

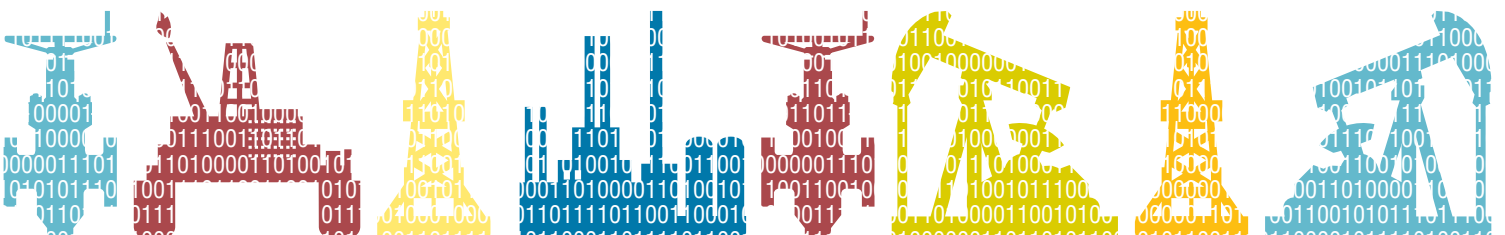
NICKLE'S

# New Technology magazine

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## Software Issue



PLUS

6th Annual Software Survey

Passive Microseismic Monitoring

CANADIAN SOFTWARE PROVIDERS LOOK TO EXTEND  
THEIR REACH SOUTH OF THE BORDER  
BY PAUL WELLS

# Uncle Sam beckons

**THE CANADIAN OILPATCH IS WELL KNOWN FOR ITS EXPERTISE, INNOVATION AND INGENUITY WORLDWIDE. FROM THE MASSIVE ENGINEERING AND TECHNICAL WONDER THAT IS THE OILSANDS TO THE DEVELOPMENT OF VARIOUS DRILLING AND FRACTURING TECHNIQUES THAT HAVE HELPED REVOLUTIONIZE THE INDUSTRY, CANADA'S PLACE AS A TECHNOLOGICAL LEADER IS FIRMLY ESTABLISHED.**

And that includes software development that specifically targets the needs of the energy sector. Having gained a foothold in the Canadian market and looking to grow their business, many software providers are increasingly looking to expand their horizons, seeking to expose their respective products to relatively untapped markets. And expansion into the United States is proving to be the perfect fit for many.

Calgary-based software providers VistaVu Solutions, WellPoint Systems Inc. and Energy Navigator Inc. are among those making a recent charge south. For Jory Lamb, president and chief executive officer of VistaVu, the company's recent expansion into the U.S. market was a "natural evolution."

"There's a lot of overlap in our customer base, in their best practices and in the product that we developed specifically for oilfield energy services companies and oilfield product manufacturers," Lamb says. "We've had some very good success and continue to have success here in Canada and we wanted to continue growing our company and the U.S. was the next logical step for us."

VistaVu brings the power of SAP Business One to field services, serving the North American energy service and rentals industries. Lamb says SAP Business One is an integrated, affordable business management software platform specifically created for small- and medium-sized business. SAP Business One allows clients to simply and easily automate the functions that make their business work in a cohesive, efficient fashion, from operations to sales to human resources to manufacturing to purchasing to finance.

Lamb explains that VistaVu's "unique contribution" has been to deliver FieldVu (a field services add-on module) for SAP Business One, making this world-class business software available to field service companies and other service-related industries.

The 16-module add-on includes sector-specific functions such as job and unit costing, field ticketing, equipment tracking and rental management. Combining the insight of VistaVu Solutions with the power of SAP Business One enables VistaVu clients to see their whole business, up to the minute, and manage accordingly.

"We have a very specific application [for SAP] that we have developed internally, one that manages all the daily operations of energy services firms or an oilfield product manufacturer," Lamb says, noting that VistaVu is a "preferred SAP supplier" to small and medium-sized businesses in the oil and natural gas industry.

