

Private Equity Enables Service Firms To Improve Well Economics

By Colter Cookson

According to alternative investment research firm Preqin, private equity firms have \$971.4 billion on hand to invest in the oil and gas sector. For perspective, that is three times the size of Canada’s total budgeted federal expenditures in fiscal year 2016. Even for a capital-intensive industry, that is a lot of investment dollars waiting for opportunity to come knocking!

A survey of private equity firms conducted by Ernst & Young suggests much of that capital will go to producers and midstream companies, but upstream service companies focused on all aspects of the value chain—from exploration to drilling, completion, production and even back-office business functions—also are in the mix for private equity placements.

Artificial Lift Experts

Epic Lift Systems is one of many private equity-backed companies that started when a field technician saw a way to improve the technology he worked with. “It was formed by Schuyler Kuykendall, a plunger lift technician who saw ways to improve both the product quality and service offering, and Allen Jefferies, a high school friend of his with manufacturing ex-

pertise,” says David Nemeskal, the company’s CEO.

With backing from a private equity firm, Epic expanded from plunger lift to offer gas lift and small wellhead compression, Nemeskal continues. “In addition to looking for innovation within each of our product offerings, we think about how they

work together,” he says. “In some cases, it makes sense to install gas lift-assisted plunger lift or use compression to supplement running a plunger.

“We view ourselves as partners to the producer with production expertise and a focus on maximizing our customers’ returns on investment,” Nemeskal says.



With help from private equity, Epic Lift Systems reports it has assembled a team of experts in plunger lift, gas lift, and wellhead compression that is responsible for maintaining an ever-evolving portfolio of artificial lift equipment. These experts work with producers to identify wells where optimizing artificial lift can deliver rapid returns on investment.



“We are more than happy to look at well data to see if there are opportunities for customers to optimize their artificial lift that deliver meaningful and quick returns, and increase their profitability.”

To provide quality consultation and service, Nemeskal says Epic hires selectively. “We do not hire people who only know how to sell,” he elaborates. “Instead, we look for individuals with production experience who understand how to maximize customers’ profitability, and know downhole conditions in their respective areas. Those are the type of people who can give customers the best advice.”

Many of these employees are experi-

enced field technicians or foremen who have a solid understanding of their customers’ goals and challenges, Nemeskal says. “I tell them to recommend the best product or service they know, even if it is not one we offer,” he adds. “That might cost us a sale in the near term, but if we give honest feedback, producers will trust our recommendations when we are the right choice.”

Nemeskal points out that the company designs and builds all of its equipment in-house. “That is a benefit to our research and development, because we can test ideas rapidly,” he remarks. “Not all of them work, but enough do that we feel we have

a bit of an advantage.

“The in-house manufacturing also gives us greater control over our product quality and helps us ensure we deliver what we say we will,” he adds. “We also are able to build customer-specific products quickly.”

By combining quality products with honest and accurate advice, Nemeskal says Epic can unlock huge savings. “Optimizing artificial lift on a single well only may provide \$1,000 a month in increased profitability to a customer, but if a customer can do that across 50 wells, it becomes \$600,000 a year, which is meaningful enough to cover a number of employees’ salaries.” □