



# SPEE NEWSLETTER

HOUSTON, TEXAS

OCTOBER 1995

## PRESIDENT'S LETTER

With Fall, the Society activities begin again following a brief summer-time break after our outstanding annual meeting in Taos. Local chapters have restarted chapter meetings and work resumes on preparing the Fair Market Value (FMV) Monograph and the newly approved update of Monograph I - "Guidelines for Application of the Definitions for Oil & Gas Reserves - December 1988," which is being handled by the Reserve Definitions Committee. Many members of the Society will be very busy with the intense efforts to complete these very important and worthwhile projects.

The SPEE Task Force to prepare a FMV Monograph takes on new importance this year as a result of the new SEC - FASB 121 rule which becomes effective December 15. This new rule requires all publicly owned companies to now review their properties on the "lowest level for which cash flow can be identified" and determine if economic factors have reduced the undiscounted economic life to the extent that they cannot recover their book (financial) value. Long-life and high cost properties which will not recover their book value must now be written down in value to their current fair market value (FMV). Unfortunately, the industry may be relying on financial accountants to determine FMV in the absence of a recognized FMV resource such as we are attempting to prepare. (FASB 121 recommends that "quoted market prices" be used for FMV.) Previous FASB rules allowed public companies to review the book value for their entire production portfolio as a single entity rather than on an individual property basis. We will now be seeing numerous large FASB 121 writeoffs to earnings taken by most oil and gas firms over the final two quarters of 1995.

October is also the appointed time in our bylaws for the election of three new members to the SPEE Board of Directors. The Executive Committee appointed past-president **Glenn Harrison** to organize a nominating committee of representatives from all nine chapters in September. This committee was charged with nominating members to run for the three director positions. Each new director will serve a three-year term beginning in 1996. The directors you choose will determine the direction and activities of our Society for several years. Enclosed with this newsletter you will find a list of the candidates and your ballot. Please exercise your right to **vote and return your ballot promptly**. Votes will be counted November 10th in accordance with the bylaws.

*Continued on page 4*

### OFFICERS

President .....	R. Curtis Phillips
Vice President .....	D. Russell Long
Secretary/Treasurer .....	Forrest A. Garb
Past President .....	Glenn Harrison

### DIRECTORS

Raymond T. Garcia
Ricardo E. Garza
Harry J. Gaston, Jr.
J. D. Hughes
J. Douglas Lang
Gene B. (Skip) Wiggins III

### COMMITTEE CHAIRMEN

Evaluation Parameters	
Survey .....	Andrew A. Merryman
Fair Market Value .....	Amiel David
Gas Imbalance .....	Richard B. Banks
Grievance .....	John N. Black
Inter-Profession .....	Sam Singer
Membership .....	Charles R. Vanorsdale
Newsletter Manager .....	Jon E. "Rick" Riseden
Nominating Committee .....	Glenn Harrison
Publications .....	James G. Patterson, Jr.
Qualifications .....	Donald O'Neill
Reserve Definitions .....	Brian Ausburn

### INDIVIDUAL APPOINTMENTS

Chapter Coordinator .....	J.D. Hughes
Production Tax Summary .....	Charles G. Massey
Professional and Public Affairs .....	James F. Eisterhold
Publicity Director .....	Marilyn Wilson
Historian .....	Herbert Poyner
Liaison SPEE	
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

### OTHERS

Newsletter Printer .....	Crest Printing, Inc. 713/658-8256
Information .....	B. K. Starbuck 713/651-1639 Fax 713/951-9659

## WELCOME NEW MEMBERS

### JOHN F. BERGQUIST

Babson and Sheppard, Inc.  
15605 Carmentita Rd., Suite 107  
Santa Fe Springs, California 90670

### KEITH D. BROWN

Royal Bank of Canada  
335 8th Avenue S.W.  
P. O. Box 2534  
Calgary, Alberta Canada T2P 2N5

### WAYMAN T. GORE, JR.

Platt, Sparks & Associates, Inc.  
925-A Capital of Texas Highway  
Austin, Texas 78746

