

The Participation Seismic Business: Recent Changes, Future Changes and How We Might Adapt

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Summary

This presentation will be roughly broken down into three areas:

- (a) Changes we have seen already
- (b) How Response has adapted to these changes
- (c) What we might see in the future

One area of change is how the typical participation survey is originated and shot. Previously the ideas came from Response and I also laid out the program and chose the parameters. Pre-sales were obtained from typically 3 to 5 companies and a 2D program was shot. Now the typical program is 3D, involves only one client and this client brings us the exact program, including parameters, they wish to have shot.

Another area of change is the companies in the participation seismic sector. When I started Response 12 years ago the competition was mostly other small private companies like Response which only did participation surveys or a few brokers who also did participation surveys. Seismic contractors only got involved when they had no "real work". Now the competition consists mainly of large public companies, most of whom are also in the acquisition business and budget for a significant amount of participation acquisition regardless of the third party market.

Response has remained competitive in this new environment by becoming more flexible. We partner with different seismic contractors to allow us to finance the now larger shortfalls associated with large 3D projects. We offer terms our larger competitors do not such as the option to buy back the survey during the exclusive period or the option to buy more months of exclusive **use** past the normal six months.

We are also interested in smaller surveys such as 3D template or development surveys as small as a couple of sections. We are also still interested in 2D surveys, even in the provinces, in the right area.

As we enter the area of large 3D participation surveys I believe the risks are higher and somewhat different from the 2D days. I believe we will see fewer after sales with 3D and, to reduce risk, 3D surveys will need a higher percentage of pre-funding and should be concentrated in areas of multiple land owners and split rights.

The economics of the participation survey business will become more conservative as we try to limit the number of negative or small rate of return surveys knowing that the high rate of return surveys will be fewer than in the past.