

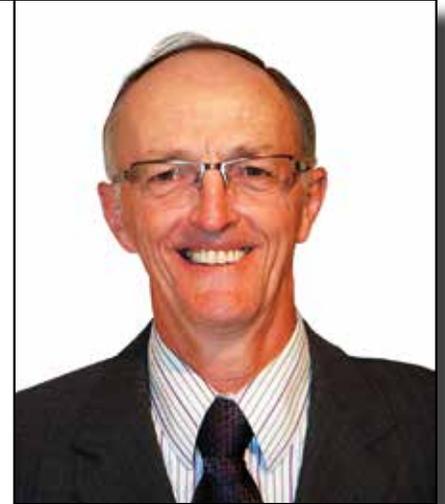
President's Letter

It seems like just yesterday that I was penning my first letter to you, our members. It is hard to believe that four months have passed since I last communicated with you. Like many others in the oil and gas industry and in SPEE, the first five months of 2011 have kept me very busy. It appears our industry is once again gaining momentum as everyone I speak to in the producing, service, and financial sectors are all saying the same thing – I am very busy. But, after a downturn, being busy is good news. As industry activity picks up, we're seeing the need for qualified people growing in response to both short-term and longer-term needs. Recruiters from as far away as Australia have recently been in Calgary, and it appears a global war for talent is brewing.

Anyways, back to SPEE which has mirrored the activity level of the industry and seen a very active start to 2011. The following list includes current detail on a number of items mentioned in my February letter:

1. The proposed changes to the SPEE By-Laws are in front of the membership for voting. Be sure to cast your ballot.
2. The SPEE Monograph 3, Guidelines for the Practical Evaluation of Undeveloped Reserves and Resource Plays, is now available for purchase. The price is \$70, plus shipping, for both members and non-members. You can order your copy through the SPEE website, and I'd encourage you to mention it to others you know working in this area of the industry. Orders for the Monograph have thus far been brisk.
3. The Texas Board of Professional Engineers. With a huge credit to **Tim Smith**, a bill (HB 2067) is now in front of the Governor for signing. This bill will allow engineers from other jurisdictions to evaluate oil and gas properties located in Texas, without needing to be registered with the TBPE. The significance of this cannot be understated, for if registration had been required, the 'ripple' effect to other states, provinces, or possibly countries may have been significant, raising the spectre of increased costs and complications.

4. The 2011 Software Symposium is now history but was a success with 75 in attendance, including eight participating vendors. Thank you to **Brian Walter** and **John Wright**, co-chairs, for organizing this event.
5. **Tim Smith**, **Samantha Meador**, and **Dave Elliott** were all attendees (in various capacities) at the most recent UN EGRC session held in Geneva on April 5th – 8th. I will ask Tim to prepare an overview of current activities and submit that for inclusion in the next Newsletter.
6. In March I requested the SPEE Reserves Definition Committee (RDC) to undertake a study of the variances between COGEH and PRMS. Prior to doing so, I had requested agreement from the SPEE (Calgary) Chapter to participate in such a study, and requested the RDC Chairman, **Tim Smith**, to invite **John Etherington** and **David Elliott** to participate. I believe it is very important for SPEE to initiate this study since it currently sponsors both systems and this will be the first step in identifying and perhaps reconciling differences between COGEH and PRMS. I have asked the RDC to submit a report to the Executive Committee on September 30th.
7. Finally, work continues in SPEE's (Calgary) standing committee on COGEH on the development of Guidelines for the Evaluation of Resources. This important work has been requested by the Alberta Securities Commission and is targeted for completion in the third quarter of 2011.