### JOHN CHARLES HUNTER

Consultant  
1310 Friarcreek Lane  
Houston, Texas 77055

### DENNIS G. JORDAN

Collarini Engineering, Inc.  
1100 Tulane Ave., Suite 700  
New Orleans, Louisiana

### JOHN J. MARTING

Snyder Oil Corporation  
777 Main Street, Suite 2500  
Fort Worth, Texas 76102

### ROBERT A. MCGINNIS

McGinnis Industries, Inc.  
625 Maarket Street, Suite 125  
Shreveport, Louisiana 71101

### KEVIN CHARLES MCNICHOL

Powers Petroleum Consultants, Inc.  
810 Highway 6 South, Suite 110  
Houston, Texas 77079

### TERRY DEAN PAYNE

Platt, Sparks & Associates, Inc.  
925-A Capital of Texas Highway  
Austin, Texas 78746

### M. DALE SMITH

Escher Corporation  
2932 NW 122nd Street, Unit G  
Oklahoma City, Oklahoma 73120-1934

### WENDY G. STORBECK

Consultant  
4305B St. Andrews Drive  
Midland, Texas 79707

### MICHAEL JAMES VEAZEY

Veazey & Associates, Inc.  
4520 Jamestown Avenue, Suite 4  
Baton Rouge, Louisiana 70808

### BARTH E. WHITHAM

Westport Oil & Gas Company, Inc.  
410 17th Street, Suite 2410  
Denver, Colorado 80202

### GAVIN ROBERT GARRETT

The Naruna Company  
500 Throckmorton, #2402  
Fort Worth, Texas 76102

Aaron Cawley  
Andrew Fair  
Robert Ravnaas

### ROBERT MICHAEL HORNE (Jr. Member)

Capitol Appraisal Group, Inc.  
9300 Research Blvd., S. 100  
Austin, Texas 78759

J. D. Hughes  
Mike Nicol  
Sol Smith

### GREGORY B. HUENI

Malkewicz Hueni Associates  
14142 Denver West Parkway, Suite 190  
Golden, Colorado 80401

Jack England  
Steve Gilbert  
Walt King

### MARK A. LUCAS

Fina Oil and Chemical Company  
P. O. Box 73408  
Houston, Texas 77273

Steven Barr  
Frank (Deacon) Marek  
Dwight Purtell

### JOHN LOHRENZ

Dept. of Petroleum Eng. & Geosciences  
Louisiana Tech University  
P. O. Box 10348  
Ruston, Louisiana 71272

Brian Ausburn  
Forrest A. Garb  
James Hartsock

### STEPHEN E. MALKEWICZ

Malkewicz Hueni Associates  
14142 Denver West Parkway, Suite 190  
Golden, Colorado 80401

Dave Cox  
Steve Gilbert  
Richard Griebing

### CLIFFORD G. ZWAHLEN

PetroCorp, Inc.  
210 Park Avenue, S-2100  
Oklahoma City, Oklahoma 73102

B. P. Huddleston  
William Cobb  
John Thibeaux

## 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

#### BARRY R. ASHTON

Ashton Jenkins & Associates Ltd.  
1430, 734-7 Ave. S.W.  
Calgary, Alberta Canada T2P3P8

#### E. BERNARD BRAUER

Unocal Corporation  
1201 West Fifth Street, #932  
Los Angeles, California 90017-1461

#### JOHN CONRAD GARGANI (Jr. Member)

Southwestern Energy Company  
5151 San Felipe, Suite 700  
Houston, Texas 77056

### SPONSORS

Glenn Robinson  
David Tutt  
John Dielwart

Harry Gaston  
H. J. Gruy  
R. Curtis Phillips

John Black  
Leroy England  
Jim Stinson

## Remember!

## 1996 SPEE Annual Meeting

June 9-11

Ritz Carlton Hotel

Aspen, Colorado

## MEMBERSHIP DIRECTORY

The membership directory should be distributed soon to those members who purchased a copy. 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 Chairman Danny Wilson - Austin  
 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 Dennis G. Jordan  
 Vice Chairman Jim Haag  
 Sec./Treasurer Richard M. Miller  
 Membership Chrm Tim Brookover  
 Meets: City Energy Club, 3rd Wed. - 11:30a.m.

