

SPEE NEWSLETTER

HOUSTON, TEXAS

JULY 1995

PRESIDENT'S LETTER

Our 1995 annual SPEE meeting in Taos, New Mexico held last month will long be remembered as one of the most enjoyable and educational in recent times. Attendance was at an all time high and those participating enjoyed the casual atmosphere and beautiful weather of one of America's truly unique locations. Being a smaller city than we usually meet in, our meeting arrangements were creatively and admirably handled by Vice-President Russ Long, ably assisted by B. K. Starbuck Buongiorno. We held activities in four different venues in and around Taos.

The outstanding technical sessions included a thought-provoking panel discussion on professional ethics which touched upon activities in all SPEE disciplines: consultants, producers and bankers. For the first time, a member of another oil industry professional society, COPAS, presented SPEE with an update of the well known COPAS accounting agreement found in most joint operating agreements.

This year, dinner seating was assigned according to registration date, starting at the front of the room and working to the back. This enabled many members to meet new people from other chapters and become better acquainted with others. Russ Long and other SPEE officers received many favorable comments about this innovation and the meeting in general.

The first SPEE reception held in a museum was also a big success, aided by art, artifacts and a real Indian flute player from the Taos Pueblo. Nothing, of course, could surpass the thrill of a lifetime enjoyed by some of the river rafters who were treated to both top and bottom views of the raft. Some were "dumpers", some were "jumpers".

The meeting was immediately followed by a first-rate short course presented by Ed Capen. All those not fortunate enough to make this year's meeting will surely start planning now for next summer in Aspen, June 8-11, 1996 as our annual meetings seem to be getting better and better. Thanks, Russ, for a job well done.

Sincerely,

Curtis Phillips

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Past President Glenn Harrison

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Oil & Gas Reserves Committee Chapman Cronquist
AD HOC - Applications Kerry A. Pollard
Procedure & Handling
AD HOC - Planning Skip Wiggins III
Standards & Definitions
AD HOC - Foreign Meeting Paul Clevenger
Investigation Committee Dave Tutt

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R. Curtis Phillips

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R. Lynn McCoy
Louis W. Powers

Keith Masters
S. Tim Smith
Daniel L. Wilson

Michael Drennen
Fletcher Lewis
R. Curtis Phillips

Charles W. Gleeson
Scott Hickman
Marvin D. Witcher, Jr.

Denton Copeland
Michael Harper
Michael McKenzie

Norman Adams
John Haley
Walt King

MEMBERSHIP

Pursuant to Article IV, Section I of the By-Laws, the following applicants have been reviewed and approved for membership in the Society of Petroleum Evaluation Engineers. The name, along with the names of their sponsors, are being presented to the membership of the Society.

"If no objection is received within 30 days, the applicant will be notified of his election."

APPLICANT

JOHN F. BERGQUIST

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Orhan M. Salman

Robert Odd
Glenn Robinson
David Tutt

Ricardo E. Garza
Kerry A. Pollard
Daniel L. Wilson

George Hite
Charles Lipari
James Ogletree

Gene B. Wiggins, III
David M. McCubbin
Paul Loveless

APPOINTMENTS

Charles R. Vanorsdale, Midland, Texas, has been appointed National membership chairman of SPEE by the executive committee. As Membership Chairman, he will maintain demographic records and advise the Board of Directors on matters concerning our total membership. Charles, one of our younger members, has already made significant contributions to both the Tulsa and Midland SPEE chapters.

Rick Riseden has been appointed the SPEE Newsletter Manager. He will be coordinating a small group of newsletter department chairmen and contributors to help provide SPEE with a quality newsletter each quarter. Rick is an immediate past chairman of the Houston chapter of SPEE. Both of these chairmen will begin serving their 3 year terms immediately.

MEMBERSHIP DIRECTORY

The membership directory should be distributed to those members who purchased a copy before Fall. If you did not order yours when paying your dues, you may order one at the \$15 member price until they are printed. After publication, everyone will be charged \$25.

