



President's Letter

A special thanks is due Dan Olds and B. K. Buongiorno for planning and managing the very successful 2004 SPEE Annual Meeting in Welches, Oregon. One hundred eighty-three members and guests attended the conference. The technical program was timely and very informative and everyone had a great time at the dinners and social events. Thanks, Dan and B. K., for a job well done!

The short course on Sunday covered a subject that is having a significant impact on the reserve evaluator. The topic was SEC reserve compliance and featured Delores James Hinkle (Marathon), Joe Ault (ChevronTexaco), James Hail (DeGolyer and MacNaughton), Scott Rees (Netherland, Sewell & Associates) and Ron Harrell (Ryder Scott). Seventy-one attendees of the short course were given insights into how to insure compliance with SEC guidelines and the way each company controls the process.

The technical program covered security litigation involving reserve reclassification, Sarbanes-Oxley issues for the reserve evaluator, Canadian oil and gas disclosure legislation and other timely issues. The SPEE Ethics Committee made up of Arlen Edgar, Marshall Watson, Scott Hickman, Buddy Sipes and Charles Godfrey presented a program on the principles and practices of ethics as it specifically applies to our profession. This presentation included some of the Ethics Committee's work in developing the draft monogram entitled "Discussion and Guidance on Ethics" which is currently being reviewed by the SPEE Board for publication in 2005. (If you would like to review and make comments on the draft of this monogram, please check the SPEE website.)

Each year at the Annual Meeting, the Society recognizes members who have made a special contribution to the organization. This year we recognized Ron Harrell and Tim Smith with the Society of Petroleum Evaluation Engineers' Award of Appreciation. Ron Harrell's award reads "In Recognition of Your Leadership: The Society of Petroleum Evaluation Engineers' Forum for United States Security and Exchange Commission Reserve Definitions." Tim Smith's award reads "In Recognition of Your Years of Service, Innovations and Leadership of the Parameter Survey Committee of the Society of Petroleum Engineers." Thanks, Ron and Tim!

If you missed the 2004 Annual Meeting, you missed an opportunity to keep current with the technology and practices of our profession and to have a great time. Make plans now to attend the 2005 Annual Meeting June 12, 13, and 14th at the Fairmont Le Chateau Fountenac, Quebec City, Canada.

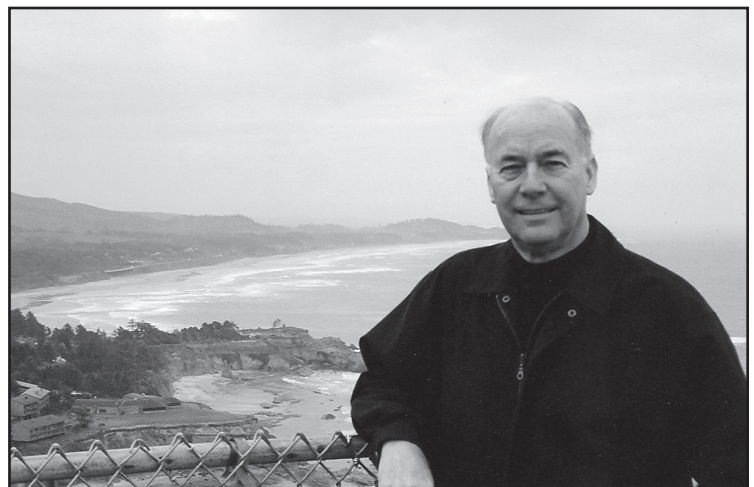
An intersociety exploratory session was held in conjunction with the Annual Meeting to determine the interest, need and viability of certifying petroleum reserve evaluators. Our profession is being closely scrutinized because of the publicity associated with recent significant reserve write-downs and legislation holding company officers and evaluators accountable. It is the intent of this intersociety exploratory committee to determine if certification is needed and map out a cooperative implementation strategy to present to the involved societies for approval. Present at this meeting were representatives of the American Association of Petroleum Geologists, Society of Petroleum Engineers, American Society of Appraisers and the Society of Petroleum Evaluation Engineers. A followup meeting is planned for September.

David Gold continues to do an excellent job with the SPEE web site. This informative site is averaging 55 visits per day. It currently has pictures from the 2004 Annual Convention. Check it out at www.spee.org.

