

## Client Connection

April-May-June 2011

From the desk of Victor E Hemard Jr, President

### Client Success Story: Common Disposal

“What’s a bunch of log haulers doing in the oil field service business?”

That was the talk around Center, San Augustine, and Shelbyville, Texas when Dusty and Ricky Lout started Common Disposal, LLC, a company providing oil field services to companies producing oil and gas from wells.

“We’re the junk end of the oil field service business: saltwater disposal, flow back, pit water, road construction, frac tanks, and building well locations.” This brief explanation of the saltwater disposal and oilfield service business by partner Ricky Lout describes a humble, but very important, service offering for the oil business in East Texas.

Why the saltwater disposal business? It was an opportunity. The reason most people don’t take advantage of opportunities, however, is that they usually show up with a lunch pail and overalls and no guarantees... just like this one.

Saltwater and other drilling byproducts of oil and gas wells must be hauled from well locations and safely disposed of. There are many



Ricky Lout

Dusty Lout

things in the disposal business that are similar to the timber business, but when saltwater, flow back, or pit water has to be hauled from a well location, it must be done on a timely basis or production stops on the well.

My first connection with Ricky Lout, Dusty Lout, and the Lout family goes back to 2006, when Ricky contacted me about upgrading their scaling and wood procurement system at their L&R Timber chipmill, located about a mile away from the Common Disposal offices and disposal plant.

As I discussed earlier in a Client Connection feature article (August 2009), we upgraded their system to the Forest Products Accounting system and upgraded the

network with new workstations and high speed network switches.

While this was going on at L&R Timber in 2007, Common Disposal was started by the father and son partnership of Ricky and Dusty Lout in Center, Texas and later moved to their location north of San Augustine in 2009.

The history of the Lout family is primarily in the timber business (for more, go to [www.hemard.com/pdf/ClientConnection2009-08.pdf](http://www.hemard.com/pdf/ClientConnection2009-08.pdf)).

With the expected increase in drilling activity due to the Haynesville Shale leasing and other drilling in the area, the Louts wanted to

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### TFA Fall Meeting—A Belated Review

Things have been moving along so quickly, I just got too busy to tell you about the Texas Forestry Association fall meeting in Nacogdoches. This is not all bad, however, since it is often better to gain a broader perspective over time.

I started out this year’s meeting by touring the Aspen Power Plant in Lufkin, Texas. We were the guests of Danny Vines. Angelina Fuels is the procurement organization for the Aspen plant and Mark Avery discussed the products they plan to purchase. These products included urban (wood) waste, in-woods material, and various wood by-products such as chips and sawdust.

The Aspen wood drain area is about 60 miles and they will buy about 55 truckloads per day. That’s good news for the forest industry, landowners, and the local economy.

Back at the hotel in Nacogdoches, Dr. Phil Dougherty

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**Common Disposal** (continued)

**Your PC Is Not A Toaster**

The main reason computer systems get attacked is too many people treat their computer like an appliance: they turn it on and conduct zero maintenance.

Proper security maintenance includes antivirus and anti-spyware software, software update (patch) management, and an effective firewall for the computer network.

**"I know Vic from our work at L&R Timber and I trust what he does. I saw how the system over there worked and I couldn't see any reason why we couldn't integrate it into the oil and gas business."**

**-Ricky Lout**

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participate in some way that fit in with their expertise in timber and other natural resources and their experience in trucks and transportation.

After examining their options, salt water disposal seemed to be an opportunity to provide a much-needed service for oil companies in the area. Common Disposal drilled the disposal well, built the facility to separate the oil from the water, and lined up the trucks.

One of the things they did not anticipate was how difficult it can be to establish yourself in the oil field service business.

Dusty and Ricky have a natural talent for developing businesses, however. Once the first customer tried their service and liked their performance as an oil field service company, the word quickly spread. Common Disposal also stepped in to help when another company couldn't service their own customers. This established Common Disposal as a solid company in the oil field services business. This is when I entered the picture in 2010.

