



President's Letter

If you weren't at Huntington Beach you missed an excellent SPEE Annual Meeting. Tim Smith, Annual Meeting Chairman, provided an interesting and diverse program on subjects that were timely and informative. I found the presentation on Engineering Ethics by Dr. Jimmy Smith, NIEE, one of the most engaging of the program, based on content and presentation. It's hard to believe the gazelle didn't see the tree!

In lieu of a Sunday short course on a relevant subject for SPEE members, this annual meeting was used to showcase the first of our SPEE/WPC/AAPG training initiatives for Reserve Evaluators. The course on Saturday was by SPEE Board Member, Stuart Filler, Devon, on the "Engineering Aspects of Reserve Analysis" and the session on Sunday was by AAPG member, Dan Tearpock, SCA, LLP on "Petroleum Reserves—Avoiding Write-Downs and Common Mapping Errors." Both courses gave excellent examples and defined the applications, a must for any short course.

A meeting was initiated on July 19 by SPEE/AAPG that formed the Joint Committee on Reserves Evaluator Training (JCRET). JCRET is composed of members of SPEE, WPC, AAPG and, as of this meeting, SPE. This is a positive step forward for consistency between the four organizations on the evaluation of oil and gas reserves.

After the SPEE endorsement of the SPE/WPC/AAPG reserves and resources guidelines, I have been notified that the SPE Oil and Gas Reserves Committee (OGRC) has accepted the SPEE endorsement and the reference to what is becoming the standard for reserves and resources definitions in industry will now be identified by the prefix – SPE/WPC/AAPG/SPEE. This will be officially public when the revisions to the SPE/WPC/AAPG/SPEE Reserves and Resources Definitions and Guidelines are complete, currently being reviewed in Draft 6.

I am writing Chairman Christopher Cox, Securities and Exchange Commission (SEC) to appeal to the SEC to again participate in a SPEE/SEC Reserves Forum. Our last one was in 2003. I am proposing the Forums every other year or a mutually agreed time.

At the June Board of Directors meeting the decision was made to form an SPEE Chapter in London. The exact procedure is being defined. The toughest hurdle is our current reliance on three members as Sponsors, a

procedure that has served SPEE well since 1962. Nanette Schulz, Chairman, Qualifications Committee, has a commentary on the Qualifications Committee in this Newsletter. If a procedure is defined to allow a London Chapter to form, the procedure would be applicable to other international cities provided the initial effort is from the potential local members.

Whatever procedure is put in place would require an approval of the membership for by-law revisions.

I want to express appreciation to Leslie O'Connor, MHA Consultants, for her three years of service in preparing the Parameter Survey. I also want to welcome Michael Horne, OXY, as the new chairman of the Parameter Survey.

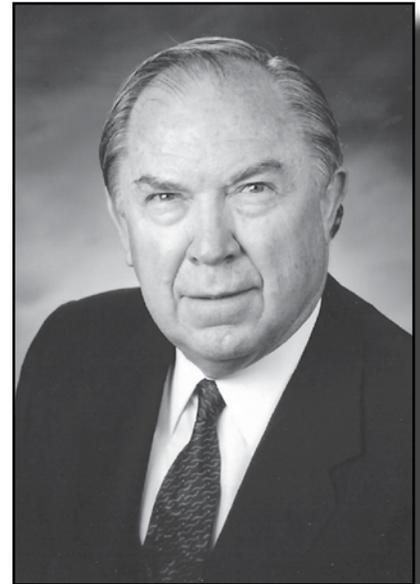
We are researching if there is any interest in another SPEE Software Symposium. More importantly, how many want to be an active member of the Committee – especially General Chairman.

It is frustrating that we have not resolved SPEE's clear ownership of SPEE.org. All indications are SPEE has paid for the domain name but it has not been recorded to SPEE. We are continuing the effort.

SPEE depends on personal contact to seek new members. There is no better way than your personal interaction with a colleague or client to know of a person's knowledge and experience.

If you missed the 2006 SPEE Annual Meeting, mark your calendar for June 10-12, 2007, in Vail, Colorado. Frank Molyneaux, 2007 Annual Meeting Chairman, is planning a very inviting Rocky Mountain meeting.

