President’s Letter

How do you define success? This is a question that we individually and as a Society should carefully consider. Personally, it is much more than just obtaining money or recognition. It must include establishing a reputation for honesty, integrity and professionalism over your entire career based on ethical day-by-day decisions and consistent and diligent application of knowledge and experience. As a Society, our success is based not only being a large prosperous organization, but on our effectiveness in helping to equip and motivate our members to achieve personal success.

The recent annual meeting in Charleston was a great success. Besides educational and thought-provoking presentations, there were wonderful social activities. Charles Gleeson and his team of assistants did an outstanding job in planning and running the entire event. It will certainly be a challenge to improve on this next year when we meet in the mountains of Oregon in June 2004. Pete Huddleston did a great job of explaining why we often get confused over certain accounting practices related to oil and gas companies and why there is the need for some changes. Ron Harrell’s “20 Commandments” learned from past SPEE forums on SEC Definitions was very entertaining, especially when the subsequent live phone conference with the SEC engineers showed these commandments are not written in stone and can change unpredictably as the political climate changes. The panel discussion on ethics certainly got everyone thinking and I believe it definitely raised the reported golf scores later that afternoon.

The success of the SPEE is, of course, dependent on the efforts of our members. Three outstanding members were recognized at the annual meeting. Richard Miller of the California Chapter and Steve Balog of the Calgary Chapter were both recognized as “Volunteers of the Year” for their exemplary service to our Society. Russ Long also was recognized for his outstanding service to the SPEE and our industry over the last 20 years when he was granted an Honorary Lifetime Membership. Russ became only the twelfth recipient of this prestigious award. There are certainly numerous opportunities for members to become involved in the success of the SPEE both on a local chapter and national organization basis.

Success is also dependent on all of us staying informed. This fall, the SPEE will again sponsor a forum on SEC Reserve Definitions with Ron Harrell serving as chairman. This will be followed next spring by a SPEE forum on REP’s and Evaluation Software with John Wright serving as chairman. Also, members of the Midland Chapter are making significant progress on formulating a SPEE publication on Ethics. The Continuing Education Committee, chaired by Gene Wiggins, has exciting plans for a traveling short course series to be offered to the local chapters possibly as early as this fall. Also, several new REP’s are in the process of being formulated.

As discussed in the last newsletter, the Board of Directors issued guidelines for the approval of position statements on behalf of the SPEE. Following comments from members, the Board adopted a revised resolution at its last meeting to address this issue and a proposed bylaw change is presented in this newsletter to implement these new procedures. Please take the time to read the new Board resolution and proposed bylaw change and give us your feedback. A formal ballot will be sent out later this year for your vote on this amendment.

I want to encourage each of you to become more involved in the success of the SPEE over the next year. Please attend your local chapter meetings and volunteer to serve as an officer or on a committee. How about writing an article for the next newsletter? Make plans now to attend next year’s annual meeting. Let me know if you need help in finding a way to become more involved.

Mark Doering
SPEE Officers, Board of Directors 2003

Officers
President ............................................................. Mark A. Doering (Dallas)
Vice President .............................................. Charles W. Gleeson (Midland)
Secretary/Treasurer .............................................. Daniel R. Olds (Houston)
Past President ..................................................... Marilyn Wilson (Houston)

Directors
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R. Andrew Fair (Houston) ..................................................... John D. Wright (Denver)
James W. Haag (New Orleans) ...........................................
G. Michael Harper (Fort Worth) ...............................................

Committee Chairmen
Continuing Education.................................................. Gene B. Wiggins, III
Evaluation Parameters Survey .............................................. S. Tim Smith
Fair Market Value ........................................................... D. Russell Long
Gas Imbalance .......................................................... R. Curtis Phillips
Ethics and Grievance .................................................... Florence Hughes
Internet ........................................................................... David K. Gold
Membership ..................................................................... Brian Walters
Newsletter Coordinator ................................................ Fred Goldsberry
Past Presidents Council ................................................ Richard J. Miller
Qualifications .................................................................. Bernie Brauer
Reserve Definitions ...................................................... D. Ronald Harrell

Individual Appointments
Annual Meeting Advanced Planning ...................... Richard J. Miller
Chapter Coordinator .................................................. N. James Wilde
Communications Director ............................................... Ed Butler
Directory ......................................................................... Brian Walter
Production Tax Summary ............................................... Charles G. Massey
Professional and Public Affairs ..................................... Dave Cox
Historian ........................................................................... Mike Garcia
Liaison Representative on SPE ........................................ D. Ronald Harrell
Oil & Gas Reserves Committee .................................... Marcus Snyder
Professional Registration ........................................... D. Ronald Harrell

