The Founding of a Port City: Port Arthur, Texas

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Arthur Edward Stilwell, spiritualist, author of several books, railroad promoter and town developer was responsible for the creation of a major seaport on the shores of Sabine Lake. As founder of the Kansas City Belt Line Railroad, the Kansas City Southern Railroad, and the Kansas City, Mexico and Orient Railroad, Stilwell constructed over 2000 miles of railway and established 30 communities. His most outstanding accomplishment was to link Kansas City, Missouri with Port Arthur, Texas, a town which he named for himself.

Since his childhood days in Rochester, New York, Stilwell was captivated by the activities of his grandfather Hamblin Stilwell, a prominent businessman and politician in Rochester and a personal acquaintance of George Pullman, the railroad car manufacturer. On one occasion, Stilwell recalled in a letter to Pullman his early desire to emulate his grandfather, to move West and start "some great enterprise." A restless individual who held several positions, Stilwell quit a job with the Traveler's Insurance Company of Hartford, Connecticut, and moved to Kansas City, Missouri during the mid-1880s.

Soon after his arrival, Stilwell created the Real Estate Trust Company to finance a venture in cheap home construction. Since his houses were built primarily for the working class, Stilwell initiated a system of repayment based on an installment plan; apparently the mortgage was secured by an endowment insurance policy. With his usual flair for promotion, Stilwell told reporters that "you can live in your endowment policy and raise chickens in its back yard." His opportunity to enter the railroad business came in 1886 when he met E. L. Martin, a director of several banks and former mayor of Kansas City. Martin explained that he held a franchise to build a belt line railroad around the eastern and southern parts of Kansas City, Missouri. He asked Stilwell to assist him in getting it started. Stilwell immediately accepted and rushed eastward to persuade wealthy Philadelphia investors to subscribe to railroad bonds. With $3,000,000 in new capital, the Kansas City Belt Line Railroad was finished in 1891; its completion launched Stilwell into the world of railroad enterprise.

Before completion of the Belt Line Railroad, agricultural enterprise in the Middle West had suffered from crop failures, depressions, and discriminatory railroad practices. In fact, with the prospect of little profit, many farmers often burned their corn for fuel. But the potentiality for Kansas City to become a true grain, meat-packing, and lumber center greatly impressed Stilwell. Undoubtedly he was caught up in an earlier enthusiasm of Kansas City—the Gulf Movement. One of the city's oldest dreams, the Gulf Movement, was predicated on the idea that the city desperately needed direct access to a shipping outlet on the Gulf of Mexico. As the argument went, the monopolistic Eastern railroad network must be circumvented. It was nearly fourteen hundred miles by rail from Kansas City to the Atlantic ports. If a more direct rail route to Gulf ports, located only eight to nine hundred miles to the south could be built, then the business community and farmers of the Middle West stood to save

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Members of the Kansas City Board of Trade, largely responsible for the Gulf Movement, estimated that farmers could ship grain to Europe by New Orleans for thirty-two and half cents a bushel less than by way of New York. Savings on corn or wheat would be about twenty-five cents per bushel. During the heyday of the Gulf Movement in the 1880s, several railroads were formed to link Kansas City with Sabine Pass, yet none of these early ventures were successful.

After 1891, Stilwell's railroad activities entered a different phase. He began to extend his line southward through Missouri. Still, his plans appeared rather ill-defined until January 26, 1893 when the Kansas City, Pittsburg, and Gulf Railroad was chartered to build through Ft. Smith, Arkansas to the Gulf of Mexico. As the K. P. & G. built southward through Arkansas and Louisiana, Stilwell promoted towns and businesses that could contribute to the railroad's overall business. For example, he promoted strawberry cultivation in Arkansas and lumber milling in Louisiana. As new towns sprang up along the tracks, Stilwell named some of these—DeQueen and Vandervoort in Arkansas and Zwolle, DeQuincy, and DeRidder in Louisiana—for the K. P. & G.'s Dutch investors.