Please call me at 361-994-7222 or email me at ebbrauer@prodigy.net if you have any questions or comments on 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)	Fred Goldsberry (Houston)
Robert Dimit (Midland)	Charles Nelson (Houston)
Stuart Filler (Houston)	Nanette Schulz (Denver)
David Gold (Bakersfield)	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
 Oil & Gas Reserves Committee..... D. Ronald Harrell
 Professional Registration 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 Chairmen	
Program	Jim Wilson
Membership	Bruce Heath
Secretary/Treasurer	Fletcher Lewis

(Every odd-numbered month)

Tulsa

Chairman	Stanley M. Scott
Programs	Chris Jacobsen
	Gary Nilson
Membership	David Morrell
Secretary/Treasurer	Robin LeBleu

(1st Tuesday of each month - Petroleum Club)

SPEE

1001 McKinney Street, Suite 801

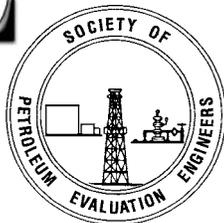
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The SPEE Newsletter is a quarterly publication of the Society of Professional Evaluation Engineers. News items, correspondence, address changes and advertising inquiries should be directed to SPEE headquarters in Houston, Texas.

Chapter News

CALGARY

The Chapter is now in summer recess, the last meeting being held in May. However, the activity level remains fairly high as a result of the following:

A number of members (8?) from the Chapter attended the SPEE Annual Meeting held in Huntington Beach, California. The meeting was preceded by two excellent short courses that were very well attended, and, as usual, B.K. and the organizing committee did a superb job. Thank you to everyone who had a role in this. As Chapter Chairman I presented the views of members regarding changes/amendments that should be considered for NI51-101, to the ASC Forum held at the Metropolitan Centre in Calgary on June 28th. Also presenting were SEPAC, TSX Venture Exchange and CAPP. The most dominant view was to remove the requirement for reconciliation of Future Net Revenue. Other significant concerns were for reserve reconciliation to be on a company-interest basis rather than net, report timing requirements and costs to meet filing requirements. The ASC is now considering the feedback it received. Finally, work is continuing on the development of COGEH. A workshop on mineable bitumen was hosted at the ASC by Dave Elliott on June 19th. It was very well attended by companies active in this area and Dave and others continue to work on the draft. Also at work by sub-committees are insitu bitumen and unconventional gas. One last item under review by the Standing Committee is proposed amendments to COGEH Volume 1 that have been received.

The Chapter will resume its regular meeting schedule, with a meeting on September 19th, the guest speaker will be confirmed.

CALIFORNIA

The California Chapter very much enjoyed having the June Annual Meeting in Huntington Beach - kind of its own "back yard." As was pointed out several times, this may have been the first time an Annual Meeting was located at the site of oil production. The Chapter sponsored material handouts detailing the history of oil in the Los Angeles Basin were appreciated by all attendees and the field trip to the Oxy operated Wilmington Field was enjoyed by the tour hosts and the participants.

The Chapter is in the process of electing a new slate of officers. The nominating committee met at the June Annual Meeting and the following nominees are under consideration by the chapter membership:

Chairman:	Russell Bertholf
Vice Chairman:	Tom Walker
Secretary/Treasurer:	Barry Evans

DENVER

The Denver Chapter's third quarter meeting was a mini-seminar featuring Ellen Coopersmith of Decision Frameworks. The workshop focused on expected value analysis in determining the value of information for petroleum decision making. Participants discussed the reliability of various types of information and the relationship between reliability and cost of additional information. An example problem comparing a short term versus long term production test concluded the workshop. Our next meeting is scheduled for October 9th.

HOUSTON

The chapter does not meet during the summer months. A list of the speakers for the upcoming meetings follows:

September 6	Richard F. Lane, Executive VP, Southwestern Energy Production Company	"Fayetteville Shale Play"
October 4	Stuart Filler, Senior Advisor - Corporate Reserves, Devon Energy Corporation	"SPEE Training Program"
November 1	Wayne Wisniewski, Global Wells Technology Manager, BP America Inc.	"Ethics"
December 7	Thomas Harris, Kerogen Resources, Inc.	"Identifying Shale Gas Potential"
January 3, 2007 (Joint SPEE/SIPES)	Annette Hugh, Houston Bureau Chief, Platts -- A Division of the McGraw-Hill Companies	"Oil & Gas Markets"

With Sympathy

**IN MEMORIAM
WE REGRET TO NOTE
THE PASSING OF
THE FOLLOWING MEMBER:**

**GEORGE G. KOENIG
HOUSTON, TEXAS
MAY 11, 2006**

Membership Requirements

This discussion is an update of the review of the Qualifications Committee responsibilities and revisions to the membership requirements and the approval process to become a member of SPEE written by Bernie Brauer for the April 2002 newsletter.

