



# SPEE

SOCIETY OF PETROLEUM EVALUATION ENGINEERS

## Newsletter

July 2009

## President's Letter

Wow, that had to be THE BEST Annual Meeting ever. Great job, Vice President Filler!! We had a record 221 attendees - which broke last year's record (mine) by two. Santa Fe was a great location and the La Fonda Hotel was a super venue. We had rave reviews on the Short Courses (thank you, **John Wright** and **Victor Hein**). Everyone enjoyed the tours and spouse activities and golf. The Sunday reception and Monday dinner were outstanding. And, of course, the talks were very pertinent and informative (thanks **John Lee, James Langley, Robin Bertram, Henry Flores, George Schaefer, Byron Ratliff, Mark McLane, Larry Brown, John Wright, Tim Smith, Tom Collier, and John Seidle**). At the Annual Business Meeting I reported that the state of our society is "well."

We had 113 SPEE Members attend which is probably also a record high. But I keep thinking to myself, "what would it take to have all 533 SPEE Members attend the Annual Meeting?" Survey results from those that attended the meeting last year said they attend for location, networking, and professional development hours. What about those who don't attend? Send me your thoughts.

We inducted Honorary Life Member #15 **B.P. Huddleston**: "In recognition of the impact that he has had on petroleum reserve evaluation and economics through a career-long advocacy of sound principles before regulatory bodies, in-

dustry groups, and professional societies, his contributions to petroleum economics literature, and the mentoring of petroleum engineering students." We presented, with a bit of roasting, **Frank Molyneux** his Past-President's plaque. **Ms. Carol J. Lillie** was presented the SPEE Award of Appreciation for her 13 years working on the Annual Meeting Advance Planning Committee.

The SPEE Distinguished Service Award was presented to **Kerry Pollard** and **John Wright** for their work on the April 2009 Software Symposium. The symposium was very successful with almost 100 attendees and demonstrated that the petroleum economics software companies have made significant improvements since the 2000 Software Symposium. John also proposed new REPs to standardize the definitions of P:I ratio, payout, and the terminology used in petroleum economics software. Send your ideas on these proposals to John Wright.

The SPEE Europe Chapter-In-Formation now has eight SPEE Members and should be up to eleven by the end of July. It takes ten Members to form a Chapter. So after years of talking about "going overseas," SPEE will finally have its first Chapter on another continent!! Thanks to **Joel Turnbull** and **Graeme Simpson** for spearheading this effort. Additionally, the proposed SPEE Wyoming Chapter-In-Formation has five Members and two applications in process, and a number of other very



well-qualified engineers and geologists ready to apply when their Sponsors are Members. So it is likely we will also have an SPEE Wyoming Chapter next year!! Thanks to soon-to-be Member **John Sinclair** for getting this started and also to Director **Scott Stinson** for getting the Members lined up to join the Wyoming Chapter and coordinating the first Chapter meetings. Again, please encourage those well-qualified individuals that you know to apply to be an SPEE Member. The application and sponsor forms are on the SPEE website.

### Future Annual Meetings

See the sidebar on page 3 for the dates and/or venues for future Annual Meetings. Any ideas for 2014? Should we go to London? Or another overseas location? Hawaii? Please send your thoughts and ideas

Continued on page 3

## 2009 Officers and Directors

### Officers

President ..... David K. Gold (Bakersfield)  
 Vice President ..... Stuart L. Filler (Houston)  
 Secretary-Treasurer ..... Barry R. Ashton (Calgary)  
 Past-President ..... Frank Molyneaux (Calgary)

### Directors

Thomas Collier (Midland)  
 Edward Gibbon (Houston)  
 Richard F. Krenek II (Dallas)      Bruce Randall (Tulsa)  
 Samantha Meador (Houston)      Scott H. Stinson (Denver)  
 James G. Patterson (Houston)      Brian Walter (Dallas)  
    Marshall Watson (Midland)

Chair of the Council of Past-Presidents ..... S. Tim Smith

### By-Laws Committees

Qualifications ..... Jim Wilson  
 Committee Members Alan Farquharson, Steve Blair, Jon Crawford, and Charles Nelson  
 Nominating ..... Frank Molyneaux  
 Grievance ..... L. D. (Buddy) Sipes

### Individual Appointments

Evaluation Parameters Survey ..... Richard F. Krenek II  
 Committee Members Mike Garcia, Cary McGregor, and Joel Turnbull  
 Fair Market Value ..... D. Russell Long  
 Internet ..... J. Brian Walter  
 Membership ..... James G. Patterson  
 Newsletter ..... Richard J. Miller  
 Communications ..... Bruce L. Randall  
 Production Tax Summary and University Interface ..... Marshall Watson  
 Recommended Evaluation Practices ..... Daniel R. Olds  
 Annual Meeting Advance Planning ..... Barry Ashton  
 Professional Registration ..... Marcus Snyder  
 2011 Software Symposium ..... Kerry Pollard and John Wright  
 Evaluation of Resource Plays ..... Russell K. Hall  
 Reserve Definitions ..... S. Tim Smith  
 Journal of the Society of Petroleum Evaluation Engineers ... Richard J. Miller  
 SPE/SPEE Reprint ..... Richard J. Miller

### SPEE Delegates

SPE OGRC Oil and Gas Reserves Committee Observer ..... Ron Harrell  
 JCORET Joint Committee on  
     Reserves Evaluator Training ..... Rod Sidle, Dan Olds, E. Bernard Brauer  
 COGEH Canadian Oil and Gas Evaluation Handbook ..... Barry Ashton  
 UNECE Ad Hoc Group of Experts on Harmonization of Fossil Energy  
     and Mineral Resources Technology ..... S. Tim Smith  
 Washington Reserves Conference 2010 ..... S. Tim Smith



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## Chapter Officers - 2009

**Calgary**  
 Chairman                                      Attila Szabo  
 Vice Chairman                                Harry J. Helwerda  
 Secretary-Treasurer                        Curt Labelle  
 Membership                                    Terry Nazarko  
 (3rd Tuesday each month except June/July/August)

**California**  
 Chairman                                        Tom Walker  
 Vice Chairman                                 Brad DeWitt  
 Secretary-Treasurer                        Barry Evans  
 Membership                                    TBD

**Central Texas**  
 Chairman                                        Cary McGregor  
 Vice Chairman                                 Open  
 Secretary-Treasurer                        Open  
 Membership                                    Open  
 (Quarterly - Austin Country Club)

**Dallas**  
 Chairman                                        Dean Eiland  
 Vice Chairman                                 Paul McDonald  
 Secretary-Treasurer                        Philip Crouse  
 Membership                                    TBD  
 (Bimonthly-September through May - Dallas Petroleum Club)

**Denver**  
 Chairman                                        Kevin Weller  
 Vice Chairman                                 Pat Galuska  
 Secretary-Treasurer                        Mike White  
 Membership                                    Letha Lencioni  
 (2nd Wednesday of first month of each quarter Hershner Room - One Norwest Center)