Chapter Officers - 2003
Calgary
Chairman .......................................................... Frank Molyneaux
Vice-Chairman ......................................................... Barry Ashton
Secretary/Treasurer .................................................. Doug Wright
Membership Coordinator ........................................ Phil Kandel
(3rd Tuesday of each month except June/July/August)

California
Chairman .......................................................... David Gold
Vice Chairman .......................................................... Rick Fiken
Secretary/Treasurer .................................................. Barry Evans

Central Texas
Chairman .......................................................... Rick Johnston
Program Chairman .................................................. Michael Horne
Co-Membership ............................................................
Austin ........................................................................... Wayman Gore
San Antonio .......................................................... Paul Cleveinger
Secretary/Treasurer .................................................. Cary McGregor
(Quarterly - Austin Country Club)

Dallas
Chairman .......................................................... Mark Nieberding
Vice Chairman .......................................................... Mike Garcia
Secretary/Treasurer .................................................. John Nicol
Membership Chairman ................................................ Ed Butler
(Bimonthly-September through May - Dallas Petroleum Club)

Denver
Chairman .......................................................... Scott H. Stinson
Program .............................................................. Wally O'Connell
Secretary/Treasurer .................................................. Greg Wilcox
Membership ............................................................. Keith Engler
(2nd Wednesday of first month of each quarter
Hershner Room - One Norwest Center)

Houston
Chairman .......................................................... Charles Nelson
Vice Chairman .......................................................... Tom Gardner
Secretary/Treasurer .................................................. Sam Singer
Program Chairman ................................................... Mike Garcia
(1st Wednesday of each month - Petroleum Club)

Midland
Chairman .......................................................... Roy Williamson, Jr.
Vice Chairman .......................................................... Robert Dinit
Secretary .............................................................. Joel Mays
Membership ............................................................. Bill Huck
(Bimonthly)

New Orleans
Chairman .......................................................... Dennis Jordan
Vice Chairman .......................................................... Jim Hubbard
Secretary/Treasurer .................................................. Jim Hubbard
(3rd Wednesday of each month)

Oklahoma City
Chairman .......................................................... M. Dale Smith
Vice Chairman .......................................................... Dean Sergent
Program .............................................................. Bruce Heath
Secretary/Treasurer .................................................. Fletcher Lewis
(Every odd-numbered month)

Tulsa
Chairman .......................................................... Jerry Russell
Vice Chairman .......................................................... Stan Scott
Program .............................................................. Chris Jacobson
Membership ............................................................. Ken Richison
Secretary/Treasurer .................................................. Robin LeBleu
(1st Tuesday of each month - Petroleum Club)
Chapter News

California

The California SPEE section sponsored three panel discussions focusing on Fair Market Value at the SPE/AAPG Western Regional Meeting in Long Beach on March 22nd. All participants, with one exception, were SPEE members. Richard Miller gave an excellent talk on the benefits of SPEE membership, including the choice locales of the annual meetings. William Hunter then moderated a discussion on the recently published SPEE FMV Monograph. Barry Evans spoke about the purpose and importance of the SPEE monograph. Tom Pyburn discussed reserve classifications. John Davis discussed evaluation methods. Richard Miller discussed using discount rates to determine FMV, and Barry Evans wrapped up this part of the session by discussing the use and misuse of the SPEE Annual Parameter Survey. After a short break, Rick Finken kicked off an excellent panel discussion on “Current FMV Issues in California.”

Thomas Mehlberg discussed the banking industry’s perspective on FMV. Richard Armstrong from the Kern County Assessor’s office, the only non-SPEE member in the session, discussed the various methods used by the assessor to determine FMV. Richard also discussed the recent “Elk Hills decision” noting that there are a wide variety of methods used to risk unproved reserves. Brad DeWitt wrapped up the session with an excellent presentation on both the buyer’s perspective “buy low” and the seller’s perspective “sell high,” as well as the unique situation where you are just buying the “right to explore” and not buying reserves. Approximately 25 people attended the panel discussions.

Several requested membership applications and four bought copies of the FMV Monograph. All in all, the panel on FMV was very well received and increased the exposure of SPEE in California.

Dallas

The SPEE Dallas Chapter sponsored and had a great turnout for their one-day short course entitled “Risk Analysis for Development Applications” which was presented in May 2003 by Gary Citron and Jim Gouveia of Rose and Associates. Although one day was hardly enough to cover all aspects of the course material, Gary and Jim did a great job of reviewing the essentials of probabilistic analysis and its application to development projects as opposed to exploration projects.