The Qualifications Committee is appointed by the Executive Committee (President, Vice-President, Secretary-Treasurer and past President) of SPEE and consists of at least four members. Currently the Qualifications Committee consists of five members from different areas of the United States and Canada. The SPEE bylaws give the Qualifications Committee the responsibility to review the applications to ensure compliance with the requirements for SPEE membership at either the member or junior member level.

In January 2001 the Board of Directors of SPEE adopted a definition of license to be "that applicants comply with all laws pertaining to the practice of evaluating oil and gas properties in the jurisdiction in which they practice."

Many oil and gas companies, consulting firms, and banks in the United States, Canada, and International do not require engineers to be registered or geologists to be certified. If the applicant does not need to be a registered engineer or a certified geologist as a condition of their employment, it is not now an SPEE membership requirement. If the applicant's state of residence requires registration or certification, then registration or certification continues as a membership requirement. If the member moves or changes employment where registration or certification is required, then the member must become registered or certified to continue as a member in good standing.

Once potential members determine that they meet the requirements for membership, they then obtain three sponsors who are currently SPEE members in good standing. This is a very important step in the application for the applicant and the sponsor. The applicant should get sponsors who are well aware of the applicant's experience in evaluating oil and gas properties and who have seen the applicant's work product. The sponsors should know the applicants better than the members of the Qualification Committee. Sponsors will submit sponsor forms indicating their knowledge of experience, evaluation ability, professional conduct, and personal character of an applicant's potential for membership. The sponsor's form has been revised to allow this critical part of the application process to be more useful to the Qualifications Committee and ultimately the Executive Committee in their approval of the applications

After the Qualifications Committee review, the applications that meet the membership requirements are then sent to the Executive Committee for approval.

Applications deficient in the requirements for membership are also sent to the Executive Committee with an action recommendation.

Approved applicants and their sponsors are listed in the quarterly newsletter, or if the newsletter has a significant delay in publication, then the notification to the membership of the approved applicants is by mail, email or the SPEE website. After 30 days, if there are no objections from the membership, the applicant is then an SPEE member.

SPEE welcomes professionals who are in the business of evaluating oil and gas properties and meet the requirements for membership to apply for membership. In many cases this will be by a current member who has knowledge of a person's qualifications and invites them to join SPEE.

The Board of Directors of SPEE is exploring the concept of expanding an International membership. Potential overseas members most likely will not have three sponsors who are familiar with their work product and professional experience until they have an active chapter established. It takes ten or more members of the Society to form a local chapter. This is just one of the issues that the Board will be addressing in expanding an International membership. Yet, the Board sees many benefits both to SPEE and to international members in expanding an International membership in our global industry.

Nanette Schulz

Chairman, Qualifications Committee

Joint Committee On Reserves Evaluator Training (JCRET)

The committee was formed on July 19, 2006. The primary purposes of JCRET are to:

- (1) promote the creation of training modules that represent industry "recommended practices" as approved by all four sponsors (AAPG, SPE, SPEE and WPC)
- (2) to actively seek opportunities to make such modules available to the industry worldwide at an affordable cost

The committee consists of two representatives from each organization and one member-at-large. Dan Tearpock and a second person to be determined will represent AAPG; Elliott Young and Rod Sidle will represent SPE; and for SPEE, the representatives are Dan Olds and Stuart Filler. The WPC will be represented by Anibal Martinez, with a second to be determined. Ron Harrell will be the member-at-large.

2006 Annual Meeting Report

The merger of an active on-shore/offshore oilfield with a seaside venue dubbed “Surf City” USA was indeed synergistic for the 2006 Annual Meeting attendees. Participants enjoyed the many fruits of this pleasant, Southern California, locale while earning most, if not all, of their continuing education Professional Development Hours. The SPEE launched its first two training modules jointly sponsored by the SPEE, AAPG and WPC – a product of the certification initiative and the beginning what the SPEE Board plans – an internationally recognized, intersociety training program for petroleum reserve evaluators, evaluation engineers and petroleum geoscientists. The modules were enthusiastically received by the participants – about half of the General Session attendees. At the conclusion of the Meeting, the SPE announced an interest in joining this effort.

