



Charging to the Seabed

VectorSeis Ocean is proving its ability to enable full-wave imaging from the ocean bottom

■ Our platform for redeployable imaging from the seabed – VectorSeis Ocean (VSO) – continued to show its promise as a game-changer during 2007. We delivered the fourth VSO system to our exclusive acquisition partner – Reservoir Exploration Technology ASA (RXT) – marking the fourth consecutive year in which RXT accepted delivery on a new system. RXT is so convinced of the potential of VSO that in May 2007 they extended their exclusivity agreement with ION.

■ From a venture-backed start in 2003, RXT has grown to be the market share leader in ocean-bottom cable (OBC) acquisition. We are projecting that they will obtain a 50% market share at some point in 2008. RXT is not only capturing market share, but also capturing share in a market that we believe will double from 2006 through 2008, and that we believe will double again over the subsequent four to five years. These share gains haven't come from small jobs for small customers on small fields. They are coming from the provision of full-wave acquisition services to some of the largest oil & gas companies in the world, in key provinces like the Gulf of Mexico, North Sea, West Africa, and the Caspian, while

covering elephant reservoirs like Kashagan, the largest field to be discovered in the world in the last 30 years.

■ While ION is delighted to have contributed to RXT's success, neither of us is content to rest. During the year, we moved to tighten our collaboration by forming a joint development team, with members seconded from both companies. This group is tasked with developing the next generation of VSO, a system designed to record even larger seabed surveys with improved levels of operational efficiency.

■ Our work won't stop with next-generation VSO, however. The joint development team will also be looking at integration opportunities between VSO and FireFly in what is called the transition zone (TZ), a market space that has proven challenging for the E&P industry. By developing an integrated recording system – based on the core VSO and FireFly architectures – ION can deliver value in this market.



■ Another area of interest is called EM (Electromagnetics). The E&P industry's widely used well logging tool is based on EM technology and the simple physical principle that a reservoir filled with hydrocarbons doesn't transmit electrical current as well as one filled with salt water. Unfortunately, a well log assumes one very fundamental thing – that one has drilled a well that can be logged. In the exploration space, we aren't afforded that luxury. Although several EM players have appeared in recent years, RXT is pursuing an alternative and, we think, more promising approach. Their goal is to integrate seismic and EM in an OBC architecture that simultaneously measures both rock and fluid properties in target reservoirs; ION is helping RXT make their EM system compatible with VSO so they

can deliver seamless geophysical services to their oil & gas company customers.

■ We clearly have a lot going on as we lead the charge to the seabed. We'll keep you posted on our progress.

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// **VSO: Tim Rigsby, Felix Bircher, Chris Walker**
Tim Rigsby is Senior Vice President of Seabed Solutions and Felix Bircher is the Product Manager for VectorSeis Ocean (VSO). Chris Walker is Vice President of Geophysics at Reservoir Exploration Technology ASA (RXT), our exclusive seabed partner.

