SPEE Newsletter
August 2005
www.spee.org

Un Bon Temps A Été Eu Par Tous*

That's a pretty good byline for the Annual Convention held in Quebec City. Once again, the advance planning team did an outstanding job in locating a venue. I took advantage of some lower airfares to fly into Portland, Maine and drove up to Quebec City, getting a chance to see a part of the country outside the "oilfield." Crossing the border, the guard wanted to know the nature of my visit to Canada. "Business conference," I replied. "What kind of business, monsieur?" "Oil business" "In Quebec?" "Yeah, we try to have these conferences someplace as different from Texas as we can get. We figured Quebec City should fit the bill." "Ahhh ... welcome to Canada, monsieur."

The Chateau Frontenac was located in the heart of the old part of the city, inside the city walls. The city was beautiful, the people friendly, the food was good, and we had an excellent technical program to boot. We don't often have repeat venues for SPEE conferences, but I believe that all would agree that we can make an exception for Quebec City sometime down the road.

But seriously, folks, we attended to business. The short course and technical program were both first rate. And we discussed certification.

What about certification? Well, first, let's talk about the survey. The response to the survey was overwhelming – 249 responses were received and tabulated prior to the convention. Many of you took a lot of time to respond to the survey and write lengthy comments. I'm not going to go into details – that's going to be covered in another article in this newsletter. But let me express appreciation, on behalf of myself and the board, for your responses. Many of you brought up important issues for consideration and your comments will help determine the next step in this process.

And what is the next step? Certification was discussed at the board meeting, but we recognized that there was not sufficient time to fully address the issue, and we also wanted to hear the general discussion led by Richard Miller and Ron Harrell during Monday's session, and we also wanted to open the floor for general discussion at the business meeting on Tuesday. I am calling a special Board of Directors' meeting for late summer to spend a full day addressing the topic.

Rumors have been flying. Here are some facts. The issue is not dead. The board initially approved the exploratory committee to proceed investigating the issue in January, and in Quebec City, asked the committee to continue their efforts. The survey results were not tabulated in time to allow a full analysis of the results prior to the annual meeting – work on the survey continues. The board will address the issue at the special board meeting and make a decision on whether and how the exploratory committee should continue their efforts. No decision to proceed with the program will be made without a vote from the membership. Earlier this year I had hoped that we would be in a position for such a vote by this fall. However, no vote will be taken until there is enough information available to the members to allow an informed decision. The board and I feel that if we proceed with this program, a simple majority is not sufficient – the program cannot succeed without overwhelming support by the membership.

Moving on to more important matters, I am pleased to announce to those of you who were not able to attend the convention that the board recognized the hard work of several individuals. Past President Charles Gleeson was honored for the fine job he performed as president, and I want to add my personal thanks for his stewardship and advice he has provided me. Richard Miller was presented with an honorary lifetime membership. The Volunteer of the Year award went to the Midland Ethics Monograph committee – Arlen Edgar, Scott Hickman, Charles Godfrey, Buddy Sipes, and Marshall Watson. The Board of Directors felt that the Ethics Monograph is such a worthwhile contribution, it was voted that we post the monograph in its entirety on the SPEE website – freely available to anyone to download. Bound versions are available from the SPEE office at $10 per copy.

Last, but not least, many thanks to Bernie Brauer for hosting such a successful meeting, to the meeting sponsors, highlighted elsewhere in this issue, and our sincere appreciation to B.K. for all she does.

Au Revoir,

Dan Olds

A Good Time Was Had By All

2005 Officers and Directors

Committee Chairmen and Individual Appointments

Officers

President ..... Daniel R. Olds (Houston)
Vice President ..... E. Bernard Brauer (Corpus Christi)
Secretary/Treasurer ..... S. Tim Smith (Austin)
Past President ..... Charles W. Gleeson (Midland)

Directors

Van Edward Butler (Dallas)
Robert Dimit (Midland)
David Gold (Bakersfield)
Fred Goldsberry (Houston)
Frank Molyneaux (Calgary)
Charles Nelson (Houston)
Nanette Schulz (Denver)
John D. Wright (Denver)

