

I hope everyone in the U.S. had a wonderful July 4th holiday. The weekend in Houston started with heavy rains and minor flooding from Hurricane Alex. The actual 4th was a sunny, hot day that ended with several spectacular fireworks shows across the city.

All of you who attended this year's Annual Meeting in Victoria, British Columbia had a great time and an excellent educational experience. I commend Vice President Barry Ashton for his well-organized meeting. Of course, we all recognize B.K.'s support and ideas that make every Annual Meeting a great success.

Headquarters for the meeting was the Fairmont Empress Hotel. The hotel was completed in 1908 and is located on the harbor front in Victoria. The hotel staff and amenities were first class. Food for the reception and the Awards Banquet was delicious. Record attendance of 233 members and guests caused overflow to nearby hotels for some of the attendees. Weather was beautiful for the entire meeting except for the reception on Sunday. The day was rainy, but the hotel adjusted nicely and moved the affair to the Ballroom. One delightful dish served was Mashed Potato Margaritas, a concoction of mashed potatoes and one of a variety of meats and seafood.

The training courses on Saturday and Sunday were well attended, with 50 students in each class. **Russell Hall** and **Robin Bertram** presented Saturday's topic. Russell is Chairman and Robin is a member of the Society's Committee on Evaluation of Resource Plays. They presented the current version of proposed Monograph 3, *Evaluation of Resource Plays*. Two instructors, **Robert Hawkes** and **David Anderson**, presented Sunday's class. They discussed the completion and production forecasting of unconventional reservoirs and wells. Both are experts in their fields, and the class was well received.

The technical sessions and the extracurricular activities for spouses were well attended and exceeded expectations.

President's Letter



Reviews of current accounting and regulatory issues combined with excellent technical talks made the technical sessions superior learning experiences. Tours of Bchart Gardens and the Empress Hotel, combined with golf for the duffers on the beautiful Olympic View Golf Club, added to the enjoyment of the meeting. Whale watchers were rewarded with numerous sightings so that the watchers did not become seekers.



The Awards Banquet on Monday evening was well attended. A surprise was in store for us: Queen Elizabeth II appeared and congratulated the Society on our achievements. Seriously, the Queen Elizabeth impersonator was hilarious,

and she knighted me, Past-President Tim Smith, and B.K. Good food, humor, and a Distinguished Service Award for Tom Collier made the evening one to remember. Past-President Gold received his gavel award and added to the festivities with his speech.

The Board is now finalizing recommended changes in the Bylaws. Those changes involve the educational requirements and the ethics acknowledgement that was recently removed from the dues statements. A degree in engineering or geology is currently required for membership in the Society. The proposed change for educational requirements will include mathematical and physical science degrees as qualifying degrees for membership. This aligns our membership requirements with those usually required for licensed professional engineers and geologists and will eliminate a requirement for approval by the Executive Committee and Board of Directors for exceptions to the educational requirements for otherwise qualified applicants. In Europe, for example, many reservoir engineers who go on to become evaluation engineers have degrees in physics (Laurie Dake, author of two recognized reservoir engineering textbooks who was knighted for his services to reservoir engineering in the United Kingdom, received a degree in natural philosophy). This change in no way is a requirement for licensure by members where it is not currently required. As we move forward with international members, this will become more important.

The ethics acknowledgement was designed to maintain the high standards expected of SPEE members. After discussion at the Board meeting in January, a proposed Bylaws change that would require affirmation of the Society's ethics standards either through use of the continuing education requirement for licensed professionals (where the state in which they practice requires such education) or through an annual review of the Code of Ethics and the Standards of Evaluation Engineering Practice in the Bylaws was deemed to be sufficient. It is all-important that we as a Society of professionals maintain our reputation for integrity and ethical behavior. This requirement, if passed, would remind all of us of our responsibility to our clients and companies.

B.K. and I attended the SPE Hydrocarbon Economics and Evaluation Symposium (HEES) in Dallas in March. SPEE sponsored a breakfast Monday morning, March 8, and we manned a booth to communicate our mission with members and potential members. I remind you to encourage qualified candidates to apply to SPEE for membership. I have heard a few comments on increasing membership, but I still look for


any suggestions. Our membership stands at about 550, and we still show an aging demographic profile.

Staff members of the Texas Board of Professional Engineers have issued an opinion that any evaluation of properties in Texas will require a professional engineer licensed in Texas to seal that evaluation, no matter where the evaluation was done or where the client or company is headquartered. I have asked the Chairman of the Reserve Definition Committee, Tim Smith, and the members of that committee (Buddy Sipes, Russ Long, Mike Adams, and me) to investigate this interpretation and to approach the Board officially with a dissenting opinion. I hope to have news to share on this topic by the next newsletter.

