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## Here are three startups capitalizing on CNG, New England's fast-growing fuel source



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The arrival of cheap shale gas in New England has created a vast gulf between the haves and the have-nots — the users that are on the pipeline network and the ones that aren't.



An NG Advantage truck making a CNG delivery

But any challenge can lead to opportunity. In this case, there's a business opportunity waiting for ambitious startups that can figure out how to economically truck the gas from the pipeline to industrial users who are off the grid, and persuade those customers to switch from oil to cheaper natural gas.

In the past year or so, three startups have started lining up clients in New England by trucking the gas, in compressed form, to their customers' remote, off-the-grid sites. Each of these three have bold expansion plans to add compressor stations in 2014, expanding their geographic reach and ability to meet the needs of clients ranging from paper mills to asphalt plants to hospitals. Even with the rise of natural gas prices this winter, the operators of these new firms believe a wide gap between natural gas prices and oil prices will remain for the foreseeable future.

New England is an ideal place for this new CNG trucking industry to emerge. There's a constrained pipeline transmission system, and a pipeline expansion into remote areas can be an expensive proposition given the region's topography.

Here's a closer look at the three firms — Oscomp Systems, NG Advantage and Xpress Natural Gas — and their expansion plans for the upcoming year.

### **Xpress Natural Gas**

Origins: XNG, as it's known, has its roots with Devonshire Investors, an arm of Fidelity Investments. The three co-founders of XNG — John Nahill, Seth Berry, and Matt Smith — all worked for

Devonshire. They launched XNG in 2011 after leaving Devonshire. (The Fidelity affiliate has no financial connection to XNG.) XNG started by shipping liquefied natural gas to customers, but soon began focusing primarily on compressed natural gas instead. LNG requires much more expensive conversion costs for a client than CNG. XNG trucks bringing compressed natural gas might visit a customer site several times a day, or more. The firm employs about 40 people around New England, not including its 100-plus drivers who work for other companies.

**Funding:** Like the other startups, Boston-based XNG remains privately held. The managers own shares, as do equity partners Dead River Company and Saturn Capital. Smith, an executive vice president, says XNG has raised more than \$40 million in debt and equity, with financing coming from a number of local lenders.

**Expansion plans:** XNG's first compressor station went online last year, in northern Maine. A southern Maine facility is scheduled to open this spring, and then another one in New York is slated to open in the summer. Smith says XNG collected more than \$25 million in revenue last year, and expects to grow that amount by at least 50 percent this year.

## **NG Advantage**

**Origins:** Tom and Mary Evslyn launched the Vermont firm in 2011, when they recognized that cheap natural gas prices could make it economical to truck CNG to remote industrial users that relied on oil. He bought a site on the local gas transmission line in Milton, Vt., north of Burlington and signed a paper mill in that town as his first customer. There are now 13 customers under contract, including seven in operation. NG's largest customer is a paper mill in Erving, Mass. Evslyn says clients are saving between 30 percent and 40 percent on their bills, allowing them to recoup their investments in conversion equipment in about six months. NG currently employs 20 people, not including its drivers.

**Funding:** NG's growth is being financed by a loan package valued at \$6 million from Boston-based WindSail Capital. (Other Boston investors, Essex Flagship and gas storage facility developer David Donohue, have taken equity stakes in NG.)

**Expansion plans:** The Milton compressor station is already close to capacity. But T. Boone Pickens' Clean Energy Fuels Corp. is building one in Pembroke, N.H., that would serve as NG's second fuel source. NG is also looking at another site in upstate New York, southwest of Albany, that would enable the company to import gas from New York. This would allow NG access to potentially lower-priced gas, because of the pipeline constraints in New England that drive up prices here in the winter. One long-term goal of Evslyn's: to make CNG more affordable for smaller businesses by lining up multi-user contracts for a group of adjacent properties, such as in an industrial park.

## **Oscomp Systems**

**Origins:** Houston-based Oscomp's origins can be traced back to a Thanksgiving dinner in 2009 at MIT, where a conversation ensued between Pedro Santos and Emmanuel Magani. They developed

a gas compression technology and implemented it in North Dakota, to recover flare gas. Oscomp subsequently developed another technology that it refers to as “chill fill” that allows it to fill a load of CNG at a much quicker pace than traditional approaches and requires fewer truck trips. Santos, the CEO, says the CNG trucking business was recently separated from Oscomp’s technology business, and the trucking company is working with Waltham-based Global Partners to truck CNG to customers in Maine. Oscomp currently employs 10 people, not including outside contractors or truckers.

**Funding:** Oscomp is primarily backed by Norway-based Energy Ventures and Chevron’s technology ventures arm. It received \$12 million in 2011 from those two investors, and also received an undisclosed investment from them last year.

**Expansion plans:** The company opened its first facility in Bangor, Maine to serve manufacturers and other industrial users in eastern and northern Maine. Oscomp, whose New England operations are based in Somerville, hopes to open up to six facilities in the U.S. this year, including two in New England.