CHAPTER OFFICERS 1995

CALGARY

Chairman David W. Tutt
Vice Chairman Walter G. Wright
Sec/Treas. Robert A. Odd

Meets: Quarterly on 3rd Tuesday of months of February, May, September and November.

CENTRAL TEXAS

Chairman Kerry A. Pollard
Program Chairman S. Tim Smith
Co-Membership Danny Wilson - Austin
Chairmen Paul Clevenger - San Antonio
Sec/Treas. Richard A. Johnston

Meets: The Austin Country Club, Quarterly

DALLAS

Chairman Mark Doering
Vice Chairman Tom G. Calhoun
Sec/Treas. Fred Duewall
Membership Chrm William D. Anderson
Meets: Southland Center Hotel ,3rd Thur. - 11:45a.m.

DENVER

Chairman Allan Heinle
Program Chairman Dave Cox
Treasurer M.J.(Jack) England
Membership Chrm Larry Nelms
Meets: Colorado Natl. Bank, 2nd Wednesday of first month of each quarter - 11:45 A.M.

HOUSTON

Chairman Ray Garcia
Vice Chairman Allen Barron
Sec./Treas. Jim Eisterhold
Program Chairman Marilyn Wilson
Meets: Petroleum Club, 1st Wed. - 11:30a.m.

MIDLAND

Chairman Joel Castello
Vice Chairman James Groce
Sec./Treas. Scott Epley
Membership Chrm Ed Runyan
Meets: Bi-monthly

NEW ORLEANS

Chairman Steve Maley
Vice Chairman Jim Haag
Sec./Treasurer Pending
Membership Chrm Tim Brookover
Meets: Petroleum Club, 1st Wed. - 11:45a.m.

OKLAHOMA CITY

Chairman Richard A. Brown
Vice Chairman Brian Powley
/Membership
Vice Chairman Max Holloway
/Program
Sec./Treasurer Frederic Ferris
Meets: Every other odd numbered month

TULSA

Chairman Bill Southmayd
Vice Chairman Leroy England
/Membership
Vice Chairman Robin LeBleu
/Program
Sec./Treas. G.W. Cottrell
Meets: Petroleum Club, 1st Tuesday - 11:30 A.M.

CHAPTER NEWS

CALGARY

A total of three meetings have been held since the formation of the chapter in July of 1994. On May 24 a meeting of the Petroleum Economics group of the Petroleum Society of C.I.M. was held to present their Canadian 1995 Petroleum Product Price Forecast Survey results. Ken Crowther of our chapter attended and sat at the head table. In addition to thanking the speaker, he provided details of the existence and aims of S.P.E.E. and its Calgary Chapter.

The total membership currently stands at 11 members with the recent addition of Mike Brusset. One additional candidate's application is in the approval process at this time.

CENTRAL TEXAS

During the Central Texas Chapter's first year of operation three meetings have been held, two at the Austin, Texas Country Club, and the other at the San Antonio Petroleum Club. Meeting speakers included former SPEE officers, Arlen L. Edgar from Midland, and Glenn Harrison from Dallas. Also, Mark Cook, Operations Manager, Tejas Power Inc., Houston, traveled to San Antonio and spoke on "Natural Gas Storage in Washed Out Salt Dome Caverns". New chapter officers were elected at the May meeting. Members from other chapters are particularly encouraged to attend meetings when in the area.

DALLAS

The Dallas Chapter has welcomed two new members thus far in 1995: Robert Ravnaas and Robert Blair. The membership now stands at 49.

Meetings are typically held on a bi-monthly basis at the Harvey Hotel in downtown Dallas. Attendance at meetings range from 20 to 35 people with approximately half being SPEE members. On March 16, Kenneth Ancell of Ancell, Fairchild and Wells made a presentation on Coal Gas Reserve Determination. On May 18, John Hathner of Netherland, Sewell and Associates, Inc. discussed the use and misuses of 3-D Seismic in reserve evaluations.

DENVER

The Denver Chapter has changed its meeting dates from the third Wednesday of the month to the second Wednesday of the month. The change was made to avoid a conflict with SPE. Future meeting dates are: July 12 and October 11. The meetings continue to be held at the Colorado National Bank Board of Directors Room.