After nearly four years of using the Forest Products Accounting (FPA) system and our Gold Protection Plan for the network infrastructure at the L&R Timber chip mill, Ricky Lout, his accounting manager

Brandy Chambers, and I discussed how it might be possible to convert the FPA system for use in the oil field service business.

Brandy told me this later, "I told Ricky, 'Vic is very expensive, but he is also very good.'"

Thanks, Brandy. I think that's what they call a left-handed compliment!

After meeting with the accounting people at Common Disposal, primarily Vera Jackson, Faye Patton, and Janie Alford, we all were onboard and willing to give it a try.

We spent three months brainstorming, testing, and modifying certain reports to decide if we could use the current system being used for the timber business (FPA) and convert it for use in the oil field.

Why did Ricky think it would work out in the first place? "I know Vic from our work at L&R Timber and I trust what he does. I saw how the system over there worked and I couldn't see any reason why we couldn't integrate it into the oil and gas business," he recalled.

Did he really think we could take our timber expertise and use it in the oil field? Ricky had these kind words, "Vic handles things professionally. He does things the way they should be done and he handles different people in different ways."

And, what about the FPA system? According to

Ricky, "The system stands for itself and I think it's a good system. I can see it cutting our workload down. The good thing about using the right program is it can tell us how profitable a location is from clearing the well site all the way through the disposal and other services we offer."

Just to boil that down a little, here are just a few of the questions that are answered with the proper system:

How profitable has this well location been for us?

How profitable is this customer?

How profitable is this part of our company and how does it contribute to the bottom line?

To answer the last question, Common Disposal has managed their growth by separating their business into divisions: General Oil Field Services, Saltwater Disposal, Sodium Plant, Roustabout Crew, and Road Solutions. Under this structure, Common Disposal is able to generate separate income statements for each division.

When we arrived on site, the computer network was in dire need of improvement. Rather than replace the entire network, we recommended a maintenance plan like the one at L&R Timber. To improve the network performance and eliminate downtime, we upgraded the network

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## Common Disposal (continued)

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switches and router, replaced one workstation, and “cleaned up” the server and workstations to make them run faster and more efficiently. Next, we implemented a network management system to monitor the network and its computers for potential problems, to review and install software patches, and to setup a means to provide remote support and problem-solving.

One important aspect of computer system management is backup and disaster recovery. We installed our Safe and Secure backup and recovery service to backup all programs and data onsite and offsite. Backups take place every 15 minutes without having to swap tapes or drives daily.

What about Ricky’s and Dusty’s interests outside the business?

Well, they are big fans of NASCAR and stock car racing in general. They have attended NASCAR races on occasion and Dusty has been known to drive a stock car on the weekend.

They’re both avid outdoorsmen, with Dusty leaning more toward the hunting and Ricky with more interests in fishing.

I’ve seen some photos of Dusty’s big-game hunting trophies and they are impressive. Most of those

photos aren’t like the ones from some of my hunts. My hunting photos have a shot of me with my dad or an unshaven hunting buddy of mine and some ducks, squirrels, or rabbits we’ve bagged.

In Dusty’s hunting photos, there are all these gorgeous women along on the hunt right next to trophy bucks with nice racks (I’m talking about the deer, guys) they have killed on the hunt.

Not to be outdone by her brother and father, Office Manager Britt Lout Matthews also has a knack for stock car racing and the outdoors.

Britt joined Common Disposal in 2010. She is a registered nurse and was a nursing professional before joining the company. Her marketing and organizational skills benefit the company as well as her specialized skills as a nurse regarding health and safety matters. Britt is married to Jake Matthews, who is a professional in the oil business.

It would be hard to find a company where the employees are more complimentary and loyal to the owners,

For instance, when payroll pay days changed recently, Ricky wanted to be sure no one got caught short. One of the managers then told Ricky, “That’s what I like about you. You’re always looking out for the working

man.”

