SPEE Newsletter
April 2003
www.spee.org

## President's Letter

What an exciting time to be in the oil and gas industry. Product prices are near historic highs and petroleum companies generally have healthy balance sheets after a year of good product prices and moderate drilling costs. As petroleum evaluation engineers, it is always more fun to be able to tell our clients that the values of their properties have increased instead of trying to explain the reason for a decline in value. However it is our responsibility to continue to carefully and thoroughly perform our evaluations because product prices, operating costs and drilling costs will change, but our projections of future performance of the properties will continue to represent the core of our clients' asset value and our assessment of the risks associated with the recovery of the reserves remains a critical factor in their decision-making process.

It is an honor for me to serve as President of the SPEE this year. This is truly one of the finest organizations of professionals in the country and the reason is simply because of the quality of the members we have. Each member of the SPEE is a well-qualified, experienced reserve evaluation expert with numerous excellent references, extensive education and years of focused experience. Any one of our members' opinions carries weight in our industry and you can imagine the weight that we as an organization carry when we join together to voice our opinion on a particular subject.

Of course, one of the challenges we face as an organization is getting 500+ of us to agree. We often find ourselves on different sides of an issue and it is important how we conduct ourselves in these circumstances. It is important for each of us to respect each other, even as we are explaining why we think our opinions are correct. The major challenge then for us as a large organization, with the potential for significant influence and the mandate to disseminate facts pertaining to petroleum evaluation engineering both to our members and the public, is to find ways to agree and then act appropriately. The Board of Directors of the SPEE passed a resolution at the January meeting addressing some of the issues relating to this challenge and the text of this resolution is included in this newsletter. A proposed amendment to the bylaws to reflect this resolution is being prepared for consideration by the membership and will be presented at the annual meeting.

Numerous exciting projects are under way including the preparation of new REP's by several committees. Also the California Chapter and the FMV Committee are preparing a draft of an additional monograph relating to Fair Market Value calculations. The Calgary Chapter is very active in working with the Canadian government to formulate rules and regulations related to petroleum property evaluations in that country. Also, Ron Harrell and others have helped arrange for another SPEE SEC Forum this fall in Houston and John Wright is heading up our efforts to present a REP-Evaluation Software Forum in the spring of 2004. In addition, Marilyn Wilson, our immediate Past President, has agreed to head up a committee to prepare a draft of a monograph on Ethics and Professionalism.

This year's SPEE annual meeting in Charleston, South Carolina, will be a great event and I hope you will seriously consider attending. Besides interesting and informative technical presentations and an excellent short course, there will be some exciting social activities and, as always, a great opportunity to see old friends and meet new ones. Charles Gleeson has done a great job of planning this year's meeting and it will be well worth your time to attend. Please send in your registration now.

***Mark Doering***

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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 Officers - 2003

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(1st Tuesday of each month - Petroleum Club)

# Chapter News

## Calgary

The Calgary Chapter of SPEE meets every third Tuesday from September through May. Guest speakers provide insight on topical matters at alternate meetings. Our February guest speaker was Steve Gordon, Manager of Reservoir Engineering for PetroCanada. Steve discussed in detail the draft "Practice Standard for the Evaluation of Oil and Gas Reserves for Public Disclosure". Compliance to the practice standard will be mandatory within the Province of Alberta for Registered Professional Engineers.

The Calgary Chapter has an ongoing involvement with the authoring of "The Canadian Oil and Gas Evaluation Handbook." Volume 1 was released in June 2002 and Volume 2 will be released in September 2003. The Handbook is the reference for the new practice standard as well as new Securities reporting legislation in Canada. The Handbook is widely recognized and applauded within the Canadian industry and has significantly enhanced the profile of the SPEE.

## California

A General Section Meeting was held on March 20th at Hodels in Bakersfield, California. The program was as follows:

Rick Finken - "Production/Reserves Replacement in California - Who, Where, Why?"

Although very old, California's largest oil fields, often with shallow, thick, multizone producing horizons, continue to yield profitable reserve additions. Major companies, by consolidating their interests in these old fields, are most responsible for the reserve additions which have replaced California production since 1995.

