

President's Letter

Greetings from the President's office! It is hard to believe it is already May and the Annual Meeting is less than a month away. I hope everyone is making plans to attend. I realize many companies have issued travel bans or have significantly reduced travel and training budgets, but have talked to several who will attend and will pay all or part of the cost out of their own pocket because of the value of the Annual Meeting. See you in Truckee.

Many of us have been in this industry long enough that we have endured several cycles. With these cycles there are some elements that are the same as previous cycles and then there are always some things that are new and different. The industry is doing a fantastic job of innovating to produce resources that were out of commercial reach just a decade ago. We have gone from having conversations about Peak Oil and what we are going to do when we run out to Saudi Arabia wanting to forward sell some of their reserves through an IPO of Aramco because they want to diversify and the possibility that they have too much oil and might not be able sell it all in the future (My Observation). This view may pass, especially if renewables are not able to provide the energy needs at a competitive cost.

The theme of the Annual Meeting of "Innovation and Collaboration to Meet Industry Challenges" is timely with this backdrop. In the recent weeks, it seems we have turned the corner and passed the bottom of this down cycle in the industry, with oil above \$47/bbl at the time of this writing. \$50/bbl oil is in sight. Who thought in 2013 that we would be looking forward to \$50 oil again? There is much conversation in the press about how the industry is quickly adapting to the new price environment and being able to reduce cost and improve productivity such that projects that needed much higher prices a year or two ago are viable at near current prices. Because of the cyclical nature of the business and your professional dedication our industry is one of the most innovative on the planet. I am optimistic about the industry, but because of my participation in the "Crystal Ball" contest over the last dozen annual meetings, I have a proven track

record of not being able to predict future prices.

Preparations for the Annual Meeting in Lake Tahoe are in full swing. Annual Meeting Chairman **Floyd Siegle** has assembled a fantastic program, with great speakers, short courses and ample social time

to catch up with colleagues and develop new professional relationships. The Executive Committee and Board of Directors will meet on Saturday and there will be an informal social for those who arrive on Saturday. On Sunday, June 5th, there will be activities, including fly fishing and a golf tournament in the morning and short course on Type Wells followed by the Icebreaker Social. The technical program is on Monday and Tuesday mornings with activities on Monday afternoon followed by a reception and the Awards Banquet. I am looking forward to the Awards Banquet; it is always a good time with great entertainment. The conference will conclude with a full two-day Short Course on Monograph 4 (Estimating Developed Reserves in Unconventional Resources). This will be the maiden voyage for the SPEE Monograph 4 short course that will be available to the industry. Don't miss it! This year's meeting is sure to be another enjoyable one! A full list of activities, as well as everything you need for registration, can be found on the home page of the www.spee.org website.

The 2016 Annual Parameter Survey has wrapped up and we await its presentation at the Annual Meeting. I want to recognize **Brent Hale** as Survey Committee Chairman and the rest of the committee that includes **Steve Hendrickson**, **Mike White** and **Paul Taylor**. The committee reformatted the survey and utilized Survey Monkey to make it more user-friendly. As of the end of April, the response to the survey was fantastic. There were approximately 230 respondents



2016 Officers and Directors

Executive Committee

President..... Dee Patterson (Dallas)
Vice President.....Floyd Siegle (Calgary)
Secretary-Treasurer..... Simon McDonald (Europe)
Past-President..... Gary Gonzenbach (Central Texas)

Directors

Charles Boyette (Dallas) Robert Green (Midland)
Brad DeWitt (California) Mark Ireland (Calgary)
Jennifer Fitzgerald (Houston) Don Jacks (Oklahoma City)
Rhonda Gathers (Denver) Rawdon Seager (Houston)

Bylaws Committees

Chair of Past Presidents' Council.....Rick Krenek
QualificationsTim Gilblom
Committee: Steve Blair, Neal Howard, and Mark Reeves
NominatingGary Gonzenbach
GrievanceDavid Gold
Committee: Dan Olds
Reserves Definitions..... Rod Sidle
Committee: Russ Long, Tim Smith, Rawdon Seager, John Etherington, John Ritter, Dave Elliott and Martin Hubbig