Stilwell often claimed in later publications, especially in his autobiography, that "spirits" or "brownies" helped him to make important decisions. Although he claimed clairvoyant powers, actually Stilwell's reliance upon the supernatural was never as great as he maintained. For example, his decision to locate the K. P. & G.'s railroad terminal on Sabine Lake was based on engineer's studies, weather reports, and a personal visit to the area of Sabine Lake.

During the late summer of 1895, Stilwell made his first trip to Sabine Pass. Among his traveling companions was Robert Gillham, the company engineer employed in July, 1895 to study the feasibility of locating deep-water facilities in the vicinity of Sabine Lake. Unimpressed by the terrain at Sabine Pass, Stilwell was worried by the fact that most of the land around Sabine Pass was owned by two New York bankers, Luther and Herman Kountze, who were asking a price that he was unwilling to pay. More important, Gillham's reports convinced Stilwell that the site for his railroad terminal, port facilities, and future town must be located inland. Even though the government had dredged a twenty-four foot deep channel through the Pass, Gillham ruled it out as a possible site due to the danger of high tides, the presence of a destructive sea worm, the teredo, and the unattractiveness of the place for promoting a townsite. Gillham concluded that an inland port connected with the Gulf by a canal would be better than Sabine Pass. On his return trip, Stilwell selected a site along the western shore of Sabine Lake near the mouth of Taylor's Bayou.

The Port Arthur Townsite and Land Company, a subsidiary of the K. P. & G., publicized the new town of Port Arthur throughout the country. Advertised extensively in newspapers and pamphlets, the townsite attracted settlers from as far away as Kansas, Iowa, and Minnesota. New arrivals found a sprawling tent city, complete with a community dining hall and smaller tents for sleeping. The main thoroughfare, Procter Street, was nothing more than a dirt lane defined by plowed furrows for drainage.

To induce businessmen and settlers to visit the town, the railroad built a spacious three story hotel with seventy rooms surrounded by a tropical garden. The Hotel Sabine built in 1896 offered newcomers a welcomed-haven from the
hordes of mosquitoes that descended upon those living in tents. Early social and recreational life of Port Arthur focused on the Pleasure Pier, a two thousand foot pier built over the lake. Its open-air restaurant specialized in serving the abundant fish and oysters found nearby. Other entertainment features included bars, bowling alleys, shooting galleries, and a landing for sailboats. The Natatorium became another popular place where bathers could swim in waters fed by artesian wells. On April 5, 1897, the first of a series of excursion trains left Kansas City for Port Arthur; the passengers furnished with a free fare were entertained lavishly with orchestras and a menu featuring quail and strawberries.

With the town established and work on the port facilities proceeding smoothly, the success of Port Arthur as a port depended on the completion of the deep-water canal. This phase of Stilwell's master scheme almost met defeat. Luther and Herman Kountze, wealthy and politically-influential New York bankers who sought to develop Sabine Pass into a larger port, conducted a vigorous legal and political struggle against the K. P. & G. for over two years. Though Stilwell might have exaggerated his legal struggle with the Kountzes as one of the "bitterest ever known to the Southwest," the prolonged hassle generated a great deal of animosity between Port Arthur and Sabine Pass which lasted for more than a decade.

The Port Arthur Channel and Dock Company's work on the canal from the government channel at Sabine Pass across the waters of Sabine Lake to Taylor's Bayou was stopped frequently by court actions and orders from the War Department. Sabine Pass interests claimed that the company had failed to secure the permission of the Secretary of War and that the dredging of the canal would cause silt to be deposited in the government channel at the Pass. These early complaints kept the canal issue before the Secretary of War, Russel A. Alger, and the Chief of the Army Corps of Engineers, John M. Wilson, until the fall of 1898. Due to objections that the lake route would jeopardize the government work at Sabine Pass, the Channel and Dock Company's engineers decided to construct the canal inland along the western side of Sabine Lake.