**Houston**  
 Chairman                                        Ronald Rhodes  
 Vice Chairman                                 Larry Connor  
 Secretary-Treasurer                        Mitchell Reece  
 Program                                        Jerry Blevins  
 Membership                                    TBD  
 (1st Wednesday of each month except June/July/August - Petroleum Club)

**Midland**  
 Chairman                                        Tom Collier  
 Vice Chairman                                 Russell Hall  
 Secretary-Treasurer                        Todd Yocham  
 Membership                                    Joe Neal  
 At Large Member ExCom                    Charles Gleeson  
 At Large Member ExCom                    Arlen Edgar  
 (1st Tuesday odd months-Petroleum Club)

**Oklahoma City**  
 Chairman                                        Jim Wilson  
 Vice Chairman                                 Ken Sigl  
 Secretary-Treasurer                        Fletcher Lewis  
 Membership                                    Bruce Heath  
 (Every odd-numbered month)

**Tulsa**  
 Chairman                                        Ken Richison  
 Vice Chairman                                 Chris Jacobsen  
 Secretary-Treasurer                        Bob Harmon  
 Membership                                    TBD  
 (1st Tuesday of each month - Petroleum Club)

Europe Chapter Coordinator Graeme Simpson  
 Wyoming Chapter Coordinator Scott Stinson

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

to the Annual Meeting Advance Planning Committee Chairman **Barry Ashton**. Barry and his wife Sharon have done a superb job getting these locations lined up.

Chairman **Russ Hall** and his Evaluation of Resource Plays Committee have been hard at work defining a Resource Play and on guidelines for a Proved Undeveloped location within a Resource Play. The committee met in Dallas, Oklahoma City, Santa Fe, and their next meeting is in Calgary at the end of July. They have a target date of October 1st to have this completed. Prior to that date, I'll send the proposed definitions and guidelines to our Members for comment.

Director **Marshall Watson** has accepted the nomination of Secretary-Treasurer beginning January 2010 - congratulations!! Director **Samantha Meador** was appointed by the Executive Committee to chair the Qualifications Committee beginning January 2010. Thanks to current Chairman and former Director **Jim Wilson** for all his work processing the latest flood of SPEE applications - great job!! SPEE Director **Rick Krenek** has been appointed Chairman of the Evaluation Parameters Survey Committee. He will tabulate the data and present the survey results at the 2010, 2011, and 2013 Annual Meetings. Thanks to outgoing Chairman **Tom Collier** who has done a most outstanding job these past three years improving the survey and greatly increasing the number of participants. SPEE thanks you for your service!!

Speaking of service, would you like to be an SPEE Director? Terms are for three years. The Board of Directors meets at the Annual Meeting in June, and also in January. It is a great opportunity to serve SPEE and to work with other SPEE Members. Nominate yourself or someone else to run for SPEE Director. We need six candidates to run in the fall election; contact Past-President and Chair of the Nominations Committee Frank Molyneaux.

As you know, last year we published the *Journal of the Society of Petroleum Evaluation Engineers* – for the first time since 1973. We also recently found all four of the early volumes. Just thinking out loud, “what if” we had produced the Journal all that time in between? That would be a gigantic technical legacy for SPEE. Thinking ahead, I believe it is important for us to keep JSPEE alive and well for the duration of our society. To do that, first and foremost, we need Members to contribute content. And secondly, we need Members to Peer-Review the JSPEE papers and articles. If you are interested in either, please contact JSPEE Chairman and Past-SPEE-President **Richard Miller**. I would like JSPEE to be the publishing vehicle of choice for our Members.

SPE has approved the joint SPE/SPEE Reprint on economics, evaluation, and reserves. SPEE and SPE have begun the process of setting up a joint committee to


pursue the project of researching and selecting papers for the volume. Please let me know if you would like to help.

In April, SPEE Member **Charlie Fulkerson** recommended we set up a web forum to discuss the new SEC reserve reporting guidelines. In May, SPEE Member **Gary Gonzenbach** set up the web forum and it looks great!! We have about 30 SPEE Members signed up and they are able to review and comment on existing economic conditions, the five-year rule, acceptable locations, reasonable certainty, reliable technology, and reserve reporting. This should be an excellent resource this year while companies are applying both PRMS and the new SEC guidelines.

ARTICLE XV. COUNCIL OF PAST-PRESIDENTS of the By-Laws says in part “The Council will also advise the Executive Committee regarding the SPEE Long Range Plan and priorities for its objectives and implementation.” The only Long Range Plan I could find was from 1993. It may have been updated in 2003 but I can't find any documentation. So it is probably time for our Long Range Plan to be updated. What do you think should be in the Long Range Plan? Please send me your ideas!!

Sincerely,

**David K. Gold**  
SPEE President



**PLAN AHEAD**

**SPEE Annual Meetings**

- June 5-8, 2010** Victoria, B.C.  
The Fairmont Empress  
See article on page 7 for details.
- June 4-7, 2011** Jacksonville, FL  
Amelia Island Plantation
- June 9-12, 2012** Colorado Springs,  
venue TBD
- June 8-11, 2013** Idaho, Coeur d'Alene  
Golf & Spa Resort
- June 7-10, 2014** location and venue  
TBD

**Contact Barry Ashton to provide suggestions on locations and venues for future meetings.**

# Chapter News

## Calgary

The Calgary Chapter held three business meetings (one of which coincided with the January 19 BOD meeting held in Calgary) and two technical meetings from January through May 2009. Our last business meeting was held on May 19. Average attendance at business meetings was 16 members. Average attendance at the technical meetings was 20 people. We are now recessed for the summer and will meet again on September 15 for a technical meeting at the Calgary Petroleum Club.

A high-level summary on the International Financial Reporting Standards (IFRS) was presented at our February 17 meeting by Price Waterhouse Coopers. This summary addressed the impacts of IFRS on oil and gas companies and specifically on balances impacted by reserves reports.

TD Newcrest presented at our meeting of April 21 with the topic "Oil Sands in 2009: New Realities." This presentation discussed the impacts of our current economic climate, environmental pressures and the collapse of the oil price from the perspective of equity valuations and project financing.

On July 7, the Calgary Chapter unanimously voted in support for the creation of a not-for-profit society (NPO) to allow the better support, maintenance, development and distribution of the Canadian Oil and Gas Evaluation Handbook (COGEH). The documentation to register the NPO has been completed and we expect it to be approved under the Alberta Societies Act by the time this article is published.

Thanks to the SPEE national body board of directors for approving of the formation of this society. Many people put in a tremendous amount of time to achieve this goal; however, one person needs to be recognized for effort above and beyond the call of duty. On behalf of the Calgary Chapter I would like express our appreciation to Floyd Siegle (past Calgary Section Chair) for his tireless effort in driving this to completion. Thanks should also be expressed to the balance of the Calgary Section executive and the NPO committee for accomplishing this goal and to Frank Molyneaux and Barry Ashton for providing invaluable guidance.

## Central Texas

Central Texas meets as speakers/topics of interest are scheduled. Currently next meeting is the week of October 12<sup>th</sup> with Dr. John Lee speaking on the topic of SEC regulation.

