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By focusing on smaller oil fields,
this company has reaped some big rewards.

Maximizing

Potential

Where most of the big oil exploration companies won't spend the time to develop smaller and marginal oil fields, Houston-based Gaither Petroleum has excelled in that market.

"We can dig out value where the majors and larger independents can't seem to capitalize on it," said O. Duane Gaither, president. "We have people who are able to ignore the conventional thinking and capitalize on that smaller and marginal field focus. That's not to say that we can't or won't operate larger, more quality fields, because we do, but when you are in the acquisition market, it's easier to acquire the older, marginal properties that other companies may be divesting."

Gaither Petroleum began operating as Petroleum Resources of Texas in 1985 before changing to its current name in 1991. The company was initially a consulting company, but during a bad year for the oil industry in 1986, it began to acquire and operate oil and gas properties.

"That process of acquisition has continued for the past 25 years," said Gaither. "Today, we operate about 400 wells domestically in Texas and Louisiana, and we moved international in 2002 with four discoveries in Tunisia."



**O. Duane Gaither, II,
president**

By putting its focus on smaller and marginal properties and understanding the rigors of that market, Gaither said the company faces less competition than if it were going after larger properties. "You've got to look underneath all the rocks, and once in a while, you will find a diamond," he said. "That's the approach we've taken over the years, and we've built a company with a value in excess of \$100 million from an initial investment of \$20,000."

One way the company excels in its market is through streamlining costs. "We really try to focus our efforts by doing things that make a difference," Gaither said. "There's not a lot of reporting and not a lot of paperwork to fill out. The engineers are left to do what engineers do and the geologists do what they need to do. Our function as the management is to provide them with the tools and resources they need to succeed."

Every Gaither project receives intensive geological and geophysical review, engineering assessment, and financial evaluation. According to Gaither, the company believes that one way to develop additional value comes from the application of state-of-the-art technology.

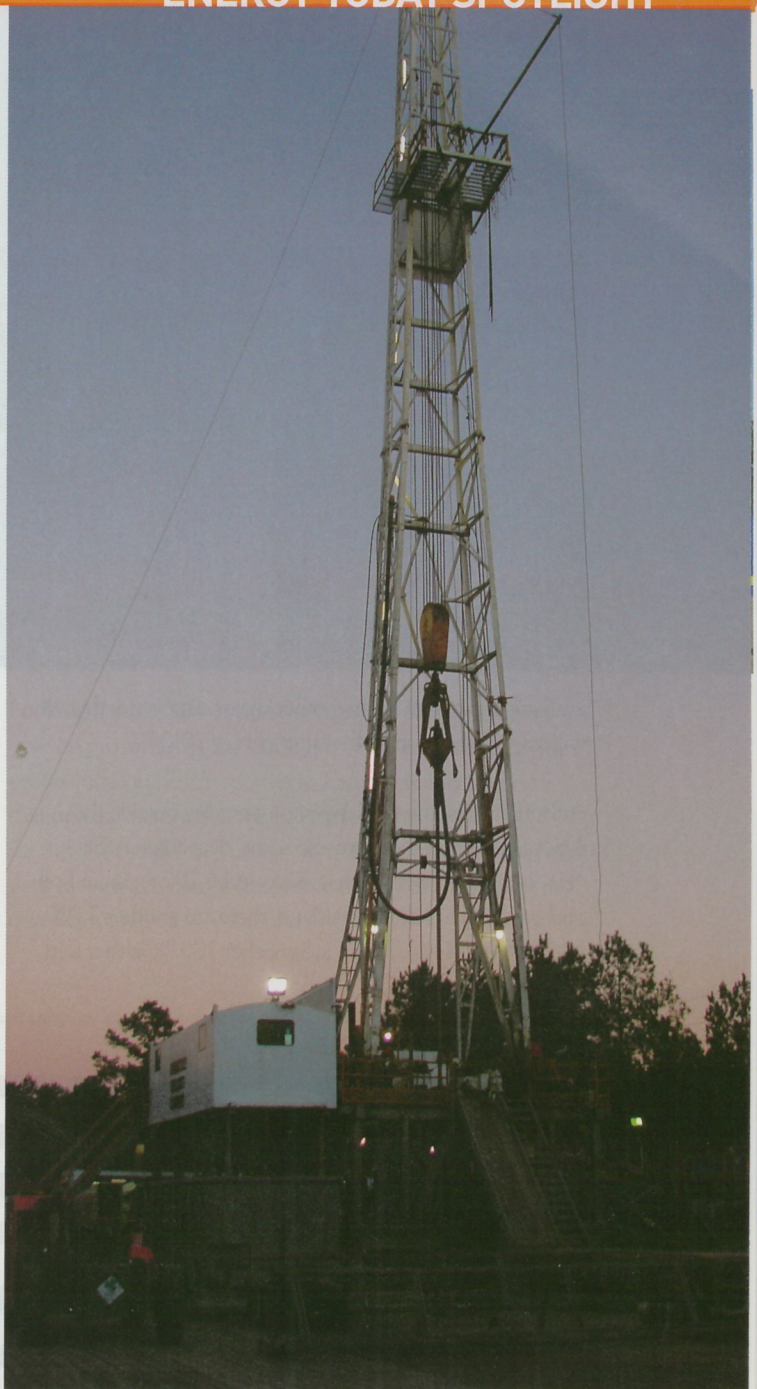
Use of the most recent advances in seismic technology, reservoir modeling, and well completion techniques has enabled the company to discover and exploit oil and gas reserves more effectively, both onshore and in coastal waters. The company uses seismic techniques such as inverse theory, amplitude versus offset analysis, and coherency evaluation to determine if seismic data holds clues to potential oil and gas deposits.

