




MERRY CHRISTMAS

The Dreamcatcher
Southwind Drilling Newsletter · Issue 8 · December 2016



Dear Employees,

This has been an incredibly tough year on drilling contractors, but I can honestly say we have successfully weathered the storm. In comparison to a year ago, we are actually looking forward to the upcoming 1st and 2nd quarters because of the higher oil prices going into 2017 and the amount of work we already have scheduled. Do not get me wrong, we will still face plenty of challenges in 2017, but the future looks much brighter than this time a year ago.

Thanks for all you do for Southwind Drilling.

Merry Christmas to you and your families. We hope you have a joyous holiday season!

Sincerely,

Todd E Morgenstern

Todd E Morgenstern

PEACE ~ LOVE ~ JOY





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SOUTHWINDDRILLING.COM

WINTER HAZARDS

Let's all take a close look and thoroughly "winterize" our safety habits.

Keep a close check on all gas lines for possible leaks, they may spring a leak when least expected. The recommended procedure for testing any gas line is to apply a solution of soap suds to all connections and any tight bends or other suspected sources of leaks. **UNDER NO CIRCUMSTANCES CHECK LEAKS WITH A LIGHTED MATCH OR FIRE.** Making a constant check for leaks is necessary to eliminate the possibility of employees being overcome by gas fumes, and also to eliminate the possibility of an explosion. Remember that Liquefied Petroleum Gases (Butane and Propane) flow like water and seek the lowest level—cellars, pits, etc.

Stoves should be checked to eliminate the possibility of carbon monoxide gas, and where necessary they should be repaired without delay. Be sure that all stoves and heaters are well vented and that all vents are in good condition. Remember that carbon monoxide does not give any warning **—has no odor—** and will claim its victims before they can realize what is happening. **This deadly gas is present in the exhaust from all gas engines and may be generated by stoves and heaters if not correctly regulated.** Also, make a thorough check of your automobile exhaust system and replace any exhaust pipe or muffler which may have even a small hole burned or rusted through. While driving keep at least one window "cracked" even in the coldest weather to help avoid a possible concentration of this gas.

Every year several crewmen get burned while lighting dog house stoves due either to an accumulation of gas in the heater or through improper lighting. Just remember to make sure that the stove is clear of all gas, and keep your body from in front of the stove until you know the gas is lighted.

Another place where hazards are encountered this time of year is the thawing of frozen lines. When you start to thaw out a frozen line, begin at one end where the pressure generated by the expanding liquid, and possible steam, can escape into a drip tank or the atmosphere. If you start thawing in the middle of a frozen line you may generate enough pressure to burst the line.

Regardless of where you are, low temperature will increase the hazards of the job considerably, and so you should take particular pains to do everything possible to reduce these hazards.

THE OIL FIELD NIGHT BEFORE CHRISTMAS

'Twas the night before Christmas, and all through the patch,
Not a roughneck was stirring, not even to scratch.
The drill pipe was stacked by the derrick with care,
In hopes a new drill bit soon would be there.

It had all gone so well for the first thousand feet,
And it looked like the schedule might even be beat.
But all came to a stop when we hit solid rock.
We had run out of luck, no more drill bits in stock.

The crew in the doghouse bedded down for the night.
No engines were running, not since sunset's last light.
So with nothing to do but wait in the shack,
I pulled out a cot and had just hit the sack.

When from out on the lot there came such a racket,
I jumped out of bed and threw on my old jacket.
I tripped and I slipped as I ran 'cross the floor,
Till I reached the far side and yanked open the door.

The moon on the mud pit spread light all about,
Like the high voltage spotlights had not been turned out.
When, from out of nowhere, there appeared in the glow
A small diesel rig with a flatbed in tow.

It circled the sky, leaving contrails and stripes,
As bright colored smoke billowed out of its pipes.
Then it swooped to the ground, where it rolled to a stop,
As the hiss of the airbrakes made one final pop.

The driver's door opened right in front of my eyes,
When out jumped a man of diminutive size.
His hair was all gray, and his beard even grayer,
His coveralls smudged with a 30-weight layer.

Could this be the mythical figure of lore?
The one spoken of by so many before?
His name, Hal E. Burton, by my best rationale,
But most folks just called him jolly Saint Hal.

He rared up and whistled, when out of the back
Tumbled eight little helpers, running 'round in a pack.
Saint Hal gave a chuckle, as beside him they came,
Then he pointed and shouted and called them by name.

