



March 1999

# SPEE Newsletter

## President's Letter

New was the watchword at the first meeting of the year for the Board of Directors. New officers included Andy Merryman, president; Richard Miller, vice president; J. D. Hughes, secretary/treasurer; and Skip Wiggins, past president. New board members included Robin LeBleu, Mark Doering, and Marilyn Wilson. New committee members were Dick Banks, Chapter Coordinator; Jim Patterson, Grievance Committee; and Dave Cox, Professional Committee. Brian Ausburn announced that the new Monograph 1 on reserve definitions is at the printer and should be available for distribution in a couple of months. John Thibeaux announced plans for the new directory and the request for members to consider new pictures. New initiatives embraced by the board are shown below. If you are interested in investigating the feasibility of and planning for one of these initiatives, call the individual whose name follows the initiative:

- ◆ new meetings with accounting firms to discuss reserve issues for public companies, Dan Olds
- ◆ new meetings with SEC officials for mutual education, Harry Gaston
- ◆ new monograph to discuss essential elements of a reserve report, Ray Garcia
- ◆ new update of the 1979 SPE paper on auditing oil and gas reserves, Robert Rasor
- ◆ new liability insurance for our society, John Thibeaux
- ◆ new ways to distribute/publicize the parameters survey, John Thibeaux
- ◆ new symposiums to advance discussions of economic and evaluation topics, Skip Wiggins and Marilyn Wilson
- ◆ new review application/qualification/approval processes for prospective members, Skip Wiggins and Richard Miller
- ◆ new documentation of policies and procedures and committee responsibilities, Mark Doering
- ◆ new committee to assist with administrative duties, Mark Doering

The board should be commended on its commitment to explore these opportunities to enhance our society. I hope each of you will find one initiative that you will volunteer to work on. This is one way for each member to take ownership in the society, put our mark on our organization, and look back at the end of the year with pride in what we accomplished. Whether you are a new member or a past president, we need your help. Perhaps we have failed to ask for it in the past. We are asking for it now. If you have ever wondered, "Who runs this thing?" or "Why don't we change that?" this is your chance to get answers, your chance to run things, and your chance to implement change or preserve the status quo! Please get involved.

I think all the new energy generated by these initiatives will be evident at the Annual Meeting in San Antonio. I know you will want to mark your calendar and make plans to join us in the leading convention destination in Texas. You might even consider a few days on South Padre Island to enjoy the Gulf of Mexico before or after the meeting.

Andy Merryman

## HEES OPPORTUNITIES

During March the SPE will sponsor two events in Dallas: The Hydrocarbon Economics and Evaluation Symposium and the Applied Technology Workshop on Probabilistic Assessment of Reserves. If you attend either of these meetings, consider writing a short article about your experiences. There will be room in this newsletter during the coming year to publish interesting articles with critiques or insights from our members. This is one more opportunity for you to help the SPEE fulfill its charter to educate and disseminate facts pertaining to petroleum evaluation engineering.

If you attend the HEES, please stop by our booth and attend the Tuesday breakfast. These are great opportunities for you to recruit new members. After all, the best way to maintain the standards of our society is for you as a member to actively seek out and recruit professions you know and respect.

**SPEE Officers, Board of Directors  
1999**

**Officers**

President ..... Andrew A. Merryman  
 Vice President ..... Richard J. Miller  
 Secretary/Treasurer ..... J.D. Hughes  
 Past President ..... Gene B. (Skip) Wiggins, III

**Directors**

William D. Anderson	Robin B. LeBleu
Brian E. Ausburn	John Thibeaux
Mark A. Doering	Marilyn Wilson
Harry J. Gaston	

**Committee Chairmen**

Evaluation Parameters Survey.....Kerry A. Pollard  
 Fair Market Value ..... D. Russell Long  
 Gas Imbalance..... R. Curtis Phillips  
 Grievance..... Florence Hughes  
 Internet ..... Gary S. Swindell  
 Membership ..... Daniel R. Olds  
 Newsletter Manager.....James F. Eisterhold  
 Past Presidents Council ..... D. Russell Long  
 Qualifications ..... James W. Haag  
 Reserve Definitions ..... Bradford O. Larson