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Chair of the Council of Past-PresidentsFrank Molyneux

Bylaws Committees

Qualifications Samantha Meador
Committee: Steve Blair, Jon Crawford, Tim Gilblom, Phil Kandel and Dee Patterson
Nominating Stuart L. Filler
Grievance L. D. (Buddy) Sipes

Individual Appointments

Evaluation Parameters Survey Richard F. Krenek II
Committee: Mike Garcia, Cary McGregor, and Joel Turnbull
Fair Market Value.....D. Russell Long
InternetJ. Brian Walter
Membership.....Paul McDonald
Newsletter Publisher.....Richard J. Miller
Communications.....George Schaefer
Production Tax Summary and University InterfaceMarshall Watson
Recommended Evaluation Practices.....Daniel R. Olds
Annual Meeting Advance PlanningBarry Ashton
Professional Registration Marcus Snyder
2011 Software Symposium..... Brian Walter and John Wright
Evaluation of Resource Plays Russell K. Hall
Reserve DefinitionsS. Tim Smith
Journal of the Society of Petroleum Evaluation Engineers ... Richard J. Miller
SPEE/SPE Reprint Richard J. Miller

SPEE Delegates

SPE OGRC Oil and Gas Reserves Committee Observer Ron Harrell
JCRET Joint Committee on
Reserves Evaluator Training..... Rod Sidle, Dan Olds, John Ritter
COGEH Canadian Oil and Gas Evaluation HandbookBarry Ashton
UNECE Expert Group on Resource Classification S. Tim Smith
Washington Reserves Conference 2011 S. Tim Smith

Chapter Officers - 2011

Calgary

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Secretary – Boyd Russell
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Membership - All Houston Officers

Midland

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Membership - Bruce Heath

Tulsa

Chairman - Ken Richison
Vice Chairman - Stan Scott
Secretary - Treasurer - Bob Harmon
Membership - Phil Schenewerk

Wyoming Chapter Coordinator Scott Stinson



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

Well, I had planned to keep this letter brief, but as you can see there is much going on in the Society. Past President **Bernie Brauer** informed me that September 24th, 2011, marks the 50th Anniversary of the formation of SPEE, and looking at current activities, I think we can be assured our founding members would have been proud. If you're not yet a volunteer with SPEE, consider becoming involved on a committee at your Chapter or the International level. We can always use extra hands and fresh ideas.

In closing, I hope to see you in a couple of weeks at Amelia Island Plantation, June 4th – 8th. **Marshall Watson** has worked tirelessly at assuming a timely and interesting technical program which includes three short courses. As always, there will be plenty of social time to get re-acquainted with friends and associates. I hope to see you there.

Barry R. Ashton
President

Passings

George R. Donaldson
Houston, Texas
March 30, 2011

George Randal Donaldson was born February 10, 1930 near Oblong, Illinois on the banks of the Embarras River.

George grew up in the "oil patch." He started school in western Kansas. He graduated from McLeansboro Township High School in southern Illinois in 1947. He attended the Missouri School of Mines at Rolla graduating with honors in 1951. He joined Atlantic Refining Company (ARCO) as a petroleum engineer and then entered the Marine Corps for two years. After a stint for ARCO in Louisiana he relocated to west Texas.

In 1965, he went to work for H. J. Gruy and Associates in Houston. He was a senior vice president for Gruy when he retired in 1989. Following his retirement, he provided consulting services to the oil industry. George was a member of POPS, SPE and SPEE. He was a member of SPEE from 1983 to 2010.

Charles B. Godfrey
Midland, Texas
April 25, 2011

Charles B. Godfrey was born on September 22, 1929 in Jasper, Texas. He was raised in Dallas. The family moved to Fairfield, Connecticut in 1946, where he graduated from high school. He attended Brown University and SMU. Charles served in the U.S. Army from 1951 to 1954, and upon discharge, he returned to SMU to complete his education with a Master's in Petroleum Geology in 1957. He married Tanya Craddock on October 16, 1952, in Dallas, Texas, and in 1957, he accepted a position with Pan American Petroleum in Midland, Texas, where he, his wife Tanya and his family have lived for the last 54 years. He was a member of AAPG Sipes SPE, SPEE, Exchange Club, and First Presbyterian Church. Charles served eight years on the Board of the Petroleum Museum, Salvation Army, and Hospice of Midland.

Chapter News

Calgary

The February Technical luncheon featured Mr. Tim Gilblom, Manager, Production Operations for Apache Canada, who presented a very interesting talk on Apache's experiences and lessons learned in the acquisition, transition, and integration of the BP Canada gas assets. Apache acquired the upstream gas assets of BP in July, 2010, and Tim shared his team's experience of integrating these assets into Apache Canada and their progress towards understanding and maximizing these assets.

