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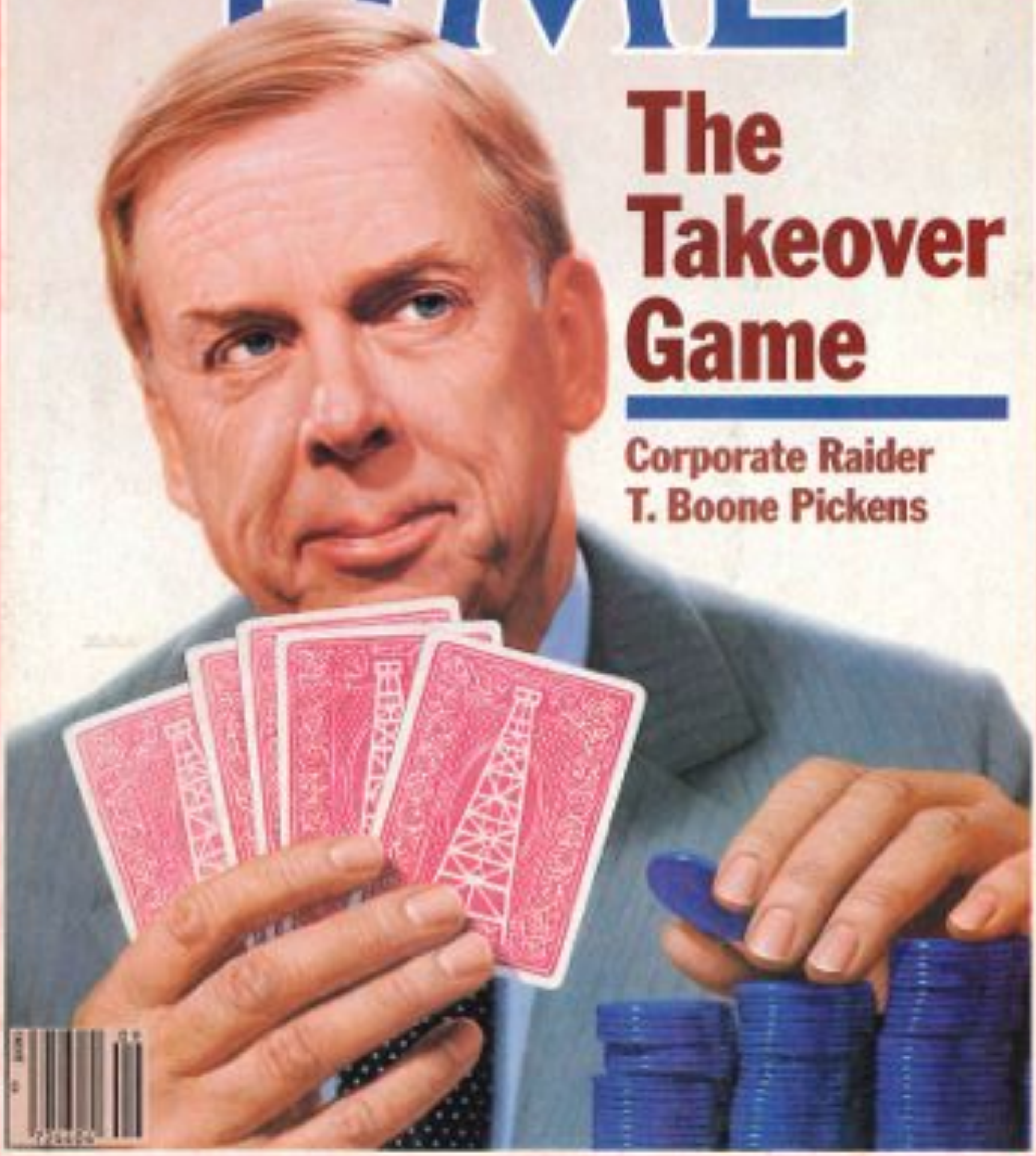
The Takeover Game

Corporate Raider
T. Boone Pickens



COVER STORIES

High Times for T. Boone Pickens

A wily raider shakes up corporate America

Heading toward New York City aboard his Falcon 50

To many, he is a real-life J.R. Ewing, the ruthless but fascinating wheeler-dealer whom viewers of *Dallas* love to hate—and sometimes secretly admire. To his victims, mostly entrenched corporate executives, he is a dangerous upstart, a sneaky poker player, a veritable rattlesnake in the woodpile. To his fans, though, he is a modern David, a champion of the little guy who takes on the Goliaths of Big Oil and more often than not gives them a costly whupping. Whichever image he evokes, T. (for Thomas) Boone Pickens, 56, has swept up like a twister out of Amarillo, Texas, to become one of the most famous and controversial businessmen in the U.S. today.