Most of the land adjacent to the lakeshore south of Taylor's Bayou was owned by the Channel and Dock Company, but right in the path of the proposed canal lay a neck of land jutting into the lake called Mesquite Point. It was owned by interests friendly to the Kountzes who opposed the building of the canal. "So here we were with the scrap on our hands, with all our hard work for days and months tottering," Stilwell wrote, "because we hadn't thought to buy up this property as one of our first acts." Contracts had been let to dredge the ship channel, but under the existing laws the company did not have the power to acquire a sufficient right-of-way. Consequently, the work came to a standstill.

The railroad took its problem to the Texas Legislature and was successful in obtaining the passage of an act in March, 1897, granting the right of eminent domain which would enable Stilwell to acquire an adequate right-of-way. A flurry of injunctions and court actions arose from this maneuver which encumbered the construction until January, 1899. Latham Davis, who owned one-eighth interest in land the canal was to cross, sought to prevent the company from dredging through his land because "irreparable damage" would result. The United States Circuit Court of Appeals at New Orleans decided in May, 1898, that since Davis' co-owners of the land had already accepted less than six dollars an acre for land that was marshy, uninhabitable, and non-productive, then Davis would not suffer "irreparable damage."
Two months before the Davis decision, Charles T. Crary, a land owner at Sabine Pass and a representative of the Kountzes, began a series of legal moves which challenged and legality of a navigation company’s right of eminent domain. The Texas Supreme Court, in Crary v. Port Arthur Channel and Dock Company, dealt the Kountzes another defeat in their spirited legal battle. Chief Justice R. R. Gaines explained that disastrous storms such as the hurricane of 1886 had caused a great loss of life and destroyed a principal seaport and convinced “our legislators of the danger of building up towns upon our low-lying coast.” Therefore, the legislature had adopted a policy of encouraging the development of inland ports joined to the sea by deep-water canals. This meant that dredges would have to cross land and tide-water. Under the laws passed in 1887, and amended in 1895 and 1897, the right of eminent domain was granted to corporations engaged in the construction of canals for the purpose of irrigation, navigation, and manufacturing. The Supreme Court ruled that the Port Arthur Channel and Dock Company was properly organized and could condemn property.

A more complicated part of the controversy between Port Arthur and Sabine Pass involved the War Department. First, the Kountze interests had charged that the Channel and Dock Company had failed to obtain permission to dredge its canal. When this charge was disproved, they claimed that the route across Mesquite Point threatened to ruin the costly work of the government at Sabine Pass. B. D. Crary, Vice-President of the Sabine Land and Improvement Company, emphasized the geographical importance of two peninsulas of land known as Mesquite Point and Blue Buck Point. These two land masses at the southern end of the lake served to hold back the mud and silt of the lake from filling up the Pass. Promoters of the canal proposed to turn the waters of Taylor’s Bayou into the Pass which would bring silt down from that stream. Moreover, Crary warned, “destroy Mesquite Point and you destroy Sabine Harbor and the towns of Sabine Pass.” Additional reports of the local U. S. engineer, Major James B. Quinn, at Sabine Pass in April, 1897, asserted that dredging along the proposed route was permissible, if it did not interfere with the riparian rights of the owners. However, Quinn explained that the company had made no provision to prevent erosion of the spoil banks on the lakeside.

Secretary of War Alger, uncertain of his legal authority in the canal dispute, told Attorney-General Joseph Kenna that the company planned to provide a place for the spoil, but that Sabine Pass interests argued that he had no authority to pass on the matter. The Attorney-General assured Alger that he did have legal authority over the canal. By March, 1898, the company assured the government that revetments would be built to contain the spoil. Robert Gillham notified the Chief of the Army Engineers, John M. Wilson, that enlarging the mouth of Taylor’s Bayou would prevent large deposits of silt from filling up the government channel. Wilson upheld his view and on August 4, 1898, the Port Arthur Herald reported that the War Department was withdrawing all opposition to the canal.

