

Tennessee Industry Finds New Paths

By Del Torkelson

KNOXVILLE, TN.— The Tennessee Oil & Gas Association and the industry it serves have built a long and venerable history partly because they recognize the value of new blood, reflects the group's leadership. That new blood can take the form of fresh faces on the Board of Directors, including a new chairman, as well as budding alliances with other industries.

TOGA Chairman Matt Adkins, owner of Tri-Star Oil & Gas Consultants and co-founder of ABG Energy, accepted the chairman's gavel last October after about a decade as a TOGA member, and says he did so because TOGA President Chuck Laine planted the idea in his mind.

"I told him I would be glad to help," Adkins recounts. "As one of the industry's younger people in this area, I have a different perspective and approaches. I told him I would do what I could, try to grow the organization and maybe stir up more interest in what we have here."

Of course, he adds, TOGA's long-standing members still provide plenty of guidance for the tasks ahead. "It takes all of us," Adkins emphasizes. "Without that core membership that has been around



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—Matt Adkins
TOGA Chairman

for so long, there would be no organization. We need to keep those people as long as we can to glean everything possible from their experience."

Laine points to Immediate Past Chairman Gary Bible as an example of that savvy. "He has more oil and gas knowledge than anyone in our state and remains very involved," he affirms. "But serving so many years as chairman is a lot to ask of anyone. The board decided it was time to bring in some new people with new perspectives."

Moreover, Bible observes, youth does not necessarily denote inexperience. He cites Adkins' multifaceted history, which

includes geographic information systems. "Matt essentially has grown up in the oil industry, not only doing geologic work, but also working as a GIS specialist. He has a good, solid technical background," he says.

Adkins acknowledges that oil and gas pursuits run in his family, noting that both his father and grandfather worked in the field, and that several wells dot the property on which he grew up. As a boy, Adkins admits he initially took the industry for granted.

"You don't really pay a lot of attention to something that is always all around you," he reflects. "But as I got older, I became more interested. It has been a way to make a good living and stay close to home."

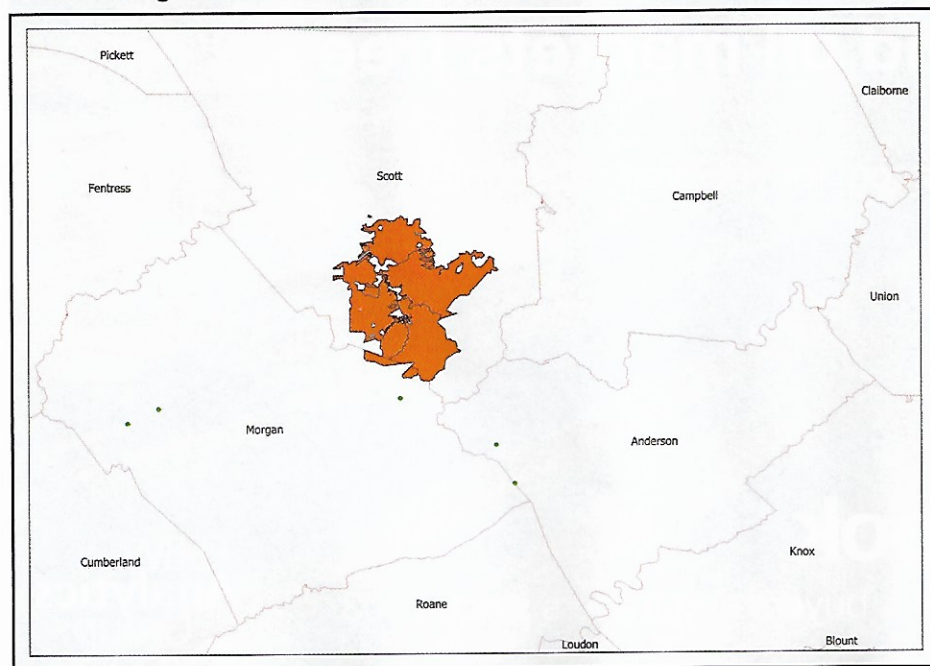
And then he adds another thought, which presumably helps underline why he has accepted a leadership role with TOGA. "It is an important industry," he considers. "So much of what people do involves oil and gas in some way."

TOGA's other new members on the Board of Directors include Stephanie Cross, who chairs the association's membership committee. Although she is not an oil and gas producer, Laine notes, Cross joined TOGA when her work buying and selling Cumberland Plateau properties prompted her to learn more about the wells so many contained.