That’s not all, on another occasion I was sitting at the conference table with one of the employees. I asked him how he liked working here. He said, “Ricky and Dusty would do anything for me and I would do anything for them.” Now that’s powerful!

There are about 65 employees at Common Disposal.

Brandy Chambers, as I mentioned previously, came over to Common Disposal from L&R as an accounting consultant to help make the transition for the FPA system. She has been invaluable in her role with both companies.

Plant managers Ricky Colle and Danny Lummus bring a wealth of experience in business and oil field operations to Common Disposal and have a good working relationship with the office staff.

Robbey Dutton is a perfect example of the opportunities available at Common Disposal. Robbey started out as a truck driver and now holds a supervisory position at the disposal plant, learning every aspect of the business.

Janie Alford, Administrative Manager, takes part in just about everything in the office. She is the gas and the oil that keeps things running smoothly. She is involved in the long-term planning, the day-to-day

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## Why We Decided to Serve Common Disposal and the Oil Field Service Business?

I’ve never been a big fan of diversification. In theory, you should pick one thing and do it well.

There are times, however, when there is a connection between your current business model and a new opportunity that will benefit both the existing business and the new venture.

Just as Ricky and Dusty Lout took their expertise in the timber business and applied it to the oil field service business. I have taken our forest products expertise and applied it to the oil field service business.

There are many similarities between the timber and oil businesses:

1. Both timber and oil need software systems that will not only give them profit and loss, but also production information and profitability by origin, division, customer, and products sold.
2. Both timber and oil companies deal in sources, producers, destinations, and customers.
3. Units of measure may be used for either timber (tons, cords, MBF) or oil (barrels, hours, days).
4. Both industries employ the use of remote and isolated field offices. These offices have special challenges for accessibility, internet connections, computer network management, and backup and disaster recovery not found in an urban setting.

### Philmont Ranch

Philmont Ranch is 137,500 acres of rugged wilderness in the Sangre de Cristo Mountains of the Rocky Mountains in northern New Mexico. Our local scout crews spent a couple of weeks out there in the summer of 1998 and, quite frankly, my son and I really didn't want to see it come to an end.

If you're not in shape when you get out there, you will be when you leave. There's also a certain amount of personal satisfaction in spending 11 days on the trail under some of the most adverse conditions. It could be in the 90's one afternoon and the next morning you could be hiking to the top of a mountain with snow on the ground.

If you ever get a chance to go to Philmont or to backpack in the Sangre de Cristo Mountains, I highly recommend it.

### Books I've Read Recently

Loving Trees Is Not Enough by Brooks Mendell is a good guide for any college senior. If you are in forestry or natural resources management, the book is even better still. It takes you from resume' writing, to interview skills, to proper business etiquette.

The Housing Boom and Bust by Thomas Sowell. In this book, Sowell explains the economics of the housing boom and bust in an easy-to-read format. If you thought the housing boom was due to a lack of regulation, think again...and read this book. You will discover how the imposition of government regulation and social engineering, in fact, kept market forces from acting and limited "affordable housing" for the very people it was supposed to help.

## Texas Forestry Association Fall 2010 (continued)

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with Arbogen discussed the future possibilities of genetically superior seedlings. One concept I found interesting was the use of these genetically superior seedlings in flex stands. In a flex stand, you alternate rows of superior seedlings capable of sawtimber quality trees with seedlings more suited to grow low-quality biomass. I'd be curious to see one of these plantations on the ground when to opportunity is available.

The TFA Gets Wild reception and dinner that evening was interesting. Everyone wore camouflage.

I think Charles Snowden had the most unique pattern... shades of blue.

Speaking of Charles, he and I go back to 1998 when we were adult leaders along with our sons and their scout crews on the Philmont Ranch expedition with the Boy Scouts (see insert-left).

The second day, Dr. Andy Sansom of Texas State University gave a great presentation on Texas water rights. He is a real expert in the subject of where the water is and who has control of it. Why did I call him an expert in the subject? He presented the talk without notes, PowerPoint, or (dare I say it) teleprompter. The

information was just second nature to him.