## Dallas

At the Dallas Chapter meeting on March 26th, Mr. Russ Hall spoke on "Evaluating Resource Plays with Statistical Models." The presentation included an update of the SPEE Resource Play Reservoir Evaluation Committee, a description of a resource play and statistical review of several resources plays. The presentation was well received with a record attendance at a Dallas Chapter meeting of 65. Russell Hall founded Russell K. Hall and Associates, Inc. in 1996, where he and a team of engineers evaluate oil and gas properties throughout the United States. Mr. Russell currently chairs the SPEE committee on Resource Play Evaluation Guidelines.

On May 21st, Mr. Ken Golden, Senior Energy Advisor - Corporate Planning, ExxonMobil, presented ExxonMobil's report "The Outlook for Energy: A View to 2030." The outlook is developed annually and assists ExxonMobil's business planning. The assessment process includes a details analysis of approximately 100 countries, 15 demand sectors and 20 fuel types. It is shared publicly to help build a better understanding of the world's energy needs and challenges. There were approximately 40 in attendance at this well-received presentation.

## Denver

On April 7, the Denver Chapter held its second quarterly meeting of 2009. The speaker was Mr. E. Russell "Rusty" Braziel, V.P. of Marketing and Sales and CTO of Bentek Energy LLC in Evergreen, CO, whose timely topic was the Supply/Demand Imbalance Forecast for Natural Gas in 2009. Attendance was 40 members and guests. Rusty gave a thorough, if somewhat distressing, analysis of the dynamics of the natural gas supply, distribution and demand complex with a special emphasis on the Rockies outlook. The upshot of his analysis: Basis differentials will flatten across the national supply centers in 2009 and beyond as a result of the completion of Rockies Express through to Ohio in late '09 and of several transportation projects in progress in the south and southeast destined to supply the midwest and east coasts.

On July 16, the Denver Chapter hosted Dr. John Lee of Texas A&M University as speaker for its third quarterly meeting of 2009. Dr. Lee presented his discussion of the "Modernization of the SEC Reporting Rules." A record turnout of 95 members and guests was in attendance in the Hershner Room, made available through the generosity of Denver SPEE Member Phil Kandel and the Wells Fargo Energy Group. In addition to the normal publicity via email to SPEE members, the luncheon was publicized through the Denver Section of the SPE. Thanks to





Chairman Kevin Weller, Speaker Dr. John Lee, and Vice Chairman/Program Pat Galuska

Secretary/Treasurer Mike White for his efforts in coordinating publicity and room arrangements, handling registration and finances and to Program Chairman Pat Galuska for arranging for Dr. Lee's appearance in Denver and for providing hard copies of Dr. Lee's presentation to those in attendance.

The next meeting of the Denver Chapter will be a luncheon to be held in the Hershner Room at Wells Fargo Bank on Thursday, October 15. We are planning on having an ethics presentation, but the speaker has not been confirmed as of this writing.

The Denver Chapter officers are: Mr. Kevin Weller, Chairman; Mr. Pat Galuska, Program Chairman/Vice Chairman; Mr. Mike White, Secretary/Treasurer; and Ms. Letha Lencioni, Membership Chairman.

## Houston

First, a note concerning the Vice Chairman position for the Houston Chapter. Samantha Meador was elected as the Vice Chairman for 2009 and she served in this capacity until approximately March 1st when she relocated to Europe due to a change in employers. At that time she then resigned as an officer of the Houston Chapter. We would like to thank Sam for her support and hard work for the 2+ years while she was involved with the local chapter of SPEE. She served as the Program Chairman, Secretary/Treasurer, and for a short time as Vice Chairman. She contributed numerous ideas to further the local chapter, was instrumental in providing informative and interesting speakers at our monthly luncheons, and supported me during her 2+ years with the local chapter. We wish her the best with her new employment opportunity but do hope that we will see her return to the States and to the Houston Chapter of SPEE at some point in time.

In order to fill the vacant position of Vice Chairman and continue an orderly line of succession for the Houston Chapter, the remaining officers (including discussions with B.K. Buongiorno and Jerry Blevins, Program Chairman), decided to have an open election. The announcement and solicitation for candidates was made in early March via email. A

candidate was secured and Larry Connor of Ryder Scott Company was elected unanimously at the April meeting to become the Vice Chairman for the remainder of 2009. We thank Larry for stepping forward and volunteering and know that he will continue the tradition of leadership for the Houston Chapter.

Chris Atherton of EnergyNet was the featured speaker for our monthly luncheon meeting on March 4. His presentation was entitled "A&D 2009 – When Will the Music Start Again?" Chris presented an array of acquisition and divestiture metrics comparing past history with actual results through February 2009. His information indicates that sellers are resisting the use of current prices and buyers are tending to base their valuations on higher prices in order to consummate purchase deals. His analyses also seem to indicate that the pace of transactions for 2009 is down as compared to historical trends.

For the April 1st luncheon meeting, the speaker was James Harden, Global Energy Valuation Market Leader for Ernst & Young LLP. His presentation was entitled "Valuation Issues and Trends in Volatile Times." The theme of his talk continued with the volatility we are seeing in 2009 and the consequences thereof. He also presented some suggestions for ways that companies can cope in 2009 and beyond and maintain viability in market value.

The last meeting before the Houston Chapter's customary break (June through August) was held on May 6<sup>th</sup> and featured Dave Pursell, Head of Macro Research, Tudor, Pickering, Holt, & Co. Securities, Inc. Mr. Pursell's topic was "The Natural Gas & Crude Oil Price Rollercoaster." In his talk, Mr. Pursell presented facts and figures portraying where we were and where we are concerning prices, gas deliverability, and gas storage. He believes the rig count will continue to decrease for a while and that our business will not be back to normal any time soon. He also touched on the political aspects and the "green" movement trying to gain footholds in the U.S. An appropriate comment he has heard is "You can't have a discussion with the EPA because they are saving the planet and they really believe they are saving the planet."

Houston Chapter meeting dates and scheduled speakers for the remainder of 2009 are:

September 2, 2009 – Steve Holditch, Texas A&M University, "College Graduate Situation for the Petroleum Industry"

October 7, 2009 – Wayne Wisniewski, Global HPHT Manager, BP, "Ethics"

November 4, 2009 – Roland Moreau, ExxonMobil, "Energy in the 21<sup>st</sup> Century"

December 1, 2009 – Bill Cobb, Cobb & Associates, "Topic to be determined"

## Midland

In March, Dave Melzer of Melzer Consulting spoke on several aspects of the CO2 business, principally as it relates to EOR. Mr. Melzer demonstrated a steady growth in CO2 EOR for the past two decades, as well as the close ties between then availability of CO2 and improved recoveries.

In May, Matt Gozenbach of TRC Consultants spoke on the various processes used to calculate year-end reserve reconciliations and the impact the different methods have on reported results. He highlighted the variation in apparent results for the same underlying performance and suggested that a consistent practice in this area would make this information more useful.

