

Downstream Distribution: Tex-Con Oil Achieving Growth While Keeping Customer Priority No. 1

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According to the U.S. Energy Information Administration the United States consumes more energy from petroleum than any other source, with gasoline being the main petroleum product. In 2015, Texas ranked number two in the U.S. for gasoline consumption, falling one percentage point behind California.

The growth of big oil in Texas began in 1901 when the great gusher erupted in the oil well being drilled at Spindletop, near Beaumont, by a mining engineer, Capt. A.F. Lucas. Texas oil production increased from 836,039 barrels in 1900 to 4,393,658 in 1901; and in 1902 Spindletop alone produced 17,421,000 barrels, or 94 percent of the state's production. As production increased, so did demand.

This is where petroleum marketers, also referred to as “jobbers”, play a role. A petroleum marketer acts as a “middleman” between the company that refines the petroleum products and those that either use them or market them at the retail level.

Like other sectors of the oil and gas business, the marketing and distribution of petroleum products takes place on a vast, global scale. Every day, hundreds of millions of companies and individuals buy these products at wholesale or directly from retail outlets that number in the hundreds of thousands worldwide. If we include indirect users of petroleum products, the number of consumers runs into the billions.



HUMBLE BEGINNINGS

The story of Tex-Con Oil starts in 1939, when co-founders Raymond Ramsey and F.M. Reed looked to meet the needs of Central Texas' growing petroleum demand. Tex-Con Oil specialized in the distribution of petroleum for both wholesale and retail applications. From their humble beginnings as a two-man operation, their commitment to offering quality products and outstanding service at a competitive price transformed the company.

Today, Tex-Con Oil employs 64 Texans--25 who; are drivers--and has a fuel transportation fleet of 15 transports and 11 bobtails. Headquartered just a few miles from downtown Austin, , operations have expanded their footprint with a corporate office and bulk plant in South Austin, as well as bulk plants in Pflugerville and San Antonio.

Flint Hills Resources, an independent refining, chemicals, and biofuels and ingredients company, is the main supplier for Central Texas and has an oil terminal located in northeast Austin. Every day, drivers for Tex-Con Oil make dozens of trips to the oil terminal, commonly referred to as "rack" among those in the industry. Nearly half of Tex-Con Oil's fuel distribution is sold for retail purposes, the other half is sold to construction and commercial end-users. In fact, Tex-Con Oil owns, operates, and supplies Kwik Mart convenience store which offers Shell branded gasoline and an assortment of eats and treats.

STAYING AHEAD OF THE CURVE

Working 24 hours a day, 7 days a week, and 365 days a year requires a dedicated leader and a capable staff. Clay Johnson, President of Tex-Con Oil who has been with the company for 24 years, relies on experience, customer service, and staying ahead of the technological curve to maintain a competitive edge. "We have recently launched a web portal application to provide our customers visibility to transactions, invoices, and other key customer information. The new system has been very well received by our employees and customers," said Johnson.

A streamlined communications strategy from rack to retail is key when handling a commodity like oil. Tex-Con Oil is a member of the Phillips 66 TOP TIER Marketer Program. According to Phillips 66 website, this program is for Marketers who have achieved TOP TIER status for exceeding quality, safety, and environmental operation standards. This elite recognition is awarded to a select number of Phillips 66 Lubricants Marketers who exceed the company's rigorous Marketer Operations Standard guidelines set by the company. "Every time a truck is loaded with lubricants the product is tested," says Johnson, "we understand that the brand of the products we are carrying is just as important as that of Tex-Con Oil," he added.

REGULATORY GUIDANCE

A petroleum marketer in Texas must comply with 30 different federal and state regulatory agencies at any given moment. The transportation of fuel, above and underground storage tanks, driver safety, environmental impact assessments, waste regulations, and tax collection are a handful of regulations enforced in the downstream oil and gas industry. "We are constantly looking for ways to enhance our day-to-day operations and fleet management which has become increasingly complex, with new vehicle technologies, changes in Hours of Service rules, and rigorous regulatory compliance requirements," said Johnson.

According to data from the Texas Comptroller of Public Accounts and compiled by the Texas Food & Fuel Association, each day there are over 6,000 loads of fuel transported on Texas

roadways. With Texas motorists consuming nearly 48 million gallons of fuel per day, Tex-Con Oil works around the clock to meet growing fuel demands.

When asked about the difficulty of monitoring rules and regulations from wide range of state and federal agencies, Johnson says the task is not as daunting with the support of an organization like the Texas Food & Fuel Association. "If I have a problem, question, or concern, I know I can call my state association [Texas Food & Fuel Association] to steer me in the right direction," remarked Johnson. "It's a give and take relationship, my company pays dues to help fund the organization and in return I receive access to industry leaders and information on how to comply with regulators. Both opportunities are invaluable to help grow the business," he added.

ON THE HORIZON

So what does a growing company like Tex-Con Oil have planned for the future? Growth! Tex-Con Oil's future growth includes the acquisition of land to expand operations, add fuel transports, and bobtails to its fleet, as well as hiring mechanics to its staff.

"I am grateful for the opportunity to serve Central Texas' fuel needs and hope to continue our success based on the values and principals our co-founders established over 75 years go" commented Johnson.

Tex-Con Oil has proven it can weather any market storm and work through changing regulations to stay competitive in the dynamic downstream oil and gas industry.