Journey into shale business not always easy

BY ANYA LITVAK

Stanley Weiner, CEO of Texas-based water treatment company STW Resources, thought his service was a perfect match for the oil and natural gas industry. He was pitching a water treatment mechanism that could take chemically treated water used to fracture gas-rich shale during the drilling process and spit it out squeaky clean.

But for all the talk of water being the biggest challenge in developing natural gas plays such as the Marcellus Shale, which stretches across much of Pennsylvania, making the sale was anything but easy.

STW’s two-year journey through the changing business landscape of the natural gas industry provides a window into how companies seeking to take advantage of the shale’s promise can stumble to find their place.

Weiner founded STW, which stands for “Save The Water” and/or Weiner’s initials, in January 2008. The business scooped out the Pennsylvania market early that year, but, as Weiner said, companies were just getting oriented in the Marcellus.

“They were drilling exploratory wells to make sure the Marcellus would produce,” he said. “They had to put in pipelines.”

STW also tried marketing its product in Texas, where wastewater disposal wells number around 50,000. Since STW’s water treatment technology was more expensive than simply paying to dispose of water in a well, the company had no luck in that arena.

Weiner was undeterred. Pennsylvania, in contrast to Texas, only has eight disposal wells, a fact that encouraged Weiner to follow the expanding water needs in the state.

“We were premature, but we saw it coming,” he said. “So we stuck around.”

Following a series of leadership changes — Weiner took a hiatus from the company to invest in oil and gas development in West Texas — the founder returned to STW with a new plan to go public. Such a move, he reasoned, would give investors more liquidity and the company more visibility.

The company is seeking to build a $100 million evaporation and crystallization plant — the only technology that can clean the water used during drilling to fracture the Marcellus Shale so it is of drinking quality — in central Pennsylvania and set up mobile units at well sites.

On May 18, STW’s plan received a boost with a $5 million funding commitment from the Kodiak Capital Group LLC, a year-old New York-based iteration of a Texas real estate company. Marty Walter, STW’s vice president of operations, said the company likely won’t break ground on the evaporation plant until six to eight months from now, with the facility coming online about a year later.

In a way, STW’s delay in its planned entry into the Marcellus Shale served to develop Weiner’s relationships with producers, a process critical to doing business with operators, according to Ray Vargo, director of the Small Business Development Center at the University of Pittsburgh who has advised many companies eager to do business with shale operators.

Getting in the door can be difficult, he said, and requires companies to be flexible in how they approach the opportunity.

“Maybe it’s (taking on) smaller projects. Maybe it’s becoming an existing subcontractor,” Vargo said. “It’s been my experience that this is a community that (runs) on relationships.”

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