In July, Tom Collier of SPEE presented the SPEE Survey of Economic Parameters Used in Property Evaluation. He recapped the results of the survey noting the difficulty that industry has in forecasting the timing and impact of price disruptions. Mr. Collier also noted that banks reported that they were no longer basing any of their analysis on non-proved reserves, and touched on industry's expectations that reporting of non-proved reserves and offset spacing issues would be the most significant impacts of the new SEC Rules regarding reserves reporting.

Future meetings will include Ken Golding of ExxonMobil speaking on the outlook for liquid prices (September). The meeting year will conclude in November with a session on engineering ethics and the election of officers for the 2010.

## Oklahoma City

Richard Spears, Vice President Spears and Associates was the speaker for the Oklahoma City Chapter's April meeting. Richard's talk was entitled "*The Oilfield in 2009: The Worst is Yet to Come.*" He described Spears and Associates' forecast of drilling activity in the US, and their analysis of drilling and completion costs throughout the U.S. from 2008 through 2009, and its effect on many oilfield equipment and service markets.

Robert L. 'Bob' Dawson, Client Relations Manager, Mid-continent Region for the Oil and Gas Asset Clearinghouse, was the speaker for the June meeting. Bob's talk was entitled "*A Peek at Current Acquisition Market Conditions....From Behind the Gavel.*" He discussed how recent oil and gas price volatility has affected the oil and gas property auction market.

## THE ETHICS COLUMN

This is another in the continuing series of news-letter columns dealing with the subject of ethics.

First, I would like to thank Charles Gleeson of the Midland Chapter. He furnished a portion of the Fourth Quarter 2008 Bulletin published by the Oklahoma Board of Licensure for Professional Engineers and Land Surveyors. Six Board disciplinary Actions were reported. Of particular interest is that

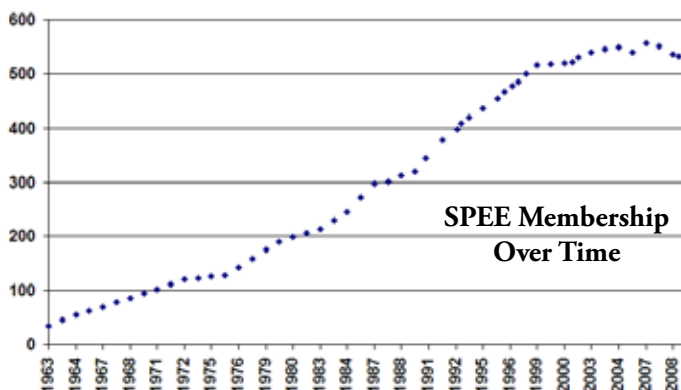
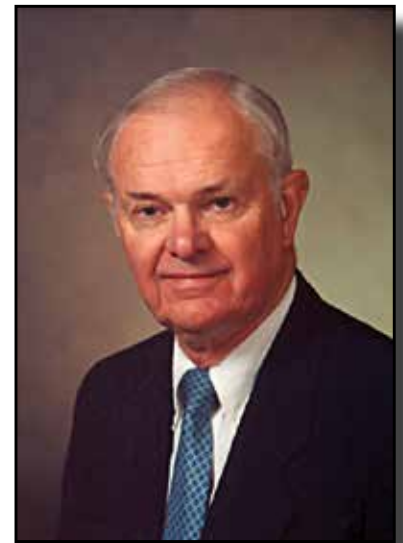
four of these actions involved failure to comply with requirements of a random audit for Continuing Education for Professional Development Hours when renewing Certificate of Licensure. This is a vivid reminder to registered professionals of the importance of complying with Continuing Education requirements and maintaining documentation of proof of same.

A recent inspirational human interest story was the account of the near-miraculous landing of a U.S. Airways passenger jet in the Hudson River opposite Manhattan. The cool competence and quick thinking of Captain Chesley Sullenberger and his crew have become legendary. But there's another facet to the story that speaks to the Captain's character. Captain Sullenberger had in his luggage on board the plane a book he had checked out of a library. After all passengers and crew had been rescued and efforts had begun to retrieve luggage, Captain Sullenberger's concern was the borrowed book and its return to the library. The subject of the book? Of course – ethics.

The issue/question in this column has to do with a professional evaluator's obligations in the case of performing an evaluation in which he has a personal interest in the property or properties involved – either vested or contingent. Whenever this issue is raised, a lively debate is likely to ensue. There are two fundamental schools of thought in this instance. On one hand, some hold that owning such an interest is acceptable so long as full disclosure is made. Others hold to an opposite view – that in order to avoid any hint of bias or conflict, that the evaluator should eschew an interest position.

### WHAT DO YOU THINK?

Readers are encouraged to provide written comments to the SPEE Office - Attention Editor.



Arlen L. Edgar



**2010 SPEE 47TH ANNUAL MEETING  
VICTORIA, BRITISH COLUMBIA  
THE FAIRMONT EMPRESS  
JUNE 5<sup>TH</sup> – 8<sup>TH</sup>, 2010**

With the 2009 Annual Meeting now in the history books, it can never be too early to plan ahead for the meeting in 2010. Our Annual Meeting will be held in beautiful Victoria, the provincial capital of B.C. Although in Canada, Victoria is not in the land of ice and snow since it is located on the west coast and enjoys the temperate rainforest climate. If the price of oil doesn't go crazy, for those south of the 49th parallel you may enjoy the benefit of the Canuck buck. If it does go crazy you should enjoy the benefit of that, so all will be good.

Please note the date in your 2010 calendar and provide me with your thoughts on courses and presentation topics you would like to see discussed at the meeting. The objective is to exchange knowledge and weigh/discuss the timely topics in the practice of petroleum evaluation. I look forward to receiving your thoughts and views. Please reply to me at my email address below and I thank you for your interest.

*Barry Ashton  
bashton@ajmpc.com*

## **2009 Software Symposium**

On April 29, 2009 the SPEE held its second Software Symposium at the Marathon Conference Center in Houston, Texas. Eight vendors participated in solving various problems provided by the SPEE committee involving economic analysis over the several months prior to the symposium. In the morning session, SPEE Technical Committee Chair John Wright presented a detailed review of the differences in the software applications followed by a sponsored lunch at the Marathon Center. The afternoon was highlighted by an ethics presentation from Jennifer A. Fitzgerald of Ryder Scott Company, L.P. followed by a panel of representatives of the eight vendors allowing questions and answers from the attendees. Seven vendors participated in the exhibition area answering individual questions and giving attendees a chance to interact with each other and the vendors. There were 95 attendees including the vendors. Continuing Education Certificates were made available for all attendees.

*Kerry Pollard and John Wright  
2009 Software Symposium Co-chairs*



### **Please Help us Update our Web page!**

We need your help updated taxing information for our SPEE web site from anyone working on areas where they have looked up or examined severance, ad valorem/property or other local and state taxes. Please go to our web page and review what has been posted.

If you have updated information on taxes for all U.S. states, Canadian provinces and Indian Tribal Lands, please forward the information to Marshall Watson at [marshall.watson@ttu.edu](mailto:marshall.watson@ttu.edu).

