



## BLOG

### ResFrac Closes a Round of Equity Financing from Altira Group

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Mark McClure

At the end of April, we closed a second round of equity financing from Altira Group. This funding gives us a strong cash cushion and puts us in a good position to continue to grow through 2020, in spite of the industry downturn.

This is a good occasion for me to reflect on what Altira has meant for us as a company, what our experience has been like as a startup in the oil and gas space, and my perspective on the company and industry overall.

When Charles and I started looking for investment funding in early 2018, we found that there is a supportive ecosystem for oil and gas startups. We attended events such as the SPE Gulf Coast Section Innovation Entrepreneurship Symposium, the Energy Tech Showcase in Denver, the Rice Alliance OTC Startup Roundup, and (in the fall) the SPE/Rice Alliance Energy Startup Competition at ATCE. These events allowed us to quickly meet most of the main venture capital groups in the oil and gas space, along with connecting with other companies and seeing some great panels and speakers.

We prioritized finding investors who would add value through their mentoring, professionalism, and credibility. We never considered seeking venture capital funding outside the ecosystem of oil and gas venture/PE firms. Upstream oil and gas is an idiosyncratic market, and we wanted to work with investors who understood the industry.

It was a several step process. First, there is an initial meeting where you give the pitch – addressing topics such as ‘what problem does your product solve,’ ‘who are your customers and competitors,’ ‘total addressable market,’ ‘team,’ and ‘long-term vision.’ As conversations evolve, we tended to cover these same topics, but in greater detail, doing deeper dives. Over the course of two months, we talked with most of the key VC investors in this space.

There were several VC groups that were expressing significant interest, and I think we would have done well with most of them. However, Altira really stood out. They had the longest track-record, having been doing oil and gas technology investing since the early 1990s. Their own investors included major shale operators, who we really respected as companies, and who we viewed as potential partners. Clearly,

they have a deep connection to the market. Also, on a personal level, Charles and I really felt good about Dirk, Sean, Abby, and JP as individuals who we would be excited to work with.

So in the summer of 2018, we closed an initial investment from Altira. This was a transformative moment for the company, which until then, had been run on a shoe-string (and our personal savings!). Most important, it allowed us to grow the team. We made two immediate hires – Garrett Fowler and Soma Medam – who both turned out to be home runs. Tireless and talented, they took ownership of their respective parts of the company – the customer-facing side of the business, and cloud operations. Our next hire was Dave Ratcliff, who is now our top consulting engineer, and we have kept going from there!

Behind the scenes, Altira did a tremendous amount to professionalize and guide the company. Dirk joined our board, and Abby Mercado (now cofounder and CEO of Best Shot) joined as a board observer, and my main day-to-day contact. They put me through a 180-day bootcamp, making sure that I was following best-practices on everything from accounting to insurance. We speak at least once a week, talking through nearly every decision, from hiring, to product development, to overall strategy. Also, no question, having Altira on our side gave us an added heft of credibility with operators, which was especially important in that first year; and we have, in fact, developed strong partnerships with most of the companies investing in the Altira fund.

At this point, we have in the mid-20s clients, and continue to see rapid growth. Our software has been used in projects in most major shale plays, and we are seeing companies reap significant gains from this work.

Going into the end of 2019 and start of 2020, we started talking with Altira about a second round of funding. This second round is a bit smaller amount than the first time. The plan for 2020 is not to rapidly accelerate spending, but instead to continue to maintain momentum - continue our rapid rate of growth, do more work outside the US, and keep investing in the product. This additional funding gives us confidence to spend as needed. Coronavirus and the industry downturn hit after we had gotten deep into the process. A huge credit to Altira for sticking to their guns, and believing in us, and taking the funding round to a close.

Right now, we are busier than ever and have continued to bring in new projects and companies at a rapid clip, even since the downturn started. Like everyone, we are concerned about how the downturn may affect us, and we've deferred hiring we might have otherwise done. With low prices, optimizing designs to maximize profitability is more important than ever. Also, as I will discuss in a future blog post, with lower prices, the optimal design may actually *change*, so that companies need to go back and reoptimize their existing designs.

On the technical side, this is a very exciting time to be in this space. Using core-throughs, fiber optic, tracers, closed-borehole pressure observations, and other technologies, operators are doing more than ever to hone-in on exactly what is happening out in the reservoir. As we work with them, it feels like on a day-to-day basis, we are pushing the state of the art forward, whether it's expanding our understanding of how multiphase flow affects rate-transient behavior, proppant transport, or connecting DFIT permeability insights to engineering optimization.

The payoff is huge. With investment in diagnostics, and then the modeling that is needed to make use of those diagnostics, our clients are uplifting production, recovery factor, and rate of return by draining the rock more uniformly and efficiently. I like to think of ResFrac as the 'tip of the spear,' synthesizing operators' characterization and expertise into a unified model, and then using that to make decisions.

I am very excited that we've recently added two executive advisors - Mark Zoback and Joe Frantz. Mark is one of the leading experts in the world on geomechanics. Joe is a long-time exec, consultant, and petroleum engineer, and brings an invaluable operator perspective.

So despite the cloud over the industry right now, we are optimistic going into the rest of 2020. I am excited to have a great team within ResFrac, and excited to see where the rest of the year goes. We hugely value our partnership with Altira, and feel they have been a key for our growth and success.

## CONTACT US

555 Bryant Street, #185  
Palo Alto, CA 94301

[info@resfrac.com](mailto:info@resfrac.com)

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