

# Cutting Edge: Precision Machining: Aerospace, energy driving Neosource

By D.R. STEWART World Staff Writer  
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In 1989, Neosource Inc. began its corporate life as a machine shop with ambitions of becoming an aerospace repair facility.

Today, the privately held company at 9422 E. 55th Place with eight full-time and four part-time employees not only repairs but manufactures aircraft components for airlines worldwide.

And, in the last two years, Neosource has won significant contracts from the oil and gas industry, the other major pillar of Oklahoma's economy.



Operator Rodney McDonald makes programming adjustments on the OMAX 80160 Waterjet Machining Center, a new cutting device at Neosource.

MICHAEL WYKE / Tulsa World

"In 2003, aerospace work was 92 percent of our business by revenue," said Neosource President Bill Graif. "Today, 25 percent of our business is oil- and gas-related.

"Pipeline work has increased as the price of oil has increased. We now have multiple customers in the oil and gas industry."

Business is so good -- Graif estimates 2006 revenue at \$1.6 million, up 60 percent from five years ago -- that the company has invested \$275,000 in new and upgraded equipment.

Foremost among the new machinery is the \$193,000 OMAX 80160 Waterjet Machining Center. It will cut steel, aluminum, plastic and stainless steel, from 0.02 of an inch thick to 6 inches thick, said Tim Clement, vice president and manager of the waterjet operations.

"We're

cutting steel segments for pipelines for T.D. Williamson," Clement said. "They service existing pipelines all over the world.

"We've done minor work for them for six years. We began major work for them during the last six months. They're growing by leaps and bounds, and everyone who supplies them will be growing along with them."

Neosource's revenue from pipeline-related components it produces for T.D. Williamson Inc., 8506 E. 61st St., has grown from \$1,000 or \$2,000 a month a year ago to \$50,000 a month this year, Clement said.

About 40 percent of Neosource's revenue is derived from waterjet cutting for the oil and gas and aerospace industries.

Other customers include Reynolds French & Co., 12525 E. 60th St., for which Neosource produces large shim plates used in the overhaul of gas compressors; McElroy Manufacturing Inc., 833 N. Fulton Ave., which buys aluminum parts for oil and gas industry machinery; and F.C. Ziegler Co., 1111 S. Detroit Ave., for which it cuts brass and aluminum for religious artwork.

The aerospace industry, which was the foundation of Neosource's business a decade ago, has changed in the last few years, Graif said.

"The biggest thing is that the majors are sending their repair work to MROs," Graif said, referring to maintenance, repair and overhaul organizations.

"We had to find our customers elsewhere," Clement said. "If Delta (Air Lines) sends a plane to AAR in Oklahoma City, we have to approach AAR about doing work for them."

The MROs insist on speedy work for repaired or manufactured components, Graif said.

"Most of it comes down to fast turn-times and the 40 percent to 60 percent savings we can offer by repairing parts instead of buying the parts new," he said.

Neosource's airline customers once included American Airlines. But the customer base is more diversified today -- Delta, United Airlines, Southwest Airlines, Nordam Group and Lufthansa Technik order new or repaired aircraft components from the Tulsa firm.

"We do most of our engineering in-house," Graif said. "We get authority from the FAA (Federal Aviation Administration) to make a part. We will either reverse-engineer the part or work from a blueprint.

"The bottom line is that instead of buying a \$4,000 (engine) cowling latch for a variety of Boeing aircraft, our customers can write us a \$1,500 check and we'll make them a new part."

Clement said that amid the whirlwind of changes in the aerospace and energy industries, there's still room for small companies like Neosource.

"A shop like ours is there to pick up the small parts that fall through the cracks," he said. "Even the best-managed air carriers can't repair every small part. That's why shops like ours survive -- by helping them with their small parts issues."