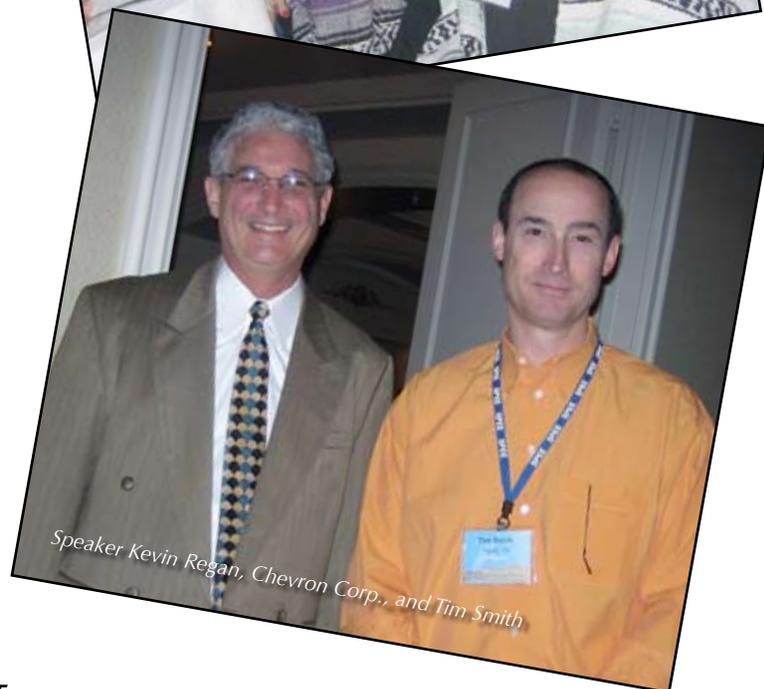
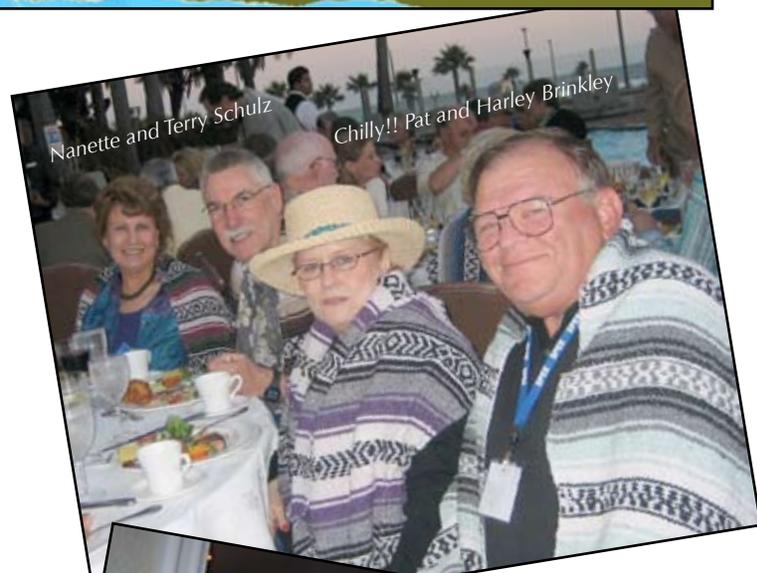
In all, 94 members, 8 non-members, 9 speakers and 80 guests were in attendance. The Catalina Island excursion set attendance records for an SPEE Annual Meeting activity. Sixteen entities chose to sponsor the 2006 Annual Meeting and the SPEE would again like to acknowledge their support (see above).

As a non-profit organization with the financial reserves of the SPEE, the SPEE Board sets a revenue-neutral goal for the the Annual Meeting. The success of this goal is measured over broad periods during which Meeting gains in some years offset Meeting losses in others. The financials for the 2006 meeting are currently under analysis, but early indications suggest that the 2006 Annual Meeting will at least break even.

Several Annual Meeting speakers made personal comments to me on the professional caliber of our group, expressing a desire to address the SPEE again in the future. One speaker expressed an interest in SPEE Membership as a result of the experience. This is a tribute all who attended and an affirmation of SPEE’s charter, principles and purpose.

In concluding this report, and with great relief, I pass the torch to 2007 Annual Meeting Chairman - Frank Molyneaux, who I know will do a fine job in Vail, Colorado. Mark your calendars for Vail now; the dates are June 10th – 12th.