Past President Mark Doering is chairman of the Nominating Committee. This committee is charged with selecting two nominees for each of the three director positions to be filled in 2005. If you are interested in nominating a qualified member to the board, please submit their name to the Nominating Committee by September 10, 2004. The election will be held in October.

Membership in the Society currently stands at 542 members. I would encourage you to recruit other petroleum evaluation engineers that you feel could benefit from the Society's many programs. (Remember engineering licenses may not be required depending on their professional responsibilities.)

Charles Gleeson



Chapter News

CALGARY

The Calgary Chapter currently has 49 members and 3 membership applications in various stages of approval. The Calgary Chapter meets every third Tuesday from September through May. Guest speakers provide insight on topical matters at alternate meetings.

The April guest speaker was Laurie Sibbard, President, Recount Resources Ltd. Mr. Sibbard addressed the complexities relating to analysis of new gas production, late stage depletion of existing gas pools and tight gas reservoirs. Mr. Sibbard's talk focused on the significant opportunities available to small Canadian producers who are able to effectively utilize publicly available engineering data. The development of tools that access and interpret large amounts of data was discussed.

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. The release of Volume 2 has been delayed but is expected to be released during the third quarter of 2004. The Handbook is the reference for the 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

The 2002-03 program year concluded October 16, 2003 with a very successful technical session in Bakersfield attended by 36 people interested in SPEE topics. Barry Evans, Richard Miller, Brad DeWitt and Arlie Skov each made presentations on oil price forecasting, risk adjustment factors, fair market value perspectives and future energy requirements. A Chapter Organizational meeting electing new officers for the 2003-04 program year followed the meeting. It was also decided to offer participation in the March 2004 SPE Western Regional Meeting with a panel discussion management session covering California Evaluation issues.

Unfortunately, the program took shape as the SPE International Thermal Operations Heavy-Oil Symposium and Western Regional Meeting. It became clear SPEE participation would not be appropriate as the conference was research oriented. There was little focus on local issues – of 59 papers, only 5 were directly associated with California oilfields. Consequently, the Chairman recommended and the members concurred that we withdraw from this meeting.

The Los Angeles Basin and San Joaquin Valley Sections of SPE will sponsor a more locally focused regional meeting March 30-April 1, 2005 in Anaheim, California. SPEE has been invited to participate with the type of management panel envisioned for the 2004 meeting.

CENTRAL TEXAS

The Central Texas Chapter has approximately 25 members that live in the Austin-San Antonio area. The Chapter has not had a meeting thus far in 2004. Topics for a half day or full seminar are being discussed, which is intended to help members meet the continuing education requirement for Texas Professional Engineers License renewal. In the past, lunch meetings have resulted in poor turnouts (i.e., less than 10 attendees). The last meeting was a full day seminar which was very successful.

DALLAS

The Dallas Chapter continued their semi-monthly meetings at the Dallas Petroleum Club in March 2004. Mr. Robert Ransone of Wellspring Partners, LLC spoke on the topic of "The Barnett Shale – Current Perspectives," which focused on the current technology and development attributes of the Barnett Shale play in north Texas. The meeting was well attended with 24 members and included an extensive question-and-answer session.

Our most recent meeting was held in May 2004. Mr. Mark Doering - President of Classic Petroleum Resources, Inc. spoke on the topic of "How an Evaluation Engineer Might Create an Oil and Gas Company from Start to Success." Mark's presentation was excellent and the 25 guests were very interested in the topic and followed up with many questions, which Mark answered openly and from personal experience.

The Dallas Chapter was also successful in recruiting a Vice-Chairman and Secretary/Treasurer for the upcoming year.

DENVER

This year's program began with our January 20th meeting. David Cramer with BJ Services, an SPE Distinguished Lecturer, presented a paper "Evaluating Well Performance and Completion Effectiveness in Hydraulically Fractured Low Permeability Gas Wells." It was attended by 30 members, 2 applicants and 8 guests.

A meeting on April 14th was attended by 30 members and 2 guests. Our speaker was Ward Polzin of Waterous & Co. His topic was an A&D Market Update.

As in the past, we meet the second Wednesday of the first month of each quarter in the John Hershner room of One Norwest Center.

Membership is currently at 60 with one applicant in the approval process.