"Hey, Boomer! Hey, Lefty! Hey, Curly and Louie!
Yo, Scooter! Yo, Shifty! Yo, Swifty and Chuy!"
Half climbed on the flatbed, half stayed on the ground,
While they loosened the tie downs and chains all around.

The cargo was wrapped in a velvety tarp.
What was it, I wondered, my curiosity sharp.
They threw back the cover to proudly reveal
A magical drill bit of diamonds and steel.

All eight helpers surrounded the gift,
Then hoisted it high in one unison lift.
Toward the platform they scrambled and fastened the bit
To the end of a drill pipe for a good, solid fit.

Saint Hal stepped right up as if leading a band,
With a wave of his arm and a twirl of his hand.
The equipment responded and sprang into action.
The turntable turned to his great satisfaction.

As the drill bit descended down into the hole,
It appeared that Saint Hal had accomplished his goal.
He looked all around, then did bellow and call,
"Now, drill away, drill away, drill away all!"

He sprang to his rig and his helpers pursued,
Leaving everyone hope for an abundance of crude.
Then I heard him exclaim, as they went out of sight,
"Happy Christmas to all, and to all a good night."



5 hurt in gas explosion at Kansas oil field

SHARON SPRINGS, Kan. (KAKE) -

Five people were hospitalized following a gas explosion at an oil field in western Kansas on Monday, December 12th.

The explosion happened at around 7:30 a.m. MT, southwest of Sharon Springs in Wallace County. Chief Jay Sharp with Rural Fire District 2 said workers were checking the gas with a test bit when something caused the gas to leak out of a pipe fitting.

Something electrical caused the gas to ignite.

Two people were badly burned, Chief Sharp said, and three others suffered less severe injuries.

Sharp said there was a Murfin Drilling rig on site, and none of the men involved are from the area.

The scene has since been cleared.

Article taken from kake.com/story/34034028/5-hurt-in-gas-explosion-at-kansas-oil-field

Attention Southwind Employees:

