



President's Letter

In January, it will be a year since I took office as President. I have truly enjoyed every minute working with so many wonderful people. As this coming year becomes my last on the board, (and I soon become known as Past President), I want all of you to know how much I appreciate the support you have given me. My primary focus in 2002 was trying to recognize the many, many volunteers that make this organization work. SPEE has so many dedicated volunteers, and they create a wonderful momentum that propels our society forward. We should never take that energy for granted.

In October, our third annual SEC forum was held at the Hyatt Regency downtown Houston. Again it was a very successful event, because of all the devoted volunteers. It is extremely important to recognize the contribution and commitment of the SEC engineers, Ron Winfrey and Jim Murphy, and their boss, Roger Schwall. The forum depends on their dedication to our cause.

We held our annual board elections this fall, and you elected three new directors. They are Ed Butler (Dallas), Tim Smith (Central Texas), and John Wright (Denver), and they will do a terrific job. These directors will serve a three-year term beginning at the board meeting in January 2003. We are also saying goodbye to three directors: Fred Duewall, Robin LeBleu, and Larry Nelms. They have been active, dedicated board members, who will be greatly missed. We have tackled some particularly difficult and controversial issues this year, and there are more on the agenda that need to be discussed. So our board and these new directors will have a tremendous amount of work cut out for them.

In 2003, several members will become new chapter officers. I, personally, want to extend an invitation to our chapter chairman to attend the board meeting in January to present your members' views and ideas to the board. The board attempts to represent the society, but we need the input from the local chapters to make sure we stay on course.



I want to thank the board this year for all their support, dedication, and hard work.

Mark Doering will become our new SPEE President; he will be a great leader. Charles Gleeson will become our new Vice President, and he has the tremendous responsibility of organizing our annual meeting in Charleston. I give these men my support and wish them good luck.

Finally, I wish to thank B.K. for her uncompromising support of SPEE. It is no exaggeration to say that she is the backbone of our organization. Her many years of dedicated service to our society and her historical knowledge of our society help us maintain the consistency our organization needs. SPEE board members over the years may come and go, but B.K. is always there. She helped me so much this year, and I am eternally grateful.

I hope to see you all in Charleston!

Marilyn Wilson

Annual Meeting Survey

The Advance Planning Committee is in the process of sending a survey form to members regarding preferences and other information to be used for planning future SPEE Annual Meetings.

The survey will be e-mailed to all members who have recorded e-mail addresses and will also be posted on the SPEE website: SPEE.org. Those members who do not have e-mail access can request a form from B.K. Your help would be appreciated.

SPEE Officers, Board of Directors 2002

Officers

President Marilyn Wilson (Houston)
 Vice President Mark A. Doering (Dallas)
 Secretary/Treasurer Charles W. Gleeson (Midland)
 Past President J.D. Hughes (Austin)

Directors

E. Bernard Brauer (California)	Robin B. LeBleu (Tulsa)
M. Fred Duewall (Dallas)	Larry T. Nelms (Denver)
R. Andrew Fair (Houston)	Robert A. Odd (Calgary)
James W. Haag (New Orleans)	Daniel Olds (Houston)
G. Michael Harper (Fort Worth)	

Committee Chairmen

Evaluation Parameters Survey S. Tim Smith
 Fair Market Value D. Russell Long
 Gas Imbalance R. Curtis Phillips
 Grievance Florence Hughes
 Internet David K. Gold
 Membership Daniel R. Olds
 Newsletter Coordinator Fred Goldsberry
 Past Presidents Council Gene B. Wiggins, III
 Qualifications Charles W. Gleeson
 Reserve Definitions R. Ronald Harrell

Individual Appointments

Annual Meeting Advanced Planning Richard J. Miller
 Chapter Coordinator N. James Wilde
 Communications Director M. Fred Duewall
 Production Tax Summary Charles G. Massey
 Professional and Public Affairs Dave Cox
 Historian Herbert Poyner
 Liaison Representative on SPE
 Oil & Gas Reserves Committee D. Ronald Harrell