HOUSTON

The Houston Chapter of the SPEE has met during each of the first five months of 2004 in the downtown Petroleum Club with guest speakers addressing a variety of topics of interest to our members. In January we held our annual joint SPEE/SIPES meeting with Gary Citron from Rose and Associates discussing the "Rudiments of a Working Risk Analysis System." The February meeting featured Baijit Singh of Devon Energy covering "Deep and Ultra-Deep Water Developments – A Perspective." Randy Broiles of ExxonMobil discussed "Forces of Change in the Global Gas Industry" in March. In April, Dean Rietz of Ryder Scott Company spoke on "Reservoir Simulation Models and Their Use in the Estimation of Reserves." The final meeting before the summer break included A.A. Pontesso, an independent consultant, discussing "Deep Gas Royalty Relief in Shallow Waters of the Gulf of Mexico." Our Vice-Chairman Michael Garcia has graciously stepped in and presided over the monthly meetings when I've been called away on business.

Topics for the fall include Ron Harrell from Ryder Scott Company discussing reserves issues and certification of reserves evaluators. The Houston chapter officers are also considering soliciting a speaker for the topic of current A&D trends in our industry. Our program chairman Stuart Filler along with the other officers continue to seek speakers and topics of keen interest to our membership to create an additional incentive for the membership to attend the monthly meetings.

The attendance for the 2004 meetings has ranged from a high of 42 to a low of 26 with the average paid attendance of 34.

MIDLAND

The Midland chapter of SPEE held its first meeting of the year on February 3. Our speaker was Bill Pacillio, Sr., Advisor in Wells Fargo's Commodity Products Group. Mr. Pacillio delivered a talk on the costs and benefits of commodity price hedging related to oil and gas lending.

The Midland chapter held its second meeting of the year on April 6. Our speaker was Cliff Drescher, P.E., Reservoir Engineering Manager with Tom Brown, Inc. Cliff's talk was "Use of Production Data Type Curve Analysis, Combined with Numerical Simulation, to Determine Original Gas in Place, Reservoir Boundaries, Frac Lengths, and Infill/Development Drilling Opportunities in Tight Gas Sands."

We met on June 8 and heard a talk by Wayne Merritt and Chris Whigham, principals in West Texas Energy Capital, a local provider of mezzanine investment capital for development of oil and gas projects.

On August 3, the chapter met and heard a talk by L.D. "Buddy" Sipes who summarized the important

issues discussed at the annual meeting in Oregon. These issues include consequences of failure to comply with Sarbanes-Oxley Act regarding reserves reporting, required accuracy and reliability of reported reserves, ethics and evaluation engineers, and new court decisions impacting expert witnesses.

These luncheons are advertised in the local newspaper, are open to the public, and attendance generally includes 25 to 30 people, both members and non-members.

OKLAHOMA CITY

The Oklahoma City Chapter has held a wide variety of meetings over the past year.

Dane Isenhower, Vice President and General Manager for Petroleum Place Energy Advisors, gave a presentation entitled "Oil and Gas Property Evaluations: Industry Trends from Recent Negotiated Sales and Oil & Gas Clearinghouse Auctions." Of particular interest were how some of the \$/BOE costs vary by region as well as Dane's analysis comparing winning bids to the average of the remaining bids.

At the March meeting, Bruce Randall, Managing Partner, Centurion Resources, LLC discussed, "Starting an Energy Company by the Bootstraps: An Alternative to the "Buy and Flip" Practices of Today." Bruce was very insightful in presenting the do's and don'ts in terms of how to start a business.

In April, David Fleischaker, Secretary of Energy, State of Oklahoma, gave a presentation entitled "America's Energy Policy – What Energy Policy?" Secretary Fleischaker reviewed the current state of the energy industry and the types of legislation currently being considered by the US Congress.

In May, Tom Tella, Senior Vice President, Netherland Sewell and Associates, gave a presentation entitled "Recent Trends in Oil and Gas Reporting." Tom reviewed the issues related to recent reserve write-downs and the impact of the Sarbanes-Oxley Act.

TULSA

On January 29, Darrell Noblitt of Energy Net spoke on "Online Auction of Oil and Gas Properties." There were 11 attendees.

The speakers for the March 25 meeting were Sylvia Barnes and Randall King of Petrie Parkman. The topic was "Acquisition and Divestiture Update." There were 93 attendees at this joint meeting with the local chapter of SPE.