### OKLAHOMA CITY

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

### TULSA

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

## CHAPTER NEWS

### CALGARY

We had our end-of-summer lunch meeting at the Bank of Montreal on Tuesday, September 19 with ten members in attendance. After disposing of some business matters, there was a lively discussion about conflict of interests. A specific example raised was in-house reserve reports prepared by engineers whose bonus was geared to reserve additions. Our next meeting is scheduled for Tuesday, November 21 at the Royal Bank of Canada offices.

### CENTRAL TEXAS

At the Central Texas Area Chapter's first meeting of the 1995/96 year, Mr. Spencer Falls, President of EnMark Services, Dallas, Texas will be the speaker. His timely topic for the oil industry in Texas will be "An Overview of Crude Oil Prices and Market Valuation". The meeting location will be at the Austin Country Club, Austin, Texas, commencing at noon, October 31, 1995. All SPEE members are invited to attend (Halloween costumes are not required!!).

The Central Texas Area Chapter holds 3 or 4 meetings annually, and attempts to share meeting locations between Austin and San Antonio, Texas.

### DALLAS

The next meeting of the Dallas Chapter will be held on Thursday, November 16 at CITYPLACE at 11:45 A.M.. Mr. Claude McMichael, Chairman of SPE Reserves Committee will be the speaker. His program is entitled "An Integrated Deterministic/Probabilistic Approach to Reserve Estimations". Mr. McMichael will discuss how the application of statistical analysis and probabilistic theory will affect reserve definitions and reserve classification in the future. CITYPLACE is located at 2711 North Haskell (corner of Haskell and North Central Expy). Individuals who are not members are most cordially invited to attend.

### DENVER

Approximately 30 members and guests attended the July 12th meeting of the Denver Section of SPEE. Mr. Dave Cox of Advanced Resources International presented a program entitled, "Gas Seepage in the Pine River Area, La Plata County, Colorado." Mr. Cox was engaged by the Colorado Oil and Gas Conservation Commission and other affected groups to determine the cause of increased methane gas seepage in the Pine River Area.

Homeowners in the Pine River Area have observed increasing problems with methane contamination of water wells, dying trees and vegetation and accumulation of methane gas in confined areas. Although natural gas seeps have been documented throughout the Colorado portion of the San Juan Basin, the homeowners believed that increased seepage was associated with development of Fruitland Coal gas reserves.

Mr. Cox indicated that his simulation studies concluded that dewatering of the Fruitland Coal in down dip wells has resulted in increased surface seepage of methane gas. Mr. Cox also described a proposed remediation plan involving the injection of water in the vicinity of homes built on the Fruitland Coal subcrop.

### HOUSTON

The Houston Chapter has resumed its luncheon meetings after the summer break with the following two speakers; 1) at our annual joint meeting with SIPES on September 21st, Ms. Laura Ethetton of Petro-Value spoke on "Estimating Reservoir Risk Using Stratigraphic Modelling: An Application in the Galveston-High Island Area, Gulf of Mexico and 2) at our October 4th meeting, Mr. Jesse Sheffield of Pecten (Shell) International spoke on "The Economics of International Production Sharing Contracts."

In late August the Houston Chapter sent out a questionnaire to all of its membership. The objective was to obtain member input and opinions regarding programs and activities that would create a greater interest and participation. Our Vice Chairman, Allen Barron is compiling the responses and will give a brief summary of those responses at our November meeting. At that meeting, our speaker will be Mr. Dennis Jordan of Collarini Engineering, Inc.; Mr. Jordan is Chairman of the New Orleans SPEE Chapter.

