

## *President's Letter*

**G**reetings from the office of the President. The year is winding down (except for those in the reserve season), the US Presidential election is in our rear-view mirror and the holiday season is upon us. This year passed quickly! I, along with most of you, had expectations that oil and gas prices would begin to rebound in 2016, but as we look at 2017, it appears a price rebound is still a ways away. Maybe the new US Presidential administration will view our industry more favorably than the current administration. For those of us who have been in this business for over 35 years, we know this business is cyclical, it goes up and down with prices. We try to relate price cycles to past cycles, such as we think this one is like 1998, or it is all different now and we are in a period of sustained prices. We are humbled by our inability to predict. While the business is cyclical, each cycle is unique, driven by global influences that are as complex as climate change models. I can't wait for the crystal ball results at the Annual Meeting in June to see who best anticipated prices. I know I am out of the running.

In this down cycle, I want to make sure SPEE provides value to our membership, through networking, professional development, training opportunities and promoting our profession to the public.

I want to provide a big Thank You to the members who recruited new members, the sponsors for taking the time to fill out the forms and the Qualifications Committee for vetting the new members. I, along with the rest of the ExCom, have reviewed a large stack of new member applications over the last two months so they will make it into this newsletter. Keep up the good work.

It is hard to believe that Debbie Suter has been with us for a year. I am so grateful for her sense of humor, administrative skills and her patience with me and insuring that I do not miss a step. She had big shoes to fill after BK's retirement and Debbie has done a great job.

Election results are in and so, we will have transitions on the Board. To our outgoing Directors, **Don Jacks** and **Jennifer Fitzgerald**, SPEE sincerely thanks you for your

service, dedication, and leadership during your three years on the board. The ballots have been counted and congratulations are in order for our new 2017 Directors-elect: **Andrew Forcina**, of the Denver Chapter and currently serving as Chairman

of the Denver Chapter, **Joe Young**, of the Dallas Chapter and currently serving as Chairman of the Dallas Chapter and **Paul Taylor**, of the Europe Chapter and currently serving as Vice-Chairman of the Europe Chapter! Welcome to the SPEE Board and what I am sure will be a great experience for you!

I want to thank **Steve Davis**, **Martin Hubbig** and **Michael Laird** who were the other board candidates willing to "put yourself out there" on behalf of the society. We had six highly qualified candidates on the ballot and unfortunately only three can be chosen. This is a great process where the members actually choose the leadership. I am a member of other organizations where they are lucky to find one qualified and willing individual for each position. This is a great credit to the membership and to the organization.

We welcome the new directors as they begin their terms at the Board of Director's Meeting in SPEE's Houston office on January 23rd. I want to thank **Gary Gonzenbach** as he completes his term on the Executive Committee after many years of great service. I will be looking forward to my role as Past President. We will be announcing the newest member of the Executive Committee at the January meeting and **Floyd Siegle** will assume the position of President.

SPEE has been very busy this year. Monograph 4 (Estimating Developed Reserves in Unconventional Reservoirs) is off to a great start and will become a Petroleum Engineering Standard. After less than six months since it was published,



# 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  
Qualifications.....Tim Gilblom  
Committee: Steve Blair, Neal Howard, and Mark Reeves  
Nominating.....Gary Gonzenbach  
Grievance.....David Gold  
Committee: Frank Molyneaux and Dan Olds  
Reserves Definitions.....Rod Sidle  
Committee: Russ Long, S. Tim Smith, Stuart Filler, John Etherington, John Ritter,  
Dave Elliott and Martin Hubbig

## Individual Appointments

Ethics.....Tom Collier  
Evaluation Parameters Survey.....Brent Hale  
Fair Market Value.....D. Russell Long and Dee Patterson  
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 Planning.....Tim Smith  
Professional Registration.....Marcus Snyder  
Monograph 3 - Evaluation of Resource Plays.....Russell 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 – Mike Verney  
Secretary – Floyd Williams  
Treasurer – Gary Metcalfe  
Membership – Jennifer Oh