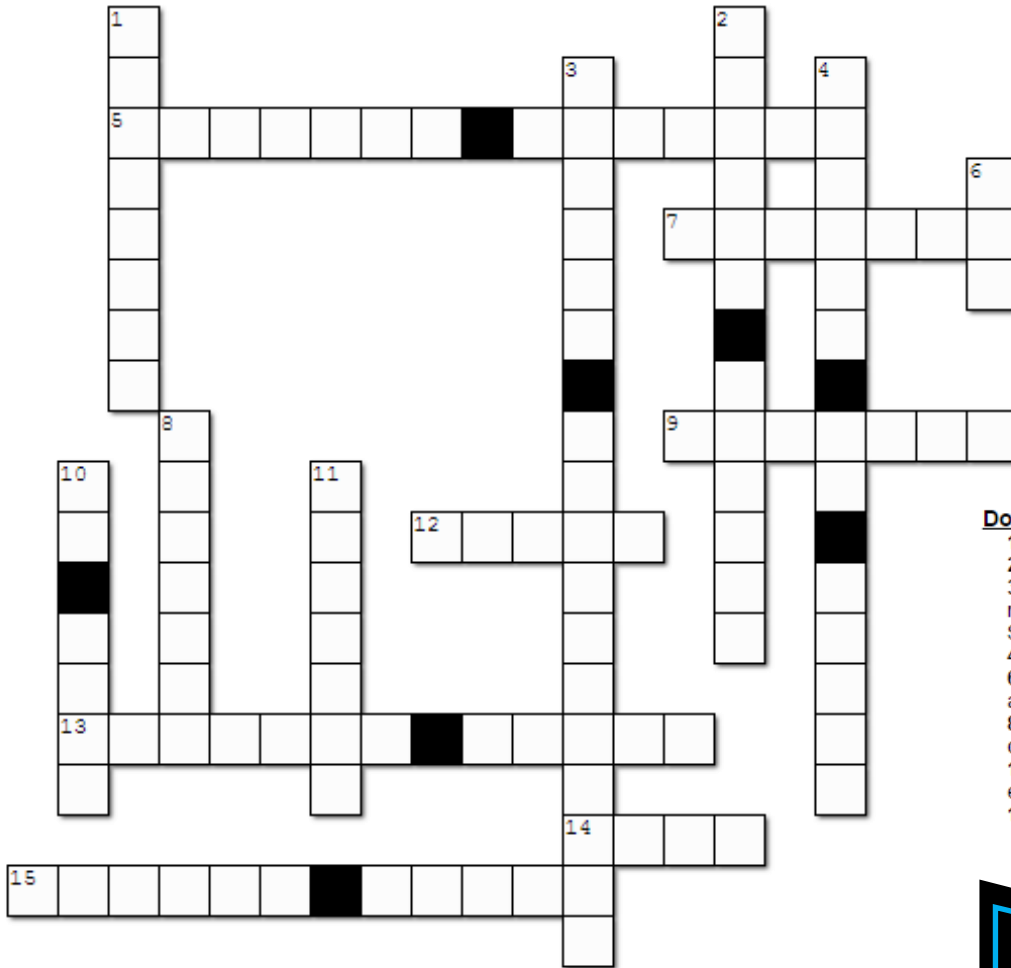


Make sure we are taking all safety precautions necessary to prevent these kinds of accidents on a Southwind Drilling location. Everybody must realize that winter really adds the possibility of serious hazards and accidents. Please read **page 4** of the newsletter which cover winter hazards.



LET'S MAKE SURE AND KEEP THESE INDIVIDUALS AND THEIR FAMILIES IN OUR THOUGHTS AND PRAYERS THROUGH THIS CHRISTMAS SEASON!

THE CROSSWORD CONNECTION

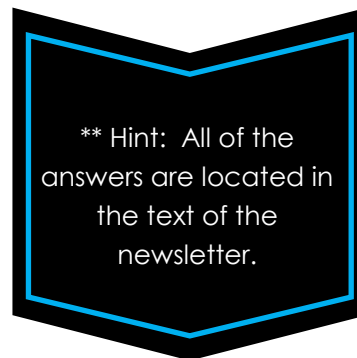


Across

5. Who was the state geologist in 1914?
7. Saudi Arabia and fellow OPEC members pledged to reduce output by 1.2 barrels a day.
9. Frank strongly recommends drilling components be _____ and serviced properly all in a timely manner.
12. What Southwind rig has drilled the most wells this year?
13. Under no circumstances check leaks with a _____ or fire.
14. Remember that carbon monoxide does not give any warning and has no _____.
15. Who drilled the first oil well in Kansas?

Down

1. OPEC has a long history of _____?
2. What is Wes Pfaff's least favorite food?
3. Make sure we are taking all _____ necessary to prevent these kinds of accidents on a Southwind Drilling location.
4. Who is the Saudi Oil Minister?
6. What rig has gone the most days without a no loss time accident?
8. Another place where hazards are encountered this time of year is the _____ of frozen lines.
10. What pioneer served in World War I and studied engineering before heading for the oil fields of Oklahoma?
11. What month was the 2016 U.S. rig count 609?



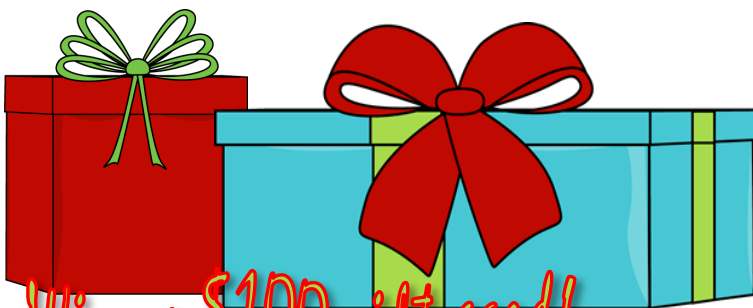
Congrats!!!

Fred Castillo

Wes Pfaff

Rocky Rojas

Last Month's Crossword Winners



Win a \$100 gift card!

Enter your completed crossword puzzle into our monthly drawing for a chance to win a \$100 gift card. The winner will be announced December 23rd. Please either mail in to PO Box 276 or give to your toolpusher. Make sure you send in entire page.
GOOD LUCK!

Name: _____
 Phone: _____
 Rig#, Shop, or Office: _____

Saudi Minister Jolts Oil Market

Saudi Oil Minister Khalid al-Falih emerged from the OPEC meeting room on Saturday evening having endured months of secret petro-diplomacy, late-night phone calls and, a few times, disagreements that almost saw talks collapse. But he was still smiling.