Pickens, the chairman of Mesa Petroleum (1984 sales: $413 million), an oil and gas producer with 650 employees, has gone eyeball to eyeball with the biggest, strongest and sometimes least loved of all U.S. firms, oil companies, and forced them to blink. Indeed, just the fear of Pickens has sent energy giants scrambling to merge with one another. Says Joseph Fogg III of the investment banking firm Morgan Stanley: "You would have to go back to the past century, to people like Jay Gould and Jim Fisk, to find someone who has had an equivalent impact on a major American industry." Those two financiers reshaped U.S. railroads by forcing the consolidation of many different lines. Today Pickens is performing much the same feat in the energy industry.

The maverick Texan was waging war on two major fronts last week. He was acquiring additional stock in California's Unocal (1984 sales: $11.5 billion), the 14th largest U.S. oil company, in which he already owns 16.9 million shares, or 9.6%. Meanwhile, shareholders of Phillips Petroleum, which tangled with Pickens in 1984, met in Bartlesville, Okla., to vote on a plan that would give Pickens and his partners an $89 million profit on an aborted takeover battle. Rejection of the plan would open the way for Rival Raider Carl Icahn to continue his pursuit of the company. But it could increase Pickens' potential gains by pushing up the value of the Phillips shares that he owns. The result of the vote is expected this week. If the plan is defeated, Phillips could be forced to buy back all its stock at a higher price.

Pickens has made more than $800 million for Mesa and its partners in the past three years by all but rearranging the map of a key sector of corporate America. The consequences of his actions have been stunning. They have resulted in the end of Gulf Oil, Cities Service and others as independent companies. Pickens last year forced Gulf (1984 sales: $28.4 billion), the fifth largest U.S. oil company, to sell out to No. 4 Chevron ($29.2 billion) for $13.2 billion in the biggest merger in business history. The Pickens group's profit on that deal: $760 million. Earlier, it earned $31.5 million by driving Cities Service ($8.5 billion before its 1982 merger) into the arms of Occidental Petroleum.

Pickens' pickin's have made him the most prominent of the new corporate raiders, who are active across the U.S. not only in the oil industry but in fields as diverse as entertainment, paper and food. Partly as a result of their burgeoning takeover attempts, mergers are occurring as never before. Some 45, each worth more than $1 billion, have taken place since 1981, compared with only a dozen in the twelve previous years combined.

All that activity has attracted the official attention of Washington. A House subcommittee headed by Democrat Timothy Wirth of Colorado will open hearings this week on the merger mania in the oil industry and its impact on the U.S. economy. Heading the list of witnesses: T. Boone Pickens.

The Texas oilman has reaped his vast payoffs through the mastery of the takeover battle, a colorful form of corporate warfare fought with dollars, stock and shareholder votes. The campaigns are as vivid as the terminology of their tactics (see box). A takeover raider typically launches his attack by buying a significant percentage of a firm's stock and offering to pay other shareholders more than the current market level for their securities. The goal is to get enough shares—typically 51%—to win control of the company and the ability to run it. Management and the raider frequently get into open warfare through expensive mailings and full-page ads in newspapers in which they disparage their opponents and appeal to stockholders. Eventually shareowners have to decide whether they want to support the current management or the raider.

Pickens has never actually acquired a major corporation. His usual style has been to frighten a firm by first investing in it and then proclaiming that he could run the corporation, which invariably dwarfs Mesa in size, better than its current officers. After an often bitter battle, Pickens' harried and outmaneuvered prey frequently sells out for a high price to a friendly rescuer. That leaves Pickens without an acquisition, but with an immense profit on his shares of the company.

Such tactics have made Pickens the scourge of the oil patch. Shareholders of Mobil (1984 sales: $56.6 billion), which has been rumored for months to be a Pickens target, last week approved a variety of so-called shark repellents designed to ward off corporate raiders. Among the measures was a provision requiring that an unwanted merger be approved by an 80% vote.

Photographs for TIME by Shelly Katz

jet on the eve of the surprise announcement of his latest move, an investment of nearly $600 million in Unocal: "We're the biggest shareholders!"

Some shareholders welcome Pickens because he has jacked up stock prices to dramatically higher levels. He estimates that as a result of his takeover battles, about 750,000 small investors have seen the value of their holdings grow by about $12 billion. His pursuit of Gulf, for example, pushed that company's stock from $41 a share in October 1983 to the $80 that Chevron agreed to pay for it in March 1984.