## California

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

## Central Texas

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

## Dallas

Chairman - Joe Young  
Vice Chairman – Russell Romoser  
Treasurer - Gary Nilson  
Secretary - Jacob Walker  
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 – Rick Vine  
Vice Chairman – Leo Giangiacomo  
Secretary/Treasurer – Tom Hohn  
Membership – Joe Sinner

## Oklahoma City

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

## Tulsa

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



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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.

sales have almost reached 500 books. This is a tremendous response to this outstanding publication. I want to continue to thank **John Seidle** and the other Monograph 4 authors for their contribution to the society. I am lucky enough to have a first edition, signed by all the authors. It will be a keepsake. **Jennifer Fitzgerald** has organized two training courses, one in Denver and one recently in Houston. We have had good response to the training courses, given the current economic climate. Jennifer is planning to hold a training course in Dallas this coming spring and wherever there is sufficient demand.

**Rod Sidle**, Chairman of the Reserves Definition committee has been busy working with SPE, AAPG and WPC on the PRMS update. Round one is complete. We do not have much public information to share about the update, as it is early days, but Rod is on top of it and will keep the SPEE Board up to date as important issues arise. SPE is reinvigorating the JCORET committee. SPEE's participation in JCORET was through the RDC. The ExCom has decided to move that responsibility to the Training Committee and **Jennifer Fitzgerald** will be seeking members to represent SPEE on the JCORET Committee.

Current Secretary-Treasurer **Simon McDonald** is busy making preparations for next year's Annual Meeting June 10th through 13th in London. Simon and his committee are planning what will be a fantastic conference. The meeting will be held at the historic Geological Society in Burlington House on Piccadilly. Simon has lined up great venues for the Ice Breaker and Gala Dinner. The sightseeing opportunities will be fantastic as well. Bring your walking shoes. We not only hope that many from North America will make the trip, but will have a great turnout from Europe and entice many non-members from Europe to attend. This will be a great opportunity to meet with colleagues, participate in continuing our professional education and possibly tack on a little extra vacation time.

It is hard to believe that my year as President of the organization is almost up. It went by much faster than I ever thought it would. It has been a great experience and a pleasure to serve this organization. The past, current and future success of SPEE is attributed to the quality of our membership and the efforts of those members who contribute to the society through various volunteer activities (Chapter Officers, Committee Chairs and Members, Board of Directors). As a member and the President of SPEE, I want to extend my appreciation and gratitude to all the members of SPEE and specifically to the volunteers for all that you do to promote SPEE. Please enjoy the upcoming holiday season.

**Dee Patterson**  
2016 SPEE President

Dear SPEE Members,

It's my pleasure to announce the winners of the SPEE 2017 Board Elections. Paul Taylor, Joe Young, and Andrew Forcina received the majority of votes in their respective pairings and will be the newest members of the Board of Directors beginning in January. Congratulations to these three gentlemen and Thank You to all the candidates for their willingness to serve. We had a historically great turnout due to encouragement at the local chapter levels and Debbie Suter's tireless efforts and reminders. Overall, the member voting participation was 38%. Rhonda Gathers of the Internet Committee put forth a flawless ballot sheet and made things extremely easy for the members to cast their vote. Thank you for the great team effort (and for avoiding the drama of the recent US election)!

Sincerely,

**Gary J. Gonzenbach**  
SPEE 2016 Nominating Committee



## SPEE Annual Meetings

**June 10 - 13, 2017 London, England**  
**Geological Society of London**  
**June 2-5, 2018 Carlsbad, California**  
**Park Hyatt Aviara**

# Chapter News

## Calgary

The Calgary Chapter welcomed Mike Verney as incoming Vice Chairman in the spring. Mark Ireland accepted a transfer to Madrid with Repsol and resigned as our membership coordinator. We thank him for his valuable contribution. We welcome Jennifer Oh as the new membership coordinator for the Calgary Chapter.

Over the summer, the update committee for the COGE Handbook, chaired by Doug Wright, made very good progress to establish a preliminary structure for the updated handbook. We now have six committees set up with a total of 25 volunteers serving on the committees. The degree of participation by our members in this endeavor is impressive and commendable. Our target is to have the COGE Handbook updated and ready for publishing in the fall of 2017.