The Oklahoma City Chapter graciously paid my way to their fair city so that I could give a review of the Annual Meeting to the members and guests. I believe the Chapter will post the presentation on the web, and more details about the Annual Meeting can be found there. Thanks to Ken Sigl, Chapter Chairman and member of the Board of Directors, for inviting me and facilitating my transport.

Please let me know if you have any concerns or suggestions to improve our Society and its services (email: reseng73@comcast.net). Enjoy the rest of the summer (if it's cooler than it is here in Houston), and take time to let Barry Ashton know what you thought of the Annual Meeting.

Stuart L. Filler
President



SPEE Annual Meetings

**June 4-7, 2011 Jacksonville, FL
Amelia Island Plantation**

**June 9-12, 2012 Colorado Springs,
The Renaissance Hotel**

**June 8-11, 2013 Idaho, Coeur d'Alene
Golf & Spa Resort**

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

Chapter News

Calgary

The Calgary Chapter held three business meetings in January, March and May of 2010 and also held two technical luncheon meetings in February and April, 2010.

The February technical luncheon featured Boyd Russell of Energy Navigator presenting a talk entitled *Comparing U.S. and Canadian Fiscal Regimes for a Green Field Shale Gas Development*. The April 2010 technical luncheon had Chris Fong, recently retired Global Head Corporate Banking of RBC Capital Markets, present a talk entitled *The Competitive Review: Analyzing the Industry*.

The second draft of the Bitumen section of Volume 3 of COGEH is authored and is currently under review by selected technical experts and the Standing Committee of COGEH. The Calgary Chapter hopes that this section of Volume 3 will be out for public comment in the next few months with implementation prior to this year end.

COGEH volumes are available for order via the website at <http://www.speecanada.org/products.htm>.

Meetings - 3rd Tuesday of each month except June, July and August. Membership - 55

California

Membership - 27

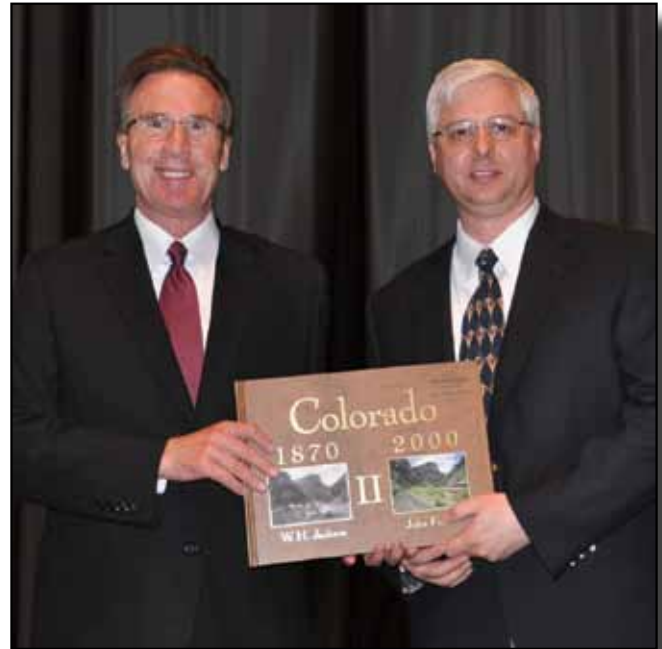
Central Texas

Membership - 31

Dallas

Chapter meetings were held on March 25th and May 25th. Tom Alexander of Southwestern Energy spoke on *Drilling and Completion Practices in the Fayetteville Shale* in the March meeting at which there were 40 attendees. The speaker for the May meeting was Susan Spratlen of Pioneer Natural Resources who spoke on *The Impact of Current Legislation on the Oil and Gas Industry*. There were 20 attendees to the May meeting. A new Board of Directors for the Dallas Chapter met on July 8th which consisted of Philip C. Crouse (Chairman), Gary Swindel (Vice Chairman and Programs), Dean Eiland (Membership Chairman/Director/Past Chairman 2007-2009), Paul McDonald (Director/Past Chairman 2009-2010/International Board Liaison) and Jay Thrash (Secretary/Treasurer). The next Chapter meetings will be held on September 16th and November 18th.

Meetings – Bimonthly September through May – Dallas Petroleum Club. Membership - 55



Colorado Gubernatorial Candidate Scott McInnis (left) and Mike White, Denver Chapter Vice-Chairman (right).

Denver

On April 14th, the Denver Chapter held its second quarter meeting of 2010 with record attendance of 96 including 21 members and 75 guests. The guest speaker was former Colorado U.S. Congressman and current Colorado Gubernatorial candidate Scott McInnis. Mr. McInnis' address was on *Issues Facing the Colorado Oil and Gas Industry*. Mr. McInnis recognized Colorado's oil and gas sector as one of the "three economic engines" along with tourism and agriculture that are working to pull Colorado out of economic recession. He was critical of recent state rules changes that have made the application-to-drill process more onerous for mineral owners and lessors in Colorado. Mr. McInnis spoke for 45 minutes without the benefit of slides. He then opened the floor for questions.