Individual Appointments

Ethics Tom Collier
Evaluation Parameters SurveyBrent Hale
Fair Market Value Russ Long, Dee Patterson and Ray Garcia
Internet Mike White and Rhonda Gathers
Membership..... Donald C. Jacks
Newsletter Coordinator..... Richard J. Miller
Communications.....George Schaefer
Production Tax Summary and University Interface..... Marshall Watson
Recommended Evaluation Practices..... Daniel R. Olds
Annual Meeting Advance PlanningTim Smith
Professional Registration Marcus Snyder
Monograph 3 - Evaluation of Resource PlaysRussell K. Hall
Monograph 4 - Unconventional Developed Reserves John P. Seidle
Technical Training Jennifer Fitzgerald
SPE OGRC Oil and Gas Reserves Committee Observer..... Ron Harrell
COGEH (Canadian Oil and Gas Evaluation Handbook) Floyd Williams
UNECE Expert Group on Resource Classification John Ritter

Chapter Officers - 2016

Calgary

Chairman – Keith Braaten
Vice Chairman –
Secretary – Floyd Williams
Treasurer – Gary Metcalfe
Membership – Mark Ireland

California

Chairman - Brad DeWitt
Vice Chairman – Rick Finken
Secretary-Treasurer - Barry Evans
Membership - John Davis

Central Texas

Chairman – Joe Harris
Vice Chairman –
Secretary – Charles Price
Treasurer – Gary Gonzenbach
Membership –

Dallas

Chairman - Bill Gross
Vice Chairman – Joe Young
Treasurer - Alan Farquharson
Secretary - Russell Romoser
Membership –

Denver

Chairman – Andrew Forcina
Vice Chairman - John Wright
Secretary-Treasurer – Steve Gardner
Membership - Mike Flanigan

Europe

Chairman – Bob Harrison
Vice Chairman – Paul Taylor
Secretary-Treasurer – Richard Smith
Membership – Danilo Bandiziol

Houston

Chairman – Steve Davis
Vice Chairman – David Nordt
Secretary-Treasurer – Tosin Famurewa
Program Chairman – Ed Butler

Midland

Chairman – Robert Green
Vice Chairman –
Secretary-Treasurer – Gail Hankinson
Membership – Russell Hall

Northern Rockies

Chairman – Tom Fitzsimmons
Vice Chairman – Rick Vine
Secretary/Treasurer – Tom Hohn
Membership – Joe Sinner

Oklahoma City

Chairman – David Yard
Vice Chairman - Beth Richards
Secretary - Bruce Heath
Treasurer -
Membership - Don Jacks

Tulsa

Chairman - Phil Schenewerk
Vice Chairman -
Secretary-Treasurer - Laura Stauffer
Membership Chairman -



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to this year's survey compared to recent history of 110-130 respondents. Thanks again to Brent and the committee for their commitment to SPEE.

One of SPEE's greatest strengths is in the networking opportunities that occur because of our membership. The sharing of ideas with peers at this level is what allows publications like the monographs and recommended practices to become possible. Over the last 50 years SPEE has provided invaluable industry guidance and is viewed as an industry leader because of it. We are a responsible society, and we need to encourage membership growth so that this leadership role and unparalleled networking situation continues for the next 50 years. SPEE is now thinking globally, and the membership should be also. The European Chapter has done a fantastic job of expanding SPEE's presence and finding qualified membership outside of North America. I urge you all to think of yourselves as an extension of the membership committee, both within North America and out. The membership committee is always looking for the right candidate, not numbers of candidates. We have excellent leadership in our Membership Chair **Don Jacks** and with the Qualifications Committee chair **Tim Gilblom**. If you have a candidate in mind, but need some help, please contact these individuals. Don Jacks has mentioned to me many times that membership starts at the chapter level. I encourage all the Chapter officers to reach out to Don for ways to accomplish this.

As I close, I want to thank the Board of Directors for their volunteer time and their desire to support SPEE with that "extra effort." Your contributions make the President's job much easier, and for that, I am grateful.

That is all for now. I close with thanks for the tremendous efforts and contributions from the individuals named above, as well as for all the Chapter Officers and Committee Members who make SPEE the success it is. Thank you to **Richard Miller**, Diane Pollard and the editorial staff for putting together the newsletter and to Debbie Suter for making all of this such a pleasure. See you in Truckee!

*Dee Patterson
SPEE President*

SPEE Annual Meetings

**June 4 - 7, 2016 Lake Tahoe
Ritz Carlton**

**June 10 - 13, 2017 London, England
Geological Society of London**

**June 2018 Carlsbad, California
Park Hyatt Aviara**

News You Can Use from Your Internet Committee

In this article series, the Internet Committee (IC) covers useful aspects of your SPEE website. The IC consists of Mike White, Rhonda Gathers and Jennifer Fitzgerald. The address of the SPEE website is www.spee.org. If anyone has any suggestions, comments or questions, please feel free to email us at our group inbox, info@spee.org.

