



▶▶ REI Drilling Inc. employs 25 professional drillers, who help the company succeed in its projects. "We can go out and buy equipment easily, but to find and train qualified people to operate the drills is more of an art form than science," Director Jeff Schwoebel says. "It takes smart, skilled, hands-on technicians with good insight and communication skills [to be good]."

Growing Steadily

Utah-based REI Drilling envisions the company to be a well-rounded firm. Being around for more than 25 years, the company hopes to continue its double-digit growth. —By Fernie Tiflis

REI Drilling Inc., a Salt Lake City-based firm that specializes in long-hole directional drilling in the coal mine sector and diamond drilling with directional capability in the hard rock sector, has been experiencing double-digit growth in the past 10 years. REI's principals credit this success to a combination of reasons. However, it all comes back to quality, Director Jeff Schwoebel notes.

"We have been able to structure the organization properly with quality people, good equipment and good ideas," he says. "We demand good quality. [In addition], the climate of the coal mining and metals industry has allowed us to expand the application of directional drilling over time. When we first started, the application for directional drilling in the coal sector was strictly for methane drainage. That continues to be a reasonable portion [of our work],

but coal mine operators have found that directional drilling can also be used for other applications, such as geologic and old works exploration, water transfer and other utility applications."

Competition is not something REI thinks about. "We have more experience doing this work," Schwoebel says, noting the company has been in the industry for more than 25 years. "Also, our geographic coverage sets us apart. We are half-owned by Valley Longwall International (VLI), and with them we really cover the entire world."

VLI is based in Australia, but has a strong presence of operations in China and Russia. With REI's North American operations, the company is well-positioned for further global expansion. "We are in tune with the variety of challenges and conditions presented by all of the different coal basins globally," Schwoebel

+ COMPANY PROFILE REI Drilling Inc. ■ www.reidrilling.com ■ Headquarters: Salt Lake City ■ Employees: 40 ■ Specialty: Directional driller/diamond drilling ■ Jeff Schwoebel, director: "[What sets us apart is that] we have more experience doing this work."

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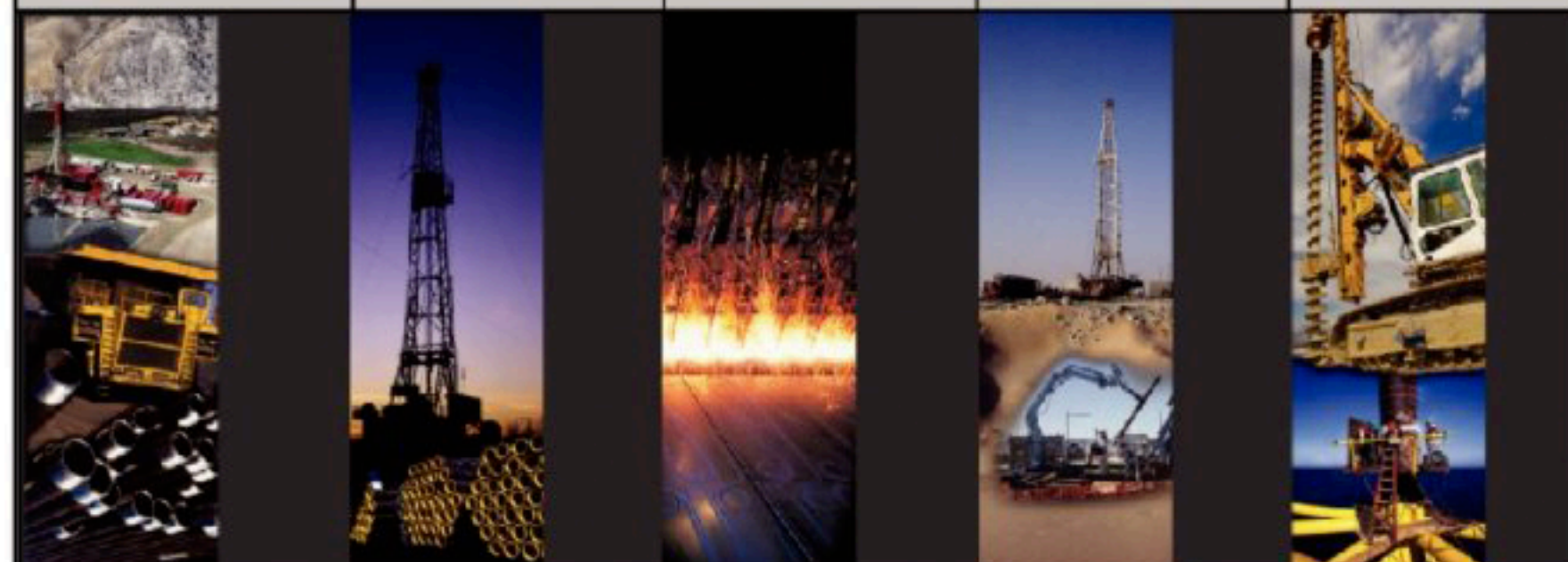
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states. "We drill not only coal but also all rock for methane drainage and other mining applications."