There was a nice dinner that evening with entertainment by the Stephen F. Austin State University Orchestra. I also got a chance to catch up with Hap Hatchel and Texas Forest Service Director Tom Boggus at our table. I had not spoken with Hap in some time and he recalled some of his trips to the annual Association of Consulting Foresters meetings and how he chose to take the roads less traveled rather than the interstate highways.

I used to think Hap was kind of a windbag ☺, but  
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## Common Disposal (continued)

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operations, and even the small and seemingly unimportant things that have to be handled in the office operations.

Faye Patton, who has 47 years of accounting experience, handles the accounting in several companies for the Louts. Faye, with her wealth of experience, has been a valuable resource for the partners and the other accountants on staff. She's got a lot on the ball.

Accountant Vera Jackson is responsible for all aspects of Common Disposal's finances.

Vera has 15 years of experience in accounting. She is relentless in making sure generally accepted accounting practices are adhered to. Vera usually has the toughest accounting questions, keeping me on my toes whenever an accounting issue comes up.

If you call the Common Disposal business office, there's a chance you'll hear the cheerful voice of Debbie Snider. Debbie takes most of the calls into the office when she is not handling data entry and reporting in a variety of oilfield-related systems.

Denise Washington, who serves as Data Entry Clerk brings many years of ex-

perience in business and immediately able to make a positive impact on the office operations since she joined the company six-months ago.

If you visit the Common Disposal business office, at the front desk will be a charming young woman, Michelle Cooper, to assist you. Michelle doubles as Receptionist and Data Entry Clerk and is always ready to help any visitors who arrive at the office.

So, how are a bunch of log haulers doing in the salt-water disposal and oilfield service business?

I'd say they're doing just fine.

## Time Well Wasted: An Engagement

On May 29, 2011, the Texarkana Gazette published the following announcement:

“Vic and Nancy Hemard of Texarkana, Texas, are pleased to announce the engagement of their daughter, Laura Nicole Hemard, to Gregory Spencer Hutton, son of James and Michele Hutton of Stephens City, Virginia.

Miss Hemard was valedictorian of her class at Pleasant Grove High School. She also earned a B.A. in Economics, cum laude, from Vanderbilt University. Miss Hemard studied abroad in Scotland at the University of Edinburgh and is an alumnus of the Vanderbilt Owen Graduate School of Management Accelerator Summer Business Institute. She is a member of Alpha Omicron Pi sorority. Miss Hemard currently holds the position of Enterprise Solutions Consultant with Blackbaud, Inc., in Charleston, South Carolina.

Mr. Hutton attended Sherrando High School. He also earned a B.S. in Sport Management and minors

in Marketing and Coaching from Slippery Rock University of Pennsylvania, where he was a member of the men’s soccer team. Mr. Hutton also obtained a master’s degree in Sport Management from the University of Minnesota and is currently the Director of Projects and Communications for US Club Soccer in Charleston, South Carolina.

The wedding will take place in October 2011 at Christ Our King Catholic Church in Mount Pleasant, South Carolina. After the wedding, the couple will reside in the Charleston, South Carolina area.”

Well, I think that says it all. My youngest daughter Laura is getting married in October.

As you can see, she and her fiancé’ are well accomplished young adults who have established themselves before becoming engaged to be married.

He is a fine young man, a good person, and comes from loving parents and a good family. Those of you who know me can say I am

infinitely proud of Laura in all she has done and what she means to me as a person and as a daughter.

We have been to Charleston a couple of times to do some wedding planning and talk to caterers and look at venues. I’ve tried to keep a low profile. After all, it’s about the bride, not me. It’s all going to work out.

People have asked me, “You going to cry?”