As the newest member of the IC, I, Rhonda, am taking a turn at providing the current **News You can Use**. Earlier in April, some wise words were spoken to me by my co-chair... "You don't know your system until you break it and have to fix it." Some may have noticed that the SPEE website was a bit jumbled for a couple of days in early April. Menus and newer pages had suddenly disappeared, and old things had reappeared. We discovered this error was caused by an unfortunate click of a button in administering our website and making sure we were keeping tabs on our web security. Luckily, our web hosting company does their job well and was able to restore our site to a recent backup point without us having to spend an inordinate amount of time trying to rebuild things. Please let us know if you see anything amiss on the site. We now know our system even better than we did before. Needless to say, my introduction to the Internet Committee has been exciting thus far.

As we mentioned in the last newsletter, Internet Explorer 11 (IE11) was having difficulty displaying member images in the online membership directory that were in the JPG file format. The IC was finally able to find documented information on the issue. SPEE.org was not the only member-type site experiencing the problem. It has now been resolved, and you can now display the membership directory images in IE11. If you prefer a hard copy of our membership directory, we still have some left to purchase through a link from the home page.

If you have not visited the website recently, you might find some new information that you didn't know you were missing. Earlier this year, Jennifer Fitzgerald provided an update of the Fall 2015 software symposium. The link to this webpage with that information, as well as presentations from 11 different software vendors can be found from the home page. Also, recent information on the 2016 Annual Meeting and the associated golf tournament can be found from the home page as well.

Lastly, as a reminder, your membership image, email, home address and phone number changes can be updated in your online record at any time. We always use the most updated information in communications with the membership.

Looking forward to seeing everyone at the 2016 Annual Meeting!

*Rhonda Gathers
Internet Committee*

Chapter News

Calgary

The Calgary Chapter continues to progress on its overall mandate of updating all of the COGEH Handbook manuals. The membership committee is pleased to report that as of April 2016 we have 56 members registered as part of the Calgary Chapter. We have continued to grow with new membership outpacing attrition of the last few years.

On May 17th, the Calgary Chapter will be having its Annual General Meeting. Doug Wright will be stepping down as Chairman, having completed his two-year term and Keith Braaten will be stepping up to the role of Chairman at that time. We are still looking for a suitable volunteer to take on the role of Vice Chairman.

Meetings - 3rd Tuesday of each month except June, July and August.
Membership - 56

California

Membership - 22

Central Texas

Membership - 33

Dallas

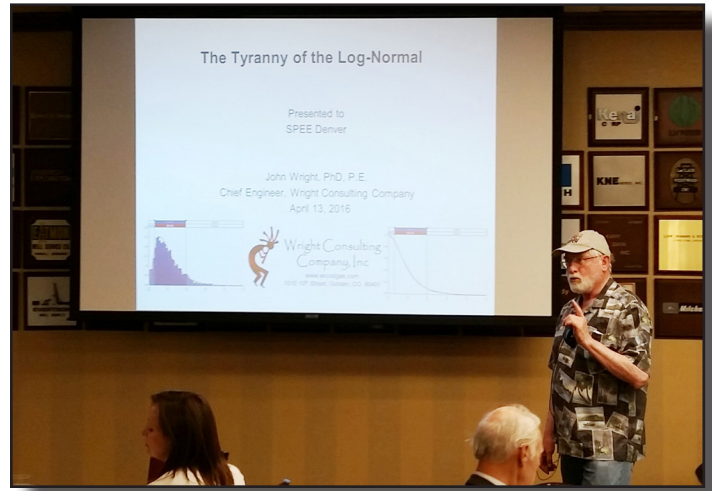
The Dallas Chapter meeting on May 12 features Somnath Sinha, Energy & Technology Advisor in Corporate Strategic Planning for ExxonMobil Corporation, speaking about *Outlook for Energy: A View to 2040*.

The Outlook for Energy is ExxonMobil's long-term, global view of energy demand and supply. Its findings help guide our long-term investments. The Outlook is shared by ExxonMobil to help promote better understanding of the issues shaping the world's energy future.