Thirty-two members and guests attended the April 12th meeting. The speaker was Mr. Harold Feder of Feder Morris Tamblin & Goldstein, P.C. and author of "Succeeding as an Expert Witness - Increasing Your Impact and Income." Mr. Feder's presentation was based on material included in this book and covered several useful and informative subjects including: engagement letters, data gathering and analysis, organization, preparation for testimony, conduct at the deposition and trial, interaction with the jury and advocacy (the difference between the role of the attorney and the expert).

An Ad Hoc committee was formed by the board members of the Denver Chapter to: 1) investigate the feasibility of collecting rate of return information on actual property sales/purchases and 2) develop a plan to implement the collection and dissemination of that data. The committee is chaired by Larry Nelms of Ryder Scott.

Gary Krieger (Ryder Scott Company - Denver) became a new member of the chapter. Steve Bausch, a SPEE member, recently transferred back to Denver from Lubbock.

HOUSTON

The Houston Chapter meetings are held on the first Wednesday of the month with the exception of June, July and August at the Houston Petroleum Club. The average attendance for the first five months of 1995 is about 50 members and guests.

The members heard speaker Mark Cook, Manager, Tejas Power Corporation, speak on "Tejas' Partnership with Four Major Gas Utility Companies to Develop the Industry's First Large-Scale, Integrated Hub System".

SPEE member Brad Larson spoke on "Probabilistic Reserves, A Review of the Controversy" at the May 10th meeting.

The chapter added eight new members in 1994 and one thus far in 1995. Several applications are being processed at this time.

MIDLAND

The Midland Chapter has a membership at the present of 35. Several interesting talks were presented in 1994 and in February of this year Mr. Jim Williams, Consulting Economist, discussed Oil Price History and Analysis.

At the April 4 meeting, Kurt Korte, Vice President of NationsBank-CRT, Dallas, Texas presented a program on New Legislation - Impact on Values for the Appraiser.

NEW ORLEANS

The New Orleans Chapter consisting of a membership of seventeen elected new chapter officers at the May 17, 1995 meeting. They are Chairman - Steve Maley, Vice Chairman - Jim Haag, and Membership Chairman - Tim Brookover.

The upcoming year looks very promising for an increase in membership and the chapter will probably hold more round table discussions to draw from the membership's experience as this type of meeting has drawn better participation and response.

CHAPTER NEWS (CONTINUED)

OKLAHOMA CITY

On June 13 the Oklahoma City Chapter elected new officers. They are as follows:

Chairman	Richard A. Brown
Vice Chairman/Membership	Brian Powley
Vice Chairman/Program	Max Holloway
Secretary/Treasurer	Frederic Ferris

Brian Powley presented a paper that he had previously presented to the Oklahoma City Mineral Lawyer's Society. The paper was titled "Oklahoma Statutes Regulating Professional Engineering In Relation To An Expert Witness."

TULSA

The Tulsa Chapter has had many interesting speakers the first part of this year. In March, Mr. Richard Oringdeff, Manager of Domestic Financial Planning and Analysis of Oxy USA, Inc., spoke on Oxy's acquisitions of Placid and AGIP Oil Companies.

In April, Mr. Ford Brett, Oil & Gas Consultants, Inc., spoke on the subject of "How Much Petroleum is Left?". The May meeting had Mr. Lou Posgate, American Society of Appraisers, discuss "Considerations in Appraising Oil and Gas Assets and Business Interests".

SPEE TO BE ON INTERNET

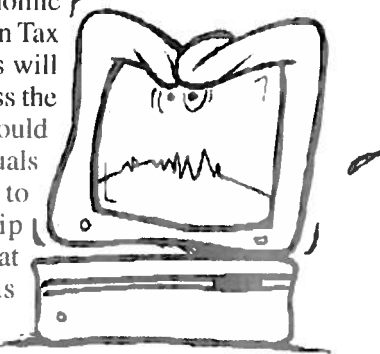
BY

GENE B. (SKIP) WIGGINS III

The Board of Director's approved a motion at the recent Annual Meeting in Taos to establish a SPEE presence on the Internet. A World Wide Web site will be developed to house information about the Society. Visitors to the Home Page of the site will be guided to various information about the Society which may initially include the following.