Chapter Officers - 2002

Calgary

Chairman	Keith Brown
Vice-Chairman	Frank Molyneaux
Secretary/Treasurer	Barry Ashton
Membership Coordinator	David Tutt

(3rd Tuesday of each month except June/July/August)

California

Chairman	Robert Mannon
Vice Chairman	David Gold
Secretary/Treasurer	Barry Evans

Central Texas

Chairman	Rick Johnston
Program Chairman	Michael Horne
Co-Membership	
Austin	Wayman Gore
San Antonio	Paul Clevenger
Secretary/Treasurer	Cary McGregor

(Quarterly - Austin Country Club)

Dallas

Chairman	Dean Eiland
Vice Chairman	Mark Nieberding
Secretary/Treasurer	Ron Wade
Membership Chairman	Ed Butler

(Bimonthly-September through May - Dallas Petroleum Club)

Denver

Chairman	Richard George
Program	Scott H. Stinson
Secretary/Treasurer	Wally O'Connell
Membership	Greg Wilcox

(2nd Wednesday of first month of each quarter Hershner Room - One Norwest Center)

Houston

Chairman	Harry Saul
Vice Chairman	Charles Nelson
Secretary/Treasurer	Sam Singer
Program Chairman	Tom Gardner

(1st Wednesday of each month - Petroleum Club)

Midland

Chairman	Marshall Watson
Vice Chairman	Roy Williamson, Jr.
Treasurer	Robert Dimit
Membership	Bill Huck

(Bimonthly)

New Orleans

Chairman	Dennis Jordan
Vice Chairman	
Secretary/Treasurer	Jim Hubbard

(3rd Wednesday of each month)

Oklahoma City

Chairman	M. Dale Smith
Vice Chairmen	
Program	Dean Sergent
Membership	Bruce Heath
Secretary/Treasurer	Fletcher Lewis

(Every odd-numbered month)

Tulsa

Chairman	Jerry Russell
Vice Chairmen	
Programs	Richard Banks
Membership	Bruce R. Randall
Secretary/Treasurer	Robin LeBleu

(1st Tuesday of each month - Petroleum Club)



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<p>Administrative Secretary B.K. Buongiorno Bkspee@aol.com</p> <p>Newsletter Editor Diane Pollard (512)263-8022 dpollard@austin.rr.com</p>	<p>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.</p>
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Chapter News

CALGARY

The Calgary Chapter commenced the new meeting season on September 19 with a review of the latest draft of the Canadian Oil and Gas Evaluation Handbook, including notice that a handbook order form is available on the CIM web site at www.petsoc.org. At the same meeting a nomination committee was struck to identify candidates for office for the coming two years.

At a lunch meeting on October 15, Associate General Council Jim Bell of Talisman made a presentation entitled "Managing Liability Under the New Oil & Gas Disclosure Regime."

At the November 19 business meeting, the following members were elected for two-year terms with the Calgary chapter.

- Chairman: Frank Molyneaux
- Vice-Chairman (Meetings): Barry Ashton
- Secretary/Treasurer: Doug Wright
- Membership Co-ordinator: Phil Kandel

A Christmas Lunch was planned for December 17 at the Calgary Petroleum Club.

CALIFORNIA

The California Chapter has elected new officers for 2003. They are as follows:

- Chairman – David Gold
- Vice Chairman – Rick Finken
- Secretary/Treasurer – Barry Evans

DALLAS



Opening comments at the November meeting by Mark Nieberding included a brief description of the 10 Recommended Evaluation Practices and "Perspectives on the Fair

Market Value of Oil and Gas Interests" that were made available by the Society of Petroleum Evaluation Engineers (SPEE) this past summer at the SPEE 2002 Annual meeting. The SPEE website address (www.spee.org) was also provided for further inquiries and orders of these recent SPEE publications.

The November 22nd meeting also featured an excellent presentation, entitled "U.S. A & D Market: Past, Present and Future," by Karla Mercer, Vice President Business Development and Harley Brinkley, Senior Vice President of Oil and Gas Journal Exchange/Madison Energy Advisors. Karla and Harley

discussed recent deal flows and results, as well as OGJE/Madison's insights on the future A&D market. Following the presentation, a lively question and-answer discussion revealed significant interest in this topic and the speakers' insights.