Pickens has contempt for what he calls the entrenched managers who run Big Oil. He views them as high-salaried hired hands who care more about maintaining their jobs than improving stock value for their shareholders. Says he: "Chief executives, who themselves own few shares of their companies, have no more feeling for the average stockholder than they do for baboons in Africa." Pickens calculates that, as a group, officers of the energy giants own just three-tenths of 1% of their firms' shares. (Pickens owns 2.2% of Mesa.) Since they have relatively small investments in their corporations, he argues, oil executives have tended to let stock prices languish. "It infuriates me," he says, "to see them invest their own money in Treasury bills rather than work to improve the value of their companies' stock." According to John S. Herold Inc., an appraiser of oil companies, shares of major energy firms are currently trading at about 45% of what the corporations would be worth if they were broken up and their assets sold separately.

Pickens claims that inept management can be found everywhere among the large oil firms. He zestfully points out that petroleum companies made four of the seven acquisitions that FORTUNE magazine rated last year as the worst of the past decade (examples: Mobil's $1.86 billion purchase of Marcor, the owner of Montgomery Ward; Standard Oil of Ohio's $1.77 billion acquisition of Kennecott). Many firms are now unloading some of their unattractive operations. Exxon is trying to sell its office-products business, and Atlantic Richfield recently took a $785 million write-off on its stake in Anaconda.

Some of Pickens' hostility toward his gargantuan rivals stems from frustration. "Big Oil is a club," says he, "and they'll do everything to keep me out." That can sometimes seem to include snubbing him at social gatherings. The chairman of one oil giant, a former friend, now looks the other way when he runs into Pickens at industry meetings.

Oil industry executives are as tough

Talking takeover in his Mesa office in Amarillo and making waves all the way to Wall Street

on Pickens as he is on them. "He's only after the almighty buck," says G.C. Richardson, a retired executive of Cities Service. "He's nothing but a pirate." Gulf Chairman James Lee accuses Pickens of "hit-and-run tactics." Says Chevron Chairman George Keller: "Pickens does not break any laws doing what he does. But he breaks tradition." Many oilmen are reluctant to discuss Pickens publicly for fear of drawing his attention to their companies. Says one executive: "They want to let sleeping dogs lie."

Critics dismiss Pickens' defense of shareholder interest. Says Harold Hammer, the Gulf executive vice president who directed his company's effort to thwart the Texan: "My only objection to Pickens is the aura he tries to create when he says he is for the small shareholder. That's just a lot of crap." Says Senator Howard Metzenbaum, an Ohio Democrat: "Pickens makes a crusade out of what he's doing because he can make a lot of money."

Many critics have labeled Pickens a greenmailer, a charge he hotly denies. The term describes a type of corporate blackmail in which a big investor buys up stock and threatens to take over a company. His real intention, though, is solely to scare management so that it will buy back his shares at a price that is higher than the market value of the stock and thus not available to other shareholders.

Pickens insists that his objective is to raise the stock value for all shareholders, not just for himself, and that he is really serious about taking over a major oil firm. He not only would welcome the challenge, he says, but is confident that he could run one of the behemoths far better than the present managers: "I would show them how I could make their stock dance."

Like many independent oilmen, Pickens was born within sight of working wells. He grew up in Holdenville, Okla. (pop. 6,300), a cow town surrounded by pastures, where cattle graze alongside active oil pumps. An only child, Pickens was raised on a street of white clapboard houses and green lawns. The family is fond of tracing its ancestry back to the same part of England that produced a distant kinsman, Daniel Boone.

Pickens' father, Thomas Boone Pickens Sr., now 86 and living in Amarillo, was an inveterate gambler who made and lost a fortune buying and selling oil leases. He also wagered frequently on college football games. During the depths of the Great Depression, he drove around Holdenville in a dazzling Pierce-Arrow. Recalls Tommy Treadwell, a retired local banker: "Little T-Bone, as his father called him, was so embarrassed about that car that he insisted on being dropped two blocks from school whenever his father drove him there." Pickens' mother, by contrast, was a practical woman who never made snap decisions. During World War II, she ran Holdenville's gas-rationing program. "I was very fortunate in my gene mix," says Pickens. "The gambling instincts I inherited from my father were matched by my mother's gift for analysis." While in high school, Pickens moved with his family to Amarillo (pop. 170,000), the unofficial capital of the Texas Panhandle, which has remained his home.

