President’s Letter

I look forward to serving as President in 2006 and acknowledge the trust and responsibility the Society has given me. First, I want to acknowledge and thank Dan Olds for his able and dedicated service as 2005 President. As Past President, Dan will continue to provide guidance and counsel as a member of the Executive Committee and Chairman of the Nominating Committee. The other members of the Executive Committee are Tim Smith, Vice President, and Frank Molyneaux, Secretary/Treasurer.

I think it is beneficial to reflect on what defines a member of SPEE. My definition is that our members are all professionals who perform responsible, competent, and ethical evaluations of petroleum properties and have demonstrated this ability for a minimum of 10 years. The three members who sponsor candidates have the first responsibility to know the candidate meets the qualifications for membership. This review is the first step in ensuring the high standards for membership we have maintained.

SPEE is currently engaged in developing joint training initiatives with AAPG. The effort for SPEE is being led by Stuart Filler, Director and Continuing Education Chairman. These initiatives will concentrate on geological and engineering methods to determine reserve estimates. These initiatives would certainly be considered as Continuing Education. Other Continuing Education topics will be considered if there is demand.

At the January meeting, the Board of Directors endorsed the SPE/AAPG/WPC reserve definitions. I feel this was long overdue since SPEE has used and supported the SPE/AAPG/WPC reserve definitions almost since their formation in 1987. This acknowledged consistency from the major societies engaged in reserves definitions and determinations will be beneficial within the industry.

The Board has approved the application to accept MasterCard, Visa and American Express for all transactions. Credit cards will satisfy many requests from the membership and also greatly simplify international transactions.

I know the next topic may not be greeted with enthusiasm. The Board approved an increase in annual dues to $120 USD in 2007. If annual dues are paid by check the annual dues are $115 USD. There has not been an increase since 1999. The current increase represents an annualized rate of 4.6%/yr. The Society had a deficit last year and is projecting a deficit for 2006. The Society is financially strong, however, the assets are declining due to the deficits. The increase in dues will contribute to maintaining the financial strength of the Society.

Our most financially successful seminars have been the SEC seminars. However, the SEC has declined to participate in future seminars. Without the participation of the SEC staff it is doubtful a SEC-focused seminar would be as successful.

We currently have 27% of our members who are 65 and over. They will continue to qualify for a 50% reduction in annual dues provided they are retired.

Tim Smith is well into planning for the 2006 Annual Meeting in Huntington Beach on June 11–13 and has prepared an excellent Technical Program. I know you will find the program topics timely and informative and hope to see you in California.

Please call me at 361-994-7222 if you have any questions or comments regarding the Society.

Bernie Brauer
2006 Officers and Directors
Committee Chairmen and Individual Appointments

Officers
President ............................................ E. Bernard Brauer (Corpus Christi)
Vice President ........................................ S. Tim Smith (Austin)
Secretary/Treasurer ................................. Frank Molyneaux (Calgary)
Past President ....................................... Daniel R. Olds (Houston)

Directors
Barry R. Ashton (Calgary)
Robert Dimit (Midland)
Stuart Filler (Houston)
David Gold (Bakersfield)
Fred Goldsberry (Houston)
Charles Nelson (Houston)
Nanette Schulz (Denver)
Jim L. Wilson (Enid)

Committee Chairmen
Continuing Education ................................ To Be Announced
Evaluation Parameter Survey ....................... Leslie O’Connor
Fair Market Value .................................... D. Russell Long
Ethics and Grievance ................................. Florence Hughes
Internet .................................................... Richard Krenek
Membership .............................................. Brian Walter
Newsletter Coordinator .............................. Fred Goldsberry
Past President’s Council ............................... Mark A. Doering
Qualifications ............................................ Nanette Schulz

Individual Appointments
Annual Meeting Advance Planning .................. Richard J. Miller
Communications Director ............................ Jim Wilson
Directory .................................................... Brian Walter
Production Tax Summary ............................. Charles G. Massey/Dan Olds
Liaison Representative on SPE ....................... D. Ronald Harrell
Oil & Gas Reserves Committee ..................... Marcus Snyder