Additionally, Mr. Ken Hersh, Managing Partner of Natural Gas Partners, has agreed to give the Dallas Chapter an update of his presentation entitled "Energy Capital Markets and Enron: Time for a Little Perspective" that he gave at the SPEE annual meeting in Park City, Utah during the Dallas Chapter's meeting scheduled for January 16th.

Mark Doering, SPEE National Chairman, will also provide insights on the current activities and efforts of the SPEE at the January meeting. The Dallas Chapter officers will be meeting in early December to plan the publicity effort for this meeting because the presentations by Mr. Hersh and Mr. Doering, like at the SPEE 2002 Annual meeting, are expected to be well received.

In April 2003, the Dallas Chapter will host a breakfast meeting before the April 8th session of the 2003 Hydrocarbon Economics and Evaluation Symposium.

And finally, a one-day short course on Probabilistic Reserves Evaluation and Appraisal will be sponsored by the Dallas Chapter of SPEE in May 2003. Plans for the location, date and instructor are still being finalized at this time. A formal announcement will tentatively be distributed at the 2003 Hydrocarbon Economics and Evaluation Symposium as well as to the SPEE membership and industry at-large.

DENVER

July 2002 Lunch Meeting

Lunch and a brief business meeting preceded the presentation. Mary Beth Sobel and John J. Roberts, attorneys from the firm of Krug, Sobel & Ritter, llc, spoke on intellectual property and related issues. This presentation consisted of a summary of intellectual property law, an overview of employment agreements and independent contractor agreements, and a brief discussion of attorney-client relationships for professionals.

October 2002 Lunch Meeting

Lunch and a brief business meeting preceded the presentation. Election of officers for 2003 included:

- | | |
|-------------------|-----------------|
| Chairman: | Scott Stinson |
| Program Chairman: | Wally O'Connell |
| Treasurer: | Greg Wilcox |
| Membership: | Keith Engler |

Andrew Bremmer, an attorney and Director of Government Affairs for the Independent Petroleum Association of Mountain States, provided a sobering legal, legislative, and regulatory update.

Access to the resource, energy legislation, royalty litigation, coalbed gas development, and permitting delays on federal lands add to the challenges facing the energy business in the Rockies. Andrew Bremner updated the Denver SPEE members and guest on these issues and IPAMS efforts to improve energy production on federal lands in the Rockies.

HOUSTON

After breaking for the summer months, the Houston Chapter on September 4 hosted D. Craig Fecel, Sr. Vice President – Investments – USB-Paine Webber. Mr. Fecel discussed “The Investment Cycle.”

On October 2, Peter R. Rose, Senior Partner, Rose & Associates in Austin, Texas presented a program on “The Relation of Corporate Organizational and Cultural Patterns in Exploration Performance.”

On November 6, SPEE’s own Pete Huddleston, Chairman of Huddleston and Associates, discussed “The Same Company with Different Reserve Reports and Accounting.”

The final meeting of the year (December 10) will host David Pursell, Director of Upstream Research, Simmons and Company International.

On January 16, 2003, SPEE and the Houston Chapter of SIPES will have a joint meeting. The speaker will be Andrew Kurkjian of Schlumberger. New technology has improved our industry’s ability to characterize reserves as “proved.” This has recently been the focus of attention in the matter of deep water flow testing in the Gulf of Mexico. Mr. Kurkjian will help the attendees to understand one such technological improvement, the MDT tool. Ron Harrell will briefly discuss how this tool is changing the way industry “proves” reserves in the deep water of the Gulf of Mexico.

MIDLAND

December 3rd Meeting

“Reserve Evaluation Approaches Used by Financing Sources in the Raising of Debt and Equity Financing by E&P Companies” by Keith Behrens, Russell Weinberg, and Cliff Adams, Energy Capital Solutions on December 3rd.

Three of the directors of Energy Capital Solutions will discuss reserve evaluation approaches used in the raising of financing by E&P companies.

Mr. Behrens has over 10 years of investment banking experience with major investment banking firms. Mr. Behrens received his B.B.A. and M.B.A. from the University of Texas at Austin.

