

David

CCS Income Trust is one of Canada's largest oil field services companies. Its divisions are engaged in everything from well servicing to energy marketing. But it wasn't always like that. When founder David Werklund got his start in the early 1970s, he had one truck, a set of tools and a lone employee

>Born: 1945
>Location:
Calgary
>Year CCS founded:
1984
>Year of income trust
conversion: 2002
>Revenue first year:
\$9 million
>2004 revenue:
\$301 million
>Number of
employees: more
than 2,000

I grew up in Valleyview, Alta. I have a fraternal twin brother, and we were in the middle of a six-sibling family. My father was a successful mixed farmer, and from a young age my brothers and sisters and I were engaged in learning to run and operate the farm. Today, I attribute a lot of my can-do attitude to the lessons I learned back then. My father passed away at the age of 57 when I was only 17, but I had spent enough years with him to learn that if you're going to do something, do it well. My father was also a resourceful man. Long before I was born, he built Valleyview's first winter taxi. I remember seeing pictures of it. Back then, there were no snowploughs to clear the roads, and he built this vehicle that was a huge blower on skis. It looked like a boat you'd see in the Everglades. In helping run the farm, my brothers and sisters and I learned to be as resourceful as my father was.

I left the farm in 1962 and set out to make my own way in life. After working for a few years on the oil rigs, I got a job with Shell Canada, and I spent five or six years working as a production operator and as a manager in the oil fields south of Valleyview. I was in charge of contract crews from the service providers hired by Shell, and I saw first-hand how lucrative the business of providing labour, pipefitting, cleaning up well sites and maintenance to the Shell facilities could be.

As the years progressed, I decided that I was better suited for the entrepreneurial life than the life of an employee. So I started to formulate plans to start my own oil field services business. The capital requirements were manageable, and I had accumulated enough money to buy a service truck and the tools I would need.

That initial investment was in the neighbourhood of \$10,000. At first, I hired a crew of just one other person and named the company Dave's Oil Field Services. We eventually bought an older building, and three years later I built a shop in Valleyview. It was the early 1970s, and the price of oil was very, very low, but Hudson's Bay Oil and Gas gave us our first contract for well services, labour and site cleanup. We were off and running, and we just built things up from there.

As oil prices climbed in the 1970s, Dave's Oil Field Services grew to as many as 150 employees. Even Shell started giving us some work. The work we did also changed. We started doing things like pipeline construction and repairs. Those were learning years. I didn't have a business degree, but I stayed focussed. One of the big

BY DAVID WERKLUND, AS TOLD TO JON HARDING
>PHOTOGRAPHY BY TODD KOROL

Werklund



lessons I learned was that it was difficult to keep good employees in the oil field services business, as good employees were often headhunted by our clients. The inconsistency of the work was also a challenge. If work was steady, you could retain your people. If not, you'd lose them. Of course, it was the big companies that had the consistent work, and that's where the good employees ended up. That's why our business today is very much about our people. I know everyone says that. But these are words we live by. Our management team operates under a people-first, company-second philosophy. We also

well-servicing company together. In July 1979, we bought one new service rig by leveraging Dave's Oil Field Services, and we called the new company Concord Well Servicing. Unfortunately, the National Energy Program came along in 1980 and the work dried up. So I decided to pack up my family and move to Corpus Christi, Tex., to look for oil and gas opportunities, leaving Gordon to run the oil well servicing company.

I moved to Texas to try to become a producer, and I had backing from some private investors, but I think the folks down there saw me coming. I like to de-

I was sitting in a restaurant in Texas, when I was approached by an older man who said, "You're not from here, are you?" I said, "I'm from Alberta." "Oh yeah," he said, "those Canucks come down here with pails of money, and all us good ol' boys have to do is figure how to get that money out"

stress that everyone is a leader, and we offer everyone the opportunity to take ownership and make a difference. I feel good that our reputation as an employer of choice precedes us. We're attracting bright, high-level people who are aligned with those values.

After we'd had Dave's for a while, I realized that if I wanted to keep running my own business, I needed to think differently about the kind of business I wanted to run. In 1978, I met this young fellow from Saskatchewan who was running a service rig in our area. He approached me to ask if he could park his rig at my shop. I liked what I saw in this guy. He seemed like a good character and he was very particular — everything was neat and tidy and well-organized. His name was Gordon Vivian (today, vice-president and general manager of Concord Well Servicing, a division of CCS Income Trust). We had coffee a few times, and eventually agreed to start a

scribe Corpus Christi as a place where I had some of my greatest learning experiences. Essentially, it was a two-year venture and it wasn't successful. I pretty much spent all of my own capital, plus a lot of friends' and associates' capital.

I recall sitting in a little restaurant in the building where I was renting a small office, when I was approached by an older gentleman. He was sitting three or four chairs away from me and said, "You're not from around here are you?" I said, "No sir." "Well," he said, "where are you from?" I said, "I'm from Alberta, Canada. Have you heard of it? You know, Calgary? The Alberta oil patch?" "Oh yeah," he said, "those Canucks come down here with their pails full of money, and all us good ol' boys have to do is figure how to get that money out of those pails."