Chapter Officers - 2006

Calgary
Chairman – Barry Ashton
Vice Chairman – Floyd Siegel
Secretary/Treasurer – Curt Labelle
Membership Coordinator – Phil Kandel
(3rd Tuesday of each month except June/July/August)

California
Chairman .................................................. Rick Finken
Vice Chairman .......................................... Russ Bertholf
Secretary/Treasurer .................................. Barry Evans

Central Texas
Chairman – Cary McGregor
Program Chairman/Treasurer Open
Co-Membership
Austin Wayman Gore
San Antonio Open
Secretary/Treasurer Open
(Quarterly - Austin Country Club)

Dallas
Chairman .................................................. Dee Patterson
Vice Chairman .......................................... Rick Krenek
Secretary/Treasurer .................................. Dean Eiland
Membership Chairman ................................ John Nicol
(Bimonthly-September through May - Dallas Petroleum Club)

Denver
Chairman .................................................. Keith Engler
Program .................................................... Scott Wilson
Secretary/Treasurer .................................. Jerry Hertzler
Membership .............................................. Kevin Weller
(2nd Wednesday of first month of each quarter
Hershner Room - One Norwest Center)

Houston
Chairman .................................................. Sam Singer
Vice Chairman .......................................... Stuart Filler
Secretary/Treasurer .................................. Ron Rhodes
Program Chairman ................................. Ed Gibbon
(1st Wednesday of each month - Petroleum Club)

Midland
Chairman and Programs ............................. Joel Castello
Treasurer .................................................. Bob Dimit
Membership ............................................. Joe Neal
(1st Tuesday of every other month - Petroleum Club)

Oklahoma City
Chairman .................................................. Dean Sergent
Vice Chairman .......................................... Jim Wilson
Membership ............................................. Bruce Heath
Secretary/Treasurer ................................. Fletcher Lewis
(Every odd-numbered month)

Tulsa
Chairman .................................................. Stanley M. Scott
Programs .................................................. Chris Jacobsen
Membership ............................................. Gary Nilson
Secretary/Treasurer ................................. Robin LeBleu
(1st Tuesday of each month - Petroleum Club)

The SPEE Newsletter is a quarterly publication of the Society of Professional Evaluation Engineers. News items, correspondence, address changes and advertising inquiries should be directed to SPEE headquarters in Houston, Texas.
Chapter News

CALGARY

On November 1, 2005 the Chapter published the much anticipated Volume 2 of the Canadian Oil and Gas Evaluation Handbook. This Volume contains the “Detailed Guidelines for Estimation and Classification of Oil and Gas Resources and Reserves.” These two Volumes represent the culmination of thousands of volunteer hours by a few dedicated professionals, and “accomplished the objective of establishing and documenting evaluation standards and guidelines to improve the quality and consistency of reserves evaluation practice and reporting.” The Volumes can be purchased at www.petsoc.org.

In November, Mr. Chris Slubicki of Scotia Waterous delivered an interesting presentation on “How Does NI 51-101 Affect Acquisitions and Divestitures.” The presentation drew many questions and an invigorating discussion. Approximately 25 members were in attendance. The year wrapped up with our Christmas luncheon on December 20, 2005, where Mr. Robert Odd presented Mr. Glenn Robinson as the winner of “oil price contest.” His prediction (last December) of the average 2005 oil priced of $52.33 US was closest to the actual price of $56.29 US.

CALIFORNIA

The California Chapter was not able to get a second meeting put together for 2005. The Chapter participated in the March 2005 SPE Western Regional Meeting with a panel discussion and had every intention of getting together for a luncheon forum in Bakersfield in the Fall. High oil prices are to blame. We are all busy and since most of us are consultants, we are “making hay while the sun shines.”

The Chapter will continue with the same officers for a little while at least.

We are looking forward to this year’s conference in Huntington Beach.

HOUSTON

After the summer break, the Houston Chapter of SPEE kicked off the fall schedule by hosting a panel discussion focused on the certification of reserve evaluators, a topic currently in the forefront of industry discussion. The panel consisted of three members of the joint AAPG/SPEE managing committee: Mr. Ron Harrell of Ryder Scott & Assoc. (SPEE); Mr. Richard Miller of Richard J. Miller & Assoc. (SPEE); and Mr. Dan Tearpock of Subsurface Consultants Inc. (AAPG). Each member provided his perspective as to the progress, status and direction of the certification effort. Although these issues affecting the SPEE did not go before a vote of its members, the panel emphasized renewed focused on training efforts in reserve estimation and evaluation.