Mr. Weinberg has over 12 years of investment banking experience with major investment banking firms. Mr. Weinberg received his B.B.A. from the University of Texas at Austin and his M.B.A. from Southern Methodist University.

Mr. Adams has 9 years of investment banking experience with major investment banking firms. Mr. Adams received his B.S. in Petroleum Engineering from the University of Texas at Austin and his M.B.A. from the University of Texas at Dallas.

Mr. Behrens and Mr. Weinberg have focused most of their careers in covering primarily exploration and production companies as well as other energy-related companies. Mr. Adams has focused his career in covering major and independent exploration and production companies as well as other diversified energy companies.

October 1st Meeting

The presentation by Mark Owen of Burlington Resources covered the regional geology, the history and development of the East Lookout Butte and Cedar Hills fields of North Dakota and Montana using horizontal wells, and the waterflood results to date.

By drilling 5000’ horizontal laterals in a 9’ zone, Burlington Resources was able to profitably drain 640 acres on primary depletion. In addition, Burlington Resources has been successful in waterflooding the zone in the East Lookout Butte and is in the process of developing a waterflood in the Cedar Hills field.

Mr. Owen graduated in 1981 with a BS With Special Distinction in Petroleum Engineering from the University of Oklahoma. Mark worked for Tenneco Oil Company through 1988, where he specialized in production and reservoir engineering for tight gas reservoirs in the San Juan and Green River basins. He also got his first exposure to Williston Basin waterflooding at Tenneco. From 1988 through 1994, Mark worked at Axem Resources, where he was the engineer and production superintendent for Axem’s Oklahoma and Wyoming waterfloods. Mark has served in both technical and managerial positions at Burlington Resources since 1994, focusing much of his time on the CCA properties and developing what is the only horizontal line-drive waterflood of this magnitude in the world.

August 6th Meeting

“SPEE 21st Annual Survey of Economic Parameters Used in Property Evaluation and Review of the SPEE Monograph on Fair Market Value” by Marshall Watson, P.E., Vice President, A.C.T. Operating Company.

The SPEE has just published the 21st annual “Survey of Economic Parameters Used in Property Evaluation” and the monograph entitled, “Prospectives on the Fair Market Value of Oil and Gas Assets.” Marshall Watson presented highlights from these recent publications. These publications were highlighted in the recent SPEE Annual Conference, held in Park City, Utah, June 9–11. Marshall also highlighted other items discussed at the conference, such as gas supply and demand and a talk given regarding the “Upcoming Oil Crisis.”

The annual survey is a summary of opinions by both SPEE members and non-members associated with the business of evaluating petroleum properties in the U.S. and Canada. The respondents primarily are producers, bankers and consultants. The stated purpose of the survey is to capture and analyze, at a single point in time, a set of chronologically volatile economic parameters including, among other things, projections of future oil and gas prices, drilling and operating costs, and inflation. Opinions on the factors and methods used to calculate the present value cash flows are also reflected in the statistical data. Results can be particularly useful in comparing

the relative thinking of different groups, such as producers, consultants and bankers, and in appreciating how opinions have changed over time.

The SPEE was organized in 1962. Since that time, the SPEE has had the objectives to promote professionalism in petroleum evaluation engineering, foster the spirit of scientific research and disseminate facts pertaining to petroleum evaluation engineering. It has been a goal since near the beginning of the organization to prepare a monograph on the Fair Market Value (FMV) of Petroleum Properties. The purpose of the monograph is to discuss the concept of FMV for oil and gas producing interest and to explain the methods used to estimate FMV.

Upon graduating with a degree in Chemical Engineering from Cornell University, Marshall joined Shell Oil Company as a reservoir and production engineer. After leaving Shell, Marshall worked as a consulting reservoir engineer for Gaffney, Cline & Associates. In 1985 Marshall joined Chuska Energy as Vice President Production and served on the Board of Directors. While at Chuska, Marshall directed engineering, land and petroleum operations in the Rockies, Offshore South America and the Texas Gulf Coast. Chuska was a sister company to his current employer A.C.T. Operating Company. Marshall worked for Harken Energy as Vice President Engineering for five years following the sale of Chuska to Harken. Marshall rejoined his former employer and moved to Midland in 1997. Marshall is a member of the SPE, Chairman of the Midland chapter of the SPEE and is a registered petroleum engineer in the states of Texas, Louisiana and New Mexico.

