

Consolidated versus Coordinated: A New (or is it old) Model for the Canadian Geophysical Sector

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Introduction

Recent contraction and consolidation in the E&P sector has resulted in a marked dynamic change in the way companies do business today. Many organizations have found their supply chain for services to be fragmented and costly to the day to day operations. In a market where tougher demands are placed on earnings and lowering finding and development costs, a new (or is it old) model is fast approaching. The ability for today's E&P companies to capitalize on the availability of multiple services from one organization is again changing the way we do business. This paper will analyze these effects from a geophysical perspective and present a current view by the presenter.

The BIG Picture

In the early 1990's, in an effort to increase profitability and increase results to shareholders, many companies undertook to investigate costs for service and supply in order to capture areas where money could be saved to improve the bottom line. In general, two conclusions arose: 1) overhead was too high to support the existing resource base, and 2) fragmented supply of services was resulting in duplication of services and increased internal overhead to administer the services.

The Geophysical Sector

Tradition for many Canadian E&P companies was that each Geoscientist made independent choices on which contractor would provide which independent service. Such services included but were not limited to:

Survey Design and Optimization	Operations Planning and Management
Approvals & Mapping	Permitting / Surface Access / Pipeline Locating
Line Clearing / Production	Survey/Chaining
Shot Hole Drilling	Recording Operations
Survey Audit	Data Processing
Specialized Data Processing	Data Workstation Preparation
Data Interpretation	Data Modelling / Visualization
Reclamation	Data Management / Marketing
Data Storage / Archival	Trade Data / Spec Data

Much of the belief with outsourcing of individual services was to insure the integrity of each phase of the operation by invoking a contractor to contractor accountability. This system proved very effective in the 80's and 90's, at a time when the number of junior E & P Companies quadrupled in size.

More recently consolidation on the E&P side has identified fragmentation in service and supply and has looked to more integrated service providers solutions to lower costs - including lowering the amount of administration required on the E&P side. With the advent of new technology and improved reporting systems, many of the concerns over integrity of a service and the information provided have been removed due to electronic tracking and support information. Additional factors identified as contributing to service consolidation include; 1) decreasing price of technology, 2) increasing pace of activity, 3) availability of data, 4) speed of data transfer and 5) the present shortage of Geoscientists.

Conclusion

For efficiency and cost, many companies will move to requesting more consolidated service and supply. Results should improve Geoscientists availability for finding and delineating accumulations of hydrocarbons while lowering external and internal administrative costs. Companies will move to an approach of strategic procurement with companies who can offer the required elements while ensuring a system of internal accountability. In order to capitalize on this trend service and supply firms will be required to provide the technology and expertise to maintain necessary levels of technical excellence.