Committee Chairmen

Continuing Education ..... Jim Haag
Evaluation Parameter Survey ..... Leslie O'Connor
Fair Market Value ..... D. Russell Long
Gas Imbalance ..... R. Curtis Phillips
Ethics and Grievance ..... Florence Hughes
Internet ..... Richard Krenek
Membership ..... Brian Walter
Newsletter Coordinator ..... Fred Goldsberry
Past President's Council ..... Richard J. Miller
Qualifications ..... Nanette Schulz
Reserve Definitions ..... D. Ronald Harrell

Individual Appointments

Annual Meeting Advance Planning ..... Richard J. Miller
Communications Director ..... Ed Butler
Directory ..... Brian Walter
Production Tax Summary ..... Charles G. Massey/Dan Olds
Professional and Public Affairs ..... To Be Announced
Liaison Representative on SPE
Oil & Gas Reserves Committee ..... D. Ronald Harrell
Professional Registration ..... Marcus Snyder

Chapter Officers - 2005

Calgary
Chairman – Barry Ashton
Vice Chairman – Floyd Siegel
Secretary/Treasurer – Curt Labelle
Membership Coordinator – Phil Kandel
(3rd Tuesday of each month except June/July/August)

California

Chairman	Rick Finken
Vice Chairman	Russ Bertholf
Secretary/Treasurer	Barry Evans

Central Texas

Chairman – Michael Horne	
Program Chairman/Treasurer	Cary McGregor
Co-Membership	
Austin	Wayman Gore
San Antonio	Open
Secretary/Treasurer	Open

(Quarterly - Austin Country Club)

Dallas

Chairman	John Nicol
Vice Chairman	Dee Patterson
Secretary/Treasurer	Rick Krenek
Membership Chairman	Ron Wade

(Bimonthly-September through May - Dallas Petroleum Club)

Denver

Chairman	Greg Wilcox
Program	Keith Engler
Secretary/Treasurer	Scott Wilson
Membership	Jerry Hertzler

(2nd Wednesday of first month of each quarter Hershner Room - One Norwest Center)

Houston

Chairman	Mike Garcia
Vice Chairman	Sam Singer
Secretary/Treasurer	Stuart Filler
Program Chairman	Larry Tharp

(1st Wednesday of each month - Petroleum Club)

Midland

Chairman and Programs	Joel Castello
Treasurer	Bob Dimit
Membership	Joe Neal

(1st Tuesday of every other month-Petroleum Club)

Oklahoma City

Chairman	Dean Sergent
Vice Chairmen	
Program	Jim Wilson
Membership	Bruce Heath
Secretary/Treasurer	Fletcher Lewis

(Every odd-numbered month)

Tulsa

Chairman	Stanley M. Scott
Programs	Chris Jacobsen
	Gary Nilson
Membership	David Morrell
Secretary/Treasurer	Robin LeBleu

(1st Tuesday of each month - Petroleum Club)

SPEE

SOCIETY OF PETROLEUM EVALUATION ENGINEERS

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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.

CALGARY

The Calgary Chapter currently has 52 members and one application with the Qualifications Committee. At its January meeting, the Executive announced a membership drive with a goal to double the number of members by the end of 2005, with a focus on attracting new members from E & P companies.

Since the beginning of 2005, the Chapter has held three business meetings (January, March and May) and two general interest meetings (February and April) involving guest speaker(s). The first business meeting introduced the new Executive of the Chapter; Chairman - Barry Ashton, Vice-Chair - Floyd Siegle, and Secretary/Treasurer - Curt LaBelle. A non-executive role of Membership is handled by Phil Kandel. Items that have received considerable discussion at these meetings have been the ongoing development of the Canadian Oil and Gas Evaluation Handbook. Volume I (amendments) and Volume 2 (development), and the investigation of the merits of certification of evaluation practioners in the U.S. The Chapter has sent a letter to Richard Miller outlining its views and concerns on this matter.

At the two general interest meetings, Mr. Dave Elliott and Mr. Glenn Robinson of the Alberta Securities Commission presented an overview of ASC Reviews of 2003 Reserve Disclosures, and in April, Mr. Keith MacLeod of Sproule Associates delivered an overview of CBM Activity in Western Canada. Both talks were very timely in their subject and informative in their content.

The Chapter will not meet again until September; however, members remain active in the work on COGEH and a survey being conducted by the Chapter to solicit feedback on industry understanding, incorporation and use or adherence to COGEH and NI 51-101. This survey is being widely distributed to industry and user communities (financial institutions, etc.) within Calgary.