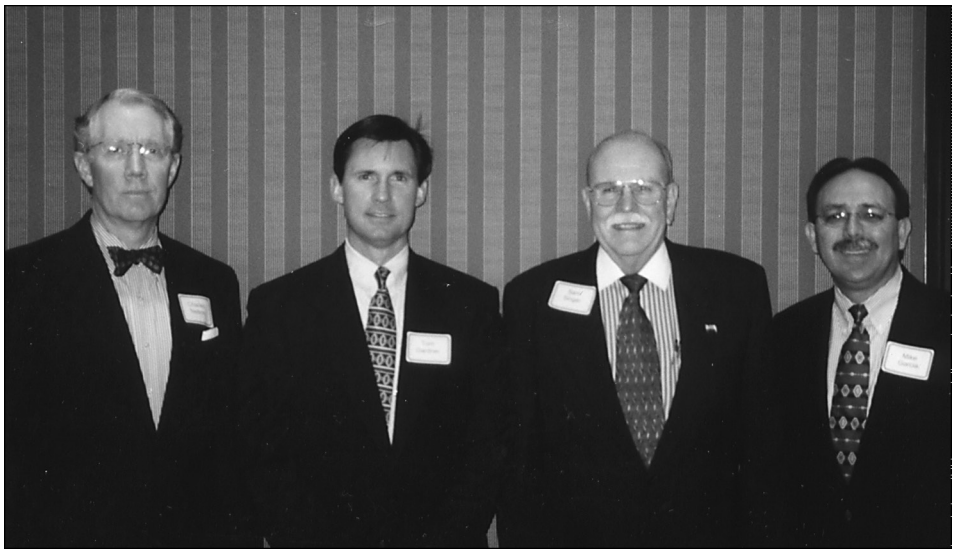
Richard Miller - "Economic Cycles and the Valuation of Oil and Gas Properties"

During the period of the 1980's and 1990's the oil business endured or, at times, benefited from several economic cycles which brought about extreme fluctuation in the prices for oil and gas, changes in interest rates from as low as 3% to over 20%, substantial declines in domestic U.S. production, and continually increasing regulation of the physical and economic aspects of the industry worldwide. This presentation will examine the effects of the cycles in prices, interest rates, regulation, and other economic factors on the process and component of the valuation of oil properties for sale/acquisition, taxes and litigation, and other purposes. This presentation draws on information developed as part of recent analysis work, as well as published studies and SPE papers from the past 30 years. Specific areas of study and discussion will include the effects of various methods to identify and account for risk and the influence of interest rates on discount rates.

Harold Bertholf - "Review of Elk Hills Litigation and the Impact on Probable/Possible Reserves"

Michael Starzer - "Buying Oil and Gas Properties - Stay Within Your Niche"

This presentation discussed concepts associated with purchasing oil and gas properties by smaller sized independents in cyclical markets and will touch on the development of an acquisition strategy, establishing acquisition screening criteria and the identification of acquisition targets, performing evaluations, developing transaction structures, due diligence, closing and asset integration. As a backdrop to the presentation, the speaker presented results of Bonanza Creek's acquisition program, including eleven transactions during both low and high commodity price periods.



*Houston Officers: Charles Nelson, Tom Gardner, Sam Singer, Mike Garcia*

## Central Texas

The Austin Chapter had one meeting, on January 24th, 2003. Forrest Garb taught the seminar on "Probabilistic Reserve Estimation", which lasted all day. Approximately 17 SPEE members and non-members were in attendance. Michael Horne should be commended for organizing this productive meeting.

## New Orleans

The New Orleans section meets bimonthly on even numbered months. The speaker for the February meeting was Dennis Jordan, who spoke on Recent Trends in Risk Analysis. For the April meeting, Jim Hubbard will lead a round table discussion on Engineering Ethics in Property Evaluations.

## Lessons Learned From Three Years Of SPEE Forums Focused On SEC Reserves Definitions

At the annual meeting in Charleston scheduled for May 18-20, Ron Harrell and Tom Gardner will review and discuss several reserves issues that have surfaced over the past three years as topics featured in the annual SPEE Forum series begun in 2000 and continued through 2002 in Houston. The 2003 Forum has been set for October 28, 2003 again in Houston at the downtown Hyatt Regency.