SPEE member Dick Banks of Scientific Computer Applications was the speaker on May 13. "The Right and Wrong Ways to do Reservoir Integrations in Mapping" was the subject of his talk. There were 12 attendees.

**2005 Annual Meeting
June 12, 13 and 14
Quebec City, Quebec**

In 2005 SPEE will again visit Canada for our Annual Meeting. The site will be the historic Fairmont LeChateau Frontenac Hotel in Quebec City, Quebec.

The hotel was built on the site of the original Fort Quebec built in 1636. The hotel has the comfort and charm of a world-class hotel and is easy walking distance to many historical sites and venues.

The technical program will include discussion of reserves, economics and evaluation. A short course of timely interest is planned.

Continental Airlines will be contacted to determine if a group discount is possible. This would only be feasible if we could fly individually but receive a group discount.

More details on the meeting in the future as they are confirmed ...



**Thanks &
a Tip of
the Hat to...**

The sponsors of the Annual Meeting

Huddleston & Co, Inc.

Netherland, Sewell & Associates, Inc.

Ryder Scott Company

William M. Cobb & Associates, Inc.

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Sproule Associates, Inc.

Charles W. Gleeson, P.E.

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The Scotia Group, Inc.

With particular thanks to

Don Ray George & Associates, Inc.

whose advertisement at the meeting was included on the video loop, but inadvertently omitted from the attendee's notebook.

Future Annual Meeting Sites: Where Would you Like to Go?

The Advance Planning Committee ("APC") is in the process of reviewing possible locations for Annual Meetings in 2007, 2008 and 2009. We have collected information on a wide range of sites in the US, Canada, and the Caribbean. If you would like to provide your suggestions please check out our report to the Board and a listing of possible sites on the SPEE website and then either call or write to the committee, We would like to narrow down a location for 2007 soon, so do not dally.

Also, the APC is looking for a few recruits to help with site and facility selection, site inspection, and interfacing with meeting planners. In addition to meeting lots of interesting and pleasant people, and travel to (sometimes) exotic places, there is the usual remuneration afforded all SPEE committee work - our hearty thanks.