CALIFORNIA

The Chapter Officers for the 2005-2005 year are:

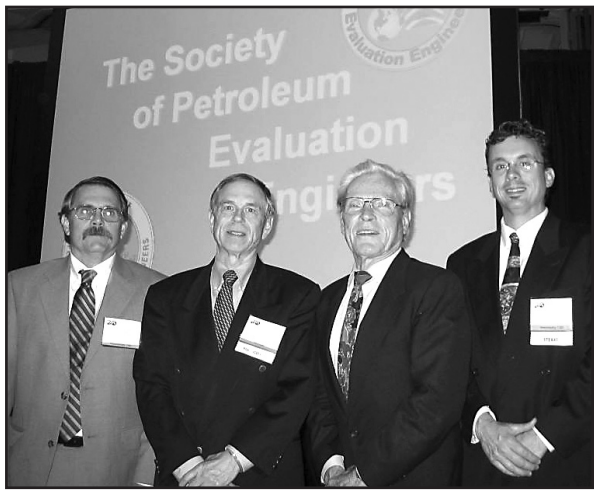
Chairman - Rick Finken
Vice Chairman – Russ Bertholf
Secretary/Treasurer - Barry Evans

SPEE Panel Discussion Draws 50 at the SPE 2005 Western Regional Meeting

In 2003 and again this year, the California Chapter of SPEE presented a panel discussion of evaluation topics of current interest at the SPE Western Regional Meeting. This year's meeting was held March 30 – April 1, 2005 in Irvine, California, attracting 420 engineers and geologists.

The panel presented evaluation topics of current interest to California petroleum professionals:

- Richard Finken: An overview of SPEE goals and activities
- Tom Walker: Crude Pricing: California Market Survey
- Barry Evans: World Oil Prices
- Richard Miller: Common Evaluation Parameters, Use and Misuse
- Russ Bertholf: Current California Petroleum Property Sales
- Richard Miller: Certification of Petroleum Reserves Evaluation Engineers



Shown here are Richard Miller, Richard Finken, Barry Evans and Tom Walker. Unfortunately, Russel Bertholf had to leave to catch a plane before the picture was taken.

The program took place on March 30th in the afternoon and was well received with approximately 50 in attendance.

The California Chapter has found a high level of interest in its areas of expertise and has had good attendance at the SPE Western Regional Meetings in 2003 and 2005 and at what has become its annual luncheon and business meeting in Bakersfield each October.

DENVER

On April 15, 2005 the chapter held their second quarter meeting with lunch and presentation. Ron Harrell of Ryder Scott was the guest speaker. His presentation topic was the "Certification of Reserve Evaluators." The approximately 30 members and guests participated in a pre-presentation survey to determine the interest level and the perceived need for "Certification." During Ron's presentation, the survey was tabulated and during the course of his presentation Ron fairly closely predicted the survey's results. Based on the information presented by Ron and survey results it was fairly clear that standardization in reserve preparation methods is of paramount importance and may best be achieved through a certification process. However, the membership present, as well as guests in attendance, were divided in how best to achieve standardization. The presentation was very successful in bringing the issue to the forefront and stimulated interest and follow-up discussion. The Denver Chapter would like to thank Ron for taking the time to make the presentation.

Based on an informal show of hands, approximately 8 to 10 members indicated they would be attending the annual meeting. Those who do attend will obviously be interested in the certification issue" and how it is pursued at the national meeting.

HOUSTON

The chapter completed an extremely successful first half of 2005 with its May luncheon hosting 61 attendees (51 members). The guest speaker was Frank Dartez, Senior Vice President and Manager of Engineering at Guaranty Bank. Frank presented a historical review of reserve-based lending and provided a brief description of Guaranty's statistical risk analysis approach.

The section's Program Chairman, Larry Tharp, has worked diligently to provide credible luncheon speakers covering pertinent industry topics. Through these efforts, our average luncheon attendance has increased to 46 attendees, about 25% above our 2004 average.

It is the desire of the Chapter officers to host a panel discussion/question and answer forum at the September 2005 luncheon addressing concerns about the Certification of Petroleum Reserve available to address the section and answer any questions and concerns that may be put forth. Efforts will be engaged over the summer to present a viable program in September.

