

Mike Doyle is the President of the CAGC – the Canadian Association of Geophysical Contractors - representing the business interests of the seismic industry within Canada. The CAGC website may be found at [www.cagc.ca](http://www.cagc.ca).

As I look back over the past couple of years of writing a column for The Recorder, I find that I have generally written something on the business of seismic in the December column. As such it is once again an appropriate topic to end the year with.

As I have written many times before, the seismic business does not necessarily follow the rest of the Oil and Gas Industry in terms of the continuous ramp up in activity levels over the past few years that have paralleled the increase in commodity prices. Seismic may in fact be the whipping boy as it relates to the pricing index. Whereas rigs command more and more on a per day basis and a premium on top of that for locking up rigs in advance on longer term contracts, seismic clients show up asking for discounts in advance of any other conversation. Our seismic contractors are still generally challenged with supply and demand characteristics. There seems to exist an ongoing impetus on the contractors to put out more crews when the demand spikes thus ensuring downward pressure on pricing.

However this year there appears to be some changes in the dynamics which could result in significant changes over the long term. The HR dilemma may create a natural buffer to increasing crew supply. We have seen the seismic contractors make some minor changes through the Association in regards to wage issues and risk management. These are significant as it represents a step outside of the norm for this business unit. Finally we have seen some financial investment interest in the sector and some merger activity. These factors should contribute to a healthier industry this coming winter season and hopefully over time will set a foundation for a solid business basis to go forward into the future.

Human Resources issues are nothing new but sheer numbers in the Oil and Gas Industry as a whole are making it difficult for everyone. We are seeing a struggle to ensure the core crews are staffed properly before even trying to throw together new crews. In addition our companies are faced with a very busy peak winter period in which they must still meet the laws of the land and ensure adequate time off for workers is provided in their scheduling. This often requires extra bodies per crew to begin with and this is further heightened in the case of large crews. Seismic has been seen as often looking in the job market of 18 to 22 year olds. Those who stay on past the initial week will stay on average in our industry for four years. Some will become lifers – make a career out of it – but overall the vast majority does it for a few years and then moves onto some other vocation. We, as an industry, have to do a better job at creating a Youth Strategy. This is important not only to the CAGC but we believe to the entire Oil and Gas Industry.

In recent months the Geophysical Committee of the CAGC has met to tackle common issues facing the Seismic Acquisition Contractor Group. These meetings resulted in the HR Best Practice being developed and issued which has been met with a very favorable response from employees and clients alike.

The fact still remains despite considerable improvement in production efficiencies and much improved safety standards we are the only sub-industry that continues to earn a less than acceptable return even in the face of unprecedented commodity prices and strong

demand characteristics. As such it became the goal of this committee to establish a Standard Geophysical Contract that would create financial stability for this sector of the industry and ultimately balance the financial risk contractors are exposed to in their day-to-day operations. The Big Rig Drilling Industry and their CAPP clients have endorsed a similar model. As such the Geophysical Contract Addendum was created as an initial step towards the goal of a Standard Geophysical Industry Contract. This Addendum which is supported by the majority of the Geophysical Contractors and certainly a vast majority of the crews available in the marketplace, is the first step in bringing some sense of stability to our marketplace.

Our industry has suffered from the “keep it cheap” mentality for a long time and the fact is that without an economic risk adjustment we will continue to under perform financially which will ultimately result in a sector unable to operate safely, adequately train entry level staff or develop new techniques and technology which will be to the detriment of the geophysicists who rely on our services.

Finally we have seen some renewed interest in the seismic industry by the financial sector. We have met with a number of investment types inquiring into and about the business of seismic in Canada. Over the course of this past year we have seen one of our publicly traded companies, Norex Exploration Services Inc., purchase GAPS out of Ontario and more recently Norcana here out of Alberta. Suffice it to say that such consolidation within our sector is likely a healthy thing.

In conclusion such small changes are important to changing the business structure of our industry. Such change always comes slowly and usually with plenty of resistance along the way. It may take a few years for the changer agent to fully entrench itself but over time anything is possible.

From the Thursday Files:

*The significant problems we face cannot be solved at the same level of thinking we were at when we created them.*

**- Albert Einstein**