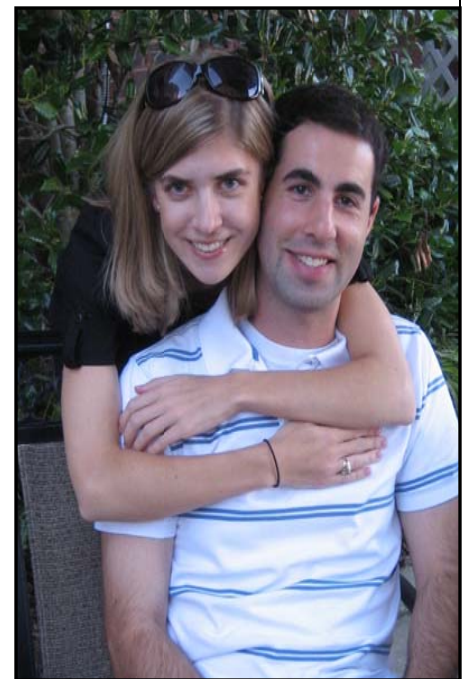
My answer, “Too late... I had to step outside when Laura was trying on wedding dresses for the first time. Kind of caught me off guard.”

“How about during the ceremony?”

“I think I’ll be okay. I don’t want to be the only sourpuss in the church.”

All kidding aside, this will be a momentous occasion in our family and we are looking forward to it.

I may write some more about the wedding in future issues. It’s good therapy.



Laura Hemard and Gregory Hutton



Nancy, Brandon, Stephanie, Julie, Drew, Kristin, and Me after the soccer game at Primo’s in Uptown Dallas.

## More Time Well Wasted: Dallas

In May, my son Brandon had his 28th birthday. We celebrated his birthday in Dallas on Saturday and watched him play in a soccer payoff game on Sunday.

Although his team did not win, it was a very close game ending in a 2-1 score, with a shot

bouncing off the post making the difference in the game. Brandon got an assist on a goal, and I’d say he had a good, hard-fought game.

Along with Nancy and I were Brandon’s girlfriend Stephanie, her sister Julie Bernhard, my daughter Kristin, and her boyfriend

Andrew (Drew) Horansky.

I haven’t mentioned Drew before but Drew is a news reporter in Austin, an accomplished professional, and an all-around good guy.

It was a great opportunity for us to get together for a couple of days in Dallas and spend time well wasted.



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## Ask Vic!

**Q** I keep getting messages asking me to update windows. Should I update or ignore these messages?

**A** . Your updates (also called patches) should be performed as soon as they are available, even if a reboot is required to complete them. A better alternative is to take advantage of patch management available through our maintenance plans. Not only are your computers "patched" automatically, they are tested for problems before they are installed on your system. Bad patches are black listed and not installed and good ones are white listed and installed

during the night and early morning hours.

**Q** What is the cloud?

**A** The cloud refers to the use of computer applications without having them installed on your computer or your office network.

A computer completely reliant on the cloud would only have Windows and a web browser installed and use Microsoft Office, for example, through the cloud.

The cloud, for companies in the timber and oil field businesses, is used to a lesser extent because of their specialized software needs and lack of a fast and reliable internet connection.

## TFA Fall Meeting (continued)

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after talking with him on a personal level, I guess I was wrong . It happens once in a while!

The next day at the awards breakfast I had a few minutes with TFA Executive Director Ron Hufford. I just wanted to congratulate Ron on a very informative and well-organized meeting.

It was later that morning during the membership awards that I realized the value, the commitment, and the depth of Program Director Susan Stutts.

When Susan stood before the crowd to introduce Jason Gill, the recipient of the TFA Service Award,

there could not have been a dry eye in the room. The introduction was not only well-written, but delivered to perfection from the heart to reflect the appreciation and affection the membership has for Jason and his family.

The final speaker of the last day was NFL Referee Walt Coleman. Any football fan would have enjoyed Coleman's entertaining stories about being a referee in the NFL. Two days later I saw Coleman refereeing a New Orleans Saints game on TV.

Next year's meeting will be October 19-21 in Galveston, Texas. It promises to be a good one.