The final act in the confrontation between Port Arthur and Sabine Pass interests took place on Saturday morning, March 19, 1899. George M. Craig, manager of the Townsite and Land Company, observed a government launch approaching the landing near the Hotel Sabine. He suspected that another injunction was forthcoming and told Robert Gillham to leave town since he was the Channel and Dock Company’s representative. When Charles Quinn, the government engineer, landed, Craig took him to the hotel and plied him with
cigars and drinks for an hour. Eventually, Quinn presented the suspected injunction that would halt the work once again and immediately departed to halt the dredge captains. Craig soon appeared and offered each crew $200 in gold to finish by dawn which they did. The next day Quinn arrived and demanded an explanation for this action. Craig replied, "Charley, you served your papers on the wrong man. I have no connection with the Port Arthur Canal and Dock Company." 29

On March 25 some five thousand people attended a celebration held in Port Arthur with visitors coming from as far away as California and Michigan. In the flotilla of celebrants that steamed down the canal were officials of the K. P. & G. and governors of several Southwestern states. Music by the Third Regiment Band of Kansas City added to the spirit of the occasion. An embarrassing hitch developed when the barge Harvey, with the band and the governors of Kansas and Arkansas, went aground momentarily. The Port Arthur Herald reported that this embarrassment was not due to the lack of water; the tugboat pilot had missed the channel. A seven gun salute marked the flotilla’s progress down the canal, seven shots for the seven miles of canal dredged. Speeches near the gaily decorated dredges and Lighthouse filled the better part of the day. The evening ended with a fireworks display and dancing to the music of the military band. Five months later when a twenty-five foot depth was obtained, the British freighter St. Oswald steamed through the Port Arthur Canal on Sunday afternoon, August 13, 1899, marking the real beginning of Port Arthur as a deep-water port. 30

The persistent opposition of the Kountzes had been costly. The litigation over the Port Arthur Canal forced the railroad to construct expensive export piers into Sabine Lake. It was only the beginning of a series of misfortunes that plagued Stilwell and contributed to a loss of confidence in his management. In April, 1899, unfriendly interests in the railroad ousted Stilwell from its board of directors. 31

One of the new directors, John "Bet-a-Million" Gates, speculator, stock manipulator, and gambler made his entrance into the affairs of K. P. & G., now called the Kansas City Southern Railroad. Born in DuPage County, Illinois on May 8, 1855, Gates began his stormy career as a barbwire salesman for Joseph Glidden. According to his biographers, Gates’ stock manipulations engendered the wrath of the Wall Street giant, J. P. Morgan who forced Gates to retire from Wall Street. Though still very active in business, especially in the K. C. S. and its subsidiaries, Gates decided to make Port Arthur his home. When he spoke at the celebration for the opening of the Sabine-Neches Canal in 1908, he told the audience “Wherever I go I sign my name John W. Gates, Port Arthur, Texas.” 32

Following the Spindletop discovery in 1901, Port Arthur’s sister cities, Beaumont and Orange, began seeking ways to obtain deep-water for their ports, while Port Arthur itself sought to be designated the official port of entry for the Sabine area. The delay in achieving these objectives was due, in part, to intercity rivalry. For several years, the Channel and Dock Company blocked any efforts to extend deep-water to Beaumont and Orange. The proposed right-of-way extended along the northern shore of Sabine Lake; it was an area that the K. C. S. held for future development. In 1906, the Federal government prepared to let the contracts to dredge a canal through the lake. However, the direction of the waterway could still be altered if the inland right-of-way was granted within twenty days. At this point, Gates consented to an inland route and granted the
right-of-way free of cost. Although the railroad would relinquish part of its land for a canal, Gates' consent probably reflected his belief that Port Arthur stood to lose the potential shipping business of Beaumont and Orange because a canal through Sabin Lake would completely by-pass Port Arthur.  

The controversy over the proposed Sabine-Neches Canal and its eventual location came to an end, but the port of entry question was far from settled. In April, 1906, Luther Kountze arrived in Washington representing his port of Sabine, built in 1896 just south of Sabine Pass. Like Stilwell, Luther Kountze aspired to create a marine terminal on the Gulf of Mexico. The inland location of Stilwell's port and the decision by the oil companies to build their refineries there dealt a serious blow to Kountze's seaport, but his struggle against Port Arthur continued. His claim that a port of entry was being created on a private waterway led to six weeks of hearings before the House Ways and Means Committee. Gates, a defender of Port Arthur in this latest struggle, told the committee that the K. C. S. was prepared to relinquish the Port Arthur Canal to the government at "any valuation the board of engineers may put on it." This move weakened the opposition but did not end it, and the hearings dragged on into May.