That's a true story, and looking back, it's kind of what they did. Mineral rights ownership in Texas can date back to the 1800s

and they can be inherited through generations of families. We learned that it's very, very important to have binding contracts. In Canada, we were used to doing business on a handshake. I quickly learned that's not how business gets done in that part of the world, unless you've got a relationship.

So in 1983 it was back to Alberta — this time Calgary — although we still had our service rigs in Valleyview. Tragically,

David Werklund: Milestones

>FIRST VENTURE

"While I was with Shell Canada, I had a little residential painting venture. My partner did the painting, and I found the customers. It didn't last very long, so I guess Dave's Oil Field Services was my first entrepreneurial venture."

>INSPIRATION

"Warren Buffett. He thinks long term, he plans a strategy, he doesn't give up when someone criticizes him and he has discipline. I wish more people could take a page from that instead of thinking so short term."

>DARKEST HOUR

"In the mid 1990s, we made a decision to shut down a piece of equipment in which we had invested a lot of money. We took a substantial financial loss, but the lessons were learned and we moved on."

>TURNING POINT

"We've had many. In the late 1990s, we acquired underground salt caverns in Saskatchewan. This service helped streamline our other facilities. We later went on to develop our own gravity-compression-system technology."

>IN 20 YEARS?

"I want to be sharing my knowledge with people. And I'd like to be able to think the world's a better place because of our company's commitment to the environment."



David Werklund took CCS public in 1993, but the IPO was not successful and he was left with 85% of the shares. Today, his CCS Income Trust has a market capitalization of \$1.8 billion

Gordon had been hurt in an accident while I was away that left him paralyzed from the hips down. We got together and I decided, "Well, life is what it is. I'm willing to support you as long as you're willing to learn and develop and be a good leader." I'm very proud of Gordon today and the work he has done leading our well-servicing division team.

That first year back in Canada, I also decided to start a company called Canadian Crude Separators Inc. to take oil from producers, process it to pipeline specifications and then ship it on their behalf to customers. Oil comes out of the ground with a lot of impurities in it and, unless there is another option, a company has to build a facility and do all that processing itself. We started Canadian Crude Separators from Calgary with one plant at LaGlace, Alta., which is near Valleyview and close to where a lot of the production was coming from back then. To get started, we used the Concord service rigs as collateral, and the bank loaned me \$50,000. A farmer who owned the land in LaGlace agreed to lease me a little piece right across from the pipeline terminal. To launch the operation we needed a piece of equipment called a heater treater, so I went to see the president of NATCO Canada, a multi-faceted services company that could build one for us. He liked my

story, but I told him that I had a problem: no money. He said they'd carry the paper and they built my treater.

We built the facility and entered the market as a company that processed and shipped oil. In 1985, we built oil processors in Judy Creek and Valleyview. Then in 1989, we bought the Big Valley facility, our Coronation facility, and we also purchased Slave Lake.

From there, we purchased a heater treater facility in High Prairie, built one at Fox Creek and bought another company with facilities at Drayton Valley and Edson. At the same time, we had started buying service rigs, so two separate and private companies — Concord and Canadian Crude Separators — collectively had five service rigs and five heater treater facilities. We also added waste and water disposal to our services. Today, we've also expanded to marketing the oil through CCS Energy Marketing, which we launched in 2004.

We went public in 1993, but the advice we received and the initial result could have been better. A dealmaker came along with a shell company and made a commitment to us that they would have \$4 million in the shell for us to take forward. When we'd gone a long ways down the road to going public, we realized the promoter had not raised the promised capital. So all

of those shares reverted back to me. We were only technically a public company, as I still retained 85% of the company's shares — we were clearly not as public as we had wanted to be. After the deal was complete, there was maybe \$300,000 sitting in the bank after the legal costs. Additionally, we had no one promoting us on the street. The investment community had not participated by buying into our company. As a consequence, I lost between 10% and 12% of the company just going through that process.

From a personal perspective, I quickly realized I was going to have to undertake some very serious personal changes. When we were a private company, I had this belief I was being accountable to all of our people and stakeholders. While I think it was a sincere belief, the reality was quite different as a public company. I had to learn how to be the chairman of the board of a public company without any formal education in business. I'd had a lot of experience running companies and had become a fairly strong manager. But there was a whole other world that I didn't really understand. I soon realized that I didn't speak the language of a Bay Street analyst or fund manager. My public speaking needed improvement, and public speaking is a fear that I still have once in a while.

Our company has been through more changes in the last few years. One of the big ones has been our conversion into an income trust. But our focus has changed, too. We have become wholly committed to being environmental stewards. We want to make a positive difference. And we want to do this not just on a national scale, but on a global scale as well.

We're also proud of what we've built. CCS Income Trust is the fourth-largest oil well service contractor in the country with a market capitalization of \$1.8 billion. We have projects throughout Canada and Peru. And we're exploring international ventures with an office in the United Arab Emirates. That's a great achievement — not just for me, but for everyone who's contributed along the way. **B**