Despite his medium height (5 ft. 8 in.), Pickens was a star guard on the Amarillo High basketball team. During the semifinal round of a state tournament, his shooting helped keep his team in the game, even though he and his teammates were much shorter than the opposition. At the last time-out, Pickens bounded onto a bench and exhorted, "Guys, I think we've got 'em! Just keep playing the way you have been!" Unfortunately for biographers, the final result was a one-point loss.

Pickens arrived at Texas A&M in 1947 on a basketball scholarship but with no clear idea of what he wanted to do in life. Teammates remember him as a prankster who liked to throw bags of water from hotel rooms during road trips. When a broken elbow cost Pickens his athletic scholarship, he switched to Oklahoma State for his sophomore year. While there, he married Lynn O'Brien, his high school sweetheart. She was 17, he 20. "My mother says she never saw anyone grow up so fast," Pickens recalls. After two years on the dean's list, he graduated with a degree in geology and joined Phillips Petroleum, where his father then worked as a lease broker.

The younger Pickens was unhappy at Phillips from the start. He overflowed with ideas that his bosses refused to heed. After four years of watching his frustration, his wife half-jokingly asked one day, "If you hate it so much, why don't you just quit?" Returning to his office, Pickens gave notice, packed up and drove away. "It was the best advice Lynn ever gave

Plotting the Phillips deal at a 7:30 a.m. meeting with Batchelder in a Helmsley Palace suite

He moves swiftly with cloak-and-dagger stealth once he decides which target to attack.

BRINGING HOME THE GOLD Pretax gains made by Mesa and partners in millions of dollars

me," he says of the episode, "though she was shocked when I told her I had taken it." Using the $1,300 he received in severance pay from Phillips' profit-sharing plan, Pickens bought a 1955 Ford station wagon large enough to hold his exploration gear and set out on his own.

It was not easy work. The search for oil meant days of chasing rumors over dusty back roads in Texas and Oklahoma, and nights bent over maps studying geological strata. In his spare time, Pickens indulged his passion for Gusher, a board game in which players roll dice to look for oil. Says Amarillo Lawyer Wales Madden Jr., an old friend: "It was uncanny. He always won at that darn game."

After a year of knocking about without financial backing, Pickens secured a $100,000 line of credit, half of which came from his wife's uncle. With it, he formed Petroleum Exploration, his first company. "I've worked with a lot of geologists," remembers Lawton Clark, an independent Denver oilman who joined Pickens in that venture, "but I've never seen anyone as well prepared. He just knew what there was to be known." Pickens describes those hardscrabble early days as a period of "pickin' with the chicken."

Within a few years Pickens had found enough oil and gas to attract investors from throughout the Panhandle. He had also become a workaholic, and that cost Pickens his marriage. His wife took little interest in his work, and he paid scant attention to anything else. They were divorced in 1971. "It was almost jealousy," says their son Michael, 30, a Dallas stockbroker and the third of the couple's four children. "Everyone admired his success, and she did not even know what was going on." Debra, 35, the oldest child, remembers Pickens as an absentee father: "He worked six, sometimes seven days a week, and I'm sure that when he came home in the evenings, it was difficult for him to say, 'O.K., this is my family, they're not my employees.'"

By the time of his divorce, a combination of business sense, luck and geological knowledge had made Pickens a millionaire. At the heart of his fortune were the energy finds and lucrative investments that had been made by Mesa, which Pickens formed in 1964. Some properties acquired by Mesa rose staggeringly in value. In 1959, for example, Pickens scraped together $15,000 to invest in drilling sites in Canada. Mesa sank the income from those sites into new wells and in 1979 sold its Canadian operations to Dome Petroleum for $600 million.

Pickens named one major discovery, a 1975 North Sea strike, after his new wife, Beatrice. The daughter of a rancher and the mother of four children by a previous marriage, she and Pickens first met as college students in Oklahoma. She married one of Pickens' fraternity brothers, but they divorced in 1969. Pickens describes his life with Beatrice as "the perfect deal." She is almost as sure a shot as Pickens (at

Them's Fightin' Words

The takeover battles that T. Boone Pickens and others have waged over the years have produced some of the business world's most colorful terms. Among those distinctive additions to the lexicon of corporate America:

Golden Parachute. The guarantee of a hefty payment to top executives whose companies lose out in the takeover game. Such agreements, which are now a standard part of many top-level employment contracts, ensure corporate officers that they will be paid off if the company that buys their firm fires them or reduces their power. These bonuses can reach $10 million for the chairman of a large company.

White Knight. A corporation that rides to the aid of another in a takeover fight. The knight rescues the embattled firm by agreeing to acquire it on better terms than the pursuer would provide. The improved provisions can include a higher purchase price for the company's stock, and assurances that executives of the acquired corporation will not be forced to use their golden parachutes.