Please include references such as web sites or regulatory bulletins. If there are questions contact Marshall at 432-683-4640.



## Report on the 2009 Annual Meeting of the Society of Petroleum Evaluation Engineers

This year's Annual Meeting was held in the starkly beautiful New Mexico city of Santa Fe. Two hundred and twenty-one members, nonmembers, and guests signed up to see the old city and surroundings and attend the short courses and technical sessions. Our venue was the La Fonda Hotel, located on the plaza in downtown Santa Fe. History tells us that there has been an inn at that location for about 400 years. The hotel lies at the end of the Santa Fe Trail, and traders and explorers stopped there for refreshment and rest.

The events started with the first short course on Saturday. **John Wright** gave an excellent introduction to "Applied Probabilistic Reserves and Economic Calculations." Using @Risk, a commercial Monte Carlo simulator from Palisade Corporation, John demonstrated with both models based on Jim Murtha's book *Decisions Involving Uncertainty* and on his work that probabilistic reserves and economics can improve the understanding of reserves and economics in a time effective way.

Concurrent with John's class, **Mike Harper** and his intrepid band of golfers played the course at Paa-ko Golf Club, and a group of spouses went on the "Behind Adobe Walls" tour. The 24 golfers agreed that the course was long but enjoyable. The spouses enjoyed margaritas and hors d'oeuvres at a beautiful Santa Fe home, which was arranged by our tour guide Terri. Saturday night was spent wandering in the town or visiting nearby interesting places, such as the numerous art galleries on Canyon Road.

Sunday morning began with breakfast for the Executive Committee, the Board of Directors, and the Council of Past Presidents. After the meetings of the three groups concluded (in record time!), Sunday arrivals checked in at the lobby. B.K. and my wife Becky helped distribute the meeting packets and materials to those who had not arrived for the Saturday short course and events.

**Victor Hein** of Ryder Scott gave a well-received short course on Sunday afternoon entitled "Evaluation of Tight Gas Reservoirs." Victor first covered the state of gas reserves and production in the world. He then addressed issues in volumetric estimation of tight gas reserves and pointed out important petrophysical issues that can greatly affect

the reserves estimate. He also covered material balance, decline curve analysis, advanced production analysis, and issues with reservoir simulation. This class should be valuable to all those who attended, as tight gas reservoirs are a very important component of the overall gas reserves base.

Sunday evening proved to be the only weather day in the meeting. After a short walk across the Plaza from the hotel, led by a mariachi band, the guests proceeded into the Palace of the Governors for the Reception. Rain prevented frequenting the courtyard of the Palace at the Cocktail Reception, but the hotel and Palace staff had prepared for such a contingency, and the event proceeded indoors at the Palace. The Palace of the Governors was the first seat of government for New Spain in the early 1600s, and it now serves as a museum. The exhibits were fascinating and informative, and the members and guests met over margaritas, wine, and water with delicious hors d'oeuvres provided by the expert chefs from La Fonda.

Dr. John Lee began the first Technical Session on Monday with a timely and informative discussion of the new Securities and Exchange Commission ("SEC") rules and definitions for reserves. Dr. Lee was the Academic Fellow at the SEC and was the primary author of the new rules, which will dramatically change the reporting system when they take effect for



*Our hostess for Behind Adobe Walls, Scout Day*



the year-end 2009 reserves disclosures. Mr. James Langley of Langley Associates LLC illustrated the effect of the new rules on synthetic oil and the chemistry behind the transformation of shale oil to synthetic oil. Mr. Robin Bertram of AJM Petroleum Consultants illustrated the (computationally intensive) new royalty regime in Alberta. Mr. Henry Flores represented Stephen Pezanosky and gave the talk on buying



properties out of bankruptcy, unfortunately an all-too-timely lesson. SPEE's own **Mr. George Schaefer** gave the group an overview of the Russian reserves methodology and included interesting insights into the vast Russian oil and gas industry as well as the Russian viewpoint on dealing with foreign investment. The last talk in the first session raised the specter of new federal tax proposals from the Obama administration. Mr. Byron Ratliff of PricewaterhouseCoopers estimated that the new proposals could raise the cost of new wells by one-fourth to one-third.

A large group of members and guests met at the buses for the afternoon tour of Bandelier National Monument and the Bradbury Museum in Los Alamos. A box lunch was provided, and the tour made its way to Bandelier. Bandelier National Monument is named after the archaeologist Adolph Bandelier, who did much of the work to document and discover the Pueblos of the ancient peoples who lived there. A tour around the trails ended with a refreshing cold drink and a short trip to Los Alamos. The Bradbury Museum is named after Norris Bradbury, director of Los Alamos National Laboratory after J. Robert Oppenheimer left. Replicas of the atomic bombs dropped on Japan, as well as the first atomic bomb "The Gadget" were on display, and much more on the science and history of the Laboratory was available. The bookstore adjacent to the museum was stocked with history and science titles (I purchased Robert Serber's *Los Alamos Primer*, his lectures on the theory of the atomic bomb given in 1943 and subsequently published with comments and additions.)

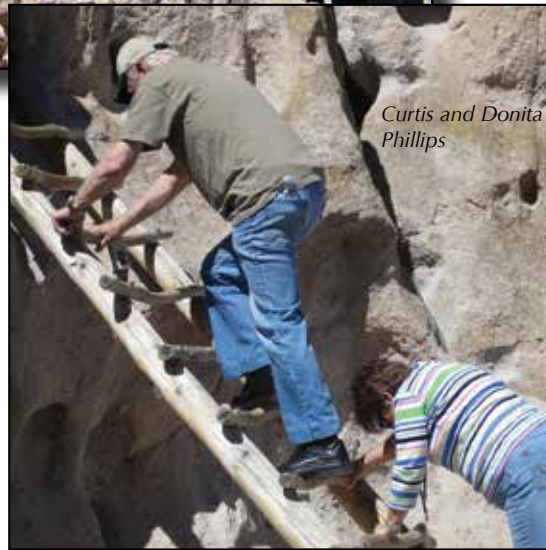
The tour group arrived at the hotel in ample time to attend the evening's Recognition and Awards Dinner. The setting was La Terraza, the terrace on the roof of the hotel. The weather and the setting were beautiful as we sat down to a delicious meal of steak and salmon. I kicked off the awards with recognition of Milton and Mary Gillespie's 52nd anniversary and turned the show over to President David Gold. David was joined by all the Past Presidents in attendance for the award of the Past President's Plaque to **Frank Molyneaux**, accompanied with a good-natured roasting (which Frank returned in good measure). **Mr. Kerry Pollard** and **Mr. John Wright** received Distinguished Service

Awards for their conduct of the 2009 Software Symposium. Ms. Carol J. Lillie received an Award of Appreciation for her outstanding service on the Advanced Planning Committee (La Fonda was the last venue that she and Richard had recommended for the meeting). The highlight of the evening was the award of Honorary Life Member to Mr. B.P. Huddleston, in recognition of his services to the petroleum evaluation industry and as a mentor to students in his classes at Texas A&M University. Pete and David were joined by all the Honorary Life Members present at the meeting. David then turned the meeting over to me. I introduced **Mr. Tom Collier**, Chairman of the Parameters Survey Committee. Tom awarded **Mr. Bernie Brauer** the Crystal Ball award for his predictions of oil and gas prices. Mr. Mike Harper then awarded the top three prizes for the golfers. The official duties concluded, and the diners relaxed and enjoyed the evening.