Despite the lingering effects of Hurricane Rita, the chapter proceeded with its October luncheon. The speaker was Mr. John L. Shafer, a consultant with Reservoir Management Group currently engaged with Devon Energy in their GOM Deep Water Division. Mr. Shafer’s topic was titled “Methods and Procedures for Calibrating NMR Log Derived Permeabilities.” This technical presentation highlighted the need for accurate NMR log calibration given the importance of permeability and irreducible water saturation in formation evaluation.

Dr. Larry Brown, an Engineering Consultant in Houston, made an engineering ethics presentation in November. Dr. Brown has over 35 years of Petroleum Industry experience and is currently a member of the SPE Engineering Professionalism Committee. His presentation identified the essentials in making ethical decisions and provided practical methods in resolving conflicts among ethical principals. The luncheon presentation fulfilled the ethics training requirement for state licensing.

The Houston Chapter closed out the 2005 luncheon schedule in December with a presentation by one of its members, Dr. Fred L. Goldsberry, President of WAVEX, Inc. His topic was titled “How Images Impact Your Decisions.” Fred provided an entertaining presentation focused on decision-making processes, how to make better informed decisions and how to avoid making bad decisions. Elections were conducted at the meeting with the following individuals elected chapter officers for 2006: Sam Singer, Chairman; Stuart L. Filler, Vice-Chairman; and, Ron E. Rhodes, Treasurer. Ed J. Gibbon was appointed Program Chairman.

The new chapter officers are fully engaged in 2006. Preparations are underway for the joint SIPES/SPEE luncheon on January 19, which is hosted this year by SIPES. Douglas R. Wight, V.P. Corporate Development with CDX Gas LLC will make a presentation titled “Unconventional Drilling Methods for Unconventional Reservoirs.” The February 1 SPEE luncheon speaker is Ken Beeney, Chief Geophysicist with Devon Energy. Mr. Beeney will be focus on lower tertiary discoveries in the GOM Deepwater. Luncheon attendance in 2005 reflected a modest 13% increase over the previous year. Attendance averaged 41 persons per luncheon in 2005 versus 36 in 2004. The chapter’s financial account is in good shape. We ended the year with a balance of $4,019.43, which is slightly higher than the $3,828.36 balance at the end of 2004.
The Midland chapter met twice in the last half of 2005. The first meeting on July 7 was a joint meeting with Midland Business Development Group and the FEPA organization. The MBDG is a group of business development professionals from large oil and gas and banks in Midland. The FEPA organization is another group of dealmakers who discuss financing oil and gas projects. Many people are members of both groups including SPEE. The joint meeting was held in order to attract a high profile speaker, Adrian Goodisman, Managing Director of Scotia Waterous, the largest oil and gas A&D firm in the world. Adrian spoke on recent sales in the Permian Basin and worldwide, who is buying and selling, metrics pertaining to recent sales ($/BOE;$/BOEPD;$/Monthly NCF), and trends he sees in the business.

The second meeting was on October 18. Chris Aycock, attorney with the Cotton, Bledsoe law firm of Midland spoke on “The role of Evaluation Engineers as Experts in Litigation.” He summarized recent Texas cases involving expert witnesses and offered advice on preparing expert witness testimony.

I must admit a poor job at scheduling and lining up speakers for our local group. We are all very busy professionals, and work demands override my ability to lead this group as I should lead it. I do need help in leading the organization. I plan to ask a few key members of the group to a meeting to discuss the future of the Permian chapter, as I will not be continuing in the chairman role next year, how to get more members involved in active leadership, and how to get relevant speakers. As with any organization, only a few members do 90% of the work. In my view, few are willing or able to step up and take on the chairman or vice chairman job.

SPEE is a vital organization for those of us involved in evaluation engineering. I want to see the local chapter thrive and grow, but I need some help and advice from others to accomplish this effort.