Steve Davis, Reservoir Engineer at El Paso Production Co., has accepted an appointment as Continuing Education Chairman for the section for the remainder of 2005. Steve will work closely with Jim Haag, National SPEE Continuing Education Chairman, to implement and coordinate the efforts Jim began in late 2004.

MIDLAND

Continuing our series on actual oil and gas sale valuations, the Midland Chapter met on April 12 and listened to a talk by Byron Tuck, Midland representation of EnergyNet.com. EnergyNet.com is the only continuous oil and gas property auction in the industry, similar in form to the "Ebay" model. Byron described his company's website and unique concept for selling oil and gas interests. He also summarized actual sale results in terms of multiples of current net cash flow and sales value per BOEPD.

The Midland Chapter meets bimonthly and tries to focus on the third word in the Society's name, evaluation: specifically reservoir evaluation and current property sale valuations. The subjects of the luncheon talks have ranged from type curve and state-of-the-art reservoir simulation to long-range forecasts of oil prices to market valuation metrics. Rather than debate issues like reservoir categorization, new reporting regulations, and what one engineer may theorize as "fair market value," the Chapter has instead let the market tell the true current market valuations, much like friends in the real estate business use "comparables" to assess real property values. The meetings are open to members and non-members of the community, and attendance generally includes around 25 - 30 people.

OKLAHOMA CITY

The OKC section has been extremely active this year. Great leadership and high interest in the area along with a good publicity program are the reasons. All meetings have drawn an audience greater than our total membership.

Meetings this year: Jan. 27th - (Attendance 37) Dan Olds brought lots of news of national SPEE activities and a fine program that included a review of SPEE's Recommended Evaluation Practices (REP) along with a chance to answer numerous questions about SPEE and the Reserve Engineer Credentialing program. This gave our OKC members a chance to meet and visit with our new President.

Feb. 24th - (Attendance 29) The Chapter held a 90-minute session: "Professional Engineering Ethics" (following the regular meeting) planned and led by Fletcher Lewis, Chapter Secretary-Treasurer. The format included ethics requirements in the Professional Engineering codes of Oklahoma, Texas and Kansas. Session was open to all members and guests at no charge. Attended by 29 people. Lots of audience participation in both questions and answers.

March 31st - (Attendance 33) - Mark McLane, Rose & Associates, presented: "Reserve Overbooking - An Issue of Professional Ethics." A very well-prepared discussion of the ethics and conflicts of interests which continue to plague the industry and why.

April 28th - (Attendance 44) - Darrell Noblitt, EnergyNet.Com, presented a discussion of: "Who's Buying, Who's Selling And Why." Explained that EnergyNet is used for lots of small properties and many medium-sized ones. They have been able to separate them for statistics and analysis. His presentation of statistics of property sales handled on the internet stimulated plenty of useful discussion and thoughtful comments.

May 26th - (Attendance 25) - Jim Gouveia, Partner-Rose & Associates, presented his discussion: "Conducting Post-Well Reviews." The need for companies to hold reviews of projects large and small is convincing. The idea of learning from both successes and failures was very well presented.

The OKC Chapter has contacted Jim Haag in attempt to arrange an offering of an SPEE Continued Education program this summer.

TULSA

A very useful joint meeting was held on May 11 with SPWLA on the subject "SEC Reserves Booking- Formation Evaluation Issues." Attendance was 22.

Currently, 21 members are listed in the SPEE Directory, and about 12 are generally active in the Chapter activities. We are learning about better publicizing our events. SPE has been very helpful in publicizing our events. A misunderstanding that our meetings are for members only is one we are striving to correct. We are putting out the word that our meetings are intended as a service to the entire petroleum community. This helped to increase our turnout for Sylvia Barnes' presentation, which was sponsored unilaterally by SPEE. We are building on past efforts, and we are continuing to increase our recognition in Tulsa for our service to the petroleum industry.

Future plans include scheduling some of the short courses offered by SPEE. A Christmas Party is being considered. The Chapter is generally not active during the summer months so activities for the fall are now being considered. We will submit suggestions to expand the information presented about our chapter on the SPEE website.

