As the global energy sector gains momentum and companies enter licensing rounds, the need for quick access to data holds fundamental importance.

Increasingly, operators large and small are turning to multiclient companies who have the information and images that help them make decisions about entering a new area.

Gustavo Carstens, AAPG Member and chair of the council for the Society of Exploration Geophysicists, describes multiclient as a win-win business model for companies and providers.

"Multiclient contractors acquire seismic data at their own cost and risk in an open area and then sell the rights to use the data many times to different oil companies. The sale price is lower than a proprietary prospect, so the oil companies can see the data at early stages in their evaluation programs without spending a large amount of money. The multiclient company makes its profit by selling the same dataset several times," he said.

Carstens has spent 40 years working as a geophysicist in Latin America and the Middle East and has worked with two companies that provide multiclient data. He said that obtaining high quality data at a lower price point is beneficial to companies looking to operate in new areas.

"The multiclient data is very useful when considering opportunities in new markets. It allows block analysis at the bidding time," he said.

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TGS and Spectrum Merger Highlights Opportunities for Multiclient Companies

Choosing the right multiclient provider is essential for operators seeking information to drive their investment decisions. Carstens highlighted several factors to consider.

"It is important to see the way companies select the areas for the surveys, and of course the quality of the data acquired," he said. He added that the companies’ previous experience, knowledge of the business and contents of their data library is very important.

To stand out in a competitive market, multiclient providers work constantly to improve their service, expand their libraries and, when it makes sense, to join forces with competitors.

A high-profile alliance made waves through the geophysical community headlines earlier this year when multiclient powerhouse TGS-NODEC Geophysical Company announced plans to acquire Spectrum Geo ASA.

The move created the world’s largest multiclient geophysical data provider with a 2-D and 3-D seismic data library covering all major mature and frontier basins worldwide.

The Acquisition

TGS CEO Kristian Johansen likened the merger to a successful personal relationship.

"We’ve known Spectrum for many years and been attracted to each other. A few years ago, we did our first joint ventures together and got to know each other even better. Late fall 2018 we had the first discussions about formalizing the relationship and in May 2019 we made the proposal official," he said.

On May 20, the TGS and Spectrum
“The transaction will lead to a more competitive TGS with a database covering all major mature and frontier basins in the world. Being able to serve our clients with top-notch quality 2-D and 3-D data wherever they do exploration is what I find most intriguing,” he said.

He shared the company’s commitment to continue working to maintain customer loyalty in a competitive market.

“We will continue to grow our investments in core markets where clients are exploring. We will increase our investments in R&D to make sure the technical quality of our products is satisfactory. Finally, we will continue to highlight the importance of quality and service to make sure we remain clients’ preferred provider of multiclient data,” he said.

Carstens said he was pleased to learn of the TGS-Spectrum merger.

“For me, it is a very positive move. TGS should be able to offer better opportunities now,” he said, noting that the South Atlantic provides significant opportunity.

“There is still a lot to be done in the waters of Argentina,” he said. “The region is under-explored.”

Carstens said he has heard positive comments from colleagues, though he admits that it will take time for industry to feel the full weight of the transition.

Johansen reported positive client feedback and positive earnings following the merger’s completion in August.

“The combination of TGS and Spectrum has been well received by our clients who will benefit from our comprehensive data library, quality and service,” he said in an August 2019 statement. “Our strong performance is mainly due to higher license round activity in regions where TGS and Spectrum have strong data coverage and revenues related to acreage turnover.”

TGS management projects net segment revenues of approximately $277 million for the third quarter of 2019, an increase of more than 95 percent from the same quarter in both 2018 and 2017.

Future Plans

Johansen hopes to build on this momentum in the next four to six months.

“We look to deliver on our strategic priorities that combine profitable growth with data and analytics initiatives as well as strong seismic imaging reputation,” he said. Goals for 2020 include a successful integration of Spectrum, continued profitable growth and strong employee engagement.