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

## California

*Membership - 22*

## Central Texas

*Membership - 33*

## Dallas

On September 15th, the Dallas Chapter held its first meeting of the 2016-17 year. Dr. W. John Lee presented a talk entitled: *Highlights from SPEE Monograph 4: Estimating Ultimate Recovery of Developed Wells in Low Permeability Reservoirs*. The meeting was well received by approximately 80 attendees.

The next meeting was held on November 10th. The meeting was a joint meeting with the Dallas SPE chapter. Dr. Lance Kinney, executive director TBPE, presented an engineering ethics discussion.

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

## Denver

On July 13th, Denver Chapter held its third quarter luncheon meeting of 2016 with 45 in attendance, 30 members and 15 guests. The speaker was Tim Wigley, President, Western Energy Alliance, speaking on the 2016 election cycle. Mr. Wigley

shared from his experience working in the Rocky Mountains with various energy companies and government agencies on promoting energy development and anti-fracking opposition. He spoke about an upcoming measure on the 2016 Colorado ballot if passed will change the citizen's initiative process for amending the Colorado state constitution. Currently, Colorado's constitution is among the easiest state constitutions in the U.S. to amend. It requires fewer signatures than any other state, only 98,492, to place a proposed amendment on the statewide ballot. As a result, Colorado has frequently attracted the attention of outside special interest groups who have attempted to use the citizen's initiative process to advance their cause. Since 2012, Colorado's oil and natural gas industry has been continuously fighting hostile ballot measures to ban fracking, place moratoriums on fracking, impose local control on energy development, and require expanded set-backs from wells, all largely driven by outside interests. The proposed change to the initiative process will require broader statewide appeal for proposed Constitutional amendments to make it to the ballot and supermajority of 55% votes cast to ratify rather than the current 50%+1.

On October 12th, Denver Chapter held its fourth quarter luncheon meeting with 38 in attendance, 28 members and nine guests. The speaker was David Ramsden-Wood, COO and Co-founder, OneEnergy Partners, speaking on, *Is \$50 oil here to stay? Why the Permian has changed the Supply Equation*. David shared that at \$50/BO there were potentially 125,000 locations throughout multiple benches in the Permian. He stressed that Permian-focused companies have greater access to retail capital to accelerate development than other North American basins. He pointed out that while oil production in most basins has fallen, strong well performance in the Permian has led to oil production growth for the basin with recent trends suggesting increased rig activity at \$50/BO.

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

## Europe

SPEE European Chapter and SPE London Section jointly organised a continuing education seminar on Reserves & Resources Reporting, held at Geological Society, Burlington House, Piccadilly, London on 13th June. This is the first time the two sister societies have worked together in the UK. Despite the downturn in the UK oil and gas sector, the event was very well attended, with over 110 registrants; 40% operators, 25% contractors, 30% auditors, 5% bankers. The presenters came from resource audit companies and the UK banking sector,

covering topics from PRMS Update, COGEH, UNFC, investor due diligence, reserves-based lending, and case studies (using PRMS 2007, not the Draft Update). Bob Harrison, SPEE Europe Chair and OGRC member, presented an overview of the proposed changes to PRMS, and received the following (often impassioned) feedback from the seminar attendees.

- Poor communication from SPE; many of the London audience had no idea that PRMS was in the process of being updated, nor that they could contribute their feedback.
- Questionable transparency of the PRMS update process; OGRC sub-committee did not seek input from global SPE membership before commencing its work.
- Proposed changes to PRMS overly concerned with deterministic incremental methodology, and still do not reconcile deterministic with probabilistic categories.
- Lack of clear guidance on how to estimate chance of development.
- PRMS continues to use ambiguous language, when clearer, more appropriate wording is needed that corresponds to the intended probability.
- Proposed change to allow booking fuel gas as reserves will cause confusion and should be dropped.
- Serious misgivings over the proposed automatic upgrade of uneconomic 1C to 1P status, if the 2P estimate is judged to be commercial.
- OGRC's failure to merge PRMS with COGEH was declared to be an 'absolute disgrace.'
- PRMS should offer clear guidance on what is a reasonable confidence distance in unconventional resource assessments.
- Lack of guidance on how to better characterise offshore mature assets.
- PRMS still overly focused on subsurface rather than providing more granularity on production facilities, especially those facing decommissioning.
- North Sea fields often owned by consortia, so there are many CPRs on the same field, by different auditors, for different parties. The in-built flexibility in PRMS can lead to a field having different resource classifications existing at the same time. More prescription is needed.
- Disappointing lack of case studies to illustrate the principles of PRMS.