Tim Smith
2006 Annual Meeting Chairman



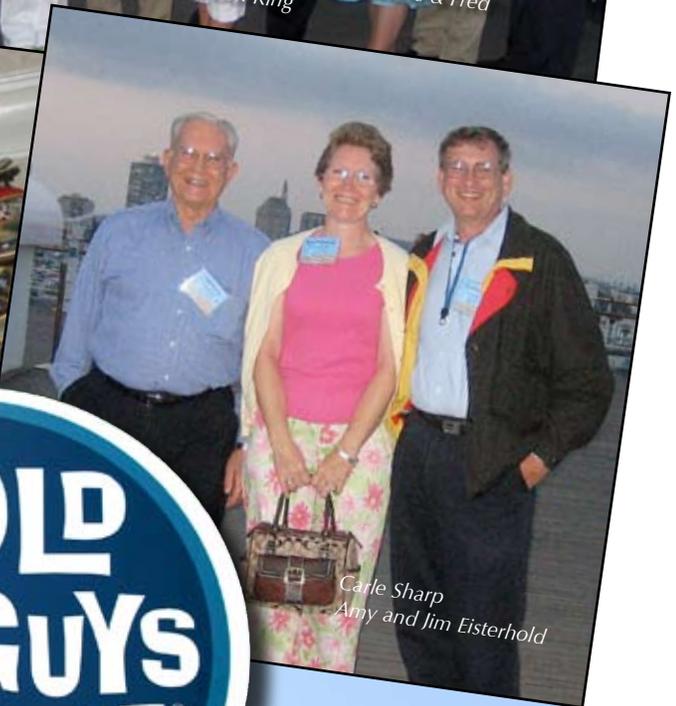
Queen Mary

Aren't you glad you were here??? If you weren't, you should have been! Mark your calendar for June 10-12, 2007 for The Lodge atvail!

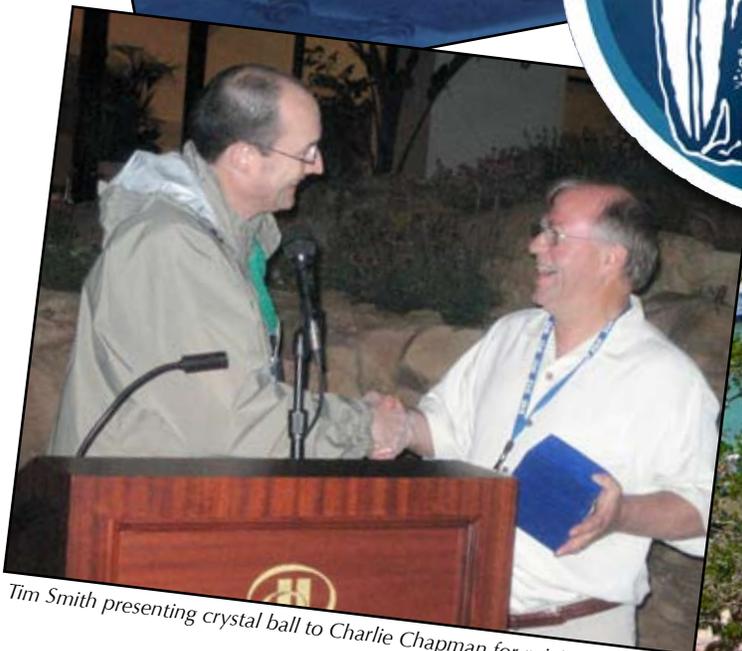


Ben Buongiorno, Charlie & Ann Chapman, Allen Barron, Debbie & Fred Duewall, Charlene & Bill Schneider, and Don King