Johansen also hopes to maintain what he has appreciated most about the company during his 10-year tenure – TGS’

boards of directors unanimously approved combining the companies and developed a final merger agreement. In the merger plan posted online, board members from both organizations expressed their opinion that the companies’ combined business would lead to greater value creation compared to the companies operating as separate entities.

TGS provides multiclient geoscience data and processing to oil and gas companies worldwide, with primary revenue-generating hubs in North America and Northwest Europe. The company boasts an extensive data library, an asset-light business model and strong financial stability.

Spectrum held the world’s largest library of multiclient 2-D marine seismic data, a significant amount of 3-D seismic data and a presence in the South Atlantic and in frontier regions in Africa and the Mediterranean.

Johansen said Spectrum was a natural choice for TGS.

“Spectrum had a very similar business model and company culture to ours. Further, the company had successfully built up a strong business presence in growing markets such as Brazil and Argentina. The data library was therefore very complementary to TGS with significant opportunities to grow further,” he said.

TGS and Spectrum, both based in Norway, completed the statutory merger under Norwegian law between May and August 2019. During the process, TGS acquired all assets, rights and obligations of Spectrum, and Spectrum ceased to exist.

The agreement was approved by Spectrum shareholders, who received 0.28 TGS shares for each Spectrum share held.

The Transition

TGS announced a new organizational structure and executive team in late August and selected senior leaders shortly afterward. These teams included a diverse mix of both TGS and former Spectrum employees, ensuring that the new, combined company was able to take advantage of its enhanced talent pool.

“We are now in the middle of the integration process and the ambition is to operate as one company by January 1,” Johansen said. He noted that the overall mood at the company has been positive throughout the transition.

“Some people are very excited by the transaction and looking forward to becoming part of an even larger organization,” he said. “Of course, there are also some people who are a bit apprehensive as is also the case when there is organizational change. However, I believe it is important to communicate openly and make sure employees feel respected and engaged during such a process.”

Johansen said that the new organization provides benefits both to veteran TGS and new employees coming from Spectrum.

“Together we will become the world’s leading multiclient company and employees will have great opportunities to advance their career by working on more complex projects, exposure to additional clients and further growth opportunities,” he said, hinting at an ambitious growth strategy for the company in the coming years.

Better Together

The merger’s benefits also extend to companies who contract TGS services, Johansen said.

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He shared the company’s commitment to continue working to maintain customer loyalty in a competitive market.

“We will continue to grow our investments in core markets where clients are exploring. We will increase our investments in R&D to make sure the technical quality of our products is satisfactory. Finally, we will continue to highlight the importance of quality and service to make sure we remain clients’ preferred provider of multiclient data,” he said.

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Long-term Sustainability

Johansen said that multiclient providers have an even greater responsibility, preparing for the energy transition.

"While the world is growing by approximately seven million people every month and billions of people strive for better living conditions, the world's energy need for energy will continue to grow. The energy transition will therefore take place and require significant technological breakthroughs. We can all play a major role in making this transition happen in a secure manner," he said.

"TGS is actively looking for opportunities to reduce suppliers', clients' or its own carbon footprint by designing efficient seismic surveys that have the benefit of reducing unproductive drilling and reduce emissions from data centers. Further, we are constantly looking for innovative ways to apply subsurface knowledge for other purposes such as carbon storage, wind farm siting and land disaster prevention. This key in our long-term sustainability plan," said Johansen.

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people and culture.

"Although the company has grown, the culture remains very strong with a focus on people being our greatest asset. Our employees are highly educated people with a passion for data and business," he said. Johansen said that TGS remains open to future acquisitions.

"We are always looking for investment opportunities, both organically and non-organically to ensure continued profitable growth," he said.

For TGS'sers, if present trends continue TGS and other multiclient providers will continue to have a healthy business throughout the world.

"We live in an environment of low oil prices, the multiclient model is a very powerful tool for new business at a lower initial cost," he said. "There is a lot of room yet for this model. The offshore part is still very attractive, the onshore is more challenging, and I think that some companies will focus there."