The April Technical luncheon featured Mr. Bill Gwozd, Vice-President, Gas Services, Ziff Energy Group. Mr. Gwozd's presentation was entitled *How Does British Columbia Gas Compare to Gas in North America?* At the luncheon, Tonya Zelinsky was in attendance who covered the presentation on behalf of *Upstream, The International Oil & Gas Newspaper*.

During the first quarter of 2011, a number of new initiatives and changes have been undertaken by the Calgary Chapter. These are itemized as follows:

The SPEE (Calgary) donated a \$50,000 endowment to the University of Calgary to provide a bursary to an engineering student in financial need entering third-year Chemical or Petroleum Engineering. The endowment fund last year paid out at a rate of 4% which would have resulted in a \$2,000 bursary. The bursary is, in part, in memory of Robert A. Odd, a charter member of the Calgary Chapter who passed away suddenly last summer. The bursary is titled the "SPEE Calgary & Robert A. Odd Memorial Bursary."

Terry Nazarko stepped down as the SPEE (Calgary) chairman of the Membership Committee and has been replaced by Dave Hornung of Daylight Energy. Dave, together with Dave Tutt and Boyd Russell, is initiating a membership drive to target more representation from the E&P community within Calgary. The Membership Committee will also assist the new member application process by pre-screening the local applications prior to forwarding them on to Houston.

A new committee entitled the "Emerging Issues Committee" was formed under the chairmanship of Mr. John Etherington. This committee is charged with quarterly updates to COGEH, looking into incorporating into COGEH the use of geophysics in resources and reserves estimation, and preparing differences between COGEH and PRMS for a potential merger in the future and working closely with Tim Smith and the SPEE RDC. The other committee member assisting John will be Dr. David Elliott of the Alberta Securities Commission. This committee and the SPEE (Calgary) executive recently commented to the ASC on their draft CSA Staff Notice 51-327 – Guidance on Oil and Gas Disclosure: Resources other than Reserves Data.

The Communications Committee was struck under the chairmanship of SPEE (Calgary) past chairman, Attila Szabo. This committee will continue to monitor COGEH sales through the SPE as well as looking into ways how COGEH can be converted into a quarterly subscription service. This committee will also

look into making COGEH available electronically, searchable and secure. Sales of Volume III are expected to increase once the Bitumen section is complete and available for sale.

The Standing Committee, chaired by Robin Bertram, is currently reviewing the final draft of the Bitumen section of COGEH prior to it being sent to the technical editor. The Resources subcommittee, charged with preparing the Prospective and Contingent Resources section of COGEH, has met three times since being formed in December 2010. The committee members (of which there are approximately 12 SPEE and non-SPEE members) are working through the issues one at a time.

The SPEE (Calgary) currently has 49 members. Several membership applications are in the works.

Meetings - 3rd Tuesday of each month except June, July and August. Membership - 55

California

Membership - 27

Central Texas

Membership - 31

Dallas

Meetings – Bimonthly September through May on 3rd Thursday of the Month unless otherwise stated. Membership – 55

Denver

On April 13, 2011, the Denver Chapter held its second quarter meeting of 2011 with 20 in attendance including 15 members and five guests. The guest speaker was Mr. Edwin Moritz, President of Gustavson Associates. His presentation was entitled *Update on Oil and Gas Sector in Afghanistan with Attention to the Upcoming Amu Darya Oil Tender*. The Ministry of Mines of Afghanistan has recently announced a tender to award license blocks including past undeveloped oil discoveries and surrounding exploratory acreage. Mr. Moritz' talk provided a good historical overview of activities in the Afghan E&P sector plus he discussed current market issues and future potential in Afghanistan.

Meetings – 2nd Wednesday of first month of each quarter – Denver Athletic Club – The New Petroleum Club. Membership 63

Europe

The European Chapter is now into its second year after being given full chapter status in January 2010. The second European Chapter annual general meeting ("AGM") was held in October 2010 where the present officers were elected. The outgoing Chairman, Graeme Simpson, subsequently went on to be elected to serve on the SPEE Board of Directors.

Membership of the chapter is now at 15 persons with two applications pending. The last new member was admitted in Q1 2011.

Attracting additional new members is vital to ensure the Chapter remains healthy and we would welcome any initiatives that would speed up the application process. The current members are based in several European countries namely the UK, Germany and the Netherlands with potential applicants also in France and Italy.