Some of the general topics to be reviewed will include the following:

- Year-end pricing issues, both spot market and contract
- Reserves booking for Production Sharing Contracts (PSCs)
- Exclusion of non-hydrocarbon revenues
- Limitations on booking of undeveloped reserves
- Use of analogs for enhanced recovery
- Reliance upon simulation studies
- Use of probabilistic reserves assessment techniques
- Exclusion of Net Profits Interest "reserves"
- Acceptable use of seismic in reserves estimation

At least one of the two SEC petroleum engineers is expected to attend the annual meeting but there has been no commitment from the SEC to participate in any part of the planned agenda.

The presentation described above will be informally presented and open for questions and discussion.

Ron Harrell

# *Annual Meeting*
# *Charleston, South Carolina*
# *May 18-20, 2003*

## *The City*

*Charleston is where 350 years of history meets southern hospitality. You will find ante-bellum mansions and gardens to tour, great golf courses to play, and southern cuisine to enjoy.*

## *The Technical Program*

*The program will look at major issues facing the petroleum evaluation engineer. A Short Course on Sunday conducted by Dr. Bill Cobb will focus on improving the evaluation of waterflood reserves. Monday's session will look at our role in compliance, reporting and ethical standards. On Tuesday we will look at our ever-changing industry and glimpse into the future.*

## *The Activities*

*You may choose one of a number of interesting and fun activities on Monday afternoon, including a golf tournament, a tour of Middelton Place House and Gardens or a visit to the aircraft carrier Yorktown at Patriot's Point. Monday evening the "Old South" comes alive at Boone Hall Plantation. At this ante-bellum plantation we will be entertained with period reenactments, hospitality and great southern cuisine.*

## *The Spouse's Program*

*A Carriage tour of Charleston on Monday morning including the Nathaniel Russell House and Gardens may be one of the highlights of your trip. Great shopping is just steps from the Double Tree Guest Suites and spouses will enjoy a complementary breakfast buffet on Monday and Tuesday mornings.*

*See you at the SPEE Annual Meeting in Charleston, S.C.*

*SPEE Board of Directors passed a resolution at the January 2003 meeting setting forth guidelines on the approval process for the publishing of letters, filings, position statements, etc. on the behalf of the SPEE. The Board will present a proposed bylaw change at the annual meeting addressing these new guidelines. The resolution as approved by the Board is as follows:*

# Resolution of the SPEE Board of Directors

WHEREAS, the Society of Petroleum Evaluation Engineers (SPEE) was formed to promote the profession of petroleum evaluation engineering; to foster the spirit of scientific research among its members; and to disseminate facts pertaining to petroleum engineering among its members and the public;

WHEREAS, the SPEE encourages the ethical dissemination of petroleum evaluation knowledge;

WHEREAS, the SPEE membership includes only qualified and experienced petroleum evaluators with excellent references;

WHEREAS, members of the SPEE often have widely different opinions and judgments on various evaluation methodologies based on their individual experiences and expertise;

WHEREAS, the SPEE desires to respect each and every member and their individual opinion; and

WHEREAS, the SPEE wishes to value and represent all of its members;

IT IS THEREFORE RESOLVED, that the SPEE shall encourage and empower its individual members and chapters to seek opportunities in which they may promote the profession of petroleum engineering, foster scientific discussions and debate with other members and to disseminate facts pertaining to petroleum engineering to other members and to the public; and

IT IS FURTHER RESOLVED, that any elected or appointed officer, committee or chapter of the SPEE shall not issue any letter or position statement on behalf of the SPEE (or its chapters) without the prior approval by a two-thirds majority vote of the Board of Directors of the SPEE. SPEE members are encouraged to individually promote positions on petroleum evaluation practices to the members of the SPEE and to the public; and

IT IS FURTHER RESOLVED, that no filings, briefs, appeals or requests shall be made with any court or governmental body on behalf of the SPEE or its chapters unless approved by an unanimous vote of the Board of Directors of the SPEE; and finally

IT IS FURTHER RESOLVED, that the Executive Committee prepare a proposed bylaw amendment to address the major provisions of this resolution for submittal to the members of SPEE for their approval as provided in the bylaws.

