

ENTREPRENEUR OF THE YEAR
NATIONAL WINNER

Packers Plus Energy Services Inc.

DAN THEMIG, KEN PALTZAT, PETER KRABBen

IN JANUARY 2000, Dan Themig, Ken Paltzat and Peter Krabben abandoned the security of their jobs at oil-services giant Halliburton to start their own firm. Based in Calgary, Packers Plus Energy Services Inc. aimed to help the industry tackle the thorniest, hardest-to-reach deposits. When a client from Texas presented the upstart with one such challenge in 2001, Themig used his time on a flight to a meeting to sketch out the idea for what would become Packers' StackFrac system. The technology unlocks previously unviable deposits, maximizing production in mature oilfields and tight rock formations. Now, with the help of a partner — international oilfield giant Schlumberger — Packers is rapidly expanding overseas. Here, founding partner and president Dan Themig shares the story.

FINANCIAL POST MAGAZINE: What drew you to the oil-and-gas industry? You're a farm kid from southern Illinois — not exactly oil country.

DAN THEMIG: My dad worked for Unocal's pipeline division, but not in exploration. I didn't know much about the oil-and-gas business until I graduated with a civil engineering degree from the University of Illinois and got a job at Halliburton. I ended up in Texas for four years, then I talked my way into being transferred to Canada. I love to snowboard, ski, climb and whitewater-kayak, and they just don't have many mountains in Texas. Also, the Canadian oilfields are known for fostering small companies and innovation. Someone once told me that at an oil-and-gas conference in Europe, the first thing [a presenter] said was, "If the technology isn't born in Canada or Norway, it's probably not worth talking about."

FPM: Why did you and your partners decide to go out on your own, to start your own business?

THEMIG: Working for a large company has benefits and disadvantages. Most large companies are very rigid, siloed, whereas a smaller company typically has more latitude. When I was with [energy-services provider] Dresser Industries, it was a big company, but the divisions functioned more like small companies. I had planned to spend my career with Dresser. What caused the three of us to leave was the merger of Dresser and Halliburton. All of a sudden we moved to a company that was completely structured. Throughout my career, I've always been a bit of a renegade — looking for new ways to do things — and I'd been rewarded for being innovative. And all of a sudden I was working for a company that didn't

want you to do anything other than what you were tasked to do. That was like putting me in a cage and locking the door.

FPM: What were the early challenges in getting off the ground?

THEMIG: The whole process was really scary. I'd only worked for two companies in my whole career. So starting a business of our own was like jumping off a cliff and hoping that the parachute would work. You're putting everything you have at risk. Doing that with Ken and Peter was good because I didn't have all the skill sets to build this organization, and neither did Peter nor Ken, but together we had a good balance. The three of us have transitioned

- > NO. OF EMPLOYEES IN 2000: 3
- > 2009: ABOUT 350
- > NO. OF OPERATING LOCATIONS IN 2000: 1
- > LOCATIONS IN 2009: 25

With Packers Plus technology, the Bakken oilfield went from producing 100 barrels of oil a day in 2006 to 60,000 now.

INTERVIEW BY JOANNA PACHNER > PHOTOGRAPHY BY COLIN WAY

42FPM DECEMBER 2009



Packers Plus founders (from left): Peter Krabben, Dan Themig, and Ken Paltzat.

through a number of roles at the company since. I wasn't president when we started. But we've each picked a niche that fits our skills.

Becoming a manager was tricky. I'd spent my career in sales, but by staying out of management, I watched and studied how others managed, and so figured out how I'd like to be managed. I want our managers to be doers, not controllers. When we hire people into management positions, the first thing we do is remove all their ideas about managing, because we don't want to manage by profit-and-loss statements. We manage by operational excellence and innovation. We really encourage our people to be innovative. I have to look on sometimes as people try things that I don't think are good ideas, and say, 'I gotta let this guy try this because he might be on to something, and I don't want to shut down that commitment.'

FPM: Did you start with specific technology ideas, or were you just three guys looking to market your experience and enthusiasm?

THEMIG: We knew what we wanted to do. We wanted to innovate and to work in the high end of the market. We thought that even though our resources were very limited, if we focused, we could become world-class at a couple of things. In fact, we created the StackFrac system because we got a request from a Houston firm that had heard about us. We had developed enough expertise in two years that we'd gained a reputation.

FPM: How is your company's solution different from alternatives?

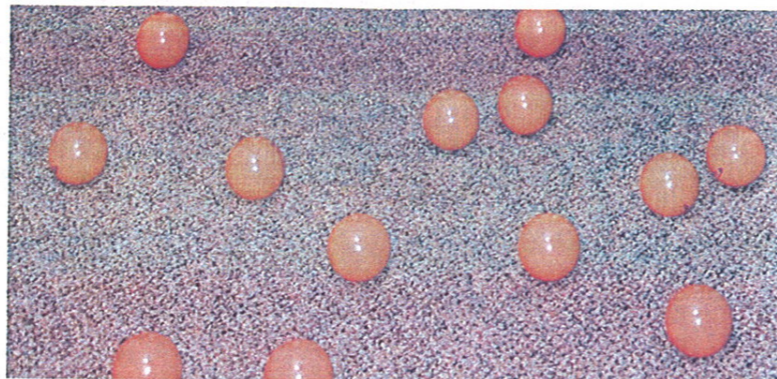
THEMIG: I can remember telling my partners when we started, I don't think we'll ever be set up in the U.S., a lot of the plays there are exhausted. And I've eaten those words a number of times. It goes to show that every time the end is near for the oil-and-gas industry, it finds new resources or a new way of extracting old ones. And we've been right in the middle of those changes. We have four focus areas, and one of them is horizontal open-hole completion. We developed a technique of using very inexpensive devices to divide up a horizontal well into segments and then individually fracture each of those segments. To put it in layman's terms, if you drill a mile down and a mile horizontally, we developed a way to divide that into 20 different segments, and to make each segment produce oil or gas.