Determined to end a two-year oil market slump, Al-Falih and his Russian counterpart Alexander Novak had just brokered the first global petroleum-cuts deal in 15 years. It involved roughly 60 percent of the world's oil production, from tiny Brunei and Equatorial Guinea to OPEC giants Iran and Iraq.

The Saudi minister wasn't done yet. Taking his place at the post-meeting press conference at OPEC's headquarters in Vienna, al-Falih showed he was deadly serious about finally fixing the global oil market. First, he was willing to cut the kingdom's production even deeper than already promised. Second, Riyadh and Moscow were setting aside their historic rivalry as energy suppliers and the toxic politics of Syria to reassert their authority over the world's most important commodity.

"In coming out with such a strong statement, Khalid al-Falih had something of Mario Draghi's 'whatever it takes' moment," said Helima Croft, chief commodities strategist at RBC Capital Markets LLC, referring to the ECB president's pledge to save the single currency at the height of the eurozone crisis in 2012.

Both Al-Falih, who only took office in May, and Novak were keen to talk up the day's significance.

On his Twitter account, Al-Falih described the deal as "historic," posting a picture of himself smiling. At the press conference, Novak was exultant.

"I'm glad that we've come through this long way and that we've eventually finished this," the Russian minister said. "But this is not the end of this route, we have a big joint work to do to carry out the agreement."

The oil market is likely to react with a blend of skepticism -- after all, OPEC has a long history of cheating and both Russia and Saudi Arabia are pumping at near record levels -- and anxiety that the world's two largest exporters mean business. If all the 24 nations involved in Saturday's deal deliver on their promises, the market could quickly turn from three years of oversupply into deficit in the next few months.

Prices have already doubled since January and a further run up would be felt through the global economy -- relieving pressure on the budgets of oil producers and squeezing the spending power of consumers. It would also be a fillip to oil companies from majors such as Royal Dutch Shell Plc to shale producers like Whiting Petroleum Corp.

They jumped to the highest since July 2015 on Monday as trading resumed and

in "Whatever It Takes" Moment

analysts say further gains are possible. Brent futures surged as much as 6.6 percent to \$57.89 a barrel and were at \$56.66 a barrel at 12:25 p.m. in Singapore. West Texas Intermediate advanced as much as 5.8 percent.

Saturday's success was all the more striking because it followed failure earlier in the year. In April, after months of diplomatic work, Qatar had arranged a deal for major oil countries to freeze output, but Saudi Arabia balked at the very last minute, sinking the accord.

Novak acknowledged on Saturday that the Doha collapse left "some bad taste in mouth," but low oil prices made a renewed effort imperative for both countries. Both Saudi Arabia and Russia face fiscal challenges and their economies are slowing.

After months of shuttle diplomacy, including secret meetings and late calls that the ministers acknowledged publicly for the first time on Saturday, Riyadh and Moscow announced the outline of a deal at OPEC's Nov. 30 meeting Vienna.

Saudi Arabia and fellow OPEC members, including Iran and Iraq, agreed their first production cut since the global financial crisis eight years ago. In total, the group pledged to reduce output by 1.2 million barrels a day, with Riyadh pledging to cut more than 450,000 barrels a day to just under 10.1 million.

Then on Saturday, Russia delivered its side of the bargain, confirming their commitment to cut 300,000 barrels a day and bringing along a collection of other non-OPEC countries that added another 258,000 barrels in cuts.

"This is an agreement between the four major producers, Iraq, Iraq, Saudi and Russia," said Yasser Elguindi, managing director of Medley Global Advisers LLC. "And when you consider that politically these four countries are on opposite sides of every major political issue in the Middle East, it's quite remarkable they were able to put aside their differences to reach a mutually beneficial agreement."

While, the non-OPEC deal included some creative accounting, allowing countries such as Mexico and Azerbaijan to dress up natural declines in production as actual output cuts, it gave al-Falih the confidence to announce that Saudi Arabia was prepared to cut deeper if needed to bring the market back into balance.

"I can tell you with absolute certainty that effective Jan. 1 we're going to cut and cut substantially to be below the level that we have committed to on Nov. 30," he said, signaling that if the market demanded it, he was ready go below 10 million barrels -- a level it has sustained since March 2015.