1. Organizational overview
2. History of SPEE
3. By-laws
4. National officers and directors
5. Local chapter information including officers and meeting dates
6. Committee information
7. Membership by state and city
8. Available publications and publications in progress
9. Information on annual meetings
10. Bulletin board containing other information and announcements

As the Internet expands and SPEE membership use of the Internet grows, the Home Page can be expanded to include SPEE publications such as the Newsletter, the Membership Directory, the Economic Parameters Survey, and the Oil and Gas Production Tax Summary. Thus, reproduction and mailing costs will be eliminated for those SPEE members that access the Internet. Also, membership and sponsor forms could be put in the system for downloading by individuals on an "as needed" basis. A major advantage to having publications such as the Membership Directory and Newsletter in the Home Page is that information can be continuously updated as opposed to updating of information in the Membership Directory every two years and quarterly for the Newsletter. The Membership Directory could also be expanded to include more background information on each member including education, areas of expertise, work history, geographic areas of practice and links to personal



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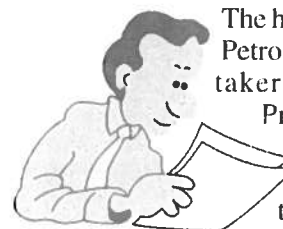
SPEE To Be On Internet Continued

home pages. It is anticipated that listing of members and membership information in the Home Page would be subject to individual member approval.

SPEE members who currently do not have access to the Internet have several options available for an Internet access provider including CompuServe, America On-line, Delphi, Prodigy and the Association of Free-Nets. SPEE members can also elect to subscribe to the Oil and Gas Journal JET (Journal Electronic Transfer) System. The JET System will provide SPEE members with access to the Internet, an Internet e-mail address and access to numerous Oil and Gas Journal and PennWell databases, statistics, corporate and financial news, catalogues, books, articles and other information related to the petroleum industry. A description of JET System services is generally found in the back of the Oil and Gas Journal each week. In the next Newsletter, subscription information on major Internet access providers will be presented as well as a discussion on the business implications of using the Internet.

It appears that interest among SPEE members concerning the Internet and it's potential benefits to members is growing. An informal poll taken of SPEE members present at the business meeting portion of the Annual Meeting in Taos indicated that 36 percent of the members present had access to the Internet and 12 percent used the Internet on a regular basis. Please take a few minutes to fill out the attached questionnaire and send it to the address shown. Your response will give the Board of Directors all important guidance concerning the membership's interest on access to the "Information Highway".

"FYI"



The historical pass rates for Petroleum Engineering test takers of the NCEES Principle and Practice Examination has declined from 55% to 13% over the past 9 years. The number of

Petroleum Engineers taking the test has also declined by 29%. The pass rate for other core engineering disciplines averages about 50%.

Article submitted by Jim Eisterhold

SPONSORSHIP - PRIVILEGE AND OBLIGATION

The "sponsor form" or endorsement for SPEE membership applicants is one of the most important but least understood requirements in our membership process. Recently, the SPEE administrative secretary and Qualifications Committee have received signed membership sponsor forms which indicated a misunderstanding of what constitutes an "endorsement," as it is called by our bylaws. Some of our long time members have been asked to provide the membership with their interpretation or understanding of the obligations and responsibilities of being a sponsor for a prospective member. Two replies follow:

"Being a sponsor means being able to make the following statements with regard to a candidate:

1. I have known him (or her) for a period of time sufficient for me to have formed opinions about his professional and personal conduct;
2. I have personal knowledge of his work experience, the quality of his work product, his professionalism and his ethics;
3. I believe that the applicant meets the requirements for membership and has the ethical standards demanded by the Society;
4. I believe he/she should be a member and I am willing to defend his request for membership against challenges.

If a sponsor is not able to make the above statements without qualification, he should decline to be a sponsor. Anything less degrades the privilege and obligation of sponsorship."