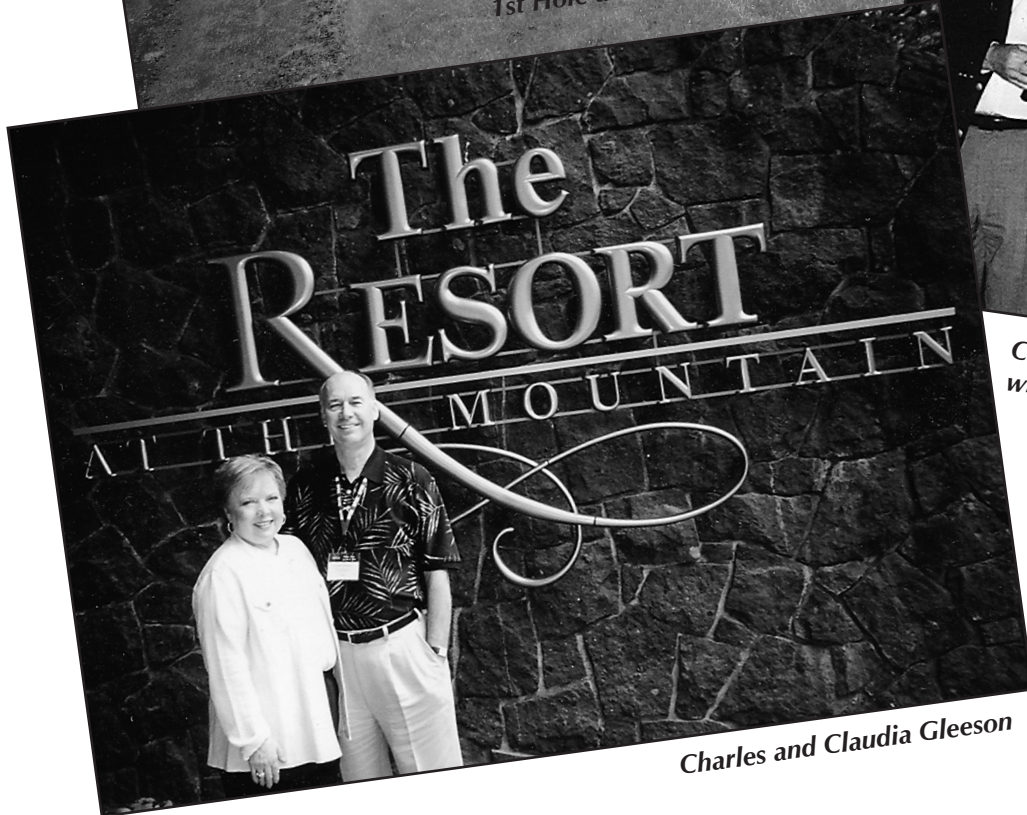
Richard J. Miller

**ANNUAL MEETING
THE RESORT OF THE MOUNTAIN
WELCHES, OREGON**

B.K. Buongiorno



1st Hole at Foxglove Course



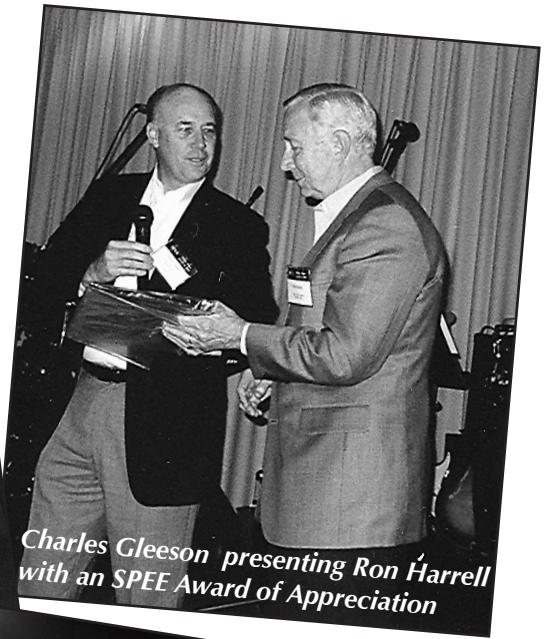
Charles and Claudia Gleason



*Charles Gleason presenting Tim Smith
with an SPEE Award of Appreciation*



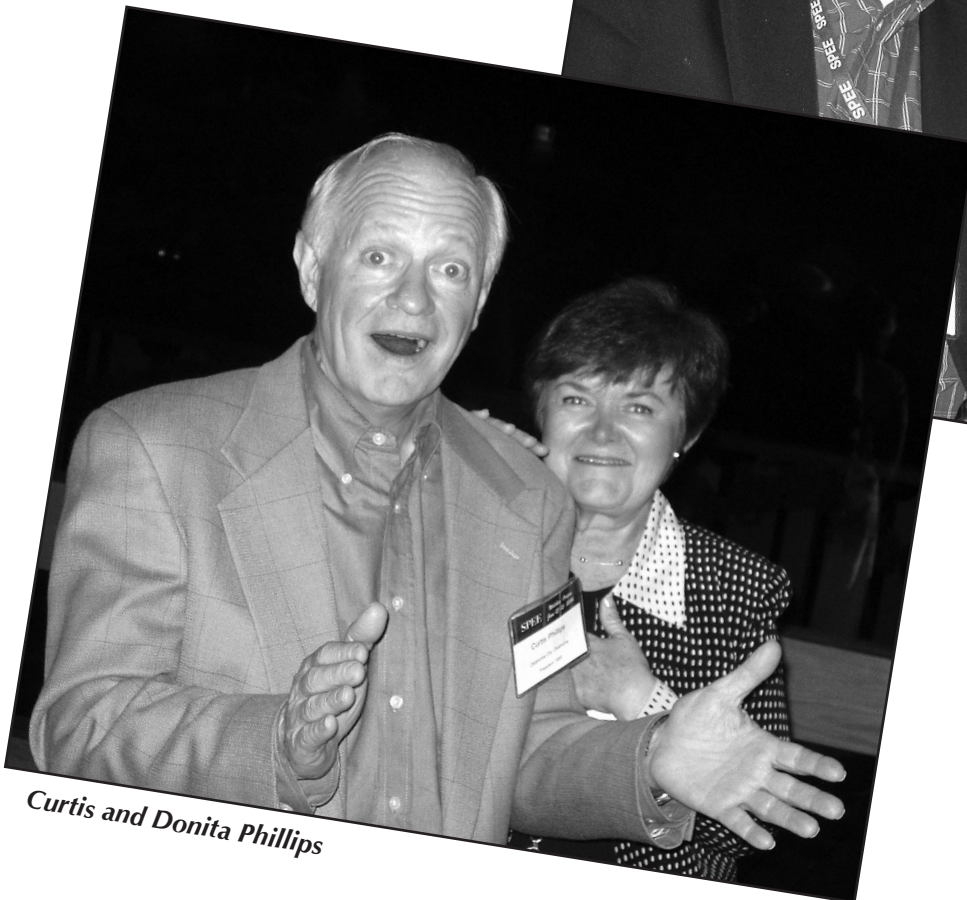
Don and Diana Hecker



Charles Gleeson presenting Ron Harrell with an SPEE Award of Appreciation



Harley and Pat Brinkley



Curtis and Donita Phillips

Continuing Professional Development

A topic that has been discussed at recent Board meetings is the certification of SPEE programs for Professional Development Hours (PDH). This is gaining importance as our society continues to provide educational opportunities to the industry. By far, most SPEE members are registered petroleum engineers or geoscientists who can benefit from being able to earn these credit hours when participating in SPEE activities. By offering PDH credit, the SPEE course and seminar offerings should attract a higher segment of the industry in the future.

Another topic that was discussed is the audit procedures used by the various State Boards to validate claimed PDH. None of the board members had been audited nor were aware of anyone that was audited to be able to learn much about the process.

Last April, I was randomly chosen for such an audit by the Louisiana Professional Engineering and Land Surveying Board. I was notified by certified mail and given 30 days to 'furnish completion certificates, signed attendance receipts, paid receipts, copies of a listing of attendees signed by a person in responsible charge, or other documents providing evidence of attendance.' The supporting documentation was to be organized in the order it appeared on my PDH log that was furnished with my prior renewal period. Failure to do so would indicate non-compliance with the Louisiana Administrative Code, with subsequent reinstatement at a cost of \$200.

I spoke to the Director of Enforcement to learn more about the process. The Louisiana legislature allows for an audit of 30% of the registered professionals. Due to staffing restraints, only about 2% (100 of the 4500) of the Louisiana registrants in numerous professions are audited. In this year's audit, only four were late, with three paying the \$200 and one remaining noncompliant. PDH records, by law, should be kept for seven years. The hours that are reported are reviewed, but not the titles of the courses (or course content) because the auditor is not always qualified to determine if the course is relevant or not to the profession. One ethics hour is required annually.