NEW ORLEANS

The New Orleans section is really struggling this year. Dennis Jordan was chairman last year, but his schedule is such that he cannot do it again. No one else has agreed to take over and he hoping to put together one meeting after the holidays, and is trying to get someone to head up the section. If anyone is interested in working with the New Orleans chapter, please contact Dennis at:

Collarini Engineering Inc.
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Houston office (832) 251-0160
www.collarini

TULSA

The Tulsa chapter now meets every other month. In October, Chris Jacobsen, Senior Vice President for KCS Resources in Tulsa (and Financial Engineer), gave a Powerpoint presentation on "Implementation of FASB's SFAS Rule 143, 'Accounting for Asset Retirement Obligations.'" The presentation was followed by a vigorous discussion. On December 19th, SPEE-TULSA and the MidContinent Chapter of SPE will sponsor an afternoon workshop on SEC's Reserve Definitions. This will be patterned after the Forum sponsored by the Houston Chapter of SPEE. We will use similar questions and cases; however, we plan to change the answers. Should be a lively discussion. We also plan to get a new Chairman for 2003.

Junior Member to Member Upgrade

In 2001, the Board of Directors approved a procedure and form to be used to upgrade a junior member to member when they have achieved the required 10 years of petroleum evaluation experience. The form is available at www.spee.org in the Qualifications to Join Section at the Membership Requirements subsection.

The form requires one SPEE member sponsor who is familiar with the junior member's petroleum evaluation experience since becoming a junior member. The sponsor may be one of the original three sponsors of the junior member.

The form is submitted to the Administrative Secretary and reviewed by the Qualifications Committee. Upon approval by the Qualifications Committee Chairman, the junior member status is upgraded to member. The status change will be announced in the next SPEE newsletter.

Bernie Brauer
Chairman, Qualifications Committee

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Herbert F. Poyner

I began at Shell Oil Company in 1949 fresh out of college. At least one summer of oilfield-related work was required to get a petroleum engineering degree at the University of Texas. I worked one summer as the computer for a Shell seismic crew in eastern New Mexico and another summer in a roustabout gang for Stanolind (now Amoco) at Hobbs, New Mexico. Nevertheless, I was put through a rigorous training program in Texas, Wyoming, Oklahoma, Illinois and Louisiana with written reports due monthly about anything of interest to us during the month. I roughnecked on a steam rig in Texas and on a diesel rig in Oklahoma. A summer and fall were occupied doing surface geology in Wyoming followed by a month of reservoir training, a month of electric logging and training in several other subjects by recognized experts in their fields. Next was some geology in south Louisiana under the best subsurface man I ever met followed by a month of water flooding in Illinois. Further training included short periods of scouting, automation, sample laboratory making strip logs on rotary and cable tool holes and automation, mud school, treasury, automotive, high pressure gas well testing, gas plant and core analysis in the company laboratory.

After a year and a half, I was "turned out" in south Louisiana on "big time pay" of \$333 per month. I neither smoked nor drank, but the mosquitoes and swamps with alligators, snakes and giant alligator gars plus the terrible fogs in south Louisiana convinced me to start both immediately. I kicked the smoking habit about five years later.

I started out in the Weeks Island Field, which is a piercement type salt dome about two miles in diameter. Elevation on the top of the island was + 120 feet and the top of the salt was + 60 feet but was not exposed. Our first production was about 12,500 feet but the beds were still dipping steeply even at that depth. Once we were drilling close to the salt and we needed a "bug man" to check for Foraminifera as we drilled. After several days he was convinced we were drilling parallel to the bedding planes but I didn't have the heart to tell him that we had cored an 85° dip the day before he came. The company had four drilling barges plus one land rig in that field, all steam driven. During hurricane season, the company moved an old Navy LST with a diesel rig on it to drill at Weeks Island to get it out of the open ocean. The land rig was drilling up on the island but it took more than a year to drill a well in close to or in the "gouge zone" around the salt where the formations were extremely hard. Our request to move out about 50 feet was approved and we blew the next well down and completed it in 23 days.

