CEO CFO

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The Most Powerful Name In Corporate News and Information

As A Fee Based Mid-Stream Company With A Low Cost Structure, Quicksilver Gas Services LP Is Not As Affected By Price Variations As Those That Participate In The Product Price Environment And Has Performed Well During The Recent Economic Downturn

QUICKSILVER GAS SERVICES LP

Basic Materials
Oil & Gas Drilling & Exploration
(KGS-NYSE)

Toby F. Darden
President and CEO

BIO:
Thomas F. "Toby" Darden is President and CEO and a director for Quicksilver Gas Services GP LLC. since January 2007. Mr. Darden also serves as Chairman of the Board of Quicksilver Resources Inc. since it became a public company in 1999. Mr. Darden was employed by Mercury Exploration Company from 1975 until 1999. He served as president of Mercury from 1992 to 1999. During his 24 years with Mercury, the company developed, acquired, and operated producing properties in Texas, Michigan, Indiana, Kentucky, Wyoming, Montana, New Mexico and Oklahoma. He graduated with a B.A. in economics from Tulane University in 1975.

Company Profile:
Quicksilver Gas Services LP is a midstream master limited partnership engaged in the business of gathering and processing natural gas produced from the Barnett Shale formation in the Fort Worth Basin in north Texas. Headquartered in Fort Worth, the company began operations in 2004 to provide midstream services to Quicksilver Resources Inc. and other third-party customers.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Darden, how has the vision for the company changed over the last year or so for Quicksilver Gas Services LP?
Mr. Darden: The vision for the company has not changed materially over the last several years. We are a fee based midstream company that is not as affected by price variations as are companies that are exposed to the product price environment. We are affected by the activity of the producers surrounding us, and we have seen some drop in that over the past year. However, our corporate cost structure is low and we have performed quite well through this period in spite of the general economic malaise.

CEOCFO: Would you tell us a little about the geographic area you work in and what are the advantages of being in that area?
Mr. Darden: Our assets are primarily located in the Fort Worth Basin in north Texas in the Barnett Shale Play. They are well located in that they tie to several downstream pipelines, which allow our customers' gas to flow when curtailments occur on other systems. We have multiple options and redundancy in outlets, which gives our customers protection from interruptions of production sales.

CEOCFO: What, if anything, is new in your industry? Are there new technologies or methods, or is it tried and true all the way?
Mr. Darden: In the E&P sector upstream of our midstream assets the Barnett Shale has been an incubator or testing lab for most of the new fracture treatment technologies that have spread throughout North America, and those technologies are continuing to evolve. Our largest unit holder Quicksilver Resources is the largest deliverer of gas into our system and they have continued to evolve their technology. They are making significantly better wells with less drilling time. Within the last year they have dramatically improved their well results.

CEOCFO: What is the financial picture like today at Quicksilver Gas Services?
Mr. Darden: It is solid, and we have significant liquidity. We are continuing to improve that liquidity with cash generation from the assets. We have about $40 million of liquidity in our credit facility and we are expecting that credit facility

to expand, as a result of the strong financial performance of the company.

CEOCFO: Will you tell us the details of what you actually have, and do you see changes in the future?

Mr. Darden: We actually have several areas for potential business expansion this year. Quicksilver Resources last year purchased a large asset in the northern part of the Fort Worth Basin called Alliance, and it is likely that the midstream portion of that acquisition could be a dropdown asset into Quicksilver Gas Services. There is a four-year drilling program around those assets, which will give predictable growth in throughput from those pipes. Therefore, we think it is a good fit for Quicksilver Gas Services.

CEOCFO: Are you able to increase activity with what you have in place now in the Fort Worth Basin?

Mr. Darden: Currently the pullback by other producers from their drilling activity and their refocus on other basins in North America has provided Quicksilver Resources an opportunity to grow further in the basin. We see the opportunity to add volumes from an inventory of wells that have been drilled, cased and not completed on the part of not only Quicksilver Resources, but other producers around our system. That is our fastest area of growth as gas prices recover. We do think gas prices will recover sometime mid-next year if not before. By recovery we mean higher than $5 which is good development pricing for the basin, at least for the low-cost operators that are around our system.

CEOCFO: What do you see two to four years ahead?

Mr. Darden: We are going to look opportunistically at acquisitions; this is an acquisition-rich environment. We want to be very selective with any acquisitions we might pursue. But we do think there will be some opportunities in this depressed energy market. We are looking aggressively at acquisitions to expand our business. We think as prices recover, the drilling activity will increase and the additional wells will be brought on line that have been drilled over the last year, but not completed. We are looking at other basins that Quicksilver Resources might enter for a tagalong opportunity on the midstream side of those development opportunities.

CEOCFO: You reduced costs this last year; are you looking to reduce more, and is that a focus for you?

Mr. Darden: Definitely! The beauty of this pullback is that we are able to drive costs lower with our service providers and we have been successful at accomplishing that. We are looking at every line item on the expense side of our ledger, and are making progress on several fronts. Everything from compressor oil, to labor, to repairs and maintenance, and we are finding component parts coming in less expensively than just a year ago. So we are finding several ways to cut costs in this environment and we hope to hold costs down as prices recover and activity picks back up.

We are a fee based mid-stream company that is not as affected by price variations as are companies that are exposed to the product price environment. We are affected by the activity of the producers surrounding us, and we have seen some drop in that over the past year. However, our corporate cost structure is low and we have performed quite well through this period in spite of the general economic malaise.

- Toby F. Darden

CEOCFO: Is the investment community paying attention?

Mr. Darden: We get solid attention from the investment community. We have performed well over this year and I think investors are beginning to come back into energy in a significant way. We are optimistic that interest in our sector will continue.

CEOCFO: You mentioned your expectations on gas prices going up; would give us your two-minute take on the overall energy situation?

Mr. Darden: We think that natural gas is the logical fuel for growth in this country. It is the cleanest burning fuel with the easiest access. The increases in technology we mentioned earlier are going to lead to higher available volumes for consumption in the marketplace. You see the current administration pushing for a cap and trade system and carbon emission reductions, and natural gas is the fastest way for our country to get there. The administration also talks about energy self-sufficiency for the United States, and natural gas is the fastest way for the United States to become less dependent on foreign imports. So for the natural gas business, which is currently in a low-price cycle, we see a lot of growth from this point forward. It is the logical fuel for our country and we think it is going to get increasing attention from its strategic position in the energy portfolio.

CEOCFO: Do you see any challenges to the growth?

Mr. Darden: Our challenges have come already, and we have worked through the difficult economic environment over the last year. We seem to have found solid ground under our feet and are walking back up the hill and feel pretty good about things looking forward. The challenges will be as they always have been; finding good people to manage your business as you grow, but we have a much larger labor force accessible to us now. Cost control, if you control your costs you can survive any environment and we are focused on stringent cost control. So I think we as a company are going to compete well, and we see the natural gas business growing. The Barnett Shale is one of the lowest development cost basins of the major shale basins in the United States, so we should see that basin develop faster than some of the higher cost basins. We are optimistic about our prospects at Quicksilver Gas Services.

CEOCFO: Final thoughts, why should the investment community pay attention to Quicksilver Gas Services?

Mr. Darden: The investment community should pay attention to Quicksilver Gas Services because we are a very efficient fee-based low-risk investment with a very good yield in this current low yield environment and we are set to grow significantly over the next year.