In preparation for this meeting, Denver Chapter worked with SPEE Internet Chairman J. Brian Walter and a third-party web designer to implement installation of an online events registration module which also contained a merchant account credit card facility. The events registration module for the Denver Chapter can be found on the Local Chapter Page - Denver Chapter on the national SPEE.org site.



From left to right: Mike White, SPEE Denver Chapter Vice-Chairman; Guest Speaker Mr. John Harpole, President of Mercador Energy LLC; and Pat Galuska, SPEE Denver Chapter Chairman

On July 12th, the Denver Chapter held its third-quarter meeting of 2010 with 40 in attendance including 21 members and 19 guests. The guest speaker was Mr. John Harpole, President of Mercador Energy LLC. His presentation was entitled *Renewable Energy Mandates and The EPA: A 'Train Wreck' in the Making?* Mr. Harpole's presentation dealt with the impact of the renewable energy on the natural gas and coal industries and the EPA air standards. Please go to the SPEE website to download a copy of this presentation.

Meetings – 2nd Wednesday of first month of each quarter – Denver Athletic Club – The New Petroleum Club. Membership – 65

Europe

Four meetings per year. Membership - 11

Houston

Meetings – 1st Wednesday of each month except June, July and August – Houston Petroleum Club. Membership – 186

Midland

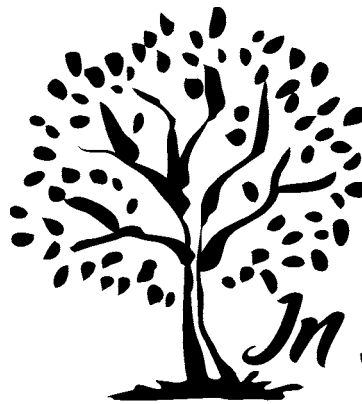
Meetings – 1st Tuesday odd months – Midland Petroleum Club. Membership - 28

Oklahoma City Chapter

Meetings – Every odd numbered month. Membership - 23

Tulsa

Meetings – 1st Tuesday of each month – Petroleum Club. Membership - 27



In Memory

It is with great sadness that I have to inform you of the unexpected passing of Robert A. Odd on Thursday, July 22, 2010. Robert was a devoted member of the Calgary Chapter having obtained his SPEE membership in 1993 and was a charter member of the Calgary Chapter when it was formed in the Summer/Fall of 1994. Robert was a member of the first executive committee of the Calgary Chapter and acted as Secretary/Treasurer. Robert will be fondly remembered for his humour and the hard work he did in getting the Calgary Chapter off the ground. We will miss Robert's annual oil price forecasting contest that he ran during our Christmas lunch for so many years. Condolences go out to the entire Odd family for this untimely loss. We will all miss Robert as a friend and colleague.

Robert was born June 8, 1943 in Poole, Dorset, England. He grew up and attended university in England, then lived in several different countries before settling with his family in Calgary in 1977. Robert graduated from Cambridge University with a degree in Electrical Engineering. He went on to work for Schlumberger, Hudson's Bay Oil & Gas, and for the last 32 years he worked at the Bank of Montreal. If friends so desire, memorial donations may be made directly to The Schizophrenia Society of Alberta at www.schizophrenia.ab.ca. Expressions of sympathy may be forwarded to the family via the website www.fostersgardenchapel.ca.

Report on the 2010 Annual Meeting of the Society of Petroleum Evaluation Engineers

This year's Annual Meeting, held June 5–8th, at the Fairmont Express Hotel in Victoria, British Columbia takes its place in SPEE's history as yet another successful Meeting. Final attendance was 236 people: 113 members, 23 non-members (of which nine were presenters) and 100 spouses. I am told this is the largest attendance for an Annual Meeting to date but am certain that, with our growing membership, it will not be the high watermark. Once again, the Annual Meeting was a venue which promoted discussion on a variety of technical and business matters facing both individual members and our Society.

Matters began on Saturday morning with a meeting scheduled by **Tim Smith**, Chair of the Reserves Definition Committee. This was a great opportunity for the committee members to have a bit of

face time versus "e-mail" conversations. This committee is dealing with a number of important items including the UNECE Expert Group on Resource Classification intents, the growing acceptance of PRMS and the need for evolving the guidance for it, how SPEE will support both COGEH and PRMS, and the joint reserve conference (II) proposed for 2011 in Houston.