# Oklahoma Statutes Regulating Professional Engineering In Relation To An Expert Witness

**By Brian E. Powley, P.E.**

## Introduction

The development of the oil industry has required specialized areas of practice for both law and engineering. The highly specialized, scientific and technologically driven industry creates a need for significant interaction between the professions. The life cycle of the industry, the changing standards of the times and the ever growing complexity in both areas of practice promise to extend that relationship. One area of interaction is the petroleum engineer providing expert witness testimony either in conservation or litigation matters. The oil and gas attorney has opportunity to work with both engineers working for operating companies and consulting engineers in the role of expert witness.

Separate and apart from rules of the court dealing with expert witnesses and oil and gas law are the licensing laws of engineering. This paper studies the effect that the statutes regulating professional engineering and land surveying, Oklahoma Statutes title 59, secs. 475.1-475.23, have upon the engineer serving in the role as expert witness. This will first require addressing the subject statutes.

## Statutes

Oklahoma first started regulating engineering in 1937. Land surveying was incorporated into the same regulations as it is closely related to some areas of engineering. For ease of discussion, no further mention will be made to land surveying even though provisions for it are throughout the statutes. The statutes were last amended in 1992 to extend the powers of the licensing board and to better conform with the model rules of the National Council of Examiners for Engineering and Surveying. The Oklahoma statutes are patterned closely after the model law.

The occupational licensing of engineering is a police power of the state that is exercised in order to safeguard life, health and property, and to promote the public welfare. This is achieved through the normal occupational licensing methods of setting standards and procedures for admission and expulsion to protect the public from the incompetent or unethical practitioner. It is unlawful for any person to practice, or offer to practice engineering, or to convey the impression that he is an engineer or professional engineer unless registered or exempted. An engineer is a person that with knowledge of engineering sciences, from education and experience, is qualified to engage in the practice of engineering. A professional engineer is a person duly registered and licensed as a professional engineer. So professional engineers are also commonly referred to as registered or licensed engineers.

The starting point in determining if expert witness testimony is practicing engineering is the definition. The practice of engineering is any service or creative work that requires knowledge of engineering sciences in consultation, investigation, evaluation, planning and design. It includes teaching engineering and engineering research, surveys and studies. Also included are any other professional services as may be necessary to the planning, progress and completion of any engineering service. The description of services is qualified, insofar as they involve safeguarding life, health or property.

Corporate practice or offer to practice engineering by firms is permitted provided the person in direct control or having personal supervision of such practice in professional matters is registered. A firm is defined as a corporation, partnership or private practitioner employing others. The engineering firm is issued a certificate of authorization.

The feature that makes engineering licensing unique, in comparison to others like law and medicine, is the broad exception to the rule for employees and subordinates. The work of an employee or subordinate of a registered professional engineer is accepted, provided the work is supervised, verified and does not involve final designs or decisions. As a result, the licensing requirements only apply to a small percentage of engineers. The consulting engineer offers and practices engineering directly for the public and so is clearly subject to the limitations of the regulation. A broader interpretation that would include operating companies is possible but it has not been enforced that way in the past. It would require using a broad generalized form of what constitutes the public that is not clear from the wording of the statute. But while only applicable to a small percentage, the statutes still have a limiting effect due to the high standards and penalties.

Registration requirements have many variations due to the type of educational institution and degree. But generally, completing an engineering or related science degree and passing an eight-hour exam in the fundamentals of engineering will allow certification as an engineering intern. The 1993 Oklahoma pass rate for engineering interns was 73%. Attaining the required four or more years' experience and passing an eight-hour exam in the principles and practice of a specific field of engineering, such as petroleum, will allow registration as a professional engineer. The 1993 Oklahoma pass rate for professional engineers in petroleum engineering was 27%. It is this rigorous testing standard that is the limiting factor in the attainment of registration. To give perspective, the average pass rate for the Oklahoma Bar is 85%. There was also the long-established practice method of attaining 12 years' experience and just taking the principles and practice exam, but this method ended in 1996. The professional engineer is tested in a specific field of engineering and is required to limit the services performed to areas of their competence gained from education and experience.

The statutes have other provisions typical of an occupational licensing board. The State Board of Registration for Professional Engineers is comprised mostly of professional engineers. The Board has the power to make rules, subpoena witnesses, seek injunctive relief, levy administrative penalties and authorize, suspend and revoke registrations. Registration by comity is allowed where the state of registration has standards comparable to Oklahoma's. A temporary permit to practice may be granted as an exception, if the engineer is registered in his own state. Most other states have licensing requirements comparable to Oklahoma, with the notable exception of Texas, which did

not require examination for registration of an engineer until 1992.

