



LEN JOHNSON, PRESIDENT
ADVANCED FLOW TECHNOLOGIES

Dead Simple

Advanced Flow Technologies builds its business by giving the oil patch basic data

IN THE FALL OF 2011, LEN JOHNSON HAD A BUSINESS EPIPHANY.

It came as the president of Calgary-based Advanced Flow Technologies Inc. (AFTI) watched the price of natural gas fall below \$3 – the industry’s version of baseball’s infamous Mendoza Line. That spelled trouble for a small company selling well-monitoring technology geared to natural gas producers. “When I got here in May of 2010, the price of natural gas was \$4 and people thought that was as low as it was going to go,” Johnson says. “Then it was under \$3 and rapidly plummeting. I realized if we didn’t do something, we were going to go out of business.”

What Johnson and AFTI did was capitalize on the rebirth of conventional oil in Western Canada, where horizontal drilling and hydraulic fracturing is allowing companies to tap into crude oil sources once thought too difficult to produce.

The centerpiece of AFTI’s shift in business strategy is the

Watch-DOG, a device that was developed to give operators information on temperature and gas pressure at natural gas well sites. But last fall when Johnson was pondering his company’s future, a small oil producer asked if AFTI could develop a low-cost solution for monitoring oil wells. Johnson figured his company already had one – the Watch-DOG. “While the technology had been developed for the gas industry, we realized it would work just as well for the oil business,” Johnson says.

The new product was launched in January 2012, and Johnson says it offers operators simple information they can use to determine instantly if their well is producing oil and if it is producing it at optimal rates. The Watch-DOG does this through sensors attached to it that measure the temperature of piping at the well site and pumpjack vibration levels.

Johnson says the absence of heat means oil is not flowing through pipes. And if a pumpjack isn't vibrating, that means it isn't working, and no oil is flowing to the surface. "If you're a guy whose job is to manage production in the oilfield, all you really care about is whether the pump is working and if the well is producing fluid and at the rate you'd expect," Johnson says. "We provide those pieces of information in a way that's dead simple."

That should strike a chord in the oil patch. Data generated by energy production is becoming more abundant, and more difficult to sift through. "We've got more and more information," says IBM Canada's smarter city and water expert, Geoff Riggs. "So the need to focus on the stuff that's really critical and archive the rest of it is absolutely pivotal to the functioning of society."

It's also pivotal to the functioning of an efficient and productive company. The Watch-DOG sells for approximately \$2,000 per unit, so it's cheaper than computer systems that monitor well sites from a central location. Johnson says it's also more effective than another method for checking well sites - sending a fieldworker to the site to do a visual inspection.

The search for oil continues to drive drilling activity in the Western Canadian Sedimentary Basin (WCSB). Calgary investment bank Peters & Co. said in a recent research note that between Sept. 1-25, 78 per cent of the 782 wells licensed in the WCSB targeted crude oil

or bitumen. Johnson says when the company launched Watch-DOG in January it had no customers. Now it has 30 clients, including Novus Energy Inc. Cori Schmidt, a Novus well site foreman based in Saskatchewan's Kindersley-Dodsland area, says they starting using the units in March and he's been happy with the results. "As soon as the wells go down, we're catching them," Schmidt says. "And that can save us a half-day of production."

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The company, which was started in 2004 and has 13 employees, has seen its revenue jump as well. The next move for AFTI is to broaden its customer base. The Watch-DOG is the only product the company has that caters to oil producers. But the fact that it is small, can be installed without hiring an electrician and runs on solar-powered batteries could make it appealing to operators in other international jurisdictions.

"Well sites that are remote and not connected to the power grid is something quite common in places like Russia and Venezuela," Johnson says. "There is very little infrastructure, so the potential for a product like this is massive." AD

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