Meetings - Bimonthly from September through May at the Brookhaven College Geotechnology Institute. Membership - 58

Denver

On April 13th, Denver Chapter held its second quarter luncheon meeting with 47 in attendance, 24 members and 23 guests. The speaker was Dr. John D. Wright, Denver Chapter Vice-Chairman and Chief Engineer of Wright Consulting Company in Golden, Colorado. John, adorned in casual boating attire, made several analogies to how he and Jimmy Buffet were alike to make a point on *The Tyranny of the Log Normal*. Dr. Wright used a basin-wide dataset of 3,000 wells with individual EUR projections to define the population distribution and demonstrate the log normality of EURs within a resource play. He identified the central tendencies (mean, median and mode) of the distribution as well as P10



Dr. John Wright

and P90 values. Through modeling three different drilling programs of 1, 10, and 100 wells, he demonstrated that each program would possess the same mean EUR value. However each program would not possess the same P90 (P-low) EUR value. The per-well average P90 reserve expectation would be a function of the well count of each program investigated. He further showed that the larger the incremental well program, the more the average program P90 reserve values would regress toward (but never actually reach) the mean EUR value. Average well economics would closely track average per-well recovery.

Also, at the April 13th meeting, the Denver chapter announced two measures to give back, strengthen, and build membership through *Feeling The Pain* of low commodity prices. The first is a \$10/person/meeting reduction in meeting price instated for the remaining 2016 meetings. The second is the Chapter hosting a Spring Soirée open to all members on Wednesday, May 4th, at the Denver Athletic Club for networking and membership building.

In March, John Benton and Andrew Forcina, 2015 Chapter Chair for SPEE Denver, represented the Denver Chapter at the annual AIPG (American Institute of Petroleum Geologists) Colorado Legislative Reception. They visited with several Colorado state representatives and took the opportunity to make attendees aware of SPEE in Denver and its role in Oil and Gas to educate and contribute to the general welfare of the public. John currently serves as a commissioner on the Colorado Oil and Gas Conservation Commission.

Meetings - 2nd Wednesday of first month of each quarter - Denver Athletic Club - The New Petroleum Club. Membership - 64

Europe

The first Chapter meeting of 2016 saw Richard Smith (Gaffney Cline, European Chapter Secretary/Treasurer) give a presentation on the *U.S. Securities and Exchange Commission, 16th May 2013 Update* in an interactive forum. Such was the level of interest in the SEC Q&A and how these related to rules in the Petroleum Resources Management System (PRMS) that a lively debate ensued for two hours.

For the first time, the European Chapter is collaborating with SPE London Section to provide cross-platform education on *Reserves & Resources Reporting*. This groundbreaking event, on 13th June, will be held at the Geological Society in London. The seminar aims to raise the level of awareness amongst the regional membership of the applicability of PRMS for resource reporting, and will cover:

- What's new in PRMS for 2016 and where it is headed
- Comparison with other resource classification systems
- Views of bankers and investors on resource reporting
- Application of PRMS via multiple case studies

Planning for the SPEE 2017 Annual Meeting in London gathers pace. Simon McDonald (ERC-Equipoise, SPEE Board) updated the planning committee on progress regarding venue, prices, potential headline speakers, possible short courses, and unveiled a copy of the draft brochure, which looked rather impressive.

Meetings - Four per year. Membership - 36

Houston

The annual joint luncheon with the Houston Chapter of SIPES was held on February 18th with SIPES as host (SPEE hosts in odd-numbered years). In his talk entitled *New Life to an Old Field – Main Pass 73 Gulf of Mexico Shelf*, Dr. David Kessler, President of Seismic City, Inc., discussed how 1970's vintage seismic was reprocessed and reinterpreted to yield two additional now-drilled locations, one having a production rate over 5,000 BOPD. There were 36 SPEE members, guests, and visitors in attendance. This number does not include the members and guests of SIPES in attendance

On March 2nd, Mr. James Loughlin, Principal and Managing Director of Loughlin Management Partners presented *Restructuring: The Process and Likely Outcomes*. His talk was very informative and covered how the industry got to its current state, the objectives of restructuring, possible restructuring alternatives, and the "future state." There were 62 members, guests, and visitors in attendance.