Welcome New Members

LLOYD RANDELL FANNING
Petroleum Engineer
3215 40th Street
Metairie, Louisiana 70001
504-558-3159

RICHARD G. GREEN
Senior Vice President
LaRoche Petroleum Consultants
4600 Greenville Ave., Suite 160
Dallas, Texas 75206
214-363-3337
214-363-1608 fax
rgreen@larocheltd.com

TODD M. YOCHAM
President and CEO
Tandem Energy Holdings, Inc.
200 No. Loraine, Suite 500
Midland, Texas 79701
432-686-7144
432-686-0527 fax
yochams@aol.com

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
DONALD CLAYTON JACKS Asset Valuation Manager Continental Resources, Inc. P. O. Box 1032 Enid, Oklahoma 73702	Gary Krieger Jim Wilson John Wright

A little over a year ago I was asked to head up an effort to consider the development of an SPEE program for professional certification of evaluation engineers, an idea which had been brought to the fore by my friend and colleague Mr. Ron Harrell. Shortly thereafter a committee was assembled including 25 SPEE members from a wide range of experience and background. The committee was named the Provisional Committee on Professional Certification or PCPC. The PCPC has two jobs. The first is to examine the certification concept from the SPEE perspective: Is accreditation a worthwhile goal? If so should SPEE sponsor certification? and, If so, How should it be done? The second job is to work with AAPG and other groups to explore certification from an industry-wide perspective. The two tasks are related but not co-dependent.

For most of the past year the PCPC has been working to accomplish both jobs. As part of the PCPC effort, this past May a survey was sent to SPEE members regarding the certification issue. This article will attempt to summarize the purposes, results and uses of the survey and the data from the survey. Before getting into the nitty-gritty, I would, on behalf of the SPEE Board of Directors and the PCPC, like to thank everyone who took the time to answer the survey and particularly those who took advantage of the essay question to provide insights that could not be obtained from the formatted questions. A total of 252 responses were received with 171 members providing written essays. That is a tremendous response by any measure and makes the effort to obtain your input worthwhile. Thank you for your help.

There was some discussion of the survey and results at the Annual Meeting in Quebec in the context of the Accreditation issue but the overwhelming response was such that we only had time to tabulate answers without doing very much analysis.

The Purpose of the Survey was two-fold. First, to gauge the opinions of members regarding the Professional Certification concept in general and, as a sub-text, to see if there were any outstanding issues regarding the proposed SPEE program that were not being addressed. The survey is used strictly as an information source. It is not being used as a vote on whether SPEE should adopt a certification program or not. That will ultimately be decided by members. The survey data will be used in varying degrees by Board members and others to guide the discussion on the accreditation issue. The purpose of the essay question was to give members a chance to provide information in a less structured format. Second, while we had your attention, we tried to gather some information that would help in structuring a program of accreditation, if such a program was launched. There seemed to be some concern among respondents that the form of the questions implied that SPEE was going forward regardless of the survey results. After re-reading the survey from a different angle (in the context of press releases, etc) one can see where that concern may have arisen but that is not the case. The information on potential program structure is helpful in defining both the future requirements of the program and in finding specific areas of concern about the proposed program.

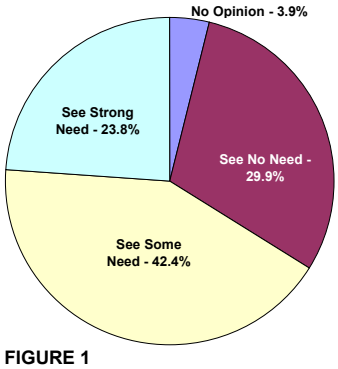


FIGURE 1

The tabular results of the survey and the essay responses will be posted on the SPEE website for your review and interpretation. There is enough data in the responses to validate everyone's opinion on certification BUT there is also a lot of information that should help to enhance the debate.

Results of the Survey

Reading through the analysis of the 55 specific questions and the written responses to the essay questions leaves the profound impression that professional accreditation is a serious concern among SPEE members that must be appropriately addressed and resolved. There is an interesting contrast between the analysis of the specific question responses, which seem moderately positive (depending on your perspective) and the content of the essays which seem more to suggest a cautionary approach. There are

clearly a large number of SPEE members who have doubts about SPEE involvement in certification but also a reasonably large number who would consider it depending upon the circumstances.