President Gold met with Chapter Officers at breakfast on Tuesday morning before the second Technical Session commenced. Mr. Mark McLane of Rose and Associates kicked off the morning session with his comments, observations, and challenges on the new SEC rules. Dr. Larry Brown gave a thought-provoking talk on ethics, "When Good People Make Hard Decisions." Reports on the 2009 Software Symposium by Mr. John Wright; the UNECE AHGE United Nations Framework Classification by Past President **Tim Smith**; and the Annual Survey of Economic Parameters by Mr. Tom Collier followed. The final talk of the meeting was given by Dr. John Seidle of MHA Petroleum Consultants and addressed the effect of the new SEC rules on coalbed methane reserves.

After a short break, President Gold conducted the Annual Business Meeting. He discussed the state of the Society and the important strides made in the creation of the European Chapter-in-Formation, the first foray into the international arena for SPEE. A brief discussion of the Society's finances followed, and the meeting adjourned until next year in Victoria, British Columbia. The attendees headed home with more knowledge and good memories of a small but interesting town in New Mexico.

**Stuart L. Filler**  
Vice President







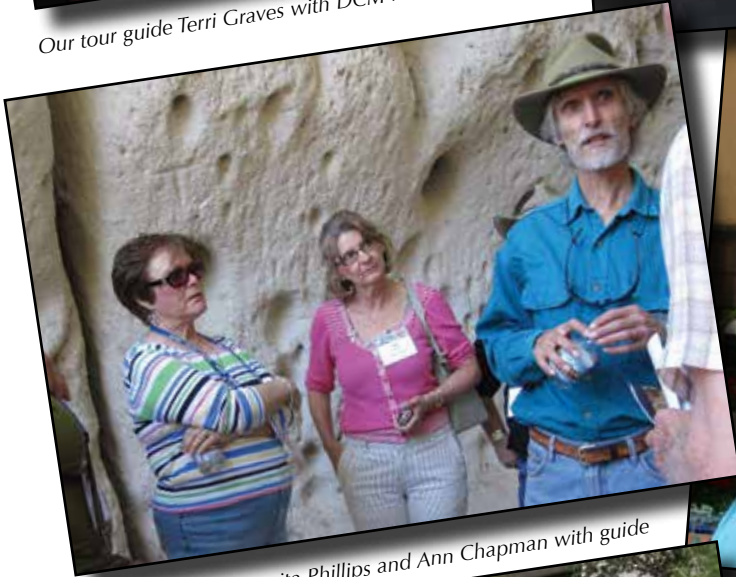
Our tour guide Terri Graves with DCM New Mexico



Program Chairman Stuart Filler



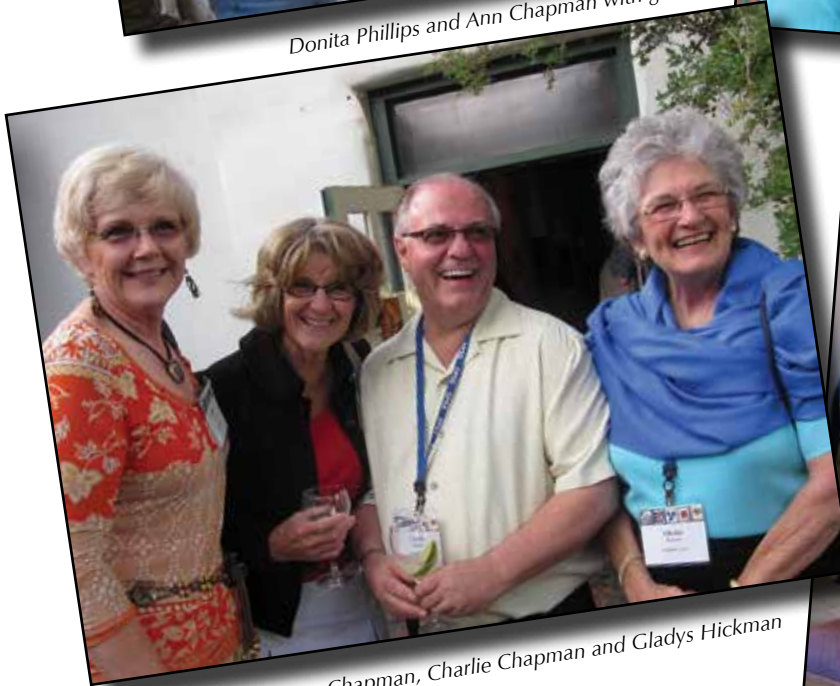
Ben Buongiorno



Donita Phillips and Ann Chapman with guide



Mary and Milton Gillespie celebrating 52nd wedding anniversary



Debbie Duewall, Ann Chapman, Charlie Chapman and Gladys Hickman



B.K. and Rod Sidle (Scott Laurent watercolor drawing)



Niki Simpson



President David Gold and Carol Lillie



Cheryl and Director Scott Stinson



Past Presidents

Honorary Life Members with B.P. Huddleston



Michael Harper and golf winners Pollards and Johnstons



Bernie Brauer and Tom Collier

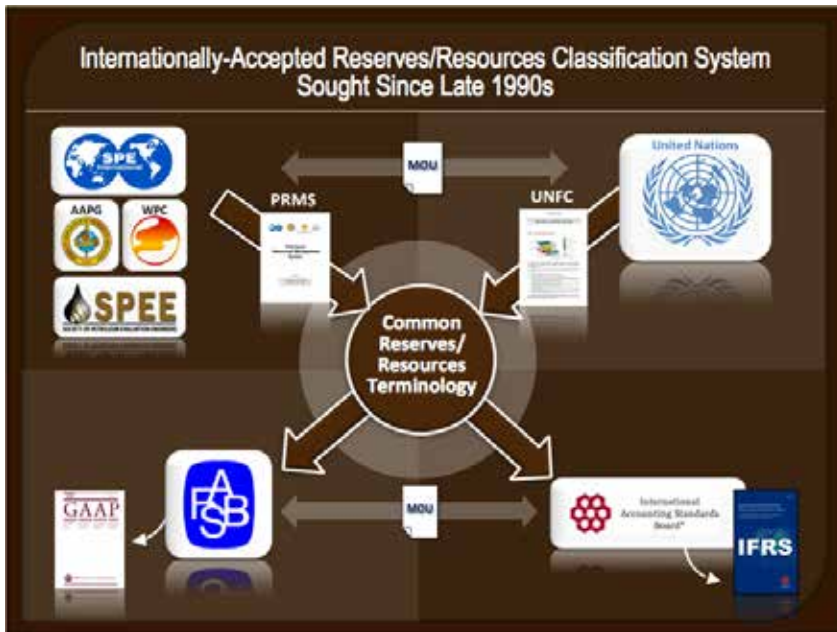


# The United Nations Effort to Harmonize Fossil Energy and Mineral Resources Terminology

## Update – July 2009

The need for a globally harmonized mineral reserves/resources terminology to support international energy studies, government resources management, corporate business processes, and financial reporting has long been