M. Vaughn Scanland
Qualifications Committee Member

Herb Poyner, Jr., founder and SPEE Historian writes the following:

"One definition of sponsor is 'to accept responsibility for' and a definition of recommend is 'to introduce as worthy of acceptance'. In essence, a sponsor is putting his own reputation and integrity behind the qualifications of the applicant and telling the Executive Committee that he would welcome the applicant as a member of his peer group."

"If a sponsor knew an applicant from attending industry functions or worked for the same company but did not know his evaluation capability or knew him only socially, he does not qualify as a sponsor."

Herb Poyner points out that the original qualification requirements were: "...degree in engineering or geology and ten years of experience in the evaluation of oil and gas properties." The term evaluation means "an analytical appraisal which resulted in the determination of present worth of the future net income from an oil/or gas property." SPEE's current bylaws allow five years of responsible petroleum engineering experience

to be substituted for five years of evaluation experience.

"In view of this diminution from the original requirements for evaluation experience, I would think that a conservative interpretation for qualification is called for and for that reason, the sponsor replies, which should be confidential, are critical.

The very nature of the qualifications make for a narrow band of people that meet the specifications and there will always be a heavy concentration of consultants, petroleum bankers and operators eligible. But that is the nature of the beast. The last paragraph in the History section in the 1963 roster speaks to the fact that the original impetus for the organization was caused by the fact that national professional societies and state laws 'provide no measure of the experience and ability of an individual in petroleum evaluation'."

Herb Poyner, Jr.
SPEE Historian

LES NEMETH NAMED HONORARY LIFE MEMBER

The Society of Petroleum Evaluation Engineers has elected Dr. Laszlo K. (Les) Nemeth an Honorary Life Member, the highest award bestowed by SPEE. The presentation was made by SPEE President Curtis Phillips at this year's annual meeting in Taos, New Mexico. Dr. Nemeth, a long-time member of the Society, will complete his 38th year in the oil and gas industry this year. He is an employee and officer of J. R. Butler and company, a Houston consulting firm.

Les Nemeth has made many significant contributions to the field of petroleum evaluation, including the initiation of the well-known SPEE Economic Parameters Survey fourteen years ago. Dr. Nemeth served as chairman of the committee for several years and continues to actively participate in the data gathering and analysis for the Society's well-known annual survey.

Dr. Nemeth began his distinguished career with Texaco where he completed assignments in Texas, New Mexico and Venezuela. He joined Ryder Scott's Argentina organization for several years before moving to Butler, Miller and Lents, Houston. He became affiliated with J. R. Butler and Company in 1976 and continues to be an active member of the firm.

Dr. Nemeth holds a BS degree in Geology, an MS in Petroleum and Natural Gas Engineering from Penn State University and PhD in Petroleum Engineering from Texas A & M.

H.J. "HANK" GRUY

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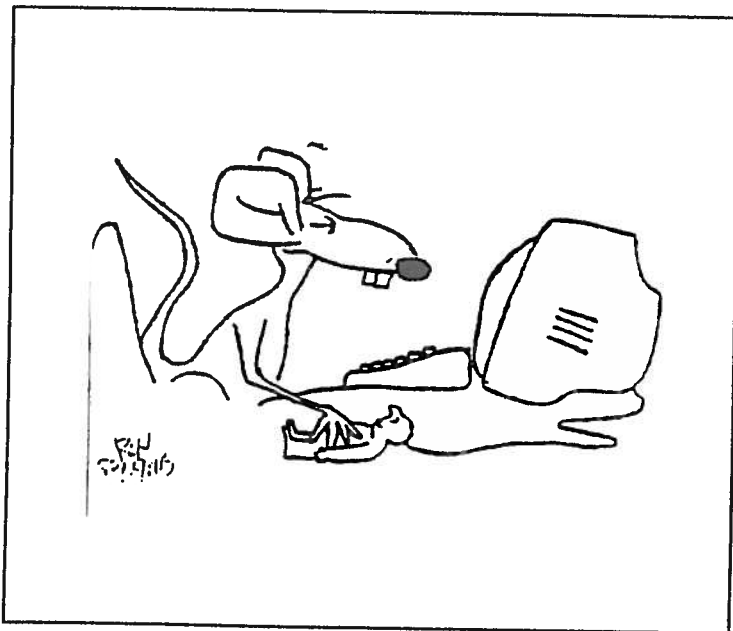
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BOARD ACTIONS

