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Private Property

By Scott Westin | January 2, 2013



Dan Themig

Starting a company and growing it to the point where it becomes an attractive acquisition target for a larger company is a fairly typical strategy for entrepreneurs in the oil and gas industry. Dan Themig isn't a typical entrepreneur.

Themig, Ken Paltzat and Peter Krabben, all had about two decades of experience working for large international oil and gas service companies. The trio stepped out on their own and launched Packers Plus Energy Services Inc. in 2000.

The budding entrepreneurs set out to be a small company that created a few innovative tools for niche downhole applications in the industry, but the business wouldn't be for sale – to a private buyer or on the public market.

“We said we are going to be this really strong technical company, the best in the industry in our four focus areas, and we won't be for sale. Nobody will know what to do with us,” Themig says. “This might sound like a bad business goal, and I've been told lots of times that it is, but that's okay we'll stick with it.”

The small company that was launched with five employees 13 years ago has grown to more than 700 employees and now operates in 31 countries. It turns out the Calgary-based company's products are just as innovative as its business strategy.

18 months after Packers Plus launched, Themig was on a flight to Texas to present ideas on how to increase production from a horizontal well to a Houston-based company. He sketched seven ideas by hand during the flight and the U.S. company picked the design that would become the StackFRAC system.

StackFRAC was the first ball drop system created for open hole horizontal wells. The Packers Plus innovation allowed operators to isolate sections of the lateral portion of a well. The pressure of hydraulic fracturing fluid could be focused on each section, rather than pumping massive amounts of fluid all the way along the wellbore in one completion. The system is partly responsible for creating access to vast reservoirs of oil and natural gas in North America that were previously considered uneconomic to produce.

“People continue to push the limits on what historically have been standard practices,” Themig says. “If you go back five or six years, a long horizontal well would have been 5,000 feet. Now it's common in North Dakota to drill a well that's 10,000 feet. We have completed some wells that have approached 15,000 feet.”

Story Highlights

- Dan Themig has no desire to take Packers Plus Energy Services Inc. public, as being private leads the competition to underestimate them.
- The company launched in 1999 with five employees, today it has more than 700 employees and operates in 31 countries.
- The company's StackFRAC was the first ball drop system created for open hole horizontal wells and is partly responsible for creating access to previously inaccessible reservoirs in North America

In conversation with Reynold Tetzlaff
Reynold Tetzlaff is the Canadian Energy leader for PricewaterhouseCoopers LLP. He led the interview on which this article is based. [More about Reynold](#).

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The company's product has become prevalent in the oil and gas industry. Packers Plus has become almost a generic term for ball drop systems, but Themig felt the company was losing its innovative focus a few years ago.

"To be technology leaders you have to be quick, nimble and a little bit minimalistic," Themig says. "We needed to have a rapid development mentality and get rid of the research mentality."

The company's research and development signs on its buildings were changed to read Packers Plus Rapid Tool Development Centre. Ninety per cent of the company's focus went to tool development, while 10 per cent was spent on pure research and development.

Development of Packers Plus' business has also been rapid. A second Packers Plus Rapid Tool Development Centre was built in Houston and the original Edmonton manufacturing centre is being replaced by a new 200,000 to 300,000 sq-ft facility.

"Our manufacturing model has worked out really well, it's been scalable and the quality has been second to none," Themig says. "In addition, we have developed automation and we were the first, as far as I know, in the industry to use robotics on the assembly because the quantities of the equipment we manufacture are so high."

As a private company, Packers Plus does not disclose its financial results, but the company's growth has been achieved without acquisitions. Themig also eschews even listening to product pitches from inventors outside of the company.

"It becomes a slippery slope," he says. "I tell people we have 80 engineering projects right now and there's a really good chance whatever you have we're already working on and we don't want any misconceptions."

The company's finished engineering projects are now being used in difficult to access oil and natural gas reservoirs around the world. In 2005, Packers Plus signed an agreement with Schlumberger Ltd. to tap into global markets.

The Houston-based company has more than 115,000 employees working in about 85 different countries. The agreement allowed Schlumberger to provide StackFRAC to its customers in international markets under the name StageFRAC.

"To get people to realize our goal was to be world class and really the best in our industry took a really long time," Themig says. "It was extremely difficult to get people to accept our innovation and technology in the early days. It got progressively easier and now we're really well known as an innovative company. We're always coming out with off the wall, new ideas on how to perform things that have been done for 30 or 40 years."

In Packers Plus' early strategic planning sessions, the company envisioned its business being 40 per cent in Canada, 40 per cent in the United States and 20 per cent international. "We're actually coming very close to those numbers now," Themig says. "For years international was a really small unit, but it's by far our fastest growing group and it's one of the most demanding on technology now."

While Themig is adamant Packers Plus is not sold to a larger company and does not go public, the company's executive team is not inflexible in its strategic planning.

much as 1,400 trillion cubic feet of in place tight gas)—are amongst the largest and most strategically important in the world.

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When Packers Plus signed its international agreement with Schlumberger, it was originally decided not to work in China. “We said we’d work anywhere in the world, but we’re not going to work in China,” Themig says. “I began to have doubts on whether not working in China was our best strategy.”

Ultimately, Themig, Paltzat and Krabben decided to start deploying Packers Plus’ technology in China. The company insulated itself with strong security measures and continues to perform all of its manufacturing in North America. Packers Plus is also filing for its first patent in China.

“The view of most companies is that China doesn’t play by the same rules, but they’re heading in the right direction,” Themig says. “Whether or not we work in China, we’re going to be working with Chinese companies around the world. If you look at who has bought the most oil and gas assets, it’s not BP or Shell or Exxon anymore; it’s Sinopec and PetroChina and Cnooc.”

Packers Plus also ensures only its employees operate the company’s systems in China. Partly as a security measure, but partly as the company’s focus on customer service.

“I’m pretty sure they can build a lot of the things that we do, but the core expertise is just missing over there and we can provide that,” he adds.

In short time, Packers Plus’ China operations have become the company’s fastest growing international segment. The increased business has helped create increased attention from large service companies and investment banks, but Packers Plus still hasn’t been persuaded to alter its original succession plan.

“We just have no desire to be a publically-traded company,” Themig says. “Being private lets our competitors always underestimate us in every way and that’s an advantage.”

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