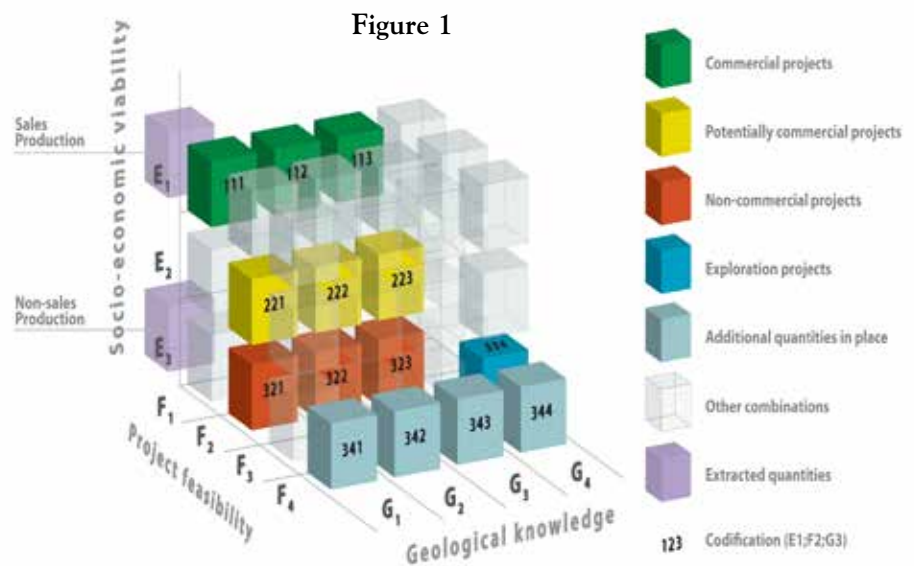
Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology (“AHGE”) – working through its sub-committees, Bureau meetings, and formal general sessions. The AHGE is organized under the Committee on Sustainable Energy, the principal intergovernmental body at the United Nations Economic Commission for Europe (“UNECE”) responsible for promoting international cooperation in the field of energy. UNECE is the regional Commission within the UN structure responsible for setting norms, standards and conventions to facilitate international cooperation both within and outside the region. Ultimately, the UNECE is accountable to the UN Economic and Social Council (“ECOSOC”), one of the five main organs of the UN, along with the General Assembly, Security Council, Secretariat, and International Court of Justice.



recognized. Early work to create a harmonized terminology can be traced back to the late 1990s. However, because of obvious complexities associated with such an endeavor, work is ongoing – involving professional societies from financial and technical arenas, NOCs, member states of the United Nations (“UN”), and other groups who are prospective users of a global terminology should one be successfully created. The multi-pronged evolution of these efforts is the topic of an article published in the November 2007 SPEE Newsletter.<sup>1</sup> The reader interested in this piece – a status report on the harmonization effort – will find the November 2007 article to be a useful preface.

Since the terminology harmonization concept is by definition a global endeavor, the effort to develop a harmonized terminology has been organized around the United Nations (“UN”) platform. Work is guided by an Ad Hoc Group of Experts – the

As a part of the harmonization effort, the UNECE invited the AHGE to consider changes to certain petroleum and solid mineral reserve/resource classification systems in use around the globe to facilitate mapping of these systems to the UN Framework Classification System (“UNFC 2004”), which was developed within the United Nations and adopted by ECOSOC in late 2003. After study, the AHGE took a different tack, instead choosing to re-draft



<sup>1</sup> United Nations Effort to Harmonize Fossil Energy and Mineral Resources Terminology - What is Happening, Why, and Where is this Going?

the UNFC with the same goal in mind. Should these modifications be adopted, the UNFC would become a valuable hub, allowing translations between petroleum and solid mineral systems, thereby potentially allowing external users to derive and understand the equivalences and differences in reported results between systems. The last mapping as between the UNFC and the PRMS, by way of example, is presented in the November 2007 article. The full draft of the current UNFC – “UNFC 2009” – is available online at: [www.unece.org/energy/se/docs/spf6.html](http://www.unece.org/energy/se/docs/spf6.html); however, a graphical representation is shown at Figure 1. Figure 1 evidences the numeric system that is the foundation of the UNFC. Although unnatural to domestic evaluators, the use of a numbering scheme to convey maturity and uncertainty levels has its place – reducing problems with language and translation, and allowing efficient and consistent communication of technical terminology around the globe.

Initially, the UNECE Sustainable Energy Committee seemed amenable to accepting modifications proposed by the AHGE to the UNFC; however, the Director of the Sustainable Energy Division recently advised the AHGE that such acceptance was conditioned on the acceptance by the AHGE and the international community that the UNFC, so modified, is the preferred international classification for fossil energy and mineral resources. The Sustainable Energy Committee seeks to strengthen the UNFC as a stand-alone reserves/resources classification system by having the AHGE create specifications (secondary rules) and guidelines for the UNFC. The need for specifications continues to be debated within the AHGE. It has been the position of SPEE and its PRMS partners (SPE and AAPG) that the UNFC, as modified, serves the purpose envisioned by ECOSOC without the necessity to create detailed specifications and guidelines. OPEC shares this view, and has expressed vocal opposition to the creation of specifications and guidelines. Furthermore, SPEE and its PRMS partners view the PRMS as the detailed commodity specific (petroleum) specifications set needed to support the UNFC, although presentations made by certain AHGE participants suggest that some high level specifications to the UNFC may be advisable.

<p style="text-align: center;"><b>Figure 2</b></p> <p style="text-align: center;"><b>Roster of Participants</b></p> <p style="text-align: center;"><b>AHGE Sixth Session</b></p> <p style="text-align: center;"><b>March 25-27, 2009</b></p> <p style="text-align: center;"><b>Geneva, Switzerland</b></p>	
<p><b>UNECE Member Countries</b></p> <ul style="list-style-type: none"> <li>Austria</li> <li>Bulgaria</li> <li>Canada</li> <li>Czech Republic</li> <li>Germany</li> <li>Hungary</li> <li>Kazakhstan</li> <li>Norway</li> <li>Poland</li> <li>Romania</li> <li>Russian Federation</li> <li>Switzerland</li> <li>Turkey</li> <li>Ukraine</li> <li>United Kingdom</li> <li>United States of America</li> </ul> <p><b>Countries Participating Under Article XI</b></p> <ul style="list-style-type: none"> <li>Australia</li> <li>China</li> <li>India</li> <li>Qatar</li> <li>Venezuela</li> </ul>	<p><b>Specialized Agencies</b></p> <ul style="list-style-type: none"> <li>IEA</li> </ul> <p><b>Intergovernmental Organizations</b></p> <ul style="list-style-type: none"> <li>Eurostat</li> <li>IEFS</li> <li>OECD</li> <li>OPEC</li> <li>World Energy Council</li> </ul> <p><b>Non-Governmental Organizations</b></p> <ul style="list-style-type: none"> <li>SPEE</li> <li>SPE</li> <li>AAPG</li> <li>CRIRSCO</li> <li>IFP</li> <li>IMSCO</li> <li>UNECE</li> </ul>