The Chapter is active, holding around four meetings a year. The AGM is held in October and includes a presentation and discussion on the SPEE ethics. The other meetings are open to both members and non-members with the latter invited to encourage growth in membership. So far in 2011 we have held meetings on the reporting of unconventional resources and the listing requirements of the UK and Canadian stock exchanges. The meeting on unconventional resources was jointly held with the SPE and the Geological Society and I sat on the question and answers panel session at the end of the meeting. The meeting on listing requirements was presented by David Elliot from the Alberta Securities Commission and Bill Prast, consultant and adviser to the UK Financial Services Authority and stimulated lots of discussion. Typical attendance at meetings ranges from 15 to 30 people.

All of our meetings so far have been in London, however we plan to hold one later this year in The Hague where a number of regular attendees are based.

Membership - 11

Houston

The Houston Chapter's 2011 program calendar began on January 21, 2011 with SPEE 2010 President Stuart Filler as the guest speaker. Our normally scheduled January joint meeting with SIPES was pushed back to March 29th for scheduling reasons. Stuart presented *The Society in 2010: Future Events and Projects* highlighting 2010 SPEE activities including first reports under the new SEC regulations, a well-attended Annual Meeting in Victoria, British Columbia, and approval for publication of Monograph 3. Stuart additionally discussed future events for the Society including bylaws changes and clarification of the required status of licensed professional engineers when evaluating properties in Texas. In attendance were 40 members, guests, visitors, and several National Board Members.

On February 2, 2011, the Houston Chapter luncheon featured Arthur L. Smith, President of Triple Double Advisors, LLC. Arthur presented *Petroleum Market Fastballs, Curves and Changeups in the Second Decade of the 2000s*. Using unique baseball acronyms and some words of wisdom from Yogi Berra, Arthur revealed 'Fastballs,' their company's vision of the 2011 U.S. Natural Gas Markets, "Curve Balls," company activities with Joint Ventures and Privatization, "Change Ups," a 2011 Oil Market Outlook, and "Wild Pitches," associated with the 2010 EPA proposed Clean Air Transport Rule (CATR). There were 56 members, guests, and visitors in attendance.

Dave Pursell, head of Macro Research at Tudor, Pickering, Holt & Co. was the featured speaker for our monthly luncheon meeting on March 3. His presentation was entitled *Unconventional Gas Supply Components and Price Volatility*. Dave presented a current review of the supply and demand components in the unconventional gas segment of the industry. Additionally Dave discussed the influence of supply demand on gas price volatility as well as the relationship of gas price to oil price. There were 40 members, guests, and visitors in attendance for the March meeting.

Our annual joint meeting with the SIPES Houston chapter, normally scheduled in January, was held March 29, 2011 in order to accommodate our special guest speaker, T. Boone Pickens. We were very excited to have Mr. Pickens as the speaker with the topic of *The Pickens Plan*. In July 2008, Boone launched a grass-roots campaign aimed at reducing this country's crippling dependence on imported oil. Mr. Pickens presented how our dependence on foreign oil is an addiction that threatens our economy, our environment and our national security, and ties our hands as a nation and a people. He presented his plan, *The Pickens Plan* on how this country can drag itself out of this quagmire. Mr. Pickens believes the natural gas currently used for power generation could be shifted to fuel CNG trucks and other heavy vehicles. Pickens thinks that his plan could significantly reduce the amount the country spends annually on foreign oil. A question and answer session completed the presentation. SPEE attendance for this meeting included 53 members and 56 visitors and guests. Final signup totals for SIPES amounted to 239 making total attendance 348.

The last meeting before the Houston Chapter's customary break (June through August) was held on May 4th and featured Miles R. Palke, Senior Reservoir Engineer for Ryder Scott Company. Mr. Palke's topic was *A Discussion on Evaluating Reservoir Simulation Models*. Miles discussed the experiences of Ryder Scott in evaluating models, in particular for reserves estimation, and some of the pitfalls that have been encountered. Additionally, Mr. Palke discussed work underway at Ryder Scott to streamline, make consistent, and remove subjectivity from the model evaluation process. There were 50 members, guests, and visitors in attendance for the March meeting.