"It started with her looking to add some value to a property by plugging an abandoned well on it," Laine recounts. "Now Stephanie has learned a lot and has tapped into it in a way that is good for her business. There are a lot of

FIGURE 1

Producing Trenton Formation Oil Wells Around the Brimstone Lease



people like that who may want to join the association even though they are not drilling or operating. They simply want to support the industry. She is a saleswoman by nature and will help us start reaching out to add members.”

Horizontal Oil

Operators from out of state are another source of prospective TOGA members if they obtain properties in the Volunteer State. According to Bible, they may be drawn to the state by the potential for horizontal drilling in the Catheys/Liepers/Point Pleasant formation. “They are the same rocks with a different name,” he relates.

The polyonymous formation first garnered Bible’s attention while he was participating in a prospect in Brimstone, Tn. (AOGR, April 2023, pg. 43). The overlying, natural-gas-prone Chattanooga Shale entails almost no geologic risk, Bible acknowledges, but especially at a time of slumping natural gas prices, he and his partner agree drilling further seems worth their while. “Don Stansberry and I decided to go for oil production that is just a little deeper in the Catheys,” he recounts. “We have good, strong indications on the

Brimstone property with production from those reservoirs.”

On a map of the Brimstone lease that Bible has created, the five green dots signify five producing oil wells (Figure 1). The southernmost well, the RD Parton No. 5, was drilled into the limestone immediately below the Catheys in 2008, he recalls, and blew out shortly thereafter.

“Subsequently, it gauged 300 barrels of oil and about 700 Mcf of gas a day,” Bible details. “My production data on the well only continues through 2013, but at that point the well had produced more than 36,000 barrels of oil and was still making about 1,000 barrels of oil a year. Thirty-six thousand barrels of oil in a well that has never been stimulated is a decent well by anybody’s standard.”

Bible says he is working on a show map that already incorporates data from about 3,600 well files, and now has started to incorporate data from Kentucky wells. (Figure 2) “Making show maps can be very tedious,” he admits. “I know there is Catheys/Lieper’s production in Kentucky, so we will see how far north I can chase that.

“You can chase Point-Pleasant-equiv-

alent rocks all over a five-state area,” he continues. “In Tennessee, it is a matter of drilling only 1,000 feet deeper than usual. We are not talking about 20,000-foot exploration wells.”

Although the trend is clear, Bible assesses, the rates at which horizontal Catheys wells will produce is less certain. But for now, he deduces, the evidence suggests that even if those wells do not prove to be homeruns, they are likely to be singles or doubles.

“In Ohio, the Point Pleasant is in a sweet spot where hydrocarbons still are being generated and so the wells are overpressured and very prolific,” he describes. “Are the wells going to be like that everywhere? Probably not, but I think they will be solid moneymakers, and it will not cost \$12,000 an acre to get into this play.”

Stranded Gas Solution

Amid lackluster natural gas prices, Adkins, Bible and Laine agree Tennessee’s oil and gas activity has been limited. “It is kind of slow,” Adkins describes. “The core group in the industry is surviving, but we are not seeing a lot of new activity.

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Nevertheless, Bible reports that morale remains steadfast among TOGA members as they await the better days inevitably ahead. “There is a sense that we have been here before and survived,” he characterizes. “We will be here after this one, too.”

While operators can rely on tried-and-true methods to weather the storm, Adkins says new options have surfaced. Although he owns and operates stripper wells and manages oil and gas assets, Adkins points out that ABG Energy, which launched in 2022, stands for Appalachian Bitcoin & Gas. The enterprise has its origins in a lease that enjoyed strong historical production and sales until gas quality issues prompted rejection by midstream and downstream outlets.

“For a long time, I scratched my head and tried to figure out how to use the gas on site instead of having to meet all the (processing) requirements or plugging and abandoning the field,” he recounts. “Eventually, I came upon this concept (of providing power for cryptocurrency) that some other folks were doing. I explored the possibility and then we tried a pilot project that has been successful. After that, we have copied it in a few other areas.”