The first short course got underway on Saturday afternoon with **Russell Hall** (Hall and Associates), Committee Chair, and **Robin Bertram** (AJM Petroleum Consultants) providing a detailed overview of the development of SPEE Monograph 3, Guidelines for the Evaluation of Resource Plays. The presentation generated lively discussion, particularly on Chapters 3 and 4 and the introduction of the term P^Λ. The committee would welcome additional feedback on Monograph 3, prior to their next scheduled meeting in mid-August in Calgary. Please send your comments to any of the committee members.

Saturday afternoon also featured a tour to Craigdarroch Castle and 55 people took this opportunity to learn about Victoria's history. At the same time, **Michael Harper** arranged for 24 golfers to join him at Olympic View golf course, my wife Sharon being one of them. She was so taken by the beauty of the course that she and I went back on Tuesday afternoon.

Sunday morning saw meetings of the Council of Past Presidents (COPP) and the Executive Committee of the Board, followed by a full meeting of Board members. One item discussed by the COPP was the recent release by the International Accounting Standards Board (IASB) and its commentary on reserve definitions. **Tim Smith** has been charged with preparing a reply to the IASB for the Executive Committee; deadline was July 31st. At the Board meeting, issues discussed included possible changes to the By-laws to address education requirements and email as an official form of mail. Also in front of the Board is an issue with

the Texas Board of Professional Engineers and their requirement that evaluation of properties in Texas be by evaluators licensed in Texas.

On Sunday afternoon, while registration for the meeting took place, **Robert Hawkes** (Baker Hughes) and **Dave Anderson** (Fekete Associates) presented the second short course, a look at Completion and Performance Analysis Techniques in Unconventional Reservoirs.

Unfortunately it rained most of Sunday so the reception planned for the hotel rose garden had to be moved into the Palm Court and Crystal Ballroom. The Fairmont staff did a fabulous job in resetting the ballroom, which was ready for us less than two hours after the conclusion of the short course. There were tables for sitting, standing, and lots of room to move about to mingle. A flutist and guitarist provided wonderful background music and the lighting was exquisite. But most of all, the food was marvelous – the "mashed potato martini bar" was a knock-out. B.K. and Lisa Klimek (Fairmont event planner) deserve huge congratulations for all of the great choices that made the evening very memorable.

The first General Session opened with a Welcome address by **Ines Piccinino**, Executive Director, Policy and Royalty Branch, Oil and Gas Division of the Province of British Columbia. As Victoria is the capital city of British Columbia, this speaker and topic were literally right on our doorstep. Ines delivered a very interesting talk on BC's natural gas development strategy and was also a great contact for those whose companies are working in BC or thinking of entering.

Next up was **Mike Dawson**, President of the Canadian Society of Unconventional Gas (CSUG). Mike is an accomplished speaker and he spoke of the role of CSUG and the continuing development and economic impact unconventional gas is having in North America.



We were very fortunate to have **Chris Clarkson**, Professor and EnCana Chair in Unconventional Gas at the University of Calgary deliver his SPE Distinguished Lecturer paper on what we know and are still learning about the unconventional reservoir of coalbed methane.

Bill Kazmann of Laroche Petroleum Consultants gave an interesting talk on the lessons Laroche has learned from working the Barnett shale over many years and how the knowledge may or may not transfer to other shale plays.

Harvey Klingensmith, President and CEO of Stone Mountain Resources followed with a presentation sharing his company's experience in NE BC's developing Horn River shale play.

Dave Russum of AJM Petroleum Consultants spoke of the knowledge gained on exploration for and extraction of hydrocarbons in Canada's Arctic. He also addressed the opportunities and challenges that exist in the Arctic and how the development of these resources are being impacted by production from unconventional reservoirs.

Capping out the morning, **Marc Joiner** of Deloitte spoke of the status and implications of the International Financial Reporting Standard (IFRS). SPEE members spoke of their concern regarding how, and the implications of, reserve volumes being incorporated into a company's financial statements.

With the morning session adjourned, members, spouses, and guests had the opportunity to take part in one of two organized tours, one to Butchart Gardens and the other to head out in search of whales. While the cool weather over the spring in season Victoria has plants about two weeks behind, the stroll through the Gardens was enjoyable as we observed the various mixes of trees, shrubs, and flowers. Those who went in search of whales were successful in sighting a pod of Orcas. Some chose to do their own thing such as a walk/hike on the Galloping Goose Trail. Everyone arrived back at the hotel in time to prepare for the Awards and Recognition banquet.

After being introduced by **Vice President Ashton**, **President Filler** recognized **Past President Gold** for his contribution to the SPEE, specifically over the past three years, and presented him with a plaque. President Filler also presented Board Member **Tom Collier** with an Award for Appreciation recognizing his achievements in organizing the Survey of Economic Parameters and the years he has spent in service to SPEE. President Filler also introduced all Board members present to the gathering. **Rick Krenek** presented **Dave Tutt** with the Crystal Ball award for making the closest estimate to the oil and gas forecast price in effect on May 31st, 2010. **Michael Harper** announced the winners of the "skill" prizes from the golf tournament and congratulated the overall winners Sharon Ashton, Allen Barron, Farhad Ghassemi, and Karl Gulick.