The success or failure of Al-Falih's strategy will probably be determined in the U.S. At Saturday's press conference he said that he didn't expect a big supply response to higher prices from America's shale producers in 2017. But with drillers putting more rigs back to work every week that could prove optimistic.

Article taken from <https://www.bloomberg.com/news/articles/2016-12-11/saudi-minister-jolts-oil-market-with-whatever-it-takes-moment>



A Drilling Tip from your Drilling Superintendent...

“I **strongly** recommend drilling components be greased and serviced properly in a timely manner.”

Frank Rome

Pioneers in Kansas

George W. Brown

The man who drilled the first oil well in Kansas came here from Pennsylvania, not to seek oil, but to publish a free-state newspaper and help shape the new territory of Kansas into a free state rather than a slave state.

George W. Brown settled in Lawrence, the home of many other free-staters, and started a newspaper, the *Herald of Freedom*.

His entry into the oil business was spurred both by stories he heard in Lawrence of rocks that wept petroleum and by a visit home to witness the excitement from Edwin Drake's first oil well in the United States.

Brown had studied geology extensively before drilling his first well in Miami County. But he also consulted a spiritual medium who told him: "Not only the Wea, but the south and the west is saturated with oil. I see it in the sand; in the rocks, and there are vast pools of it." As for how deep it was, she could only say "a large distance" away. But he was a serious scholar of oil and spent an entire summer camping with his wife and exploring potential oil-bearing sites.

Brown drilled three wells and the third yielded salt water covered with oil. But the Civil War interrupted his efforts. He left his equipment in Kansas and expressed concern that maybe all the oil in Kansas had been washed away by countless years of soil erosion.

George W. Chase

Back in 1890, not a lot of respect for intellectual ability was accorded to individuals with serious physical handicaps. And thus it was that the geological skill of George W. Chase, a man who could neither hear nor speak and made his living teaching at the Olathe "deaf and dumb" school didn't garner a lot of respect.

But he was trained in geology and he believed that the area around Neodesha contained oil and gas. He wrote letters to friends in the oil regions of Ohio and Indiana, which in turn spurred local entrepreneurs to consider that investment might be wise. They found an itinerant driller named William Mills and paid for him to move his tools to Neodesha to drill a well, hoping to find gas for the city. When the well came in, it was oil not gas, so it was capped off.

Mills went back east hoping to find investors for oil and he came back with a couple of hopefuls, John Galey and James Guffey — along with a wagonload of dynamite and nitroglycerine, which had been suc-

cessful back east in "shooting" wells into production.

When Norman #1 was "shot" with nitro in 1893, it blew gas, salt water and oil in a "gusher" over the top of the derrick. The event was captured on film and a boom — the first in Kansas — was launched.

Erasmus Haworth

Haworth was the state geologist in 1914, when the city of El Dorado, inspired by gas success in nearby Augusta, went looking for advice on where to drill a well. Haworth recommended 800 acres of leases along an anticline where he thought oil might be held near the cap rock.

Haworth has the distinction of being at the head of the line in the first field to be developed according to scientific geological standards. And what a field it was! The great El Dorado field began producing in record quantities just before World War I. Using modern exploratory science and secondary and tertiary recovery techniques, wells in the field are still being drilled and, with treatment, are still producing. Haworth also predicted that oil would be located along the hogback between Hays and Ellis 20 years before it was discovered.



E. B. Shawver

Born in West Virginia, E.B. Shawver became one of the most successful oilmen in Kansas and an important participant in the political actions in Kansas during the 1930s.

He went to work for an oil company as a young man, saved his money and in time headed to the El Dorado field. His company, Shawver and Sutter, found a couple of dropped leases, took a chance and drilled. He found two good wells and was on his way.

It was in politics and leadership that he excelled. As first president of the newly formed Kansas Independent Oil and Gas Association in 1937, he became a major force in the state legislature, fighting against taxes regulations that threatened the success of the emerging industry.



Nate Appleman

By 1933, production on wells in Kansas was declining, with even the famous Carrie Oswald #1 in western Kansas down to a few barrels a day. Appleman was a native of Pennsylvania. He had been considering buying the depleting Fairport field. He had heard about the use of acid to increase production in water wells and wondered if it could be modified to gain secondary recovery. He visited the offices of Dow Chemical and had them build an acid wagon for him to use in trying a well treatment.

