Serving the southwestern states of Texas, Louisiana, Arkansas, New Mexico, and Oklahoma, Applied Energy Company (AEC) was created in 1969, primarily as a distributor of fluid power products for the machinery and equipment and power generation markets. Business was good, turnover modest. And then the 21st century arrived and with it, Claude Badgett who bought a 50 per cent share in the company in 2006, following it up in 2013 with the purchase of the remaining half.

“When I first came here, there was not a very big emphasis on providing service to our customers – just a small service crew amongst a lot of stock distribution,” recalled Mr Badgett. “We turned this around to become a value added supplier. For instance, creating a heavier involvement where we perform installations, either on site or in-house.

“In my eyes, anybody can be a distributor; if you’ve got money, you can buy stock and put it on the shelf. But to really grow your business and your market share, you’ve got to have a model to take to market. We’ve picked up world-class suppliers, all of whom came to us, and wanted AEC to be their distributor and supplier of choice for their products because of the model we have created.”

As Easy as Two Three Five

This value added model has certainly paid dividends, seeing the company’s turnover grow from figures in the low millions up to over $20 million in a remarkably short period of time.

“There’s a saying: ‘Two, Three, Five’ – double your sales, triple your profits in five years. That’s precisely what we recently accomplished. We wouldn’t have been able to accomplish that milestone without having the model to take to market.

“Prior to my arrival, AEC’s main markets were within the pulp and paper and power generation sector. The largest opportunity I saw for AEC was within the upstream sector of the oil and gas industry which now accounts for over half of our business, be it offshore or inland,” said the owner.

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“The Chevron Jack/St. Malo project (JSM) is a prime example of our subsea team’s capabilities,” highlighted Mr Badgett. In 2009, AEC’s Subsea Business Manager, Paul Smethers presented a Fluid Cleanliness Management class during the pre-FEED stage of the ISM project. That presentation spurred a JSM filter specification that led to a new 15,000 PSIG chemical injection filter design.

Two years later, the Dµrt Hog® line of subsea filters was born. The Dµrt Hog® filter line is designed to resist corrosion, eliminate galling, and provide a long life of reliable service. Recently, we expanded our Dµrt Hog® filtration line to include a corrosion resistant spin-on filter and a high pressure 20,000 PSIG filter.

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“A number of factors go into a customer’s buying decision, but we believe service is a key factor in why customers are won and lost. As the ISM platform readied for first oil, we went to the platform and serviced 88 filters. Not only did we service the filters, we stayed on site to ensure the customer was ready for start up.

“As we continue our work in the upstream oil and gas market, we find customers want efficient, versatile, and reliable products and services. This pushed us to expand our Dµrt Hog® brand into a complete fluid cleanliness line of filtration products, including automated fluid conditioning systems.

“Ten years ago, our subsea team were filter experts. Since then, we evolved into fluid cleanliness experts and our product line and services reflect that. Fluid cleanliness is paramount to operational efficiency and reliability.”

America’s Advanced Fluid Management Specialist
AEC’s staff is comprised of fluid power, lubrication and filtration specialists, in addition to application engineers and equipment designers, enabling the company to accomplish a wide array of projects ranging from industrial maintenance site planning to filtration and lubrication upgrades to lubrication excellence due diligence services.

“AEC has created a niche in the industrial maintenance community due to our knowledge of national and global best-practice lubrication excellence processes that are essential for the success of every industrial maintenance improvement project,” said the owner. AEC’s project managers facilitate effective planning, risk management, coordination, staff management, approvals process, scheduling, communication and reporting.

“We do anything from piping to building a system, to going to mainstream lube shops to install pumps, reels, meters and hoses - it’s just a little bit of everything,” quoted the owner. “You have to be flexible and I think that’s a major strength of ours; whether you want to rent, lease or buy, we’ll figure out a way to make that work. And if we need to fabricate something, we’ll do that in a heartbeat.”

AEC’s Dirt Hog®

Supplementing the company’s industry leading inventory of lubrication, filtration, fluid conditioning and fluid power products, the state-of-the-art fluid cleanliness Dirt Hog® systems are available for mineral, synthetic, and water based fluids, as well as diesel fuel, and help achieve the advanced fluid management requirements demanded in today’s working environments.

One of the successes of this UL and CE approved product range is the Dirt Hog® 3.0 which sports a range of features including touch screen controls, low temperature delay, onboard particle detector, water sensors and data logging capability. According to AEC, the Dirt Hog® lets you set your cleanliness level and just walk away. If the oil is too cold, the software will automatically reduce the flow to prevent pump damage. Once it is safe, the flow rate will increase to the desired setting. The onboard particle detector will continuously monitor the cleanliness level of your fluid, and when it reaches your predetermined ISO or NAS setting, it will automatically shut down. Each run can be tagged with machine ID number, operator and date that can then be downloaded onto a spreadsheet for trending.

“The Dirt Hog® is not just for one market place; it’s universal,” said Mr Badgett. “The biggest opportunity I see is growing the service side: we can sell it to them, we can lease it to them or we can do it for them. No matter which market you are in, you’ve got to have clean fluid today - whether it be your diesels, your hydraulic oils or your water/glycols.”

“Fluid contamination upstream,” added in house CFPHS, Mark Scott, “is going to cause problems and affect your equipment reliability or availability. It may even shut your business down and impact your profit. That’s why the Dirt Hog® product line is an important factor that protects equipment by removing control fluid contaminants and maintaining the desired cleanliness code. Then we can help them with all their other problems, whether it be upstream or downstream.

“We are able to ship the Dirt Hog® anywhere in the world and are currently looking for more international distributors to market the product.”

Seeking Opportunities in Testing Times

With six AEC locations dotted within the aforementioned five states, the company’s Houston facility has recently doubled in size. “We have gone from a 5,000sq ft lease to a 10,000sq ft building owned by the company,” said Mr Badgett of the move that happened at the end of October.

Mr Badgett accepted it is a big investment at a time when many service providers for the oil and gas sector are being squeezed, but a risk, it is not.

“I’ve been in the oil and gas business all of my life, and you never can be complacent because when things are great, it’s great and when things are bad, it’s bad. It does cycle, and I’ve been through the crash of 1984, economic downturns in 2000 and 2008, as well as this one we are in now. We have survived every one of them and will this one too: you just have to adapt and overcome. We are trying to diversify as much as possible.”

Mark Scott agrees. “We are going to the companies that we have been doing business with, and when it is slow, that’s the best time to get in there and offer new products and new solutions. When things do turn around and come back, we are in position to not only increase our market share but help our customers increase theirs.

“The biggest strength at AEC is our ability to produce packages instead of just supply components: We can find the problem and put together a package to find a solution - adding value to our customers.”
We would like to thank Inside Oil & Gas Magazine, Edition 10, December 2015 for this great article on Applied Energy Company, LLC. http://insideoilandgas.com/index.html