Later, after sitting on two wildcats and serving as the company representative on wells operated by other major companies, I was assigned to West Lake Verret, a field about 15 miles north of Morgan City in the Atchafalaya River swamp. That field is a highly faulted deep-seated salt dome with unconsolidated sand down to about 8,500 feet. There were many productive sands and fault blocks here. Sand had been a serious operating problem for many years and, in desperation, we tried gravel

packing, which worked beautifully. First, we had to clean out the defective screened liners, which wasn't easy. Dailey Oil Tools came to the rescue. They had a pulling tool that worked on hydraulics with a terrific force ratio and never failed. In fact, the operator that I used claimed he could pull the hole out of the ground if we wanted it done. He was an old-time drilling man with a mountain of drilling and fishing tool knowledge. Here was a guy that was always there when I needed him.

This field had a history of blowouts and gas had migrated into the surface sands, which gave rise to a series of surface blowouts and large mud boils. This created large and deep craters around some wells.

Dailey Oil Tools came to the rescue. They had a pulling tool that worked on hydraulics with a terrific force ratio and never failed. In fact, the operator that I used claimed he could pull the hole out of the ground if we wanted it done.

The only way to do a work-over was to float the barge rig, chain it to the well and be prepared to slack off or take

up chain when the tide changed. Once I needed a radioactive log for a recompletion but a barge had struck the well that created an "S" curve in the casing near the surface. The normal tool was too long to go around the curve, so the operator dismantled the tool and, after several tries, built a very short version and we got a crude but useable log to use. I will never forget that man who was there when I needed him. On top of all this, the division manager in Franklin was another one of those guys who was always there when I needed him, even at 3:00 a.m., which was often the case. He was always ready with suggestions that worked.

One day I was chatting with a dredging contractor and in reply to my question about his progress he replied that he had broken everything but the contract. If a contractor such as a dredger, pile driver etc. lost money on a job due to unforeseen circumstances, he was asked to bring in all of his bills and Shell would make him whole. I was very proud of the company for this. These contractors loved this program and were the first to respond when they were needed in a hurry. Sometimes they were needed yesterday.

We had no gas outlet in either field and we were flaring about 40 MMCF per day at Weeks Island. We finally made a contract with Tenneco for 10 cents per MCF at both fields. We turned Weeks into the pipeline immediately and began drilling 7,000-foot gas wells at West Lake Verret and producing them at 7 MMCF per day each. In short order we were selling about 80 MMCF per day. We thought we had drilled into Fort Knox. After all, \$240,000 per month was nothing to sneeze at.

Another instance was a gal who was there when I needed her. Our rig north of Morgan City had a telephone connected to the phone system in Franklin where the division office was. This was an old system where you had to crank several revolutions to get the operator to come on line. It worked a lot better than you would think. The line to the rig was strung through the swamp from cypress tree to cypress tree. The line was old and had a tendency to short out in stormy weather or a tree would fall on the line. On one occasion during bad weather

I had to order out companies like Baker Oil Tools, Schlumberger, Halliburton, etc. I was certain the line would go down due to weather so I called the Franklin operator and gave her the phone numbers and instructions to relay to each service company such as the time to report to the dock on the Berwick side of the river at Morgan City. Without fail the service people showed up at the rig on time. I will never forget the help this lady gave me. She was there when I needed her. And the phone line went out later that night as expected.

In September 1952, I left Shell for a better job and much higher pay where I could use my field knowledge to advantage. I went into banking as an evaluator of petroleum production to establish collateral value for loans secured by the production and liquidated by the oil and gas runs, leaving enough for the borrower to pay his operating costs. Harold Vance, Frank McGonagill, and myself were hired at the same time. Vance was the manager and Frank and I did the evaluations. We had a petroleum landman who was the loan closer. He had the documents drawn up, signed by the borrower and saw to the recording. Oil and gas production is classed as real estate in Texas and the security rules are the same as those for a home loan, with a few exceptions.