### NEW ORLEANS

If Reservoir Management, Reserves Determination, Risk Analysis or Economics Evaluation is interesting to you, you are invited to attend the New Orleans chapter meetings held at the City Energy Club the 3rd Wednesday of each month. The 1995 presentations are as follows: October 18 - "Cruising the Internet for Oil and Gas Information", Ken Hayes - Atwater Consultants Ltd., November 15 - "Discussion of Natural Gas Futures Trading", Rick Miller - CNG, and December 13 - "The Pulse of Energy in New Orleans", Mary Judice - Times Picayune. The January 17th 1996 topics is: January 17 - "Identification of Reservoir Fluids", Bill McCain - Holditch & Associates.

### TULSA

The Tulsa Chapter met Tuesday, October 10 at 11:30 at the Petroleum Club of Tulsa. Dick Banks, Bob Burlingame, Bob Piesticker, et al gave a "Review of the 1995 Annual SPEE Meeting in Taos".

## PRESIDENT'S MESSAGE (CONTINUED)

Director, **Gene "Skip" Wiggins** (New Orleans) continues to progress with plans to provide SPEE with an Internet address and "HomePage." The Society plans to form an Internet committee in the next few months. Any member interested in assisting with setting up our Society from either the business or technical standpoint should write to me or any other member of the Executive Committee to be sure they are included.

All four of the amendments to our bylaws proposed in August have been overwhelmingly approved by the membership. They will be incorporated into the bylaws appearing in the 1995 member picture directory which should be mailed later this month to those members ordering one with their dues payment.

Let me express the thanks of all SPEE members to the five retiring Economic Parameter Committee members: **Les Nemeth, Ray Garcia, Amiel David, Chuck Brittan, and David Lee**. All five of these outstanding members have served three years or more on the committee. Each has provided guidance and stability to one of SPEE's most effective and publicized committees. Their help has been appreciated by all of us, however our three-year term limitation now requires that they be replaced.

The **SPEE Qualifications Committee** reviews every complete application for membership received by the Society. In recent years, this has been 50-60 applications per year. The committee checks and verifies college graduation, professional registration and professional experience to determine if applicants are eligible under the strict qualifications set out in our bylaws. They, then recommend whether each should be approved or rejected. The committee gladly welcomes four new members, all of whom were aware of this work load and still agreed to serve: **Richard George** (Denver), **Bob Gentry** (Oklahoma City), **Barry Van Sandt** (Houston), and **Jim Haag** (New Orleans). The Society sincerely appreciates these members for taking on this major responsibility.

Best regards,

Curtis Phillips

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## EXECUTIVE COMMITTEE MEETS

The SPEE Executive Committee will meet during the SPE Annual Meeting in Dallas, Monday, October, 23, 1995, in Room C-254, Dallas Convention Center. Any SPEE member is welcome to attend the open meeting beginning at 10:30 A.M. Suggestions, comments or discussion are always appreciated.

### SEC RESERVE DEFINITIONS

As an employee of a Big Six accounting firm, I see a lot of year-end reports by members of the SPEE. Most of the reports contain a label identifying them as an "SEC CASE", and contain language in the cover letter noting that the engineer has followed SEC guidelines for pricing and discounts rates." However, many of these same cover letters note that the reserve definitions are those of the SPE and SPEE. While we may all agree that the SPEE definitions are superior to those of the SEC. I urge each of you to use the SEC guidelines in preparing reports that will be filed with the SEC. That way you can follow all of the SEC guidelines.

Article by Andy Merryman  
(you may contact Andy or B.K. for a copy of SEC regulations)

## NEW ACCOUNTING CHECK LIST FOR ACQUISITIONS

The COPAS organization has just published the Property Acquisition Check List as a Research Paper. It provides an accounting and financial perspective guide and reminder list for companies involved in buying and selling petroleum properties. The check list is concise and useful throughout the acquisition process. It contains suggestions that can assist due diligence or the evaluation phase of an acquisition. If you have any questions regarding the check list, you may contact Pat Wood at (713) 609-4063. Besides presenting the COPAS discussion in our Taos Annual Meeting, Ms. Wood initiated the acquisition check list project for COPAS over a year ago.

