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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.

Waste Disposal

The predecessor to Milestone Environmental Services pioneered a cost-effective and safe process for building and operating disposal wells that can accept everything from produced water to oil-based drilling mud and production tank bottoms, relates Milestone president and CEO Gabriel J. Rio.

"The slurry injection process we use is well suited to extremely dirty fluids that would not be appropriate for a saltwater disposal well," he says. "These fluids might otherwise be sent to an oil field waste landfill, which would need to either add drying agents or use mechanical equipment to separate the solids and liquids. Both processes are more expensive than slurry injection.

"From an environmental perspective, slurry injection is the better choice," he adds. "Instead of keeping waste close to the surface, where it is more likely to interact with the biosphere and usable environment, injection puts the waste thousands of feet below ground. In almost all of our

Private equity has enabled Milestone Environmental Services to expand from four waste disposal facilities to seven since 2014. The company says its latest facility, a slurry injection site in the Permian Basin, employs a new design that gets trucks in and out more quickly.

wells, more than a mile of rock separates the waste from the surface or usable groundwater."

The slurry injection facilities generally require only 5-10 acres at surface, Rio reports. Because of their low cost and small footprint, the father and son team that ran Milestone's predecessor grew the company from one facility in 1993 to four in 2014. At that point, Rio says they decided to seek a private equity partner that could provide the financial support and experienced managers the company they had worked so hard to build needed to continue growing.

"Our private equity partner enabled us to bring in an engineering team to permit and develop more facilities, expand the management team to operate those facilities, and modernize our back office and operations," Rio says. "Since then, we have added three facilities."

Today, the company operates facilities in the Haynesville, Eagle Ford and Permian Basin. "Our newest facility and entry into the Permian Basin is in Pecos, Tx.," Rio says. "In building it, we have taken the best aspects of the other sites to create a new design that will allow us to get trucks in and out more quickly and serve a higher volume.

"We are developing processes to minimize or eliminate waste streams that we cannot inject and would have to haul to a landfill," he continues. "Eventually, we will get to the point where we can take solid waste streams, grind them up, and inject them into the strata, which will help our cost structure while broadening the type of waste we can accept."

For a waste disposal company, customer service means getting trucks in and out quickly, Rio says. The company posts wait times for each facility on its website and automatically sends e-mails to customers that want to monitor them, he reports, adding that it customizes invoices for each customer and makes sure they are done right the first time.

Rio emphasizes that environmental protection is the company's highest priority. "All our wells have high-quality casing and cementing to ensure proper well integrity," he says. "At the surface, the waste never touches the ground; it stays in tanks and processing units that sit on concrete lined with secondary and tertiary containment.

"We stay in touch with our neighbors and make sure they understand the steps we take to ensure oil field waste does not impact the environment they live in and rely on," he adds. "By showing how committed we are to environmental protection, we build trust with the members of our community. They are glad we are there because we allow operators on their land to drill without using reserve pits or land farming waste." ❐