Tuesday morning began with **President Filler** having breakfast with the Chapter officers attending the meeting. The second General Session began at 7:45 am with SPEE member **Nathan Meehan** presenting an hour session on ethics case studies. Nathan was assisted by Houston chapter members who role played several different scenarios to illustrate how subtle and comprising ethics boundaries can be for professionals.

An interesting panel discussion followed with **Mike Adams** (Talisman), **Greg Avra** (South Western), **Harry Jung** (GLJ), and **Dan Olds** (Ryder Scott) presenting their views about the implementation of the December 31, 2009 SEC regulations. Discussions ensued on several issues but notably the five-year time requirement for committing forecast capital.

Tim Smith, SPEE's representative to the UNECE and newly elected as Vice Chairman on the Bureau of the Expert Group on Resource Classification (EGRC), presented his report on the status of committee work. This report is not posted on the SPEE website at Tim's request.

An interesting presentation was made by **John Etherington** (PRA International) and **David Elliott** (Alberta Securities Commission) on the Search for the Common Code, PRMS and COGEH. SPEE currently supports both these documents and discussion queried how this support should continue, and at what consequence. This is a very important matter that will continue to unfold.

Ron Harrell presented an interesting paper on litigation liability and discussed how to prepare reserve reports to deal with this possibility.

All (or most) of the presentations made over the two days are posted on SPEE's website. I invite you to view them.

The meeting concluded with **Rick Krenek's** (Netherland Sewell) presentation (on behalf of his committee) on the Annual Survey of Economic Parameters. I congratulate and thank the committee for such a thorough report and their investment of personal time. If you wish to purchase a copy of this report please contact the SPEE office.

Finally, **President Filler** covered several items he and the Board will be pursuing over the last half of this year. The Society remains financially healthy and very active on several important and pressing matters involving reserve/resource evaluation work.

I would like to thank everyone who gave their time to make our Annual Meeting informative and successful. Thank you also to the sponsors, both corporate and individual. Your support helps keep the event revenue neutral.

The meeting adjourned until next year's meeting, June 4-7, 2011 at Amelia Island Plantation in Jacksonville, Florida. I now pass the torch to **Marshall Watson** for the planning of next year's meeting. I know Marshall will do a great job and I wish him success.