Copies can be ordered at \$25 each from:

COPAS

P. O. Box 1190

Denison, Texas 75021-1190

or call Joan Gear at COPAS

@ (903-463-5463

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## PARAMETERS COMMITTEE OPENING

The Evaluation Parameters Committee has a couple of openings available for members who are willing to devote some hard work and time to making sure that our Evaluation Parameters Survey and report remains useful and highly respected in the oil and gas industry. Please advise the president or any officer.

### WALT KING, PETROLEUM ENGINEER

REGISTERED ENGINEER

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Data can be input directly into FES/PGS from Dwight's, PI, OGRE, etc., or from any other data source in any format. Also, you can include your mainframe unique lease code in FES/PGS, thereby providing a "seamless" interface between your mainframe and FES/PGS. FES/PGS can provide an audit trail whenever you make changes to FES/PGS records.

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Full partnership splitting is accomplished through the use of entity files. Hence, any system of interest that can be expressed by a network diagram can be calculated by FES. Also, various interest entities can be coalesced.

FES provides rigorous after tax calculations. These calculations are based on tables which may be modified by the user to provide his own tax scenario.

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Tulsa, Oklahoma 74119

(918) 584-6197

## RESPONSES TO THE INTERNET QUESTIONNAIRE NUMBER OF RESPONDENTS: 36

1. Do you have access to the Internet?

Yes - 22 No - 13

If yes, through what company or commercial service do you gain access to the Internet?

**CompuServe — 8, America On-line — 4, Prodigy — 3, NetCom — 1, Permian Basin Petroleum Association — 1 Greater New Orleans Free Net — 1, Spry Mosaic — 1, Oil & Gas Journal Jet System — 1, Air Mosaic — 1, Company site — 2, SPE — 1, MicroSoft Network — 1**

2. How often do you use the Internet? Please state frequency of use.

**Daily — 4, Several times a week — 6, Once a week — 2, Twice a month — 2, One time per month — 2, Rarely — 2**

3. If you do not use the Internet or have access, are you interested in gaining access and/or learning more about the Internet and what it can do for you?

Yes - 21 No - 0

4. Would you be interested in attending a short course at the SPEE Annual Meeting in Aspen next year that would discuss Internet access, the benefits of Internet access to SPEE members, and software/hardware requirements?

Yes - 31 Maybe - 2 No - 2

5. Would you be interested in being able to reserve Internet access time at an on-site location at the 1996 Annual Meeting in Aspen for accessing e-mail, for business/personal reasons, and/or to just "surf the net"?

Yes - 16 No - 18

6. Would you be interested in serving on a committee which is responsible for maintaining the SPEE Internet Home Page and helping to expand its capabilities?

**Eight members have expressed interest in serving on a SPEE Internet Home Page Committee.**

7. Please list any other suggestions or comments you might have with respect to SPEE and the Internet.

### Comments Received:

a. Some areas that might be of interest/help for SPEE Home Page: 1. Technical paper references 2. Current crude oil/natural gas prices and same for costs 3. Past product price trends and same for costs 4. FMV of properties .... averages 5. Reserve definitions (for downloading into reports) 6. Evaluation report template or guidelines 7. Lending criteria/bank loans 8. Forum sessions?

b. Would appreciate any information that could be furnished to members to demonstrate how we can get the most use out of the Internet. Maybe we're getting close to a point in time where SPEE needs an Internet Committee or at least one person designated as our "Net Master".

c. Make it a graphical interface!

d. I would like to see some ways to make money using the net. As far as I have seen so far the net is only a toy and I don't need to waste any time on such.

e. The SPE has a Houston Bulletin Board Service with Internet access and may be able to provide information. Also, SPE has sponsored a class re: "Tools for the Petroleum Engineer on the Internet".

NOTE: Due to Newsletter publishing deadlines, a discussion of subscription information on major Internet access providers and the business implications of using the Internet will be presented in the next Newsletter. Members interested in petroleum industry related bulletin boards and Internet sites are encouraged to read the September 11, 1995 Oil and Gas Journal article entitled, Information Access Quick, Easy With Internet, Bulletin Boards" (p. 33).