The Oklahoma legislature, in 1992, gave the Board the power to levy fines and increased the criminal penalties to conform to the model law. Any person who violates any provision of this act shall be guilty of a misdemeanor for the first offense and a felony for the second offense, with an offense defined as each violation of any provision. Any person who violates any provision of this act, as determined by the Board, may be liable for an administrative penalty of not more than two hundred and fifty dollars per day or ten thousand dollars for any related series of violations. These harsh penalties are evidence of the legislature's intent as to the degree of enforcement and to provide mechanisms to make the self regulation of the profession workable.

## Power to Regulate

The statutes regulating professional engineering provide for the professional self regulation of engineering so as to ensure the competency of practitioners who are put in a position of trust by the public. The authority to regulate admission to practice is well recognized. In Smith v. State of California, the Ninth Circuit Court of Appeals said the California engineering statutes were constitutional and there was no question that the power was needed for the protection of the public.

The essential functions of rulemaking and adjudication powers have been routinely upheld. The power to adjudicate was upheld in State v. Bridwell, a case in which the adjudication by the Board of Medical Examiners in revoking a license was proper and apart from the action by the state courts on felony charges. As the powers of the regulating board are well established, the question of whether those regulating statutes have any effect on the petroleum engineer serving in the role as an expert witness must be addressed.

## Expert Testimony Case Law

There is little case authority as to what constitutes the practice of engineering. The few decided cases are usually restricted to the facts and statute peculiar to the case. In relation to expert witness testimony, the subject has been addressed in several state jurisdictions.

In 1940, an Oklahoma case, Howlett v. Mayo's, addressed the issue only a few years after the statute went into effect. On appeal, the plaintiff asserted that the definition of practicing engineering precludes a witness testifying as an expert witness. The statement was made in relation to the originally enacted version of the statute which had similar wording to the definition of engineering in the 1992 amendment. The Court held that the statute did not purport to prescribe the qualifications of a witness and without argument or citation of authority in support, gave it no further consideration. The Court addressed the question from the standpoint of what are requirements of an expert witness and not whether violation of the statute would preclude the testimony. The court also pointed out that the testimony of the witness contained criticism of the plaintiff's plans. The fact that an expert witness for one party is critical of the other party's plans, is no basis for assuming the witness is qualified.

Most courts have addressed the question from the standpoint of whether testifying is an act governed by statute. Lance v. Luzerne County Mfrs. Ass'n, held Pennsylvania's statute did not include testimony in the practice of engineering, as the statute described a professional engineer as directing the control of forces of nature as it relates to man. In Bandstra v. International Harvester Co., the Iowa Court of Appeals held that the lack of an engineering license does not bar expert testimony, as evaluating certain facts solely for the purpose of testifying is not offering services or affecting the public. There was no discussion as to why testifying as an expert witness in a negligence action would not have some effect on the outcome and property of the public. In Bandstra, the facts are not given as to whether plaintiff's expert witness was a consultant who had offered his services for the giving of the testimony. It could certainly be argued that the competency and ethics of plaintiff's expert witness affected the property of the parties in the three million dollar judgment. It can also easily be argued on a different level of generalization as to what the public means and to show the effect to the general public.

Little reasoning is given in the cases that hold that testifying as an engineering expert witness does not constitute the practice of engineering. The basis of the decisions appear to be more for procedural convenience, rather than a serious attempt to discern meaning and intent. This is illustrated in the New Mexico case of Dahl v. Turner. In Dahl, a professional engineer analyzed an accident scene to reconstruct the accident scene for testimony as a traffic reconstruction expert. On appeal, it was argued that the witness was testifying as a private investigator without a license. The court stated that whether he testified as an engineer, or as a traffic expert, is not important, but rather that the witness was engaged exclusively in his engineering profession. The opinion further describes how, in analyzing the accident and making conclusions, the witness used recognized engineering and mathematical formulas to determine the movement of the masses and, as such, was engaged exclusively in the practice of engineering.