Houston Chapter meeting dates for the remainder of 2011 are:

- September 7, 2011– Lou Powers
- October 5, 2011 – Tom Thurmond
- November 2, 2010 – Open
- November 30, 2010 - Open

The SPEE Houston Chapter membership stands at 182 and our finances are strong.

Meetings – 1st Wednesday of each month except June, July and August – Houston Petroleum Club. Membership – 186

Midland

Meetings – 1st Tuesday odd months – Midland Petroleum Club. Membership - 28

Oklahoma City Chapter

The Oklahoma City Chapter March SPEE meeting was Thursday the 24th. We were pleased to have Lucas J. Munson, Attorney with Munson and Co., P.C. give a presentation on *Are Title Opinions Affecting Your Drilling Schedule in Oklahoma?* Mr. Munson discussed the various issues that can affect the ability of a Title Attorney to provide a title opinion and how that can affect a company's drilling program. Attendance was 23 members and guests.

Kris Goforth, Vice President, Reservoir Engineering, Central Division, Devon Energy Corporation spoke to the OKC SPEE Chapter April 28. Kris discussed how Devon Energy is now focused exclusively on North America Onshore and presented an overview of some significant plays in which Devon is active. Attendance was 56 members and guests.

Continued on page 7

It is Just My Opinion, of Course, But....

... a number of things have come up recently that have prompted some deep thinking about SPEE and how our little organization is evolving to meet both our original goals and the changes in our industry, to wit:

- SPEE is nearing its 50-Year Anniversary, or Birthday, if you prefer.
- The Annual Meeting - the preparation for which has resulted in some interesting discussions.
- The COPP is drafting a long-overdue review of the venerable Five-Year Plan.
- Finally, I had an interesting e-mail exchange about some membership issues.

Now, if you are going to have a mid-life crisis, 50 is as good a time as any; not that SPEE is having a crisis but, as I said, some reflection may be in order.

The membership discussion was the primary instigator of all this pondering and I had a lot of time to ponder while weedwacking and brush-clearing up at the cabin recently. There is some concern about the number of SPEE members and the need for growth in the future; as one person put it, we need “new blood” in SPEE. Of course, no organization, professional or otherwise, would want to become stagnant, and we should strive to attract new members. This issue is nothing new for SPEE. Ever since I became a Member in 1992, the “experience” demographic has been a perennial issue. In 1992, (when I was 47) some members were worried that the average experience level in SPEE was in the high 50s. Well, I am now 65 and, guess what?!, the average is still in the high 50s; maybe a bit higher than before but not much - a circumstance that does not suggest a need for “new blood” as much as it does Geritol; but I jest. Some Members feel that Europe is the best source for this “new blood.” More on that later.

Assuming growth is a goal, how do we attract new members while maintaining the standards that make SPEE worth joining? SPEE is a very special organization, as you know. With other organizations, you send in an application and a few Euros and Voila, instant member. Not so SPEE. With the educational and experience (that word again) requirements, and the need for sponsors and references, you really have to want to be a Member of our merry band. As it should be. Having a high standard for entry does make “growth” something of a problem; particularly as the industry from which we draw our Members is changing. The desire to associate with other talented professionals may not be enough anymore, which suggests that SPEE must find a way to provide sufficient incentive for an evaluation engineer or geologist to want to go through the process to become a Member.

One incentive for prospective members is reputation. SPEE has always had a good reputation as a group of highly qualified evaluation professionals, among those who knew of the Society, but recognition from the broader industry

and from other organizations has often been lacking. That has changed significantly with our assertive participation in PRMS and the UN initiative, along with the publication of the Parameter Survey, our three Monographs, and the Reprint Volume - a situation that can continue so long as the Board actively pursues recognition and we have Members willing to do the work.

SPEE may also be able to offer prospective (and existing) Members specific incentives. We are too small to offer insurance programs and the like but we can expand educational opportunities. One of the purposes of SPEE is education and exchange of ideas. Many of our Chapters have good speaker programs; sharing these resources among Chapters could allow more Members to benefit from the presentations. Our website could be expanded to allow for interactive discussion along the lines of the SPE TIG site. We could continue to sponsor specialized conferences such as the software and SEC symposia that have given SPEE heightened recognition. Our publications can be increased to include new Monographs and a functioning Journal which would provide information useful to evaluation professionals.