The Executive Committee made several important decisions:

- A. Reset the late fee on dues to \$15 per quarter beginning July, 1995. (All past due members will be sent second dues payment requests before the higher penalty becomes effective.)
- B. Passed a resolution declaring members who are late in paying dues to not be in "good standing" until all payments are "current". Such members may not endorse or sponsor membership applications until current.
- C. Set prices for SPEE's '95 Production Tax Summary, '95 Evaluation Parameters Survey, and '95 membership directory at \$25 each. (Members may still order the '95 directory for \$15 until it is printed; after that time, everyone will be charged \$25. Anyone who participated in the parameter survey can receive **one copy free** by faxing a request to B. K. at 713-951-9659.
- D. Passed a resolution allowing retired members over the age of 65 the option of paying 50% dues while still receiving full benefits of the Society. (Late fees same as members).

The Board of Directors set 1996 dues at \$60 and approved updating SPEE Monograph I (Guidelines for the Definitions for Oil and Gas Reserves) by the Reserves Definitions Committee. The annual membership meeting approved a vote by the Society's membership on 4 proposed amendments to the SPEE By-Laws.



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COMING TO THE END OF THE ROAD

by Richard J. Miller

One detail of the evaluation process is being forced on us not only by necessity but by the mere passage of time. Abandonment and Environmental Cleanup ("A&EC") is a part of the appraisal of an oil property that rarely receives much thought - sort of like retirement and estate planning. But for leases and fields in many areas, abandonment and associated environmental cleanup is a growing and increasingly imminent concern. In the urban areas of California, for example, the actual and contingent liability for abandonment and cleanup of an oil property often exceeds the anticipated remaining revenue from the property. This is the extreme situation brought about by low oil prices, competition for surface use, and expanding regulation on (very) old producing properties. But the issue exists in lesser degrees elsewhere and must be dealt with in any evaluation of an oil (or gas) property. If the increasing interest in this subject is any indication, the prevailing attitude toward abandonment and cleanup costs as part of the evaluation process is rapidly changing.

Historically, abandonment cost has been addressed in one of three ways:

- (a) Ignore it
- (b) Put it at the end of the economic life
- (c) Put it at the end of the economic life and offset by salvage value.

In most cases, (b) and (c) had the same impact as (a) on the value of the property. These methods of deferring Abandonment and Cleanup expenses effectively ignored the cost because, on a present value basis, the costs were minimized and did not reduce cash flow available for bank loans, etc. These approaches are based on the twin premises that (1) the property would not reach economic limit in the near future and, (2) that, in the interim, the property would be redeveloped for enhanced recovery, new drilling, or other project. Abandonment was scheduled as much as 25-30 years in the future. Until a few years ago, Environmental Cleanup was not even an issue. Also pervading the A&EC part of the evaluation is the concept that the funds will be available from some source whenever the time comes. This was never really articulated - it was simply there. At the end of the economic life of the property, when the revenue is less than the operating costs, funds for abandonment will magically appear. The company, operator, or owner, would take capital from another source to pay for abandonment.

Of course, most of us did evaluations just this way for years and many appraisers still do. But, there are at least two problems. The faraway future is no longer 30 years hence but much closer - today in many areas - and the source of abandonment funds must be reconsidered. So how do we account for A&EC in the evaluation and/or appraisal of an oil property in the world of 1995?

First, some definitions -

Abandonment - Physical plugging of the well; removal of downhole and surface equipment; and restoration of the well-site according to prevailing regulations.

Environmental Cleanup - Remediation of soils, surface vegetation, and ground water - as necessary according to prevailing regulations.