Barry R. Ashton
Vice President



Allen Barron

Sharon Ashton

Karl Gulick

Farhad Ghassemi



Frank Molyneux

Michael Harper

Scott Hickman



Derek Longfield

Steve Heitzman

Dwight Barton



Marshall Watson

Angela Watson

Buddy Sipes



Walter Wright

Dee Patterson

Russ Long



Diane Pollard

Kerry Pollard

Charlie Chapman

Ann Chapman



Rick Johnston

Connor Farquharson

Alan Farquharson

Cindy Johnston



Jeff and Karen Tenzer



Nancy Reece

Diane Rhodes

Mitch Reece

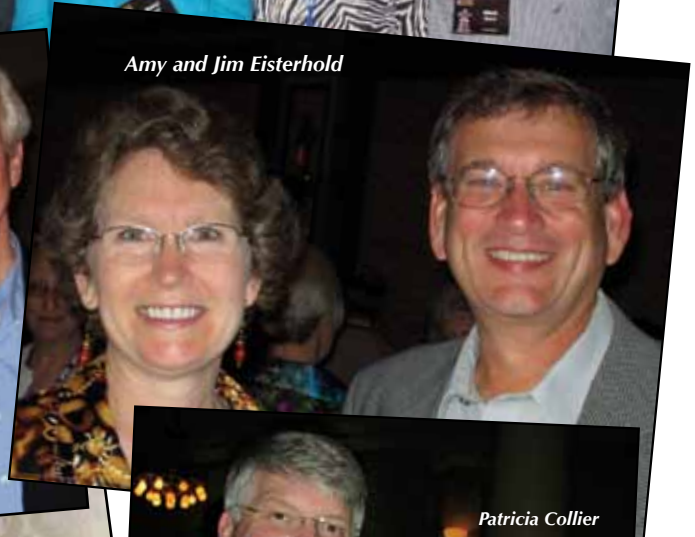
Ron Rhodes



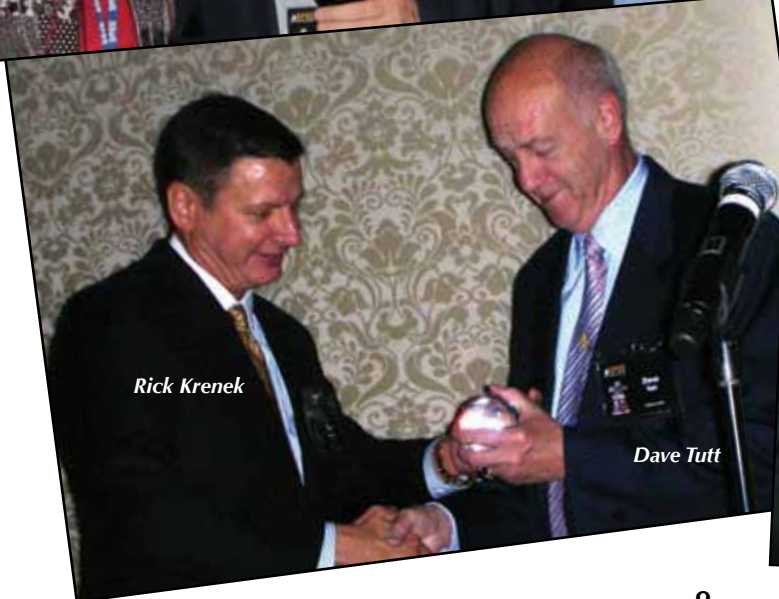
Jane Wright

John Wright

John Seidle

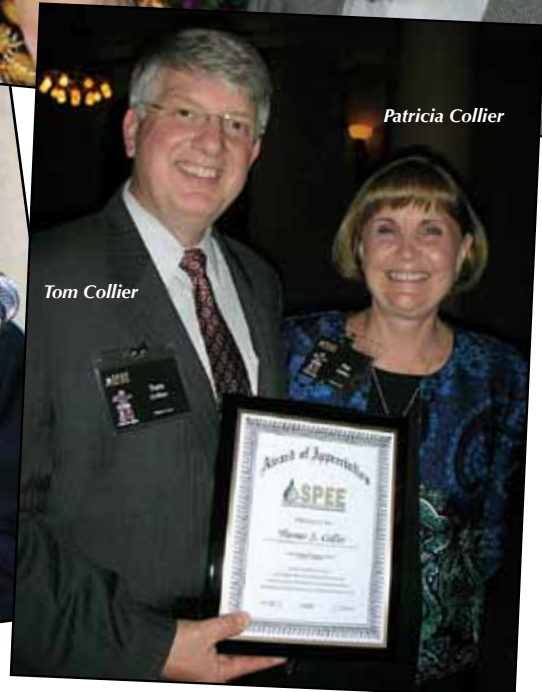


Amy and Jim Eisterhold



Rick Krenak

Dave Tutt



Patricia Collier

Tom Collier



Anna Hardesty

Ed Gibbon



Tim Smith

B.K. Buongiorno

Stuart Filler



Nathan Meehan



Barbara Taylor

Tim Taylor



Lynn Smith

Tim Smith

Member Survey Regarding Annual Meetings

Members of SPEE:

At the Chapter Officers Meeting with the President at the recent Annual Meeting in Victoria, British Columbia, considerable interest was expressed in attendance of children at the Annual Meeting of our society. For the purposes of this topic, I define children as those under legal age (normally 18 in most venues). Even if an adult legally, I will apply the definition of child to anyone under legal drinking age in any venue where alcohol is served (normally 21 in most venues). I would appreciate your opinions and comments after you read my thoughts on this matter.

The Annual Meeting is primarily a technical meeting, as well as a time for networking with colleagues. Recall the Bylaws, Article IX: SECTION 4.

The Members shall hold at least one regular meeting each year, which shall be known as the Annual Meeting. The Annual Meeting shall be held at a time and place designated by the Executive Committee. The purpose of the Annual Meeting shall be to (1) serve as a means of continuing education of and for the Members of the Society, (2) provide a venue for the dissemination of pertinent information through the presentation of scientific and other papers on topics of interest and the discussion of these papers, (3) inform the membership of the current state of the Society and present plans for the future of the Society, and (4) to allow Society business to be transacted.

There are extracurricular activities as well: golf, tours, reception, and awards banquet. The reception and the awards banquet are adult activities. Alcohol is served, and matters of the Society are discussed. Golf is primarily members and spouses. Children have not been expressly forbidden to attend the meetings, however, and several members have brought their children to the Annual Meetings in the past. Some children have been brought to the awards banquet, and possibly a few have attended the reception. This incurs a liability (since, as noted, alcohol is served) that the Society should not bear. I believe that the reception and awards banquet should be adult-only activities (i.e. children should not attend these two functions).

