

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.

(In the final half of the season) There are 3 things that determine your winning percentage: Schedule, Injuries and Officiating.

Darryl Sutter, GM of the Calgary Flames

Everyone likes three's. Bread, Milk and Cheese – there's a shopping list you won't forget. Add Butter and half of us will forget one item. The future of the Oil and Gas Industry has three challenges: Prices, People and Rust.

2008 marked the Achilles' Heel in the marketplace. The world went from record Oil prices in July 2008 to prices reflecting a 75% drop within just a few months. Oil Industry Budgets were immediately slashed. Exploration projects cancelled. Production infrastructure put on hold. Most of this has come from the immediate global downturn, a slight drop in demand (relatively speaking), and some fear by speculators.

The 2008 World Energy Outlook suggests some scary facts on the long-term supply trends. Slightly more than 800 (large/giant) Oil Fields comprise 58% of the world's crude oil supply. The other 42 % comes from approximately 70,000 small to tiny fields. The world's biggest Oil Fields are all almost mature and past their peak (declining production). A handful of key producing countries have some growth left. These include Angola, Brazil, maybe the Sudan (politics) and maybe Canada's heavy oil (politics of a different nature).

One of the biggest concerns to the sustainability of the Industry is volatile pricing. As the market rebalances supply and demand the world faces an equally quick bounce. Most economists are conservative in their estimates of pricing – either up or down. No one saw a sudden plunge such as occurred in 2008 and no one predicts a sudden bounce in the next year or two. However the possibility is there given the lack of market controls for pricing stability. There are those that argue \$150 bbl was reasonable as no particular blame has ever been laid at the feet of energy prices for the recent global economic downturn. Some movement within \$100 to \$150 bbl allowed for prosperity in producing countries. Even Chavez in Venezuela used the oil boom to prop up failing social issues within his country. However now, the doctrine of Socialism with Cheap Oil is unlikely to be one with a happy outcome.

A stable pricing structure would allow for some long term solutions to the other two challenges of people and rust. As we head into the spring of 2009 we have expectations that the work world in our Western Canadian Industry will fall off the face of the earth by the end of the first Quarter. The expectation is the blood-letting will begin in earnest – the streets will be red (metaphorically) as companies begin to slash their workforces. Some of this is occurring already but the expectation is a rapid acceleration of the trend.

This is all in the face of the fact that the Baby Boomers are beginning to retire. A high percentage of the current employee base will retire in the next 5 to 7 years. No doubt the current economic crisis has pushed back some folks' retirement dates but it is still coming within the next few years. As we move into the current period of immediate downsizing the end of the recruiting era is upon us. Even if we can find people when things start to turn we face training bottlenecks and learning curves. Our industry cannot be robotized.

The crystal balls of the Industry's soothsayers (the optimist ones) look for a turn in commodity prices by the third quarter of 2009. Those that have some hope for that outcome are hunkering down and keeping their core staff in place to see what happens by this fall. If they are right, they will be well positioned with the people capital to move ahead quickly into the next economic cycle.

"Rust never sleeps" is a timeless maritime phrase. 99 % of our Industry's infrastructure is built with steel. 80 to 90 % of the current infrastructure is beyond its original design life. The infrastructure runs the gambit however as an example I will talk about pipelines. More and more jurisdictions are talking about the issue of "pipeline integrity". This is exactly what it means. The corrosion of pipe – in many cases decades old – is becoming more and more serious as time rolls on. Coupled with the commodity price plunges and peaks we are either too broke to replace anything or too busy building new pipe to meet the demand needs. At best industry's approach has been reactive rather than proactive in this vein.

A number of my Industry colleagues have made economic forecasts and predictions for the upcoming year. You can't go wrong with these as there is no culpability associated with *forward looking statements*. Businesses usually include a form of a disclaimer that states that any instance of a *forward-looking statement* found in their material is only true at the time it was written, and they further claim that they are under no obligation to update such written statements if conditions change or that unexpected occurrences happen to affect the statement afterwards. So here's mine: The DOW will bottom at 6600. The TSE is harder to say – it moves much more quickly with the effect of commodity pricing. The bottom of the world markets will be defined when some of the car companies finally fail or merge. Commodity prices will begin to recover in the third quarter of 2009 and spike past \$150 bbl by the third quarter of 2010. Look for a Canadian (Federal) election shortly after the recovery starts (late 2009 / early 2010). Ignatieff is already popular as a Political Leader to the electorate and Harper will wear the economic downturn like a ball and chain. I will leave the outcome to you – the voting public. Never underestimate the Americans but things are a mess down there. A lot of hope has been placed on Obama. Democrats tend to be more socialist by nature. Tax the rich and give to the poor. No doubt needed but it usually comes with some short term pain. *Some of the information in this Article may contain projections or other forward-looking statements regarding future events or the future financial performance of the North American and/or world economies. We wish to caution you that these statements are only predictions and that actual events or results may differ materially.*

From the Thursday Files

Dogs don't have the financial problems that humans do, they're not involved in wars as much, they're just kind of happy.

- **Lisa Kudrow**, *'Friends'* actress on man/woman's best friend OK, she's probably speaking tongue-in-cheek, but we'd love to think this was a moment of Phoebe creeping into reality.