Next, what are the costs involved? The cost of physical abandonment should not be particularly difficult to determine - so many days to pull pipe, pump cement, and bulldoze the pad and cellar. There may be a discount for 50 wells or more. Forget about salvage - except for a good string of tubing, there is little or no value for used pumping units, etc. The big bear in the woods is environmental cleanup. The combination of federal, state, and local regulations can make this a liability without limit and, in many cases, can make any kind of accurate assessment beforehand highly impractical. In order to estimate the cost of cleanup, the potential problem must be identified and measured, which almost always triggers a requirement for immediate remediation. The latter is, in most cases, the same as reaching

economic limit. There is a real problem here for evaluators and appraisers. There is sufficient anecdotal information to suggest the potentially high costs of cleanup of ordinary oil field facilities; and groups such as the Appraisal Institute publish reports and guides for appraisers on a regular basis so the issue is very real. But there is very little hard data that allows a reasonable estimate of cost to be made by an evaluator. There is a need for a databank of reliable cleanup cost information that is publicly available.

Finally, even if a reasonable estimate of A&EC costs can be made, how can those costs be included in the evaluation of the property? If our purpose is to determine the value of the property, for whatever reason, then the A&EC cost must be included. Take, as an example, a producing lease with 10 wells that has a remaining economic life of 10 years and A&EC costs that are estimated at \$50,000 per well (net of salvage). Where does this cost belong in the determination of value? Common practice would still put it at the end of the economic life which would place a \$500,000 expense at the end of year 10. Some evaluators have even suggested scheduling the cost two to three years after the economic life ends. But this brings us to the problem of the source of funds. Is it good evaluation practice to assume there will be a deep pocket source of funds to pay these costs when they come due?

The value of a property is equal to the sum of the assets minus the sum of the liabilities - there are no magical assets and no disappearing liabilities. Also, each property must stand alone and carry the full cost of its eventual abandonment. Internal evaluations by (or for) large companies may assume that, as an ongoing enterprise, the combined cash flow will provide all necessary investment funds including those for abandonment. This may be a reasonable argument even though it means robbing Peter to bury Paul. But, on the other extreme, there is the one-lease company with no other assets - where does this company get the funds to abandon and cleanup the lease? Most of our evaluations are between the extremes. If you are evaluating a group of leases for acquisition, or taxes, or other purpose, can you correctly assume the abandonment funds will be provided from a source other than the property? This question is being recognized by more and more buyers and sellers of oil properties and by appraisers determining value.

The best way I have found to account for these costs is to do so during the life of the property. Wells that are shut-in and subject to abandonment can be scheduled, at least for purposes of evaluation, for plugging at a time certain with the required funds taken directly from cash flow. For those wells which are still in production the estimated cost of abandonment can be accumulated by using a "sinking fund" approach. In using a "sinking fund," the required A&EC costs are accumulated by deducting either a fixed amount or a variable percentage of net lease revenue from cash flow every year. In the example above, you could set aside \$50,000 per year or a certain percentage of net lease revenue to accumulate \$500,000. These deductions are treated as capital investment not operating costs so economic limit is unaffected. In this approach, the eventual abandonment

IN MEMORIAM

We regret to note the passing of

Elwood Levoy Baldwin
on June 6, 1995 in
Irving, Texas

and

Robert Edward Vickrey, Jr.
on July 11, 1995 in
Dallas, Texas

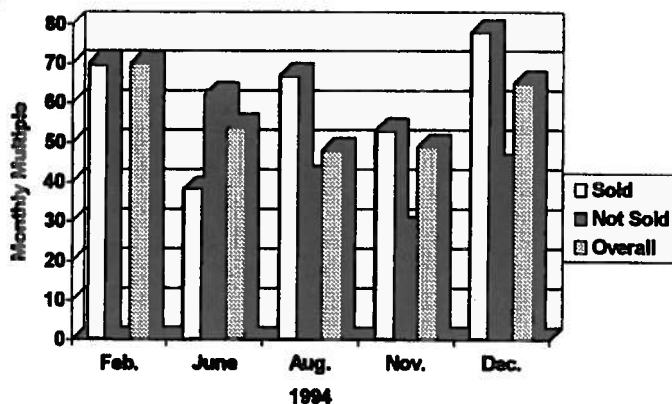
Continued from page 7

costs are provided by the property itself - no deep pockets are necessary. The value of the property is the true value of assets minus liabilities.