We would like to thank all of you who participated in the short course and look forward to seeing you this fall when our SPEE luncheons resume.

Denver

The program for Denver’s third meeting of the year, July 9, was a presentation by John Seidle and Leslie O’Conner with Sproule and Associates entitled “A Production Based Probabilistic Economics for Unconventional Gas” Examples of typical tight gas and Coal Bed Methane economics were presented. The impact of distributions in the reservoir parameters as well as product pricing was included. The price for lunch was increased to $15 to more closely balance it to the expenses. A total of 26 members and guests were in attendance.

A discussion was held on the program for the final meeting of the year. The scheduled meeting coincides with the SPE Annual Meeting to be held in Denver. In order not to conflict with the SPE Presidents Lunch, the meeting was moved to Monday, October 6th. Our scheduled speaker will be Ron Harrell, with “SEC Reserves Definitions - A Moving Target?” We would like to send a special invitation to any of our members, or interested guests, in town for the SPE Annual Meeting to attend the meeting which is only a few blocks away from the convention center.

Tulsa

The Tulsa chapter met in the Petroleum Club for the June meeting and enjoyed a general discussion on several topics. Bob Pielsticker provided a glowing report on the annual meeting held in May 2003. He also led a lively discussion on the various topics covered at the meeting. Bob Burlingame provided an enticing report on the annual meeting that is scheduled for 2004, having spent a long weekend at that resort. Following that, the group discussed possible programs for the next year. Various members are working on a program of their choice. We are looking forward to an active fall meeting schedule. Tulsa sends best wishes to our companion chapters in the society and to B.K.
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.

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Jerry Simon

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John Warner
Revised Resolution of the SPEE Board of Directors

WHEREAS, the Society of Petroleum Evaluation Engineers (SPEE) was formed to promote the profession of petroleum evaluation engineering; to foster the spirit of scientific research among its members; and to disseminate facts pertaining to petroleum engineering among its members and the public;

WHEREAS, the SPEE encourages the ethical dissemination of petroleum evaluation knowledge;

WHEREAS, the SPEE membership includes only qualified and experienced petroleum evaluators with excellent references;

WHEREAS, members of the SPEE often have widely different opinions and judgments on various evaluation methodologies based on their individual experiences and expertise;

WHEREAS, the SPEE desires to respect each and every member and their individual opinion; and

WHEREAS, the SPEE wishes to value and represent all of its members;

IT IS THEREFORE RESOLVED, that the SPEE shall encourage and empower its individual members and chapters to seek opportunities in which they may promote the profession of petroleum engineering, foster scientific discussions and debate with other members and to disseminate facts pertaining to petroleum engineering to other members and to the public; and

IT IS FURTHER RESOLVED, that any elected or appointed officer, committee or chapter of the SPEE shall not issue any letter or position statement on behalf of the SPEE (or its chapters) nor any filings, briefs, appeals or requests with any court or governmental body on behalf of the SPEE, without the prior approval by a two-thirds majority vote of the Board of Directors of the SPEE. SPEE members are encouraged to individually promote positions on petroleum evaluation practices to the members of the SPEE and to the public; and

IT IS FURTHER RESOLVED, that the Executive Committee prepare a proposed by-law amendment to address the major provisions of this resolution for submittal to the members of SPEE for their approval as provided in the bylaws.

May 18, 2003

Letters Or Position Statements Issued on Behalf of the SPEE

The following is a revised resolution approved by the SPEE Board of Directors at the May 18, 2003 meeting. This resolution was revised from the one approved at the January meeting and posted in the April newsletter based on SPEE member feedback. The only revision is in the next to the last paragraph and relates to the level of Board approval required for a letter or position statement on behalf of the SPEE to be issued.

Revised Resolution of the SPEE Board of Directors

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WHEREAS, the SPEE encourages the ethical dissemination of petroleum evaluation knowledge;

WHEREAS, the SPEE membership includes only qualified and experienced petroleum evaluators with excellent references;

WHEREAS, members of the SPEE often have widely different opinions and judgments on various evaluation methodologies based on their individual experiences and expertise;

WHEREAS, the SPEE desires to respect each and every member and their individual opinion; and

WHEREAS, the SPEE wishes to value and represent all of its members;

IT IS THEREFORE RESOLVED, that the SPEE shall encourage and empower its individual members and chapters to seek opportunities in which they may promote the profession of petroleum engineering, foster scientific discussions and debate with other members and to disseminate facts pertaining to petroleum engineering to other members and to the public; and