**Individual Appointments**

Annual Meeting Advanced Planning ..... Richard J. Miller  
 Chapter Coordinator ..... Richard Banks  
 Directory - 1999 ..... John Thibeaux  
 Production Tax Summary ..... Charles G. Massey  
 Professional and Public Affairs ..... Dave Cox  
 Publicity Director ..... M. Fred Duewall  
 Historian ..... Herbert Poyner  
 Liaison Representative on SPE  
     Oil & Gas Reserves Committee ..... Chapman Cronquist  
 AD HOC - Foreign Meeting ..... Paul Clevenger  
 Investigation Committee ..... Dave Tutt

**Chapter Officers - 1999**

**Calgary**

Chairman Robert Odd  
 Vice-Chairman Keith Brown  
 Secretary/Treasurer Roy Hennig  
 Membership Coordinator David Tutt  
 (3rd Tuesday of each month except June/July/August)

**California**

Chairman Richard J. Miller  
 Vice Chairman Mike Starzer  
 Secretary/Treasurer Barry Evans

**Central Texas**

Chairman S. Tim Smith  
 Vice-Chairman Rick Johnston  
 Co-Membership  
     Austin Wayman Gore  
     San Antonio Paul Clevenger  
 Secretary/Treasurer Michael Horne  
 (Quarterly - Austin Country Club)

**Dallas**

Chairman Eric Hyman  
 Vice Chairman Dee Patterson  
 Secretary/Treasurer Ed Butler  
 Membership Chairman Robert Blair  
 (Bimonthly-September through May - CityPlace)

**Denver**

Chairman Steve Gilbert  
 Vice Chairman  
     Program Nanette Schulz  
     Membership Gary Krieger  
 Secretary/Treasurer Rene Daigre  
 (2nd Wednesday of first month of each quarter  
 Hershner Room - One Norwest Center)

**Houston**

Chairman Fred Goldsberry  
 Vice Chairman Dan Olds  
 Secretary/Treasurer Kevin McNichol  
 Program Chairman Iqbal Bootwala  
 (1st Wednesday of each month - Petroleum Club)

**Midland**

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 Vice Chairman Dean Eiland  
 Secretary/Treasurer Mike Black  
 Membership Bill Huck  
 (Bimonthly)

**New Orleans**

Chairman Tim Brookover  
 Vice Chairman Jim Glanzer  
 Secretary/Treasurer Jim Hubbard  
 (1st Wednesday of each month)

**Oklahoma City**

Chairman Max Holloway  
 Vice Chairman  
     Program Fred Ferris  
     Membership Brian Powley  
 Secretary/Treasurer Bruce Heath  
 (Every odd-numbered month)

**Tulsa**

Chairman Sharon Voskuhl  
 Vice Chairman  
     Programs Richard Banks  
     Membership Donald Staires  
 Secretary/Treasurer Robin LeBleu  
 (1st Tuesday of each month - Petroleum Club)



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

## Chapter News

### CALGARY

The Calgary Chapter continues to grow. There are a total of 27 active members, with 3 applicants pending approval.

The October meeting had James Kinnear, President of Pengrowth Management Ltd., as the speaker with a topic of "The Future of Royalty Trusts."

At the November 17 Annual General Meeting, new officers were elected. They are: Chairman - Robert Odd; Vice Chairman - Keith Brown; Secretary/Treasurer - Roy Hennig; and Membership Coordinator - Dave Tutt.

The number of meetings per year has been reduced from ten to nine, with no meetings scheduled for June, July and August. The format of the meetings will alternate between luncheons with guest speakers and membership luncheons to discuss evaluation issues.

The December 15 meeting was a Christmas get-together.

### CENTRAL TEXAS

The chapter attempts to meet quarterly. Due to the demographic makeup of the membership, we strive to meet at least once each year in San Antonio. Meetings in Austin are held at the Austin Country Club. Meetings in San Antonio are held at the San Antonio Petroleum Club. The chapter currently has 24 members.