Pac-Man Defense. A maneuver named after the popular video game in which a company turns about and tries to swallow its pursuer. Even if it does not result in the acquisition of the firm that started the fray, the ploy can be a potent means of driving off the attacker.

Scorched Earth. A self-destructive strategy in which a company seeks to discourage a takeover by making itself less attractive. Some have done this by selling the very divisions or other assets their pursuer wanted. A company might also make itself unpalatable by arranging for millions of dollars in loans to come due at once in the event it is acquired.

Shark Repellent. Any measures that a company uses to fend off a would-be acquirer, or shark. Typical repellents include changes in a firm's bylaws to make it extremely difficult for an unwanted suitor to gain control. Among the most popular in recent years has been a requirement that a merger must be approved by at least 75% of the shareholders before it can take effect.

Poison Pill. A defense that makes the takeover so expensive that the predator gives up the quest. The target company, for example, might give shareholders securities that could be turned in for cash if the unwanted takeover succeeds.

Explaining and defending his tactics at a Manhattan conference of major institutional investors

award-winning marksman), with whom she likes to hunt quail. A skilled horsewoman, she is also deeply interested in her husband's work. The year they were married, 1972, she enrolled in a geology course at Amarillo College and earned an A.

In the early 1980s, Pickens began searching for riches on Wall Street, where one of the great roller-coaster rides in history was turning oil stocks into a bargain. Shares of the major petroleum producers had climbed sharply after 1978, when the Organization of Petroleum Exporting Countries nearly tripled the cost of oil. But then the price began dropping after 1982 as a world glut of oil developed. U.S. energy reserves, meanwhile, were dwindling. Pickens realized that oil company stocks were undervalued, and that it was both easier and smarter to get new oil reserves by taking over a company than by drilling for more oil. Says he: "It has become cheaper to look for oil on the floor of the New York Stock Exchange than in the ground."

Pickens was also devising the tactics that today make his raids akin to a declaration of war. Mesa analysts first study a prospective target in minute detail. "By the time my guys get through with the numbers," Pickens says, "we know those companies better than they know themselves." The team spends months sifting reams of public documents, including the annual reports and other materials kept in Mesa's extensive library of the U.S. petroleum industry. The researchers focus on a firm's domestic oil and gas reserves and feed their data, along with such matters as projected interest rates and energy prices, into a computer.

Pickens moves with cloak-and-dagger stealth once he decides which firm to attack. Only a few Mesa insiders like Financial Vice President David Batchelder, 35, know the target. To keep its identity secret, Pickens gives it a code name (Gulf was "Barrel Cactus," for a plant in Pickens' office), which he uses while accumulating the company's stock. Money for the purchases is funneled in chunks of up to $50 million to Broker Alan Greenberg at the Wall Street firm of Bear, Stearns and to other securities houses. Pickens transfers the huge sums from numbered bank accounts around the country through a system of prearranged signals. A Mesa officer starts the process by telephoning a bank and giving a code word to an appointed employee. That person then calls a second Mesa executive to confirm the transaction.

Despite such precautions, rumors cropped up last month that the Securities and Exchange Commission was investigating whether Pickens gave friends in Amarillo advance word of his campaigns to enable them to buy the stock of target companies before it jumped in value. Pickens strongly denies that and says that the SEC "has never questioned me about insider trading."

Once he is ready to launch the final takeover battle, Pickens sets up a command post at New York City's Waldorf-Astoria or Helmsley Palace hotels. From there, he directs the action like a general, keeping in round-the-clock touch with allies and moneymen across the country.

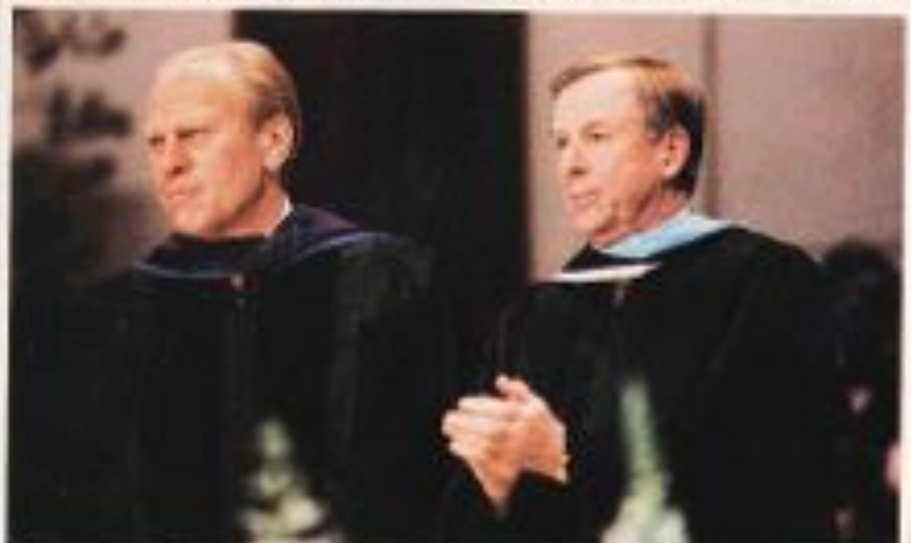
"He's incredibly well plugged in," says a Wall Street financier. "One of his great strengths is that he has more sources than anyone." Notes an investment banker: "He's an absolutely brilliant poker player, though there's a little chess in his game too."