No matter what the motivation might be, the matter appears well settled. American Jurisprudence, Second Edition indicates that the prevailing view is that occupational licensing is not required for expert witness testimony. However, there is some older authority that a license is required for testimony in some fields such as medicine. The court exercises sound discretion as to competency of a witness in an unlicensed field and, in a licensed field, presumes that the licensed are experts and the unlicensed are not. Having determined that a license is not going to be required still leaves the question of whether it should be.

**This article is continued on the SPEE website at www.spee.org, complete with footnotes.**

March 12, 2003

Dear Fred,

You asked that I write something interesting, and I think you said "controversial," for the SPEE newsletter. Well, I have already written a paper on everything I know anything about and probably some stuff I don't know anything about, and at this stage of my career I am not actively seeking controversy. But, the SPEE is my favorite forum so I will try to accommodate you.

**All Proved Reserves are Not Created Equal (And What to Do About It)**

Many years ago I inherited the chore of presenting the reserves for a single well to an army of bank engineers reviewing the PetroLewis reserve reports. Many consulting firms were involved and I was assigned a number of other interesting predictable properties. But in the annual review we only talked about a single well located in Chambers County.

The monster was about 9,000 feet deep and produced at a constant 8 million cubic feet per day. After two years the pressure had only declined 5%. No water. Control was limited to a way downdip well that was all wet.

I finally assigned reserves three years at rate. Every year. No decline. No real support. Each year for four years I was roundly berated by the bank engineers for a total lack of technical support. After some 14 Bcf was produced the well instantly watered out. Until the end I never had a clue what the reserves were but I was reasonably sure the reserves were less each year and the three years remaining had successively lower odds of success. Of course PetroLewis berated me when the actual production exceeded the original estimate. After many years of experience I have not improved in estimating reserves for this type of well.

If you run into this situation, try to transfer the well to your good friend in another firm.

**Who Reads the Journal of Petroleum Technology?**

Some 40+ years ago I had a paper published by the JPT. I was a student at Texas A&M so the paper was probably pretty straightforward with few or no equations. Over the years something happened: many of the articles today have symbols in the equations that are not even recognizable and words that may not be in Webster's dictionary. The SPE has a large membership and the magazine comes out every month, so a lot of people must read the JPT. I just never have met any of them.

Sometimes you should try the AAPG Bulletin. This publication also has some incomprehensible equations but there are also a lot of nice pictures of rocks and things.

**Why Can't the SEC Amend Their Outdated Regulations?**

I was active on the SEC Advisory Committee back in the late 1970s and early 1980s. This Committee had considerable input into Regulations S-X and S-K. This was really the first attempt to publicly standardize reserve reports and values so it is not surprising the effort did not provide an error-free system. In 25 years things have changed, but the regulations have stayed the same.

Probably the most important needed change is to modify the requirement for year end oil and gas pricing to some method of averaging historical and NYMEX future prices adjusted for basis. The formatting for the standardized measure should be changed—eliminate accretion of discount factor and break out undeveloped reserves and future drilling costs. Also, standardize the accounting method, eliminate capitalizing costs that are not backed up with a tangible saleable asset, and disclose all "off balance sheet" debts and other strange obligations.

**Why is General and Administrative Expense Ignored?**

Anyone who has managed oil and gas properties is well aware that the operating expense shown in our typical oil and gas evaluations does not cover a level of G&A expense necessary to manage the properties.

This is not the complaint about unscrupulous sellers who eliminate COPAS overhead from evaluations. This is a real, direct cost and a comparable cost is real even if the property is 100% owned and there is no operating agreement.

A review of the financial statements of publicly held oil and gas companies will show many companies have a G&A cost, not included in the reserve reports, that ranges from 15% to 40% of their net cash flow before debt service.

What is strange is that acquisitions virtually never include a G&A cost above the property level. A likely reason is that a company which includes a 20% G&A load would not buy anything.

**Engineering Programs Ain't Exactly Balanced**

I taught at Texas A&M for 17 years as a visiting professor with no requirements except to teach. Teaching was (is) my most rewarding experience. The following comments are aimed at all engineering programs and not just Texas A&M.

The general public thinks that colleges and universities are places that have a priority to teach. The colleges and universities think they exist to research and write papers (and maybe teach). The average teaching load in a university engineering school is about four hours a week. What do the instructors do the other 40 hours or so?

