friday, when M1 went down (which was going down—cash available in banks), the next Monday, interest rates went up 1 ½ percent. I

have a note here (showed note under glass on his desk) that I put under my desk for my son to see. I'll show it to you. New York prime loan... You've got to come around here and look at this:

“Liberty Bank of Mid-America, Oklahoma City, promissory note, \$150,000, in '81, and 21 ½ percent national prime. Twenty-one and a half percent!

MJH: My word!

FD: That was a very difficult note to pay back. That was a lot of money in those days.

I've kept that note...Go look at that...That's how high interest rates were...1981

And that was compliments of Paul Volcker, who is one of Obama's principal advisors for the new banking bill.

MJH: I would really be interested to hear, speaking of the new banking bill, what your take is on that. What's your perspective?

FD: Oh, it's been abused, primarily by Wall Street. Making a game out of derivatives, and using a lot of insider information. The sub-prime thing was deceitfully established to really take advantage of the federal government. Some of the mega Wall Street firms, and including primarily Goldman Sachs, who were double-dealing on their clients! Outrageous! Outrageous! That's a big part of what happened. And while we do need some type of control, you know—with high-speed trading that they make these days—but they're making, using derivatives when they don't have...and making a game out of them, because they don't have to have...In most cases, like if you have crude oil, to make a futures contract, you had to be able to deliver it. Or grain, whatever it might be, cattle, or whatever commodity there was, you had to be able to make a delivery in order to play the game. But today, it's just...you can go to casinos and get the same kind of odds!

It's a disgrace. So much of the banking field has lost its...People have lost their faith and confidence in the banking field because of what's happened so much on Wall Street. I think most bankers, and particularly country bankers, feel it's a disgrace. I'm one of them.

MJH: I've heard a lot of that.

FD: Have you heard a lot of that?

MJH: Absolutely.

FD: Twenty-one-and-a-half percent rates brought down to customers...And that was prime! See, that was for the good customer, there. That was the national prime. Probably a lot of those rates were twenty-five to twenty-seven percent loans, which banks were making to

their customers. And they couldn't survive! They couldn't survive! That just fed on itself, and it was just a ripple effect...And pretty soon, that's what happened in the eighties, when we lost probably ten percent of our banks in Oklahoma.

Of course, our little bank was just hanging by the tail...

MJH: The Bank of Cleveland?

FD: The Bank of Cleveland---very distressed. Promise you won't say this...

*Turned off tape recorder*

End