The September 2005 meeting with David Marcell, Managing Director, A&D for Tristone Capital, had to be postponed due to Hurricane Rita. David rescheduled to speak at the January 2006 meeting.

The Chapter had the highest-attended meetings ever in the Fall. In October, Aubrey McClendon, CEO - Chesapeake Energy, presented Chesapeake’s outlook for the natural gas industry. The December meeting featured Ceci Leonard, Reservoir Engineering Manager, Devon Energy, who presented some of the lessons learned in the Barnett Shale. There was an average of 100 people in attendance for both meetings. Jim Wilson has done a fabulous job as the chapter Program Chairman.

Board of Directors

Back Row (l-r): Fred Goldsberry, Jim Wilson, Tim Smith, David Gold, Dan Olds
Front Row (l-r): B.K. Buongiorno (Executive Secretary for SPEE), Nanette Schulz, Bernie Brauer, Robert Dimit, Stuart Filler, Frank Molyneaux, Charles Nelson

Officers
Frank Molyneaux - Secretary/Treasurer
Bernie Brauer - President
Dan Olds - Past President
Tim Smith - Vice President
Enjoy an Informative Technical Program and Earn 12 - 16 PDH Hours in a Relaxed Atmosphere

Social Activities include:
Cocktails Aboard the Queen Mary and a Catalina Island Excursion

2006 Speaker Roster

Rick Bergsieker
Managing Director - Galway Group LNG Commercial Advisors

Guy Caruso
Administrator – Energy Information Administration, U.S. DOE

Dr. Edgard Habib
Chief Economist – Chevron Corporation

Kenneth Hersh
CEO, NGP Energy Capital Management

Dane Eisenhower
Managing Director of A&D – Tristone Capital

Dr. Jimmy Smith
Director - National Institute for Engineering Ethics

Marina Voskanian
Mineral Resources Management Division
California State Lands Commission

Richard Ward
Director - Cambridge Energy Research Associates (CERA)

SPEE/AAPG/WPC Reserves Training

Session 1 - June 10th
Stuart Filler (SPEE)
*Engineering Aspects of Reserves Estimation*

Session 2 - June 11th
Dan Tearpock (AAPG)
*Avoiding Write Downs and Common Mapping Errors*

Sponsorships will be available. Sponsors will receive advertisements in the meeting proceedings and publicity during technical session intermissions.

Contact Tim Smith.
**ENGINEERING ETHICS**

*** Open Call For Ethics Questions and Issues ***

At the 2006 Annual Meeting in Huntington Beach this Summer, Dr. Jimmy Smith will teach a one-hour ethics course to satisfy State’s continuing education requirements. Certificates of course completion will be provided.

SPEE Members have the unique ability to shape the course content so that it directly reflects issues germane to evaluation engineers and geologists.

Please submit your ethics questions, issues, hypotheticals and case histories to Tim Smith. If there is adequate response to this open call by April 21th, Dr. Smith can customize the course especially for SPEE.

Contact: Tim Smith  
Phone: (512) 476-1245  
Fax: (512) 476-6025  
sts-drga@swbell.net
The proposal to develop a voluntary industry-supported program that would be available to qualified petroleum reserves evaluators worldwide to earn a certificate following training and examination in recommended evaluation practices, definitions and ethics was not well-received across all segments of industry.

However, the training objectives of this initiative have been generally well recognized and accepted by virtually everyone. In March 2006, the SPEE, AAPG and the WPC endorsed a cooperative agreement to officially become sponsors and supporters of a world-class program that will become an incubator for the initiation and development of training modules to be offered globally to reservoir engineers and geoscientists at a nominal cost. Successful participants in these training courses will ultimately be awarded internally-accepted Continuing Education Units (CEUs).

The alliance between the 31,000-member AAPG organization, the World Petroleum Council and SPEE will reposition SPEE to become globally recognized and will challenge our ability to adapt to a new and expanded environment. The WPC represents 61 member countries that control virtually all of the world's petroleum resources.

The “official” program launch will occur on April 8 in Houston during the 2006 Annual AAPG Conference. Dan Tearpock will present an 8-hour course entitled “Petroleum Reserves: Avoiding Write-downs – An Overview Of Recommended Geological Practices.” The contents of this course (training module) have been reviewed in depth by the WPC and a nine-person SPEE committee chaired by Stuart Filler. The intersocietal review process was carefully and critically made and led to several recommendations and alterations acceptable to Tearpock and the AAPG.