Only one meeting has been held in the 1998-99 operating year thus far. Another meeting is planned in San Antonio in the Spring. The first meeting was held August 13th and featured speaker Boyd Latham with Capitol Appraisal Group. Boyd gave a discussion on the cost of capital and how it influences cash projections.

### DALLAS

The Fall meeting, November 19th, had seven members and nine guests hear speaker Ronald J. Gajdica, Director of Reservoir Studies, ARCO Exploration and Production Technology, talk on Evaluating Multilateral Drilling. Advances in drilling technology are allowing multilateral wells to be used in some novel ways to exploit hydrocarbon reservoirs. The presentation covered the different types of multilateral wells, the situations in which multilateral are recommended, the increased risk associated with multilateral drilling, and the different production forecasting methods used to evaluate these wells.

On January 14th, the speaker was Mark Fuqua, Senior Vice President of Energy Lending, Comerica Bank. His topic was "What Do We Do Now? Here we go around the mulberry bush." A children's rhyme? Not funny if you are in the energy business. We thought we had made it through the tough times beginning in 1982, bottoming out in 1986 and rising like a phoenix from the ashes in 1997. Now we stare into the face of dismal prices, dismal forecast and dismal hope. Or do we? Let's ask our friendly banker. Everything you always wanted to know but were afraid to ask. How will the banks help me through this one? What does my banker want from me? Are

opportunities out there? How do I find and take advantage of them? How do I survive? Registered to attend were 14 members and 49 guests.

The current membership is 43. There are 112 others on the mailing list.

### DENVER

The Denver Chapter met on July 8th at the Hershner Room and Ken Olive, President, and Dan Rodersten, VP, Engineering, of the Oil and Gas Clearinghouse made a presentation on the "Market Value and Recent Trends of Properties Sold at Auction." This talk generated considerable interest and was attended by 24 members and 12 guests.

On October 19, 22 members and 4 guests attended a presentation by Karen Ostrander-Krug titled "The Impact of Electric Restructuring on the Oil and Gas Industry." The talk generated considerable discussion and members were disappointed to learn that these changes are not likely to impact gas prices in the upward direction.

Officers elected for 1999 are: Steve Gilbert, Chairman; Nanette Schulz, Vice Chairman/Program; Rene Daigre, Secretary/Treasurer; and Gary Krieger, Membership Chairman.

### HOUSTON

The Houston Chapter membership is approximately 185 members. There are four applications awaiting final approval. There are several more in the membership process and the total membership should increase to 200 by year-end 1999.

The meeting attendance in 1998 was approximately 53 members per luncheon. There were nine luncheon meetings in 1998. The largest attendance was the February meeting. Henry Groppe discussed oil and gas supply and pricing. The second largest meeting was another supply talk given by George Hite. Obviously, supply and demand models related to the oil industry were the hot topics. The speaker list included Dr. Joseph Warren, Norman Neidell, Steve Maloney, Carrie Perkinson, Wardell Leisk, Deniese Palmer-Huggins and B.P. Huddleston.

### NEW ORLEANS

The New Orleans chapter meets on the third Wednesday of each month from September through May. Our first meeting was held on September 16. The speaker was Lanny Dunham who gave a presentation entitled "SP, Water Saturation, and Resistivity Theory Revisited." The speaker for the October 21st meeting was Dan Day who spoke on "New Developments in Property Evaluation using PROPHET." Our speaker for the November 18th meeting was Glenn Donovan whose topic was "MRIL Prime: Advancement in Total Porosity Measurement." On December 16th we had a Christmas social. So far we have averaged 18 people at our meetings.

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## OKLAHOMA CITY

The Oklahoma City Chapter has met two times since our "summer" break. The presentation for the September meeting at the Petroleum Club was given by Timothy C. Dowd with the Reynolds, Ridings, Vogt and Morgan law firm. His topic was "Selling Properties 'As Is' - Problems and Solutions." The presentation was directed towards the language in the sales documents and what the buyer and seller can do to shift some of the responsibility to the other party when problems, such as environmental, arise.