Pickens woos stockholder votes with a simple appeal: a higher price for their shares. He makes certain that the stockowners know how much he is offering by taking out newspaper ads and giving interviews to the press. He frequently points out how much investors have gained in his previous deals.

It was in 1982 that Pickens took aim at Cities Service, an Oklahoma firm whose sales were nearly 20 times Mesa's. It proved badger tough, however, and nearly succeeded in swallowing Mesa by bidding for its stock before finally calling it quits and selling out to Occidental Petroleum. That hectic skirmish brought the Mesa group a $31.5 million profit and taught it some lessons. "Mesa had insufficient financial muscle throughout that fight," says Assistant Vice President Sidney Tassin. "We had a good idea but not enough money to back it up."

Pickens had enough for the spectacular, six-month battle for Gulf Oil, which began in October 1983. He waged it with $1.3 billion in credit that he raised from bankers and partners like Independent Texas Oilman Cyril Wagner Jr. and Jack Brown. "Our bid was extremely bold," says Tassin. "It was an incredibly intuitive reading by Boone." Pickens correctly anticipated that Gulf's top executives would underestimate him and fail to erect an effective defense. "They were not street fighters," Pickens says.

The Gulf battle made Pickens a Wall Street hero. Investors who bought Gulf around the same time as he did earned millions in profits. Arbitragers, the professionals who invest in the stock of takeover targets in order to sell it for a higher



Sharing the platform with Ford at the inauguration of a new president of West Texas State U

A Republican fund raiser, he does not discourage rumors that he will run for Governor.

price once the merger takes place, walked away with a $300 million windfall. When some 30 of the speculators attended a dinner for Pickens last June at the Regency Hotel on Manhattan's Park Avenue, New York Mayor Edward Koch gave him a crystal replica of the city's symbol, the apple, in honor of the $50 million that the Gulf fight had brought to New York City in the form of legal fees and payments for other services. Midway through the evening a chimpanzee on roller skates suddenly appeared. Garbed in Gulf filling-station livery, the ape wheeled into the room, set down next to Pickens and began licking his face. Quipped the startled oilman in reference to Gulf's chairman: "James Lee was never this friendly."

The battle for Phillips Petroleum turned into a bruising and emotional struggle. When Pickens tried to buy it late last year, the company, which produces Phillips 66 gasoline, responded with a barrage of suits. Phillips also had the entire headquarters town of Bartlesville on its side. Local churches held 24-hour prayer vigils to drive off Pickens, and BOONE BUSTERS T shirts sprouted everywhere. At a public meeting, nearly 4,000 people belted out an anti-Pickens song (chorus: "There's gonna be a meeting at the old town hall tonight/ And if they try to stop us, there's gonna be a fight./ We're gonna get our company out of this awful fix./ 'Cause we don't want to change our name to Pickens 66").

The Battle of Bartlesville wounded Pickens with the arbitragers. He bid $60 a share for Phillips stock and then agreed to be bought out for about $53 a share. That resulted in their losing some $100 million, since they had expected to be able to sell the stock at the higher price. The episode could hurt Pickens in the future if jittery Wall Street investors decide not to join his campaigns.

In his Unocal move, Pickens lined up $1.2 billion in credit and began quietly acquiring stock last October. From then until mid-February, he paid nearly $600 million for 13.8 million shares, pushing the stock's price from about $36 to $48. Returning to Amarillo on Feb. 14 aboard his company's ten-passenger Falcon 50 jet after a business trip to New York City, Pickens phoned Mesa's headquarters to find out whether it had sent word of the purchases to the New York Stock Exchange, as planned. When he found that the announcement had gone, Pickens jubilantly turned to a passenger and announced: "Well, it's public knowledge now. We're the biggest shareholders in Unocal."

