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From the CAGC, we wish a happy New Year to all. As a new year dawns it is a time to look forward as to where the Industry is being taken and what major issues will shape the seismic marketplace. I am pleased to announce our current Vice Chair, Vince Parker from Veritas DGC, will take over the Chairman's role in March of 2005. This is a great opportunity for the CAGC to spend some time and effort on primary issues that affect our Data Recording membership. Along with that, we as the CAGC, bid farewell to our Outgoing Chair Al Stanley from Austin Powder Ltd.

We have had another strong and significant year as the CAGC. Al was instrumental in not only carrying on with important endeavours such as the rewrite of our ERAP but also in ensuring the CAGC remained an active party to all the various jurisdictional and other Association issues that occurred in 2005. With the Advent of The Source magazine and our Seismic in Motion Field Trip, the CAGC strengthened its role as the voice of business within the seismic industry in Canada. We have advanced our interactions with the public, the media and all Canadian jurisdictions. As a result when "seismic" is mentioned the CAGC comes to mind. We are pleased with this growing awareness in the world outside of our membership.

The challenges ahead remain significant. The two facets of our business that seem to struggle financially are the Data Recorders themselves and as well the Seismic Drillers. The other facets in general dabble in other industries and as such are less downward price fixated. Supply within these categories is certainly one factor in challenging the demand-supply relationship. This past year we have seen two new entrants into the Data Recorders bringing the number up to 18 land recording oriented companies in Western Canada. In the past five years this number has remained relatively fixated – lose a couple, gain a couple and so on. This is certainly a challenge when the price of the service seems fixed to the down side.

Our marketplace is relatively easy to penetrate. A new company may start up with a basic understanding of the operations and a relatively small amount of capital. The equipment can be leased removing the onus on having a large capital outlay in the beginning. It is a small but tight industry so usually the new entrants come from within – individuals who have worked their way up from the field and are ready to be entrepreneurs. As such new companies always have some friends who will throw some work their way to get them started. And nothing wrong with this – this is how a market should operate.

However these factors do not necessarily support the long-term health of the industry. We see a great reluctance to decrease line widths. This comes both from the clients, the Oil Companies, and from a number of our own companies. At the heart of it, it seems legitimate. Lessening line widths creates challenges with safety and evacuation of injured personnel. From an economic side, fewer companies can handle this work and often the

use of specialized equipment is required. This increases the cost of such programs. It also forces the service providers to look closely at their business models.

We, as the CAGC, see the line width issue as the fundamentally most important issue in the coming year and going forward. The Alberta Government has asked us to consider eco- regions as geo criteria for line widths practices. This seems simple at a quick glance but the reality is that there is great reluctance to change. There is a feeling that we are always giving up ground on such issues. BC is asking for similar considerations. The seismic industry has been at the forefront of environmental stewardship as a subcomponent of the Oil and Gas Industry for the past decade. We have reduced our line widths by a factor of more than 50 % in the last 5 years alone. However as one area of the industry supports this stewardship another is concerned about the effect this continuing pressure will have on what our industry looks like.

Change will not come easily. We have individuals within our sector that will fight such change to the bitter end. It may be a case that wheel of change will be too great and in time it will roll over them. There is much at stake here, as it will define the future of the industry.

Some things are for certain though. We will have to deal with this issue sooner or later as the cumulative effects of the industries on the land have grown exponentially over the past decade. All parties seek to maintain a sense of balance between the need for economic growth and the need for environmental protection. If we solely lobby against change, one day some government will simply legislate the changes. The changes could potentially be much more devastating to us without being part of the conversation.

If done correctly, such change could be to create a much healthier seismic industry. Specialized work and equipment may keep the number of players at a level that is more economically supportive. As our work continuously evolves so will our marketplace. Seismic is on a slowly declining business curve in the Western Canadian Sedimentary Basin but the fact remains that there will always be some requirement for seismic. In addition the business in the frontiers will grow. These areas require money to get in and set up infrastructure. They also require a much softer environmental footprint in how we operate. The rearguard fight is not an option in these areas.

From The Thursday Files:

I don't have any solution, but I certainly admire the problem.

- Ashleigh Brilliant