## WHITHER ELECTRIC GENERATION? A DIFFERENT VIEW

The Energy Daily ran an article by Thomas Casten on electric power in its September 7 News Extra. Casten is CEO of Trigen Energy Corp. and is a former president of the International District Energy Association. His beliefs have been developed over his 25 year career in the electric power generation career. Following are some of his insights:

1. Major new ideas take 30 years to adopt, except in industries sheltered from market forces where the time becomes 40 years.
2. The diesel engine industry has spent millions to increase efficiencies from 33 to 33-1/4% while ignoring the 66% of fuel energy lost as heat.
3. The electric industry could only convert 30% of its fuel to delivered electricity.

Casten believes the days of centralized electricity generation are soon to be replaced by dispersed generation with formerly wasted heat recovered and used to heat industry and commercial buildings. Deregulation of the industry will facilitate adoption of the least cost method of generation. One technique whose patent has expired involves preheating the fuel to achieve 100% efficiency of the added fuel.

Some of the conclusions of the article are:

1. The price of electricity will drop significantly.
2. Existing heat sinks can use all of the heat now wasted by fossil generation.
3. Transmission is overbuilt to serve central generation.
4. The more prices rise to recover capital of inefficient plants, the faster rate payers with assembled heat needs will self generate outside the reach of regulators.

Casten closes his article with a quote from Charles Handy's book, *The Age of Unreason*, Harvard Business School Press, 1990: "Assume discontinuity in our affairs...and you threaten the authority of the holders of knowledge, of those in charge, or those in power."

The Energy Daily has agreed to let us reproduce the 7 page article. Members can order copies from B. K. at the SPEE office at address on front page.

## MONOGRAPH I UPDATE

The SPEE Reserve Definitions Committee (RDC) is actively engaged in updating Monograph I: "Guidelines for Application of the Definitions for Oil and Gas Reserves" as requested by the SPEE Executive Committee and Board of Directors. All RDC members (Brian Ausburn - Chairman, Chuck Frick, Brad Larson, Chuck Massey, Pete Miesch, Larry Nelms, Juan Robasco, Mike Silbergh, Elmer Templeton, Dean Thompson, David Tutt and Skip Wiggins) have made considerable contributions to the Monograph I Update. Coordinators for the various sections are:

<b>Monograph I Section</b>	<b>Coordinator</b>
Preface	Mike Silbergh
The Society of Petroleum Evaluation Engineers	Brian Ausburn
Introduction	Mike Silbergh
Definitions for Oil & Gas Reserves	Brian Ausburn
Reserve Determination Methods	Larry Nelms
Reporting Reserves	Pete Miesch
Proved Reserves - Unproved Reserves - Improved Recovery Reserves	Chuck Frick
Probabilities and Confidence Levels	Brad Larson
Primary Reserve Status Categories	Pete Miesch
Improved Recovery Reserve Status Categories	Pete Miesch
Evaluation of Reserves	Dean Thompson
Reserve Change Categories	Pete Miesch
Variations in Estimating Reserves by Geologic Province	Skip Wiggins
Definition of Terms	Chuck Massey
Suggested Abbreviations for Reserve Categories	Larry Nelms
References	Chuck Massey

The RDC's goal is to have a draft update ready for review in early 1996.

### WALTER P. JENSEN, JR. P.E.

Mediation and Arbitration  
Professional Petroleum Engineer

Texas License # 17010 & Louisiana License # 3325

(713) 522-1693 (Bus.)  
(713) 468-6289 (Res.)  
(713) 254-1159 (Mbl)  
(713) 522-8988 (Fax)

2001 Kirby Drive, Suite 901  
Houston, Texas 77019

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## CANDIDATES FOR THREE YEAR TERMS ON SPEE BOARD OF DIRECTORS

BEGINNING JANUARY, 1996

(Listed Alphabetically)



**RICHARD A. BANKS** graduated from the Colorado School of Mines in geophysics in 1953. He received an M.S. in petroleum engineering from the University of Texas in 1957. He worked for Amoco (Pan American Petroleum) before founding Scientific Computer Applications in 1969. He is registered in Oklahoma and Texas and has been a member of SPEE since 1983.