There is one final point. A true sinking fund would presume that interest would be earned on the accumulating funds. As a "sinking fund," the amount set aside for future abandonment is not available for other investment but should have some earning power. This requires only a safe rate of interest; T-Bill or CD rates can be used, however, longer term Treasury Bond rates may be appropriate if the sinking fund will be accumulated over a long period. However, if the A&EC costs are being increased with time, the escalation rate may equal or exceed the interest rate on the sinking fund. Now, do interest rates track inflation or are they contrary indicators?

The actual construction of this part of the property evaluation relies, as always, on the judgement of the evaluator but A&EC costs are a major consideration in the value of an oil property and must be treated in such a way that their true impact on value is recognized.

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VIEWS FROM 1995 ANNUAL MEETING

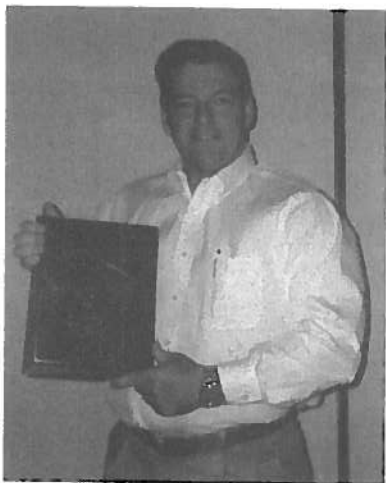
Next year's SPEE Annual Meeting will be held June 8 - 11 in Aspen, Colorado. The host facility is the Ritz-Carlton Hotel in the center of the town. We anticipate having a terrific variety of activities available for participants before, during and after the meeting.

The Executive Committee has designated Williamsburg, Virginia for the 1997 annual meeting site.

SPEE's Production of "Waterworld"



Who took these pictures?



Glenn Harrison receives Past President's Appreciation award.



Still paddling in foam.



"Swim to shore"



*Left:
Carol Lillie and Richard Miller, and Norma and Dick Banks*



*Right:
President Phillips, Dave Tutt and Lou Powers enjoy the courtyard of the Millicent Rogers Museum.*



*Left:
Seven member Mariache band entertained before dinner.*



*Right:
Donna and Tom Hillin are welcomed to their first annual meeting reception by Ray Garcia and Anna and Rick Riseden*

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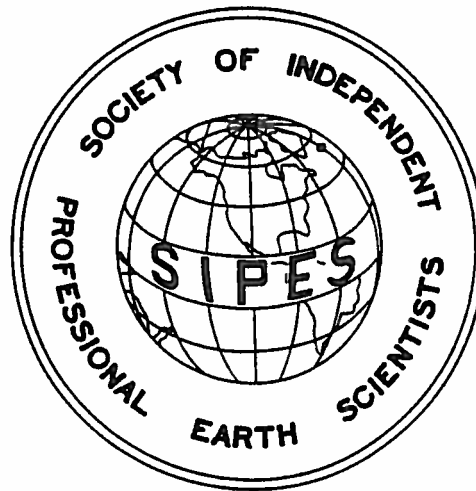


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PROBLEMS AND SOLUTIONS

by Rick Riseden

One of the Engineers in our office had a hard drive crash on his personal machine. This should not have been a problem since we back-up all machines every night using a program built into our network. Much to the Engineer's dismay, the back-up system was malfunctioning and all data was lost.

Our solution to the problem was to purchase another back-up system which, due to its simplicity is more satisfactory. The ZIP system is in effect an external hard drive which creates a "D" drive. An unusual feature is that it uses floppies costing \$15.00 which have a 150 megabyte capacity.

The ZIP drive is 6"x6"x2" and weighs about 10 oz. You could arrive at a client's office armed with only the ZIP drive and floppies and plug into their loaner machine and function as if you had your computer with you. Everyone in our office has taken it home overnight to back up their personal machines.

The ZIP drive is made by I/Omega and is available at Egghead Software and other stores for about \$200, but they are in very short supply.

Please send in your "Problems and Solutions" items of general interest for possible future publication. Articles should be short and to the point. Solutions that didn't work are also welcome.

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