The next SPEE-AAPG-WPC-sponsored presentation – entitled “Engineering Aspects of Reserves Analysis” – will be made by Stuart Filler on June 10, 2006 in Huntington Beach during the annual SPEE Conference. This half-day presentation will be reviewed and made acceptable to AAPG and WPC before their approval for presentation. On the following day, Mr. Tearpock will conduct a 4-hour training session entitled “Petroleum Reserves: Avoiding Write-downs and Common Mapping Errors.” This will be similar to the module he taught in Houston on April 8 for the AAPG conference. Work is underway on other training modules and they will be “vetted” by the appropriate sponsoring societies prior to being released.

There are a myriad of details related to copyrights, program charges, cost recovery, distribution, advertising, marketing and other matters that will be addressed over time.

I extend my personal thanks to so many of you fellow SPEE members who have “stayed the course” in seeing this program through to this point. I also ask your continued patience, and assistance, as we work through some of the remaining issues that must be resolved. As we all know, “the devil is in the details.”

Respectfully submitted,

Ron Harrell
Welcome New Members

GILBLOM, TIMOTHY JAMES
Member No. 669
Gilblom Engineering, PLLC
Principal
221 S. Yellowstone Street
Livingston, Montana  59047
406-222-3593
904-216-7408 - fax
tgilblom@gilblomengineering.com

SIDLE, RODNEY EARL
Member No. 668
Shell International E & P Inc.
Senior Reserves Consultant
P. O. Box 576
Houston, Texas  77001-0576
1-281-544-2063
1-281-544-3153 - fax
rod.sidle@shell.com

HARPER, JACK LAYNE (Jr. Member)
Member No. 675
Compass Bank
Vice President - Engineering
P. O. Box 4444
Houston, Texas  77210-4444

TENZER, JEFFREY R.
Member No. 672
Unocal
Manager of Operations Analysis
2141 Rosecrans Avenue
El Segundo, California
310-726-7915
310-726-7640 - fax
jtenzer@unocal.com

HUMPHRIES, GUY MARTIN
Member No. 674
Halliburton HDCS
Product Manager - Economics
2101 City West Blvd., Bldg. 2
Houston, Texas  77042
713-839-2531
713-839-3773 - fax
ghumphries@lgc.com

WOODS, DONALD W.
Member No. 670
Sproule Associates Limited
Associate
140 4th Avenue S. W., Suite 900
Calgary, Alberta  T2P 3N3
403-294-5568
403-294-5570 - fax
don.woods@sproule.com

LATHAM, JAMES F.
Member No. 673
Ryder Scott Company
Vice President
1100 Louisiana, Suite 3800
Houston, Texas  77002
713-651-9191
713-655-3021 - fax
James_latham@ryderscott.com

ROBINSON, GREGORY DALE
Member No. 671
Sproule International Limited
Manager, Engineering
Suite 900, North Tower, Sun Life Plaza
140 Fourth Avenue S.W.
Calgary, Alberta  T2P 3N3
403-294-5558
403-294-5570 - fax
greg.robinson@sproule.com

SPEE Membership Snapshots 1996 and 2006

<table>
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<th>Member Age Group</th>
<th>1996</th>
<th>2006</th>
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<td><strong>Total</strong></td>
<td><strong>466</strong></td>
<td><strong>540</strong></td>
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The 2006 age range for our membership is 33 to 99 years old.
Median age is 55 years old.
SPEE is getting older. What does this mean for the future of our organization?

J. Brian Walter
Membership Chairman
The following member applicants have been processed by the Qualifications Committee. The bylaws require that their names be presented to the membership for at least 30 days as a pre-membership requirement. Any member with an objection should address the objection to the Executive Committee (see bylaws regarding other important details) since the applications have already passed through the Qualifications Committee.