The first treatment was on the Carrie Oswald #1. Production increased to more than 100 barrels a day. The technology he introduced to Kansas would be utilized across the state to revitalize old wells and bring them into a new generation of production.

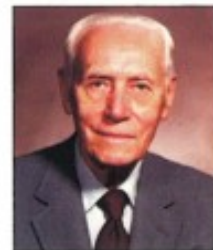
F. G. Holl

Back in 1921, when F.G. Holl became chief geologist for Cities Service in the El Dorado field, you could become a geologist with on-the-job training as well as with a college education. His route was the former. He'd served in World War I and studied engineering before heading for the oil fields of Oklahoma with a friend. He worked his way to El Dorado and up the ranks. But he well knew the value of information to geologists.

So in 1924, as a member of the brand new Kansas Geological Society, he recommended that the society sponsor an organization dedicated to the collection and distribution of well logs and a formal policy to establish what later became technical meetings. The group quickly adopted the idea of a well log collection and the Kansas Well Log Bureau was established in 1925. An office in the Biting Building in Wichita was rented, furnished and provided with equipment and a good-sized inventory of drillers' logs.

George Bruce took on the duties as manager of the Bureau in August of 1925 and worked there until 1927 when Harvel White took over and served as business manager for 42 years. The initiation of that library made Kansas one of the earliest among oil-producing states to have such a resource.


Holl went on to form an exploration and production company, F.G. Holl Company, and was active in the company until his death.



Southwind Rig Efficiencies

OVERALL 2016



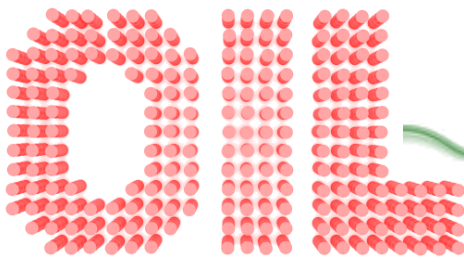
 Rig #	Footage Rate/ Hr	Rig Efficiency	Trip Time	Rig Repair (Hours)	Non-Billable Hours	# of wells
Rig #1	42.45	79%	2318.30	278.25	732.75	8
Rig #2	Under Refurbishment					
Rig #3	51.12	88%	2562.58	63.75	1043.75	28
Rig #6	Stacked					
Rig #8	38.75	88%	2425.19	53.25	642.50	12
Rig #9	Stacked					
Rig #70	Under Refurbishment					



Merry Christmas

#DAYS SINCE NO
LOSS TIME
ACCIDENT

Rig #1 - 848 Days (12/6/2013)
 Rig #3 - 77 Days (9/27/2016)
 Rig #8 - 452 Days (9/18/2015)
 Truck/Shop - 490 Days (8/11/2015)



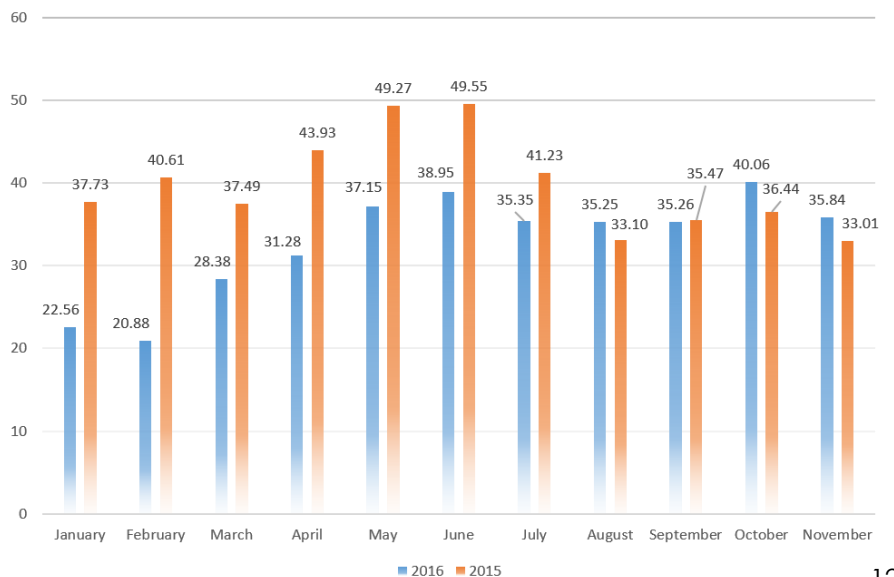
update

CLF17 - Crude Oil WTI (NYMEX)