The Bakken formation in Saskatchewan really put that to the test. It's a formation that people have drilled through for the last 40 years but nobody had been able to make it produce in commercial volumes. They'd drill a mile through it, produce 30 barrels a day for a month, then it would produce five barrels a day, amounts that you couldn't justify pumping. The industry first started to drill horizontal holes, which would produce 30 barrels a day long term, but these were fairly expensive to drill and weren't economic at \$40 a barrel. When we came along, some of the first wells people tried

us on ended up with initial production of almost 1,000 barrels a day. And even though the production would go down somewhat, the long-term economics were still tremendous.

FPM: Why did you partner with Schlumberger?

THEMIG: We formed an agreement with them to represent us internationally, because the international market is very difficult for a small Canadian company. Here and in the U.S. oil companies will



ONE OF MY PROFESSORS TOLD ME, 'BE A SAKS FIFTH AVENUE OR A WAL-MART. DON'T GET CAUGHT IN BETWEEN.'

work with a small oil-services company, they're savvy in deciding who's best for a job. Internationally, it's a different story. First, big foreign oil companies like to deal with very large firms and limit the number of companies they work with. Plus there's an issue with having to have agents abroad. Schlumberger is the largest oil-services company in the world, with offices in every country where oil and gas activity exists. Our business volume internationally this year is set to be up 50% by year-end.

FPM: Your tight focus has been critical in your success. Do you think that's important for start-ups in general?

THEMIG: When I worked in Oklahoma, I picked up an MBA. One of my professors told me, 'Either be a Saks Fifth Avenue or a Wal-Mart, don't be caught in between.' I told this to my guys before we even started: We're going to try to be Saks. The real gut check is that you have to be willing to walk away from some work. Early on, we had lots of opportunities thrown at us that were attractive, because we were short on cash flow and credit. But on the really tough decisions I told my partners, 'If you find it in the business plan, we'll do it. If it's not there, we're not.' When you start, you have very limited resources, so you only have the ability to produce 10 widgets. If you dilute that by doing things that aren't in your core focus, you'll only do two or three of the things you intended to do. To live your vision, you have to stick to what you planned. **FP**

INTERVIEWS
BY MARK ANDERSON

Ryan Beedie

THE BEEDIE GROUP

SINCE ACQUIRING the Beedie Group from his father a decade ago, Ryan Beedie has transformed the formerly small, but well-regarded, company into one of British Columbia's largest industrial real-estate developers, increasing revenue by more than 500% in the process. Lately, the Beedie Group has branched out into Alberta, expanded into commercial and mixed-use development, and pioneered a number of environmentally friendly building practices.

BUSINESS PHILOSOPHY: Treat everyone the same way, regardless of who they are. Satisfy and exceed the expectations of clients. There should never be any reservations on anyone's part about doing business with us. At the end of the day, it's about our name, our brand and our reputation. Those are our most valuable assets.

INNOVATION: We don't believe in conventional wisdom, and we don't accept the status quo. People told us we were crazy to try developing industrial strata buildings (multi-tenant warehouse-type structures) with units in the 12,000- to 15,000-square-foot range, which is approximately 10 times the size of units in traditional strata buildings. We went ahead anyway, and the property sold out even before construction began. That's innovation on an industrial scale, creating a product type that didn't exist before.

BIGGEST LESSON: Always keep the middle man happy. The relationship with those who bring business to us is of paramount importance, and we make sure they're happy with what we're providing. It's all about incentives. Treat people well and give them an incentive to want to come back and do business with us again. Be the best. Be the experts. Be the go-to guys.

DARKEST HOUR: Frankly, we haven't experienced one. Not in my memory. I've been running the business for close to a dozen years, and during that time we haven't really had any real down cycles, let

- > REVENUE GROWTH: 500% OVER PAST DECADE
- > INNOVATION: INDUSTRIAL STRATA DEVELOPMENTS IN B.C.

alone scary times. We're going through what's supposed to be the worst recession in decades, and we've added more square footage to our portfolio this year than in any other year in our history.

AVOIDING TRAPS: Sometimes when you're looking at a deal, the entrepreneurial spirit kicks in and you want to go after it. At the same time, though, you don't want to take unnecessary risks. You have to ask yourself, what are the consequences to the company if the project fails? Deals are seldom as good as they appear on the surface, and you have to remember that it's not a sprint, it's a marathon. You never want to risk your foundation.

PROUDEST ACHIEVEMENT: Winning this award (laughs). Seriously, it's been wonderful to win, and the impact it's had on our organization and our partners can't be overstated.

DEFINITION OF SUCCESS: To me, it's very personal. Everyone has different abilities, skills and desires. You can be successful even if you're not making a lot of money. If you're achieving personal goals and know you're doing your best, if you're happy and contributing to society in some meaningful way, that to me is success.

PHOTOGRAPHY BY NICK WESTOVER