**ANDREW A. MERRYMAN** is a manager of Petroleum Engineering Consulting for Coopers & Lybrand in Houston, Texas. A member of SPEE since 1986, Andy is currently chairman of the Evaluation Parameters Survey Committee and previously served as Chairman of the Houston Chapter. Andy received an undergraduate degree in Petroleum Engineering from Texas Tech University in 1970 and an MBA from the University of Houston in 1974. He has worked for Texaco, LoVaca Gathering Company, First City National Bank of Houston, and Powers Petroleum Consultants.



**LARRY T. NELMS** graduated from Mississippi State University in 1963 and after receiving his Master's Degree from the University of New Mexico in 1965, worked in various positions with such companies as Exxon, Dome Petroleum Corporation and Mizel Petro Resources, Inc. He joined Ryder Scott Company Petroleum Engineers in 1983 and has been the Senior Vice President and Manager of the Denver, Colorado branch office since 1993. He became a member of the SPEE in 1988. Larry is currently the Membership Chairman of the Denver Branch of the SPEE and a member of the reserve definition committee.



**J. GLENN ROBINSON** is president of Sproule Associates Limited, a Calgary based geological and petroleum engineering consulting firm established in 1951. Glenn graduated from Queen's University, Kingston, Ontario with a Bachelor of Science (Honours) Degree in Civil Engineering in 1966. Since graduation, he has worked for Shell Canada, Scientific Software, and during the last 22 years with Sproule Associates. He joined SPEE in 1988 and is currently serving on the "Fair Market Value" committee. Memberships in other organizations include SPE, SPWLA, CWLS, Petroleum Society of CIM, and belongs to the Association of Professional Engineers, Geologists and Geophysicists of Alberta.



**KERRY A. POLLARD** has been a petroleum engineering consultant since 1983. He is a principal in the consulting firm of Pollard & Gore in Austin, Texas. Prior to entering the consulting field, Kerry was employed by Amoco Production Company and Reading and Bates Petroleum Company where he worked in various engineering positions. He graduated with a B.S. in Petroleum Engineering from the University of Texas at Austin. He is active in SPEE serving as committee chairman as well as Chairman of his local chapter. He was instrumental in the forming of the Central Texas Chapter of SPEE. He is also an active member of the Society of Petroleum Engineers (SPE) helping form the Austin Chapter and serving as Chairman and Director. He is a registered professional engineer in Texas, Louisiana, Oklahoma and Colorado.



**GARY S. SWINDELL** has been with LaRoche, Swindell & Associates since 1980, engaged in petroleum engineering studies on a wide variety of geographical areas and basins. Prior to entering the consulting field, he served as District Engineer with Enserch Exploration, Inc., supervising engineering activities in the company's North Texas District. A 1974 graduate of the University of Oklahoma with a Bachelor of Science degree in Geological Engineering, he is a Registered Professional Engineer in the states of Texas, Oklahoma and Pennsylvania. Gary serves on the Dallas Energy Council and was the 1991 Dallas SPEE section chairman.

## "LEGAL CORNER"

By Engineers, For Engineers?!

Have you ever heard of "Comparative Symptomology"? Well, don't try to use it as an expert witness!

### "Robinson Case"<sup>1</sup>

Robinson sued DuPont for selling contaminated fungicide which damaged their pecan orchard. The trial court excluded the testimony of Robinson's sole expert because his opinions were not scientifically reliable. The appeals court overturned the trial court's decision, the Texas Supreme Court ruled against the Robinsons. An epic battle.

The expert claimed that although the contamination was in scientifically undetectable amounts the symptoms of the pecan trees were similar to the results of another study he had done for a case in Florida. He cited the "comparative symptomology" method of analysis. The expert's work was very shallow, being based on a two hour visit to the orchard with no soil samples, no fungicide testing, no visits to offset orchards, etc.

The trial court in their reasons for excluding the experts testimony cited: improper scientific methods, no reliable basis in his discipline, no peer review, subjective belief, no scientific community acceptance, and it was not based on a procedure reasonably relied upon by experts in the field.