Some results are particularly noteworthy. The distribution of the members responding is instructive. The respondents had an average of 26 years of evaluation experience and, allowing for some overlap, were spread across the industry from individual consultants to investment bankers to integrated producers. About half (127), of the respondents prepared or contributed to SEC or ASC reports which indicates that about 50% of respondents do evaluation work in areas other than public reporting. On the primary questions of (A) whether Certification was needed from an industry perspective (Figure 1) or (B) was of interest personally (Figure 2) opinion seems to indicate that there is at least some need (66.4%) for certification in the industry but a lesser interest (52.6%) in considering certification for personal application. These questions were not intended to elicit a vote as such nor could they be thought of as a "vote" for or against certification. The only basis for the questions was the "program" outlined in the cover letter to the survey which, while as complete as possible, was not much more than an outline open to interpretation and change. Having said that, there does seem to be a limited and cautious acceptance of the general concept.

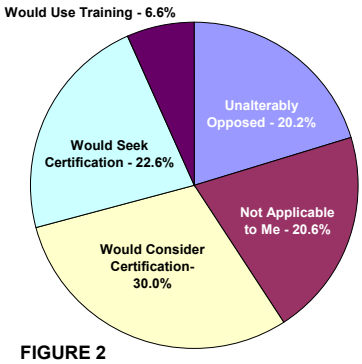


FIGURE 2

Within the set of questions which asked you to presume that a certification program would go forward, there is strong support (175 Yes, 51 No) for SPEE as the sponsoring organization and for making the changes within SPEE to implement the program. The responses further indicated that (a) the qualifications for SPEE membership should be a basic level for certification, (b) that a test should be required, and (c) that the test should be open book. In regard to continuing education, an average of 11 hours per year, with SPEE defining the schedule and content, was thought appropriate with re-certification (without a test) being required every five years. Among those who were inclined to apply for certification 149 (60% of respondents) would do so in the first two years. Of special interest, over 60% of respondents agree that SPEE membership should not be a requirement for certification.

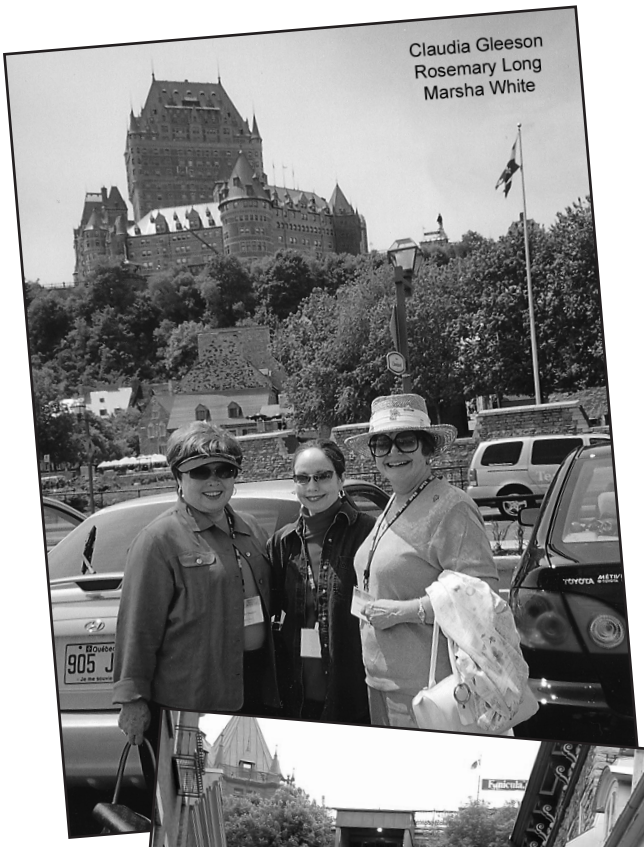
Finally, it was of significant interest that respondents recognized that certification has a scope beyond public (SEC/ASC) reporting with large percentages indicating that it could/should apply to institutional financing, regulatory reporting, and Estate/Property tax evaluation. This result may reflect the fact (noted above) that half the respondents did work in fields other than SEC/ASC reporting.

