

## Deco-Geosystem, Ltd

### Volume of investments required: \$ 1 200 thousand

#### Use of funds

RandD - 40%

Acquisition of fixed assets - 31%

Marketing - 23%

Acquisition of current assets - 6%

#### Company profile

1. Date of establishment – December 2004.
2. Size and source of investment to date – \$ 10 000 in equity, and \$ 450 000 – R&D contract with Federal Agency of Science and Innovation.
3. Production – data processing and interpretation of seismic data for oil-field companies. This project is focusing on developing algorithm and software that implement AVO-analysis. Given methodology includes big potential in accuracy increase of seismic prospecting. Offering services allows to level up sales on \$ 5–10 million per year.
4. Target market – Seismic prospecting of hydrocarbon material and engineering geophysics: construction and maintenance of facilities, communications, roads.
5. Sales 2004 – none.
6. Description and value of assets – \$ 5 000 – office equipment.
7. Goodwill and intellectual property rights – parent companies enjoy author's rights on software and patent on developing the following programs: Prime 3D, Vlink, Rad Explorer, RadExPro, Sonar. These are all software that process data and interpret seismic and sonorous information. At the present time license on using given software are on sale and are used with provision of services of the company.
8. Signs of public recognition – the clients of "Deco-Geosystem" are "Sib Oil", "Lukoil", "Tat-Oil", CONOCO, "Ukos", "Poltava's Oil Company" "Halliburton", "PetroAlliance" and others. The Company unites 30 scientists from MSU. The Company navigates every year conference "Geomodel". The "GeoTechSystem" has working experience with "Sib Oil", "Itera", Noyabrs Oil/Gas", ONGC, CSI, "Sibgeo" and also develops software under order of "Norsk Gidro".

#### Owners

Legal entities (2):	
1. Deco-Geophysics, Ltd	50%
2. GeoTechSystem, Ltd	50%
Share of government property	0%

#### Products characteristics

Current products: Processing data and interpretation seismic information services, controlling of seismic information acquisition, core analysis, 2D and 3D model-building of field, deposit modeling, consulting services, running science projects, special software for project implementation. The competitive advantage of the Company is her flexibility and capacity to accomplish substandard projects using MSU scientific potential.

Products under development: AVO-analysis computer model and software for using this model while offering services.

Fundamentally the model includes scientific achievements of Russian and Australian scientists in petrophysics, acoustic, seismicity. The product gives an option to offer extra services of AVO-interpretation, the demand on such services is rather high in the market, but there are no Russian companies that can offer such a product.

#### Markets and Competition

Total volume of Russian market of oilfield services we estimate as \$ 1 billion per year. Both companies are sharply focused on investing in people, software and processes rather than acquisition of capital assets. This strategy allows "Deco" and "GeoTechSystem" to stay competitive and flexible in comparison with other companies. Taking into consideration "Deco-Geosystem"'s marketing strategy, which includes only labor-intensive projects, and do not includes projects with high capital expenditure, e.g. field seismic shooting. Volume of the target segment of this market is \$ 200 mln per year. Because of high oil prices this market growth rapidly by 3 years. But change to low prices of oil should not impact market of oil services, because Russia has reserves to be explored and developed in future. The marketing strategy of "Deco-Geophysics" is to find and occupy high value added niches where clients require high professional and customized service.

Data		Product of "Deco-Geosystem"	Alternative product: Hampson-Russel	Others
Geographical Region – Russia and CIS. Market size \$ 50 million				
2009	Company market share \$ ths / %	10 000 / 20%	20 000 / 40%	20 000 / 40%

#### **Marketing and Sales**

Without any investments company will achieve \$ 2 mln turnover next year because of simple addition of revenues of two companies. Maximum level of company's revenue using existing capabilities both people and computers is \$ 4 mln per year. Additional investments in increasing team and buying additional computers can double this result in two years and reach horizon in \$ 8 mln per year.

#### **Prospects of development**

2–3 years after investments "Deco-Geosystem" reach \$ 10 mln turnover while capitalization reach \$ 20–25 mln. After that a major share of capital would be sold to Halliburton, Schlumberger, Veritas or big oil company. Another possibility is to become public company and make IPO.