About a year-and-a-half ago, REI expanded into diamond drilling at hard rock mines with the Highland Boy Drainage Gallery Coverhole Drilling project for Kennecott Utah Copper Corp. This project involved 14,000 feet of core drilling in advance of mining for exploration and de-pressurization.

"We responded properly [to this project]," President Dan Brunner says. "There were 14 boreholes to drill in advance of gallery development, which were expected to encounter water under high pressure. We have that experience. In coal mining, we understand well-head control during and after drilling. That gave us an advantage. We stepped out from that project and ended up acquiring two more diamond drills.

"REI provides the hard rock sector – the complete package," Brunner adds. "We deviate and directionally steer and survey our own core holes. Rather than using a contractor for each of these aspects of drilling, we do it all."

In addition, REI added another business sector, Drilling Products Inc., this year. "We bought the assets of Saber Drilling Products," Schwoebel says.

Drilling Products Inc. manufactures and supplies downhole directional drilling tools, including downhole motors and survey equipment. "This is the same equipment that REI has had success with, and we are making this available to others," Schwoebel notes.

'An Art Form'

Acquiring equipment is easy, Schwoebel notes. But, having quality employees is more important to be a successful company.

"We can go out and buy equipment easily, but to find and train qualified people to operate the drills is more of an art form than science," he explains. "It takes smart, skilled, hands-on technicians with good insight and communication skills [to be good]."

Environmentally Responsible

Methane gas is 21 times more potent than CO₂, according to REI. "[Methane] is a potent greenhouse gas," Schwoebel notes. "Coal mines produce around 10 percent of the methane emitted into the atmosphere. Compared to other sources of methane emissions, coal mine methane emissions can be more directly controlled through the application of methane drainage and use technologies, including technology to oxidize low quality methane in ventilating air."

REI has been an active proponent of reducing methane emissions from coal mining to atmosphere. Twenty-five years ago, REI developed the first commercial coal mine methane recovery project in the United States at the Soldier Canyon Mine near Price, Utah. This project actively reduced greenhouse gas emissions for around 10 years through recovery and sales of methane gas into a natural gas pipeline.

Currently, REI recommends methane recovery and utilization in conjunction with its directional drilling projects at gassy coal operations. REI also provides technical support to the U.S. Environmental Protection Agency's (EPA) Coalbed Methane Outreach Program.

There is an increasing need to reduce greenhouse emissions, and EPA has put pressure on coal mine operators, Schwoebel explains. "They ask coal mine operators to go out and drain gas from coal seams and recover and use that gas," he says. "EPA wants operators to be proactive about it, rather than [continue to] mine and release gas into the atmosphere."

"WE DEMAND A LOT FROM [OUR EMPLOYEES] – THEY ARE RESPONSIBLE FOR THEIR EQUIPMENT, INTERFACING WITH CLIENTS AND EXECUTING THEIR PROJECT."

REI has 40 people on staff, 25 of which are drillers. The company starts off an employee in drill helper positions, where they can work with more experienced technicians. "The new guys go with a number of tenured drillers we have, so they can learn from each one of them," Schwoebel says.

Brunner adds that it takes a minimum of six months to two years to train someone with no prior experience. "Ultimately, they get the position of lead driller," he states, "and giving them the pride of ownership – responsible for a drill and project execution – is one of the things that is attractive to the staff."

Besides providing its employees with good benefits and working with them as a team, giving them responsibilities helps the company retain a low turnover rate.

"We demand a lot from [our employees]," Brunner says. "They are responsible for their equipment, interfacing with clients and executing their project."

Because REI's projects vary, its employees look forward to different drilling objectives, conditions, locations and clients, Schwoebel states. "There is always something unique and challenging about every project," he notes.

Spreading it Out

REI anticipates more growth in all of its sectors. "We see ourselves twice the size that we are now, with 50 percent of business in directional drilling, 25 percent DPI and 25 percent hard rock work," Schwoebel notes. "Right now, it is 10 percent DPI, 20 percent hard rock and 70 percent coal mines. We would like to see more growth in our other areas."

In addition, REI will continue to be innovative. "Dan and I have continued to take tools and technology from the oil and gas industry and couple them with slim hole directional drilling for mining applications," he states.

Schwoebel adds that bringing new technology from other sectors can have significant advantages to the market. "For example, by using hydraulic fracturing or inert gas injection, methane production from directional boreholes that we drill in coal may be accelerated," he says. "Over time, we have taken some of these technologies that the oil and gas [industries] use and are finding ways of applying them to the coal mining or hard rock sectors for gas drainage, de-pressurization and exploration." ■

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