Mr. Chris Tomlinson, an experienced journalist with foreign, war zone, and domestic postings and a current twice-per-week contributor to the Houston Chronicle, addressed the Houston Chapter on April 6th. Rather than talking from a Power Point presentation, he led a provocative wide-ranging discussion on topics including possible Saudi motivations for its recent actions, possible geopolitical fallout from the extended oil price downturn, the future of electric cars, and



New members Doug Vermaelen and Lucas Smith and Chairman Steve Davis

opinions on Texas' gasoline tax. There were 43 members, guests, and visitors in attendance.

Upcoming:

On May 4th, Dr. Neil Frank, former National Hurricane Center Director (1974-1987) and Chief Meteorologist for Houston's CBS television affiliate station (1987-2008) discussed *Global Warming: Fact or Fiction*. Dr. Frank addressed questions regarding whether the earth is really warming and if so, why. What does the data tell us? Is the burning of fossil fuels the major cause?

Mr. Chuck Fox, CEO of Windy Cove Energy, will be our speaker for the Houston Chapter's annual Ethics Hour presentation. This will take place on September 7th.

Meetings – 1st Wednesday of each month except June, July and August – Houston Petroleum Club. Membership – 180

Midland

The March meeting of the Midland Chapter was on March 9th. Mr. Dan Olds from Ryder Scott was the scheduled speaker to present *SEC vs PRMS Reserves*. Unfortunately due to scheduling and the state of the industry, Dan was unable to attend so he forwarded his presentation and the chapter president, Mr. Robert Green, substituted for Dan. Seven members and eight non-members attended. Online registration participation increased from the January meeting.

The jointly held SPE/SPEE-sponsored Ethics Training is scheduled for Thursday, May 19th. Mr. Doug Walser from Haliburton is the featured speaker presenting *Vendors and Operators – Avoiding the Slippery Slope on Both Sides when the Rules are not Clear*.

With the January meeting, the Midland Chapter initiated the use of the RSVP and credit card payment feature offered through the SPEE Office. Additionally we obtained through our local bank a credit card cube for accepting credit cards at the meeting sign-in desk.

The ethics seminar is scheduled through SPE's third-party booking site.

The Midland Chapter meetings are scheduled bimonthly starting in January on the 2nd Wednesday of the month. They are held at the Petroleum Club of Midland at 11:30 AM and feature a sit-down plate served luncheon. The meetings are open to non-members to reach out to the technical community and attract new members.

Meetings – 2nd Wednesday odd months – Midland Petroleum Club. Membership - 22

Northern Rockies

Membership – 10

Oklahoma City

The OKC Chapter of SPEE took a break from meetings in March, but is back on track with our April meeting presented

by John Spears of Spears and Associates. John presented his *Outlook for the Upstream Petroleum Industry* including his outlook for oil and gas demand, supply and prices and the implications for capital spending and drilling activity.

March did bring sad news for the chapter with the loss of two of our beloved members. Fletcher Lewis was a long-time consultant in OKC, our chapter treasurer, and a devoted SPEE member. Lew Ward passed on at the age of 85. Lew was one of the last of the old-time wildcatters, a legend of the oil and gas industry, and a longtime member of SPEE-OKC.

Meetings – Every odd-numbered month. Membership - 20

Tulsa

Meetings – Four times yearly - Summit Club. Membership – 22

IN MEMORIAM

Fletcher Lewis
Edmond, Oklahoma
February 26, 2016



Fletcher Lewis was born October 11, 1948, in North Tonawanda, New York and later moved to Nebraska with his family. He received his BS in Geology from the University of Nebraska, his MS in Geology from the University of Oregon and an MS in Petroleum Engineering from the University of Oklahoma. He began his residency and work in Oklahoma 40 years ago. He worked at Grace Petroleum and computer modeled the gas wells and pipeline system of the Hugoton Field. Next he became a District Reservoir Production Engineer for Grace Petroleum Corporation. He next became the Chief Engineer for Eason Oil Company. In 1981, he established Fletcher Lewis Engineering. Here, he engaged in prospect and geologic studies, economic and production evaluations, and provided expert testimony for both state regulatory commissions and litigation. Also, he was currently President of Rainmaker Oil and Gas. Fletcher was a registered professional engineer, a member of the American Association of Petroleum Geologists, the Society of Petroleum Engineers, the Society of Professional Evaluation Engineers, and the Oklahoma City Geologic Society, Petroleum Technology Transfer Council. He was selected by the U.S. Department of Energy to serve on the Unconventional Resources Technology Advisory Committee. Fletcher's kind heart included his rescue of his three dogs and his contributions to pet charities for many years. He served as "Santa" at PetsMart and helped with countless charitable fundraisers.