We stayed busy with lots of borrowers, many of whom were actively expanding production in newly discovered fields, buying production and drilling new prospects. We visited new leases, particularly those owned by new borrowers. Once I was visiting a lease on the Texas-New Mexico line and I noticed a string of tubing lying on the ground. I asked the pumper why and he told me the tubing had been out of the well for over a year. It was obvious that the operator had been making up the allowable from the unproductive well on the lease. The loan application was rejected. In another case an operator had two adjoining leases. Production from one lease fell dramatically so he laid a pipeline on the surface and under the property line fence to the other tank battery. The pumper objected and was fired. The pumper went straight to the Federal Tender Board and the Railroad Commission and reported the situation. That operator had a real problem and spent some time "out of sight." We let his loan run off and refused to do any more business with him. Overall, the department's loan losses were minimal and were about \$1.25 million in 22 years.

Once, we had a loan in California that was going south fast. I spent a month out there sweating out the outcome of a new well that was a dry hole. It was obvious that we had to take charge of the property to protect our loan. We agreed to not sue the borrower on his note if he would deed the leases over to a new company we organized. He agreed so we avoided a bankruptcy. Then, we needed to find someone to operate for us. I noticed that a major oil company had some leases in the area. I did not know anyone in that company then so I called Harold Vance and asked whom we might know in this company. He said, "Why don't we start with the Chairman of the Board because he is a classmate." An hour later Vance called to say I had an appointment with the Chairman the next day in Los Angeles. I explained the problem to the Chairman

who got me an appointment with a consultant who could be helpful. I went to his office and he recommended a man who had excellent experience in this situation. We hired him and he was able to operate the loan down from about \$1,000,000 to less than \$100,000. In this case Vance was the guy who was there "BIG TIME" when I needed him.

In 1962, there were several incidents that prompted Harold Vance, Bill Hurst and myself to organize The Society of Petroleum Evaluation Engineers. Two cases come to mind. One was a loan request to build a gas gathering system. We had financed a number of these so I got the evaluation report and studied it carefully. It made sense until I got to the last page.

The writer presented a proposal to alleviate a severe meat shortage in New York City. He planned to catch jackrabbits, put them into a pipeline going to New York and if they stopped hopping, he would give them a blast of gas to move them forward. I never opened the report again. The other incident was an evaluation report where the remaining reserves were the original oil in place minus the cumulative production. I found out several years later that the customer wanted it prepared that way. I never accepted a report from that appraisal group again. Here were two guys that I DID NOT need. These examples and two or three other things got us started on SPEE.

I never liked last-day closings because they can be dangerous. Some years ago, we were closing a loan, including a partial sale of production, that would solve a significant tax matter in favor to one of our borrowers. A landman in the court house had an executed set of the papers and was to call so he could say the recording of the new papers would give us a first lien on the leases remaining. The call was made and the landman reported that our borrower did not have title to one of the leases.

The writer presented a proposal to alleviate a severe meat shortage in New York City. He planned to catch jackrabbits, put them into a pipeline going to New York and if they stopped hopping, he would give them a blast of gas to move them forward.

We had done business with this borrower for some time and he always handled his affairs as

agreed. Additionally, this deal represented a major tax move for him and this was the last day to do business. Fortunately, I remembered the subject lease was not a major portion of our collateral package and I agreed to close the loan and give the borrower 30 days to clear title or be in default. The problem was solved that afternoon. The borrower had purchased the lease several months before and had given the deed to his pumper to record. The pumper forgot about it but found the deed on the dashboard of his pickup. That pickup was driven at full throttle to record before the county clerk's office closed. Now you know why I don't like last-day closings. However, this pumper was there when everybody needed him.

I have mentioned only a few of the people who helped me in my career and always seemed to be there when I needed them. I have fond memories of these people and events plus many others not mentioned here. This year is my 53rd year as an active petroleum engineer. I still do some consulting and go to my office six days a week. A guy can do a lot in 76 years if he moves fast enough. It has been one wild ride.