One activity that has been problematic has been the attendance of children at the spouse's breakfast. Spouse's breakfasts are not free. Every spouse who attends pays a registration fee. The breakfasts are included in that fee, although, in most cases, the breakfasts are subsidized by the other meeting events. If we wish children at the spouse's breakfasts, then the children must register and pay that fee as well. The amount of that fee would probably not be different from the spouse, since the

hotels generally charge based on number attending and not on an adult-child basis.

Children of members and guests have, in the main, attended tours. These tours have been paid events, and I believe that all or most of the children who attend have

been paid for by the parents. The tours are acceptable venues for children, as long as their presence does not preclude the attendance of a registered member, guest, or spouse. Responsibility for supervision of children lies wholly with the parents.

Discussion & Comment

SPEE has not traditionally taken that role, such as Disney does on its cruises. The members, guests, and spouses are participating for their enjoyment and should not be tasked with responsibility for other attendees' children. The liability of such a role is also too great for a small society such as ours to accept. One lawsuit for an injured or missing child could bankrupt the Society. It was suggested that the SPEE arrange children's events. The liability issue and the nature of the meeting planning, which is done by the Vice President and the Society Administrative Assistant (i.e., B.K.), both make the planning of children's events onerous and undesirable. If enough parents want to volunteer to arrange such events, that would be acceptable with a waiver of liability for the Society signed by all parents of participants. How this would be arranged remains to be seen. In any event, my belief is that children should remain the responsibility of parents at all times if they attend the Annual Meeting.

The Chapter Officers, in the main, felt that allowing children would attract younger members and increase the membership. I understand this motivation, but we need to recognize the problems that might arise from this approach. I will discuss this with the Executive Committee and the Board of Directors after a review of any input from the membership. Please send me any comments, suggestions, and ideas that you have on the matter at my email address reseng73@comcast.net. I look forward to hearing from you no later than August 16, 2010.

Thank you,

Stuart L. Filler
SPEE President

THE ETHICS COLUMN

In the course of a professional career, evaluation engineers gather an immense amount of data and form opinions. Often those opinions are based on personal studies unrelated except tangentially to any particular evaluation assignment. Some are formed through reading others' opinions or studying the technical literature. The evaluator must carefully guard against opinions formed without sufficient data.

Take the case of Joe, an evaluation engineer, who has done several studies of gas fields in a particular area. All are shallow, have produced for several years from the same formation. No other zones have proved to be commercial even though a large number had been tested, including some shales. Joe had reviewed the publicly available data from these wells in conjunction with his field studies.



Along comes a potential client wanting Joe to prepare a report on a field familiar to him with wells already completed from a shale formation but had never been produced due to the lack of a gas market. According to the potential client, more wells needed to be drilled to attract a gas pipeline to the field and Joe's report is to be used to secure bank financing for development wells. The client disclosed that an airborne radiometric survey had indicated the shale reservoir may be tied into a much larger source for recharge through a fracture system. No data were available to corroborate this, nor was there any evidence of recharge in any other field in the state.

Joe had already formed an opinion about the field through work for another client who had gone out of business. He believes there are not enough reserves nor potential production to justify new wells or a pipeline.

What are Joe's ethical obligations?

1. Take the job without disclosing his opinion?
2. Tell the potential client his opinion, but admit that it was formed just on publicly available data and that he would perform the requested evaluation based on all information available?
3. Disclose his opinion but agree to study any new data, including costs and product prices, and advise the potential client whether or not the new data has altered his opinion sufficiently to justify completing the job and publishing a report?

This situation can occur with any size property or field.

WHAT DO YOU THINK?

Fred has an ethical dilemma. How would you respond in his situation? Readers are encouraged to provide written comments to the SPEE Office – Attention: Editor

Buddy L. Sipes

Responses to Ethics Columns

November 2009 issue

Recap of situation: In this case, a report was prepared for the Golconda Company by Evaluator A. Golconda retained Evaluator B to review the report. A consented to the review and was cooperative in furnishing background data and materials to B and, in fact, fully discussed the nature of his work. B came to the opinion that A had seriously distorted some of his findings to the point of at least bordering on unethical behavior.

Mr. Edgar brings out a very interesting dilemma that, unfortunately, comes up from time to time. If I were Evaluator B, I would suggest a meeting between Golconda, A and myself. It may be that there was other data or information available to A that I may not have been aware of. Or A may have another way of interpreting the data that I may not at first agree with, but upon reflection, can accept as a possible outcome. And yes, it is possible that A made an error. The only thing worse than an error is one that is not giving the chance for the error to be corrected. In any event, I would thoroughly document my findings to my client, who in this case would be Golconda.

If I were Evaluator A, I would hope that Evaluator B would contact me in some way to let me know of the discrepancies. I think a meeting between the two of us and Golconda would be an excellent forum to discuss the matter in full. That way the client has the ability to judge whom he/she thinks is telling the story correctly.