The master takeover tactician combines down-home shrewdness with boardroom savvy. While his talk is rich in good-ole-boy phrases like "that dog won't hunt" or "it's better than a poke in the eye with a stick," Pickens is every inch the businessman. In place of the pointed boots and Stetson hats that many independent oilmen wear, he favors sober gray suits, button-down shirts and striped ties. He rarely smiles, but when he does, the grin spreads slowly, almost reluctantly, across his face. Says a friend: "He deals with everyone, from Senators to bank presidents, as if he's telling them fishing stories." Yet he can be flint hard. Told of a worker who had been laid off after having given 30 years to his company, Pickens snapped, "Given? Didn't he get paid?"

Pickens has remained a disciplined athlete since college. An avid golfer with a handicap of twelve, he is a light eater who prefers cereal and fresh fruit for breakfast and likes to munch on Granny Smith apples during the day. Aides set out raw carrots as snacks during company meetings. He does not smoke, and he offers employees $6-a-month bonuses to give up the habit. IF YOU MUST SMOKE, reads an embroidered cushion in Mesa's corporate jet, PLEASE STEP OUTSIDE. But he is not averse to an occasional Scotch and soda at

Swimming with the Sharks

If takeover artists play the role of sharks in the corporate sea, then risk arbitragers are the pilot fish who follow along and gobble up the stray morsels. What multimillion-dollar morsels these are, though. Arbitrage is the business of making profits from the price discrepancies that often turn up in financial markets. In takeover struggles, acquiring companies offer to pay more than the market price to ensure that stockholders will turn over their shares. When the so-called arbs see corporate raiders on the prowl, they buy blocks of the target firm's stock while the price is still low. They are betting that the deal will go through and that they will be able to sell the stock later at the higher price.

The arbs, however, can lose fortunes in an instant if a merger agreement falls apart. These dramatic wins and wipeouts have earned arbs a reputation as Wall Street's most daring investors. Says Daniel Tisch, an arb for Wall Street's Salomon Brothers: "You can't be 100% sane to sit here and, based on 20 words on the Dow Jones wire, risk $10 million to $15 million."

Just ten years ago, risk arbitrage was practiced only by a few high rollers. The merger boom, however, has provided so many opportunities that many other investors have become involved. By far the biggest and boldest of the arbs is Ivan F. Boesky, 47, who has his own privately held firm. He raked in about $50 million on Texaco's 1984 takeover of Getty and $65 million last year when Chevron bought Gulf. Three weeks ago, Boesky turned a tidy profit when he bought 3 million shares of Holiday Inns at $47.50 just as the company was offering to buy back its stock for $49.

Sometimes he is wrong. When Phillips Petroleum struck a deal to buy off the raiding T. Boone Pickens in December at a lower than expected price, the firm's stock plummeted and Boesky lost an estimated $40 million in less than a week. Nonetheless, he maintains that he is correct 90% of the time. "This is not some kind of gambling exercise," he says. "It's a very serious business." Boesky contends that arbitrage can be safer than buying stocks as long-term investments. Reason: he maintains it is simpler to calculate the odds of one deal's success than to figure out the movements of the stock market.

Boesky: a pilot fish gobbling the million-dollar stray morsels

Since the only raw materials for arbitrage are money and information, Boesky makes research his obsession. While standing and pacing behind his desk, he watches traders on two video screens and works a 160-line telephone console to keep in touch with 100 employees and hundreds of tipsters. Before plunging into a stock, he commissions his lawyers to analyze the situation for legal and legislative roadblocks.

Critics of arbitragers claim they make money for themselves but produce nothing of value for the economy. While long-term stock investments help companies grow by providing them with capital, Boesky's purchases are short-term and opportunistic. Yet he points out that arbitragers help the stock market function smoothly because they are often willing to buy a particular stock when everyone else is selling in a panic. What Boesky does has also provided him with a personal fortune estimated at more than $150 million.

the end of the day, nor can he stop gobbling handfuls of nuts whenever they are within reach.

Pickens pursues health with the same single-mindedness that he brings to chasing wealth. The $2 million T. Boone Pickens Fitness Center at Mesa headquarters is an exercise buff's delight. In addition to four glass-walled racquetball courts, it offers a gym, indoor running track, a weight room and marbled showers and whirlpool. Pickens works out daily when he is in Amarillo, and his name is usually at the top of the center's racquetball tournament ladder. His prowess is on sculptured display outside the courts in the form of a life-size bronze statue that portrays a crouching Pickens about to smash an unreturnable backhand.


