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As this article prints we will be moving into the summer of 2003. As such it is appropriate to talk about the greatest bane the service sector of the Oil and Gas Industry faces – that of seasonality. My counterparts at the Petroleum Services Association of Canada (PSAC) have recently commissioned a study with Ziff Energy in Calgary to look at the seasonality of drilling in the Western Sedimentary Basin. Joining the study has been CAPP, CAODC, BC Energy and Mines and Alberta EUB as well as we, the CAGC.

The issues we face in seismic are often very similar to those of drilling. Much of the work is completed in the 100 days of winter. The detrimental effect of this is the fact that we, as an industry, must capitalize our fleet for the peak period. We therefore maximize our availability through this period and subsequently suffer very low utilization ratios for the larger portion of a calendar year. As such our services may move into deficit pricing in these other parts of the year. In addition it plays havoc on our work force. As an industry we face the challenge of encouraging young workers to not only give the industry a try but also more importantly to stay with it for the long term.

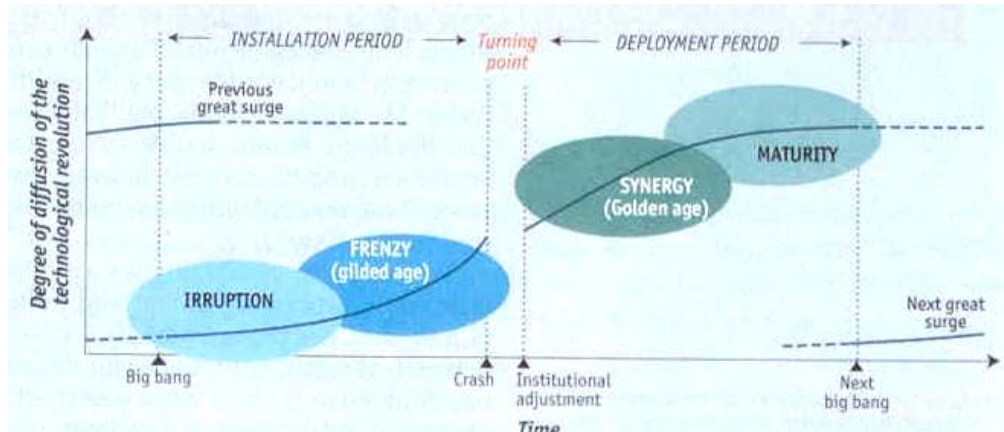
Safety is also an important issue as we constantly are faced with a high number of “green” workers each peak season. Many of those that are trained move on to other pursuits during the off seasons. In the long run many of these never come back for subsequent seasons.

Focusing on the human toll this cycle inflicts, not only are we unable to attract the young workers to the industry, the workers that in 10-25 years will be running the industry, but we are losing our 10-25 year experienced people today because they do not have a steady job. What is the toll, on efficiency, safety, environmental impact, quality, when you lose that experience? Of course, this cycle is unsustainable as very shortly in the future the Canadian industry will not be able to field the number of crews we currently do, because we do not have the people. This is much the same situation that the big rigs were in this winter.

This may mean that oil companies would have to delay drilling/land sale decisions, because they were not able to get that critical 3D shot "just in time" due to delays in finding a crew. Also, the crews remaining in the industry will cost more. This cyclical nature is an industry wide issue, and that is why all of the associations in the service sector are involved in this study. But the responsibility will be on the Oil Companies to make the changes to this cycle.

From a business standpoint, this is a difficult model to sustain. We must capitalize our equipment over a short period of the year in order to remain financially viable. Our pricing models are often depleted over the off-season and in some manner carry over into the beginning of the winter. The roller coaster of business economics scares off many potential financial investors. And finally when prices are depleted we face the possibility of poor workmanship, cutting corners and a disregard for the human issues such as safety.

Part of the study's focus will be to determine the client's reasons for such traditional business cycles. Why do Oil Companies complete the lion's share of their work in this 90 to 100-day period? Why isn't the work continuous through a calendar year – i.e. Seismic, Analyse, Drill, and Produce? – Whereas instead in many cases the Industry spreads the work on a “play” over a number of years and increases the risks associated with global factors and commodity prices in general.



One might argue that the conclusions will be self-evident however old habits are hard to change. The benefit of such a widely diversified study is that it operates as a communications tool and a method of delivery. It is something to look at that you can sink your teeth into. In an ideal world the market would push Oil Companies to complete more of their work during the off-peak times when the prices are lower. As such that would, over time, allow the market pricing to balance out and the work balanced out over the course of the year. The benefit would transcend to everyone – the client through stabilized pricing, stronger supplier deliverables through safety and workmanship; the contractor through a stable business model; and most importantly the workforce through steady work and possible careers within the Industry. Unfortunately the boom and bust model of the Oil and Gas Industry has not been conducive to this model. We can only hope that given the global requirements for Energy our Governments recognize the need for strong Energy policies to bring stability to the market and move importantly to the economy for the next couple of decades.

From The Thursday Files:

*I don't give a damn for a man that can only spell a word one way.*

- Mark Twain