Meanwhile, citizens of Beaumont and Port Arthur directed a carefully organized campaign against Sabine Pass interests. They distributed a pamphlet entitled Reasons Why Port Arthur Should be Made a Port of Entry to House committee members. It compared shipping activities at Sabine with those at Port Arthur. Accusations made by Kountze and his attorneys were countered quickly by a barrage of telegrams from citizens in Port Arthur and even Beaumont. On May 23, 1906, Arthur Stilwell, then in Chihuahua, Mexico, wired the leader of the port of entry fight in Washington, George M. Craig, that Kountze's claim that the K. P. & G. had attempted to locate its railroad terminals at Sabine Pass, was "absolutely incorrect." Port Arthur had been built inland as a matter of safety. The controversy ended when Gates decided that the Channel and Dock Company would turn its canal over to the government free of cost with "no strings" attached. On June 19, 1906, President Theodore Roosevelt signed the bill which established the Sabine Customs District with Port Arthur as headquarters for the district.

After the passage of the port of entry bill, John W. Gates was accused of having bribed Senator Joseph W. Bailey of Texas to secure his support for the bill; the charge was made in 1907. During the same year, a committee of the Texas Legislature conducted an inquiry into the relationship between Senator Bailey and the Waters-Pierce Oil Company; the company had been expelled from Texas for violation of the state's antitrust law. Bailey denied the bribery charge, but he admitted having received a $28,000 loan from Gates. The legislature reelected Bailey to the United States Senate before the investigation was completed and took no action on the charge of bribery.

Despite controversy, the twin objectives of a port of entry status for Port Arthur and a canal for Beaumont and Orange were achieved. The privately owned Port Arthur Canal was officially turned over to the Federal government on December 13, 1906. The Sabine-Neches Canal was opened to shipping in January, 1908; however, the canal was only nine feet deep which permitted the transit of shallow draft vessels between the Sabine and Neches rivers and the Port Arthur Canal. Excitement over this new link soon gave way to disappointment. Beaumont and Orange remained inaccessible to the heavier, deeper-draft cargo ships and tankers then being built. Persistent lobbying
efforts of deep-water enthusiasts finally resulted in the Federal government dredging the entire waterway from the Gulf to Beaumont and Orange to a depth of twenty-five feet by 1916. At last, Beaumont and Orange's dream of becoming real deep-water ports was achieved.

The presence of deep-water at Port Arthur had a far-reaching impact upon the subsequent history of the Sabine-Neches area. Once the Port Arthur Canal was opened in 1899, it reawakened older dreams of Beaumont and Orange to obtain deep-water channels for their ports. The early inter-city rivalry undoubtedly tended to obstruct developments that ultimately benefitted their economic growth. However, Port Arthur, Beaumont, Orange, and Sabine Pass soon learned to cooperate since maritime commerce along any single segment of the waterway would not justify federal expenditures. In 1916, through joint action of their chambers of commerce they organized the District of Sabine Deep-Water Committee. The presence of good deep-water ports was a major factor in the concentration of the petroleum, petrochemical, and ship building industries in the Sabine-Neches area; thus, making it one of the principal industrial regions in the United States.
1Arthur E. Stilwell and James R. Crowell, "I Had a Hunch," *Saturday Evening Post*, CC (December, 1927-January, 1928), 2-3. An important source of information about Stilwell is a collection of his writings and documents regarding his business activities in the possession of Dow Wynn, Port Director of the Port Arthur Navigation District. This collection will be referred to as the Arthur E. Stilwell Collection. Stilwell’s autobiographical account was serialized in the *Post*; however, a reproduced copy of the article was used, and the pages do not correspond to those of the original.