Horizontal drilling or specialized completion techniques are utilized to exploit oil and gas reservoirs once considered by the industry as too small or even too difficult to be successfully developed, according to Gaither. These techniques are used not only in exploration, but also to re-evaluate existing projects for previously overlooked or bypassed oil or gas reserves.

International expertise

The company's biggest recent investment has been in Tunisia, through its affiliate APEX. The company, and its partner Eurogas International, spent \$112 million in the North African nation in 2008 on investments and projects, including the acquisition of a mobile offshore production unit.

"We drilled the first development well on the Ras El Besh concession, and we are moving toward production after taking a one-year hiatus to fall back and reevaluate the drilling results," said Gaither. "We are also pushing forward with an exploration program in Tunisia. We have a delineation and





evaluation program for two other major discoveries that we will start working on in the latter part of 2010.”

Although there are challenges to operating outside the US, Gaither said there are also some clear-cut benefits. “If you look at Texas, there are around 6,700 registered oil and gas companies, in Louisiana, there are another 7,000, and in New Mexico, there are another 700,” Gaither said.

“We’re looking at competing with about 14,000 oil and gas companies in our back yard. When we went to Tunisia in 2002, there were less than 20 operators in the whole country.”

In addition to having a more open field, the company also benefitted from having close ties to Tunisia. Orville Gaither, the company’s chairman and CEO, was the president of



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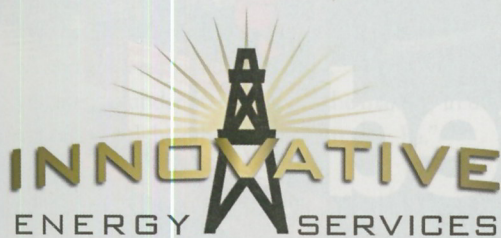


Amoco Production Company's North African and Middle Eastern region from 1979 to 1991.

"Our people and company were well known to the Tunisians, so operating there was a good decision for us," said Gaither. Tunisia is Africa's northernmost country, and is sandwiched between the large oil-producing nations of Libya and Algeria.

Looking ahead, Gaither said the company will continue to develop properties in the US and in Tunisia. "We are in the process of acquiring properties in East Texas and I expect that development will come full circle in the next 12 to 15 months," he said. "In Tunisia, we will continue our efforts to delineate the remaining discoveries there. For a company of our size, we have a very full plate." ✨

—Adam Swift



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