One of the most successful things SPEE has done is to make available more short courses that satisfy CE requirements. The attendance at our Annual Meeting short courses indicates the utility of the CE approach. But, the Annual Meeting is a very limited and increasingly expensive venue. Why not set up a program to offer short courses for CE credit in places where more engineers and geologists would have access? Some of those who attend may decide they should join SPEE.

Finally, but not necessarily last, years ago the Board considered a plan to raise the profile of SPEE at the University level by working with faculty and teaching staff to provide materials and speakers and help develop evaluation course work. There was even a strong suggestion for a special class of SPEE membership for educators. There was some work done at a few schools but there was no momentum. Still a good idea though; get them while they are young.

Which brings me to another question. Where is our optimal source of new Members? Europe is suggested; and the new London Chapter is evidence of that; BUT how much interest really exists in Europe west of the Urals for SPEE membership (even if we change the education requirements)? Personally, I have doubts. I would bet there are probably more potential members in Bakersfield than in Brussels. Here is the problem. We are not SPE or AAPG. We have only 600+ Members, an excellent but part-time executive staff, and a limited pool of people willing to take on assignments. At

the same time, there are thousands, well maybe hundreds, of working engineers in the U.S. and Canada who could meet our criteria and be productive Members (not to mention maintain that “experience” average). What if we put the same effort into helping the Wyoming Chapter get organized as we did in London? Then we could have a Board meeting in Gillette or Casper.

I guess the point of this ramble is the same as an argument I made 10 years ago as part of a review of the Five-Year Plan. SPEE will never be much larger than we are today, demographics work against us. However, if we use our limited resources of energy and people to continue to build the reputation of SPEE as THE leading source for reliable information on the evaluation of petroleum properties and projects; and concentrate on building that reputation in North America (which will, of necessity, spill over to other regions), we will maintain our membership and meet the goal of SPEE “... to promote the profession of petroleum evaluation engineering.”

Richard J. Miller
Newsletter Editor

Chapter News continued from page 5

Oklahoma City Chapter (cont'd)

The OKC Chapter Officers appointed member Mike Drennan, Vice President of Crawley Petroleum, to be Scholarship Committee Chairman and assigned him the task of initiating a college scholarship program for our Chapter.

Current Chapter membership is 24 members. One new membership application was recently forwarded to National for final processing and approval.

Meetings – Every odd numbered month. Membership - 23

Tulsa

Meetings – 1st Tuesday of each month – Petroleum Club.
Membership – 27

THE ETHICS COLUMN

Ethical Standards are not just the domain of individuals. They often are the results of corporate culture and have an outsized impact on personnel and, ultimately, on the company itself. A case in point:

Carl, a young petroleum engineer from Barstow University, is hired by Oldco, a major oil company, and assigned to work on a team involved in a developing unconventional resource play. The company is a leader in the technology required to be successful in that play. The company, however, is very secretive about its methods and discourages employee contact with other companies, even service providers, other than discussions in the office regarding company projects. It also prohibits the preparation of technical papers and does not pay for attendance at professional or industry events.

After three years, Carl, who aspires to someday be an independent oil and gas producer decides he needs to diversify his experience and quits his job without any connections or job offers. Following a diligent search he gets a position as a sales engineer for Servo, a worldwide service company.

When Oldco learns of Carl's employment and realizing his new employer is a vendor, Oldco demands Carl be fired or they will cease doing business with them worldwide. Servco fires Carl.



WHAT DO YOU THINK?

Obviously there are ethical and perhaps legal violations. What are they? What does Carl do? Where in the organization did this corporate culture develop?

Readers are encouraged to provide written comments to the SPEE Office – Attention: Editor

Buddy L. Sipes

Welcome New Members

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Membership Applicants

The following member applicant has been processed by the Qualifications Committee. The by-laws require that 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 by-laws regarding other important details) since the applications have already passed through the Qualifications Committee.

APPLICANT

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VP, Reserves Assurance and Reporting
Carel van Bylandtlaan 23
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The Netherlands

SPONSOR

Rod Sidle
Farhad Ghassemi
Dan Diluzio