The presentation for the November meeting was given by Richard Banks, President of Scientific Computer Applications and SPEE member. The speech was similar to the one given to the Denver Chapter in January and was entitled "Is There a Standard Economic Format in Your Future?" This topic was centered around the potential for a standard conversion file that would enable input/production data to be converted from one economics package to another.

## TULSA

The SPEE chapter in Tulsa meets the first Tuesday of every month at the Petroleum Club Building. Meeting attendance usually ranges from 12 to 25 persons per meeting. As a chapter, we hope to grow in membership and recruit a younger set of engineers to infuse new ideas into our organization.

Our own Robin LeBleu was recently elected to the Board of Directors. We know he will do an excellent job in such capacity.

The slate of 1999 chapter officers has been nominated but is yet to be approved by the membership. This will occur during the February meeting.

## MORE COMMENTS FROM THE PRESIDENT

### Ad Hoc Committee on Membership

I expect that you will be hearing more in the near future about the work of a new committee headed by Past President Skip Wiggins and Vice President Richard Miller. The Board of Directors has asked that Skip and Richard form a committee to review the way we recruit and accept new members. As board member Harry Gaston reminded us, "If it ain't broke, don't fix it," a phrase that contains good advice. Yet, unless we look at our organization and our procedures, we may not know whether parts are broken or not. Perhaps you can think of this as preventive maintenance.

I have a strong personal belief that the only sure way to maintain or upgrade the quality and quantity of new members is for each of us to actively evaluate and recruit nonmembers. I believe a strong recommendation from sponsors is the best proof that a candidate is qualified for membership. Unfortunately, sponsor forms occasionally contain statements such as, "I only know this person through social meetings at other professional organizations." Ultimately, it is up to you and me as members to find and sponsor only those candidates we think are qualified. Please do not misunderstand. I am not suggesting lowering our standards. I am suggesting that we investigate and be willing to consider new or additional tools for measuring those standards.

Fundamentally, I believe that no one is better qualified to screen candidates for membership than our current members. Therefore, until a better procedure is approved, I am asking you, and I am depending on you, to increase your efforts to find and enthusiastically sponsor candidates you want as members of SPEE.

## The Copyright Lawsuit Has Been Settled

Hooray! The lawsuit is settled! The entire ordeal over the copyright issue has been saddening, tiring, and expensive. As the society moves forward, we are thankful that our expenses were not larger. We realize that they could have been. Now the board is looking for ways to safeguard your society. There is an effort to have each committee member and chairman sign a written agreement containing clear statements of ownership of ideas and workproducts resulting from SPEE activities. There is also an ongoing investigation of liability insurance that might be available to us. Your board is working, but your help and ideas will be appreciated in planning and required for implementing successful initiatives.



Our attorneys from Arnold White and Durkee began helping us in 1996, and by the time of the settlement, their fees totaled approximately \$65,000. Fortunately for us, the first \$25,000 was provided at no cost, and Russ Long was able to negotiate a reduction in the remaining amount to approximately \$32,000. With the additional income from the increased dues, we may be able to pay the entire amount this year. However, since the attorneys are allowing us to stretch the payments, we have paid only about two-thirds of their bill. After assessing the success of the annual meeting and other income and expenses for the year, the board will determine how to make the final payments and set the dues for next year. Our goal is to reduce the dues from the amount you paid this year, but our promise is to maintain the organization's financial health.

Arnold White and Durkee is recognized as one of the premiere law firms in the country specializing in intellectual property, and the quality of their work surely helped position us for an early settlement. While the initial work was done free of charge, it allowed their firm to get its name in front of our 500 members. They may have been motivated to discount the remainder of their charges because of their desire to support the industry in which we are involved. To a large extent, it was good advertising. Now that we all know the firm and the quality of their work, perhaps they will get additional work or a referral from one of us.

# TEXAS

## Got Plans?

Get out your calendar, your Day-Runner, your Windows reminder gadget, and that scruffy piece of paper where you keep notes to yourself, and block out in **BIG LETTERS**; June 6-8, 1999. Then call home and tell your wife to skip all those vacation plans because you're both going to San Antonio for the SPEE Annual Meeting. Saddle up, load the family truckster, and make tracks for Deep in the Heart of Texas.