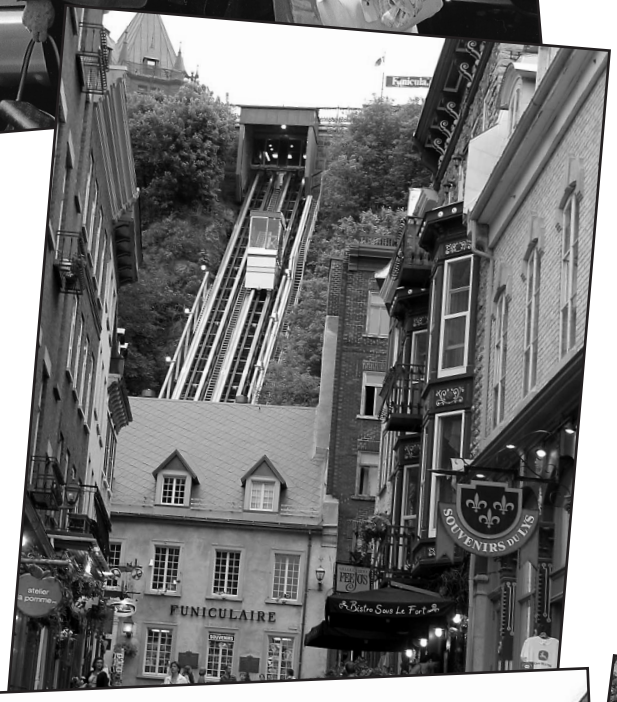
The responses to the essay question are naturally much harder to categorize but they are useful in helping to identify (1) the specific concerns of individual members and (2) some of the areas where there is confusion and/or misunderstanding of the goals of certification and the steps taken thus far to explore implementation. Take a little time to review those submissions on the website.

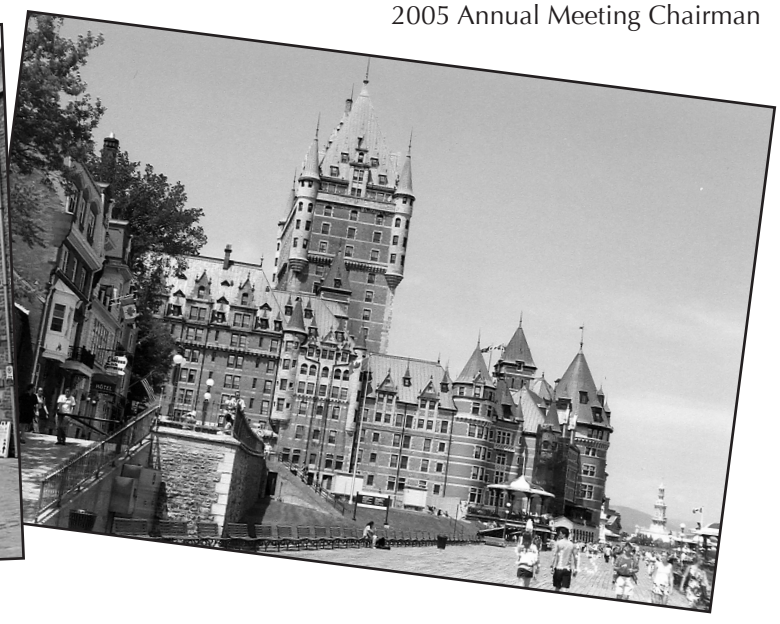
Where do we go from here?

The survey is only another step on a lengthy road. By the time you receive this newsletter the SPEE Board will have held a special meeting in Houston to discuss only the accreditation issue. The PCPC has recommended that the exploratory effort continue for the near term and that any SPEE program begin with development of the necessary standards for evaluation engineering practice along with adoption of qualifications and ethics standards. This represents a long-term process which has benefits even if no accreditation program is ever developed. SPEE has received a statement of support from ASA to partner with us in providing logistical support for a limited or full program. In short, a decision regarding accreditation need not be an all-or-nothing choice.

Richard Miller







Annual Meeting Comments

The 2005 annual meeting is now history. I hope all in attendance found Quebec as interesting as I did and also found the technical program and the short course informative and timely. We had 85 members, 5 non-members, 8 speakers, and 78 guests for a total of 176 in attendance.

The SPEE would again like to thank and acknowledge the sponsors for their generous support.

William M. Cobb and Associates
Petrie Parkman & Co.
Ryder Scott Company
Huddleston & Co., Inc.
Hite, McNichol & Lundquist, Inc.
Platt, Sparks & Associates
Netherland, Sewell & Associates, Inc.

Golf Sponsors

Noble Royalties, Inc.
PLS Divestment Services

The preliminary financial summary indicates that meeting revenue will exceed meeting expense by $2,900.