One item that Mr. Edgar did not touch on, I am sure because of space, is that B could be wrong. Like it or not, we ALL make mistakes or have misunderstandings from time to time.

Timothy J. Brock

Timothy Brock provides some insightful thoughts. His suggested approach involves a combination of two of the several alternatives presented in the original column, i.e. Evaluator B presenting his findings to the client (Golconda) followed by a meeting between Golconda, Evaluator A and Evaluator B. I agree that this approach would be appropriate in satisfying the obligation of Evaluator B to his client while providing a forum for candid discussion by all parties. This also would allow an opportunity for Evaluator A to present his position. As aptly pointed out by Mr. Brock, Evaluator B could be wrong in his opinion; if so, a meeting involving all parties could clear the air and lead to a satisfactory resolution, without resorting to more drastic means.

Arlen L. Edgar

March 2010 issue

Recap of situation: STC commissions Fred to evaluate a single property and Fred does so, including the usual disclaimers that he relied on production from the public record, the client's files and representations of prices and costs by STC. After his report is submitted to the client, Fred becomes aware, from an unrelated source, of a significant and costly problem with the wells on the property. Casing leaks had been found in many of the wells. Fred has no knowledge of how or if these have been remedied.

Subsequently, STC begins negotiations with a third party for the sale of the property and permits the prospective buyer to review Fred's work with him. They elect to do so.

The situation represents a substantial dilemma because it cuts across several issues addressed by the Code of Ethics of Engineers (Appendix A of the SPEE By-Laws) and Principles of Acceptable Evaluation Engineering Practice (Appendix B).

In the subject case, Fred the evaluation engineer certainly has an obligation to his client (STC). But professional engineers are obligated to hold paramount the safety, health and welfare of the public (in this case – the prospective buyer) and to act with honor, while avoiding deceptive acts. My suggested course of action for Fred is to discuss the casing leak problem with his client, and urge him to disclose the problem to the prospective buyer. Should STC refuse to be up-front with the buyer, Fred has no choice but to inform the buyer of the situation. Ideally, a meeting of the three parties should take place in an effort to resolve the matter in an honorable manner.

Finally (per Item 4 in the column), yes – considering the litigious times in which we live, there is a high probability that the buyer would sue Fred if proper disclosure is not made.

Arlen L. Edgar

When you think "SPEE President," do any of your fellow Members come to mind? If so, please contact me with their nomination as an SPEE Director for the fall election. We need six Members to run for Director each year. The Director position is a three-year term, and is an excellent way to serve SPEE and have an impact on our industry.

David K. Gold
Past-President

Chairman of the Nominating Committee

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	APPLICANT	SPONSOR
Etherington, John R. PRA International Ltd. Managing Director 23 Candle Court SW Calgary, Alberta T2W 6B5 Canada	Ron Harrell Keith MacLeod John Ritter	Ireland, Mark M. Principal Reserves Engineer ConocoPhillips Scott Wilson P. O. Box 2197 Houston, Texas 77252	Randall Darr Dave Reese
Harris, Billy Wayne Wagner & Brown, Ltd. Senior Petroleum Engineer 300 N. Marienfield, Suite 1100 Midland, Texas 79701	Arlen Edgar Joe Neal Scott Hickman	King, Lucy Baylor Senior Reservoir Engineer Kinder Morgan CO2 Company, L.P. 500 Dallas Street, Suite 1000 Houston, Texas 77002	Jerry Blevins Stephen Hamburg George Schaefer
Hubbig, Martin RWE Dea AG Senior Advisor Reserves Uberserring 40 22297 Hamburg, Germany	Graeme Simpson S. Tim Smith Joel Turnbull		

Welcome New Members

CHRISTENSEN, JES REIMER No. 751

Dong E&P (UK) Limited
33 Grosvenor Place
Belgravia
London SW1X 7HY
England
jescn@dongenergy.co.uk

CONNELL, WILLIAM DOUGLAS No. 731

Royal Dutch Shell
Regional Resource Volume Manager (Europe)
1 Altens Farm Road
Aberdeen, Scotland AB13 0JT
doug.connell@shell.com

JENSEN, JOHN DAVID No. 750

V.P., Strategy and Engineering
El Paso Exploration and Production
P. O. Box 2511
Houston, Texas 77252-2511
713-420-7557
713-420-3632 fax 713-420-3632
john.jensen@el Paso.com

SINNER, JOSEPH R. No. 729

Legacy Reserves Operating LP
Senior Reservoir Engineer
P. O. Box 2850
Cody, Wyoming 82414
307-587-7232
307-527-4943 fax
jsinner@legacyp.com

Changed from Associate Member to Regular Member

HARMON, ROBERT E.

C. E. Harmon Oil Company
5555 E. 71st Street, Suite 9300
Tulsa, Oklahoma 74136