Whoa! Hold on, pardner! Before you say, "Been there - done that," y'all listen up. I'll bet you didn't stay at the La Mansion del Rio! This is an elegant small hotel right smack dab on the Riverwalk. No cookie-cutter big hotel like they stick you in at the SPE meetin's. This is as nice a place as you'd ever want to see; why, they even make you wipe your boots off before you come in. Nice rooms, great restaurant - you'll want to loosen your belt and stay awhile.

I'll bet you didn't mosey over to the Southwest Craft Center of a Sunday evening and chow down on hor's devers and classy drinks with a hundred of your best friends. This former Ursiline Academy has displays of local crafts and real nice gardens, just the place to sasshay around and socialize with the friendly folks who belong to SPEE. Got the 'hole place to ourselves and they even have these little boats to take us there. Let's have a race.

If that ain't enough, we're bringing some really smart fellas from New York and Chicago to talk about oil economics and discount rates along with some other smart fellas from Austin and Houston to talk about gas pricing and how the State folks figure out discount rates for property taxes. Then, just to keep everyone in a good mood, we're gonna have a panel forum about the SPEE Parameter Survey. We're gonna have Short Courses (no calf-ropin' but just as good) and maybe even a tour or two to some exotic site.

Then, fer fun, some of the boys are gonna whack them little white balls around The Quarry Golf Course. For those who don't like to spoil a nice walk, we're gonna have historical tours; cultural tours; rafting on the Guadalupe River; a little trip to Luckenbach and beyond; and, for those little buckaroos, a trip to Six Flags - I call front seat on the roller coaster.

Finally, we'll all get gussied up and settle down for dinner Monday night with good food, good wine, a little music, a little do-si-do, some entertainment, and, who knows, maybe a really super speaker or two.

Yessirree, you may have been to San Antonio before - but you ain't never done it the SPEE way. So, no excuses now; San Antonio is not many turns of the wagon wheel from Houston, Dallas, Austin, and Midland. All your friends from Calgary, Denver, California, New Orleans, and Oklahoma will be there. It wouldn't be hospitable to not show up.

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## In Memoriam

The Society of Petroleum Evaluation Engineers lost a very special gentlemen and active member when Gerald E. Sherrod passed away on December 9, 1998 at the age of 76. He was a long-time member, joining the Society in early 1963. He served on the Board of Directors in 1967 and 1968.

He graduated with a B.S. in Petroleum Engineering from the University of Tulsa in 1950. From 1950 to 1957, Jerry worked for a Texas oil company in all phases of drilling, production, unitization, reservoir engineering and property evaluation. The bulk of his professional career was spent at Citibank in New York where he was a Vice President and Senior Credit Officer in charge of the Engineering group which supervised all phases of engineering and evaluation of oil and gas properties for the bank's worldwide lending activity to the petroleum industry. He joined Citibank in 1957 and took early retirement in mid-1982. From 1982 through 1988, he was a consultant offering services as a financial advisor on oil and gas matters and as an oil and gas property appraiser. His principal clients were the major corporate pension funds.

Jerry was elected the 1973 President of the SPE of AIME; in 1975 he was awarded the Distinguished Service Medal from the Society and in 1983 was awarded the Distinguished Member status in the Society. He was awarded the AIME Distinguished Service Award in 1995 and made an Honorary member of the AIME in 1998.



## Membership Applicants

The following member applicants have been processed by the Qualifications Committee. The bylaws 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 bylaws regarding other important details) since the application has already passed through the Qualifications Committee.