Have you ever reviewed the research or peer-reviewed papers written by an engineering professor? I will not debate the relative merits of research and papers, as I think your answer to the question answers the debate. The universities supposedly balance teaching, research, and paper writing, but most of the conversation on campus will be about research. I have attended numerous university meetings that did not include the words "teach" or "student."

A business solution would be an increased teaching load, only meaningful research, papers only if there is something to say, accountability of time, and specific accountability of all funds made available to endowed chairs and/or other endowment grants.

**Oil and Gas Price Hedges**

The various terminology that describe ways to hedge oil and gas prices are fairly well known. The general concepts include costless collars and swaps that are easy to describe and impossible to comprehend in actual practice. The only hedges that are publicly described are successful hedges. I rarely hear about hedges that went wrong and I am convinced at least half go wrong.

If you think hedges are simple, read the article in the February 2003 Oil and Gas Investor: "The Myth of Hedging." Now read it again, write a short synopsis on the six myths of hedging without looking at the article, and call me anytime. I want to "become more educated on hedging."

**SPEE Reserve Adjustment Factors Used for Acquisitions**

The SPEE Annual Survey is a great document and we at Huddleston & Co., Inc., often use the survey for consideration. Except we do not know which of you are so pessimistic (or "conservative" in polite circles).

| Reserve Category | Typical Huddleston % Probability | SPEE Median % Probability |
|---|---|---|
| Proved Producing | 100 | 96.53 |
| Proved Behind-Pipe | 80 | 74.32 |
| Proved Undeveloped | 75 | 58.36 |
| Probable Behind-Pipe | 50 | 29.40 |
| Probable Undeveloped | 50 | 23.80 |
| Possible Behind-Pipe* | 25 | 8.10 |
| Possible Undeveloped* | 25 | 6.52 |

*I am not very fond of even reporting Possible reserves.

I think it may be difficult to maintain credibility if the actual reserves were reduced to the SPEE survey's risk factors. Maybe we are using the risk adjustments for different purposes. I am sure I will be enlightened on the subject by my SPEE colleagues.

Fred, I promised two pages and I am out of space.

Regards,

**B. P. Huddleston, P. E.**

## Welcome New Members

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## Membership Applicants

The following member applicants have been processed by the Qualifications Committee. The bylaws require that their names be presented to the membership for at least 30 days as a pre-membership requirement. Any member with an objection should address the objection to the Executive Committee (see bylaws regarding other important details) since the applications have already passed through the Qualifications Committee.

| APPLICANT | SPONSOR |
|---|---|
| **ATTAYA, SAMUEL D.** | |
| JPMorgan Chase | Blane Balch |
| 600 Travis, 20th Floor | Charles Brittan |
| Houston, Texas 77002 | Brad Larson |
| **JAMES W. HAIL, JR.** | |
| DeGolyer and MacNaughton | Earl Kreig |
| 4925 Greenville Avenue | Mark Nieberdin |
| Dallas, Texas 75044 | Marilyn Wilson |
| **STEPHEN (NEIL) SEDGWICK** | |
| Martin & Brusset Associates | Michel Brusset |
| 500, 840 – 6th Avenue SW | Harry Helwerda |
| Calgary, Alberta T2P 3E5 | Fred Kirkham |
| Canada | |
| **ATTILA A. SZABO** | |
| Outtrim Szabo Associates Ltd. | Terry Nazarko |
| 1430, 311 – 6th Avenue SW | Robert Odd |
| Calgary, Alberta T2P 3H2 | Peter Sidey |
| Canada | |
| **PATRICK F. THIBEAUX** | |
| Wachovia Securities, Inc. | Amiel David |
| 1001 Fannin, Suite 2255 | John Thibeaux |
| Houston, Texas 77002 | W. D. Von Gonten |
| **WALKER, THOMAS MALLORY** | |
| Walker Engineering, Inc. | John Bergquist |
| 221 Knoxville Avenue | Barry Evans |
| Huntington Beach, CA 92648 | Richard J.Miller |