SPEE's arrangement with Continental Airlines will give us one free ticket for 2006 that can be used by B.K. We may have a second ticket when Continental does the final account reconciliation in early August. If we have a second ticket, it will be used in the most beneficial way for SPEE.

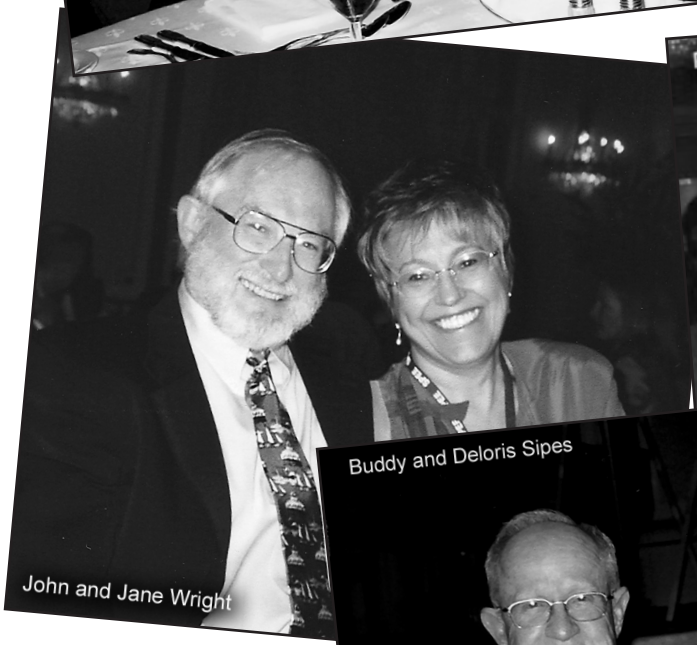
A final thought, it is difficult to have a successful meeting unless the membership supports it by attending. I appreciate the extra effort from all members who made the trip to Quebec. Your commitment ensured a successful meeting.

It is not too early to note your calendar for the 2006 Annual Meeting in Huntington Beach, CA – June 11-13. See you there.

Bernie Brauer
2005 Annual Meeting Chairman

Charles and Claudia Gleeson

Russ Long, Ben Buongiorno, Randy Darr, and Milton Gillespie

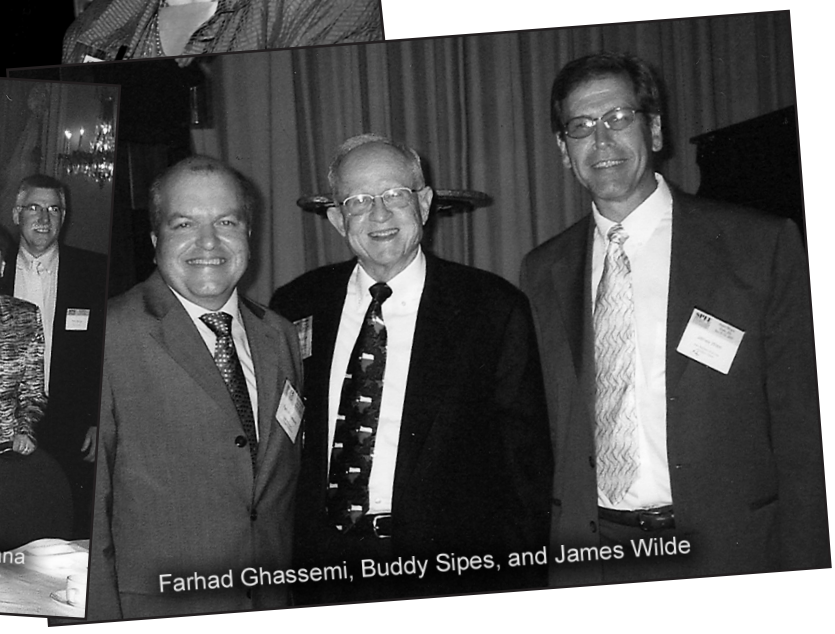


John and Jane Wright

Ben and B.K. Buongiorno

Buddy and Deloris Sipes

Curt Taylor and daughter, Beth; Greg and Barbara Wilcox; John and Dana Seidle; and Nanette and Terry Schulz



Farhad Ghassemi, Buddy Sipes, and James Wilde

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