Graph taken from nasdaq.com



CRUDE OIL PRICES (KANSAS-COMMON)




ALL I WANT FOR CHRISTMAS Is For Oil Prices To Go UP



EMPLOYEE SPOTLIGHT

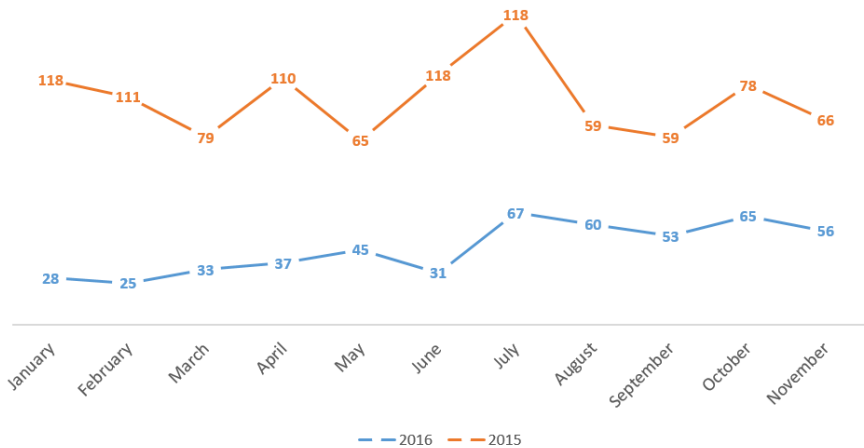
WES PFAFF

“Wes is currently drilling daylights on Rig #8. He was previously Toolpusher on Rig #6, until it was stacked last year. We expect him to be pushing in the near future. Wes is a very hard worker, and is always willing to do whatever is asked of him whether it be changing to driller or driving truck, etc. Thank you Wes for all you do for Southwind, and congrats on being chosen for this month’s Employee Spotlight.”

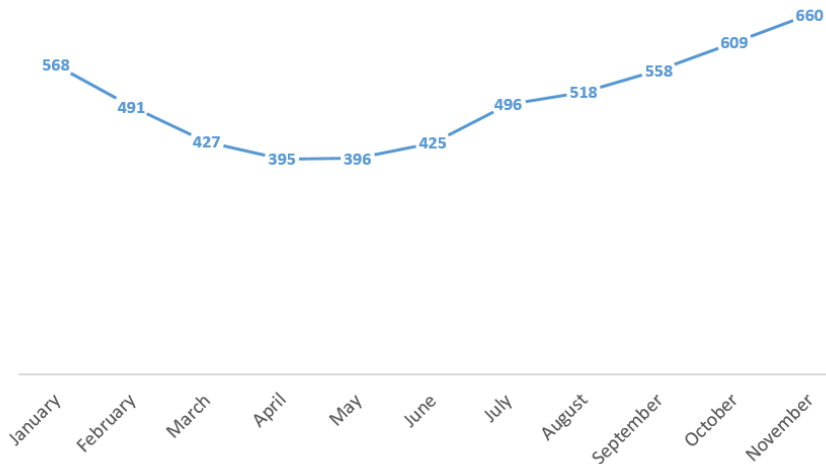
1. How long have you worked @ Southwind? Almost 6 Years
2. What is your favorite part about working @ Southwind?
The main thing is that they have kept me busy even in these slow times. Also, Chris and Todd have been extremely nice to me, and everyone in our company is nice to work with and I like to get along with everyone.
3. How long have you worked in the oilfield? Currently 16 years, and prior to that five years in the early 80’s.
4. What do you like to do in your spare time? I love to play with my grandkids.
5. Favorite kind of food? Chicken fried steak, mash potatoes, and corn
6. Least favorite food? Turnip greens
7. Favorite restaurant? Joe’s Crab Shack
8. What drew you to Southwind? The first time I worked for Southwind was because of my brother Jim. The second time, Todd called me to see if I would want to come back to work.
9. What is the most challenging part of your job? It is hard to find decent hands willing to work.
10. What is your proudest moment while working @ Southwind? When Todd called me up after 6 years, and offered me a job back.

QUESTION & ANSWER WITH WES

NEW LOCATIONS (WEST RANGES)



2016 U.S. RIG COUNT



Kansas Rig Count (Western Kansas)