"We assist our clients to know if they're making money or what their margins are on a job. We assist our clients to determine asset utilization, to manage preventative maintenance and it's all fully integrated," he adds. "You can't tell where our solution ends and SAP begins because the whole application is so fully integrated. It looks the same, it operates the same and by and large to our customers it is the same product and that's the way we certainly view it."

Since stepping over the border in July 2006, VistaVu has quickly navigated the landscape of this new marketplace and has built its states-side business to the point that it now contributes about half of the company's annual consolidated revenues.

"Business has been good in the U.S. We are growing, we have momentum behind us and our relationship with SAP ... has helped us leverage our growth," Lamb says.

Today, the company builds business software solutions in three distinct markets — Texas, the U.S. Rocky Mountain region and Alberta. In the U.S., VistaVu's main office is located in Houston and the company has satellite offices in Dallas and Denver. Canadian operations are headquartered in Calgary while

Edmonton is home to a secondary office. VistaVu's 22 employees are evenly split between the two countries.

Although not without its trials, Lamb says the company's U.S. expansion can only be deemed a success. Incorporating a two-pronged market entry strategy consisting of acquisitions and a direct-to-market approach allowed VistaVu to hit the ground running, he adds.

"We acquired some smaller software companies in similar markets. In doing so we immediately gained a



client base and we also gained some market awareness,” Lamb explains. “We also took a direct-to-market approach whereby we opened offices, we’ve hired U.S. personnel to staff those offices and management is there on such a regular basis that it’s almost full-time.”

But entering a new and relatively unknown market is not without its challenges, Lamb admits.

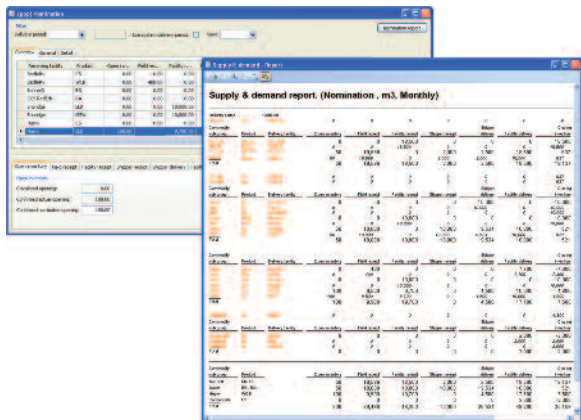
“I think the toughest part of any expansion is finding those first 10 customers. If you’re going into uncharted waters you really have to be very, very determined and committed to that marketplace — that’s the only way we’ve been able to be successful,” he notes.

“It’s not easy. I’d be lying if I said it’s easy to expand out beyond any boundaries you are used to, but if you are committed and determined to succeed, the chances are good that you will.”

Being the new kid on the block can also mean starting from scratch when it comes to developing relationships with industry players, as well as finding and retaining qualified local employees to man the new entity.

“The other piece that’s been really key for us is finding really good relationships in an effort to find good people. When we entered the Houston market, we didn’t really know who was known, who was doing good things in the industry. We didn’t have the same networks you have in your own region,” Lamb says.

“We’ve been really fortunate; we’ve built a good team. But building the network in a new market is a challenge.”



As far as future company growth is concerned, Lamb says both Canada and the U.S. will share the marquee.

“We think both markets for us hold a lot of potential,” he notes. “We are absolutely committed to growing. We’re actively hiring for the Calgary office and we’re actively hiring for Houston, so we’re committed to both markets.”

WellPoint Systems, a leading provider of software solutions to the energy industry, is quickly achieving success in the U.S. market thanks to its acquisition of Denver-based Bolo Systems in the summer of 2007.

Shortly after the deal was completed, WellPoint knew that it had hit pay dirt when the Bolo subsidiary was recognized by both Inc. Magazine and Deloitte in their

annual reviews of rapidly growing companies. Currently, Bolo by WellPoint is the leading provider of integrated financial, land and production accounting solutions for the U.S. oil and gas industry and has given WellPoint a leg up in its efforts to gain U.S. revenue and market share.