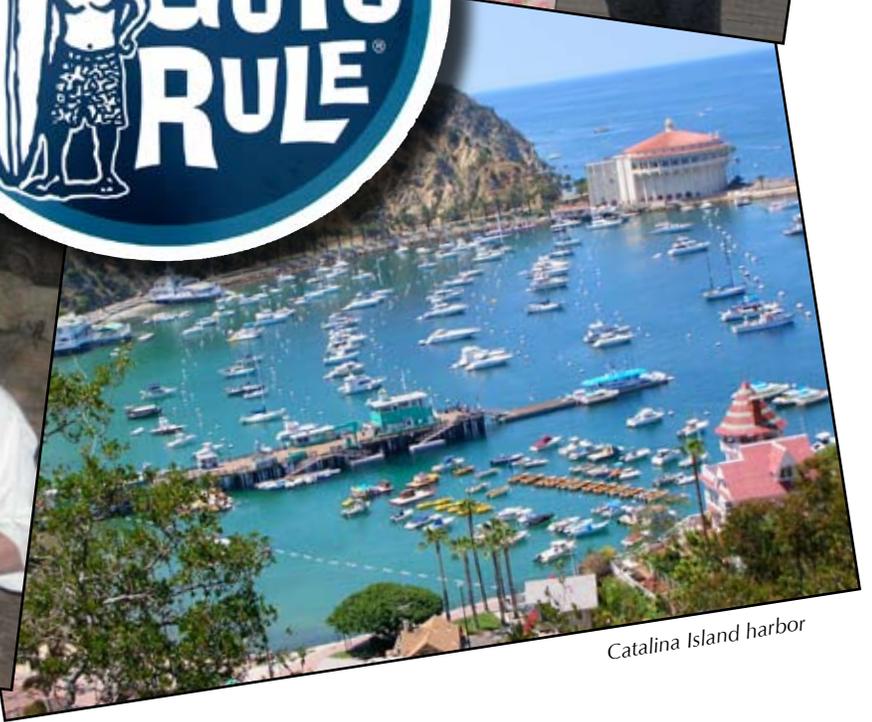
Speaker gifts of surfers' model "woodies"



Carle Sharp
Amy and Jim Eisterhold



Tim Smith presenting crystal ball to Charlie Chapman for pricing contest



Catalina Island harbor

Expected Rate of Return

Over the years, the SPEE surveys have reported a “Discount Factor” and more recently a “Risk Adjusted Discount Rate.” The “SPEE Expected ROR” (Rate of Return – ROR) values displayed are based on a selection of the reported “Discount” parameters from each of the annual surveys which are thought to represent the best consistency (in my judgment). Most recently (2001 forward), the ROR parameter selected is referenced in the reports as the Combined (Producer, Consultant, and Banker) Average Composite Risk Adjusted Discount Rate. In a similar vein, I would have preferred to plot the median values for the survey parameters but the medians were only included in the reported survey results on occasion. The averages were consistently available.

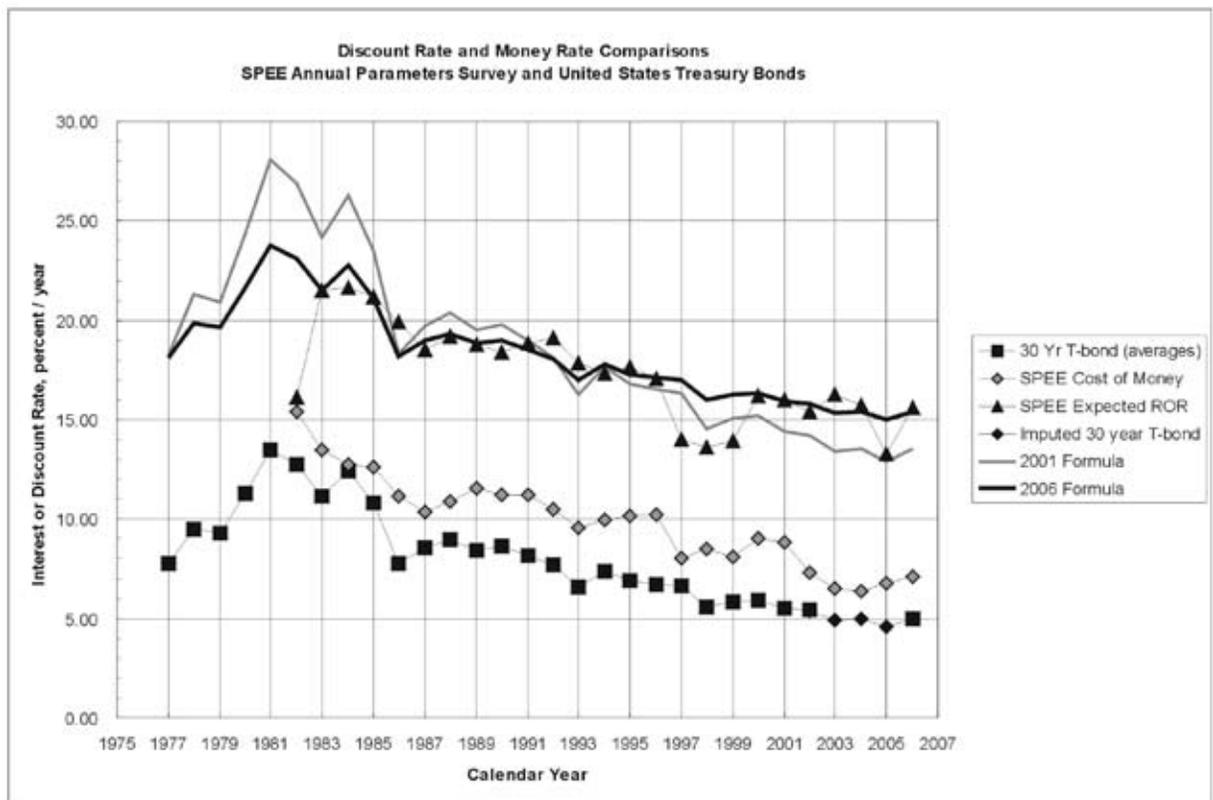
The graph shows two correlations (results of formulae) of the ROR with the 30-year US Treasury Bond Rate. The “2001 Formula” was presented in the publication “Perspectives on the Fair Market Value of Oil and Gas Interests” published by the SPEE in 2002 – Figure 7, page