Llewellyn "Lew" Ward
Enid, Oklahoma
March 20, 2016



Lew was born July 24, 1930, in Oklahoma City, OK. He graduated in 1950 from the Oklahoma Military Academy and from the University of Oklahoma in 1953 with a bachelor's degree in petroleum engineering. Ward served during the Korean War with the United States Army in Okinawa, Japan. He formed Ward-Gungoll Oil and in 1963, drilled his first well and began the business that became Ward Petroleum Corporation. He loved the energy exploration industry. He was a member of the International Society of Energy Advocates and served as Chairman of the Independent Petroleum Association of America and as President of the Oklahoma Independent Petroleum Association. Lew was a founder and board member of Sarkey's Energy Center and served on the boards of the National Petroleum Council and the College of Engineering at the University of Oklahoma. In 1999, he received the Lone Star Steel Chief Roughneck Award for lifetime achievement in the oil and gas industry. In 1996, Lew was named Energy Leader of the Year by the National Association of Royalty Owners. He was inducted in the University of Oklahoma College Of Engineering Distinguished Graduates Society and he received a Distinguished Alumni Award for life achievements as an alumni of the Oklahoma Military Academy. He was a registered professional engineer and a graduate of the Owner/President Management Program at Harvard University. In November 2010, Lew was inducted into the Oklahoma Hall of Fame. In December 2013, he received the Lifetime Achievement Award from the Oklahoma Center for Non-Profits. Two of his most recent passions were the Entrepreneurial Leadership Seminar at Northwestern Oklahoma State University in Enid, OK, and the Cherokee Strip Regional Heritage Center. Lew wanted to emphasize the entrepreneurial nature of the land run and the successful businesses that resulted from it. He was also a private pilot, both fixed wing and helicopter.



53rd Annual SPEE Conference

Lake Tahoe June 4 - 9, 2016

The 2016 Annual Conference is rapidly approaching. This year's event will be held at scenic Lake Tahoe at the Ritz-Carlton mountainside resort. Information on the conference and registration forms is available at spee.org. Registration closes May 15th.

Highlights

- An in-depth two-day course on Monograph 4, *“Estimating Developed Reserves in Selected Low-Permeability Unconventional Reservoirs”*
- A half-day short course on *Type Well Technology: The State of the Art* by SPE Distinguished Lecturer Randy Freeborn
- Technical sessions with updates from the SEC and Canadian securities regulators
- Opportunities to network and socialize
- Monday evening Gala and Awards Banquet with legendary “Rat Pack” entertainment

Thunderbird Lodge Tour



Private Paddlewheel Charter



Golf at Old Greenwood Golf Course



Truckee River Winery Tasting / Old Town Truckee Shopping



I am looking forward to seeing you there.
 Floyd Siegle, 2016 Annual Meeting Chair



Words are important. This issue's ethics column was written by SPEE Ethics Committee Member Nanette Schulz and fellow SPEE Member Andrew Forcina. They raise several interesting questions regarding sell-side reports and the words we use to characterize oil and gas properties.

What are your thoughts? Let's see if we can generate some discussion around this issue for our next newsletter by sending your responses to me via email.

Tom Collier
Chair, SPEE Ethics Committee
tcollier@concho.com

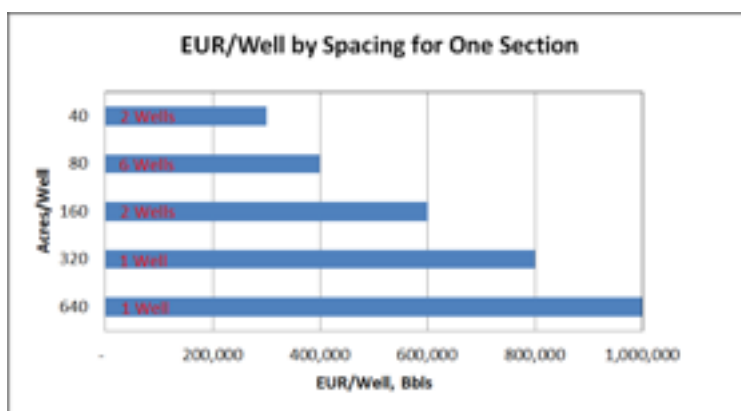
Buyer Beware And Seller's Dilemma

As petroleum evaluation engineers we have the opportunity and responsibility to review or evaluate a variety of oil and gas sales reports. Some of these reports may be in compliance with known and accepted reserve reporting standards such as the SEC rules or PRMS guidelines and definitions, but some may not. As evaluation engineers we have an ethical obligation to our company or client to critically evaluate such criteria as reserves classification, commodity pricing & differentials, OPEX & capital, and timing because once these properties come in house they will be held to established industry or company standards.