2Keith Bryant, Jr., "Arthur Stilwell, Railroad Promotion and Urban Growth in the South Central States, 1890-1910" (paper read at the Southern Historical Association Meeting, October, 1969). The author wishes to express his appreciation for permission to use this recent research on Stilwell’s life. George Malcolm-Smith, Manager of the Information and Advertising Department, Travelers Insurance Company to Dow Wynn, August 24, 1967, author E. Stilwell Collection; Stilwell and Crowell, "I Had a Hunch," *Saturday Evening Post*, CC (December, 1927-January, 1928), 19, 20, 23-24.


Port Arthur Herald, March 30, 1899; A Scrapbook History of Port Arthur, Texas (Gates Memorial Library, Port Arthur, Texas), 22.

Port Arthur Herald, March 18, July 8, 15, September 9, December 9, 1897; Federal Writer's Project, Port Arthur (Waco, 1940), 39.

Stilwell, Cannibals of Finance, 58-65.

Stilwell, Cannibals of Finance, 58; Stilwell and Crowell, "I Had a Hunch," Saturday Evening Post, CC (December, 1927-January, 1928), 58.

Port Arthur Herald, January 12, 1899.


H. P. N. Gammel (comp.), The Laws of Texas, 1822-1897 (Austin, 1898), X, 1073-1074.


Major T. Bell, Beaumont attorney to the author, October 10, 1968. Bell pointed out that in this case the "question was raised as to the right of the Channel and Dock Company to take property by eminent domain and to construct a 'navigation' canal and dock facilities."

Crary v. Port Arthur Channel and Dock Co., 47 Southwestern Reporter, 968-969. One hundred and fifty lives were lost at Sabine in the hurricane of October, 1886; the high tides accompanying this storm swept twenty miles inland. The seaport of Indianola was destroyed by a hurricane in August, 1886, and it was never rebuilt. Texas Almanac, 1966-1967, 109.


"Ship Canal at Sabine Pass, Texas," House Document, 55th Congress, 2nd Session, No. 549, 38-41; George M. Craig Papers, 1-3, Historical Collection, Port Arthur Chamber of Commerce. The writings and memoirs of George M. Craig constitute a valuable source of information about the early history of Port Arthur. Craig worked in several of Stilwell's enterprises, and he was employed by John W. Gates. Craig's writings set forth many of the details concerning the legal contest with the Kountze brothers, the first oil refineries in Port Arthur, and the port of entry struggle.


"Ship Canal at Sabine Pass, Texas," House Document, 55th Congress, 2nd Session, No. 549, 4-7; Port Arthur Herald, August 9, 1898.

George M. Craig to Mrs. E. B. Germaine, Buffalo, New York, April, 1939, George M. Craig Papers, Historical Collection, Port Arthur Chamber of Commerce. In April, 1939, at the request of his daughter, Mrs. Germaine, Craig wrote a ten-page autobiography of his experiences in Port Arthur. The Port Arthur Herald, March 23, 1899, said that the cut was made at five o'clock Sunday morning, March 20; Port Arthur News, July 4, 1948.

Port Arthur Herald, March 30, August 19, 1899.


33 *Beaumont Journal*, December 17, 18, 19, 1905; *Port Arthur News*, July 24, 1930; *Port Arthur Herald*, December 14, 1901, January 17, 18, 25, 1902.


35 Martin, "'Ghost Towns.'" *Texas Gulf Historical Record*, II (November, 1966), 10-11.


38 *Reasons Why Port Arthur Should be Made a Port of Entry*, 1-15. The pamphlet was addressed to the Committee on Ways and Means of the House of Representatives referring to House Bill 10715. Arthur E. Stilwell Collection.

39 *Beaumont Daily Journal*, May 7, 1906; Chairman of the K. C. S. Executive Committee to George M. Craig, May 8, 1906, George M. Craig Papers, San Jacinto Museum of History, San Jacinto Monument. The letter instructed Craig to donate the canal with the exception of the land beside it to the government on condition that Port Arthur was made a port of entry.

40 *Beaumont Enterprise*, June 20, 1906.