IT IS FURTHER RESOLVED, that any elected or appointed officer, committee or chapter of the SPEE shall not issue any letter or position statement on behalf of the SPEE (or its chapters) nor any filings, briefs, appeals or requests with any court or governmental body on behalf of the SPEE, without the prior approval by a two-thirds majority vote of the Board of Directors of the SPEE. SPEE members are encouraged to individually promote positions on petroleum evaluation practices to the members of the SPEE and to the public; and

IT IS FURTHER RESOLVED, that the Executive Committee prepare a proposed by-law amendment to address the major provisions of this resolution for submittal to the members of SPEE for their approval as provided in the bylaws.
Proposed Amendment to SPEE By-laws
Based on May 18, 2003 Resolution of the Board of Directors

According to the bylaws of the SPEE, a proposed amendment shall be printed in its entirety in the SPEE newsletter and posted on the SPEE website. After a comment period of no less than 30 days and no more than 60 days from the postmark of the newsletter, a ballot shall be mailed out to the membership for a vote. An affirmative vote by a majority of the ballots received within 60 days of mailing the ballot shall be sufficient to approve the amendment. Only SPEE members in good standing are eligible to vote on a proposed amendment.

Please provide your comments to the President, Vice President or Secretary-Treasurer of the SPEE.

The following is the proposed amendment.

Article XVII. Position Statements

Members of the Society, whether acting as individuals, as an officer or Director of the Society, as a committee, or as a Chapter of the Society, shall not issue any position statements on behalf of or in the name of the Society without first receiving the approval of the Board of Directors. Approval requires an affirmative vote by two-thirds of all eligible members of the Board of Directors. For the purpose of this Article, a "position statement" shall mean (a) any letter, publication, professional paper, or any other written document and (b) any verbal communication, speech, or exchange that separately or collectively refers to, indicates or otherwise suggests that statements contained in the document or communication, in whole or in part, are approved or endorsed as the policy of SPEE. This definition shall not extend to the use of or quotation from any official publication of the Society.

Members of the Society wishing to make a position statement must submit a written request to the President of the Society. The request must include (1) the full text of the proposed statement, (2) the intended recipient(s), (3) the purpose of the statement, and (4) the time period within which approval of the request is requested. The President will present the request to the Board of Directors for review and shall request that the Board render a timely decision. If a member of the Board does not vote on the proposal within a reasonable time, his vote shall be considered an affirmative vote.

It is not the intent of SPEE to enter into or to take partisan positions in legal, regulatory or governmental issues and proceedings. It is recognized that in any issue before a court, regulatory, or governmental agency there may be the possibility that (1) an SPEE member, (2) the member’s employer or firm, or (3) a client of the member or the member’s employer would be beneficially or adversely affected by the outcome of the issue. In such instances, the SPEE member should not make a request to submit a position statement. If a member of the Board of Directors has a potential conflict of interest, as described above, on a proposed position statement, he must notify the Board and be excluded from the voting on the proposed position statement.
The fourth annual SPEE-sponsored Forum on U.S. Securities and Exchange Commission oil and gas reserves definitions has been set for October 28, 2003 in Houston at the downtown Hyatt Regency Hotel. The event will be held in the ballroom and is expected to attract a capacity crowd of up to 170 attendees.

The registration fee has been set at $250 for applications received on or before October 7, 2003. A $100 late charge will apply until the final registration deadline which will occur when all spaces are filled.

Both SEC engineers, Ron Winfrey and Jim Murphy are expected to participate. Their immediate supervisor, Roger Schwall, may attend and participate as our luncheon speaker but this is not confirmed. The Forum format will remain virtually unchanged as the SEC engineers will be invited to express their views about the appropriateness of booking proved SEC reserves under several “cases” that will be presented. The Chairman of the Case Committee, Ace Alexander (James.Alexander@ElPaso.com), is soliciting actual industry situations where the reporting of proved reserves may not be well understood or where the definitions may be open to multiple interpretations. All cases will be presented in a way that will not allow the Forum participants or the SEC staff to recognize the actual field location or the participants.

Discussions will include numeral technical issues affecting reserves classification and quantification as well as references to both the Sarbanes-Oxley Act of 2002 and FASB 143. Questions from the floor will be taken following each case presentation.

Application forms are scheduled to be mailed to all SPEE members and others on or about August 15, 2003. Please consult the SPEE website at www.spee.org for further updates or Ron Harrell, Steering Committee Chair (ron_harrell@ryderscott.com) for additional information.