Applicant	Sponsor
<b>Wylie R. Barrow</b> Unocal Corporation 14141 Southwest Freeway Sugar Land, Texas 77478	E. B. Brauer Donald Clark Kenneth Richison
<b>Lawrence Oliver Brewer</b> Sonat Exploration 4 Greenway Plaza Houston, Texas 77046	Richard Brown Brad Juneau Jim Patterson
<b>C.W. (Charlie) Chapman</b> Chapman Petroleum Engineering Ltd. 750, 840 - 6th Avenue, S.W. Calgary, Alberta, Canada T2P 3E5	R. K. Agrawal Daryl Gilbert Ralph Hughes
<b>Diana Elisabeth Dede</b> Dede & Associates, LLC 8261 S. Monaco Ct. Englewood, Colorado 80112	Walt King Gary Krieger Larry Nelms
<b>Larry Joe Earhart</b> Societe Generale 1111 Bagby, Suite 2020 Houston, Texas 77002	Charles Brittan Glenn Harrison Robin LeBleu
<b>David Keith Gold</b> Aera Energy LLC 5060 California Avenue Bakersfield, California 93309	Jon Crawford Robert Palermo Larry Tharp
<b>John Francis Matthews, Jr.</b> Self Employed 5441 Fair Oaks Blvd., #C-1 Carmichael, California 95608	John Bergquist Russell Bertholf James Weddle
<b>John Wilson Essex</b> Dominion Energy Canada Ltd. #2600, 400 - 3rd Ave., S.W. Calgary, Alberta, Canada T2P 4H2	A. K. Agrawal R. Ashton D. H. Gilbert
<b>Michael Robert Jensen</b> Ocean Energy Inc. 410 17th Street, Suite 1400 Denver, Colorado 80202	Richard Griebbling Walt King Wally O'Connell
<b>Robert A. Kehrig</b> Enron 3500, 400 - 3rd Ave. S.W. Calgary, Alberta Canada T2P 4H2	Steve Balog Monte Gleason Peter Sidey
<b>Karla Wade Marchell</b> Collarini Engineering Inc. 777 Walker, Suite 2510 Houston, Texas 77002	Cheryl Collarini Dennis Jordan Gary Sowyrda
<b>Marcus David Snyder</b> Compass Bank 24 Greenway Plaza, 14th Floor Houston, Texas 77002	H. J. Gruy James Hartsock Marilyn Wilson
<b>Michael Frank Stell</b> Ryder Scott Company 1100 Louisiana, 38th Floor Houston, Texas 77002	Harry Gaston Richard Rains John Thibeaux

## Welcome New Members

**James Nolan Bostic III**  
Law Offices of James N. Bostic  
106 E. 6th Street, Suite 900  
Austin, Texas 78701  
512-322-5375

**Thomas L. Gardner**  
Ryder Scott Petroleum Engineers  
1100 Louisiana, 38th Floor  
Houston, Texas 77002  
713-651-9191

**D. Nathan Meehan**  
Union Pacific Resources  
P. O. Box 7, MS 3803  
Fort Worth, Texas 76101  
817-877-7762

**George A. Odum**  
Randall & Dewey, Inc.  
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Houston, Texas 77060  
281-774-2037

**Don P. Roesle**  
Ryder Scott Company  
1100 Louisiana, 38th Floor  
Houston, Texas 7002  
713-651-9191

**J. I. Terry Sherban**  
Cabot Oil and Gas Corporation  
360, 7400 East Orchard Road  
Englewood, Colorado 80111  
303-694-0650

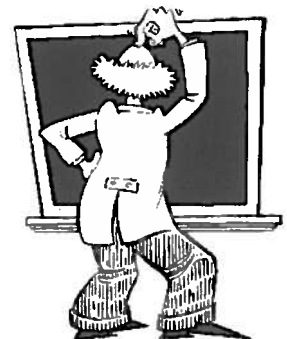
**Garry R. Ward**  
Floyd Oil Company  
777 Walker, Suite 2400  
Houston, Texas 77002  
713-222-6275

## THE ETHICS CORNER

### SITUATION

Ima Opportunist has her own consulting firm. She entered into a six-month retainer relationship with The Trustworthy Company. She worked closely with a Trustworthy engineering employee, Terrence Trueblue, who had just recently graduated from college.

Ima was very impressed with the job performed by Terrence. Three months into her engagement with Trustworthy, she offered Terrence a job with her consulting firm. (Note: This situation is based on a real-life event.)



### QUESTION

Was it unethical for Ima to attempt hiring an employee of the company which had retained her consulting services?

Your comments are invited and may be sent to the SPEE office.



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