<table>
<thead>
<tr>
<th>APPLICANT</th>
<th>SPONSOR</th>
<th>APPLICANT</th>
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<tr>
<td>DARTEZ, FRANKLIN</td>
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<td>RITTER, JOHN E.</td>
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<td>Guaranty Bank</td>
<td>Mike Garcia</td>
<td>Chevron Corporation</td>
<td>Fred Goldsberry</td>
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<tr>
<td>333 Clay Street, Suite 4400</td>
<td>James Patterson</td>
<td>Reserves Manager, N.A. Upstream</td>
<td>Ron Harrell</td>
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<tr>
<td>Houston, Texas 77002</td>
<td>William Schneider</td>
<td>1500 Louisiana</td>
<td>Jerry Tabb</td>
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<td>Houston, Texas 77002</td>
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<td>DOVER, JR., AARON LEE</td>
<td>Mark B. Merritt</td>
<td>STROMAR, MIRO</td>
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<tr>
<td>Fasken Oil and Ranch, Ltd.</td>
<td>William R. Huck</td>
<td>Chapman Petroleum Engineering Ltd.</td>
<td>Barry Ashton</td>
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<tr>
<td>Petroleum Engineer</td>
<td>Larry Connor</td>
<td>#445, 708 - 11th Avenue, S.W.</td>
<td>Charles Chapman</td>
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<tr>
<td>303 West Wall Street, Suite 1800</td>
<td></td>
<td>Calgary, Alberta T2R 0E4</td>
<td>Charles Moore</td>
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<tr>
<td>Midland, Texas 79701</td>
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<td>HAMMONS, ROBERT WILLIAM</td>
<td>Christopher Avra</td>
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<td>J M Huber Corporation</td>
<td>Dan Sodersten</td>
<td>Southwestern Energy Company</td>
<td>Kerry Adams</td>
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<tr>
<td>11451 Katy Freeway, Suite 400</td>
<td></td>
<td>1177 West Loop South, Suite 1825</td>
<td>Mike Garcia</td>
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<tr>
<td>Houston, Texas 77079</td>
<td>Marilyn Wilson</td>
<td>Houston, Texas 77027</td>
<td>Bob Moses</td>
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<td>WILLIAMS, JOHN DAVID</td>
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<td>JOHNSON, PHILIP GLENN (Jr. Member)</td>
<td>Laurie Bowns</td>
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<tr>
<td>Cimarex Energy</td>
<td>Dave Reese</td>
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<tr>
<td>15 E. 5th Street, Suite 1000</td>
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<tr>
<td>Tulsa, Oklahoma 74103</td>
<td>Phil Schenewerk</td>
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<td>KING, DONALD</td>
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<tr>
<td>BMO Financial Group</td>
<td>Curt LaBelle</td>
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<tr>
<td>6th Floor, 350 - 7th Avenue, S.W.</td>
<td>Frank Molyneaux</td>
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<tr>
<td>Calgary, Alberta T2P 3N9</td>
<td>Robert Odd</td>
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<td>NEWMAN, ROBERT M.</td>
<td>James Bostic</td>
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<tr>
<td>Cimarex Energy Company</td>
<td>Phil Schenewerk</td>
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<tr>
<td>15 East 5th Street, Suite 1000</td>
<td></td>
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<tr>
<td>Tulsa, Oklahoma 74103-4346</td>
<td>Kent Alan Williamson</td>
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<td>PRICE, CHARLES ERROL</td>
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<tr>
<td>Capital Appraisal Group, Inc.</td>
<td>Michael Horne</td>
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<tr>
<td>Appraiser</td>
<td>Lynn McCoy</td>
<td></td>
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<tr>
<td>9300 Research Blvd., Suite 100</td>
<td>Brian Walter</td>
<td></td>
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<tr>
<td>Austin, Texas 78750</td>
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<tr>
<td>REID, DAVID (Jr. Member)</td>
<td>Tom Gardner</td>
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<td>Shell International B.V.</td>
<td>Farhad Ghassemi</td>
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<tr>
<td>P. O. Box 162</td>
<td>Dan Olds</td>
<td></td>
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<tr>
<td>The Hague, 2501 AN</td>
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<tr>
<td>The Netherlands</td>
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IN MEMORIUM
We regret to note the passing of the following member:

SOL SMITH
Austin, Texas
March 18, 2006