36. The “2006 Formula” fits the majority of the data better. The 2006 formula is $10.5\% + 0.986 \times [30\text{-year Treasury Bond Rate}]$.

The Treasury ceased publication of the 30-year bond on February 18, 2002, then resumed on February 9, 2006. For the purpose of the above graph, a 30-year bond rate was imputed to fill the gap. The imputed value for the 30-year bond is the 20-year bond rate divided by 1.01.

The bond rate and the results of the formula represent data available through June 30, 2006. The 2006 average is for a fractional year. It should also be recognized that the annual SPEE surveys are made and results published in the spring of each year, well prior to the year’s bond rate data being available. No adjustments have been made to attempt to synchronize the bond rate data with the SPEE survey results.

The dips in the ROR for the years 1997, 1998, 1999 and 2005 are very noticeable. They amount to dips of about 2.5 percentage points below the 2006 Formula. The 2005 data shows some other peculiar aspects outside what is presented here so it seems that data may have been compromised. I believe the dip during the 1997 to 1999 period is tied to the low oil prices in combination with gas prices having failed to meet or sustain anticipated increases. It seems there was a market for properties that believed near term price increases were inevitable. As the anticipated price increases began to be realized the ROR returned to more normal values.



The first (1982) SPEE ROR data point is also very low. I do not have a copy of the survey form for that year, but in the results presentations the use of the term “Expected rate of return” was first used in 1983. The 1982 survey results referenced “Risk and/or Return” so I believe the large deviation in 1982 is the result of the way the survey was taken. Conversely, the survey was titled “Fair Market Survey” from 1982 to 1985 and re-titled using the term “Parameters” in 1986. One might think the original title would have been a hint that an “Expected rate of return” was the sought parameter, but price forecasts were a dominant focus at the time of the original survey and I suspect the ROR issue received an adjusted focus in the second year.

Remarks are welcome. Send them to d_r_long@swbell.net.

Russ Long
Chairman, SPEE Fair Market Value Committee

Welcome New Members

DARTEZ, FRANKLIN

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403-234-3807 - fax
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NEWMAN, ROBERT M.

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Membership Applicants

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.

APPLICANT

SPONSOR

BOYER, II, CHARLES M.

Schlumberger, Data & Consulting Services
Principal Consultant - Unconventional Reservoirs
1310 Commerce Drive, Park Ridge 1
Pittsburgh, PA 15275-1011

Dave Cox
John Seidle
Dave Wozniak

GILBERTSON-PRITCHARD, KENNETH COLIN

Alberta Securities Commission
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Calgary, Alberta T2P 3C4
Canada

Walter Wright
David Elliott
Rocky Mottahedeh

MEDFORD, RICHARD MALCOLM

W & T Offshore
Acquisitions Engineering Manager
8 Greenway Plaza, #1330
Houston, Texas 77046

Richard Brown
James Glanzer
William Von Gonten

Michael Horne, the new SPEE Parameter Survey Chairman, plans to begin preparations for the upcoming 2007 Survey around October 1st. He welcomes suggestions and opinions from Members on the questionnaire's content and distribution, and the final product's format and presentation.

Please direct your comments by e-mail to michaelhrn@earthlink.net.

SPEE

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