

Oil & Gas Tech Startup RigUp Taps Private Equity

Austin-based startup is a marketplace for independent contractors

By Yuliya Chernova

Jan. 31, 2018

Why would a startup turn to a private-equity firm for its Series B round?

“We wanted some legitimacy in oil and gas, or what you would call ‘good old boy’ circles,” said Xuan Yong, chief executive and co-founder of RigUp Inc.

The Austin, Texas-based startup is a marketplace for independent contractors, like drillers, pipeline inspectors, and welders, looking for jobs in the oil and gas industry, and for companies searching for workers.

Quantum Energy Partners, a multi-billion-dollar private equity firm, and Global Reserve Group, an energy advisory and investment firm, have led a \$15.8 million investment in RigUp. Jeffrey Harris, a venture partner at Quantum Energy and founder of Global Reserve Group, joined RigUp’s board.

Founders Fund, an early backer of RigUp, as well as some other existing investors, reinvested, Mr. Yong said. The startup previously raised about \$18.5 million.

It hasn’t been particularly easy to raise funding, Mr. Yong said. “I don’t think that all of Silicon Valley completely grasps how important hydrocarbon production is to this country,” he said. They forget, he added, that electric cars mostly run on electricity produced by burning natural gas.

“On the other side of this equation, a lot of energy private-equity firms don’t understand a Silicon Valley business model,” he said.

RigUp, founded in 2014, has lived through the ups and downs in the oil and gas production industry in the U.S. When it launched oil prices were hitting highs but then the market changed, prices dropped, and new exploration slowed. The industry overall has climbed out of a trough and the U.S., is set to overtake Saudi Arabia for the second spot globally by oil production.

RigUp is planning to tap into that growth by using its new investors' connections, Mr. Yong said.

“With Quantum on board it'll open up the ability for us to go after the bigger enterprise buyers,” Mr. Yong said. The company, which has primarily focused on Texas, will also be expanding to other states, such as Oklahoma, Pennsylvania, North Dakota and West Virginia, the CEO said. It's also operating in Canada.

RigUp has 22,000 service providers and about 250 companies using its marketplace. The company helps on-board applicants and processes paychecks, among other services.

Write to Yuliya Chernova at yuliya.chernova@wsj.com