While I was fortunate to have the necessary documentation handy, it is easy to imagine that all of the licensees may not. Other states may have a similar process, which does not give much latitude in proving compliance when the time comes. If you have not retained documents similar to those noted above, now may be the time to upgrade your recordkeeping so that if you are audited it will take a minimum of effort to prove compliance with your State's PDH requirements.

Jim Haag

SPEE to Lead Accreditation Inquiry

On June 15, 2004, following the Annual Meeting in Oregon, SPEE hosted a meeting of representatives of several industry professional groups to discuss the idea of certifying or accrediting petroleum evaluation engineers as professional practitioners, in much the same manner that CPAs, architects, and appraisers in other fields are credentialed by their respective organizations. This was an exploratory meeting which included representative from SPEE, SPE, AAPG and the American Society of Appraisers (ASA) and was organized under the auspices of SPEE largely through the efforts of Mr. Ron Harrell. SPEE has organized a Provisional Committee on Professional Accreditation which will be chaired, for the exploratory phase, by me.

This is strictly an exploratory effort. No decisions have been made about anything as yet. There are two large primary issues to be considered before any decisions can be made about whether to set up a certification process:

- (1) How would accreditation be done and
- (2) assuming that a process can be developed, should certification be made an objective of SPEE.

These two simple statements hide a wide array of sub-issues that must be addressed. It seems apparent that accreditation, if offered, must encompass all evaluation work not just SEC reserve estimates and should be an industry-wide option not limited to membership in certain organization

Over the past few months I have talked to and corresponded with many SPEE members and others regarding accreditation and received a lot of useful, and in some cases, spirited, feedback. This article, short and vague though it may be, should serve as your invitation to provide your comments and, better yet, volunteer to help out on the committee. We would like to have a working committee that would provide a range of viewpoints and experience and which would assist SPEE through this exploratory phase. Please call me anytime to discuss this project.

Richard J. Miller



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

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