The ethics of evaluating properties for sale are to provide an honest assessment of value because the purchaser will also become the new owner. However, the ethics of selling a property may be influenced to provide the greatest value of the property for the highest price. So the question is raised: What ethical boundary does or should the seller have in providing a seller's sales report?

In the August 2013 ethics column, Buddy Sipes raises a caution flag about sellers using "creative descriptions" to evade using published definitions. For example, a seller might report they "...have developed producing properties with 20 wells at 200 bopd." The use of the term "developed producing," while leaving out the word "proved," may mislead some to believe these are economic reserves at current SEC pricing. However, because the term "proved" was not included, it could also mean several if not all of the wells are uneconomic. As professional evaluation engineers and members of SPEE, Article II (Principles of Acceptable Evaluation Engineering Practice), from the SPEE May 2005 *Discussion and Guidance On Ethics* publication provides guidance stating that members will, "include a full disclosure of reserve definitions used, either by reference to a known industry set of definitions or actual inclusion of the definitions used."

For another example, consider a more subtle approach by the selling party stating that the average EUR for a well drilled in a particular field is 500,000 barrels of oil. The chart below is used as an example that can mathematically derive the historic 500,000 barrels of oil per well for one section.



Acres	EUR, MMBO	No. of Wells	No. of Future Wells
640	1,000,000	1	0
320	800,000	1	0
160	600,000	2	0
80	400,000	6	0
40	300,000	2	4
		12	4
	500,000	Average Well	

The chart (which the seller did not provide to the buyer) illustrates that as wells are drilled in increasing density the average well EUR goes down. The seller knows the vintage of the wells and that when wells are drilled closer together they have reduced performance due to reservoir communication; however the seller does not share this information directly to the buying party. The question is raised, assuming there were 4 additional wells to be drilled to reach 40 acre per well spacing for the section, what level of disclosure should the selling party provide regarding communication for infill wells? Does it make any difference if the buyer does not ask any questions regarding future well performance?

Nanette Schulz and Andrew Forcina

Membership Applicants

The following member applicants have been processed by the Qualifications Committee. The by-laws 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 by-laws regarding other important details) since the applications have already passed through the Qualifications Committee.

APPLICANT	SPONSOR	APPLICANT	SPONSOR
Boles, Regnald Senior Vice President DeGolyer and MacNaughton 5001 Spring Valley Rd, Suite 800 East Dallas, TX 75244	James Hail, Jr. Charles Boyette Gary McKenzie	Larson, Paul Reservoir Engineering Manager TEMA Oil & Gas Company 16200 Park Row, Suite 300 Houston, TX 77084	Aric Glasser Michael Stell David Nordt
Cordts, Yulee Reservoir Engineer Black Hills Exploration & Production 1515 Wynkoop St. Denver, CO 80129	John Benton Darien O'Brien Andrew Forcina	Sinclair, John Petroleum Engineer Sinclair Petroleum Engineering, Inc. 46 Willow Creek Road Cody, WY 82414	Tom Fitzsimmons Steve Davis Scott Stinson
Dria, Myra President & CEO Pearl Resources LLC 952 Echo Lane, Suite 370 Houston, TX 77024	Roy Williamson Ed Butler Cheryl Collarini	Sulak, Jr., Raymond Senior Reservoir Engineer Hunt Oil Company 1900 North Akard St. Dallas, TX 75201	Bill Gross Michael Eubanks James Davis
Faulder, David Reservoir Engineering Manager Nighthawk Production LLC 1805 Shea Center Dr., Suite 290 Highlands Ranch, CO 80129	Scott Stinson John Wright Steve Gardner	Zhang, He (Associate Member) Petroleum Engineer Ryder Scott Company, L.P. 1100 Louisiana St., Suite 4600 Houston, TX 77002	John Lee Dan Olds Tosin Famurewa
Giangiaco, Leo A. President Extreme Petroleum Technology, Inc. P. O. Box 490 Casper, WY 82602	Tom Fitzsimmons Joe Sinner Rick Vine		

Welcome New Members

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