The Texas Supreme Court reversed the appeals court and affirmed the trial court, stating that, "We hold that Rule 702 (of the Texas Rules of Civil Evidence) requires expert testimony to be relevant and reliable" and "Finally, the Robinsons have offered no evidence to support their claim that comparative symptomology is an appropriate and reliable method to determine chemical contamination."

This case seems to have some real relevance to the work done by SPEE members who use the definitions and principles of practice which are generally accepted by industry. Improper use of analogies and failure to properly classify reserves under the definitions should be good examples.

Article by Rick Riseden and Barry Van Sandt  
(Contributing authors wanted!!  
contact Rick Riseden)

<sup>1</sup> E. I. DuPont de Nemours and Company, Inc. vs. C. R. Robinson, et al, No. 94-0843 from Parker County, Second District, Texas. Writ of error granted December 1, 1994. (38 Tex. Sup. Ct. Jour. 106)

## REPORT ON SPE FORUM SERIES IN NORTH AMERICA

"Risk and Confidence in Reserves Evaluation"  
Snowmass Village, Colorado  
July 30 - August 4, 1995

There were 77 people in attendance, eight are SPEE members. Approximately one-half of the group is involved with activities outside of the U.S.. Some of the major non-U.S. areas and the number of attendees from, or working in, these areas are as follows:

<u>Area</u>	<u>Number of Attendees</u>
U. K.	8
Middle East	7
France/The Netherlands	6
Norway	6
South America	5

Topics during the week included:

- Current usage terminology and reserve/resource assessment methods.
- Probability methods.
- Comparisons of probabilistic and deterministic methodologies.
- The extent to which new technology can reduce risk and uncertainty.
- Non-technical uncertainties.
- SEC-definitions and difficulties.
- Risked production scheduling or forecasting.

In keeping with SPE guidelines for the Forum Series, proceedings and discussions are not documented. However, some general comments/observations made by attendees follow:

- Topic should be used again for Forum Series in 1-3 years.
- The publishing of more papers dealing with risk factors, risked reserve values, confidence limits, uncertainties, etc. should be promoted.
- Probabilistic applications should be examined in more detail to achieve greater consistency.
- SEC definitions will likely continue to generate discussion.
- SPE may encourage the formation of local study groups addressing this topic.

In summarizing, we observe that, with the exception of a few presentations, there was little "hard core" technology exposed. Most of the presentations and discussions tended to be somewhat philosophical. There seemed to be diverse views regarding pros and cons of deterministic versus probabilistic methods. On the positive side, the discussions and interchanges were quite objective, without the emotion a reserve discussion sometimes evokes. Overall, the focus was diffuse, and there was no clear mandate for action for the SPE Reserve Committee.

Article by Brian Ausburn and Chap Cronquist



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## HAVE A CASE OF REFILLING?

Over two years ago a client re-perforated a Yegua zone in a Southeast Texas wellbore which has now produced over 65 MBO with an 8% decline rate with no water. Nothing unusual here except the exact same interval in the well produced over 100 MBO before pressure depleting in the 1950's.

The performance can be explained in several ways, prior perms plugged up, near well bore damage, etc. Another explanation was a case of "reservoir refilling". Unusual features of the reservoir was that it was originally abnormally pressured oil (11.5 ppg to balance) and was on the flanks of a highly faulted salt dome.

Last Sunday (October 2) the Houston Chronicle ran an article entitled "Scientist suggests some oil reservoirs refilling" in which Jean Whelan, a geochemist working under a \$2MM DOE grant suggested that refilling phenomena was due to super-critical methane seeping upward through fault planes. One example cited by the author is the Eugene Island 330 field which I recall happens to be abnormally pressured oil. This creates some interesting evaluation problems, drainage areas are difficult to assign. B.K. has a copy of the article.

Everyone has some personal experience with evaluating unusual reservoirs. If you'd like to contribute a short article on one of these to the newsletter, please mail or fax it to B.K. at the SPEE office.

Article by Rick Riseden

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Phone: (512) 480-8800  
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