“[Bolo] is a market leader, they’re very profitable and they have an experienced management team,” says Frank Stanford, CEO of WellPoint. “We purchased them and what a home run that’s been. They’ve been immensely profitable.”

Not to mention the key to WellPoint’s ever increasing revenue stream emanating from the U.S.

During the first quarter of this year, the company’s revenue from outside of Canada — predominantly generated from its U.S. operations — increased to \$7.6 million versus \$2 million during the first three months of 2007.

“I would say almost 100% of the success we’ve had in the U.S. market is attributable to the Bolo acquisition,” Stanford notes. “They had a very large [existing] customer base and were aggressive in the marketplace. It was a good fit.”

Prior to the Bolo acquisition, Stanford says that WellPoint had been considering its options concerning full-fledged entry into the U.S. market. The choices are relatively few — start from scratch and grow internally or acquire an existing company — essentially buy versus build. “We said it’s going to cost us this many millions and take three to five years to build, or we can pursue an acquisition in the states,” Stanford says. “So that’s what we did.”

Although the amalgamation of the two entities was a relatively painless exercise, Stanford points out that it was not without its difficulties. “It’s hard integrating companies, there’s some real bumps in the night and it isn’t easy. But because we had a common culture, it worked.”

Stanford says the company’s Canadian operations are still strong and an essential component of WellPoint going forward. However, as a public company with growth aspirations, the opportunities to gain Canadian market share were limited while the sheer breadth of the American market offered enticing prospects.

“If you gave me \$10 million and said buy a company in Canada or one in the U.S., it’s pretty easy to understand which one has more market potential,” he says.

“A \$10-million acquisition in Canada would have stuffed the market — we would be a gorilla in the marketplace. Whereas in the U.S., the chances for a better return are there.”

**AMALGAMATION**  
WellPoint Energy Broker is the industry’s first modular application to fully combine independent trading departments into a single integrated entity, enabling multi-commodity deals and transactions, forecasting, scheduling, nominations and contract settlement.

WellPoint is likely not finished with its U.S. expansion plans and would also like to increase its international business segment, which is currently making gains in South America.

“We’re always looking at potential acquisitions in the U.S. and actually internationally, too,” Stanford says, noting the company has begun to achieve some success through deals with national oil companies in South America and elsewhere.

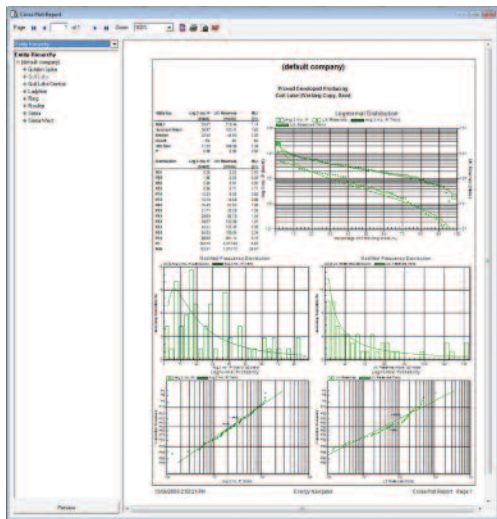
Among its many offerings, WellPoint Systems offers financial management solutions for international and domestic oil and gas operations, enterprise asset management capability and a multi-commodity marketing solution.

WellPoint Energy Broker offers midstream enterprises an integrated platform for multi-commodity deals, and the associated forecast, scheduling, nominations and settlement of those contracts. With support for the multiple currencies and languages needed to support local and international operations, WellPoint Energy Broker helps combine independent trading departments into a single integrated entity.

WellPoint IDEAS and WellPoint Energy Financial Management have

been developed to meet the specific needs of the oil and gas industry offering traditional division of interest, joint venture billing and authorization for expenditure functionality. It is further differentiated by providing the multi-location, multi-currency and multi-language functionality that allows compliance with the local accounting and reporting requirements of the international market, while meeting home country financial reporting standards.

