

## 3 Rivers Capital Takes Different Approach for 10x Growth and Sale of Portfolio Company



**When the shale industry was down, Deep Well Services was up.**

3 Rivers Capital saw potential and opportunity when it invested in Deep Well Services (DWS) in April 2012.

Six years later, after helping Deep Well Services evolve into the premier oilfield services company in the Appalachian Basin, 3 Rivers Capital sold its portfolio company DWS to Houston-based private equity company White Deer Energy.

When the transaction closed on April 16, 2018, 3 Rivers Capital had played a major role in Deep Well Services achieving a 56 percent annual growth rate in EBITDA.

“3 Rivers Capital and Deep Well Services teamed to produce a very successful investment, as well as unprecedented accomplishments in the local oil and gas industry,” said Dale Buckwalter, managing partner and co-founder of 3 Rivers Capital. “DWS’ ground-breaking technology and a highly skilled team led to record-breaking longer lateral wells in the

Appalachian basin and created numerous high-quality jobs in the basin.”

Deep Well Services President and CEO Mark Marmo credited 3 Rivers Capital for helping the company grow while eventually joining an elite group. In 2017, DWS attained the American Petroleum Institute (API) Specification Q2 certification for drilling service providers and the ISO 9001:2015 Quality Management Systems (QMS) certification.



At the time of its certification, Deep Well Services was one of 88 service companies to achieve API Specification Q2 certification and was the only snubbing organization to do so, according to the API Composite List, a worldwide, real-time directory of all licensed and registered companies supplying the oil and natural gas industry with products and services.

“Without the guidance and leadership of Dale Buckwalter and the 3 Rivers Capital team, Deep Well Services would not have made it through two industry downturns along with maximizing the multiple on the current sale,” Marmo said.

Marmo pointed out that DWS had 25 employees in February 2012, a number that grew to 210 employees at the time of the sale to White Deer Energy in April 2018. Marmo said 52 percent of Deep Well Services’ workforce is from Pennsylvania, Ohio and West Virginia. “Prior to 3 Rivers Capital’s investment, the entire workforce was from West Virginia,” he said.

## Among the 3 Rivers Capital activities that led to significant growth and production at DWS:

- Recruited CEO Marmo and an effective senior leadership team. This significantly improved all phases of operations and safety performance, which led to double-digit revenue growth and improved EBITDA margins from 7 percent to 20 percent.
- Developed strategy and value proposition focused on stand-alone snubbing units unique to the Appalachian Basin. These one-of-a-kind standalone units positioned the company to be the leading well company to complete the much longer laterals being drilled in the basin. DWS teamed with the premier E&P companies in the basin on four record-breaking depth wells.
- Updated and implemented safety programs. Drove company-wide culture initiatives. Supported state-of-the-art virtual reality technology for training and educational purposes. This reduced the safety total recordable incident rate from 14.07 to 1.57 and achieved 1.1 million man-hours with no lost time.
- Created variable cost structure to weather-proof the company. This reduced fixed costs by \$2 million and helped DWS weather the 2015-16 downturn in the energy sector without laying off highly-skilled supervisors and field crews.
- Developed a customer ranking system based on companies that place the highest value on Deep Well Services’ value proposition. This increased the number of MSA’s from four at the time of the 2012 acquisition to 68 through December 2017.
- Invested heavily in the fleet and maintained operating readiness during the 2016 downturn. DWS had the newest and best-maintained fleet in the basin and was fully staffed with crews when the industry rebounded in late 2016-17 after the worst energy market in 30 years.

“3 Rivers Capital and Deep Well Services saw an opportunity and had a vision,” Buckwalter said. “We invested in the team, the equipment and the technology to make DWS an industry

leader.”

Metz Lewis Brodman Must O’Keefe LLC served as legal counsel to 3 Rivers Capital.

Founded in 2006, 3RC is a lower middle market private equity firm focusing on controlled buyouts and recapitalizations of small private companies. 3RC’s primary focus and experience is acquiring family-owned companies or corporate orphans and backing experienced management teams, where 3RC can rapidly create value by removing barriers to growth. [www.3riverscap.com](http://www.3riverscap.com)

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# 3RC

437 Grant Street, Suite 500 | Pittsburgh, PA 15219

412.765.2491 | [info@3riverscap.com](mailto:info@3riverscap.com) |



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