Welcome New Members

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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
BASHAM, BRYAN T. Diverse, G. P. 1001 McKinney, Suite 520 Houston, Texas 77002	Tom Fuller Tom Hillin Carle Sharp
FARQUHARSON, ALAN W. Range Resources 777 Main Street, Suite 800 Fort Worth, Texas 76190	Charles Brittan Robert Rasor Marilyn Wilson
PACHOLKO, RON R. Grant Trimble Engineering LTD 2200, 801 – 6th Avenue, S.W. Calgary, Alberta T2P 3W2 Canada	Steve Balog Robert Kehrig Peter Sidey
WELLER, KEVIN S. Westport Resources Corp. 410 17th Street, Suite 2300 Denver, Colorado 80202	Dave Cox Larry Nelms Nanette Schuz
WILSON, SCOTT JAMES Ryder Scott Company, L.P. 600 17th Street, 1610 North Denver, Colorado 80202	Larry Nelms Charles Willis Dave Reese

Third Annual SPEE Forum Attracts Record Attendance in Houston

Widespread interest in the current activities of the U.S. SEC regarding several important interpretative technical matters and the expectation of increased surveillance and enforcement drew a record number of engineers, geologists and financial specialists to this year's Forum. The initial target of 120 attendees was revised upward in the days immediately preceding the Forum to a final count of 170. This required additional printing of program materials and moving the venue to the Hyatt Regency ballroom.



Both SEC engineers Jim Murphy and Ron Winfrey returned this year. Their immediate supervisor and Assistant Director

of the Office of Corporate Finance, Natural Resources Group, Roger Schwall, attended for the first time this year. Roger was our luncheon speaker and explained their target of reviewing each regulated company's reserves at least once every three years. He revealed that they



Roger Schwall



have several confidential screening tools to indicate or suggest reasons for a review. A typical review may be initiated and completed through a series

of written questions and responses over a brief time period. Some circumstances may require a deeper level of investigation but this seemed to be unusual.

Jim Murphy presented several "Red Flag" issues related to matters attracting comments and/or questions from the SEC. These issues include, but are not limited to:

- (1) separate reporting of PSC reserves from direct ownership interests
- (2) compliance with SEC definitions, not SPE/WPC definitions
- (3) caution on use of simulation-derived estimates of proved reserves
- (4) prohibition of including revenues from sale of non-hydrocarbons or use of such revenues to offset OPEX in cash flows submitted to the SEC

(5) required inclusion of indirect overhead and insurance in OPEX

(6) owned reserves to be reduced by reserves attributable to net profits interests

(7) reliance on proprietary information that cannot be made available to SEC staff

Four major "case studies" were presented, one each by Rod Sidle, Bob Wagner, Russ Long and Fred Goldsberry. These cases were designed to elicit interpretative opinions by the SEC staff and comments from the audience. The cases were, respectively, related to :

(1) Use of seismic in determining down-dip reservoir limits

(2) Defining a "Conclusive Formation Test" in areas where traditional flow tests (DSTs) are not typically conducted

(3) Oil/gas year-end pricing in unusual international circumstances

(4) DOWNDIP water contacts calculated through pressure transient testing. Tom Harris co-presented with Bob Wagner.

Robert Rasor, Richard Rowe and Andy Merryman led several sessions addressing "Short Topics" which included, but were not limited to, abandonment cost issues, international loan agreements, second and third party processing, gas storage, COPAS, non-hydrocarbon revenues and PSCs.



Michael O'Shea presented an overview of the accounting and financial auditing process and issues being brought to light as a result of the Sarbanes-Oxley Act of 2002.

The Forum Steering Committee intends to begin work soon toward planning a 2003 Forum and solicits input from the entire SPEE membership and others in suggesting and/or presenting topics at the next session. Please contact any member of the current steering committee which includes Tom Gardner, Russ Long, Andy Merryman, Dan Olds, Richard Rowe, Marilyn Wilson and Ron Harrell, Chairman.



And as usual, none of this would have been possible without the skills, talents, dedication, persistence, patience and charm of B.K. Starbuck Buongiorno.

Ron Harrell

SPEE

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