Bolo by WellPoint offers a comprehensive solution addressing the accounting, land, production, and asset and tax management requirements of the U.S. marketplace.



**NET WORTH**  
Value Navigator gives users control over their reserves, production and cash-flow forecasting.

WellPoint Energy EAM facilitates the core asset maintenance, repair and operation (MRO) requirements of client businesses, and offers comprehensive warranty management, accident and incident reporting and maintenance program simulation and scheduling resulting in improved operational uptime.

Calgary-based Energy Navigator Inc. has developed two software solutions, Value Navigator and AFE Navigator, to help the oil and gas industry make better decisions and improve workflows.

Value Navigator gives users control over reserves, production and cash-flow forecasting. Users can quickly create an annual capital and production budget, build long-term plans and maintain reserve data — all from a single source.

The application has powerful decline, material balance and volumetric forecasting functionality. It can be used for geostatistical modelling to assist with property valuation or rank exploration.

The robust, up-to-date economic engine includes Canadian and U.S. royalties, a comprehensive price deck editor and a custom regime editor to model international royalties.

The company says AFE Navigator brings a new level of efficiency, control and accountability to capital tracking by automating and streamlining a company's AFE creation and approval process. The extensive real-time custom reporting utility allows a client to manage by exception, address bottlenecks and monitor project status. Integration with accounting and well data management systems give the user the most complete picture of their project.

Founded in 1998, Energy Navigator and its executive team had a vision of providing workflow-oriented solutions to help oil and gas companies with their decision-making process.

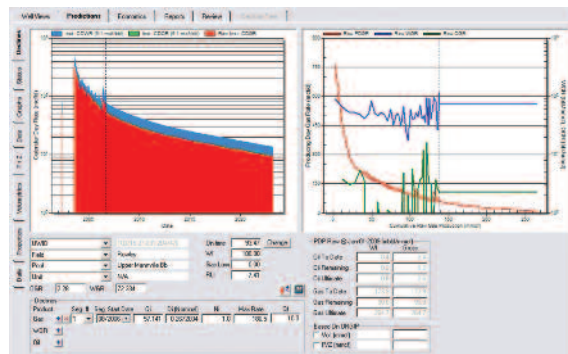
“Our primary focus for the first seven years of the company's life has been to exceed the needs of the Canadian market,” explains Stephanie Prior, executive vice-president.

However, Energy Navigator began researching the unique needs of the U.S. market. And for good reason, Prior says, as with over 850 Canadian companies located in Houston, it's a natural evolution for any successful

Canadian company to expand states-side.

“Our development and support teams have been enhancing both AFE Navigator and Value Navigator to meet U.S. requirements,” she says, noting that in addition to ensuring that the company's solutions are ready for the U.S., Energy Navigator has also built up a reserve to fund its U.S. expansion efforts.

“We are a profitable, private company with a stable revenue model. It has always been our long-term strategy



to secure our position in the Canadian market, and then to expand into the U.S. and international markets.”

So far, so good as the company has already gained two AFE Navigator and three Value Navigator clients in the states.

“We have set up a U.S. company, Energy Navigator LLC, and have retained a recruiting firm, Q4B, to assist us with our staffing needs. In addition, we are working closely with other U.S. companies to help build our U.S. team,” Prior says.

But there are some inherent challenges in executing a growth strategy in a new market. For instance, Prior notes that it's important to recognize that the oil and gas industry operates differently in the U.S. than in Canada, so it's important to adapt the product offerings to match the new landscape.

“We are able to adapt our solutions to meet the needs of each individual company. AFE Navigator is a configurable application that automates each company's unique AFE creation and approval process,” Prior explains.

“Value Navigator revolutionized the reserve management, reconciliation and reporting process. Many of our clients report their reserves to the SEC using our solutions; both of which assist them with their SOX [Sarbanes-Oxley Act] compliance.” **ntm**

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