Riding the range at his 2B Ranch, a 14,000-acre spread in the Panhandle

Pickens is as much at ease in the executive suite as he is in the locker room. He likes to dangle one leg over the arm of a chair while presiding over weekly executive sessions. In his office, which is outfitted with English antiques and Western art, he is fond of propping his feet on his desk while he contentedly pores over sheafs of documents.

But he retains his immense appetite for work. He usually sleeps no more than five hours a night, averages twelve-hour workdays and hums along like a dynamo. Says he: "I can just keep going at the same speed." He says he gets his best ideas during 20-minute showers. Intolerant of those who cannot keep up, he has fired employees for arriving late or leaving early for the weekend.

While in takeover fights, Pickens often talks over strategy with his wife, who also accompanies him on most business trips. "She's become a real sounding board for him," says Sunshine Mining Chairman Michael Boswell, a partner in some deals. In the midst of the Gulf takeover attempt, Boswell heard Pickens talk for half an hour by phone to someone who seemed to be a lawyer or an investment banker, judging from the conversation. Boswell was surprised when it turned out to be Beatrice.

Pickens constantly portrays himself as the friend of the little guy. Crisscrossing the country in his jet, he addressed 87 audiences and 45,000 people last year. He now averages two speeches a week on the evils of Big Oil and the need for a shareholder uprising against bad management. He frequently tells audiences: "Blacks have learned to use their right to vote, and so will shareholders." Pickens is putting his ideas into a book that he is writing with San Francisco Journalist Moira Johnston.

Pickens has never lost his love of gambling. During the 1982 battle for Cities Service, he took time out to put $100 on a horse named Estoril, a three-year-old, 9-to-1 shot that he had been told was a sure thing in that year's Belmont Stakes. Estoril finished seventh in a field of eleven. Pickens had better luck last January, when he won $5,000 on the Super Bowl.

He hardly needs gambling winnings. Much of Pickens' wealth comes from his ownership of stock in Mesa, which invests heavily in the companies Pickens bids for and thus profits handsomely from his deals. His ownership of some 1.5 million Mesa shares and options for 4.8 million others is worth more than $100 million at current market prices. His annual salary of $475,000 is modest by present corporate standards. But in 1980 Mesa gave $7.86 million in salary and stock options to Pickens, making him the best-paid executive in the U.S. that year. His golden parachute in case Mesa is ever taken over is fairly small: two years' salary, or just under $1 million. He would probably also exercise stock options that could be worth tens of millions of dollars.


With his second wife Beatrice at their Palm Springs retreat

To some critics, he is a veritable rattlesnake in the woodpile.

Pickens is a man of Texas-size property. "He can live like an Indian prince," says a friend. His holdings include the 2B Ranch, a 14,000-acre spread where he and Beatrice stable eleven horses and hunt together. Then there is a 6,500-acre Oklahoma cattle ranch and, for a change of scenery, a vacation retreat in California's Palm Springs. Pickens' $1.5 million year-round home in Amarillo boasts a sunken tennis court, a 20-ft.-high glass-enclosed gallery, plus a library of more than 1,000 volumes that includes a collection of rare illustrated books on American Indians.

Though Pickens is busy running Mesa, making speeches and hatching future deals, he may also have political ambitions. He found time to attend last summer's Republican National Convention as a delegate and to chair a fund-raising drive for President Reagan. Gerald Ford recently visited with him in Amarillo. One of Beatrice's children now works in the Reagan White House personnel office, and helped organize the youth vote in the last campaign. There has been talk that Pickens might run for Governor of Texas next year. He does not discourage such chatter.

Pickens already has a gifted politician's knack for portraying himself in the best possible light as the champion of the common man. Of course, he also looks out for No. 1. But are his and other takeover fights good or bad for the U.S. economy? They have clearly made life miserable for the corporate officers with whom Pickens has dueled. They distract these officers from running their businesses and force them to spend great sums of time and money fighting off attacks. The takeover maneuvers can also lead to the assumption of mountains of debt by firms that make acquisitions or reach costly settlements.

Still, the mergers prompted by Pickens and other raiders have their beneficial side. Writes the President's Council of Economic Advisers in its latest annual report: "The available evidence is that mergers and acquisitions increase national wealth. They improve efficiency, transfer scarce resources to higher valued uses and stimulate effective corporate management." Perhaps the most important result is that Pickens and his fellow raiders have served notice on the leaders of American firms. If they do not manage their companies skillfully, they could find themselves in the middle of a takeover fight with the gambler from Amarillo, or someone like him. *—By John Greenwald. Reported by Frederick Ungeheuer/Amarillo*