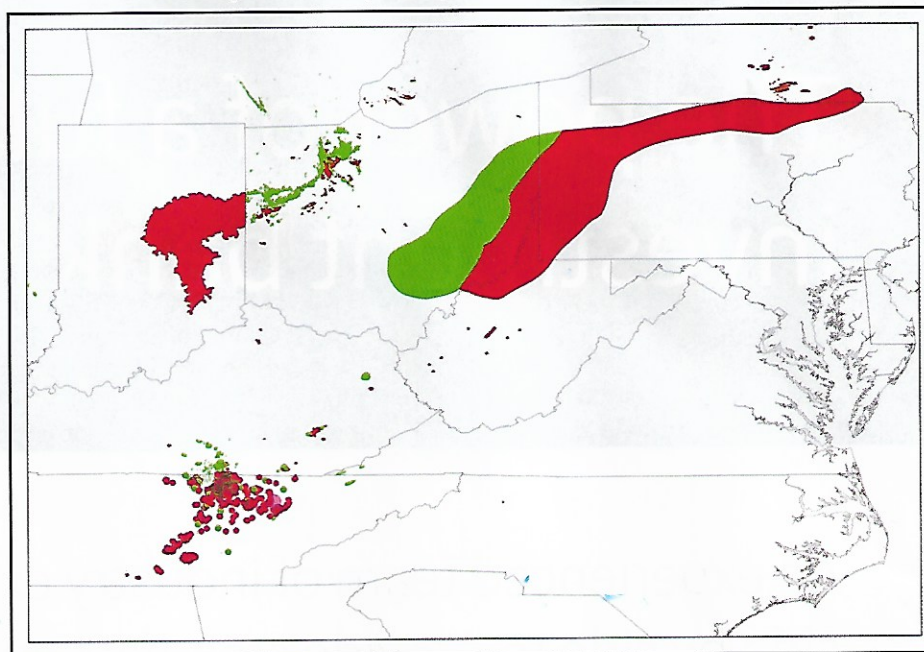
The setup involves a mobile, skid-mounted container system that houses a climate-controlled data center and natural gas generator. “All it requires is a fuel source and Internet access,” he relates. “There is a learning curve, but it is not overly difficult for anyone familiar with oil and gas equipment.”

“It does require planning, especially in areas where the leases are not on huge tracts and are relatively close to populated areas,” he adds. “Being a good neighbor includes being considerate about your location. On some projects, the equipment ended up being louder than we anticipated, so we had to change designs and modify some things.”

The initial project coincided with an upswing in the cryptocurrency market, Adkins acknowledges, but even that variable did not keep the project from breaking even quickly. “When we started, Bitcoin was at the peak of its last bull run, so our machines were at their priciest,” he recounts. “Even with that, we paid out sooner than 18 months. Using rough numbers, you can expect to get anywhere from \$10-\$15 an Mcf equivalent.”

FIGURE 2

Show Map of Catheys/Liepers/Point Pleasant Formation



Therefore, Adkins suggests, many other producers may benefit from cryptocurrency mining. “If you have gas volumes that you don’t think are providing their true value, or that you cannot monetize at all, it is worth looking at,” he recommends. “And considering how these federal methane emission rules treat flare gas, this may be a perfect way to address that.”

Legislative Sentinel

According to Laine, the 2024 Tennessee General Assembly has proposed almost no bills pertaining directly to oil and natural gas. Even so, he allows, confirming that absence still entails monitoring the session closely from its onset in early January on through its conclusion in late April or early May.

“My number-one job is to check all the bills when they come through,” he describes. “Usually that means looking out for anything that may have unforeseen consequences for the industry.”

One such bill that did arise earlier this session originated from lawmakers representing Clay County, Tn., Laine recounts. Since a couple major commercial stone producers plan to open quarries there soon, he continues, a representative and a senator from the area sought to impose a \$0.40 a ton severance tax on mined materials and direct the revenues to the county.

“Clay County is one of our largest oil areas,” he observes. “I knew if that

passed, we almost definitely would see oil production taxed, so we helped to kill that bill.”

Miners And Drillers Together

Laine’s other professional position as president of the Tennessee Mining Association frequently intersects with his TOGA duties, he relates, as do the groups’ goals. That is one reason TOGA and TMA again in 2023 held a joint convention featuring general sessions that covered subjects of mutual interest, as well as break-out sessions specific to the respective industries. The groups are scheduled to hold another joint convention on Oct. 8 in Gatlinburg, Tn.

According to Bible, the arrangement has worked well. “The combined meetings have been great, and they bring in more people,” he says. “A lot of what we do overlaps, and we have built a very good working relationship with TMA.”

“Both groups’ board members really love it and want to continue doing it that way,” Laine states. “It has worked well, and everyone seems to get along nicely.”

In fact, Adkins says, the two industries’ common threads mean the joint convention has provided attendees with unique value. “I have met a couple of contacts and discovered potential opportunities from it,” he reports. “I know some vendors that got some business from oil and gas guys that they probably would not have interacted with otherwise. Plus, there also is always strength in numbers.” □