# This is Just My Opinion, Of Course, But....

Each of us probably joined SPEE with a vision or maybe just an expectation of the role that SPEE could play in our professional lives. I expect that for most members and applicants, that role would be a combination of the opportunity to meet and work with our peers in economic evaluation, to advance our knowledge through communication and education, and to be part of an organization that is, and should be, recognized as the authority in economic evaluation. Many SPEE members do work with other members in their chapter, serve on local and national committees, participate in forums and the annual meeting , and being SPEE officers and Directors. SPEE cannot survive without these individual and group efforts. Indeed, there is not much point in an organization where members do not contribute their own efforts to reach common goals. SPEE is also started down the road of providing more opportunities for communication and education, including, but not limited to, chapter-based speaker programs, the publication of two recent monographs, the three highly successful SEC forums, the REP program, and the steadily improving technical content of the annual meeting. I say this is a good start not to minimize those efforts but simply to suggest that those efforts show what can be done. When I traveled to several chapters a couple years ago as President, I found that one of the concerns of members was for more emphasis on, for lack of a better term, "continuing education." More is on the way with the Ethics monograph being done by Midland, an advanced FMV monograph by California, and nascent planning for forums on evaluation for the many purposes beyond SEC reporting.

That leaves a bit of space to talk about implementing the role of SPEE as "recognized authority." It seems to me that there are three general areas wherein SPEE could work to fulfill the stated goal of educating the public: educational institutions, other organizations with similar goals, and the government/regulatory/judicial sector. Promoting SPEE within academia would serve the purpose of introducing faculty and students to good evaluation practice. We could begin by asking a alumni SPEE member to become liaison to the school and by providing copies of SPEE publications to the teaching faculty. SPEE already works to some degree with other organizations, such as SIPES, and particularly SPE through the reserves committee and participation in the HEES and Western Regional Meeting. But there are other groups. The American Society of Appraisers grants a designation in Oil & Gas Appraisal, which requires testing and certification. The American Bar Association, in conjunction with the Justice Department, maintains a program to identify organizations which can provide specific expertise as resources for the federal courts.

The governmental/regulatory/judicial area is probably the most important but it tends to be treated like the proverbial "third rail." This is an area that SPEE dares not ignore. Government agencies and regulatory bodies, charged with implementing laws affecting oil and gas matters, need to be offered the best information available. SPEE has done industry a service by setting up the interactions with SEC but there are many federal and state agencies dealing with land acquisitions, taxes and other matters who, in my experience, are often asking for help in evaluation. When they do not get that help and are left on their own, unintended and detrimental results can occur. The judicial area, the Federal and state courts, do not often get into oil and gas evaluation issues, but when the issues before the court involve matters in which SPEE is expert, SPEE should be willing to provide appropriate information. This does not mean that SPEE should take sides or be otherwise partisan. The way to avoid that is to limit input to the appellate level, preferably at the request of the court but, if necessary, by providing information as a "friend of the court" or amicus curia that may help to aid the court to resolve a difficult case. Such activities can be controversial, depending upon whose ox is being gored, but may be necessary.

As always, comment is invited: that is what communication is all about.

***R. J. Miller***

## SPEE "Homeboy" Makes Good

Fred Goldsberry (SPEE) was named as one of the "50 Key Information Technology Players in Energy at the Geospatial Information Technology Association (GITA) 26th Annual Conference in San Antonio, Texas. A cover or feature article will appear in the June, 2003 issue of the London-based energy magazine, *Commodities Now*. These awards were sponsored by SchlumbergerSema, Major Newswire, and Bozell & Jacobs. Dr. Goldsberry was recognized as one of six honored "Out-of-the-Box Thinkers" in Energy for the WAVEX Reservoir Analysis Tool Patent.

RaderEnergy, a Houston-based energy consultancy, announced the results of the second annual "50 Key Information Technology Players in Energy" on March 3, 2003, a global honors program with the mission of identifying, recognizing and honoring the best and brightest individual technologists and technology-focused companies throughout the world positioned at the forefront of information technology (IT) applications used throughout the global energy marketing chain — upstream, midstream, downstream and retail.

For the press release:

http://www.majornewswire.com/artman/publish/article_450.shtml

For the list of honorees:

http://www.keywomeninenergy.com/it/press.html≠03

For an article on the list of honorees from a Canadian power magazine:

http://www.electricenergyonline.com/mail_industry_news.asp?ID=2761


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