At the Sixth Session of the AHGE held at the UNECE in March 2009 (see Figure 2 for listing of Sixth Session attendees), the Director of the UNECE Sustainable Energy Division alluded that the Sustainable Energy Committee could make unilateral modifications to the UNFC should the AHGE fail to reach consensus on these issues. An emergency Seventh Session of the AHGE has been scheduled for late-October 2009. While, conceptually, the SPEE can compromise – accepting high level specifications, especially in exchange for acceptance of the PRMS as the detailed specification set for petroleum – it cannot accept Sustainable Energy’s demands that the modified UNFC be embraced as the preferred international classification for fossil energy and mineral resources. That is not to diminish the importance of the UNFC; indeed, it is a profoundly important classification system and remains the logical and preferred harmonization or translation hub. Undoubtedly, the events of the Seventh Session will make an indelible mark on the terminology harmonization process, perhaps defining the feasibility and likelihood of its continued existence, at least with the PRMS partners contributing.

*Tim Smith, SPEE Delegate*  
*UNECE Ad Hoc Group of Experts for the Harmonization of Fossil Energy and Mineral Resources Terminology*

# Welcome New Members

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**VEAZEY, JR., MICHAEL JAMES (P.E.) Member #723**

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jim@veazeyandassociates.com

# Membership Applicants

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

**APPLICANT**

**SPONSOR**

**FITZGERALD, JENNIFER A. (P.E.)**

Ryder Scott Company  
Senior Petroleum Engineer  
1100 Louisiana, Suite 3800  
Houston, Texas 77002

Ed Gibbon  
Ron Rhodes  
Mike Stell



## Call for comments concerning PRMS

The SPEE Reserves Definitions Committee (SPEE RDC) is beginning a project to collect data and SPEE Member comments on the PRMS. The PRMS was envisioned as a dynamic document, which will be updated or revised based on experiences derived from its application, as well as changes in industry, including advances in technology.

The SPEE RDC seeks comments regarding suggested revisions, additions, and deletions to the PRMS. Please provide comments at [tim@drgainc.com](mailto:tim@drgainc.com). Please include contact information.

The Houston Chapter of the Society of Independent Professional Earth Scientists Presents:  
**“Applications of New Geophysical and Petrophysical Technology for the Independent”**  
*SIPES Continuing Education Seminar*  
**Friday, September 18<sup>th</sup>, 2009**

This full-day seminar will focus on the **application** of affordable new geophysical and petrophysical technology for geologists, geophysicists and engineers employed in the oil and gas business. Twelve experts from majors, independents, consultants and service companies will present “how-to” talks on the newest technologies in the oil business. Learn about it on the 18<sup>th</sup>. Use it to find oil and gas on the 19<sup>th</sup>.

The seminar will be held at the Marathon Oil Conference Center, 10th Floor, 5555 San Felipe (at Yorktown). Registration includes a CD of the proceedings, luncheon and refreshments. Seminar hours are 8:00 am to 5:00 pm. Attendance can count toward professional development hours required for licensed Texas Professional Geoscientists. Membership in SIPES is not required. Questions: 713-651-1639 [bkspee@aol.com](mailto:bkspee@aol.com) Program updates: [www.sipes-houston.org/](http://www.sipes-houston.org/)

**Registration by August 20:** \$155 SIPES Members \$200 Nonmembers  
**Registration After August 20:** \$180 SIPES Members \$225 Nonmembers

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**Registration Form: SIPES Houston Chapter 2009 Continuing Education Seminar**

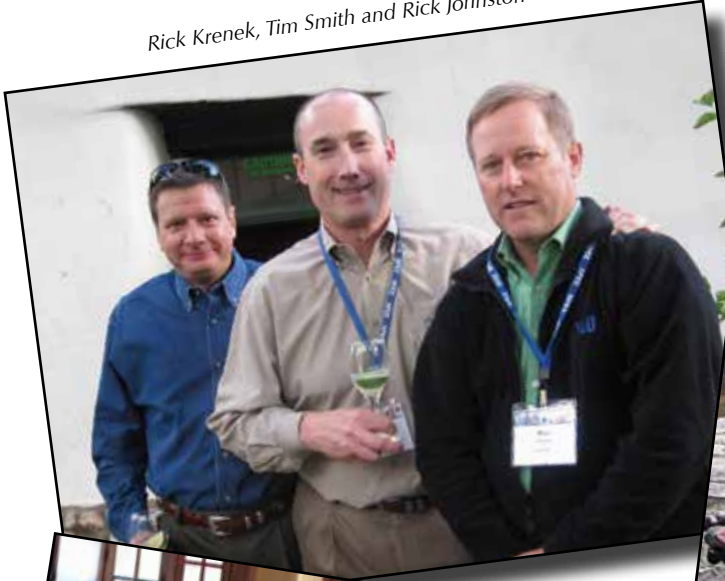
Name: \_\_\_\_\_ Company: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Please make checks payable to **SIPES**. Return this form with your check to:

**SIPES Houston Chapter**  
**5535 Memorial Drive, Suite F654**  
**Houston, TX 77007**

# MORE SANTA FE ...

Rick Krenek, Tim Smith and Rick Johnston



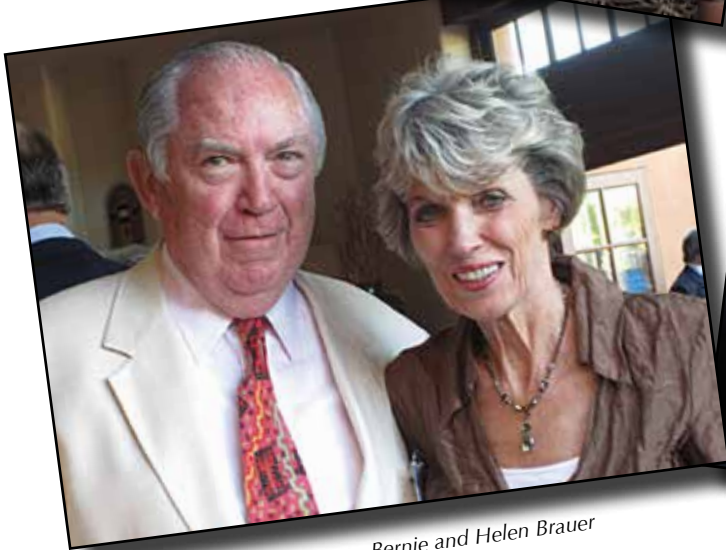
Linda and Allen Barron ... some people won't let ANYTHING stand in the way of an annual meeting!



Kerry and Peggy Adams



Bandelier Band



Bernie and Helen Brauer



Russ and Rosemary Long