

Patriot Proppants



Patriot Proppants produces resin-coated sand used in oil and natural gas production. Formed in 2009, the company completed construction of a new production facility on a 27-acre site near Sibley, La., in August 2010. The plant site is strategically located near the Haynesville Shale natural gas fields, which will be a primary market for the company's product. Specially engineered resin coated proppants, like those Patriot produces, are used to reduce flow-back after the hydraulic fracturing process, which improves the efficiency and profitability of oil and gas production.

Challenge

America's growing energy demands mean that oil and gas companies need to use the most efficient methods available to extract hydrocarbons from the earth. Hydraulic fracturing injects a mixture of liquid and proppant into underground reservoirs to accelerate the recovery of oil and gas to the surface. The process has made it practical to produce unconventional gas deposits, such as those in Louisiana's Haynesville Shale fields.

Proppants are added to the fluids used in the hydraulic fracturing process to prevent fractures in the rock from closing when the injection process stops. In 2009, Jason Renkes, an experienced chemical industry executive, and a private equity investor group formed Patriot Proppants to meet the needs of oil and gas producers. They planned to build a state-of-the-art proppants plant that would use a sophisticated method to apply a resin coating to sand and create high-performance proppants specially engineered to enable production of unconventional natural gas deposits.

After considering several locations, Patriot management decided to build their new facility near the high-potential shale deposits being developed by several natural gas producers. The site also had access to a rail line that would enable Patriot to efficiently move high-grade sand from sand mines to the plant for processing.

After breaking ground in October 2009, management began to search for a railcar supplier with the resources, experience and commitment to meet their supply chain needs.

Solution

Patriot Proppants was referred to CIT Rail by a long-time CIT customer, a leading rail transportation company.

Part of Transportation Finance at CIT, CIT Rail is one of the country's largest and most experienced providers of leasing services to the freight-transportation industry. CIT Rail provides a wide range of financial solutions, including innovative leases on one of the industry's newest and best-maintained fleets of railcars and locomotives.

With their extensive experience working with customers in the energy, chemical, mining and manufacturing industries, CIT Rail team members were quick to recognize Patriot Proppants' strategic value and growth potential. They were impressed with the company's business model and the strength of its management team. They saw the potential for Patriot to become a leading proppants supplier, not just in Louisiana but throughout North America.

After a series of meetings with Patriot Proppants senior management, CIT Rail developed a rail car lease proposal tailored to meet Patriot's specific needs.

Results

Patriot Proppants considered several competitors' proposals before choosing CIT Rail to provide them with 3,250-cubic-foot covered hopper cars. The transaction features several full-service leases and multiple deliveries to accommodate the startup of the Patriot plant and its buildup to full production capacity over a period of several months.

"CIT Rail really took the time to understand our needs and develop a leasing solution that enabled us to get the quantity of railcars we needed, when we needed them and in a ready-to-load condition. We were extremely impressed with the quality of CIT's leasing solution and commitment to customer service."

JASON RENKES
PRESIDENT
PATRIOT PROPPANTS

“Patriot Proppants has a strong business model and a great management team. We see future growth potential as the demand for oil and natural gas continues to grow. We’re very proud that CIT Rail can play a part in their success.”

CRAIG NEWLUN
VICE PRESIDENT, SALES
CIT RAIL

Because of the company’s extensive transportation industry experience, CIT Rail was to provide flexible terms and conditions that consider the total cost of ownership, combining the advantages of the CIT like-new inventory with full-service leases.

The first group of railcars was delivered in May so that Patriot could begin stock-piling sand before the beginning of operations at the Louisiana plant in August. The second and third groups of railcars were scheduled for delivery in the late summer and fall of 2010 to coincide with the company’s build-up to full production capacity.

About 38 people will eventually work at the new plant, which includes a 100-foot production tower, administrative building and storage facilities. While initial production will primarily meet the needs of the local Louisiana oil and gas industry, Patriot management sees growth and expansion opportunities in the years to come.