Overall, the seminar was a success, generating significant interest in the activities of the OGRC, and raising the profile of the SPEE in the region.

Unfortunately, the September meeting in at the offices of Beicip Franlab, Rueil-Malmaison, France, scheduled to include talks and a tour of IFP's laboratories, had to be cancelled due to economic pressure on attendance.

Chapter members are taking part in an initiative with the London financial sector and the SPE London Section to develop a template that specifies the content and format of Competent Person Reports to satisfy banker and investor criteria for fiscal modelling. The kick-off meeting was on 6th September to discuss the plausibility, content and requirements of such an "Investor Report," which will be PRMS-based as it is intended for the London Stock Exchange, but which has the potential to be used internationally, and to be extended to other resource reporting guidelines.

Regarding the European Chapter membership status; the Chapter has 36 members, and is still growing, albeit slowly, despite the current economic climate. Two new full member candidates will appear in this newsletter. There were 25 Expressions of Interest received after the SPEE/SPE CE seminar in June, but this surge of interest has not translated into a significant increase in applications, so reminders have been sent out to encourage interested parties to apply.

The final Chapter get-together of 2016, the AGM no less, will be held on 17th November at the offices of Lloyd's Register, 71 Fenchurch Street, London, EC3M 4BS, starting at 3pm. After the annual review, and a look ahead to 2017 and the eagerly anticipated Annual Meeting in London, new office bearers of the European Chapter Board will be proposed. The meeting will be rounded off with a talk by Victor Alcobia (Beicip Franlab) on *Chemical EOR projects and their influence on PRMS application*.

*Meetings - Four per year. Membership - 36*

## Houston

On Wednesday, September 7th, the chapter hosted Mr. Chuck Fox, CEO of Windy Cove Energy, to deliver our annual ethics hour program. Mr. Fox used ethics case studies to help attendees identify issues and highlight various parts of the engineering code. His presentation was capped by a discussion of the Citicorp Tower retrofit and the ethical manner in which its designer handled the retrofit of additional structural support. There were 64 members and guests present.

Dr. He Zhang, Ryder Scott Company, presented *A New Empirical Analysis Technique for Shale Reservoirs* on Wednesday, October 5th. This presentation shows work presented in SPE papers 175016 and 181536 which describe the Extended Exponential Decline Curve Analysis (EEDCA) technique, a method that uses an early and late time beta ( $\beta$ ) to describe a non-constant hyperbolic b-factor. This method is contrasted with the use of the modified hyperbolic technique which assumes a constant b-factor and an exponential final decline, Dmin, to determine tight and shale well reserves. EEDCA is still being tested and is not being used by Ryder Scott for any reserve work at this time. We had 60 members and guests in attendance.



2016 SPE President (Nathan Meehan) and 2016 SPEE President (Dee Patterson) November chapter meeting

On Wednesday, November 2nd, Dr. Nathan Meehan, Baker Hughes and 2016 SPE President, presented *Sustainability and Risk to Global Resource*. In his talk, Dr. Meehan addressed several topics, one of which was that human development increases with the per capita increase in energy consumption. While we may not all agree on climate change, he showed that there are many energy issues on which we can agree. The conclusion: "Our purpose - safe affordable energy, improving people's lives." There were 51 members and guests in attendance.

Mr. Brent Hale, Cobb and Associates, will present *Survey of Parameters Used in Property Evaluation* on Tuesday, December 6th.

Mr. Steve Gardner, BBVA Compass Bank, will present *Volumes and Value: How the Financial Sector Views Your Assets* on Wednesday, January 4, 2017. This is our annual joint meeting with the SPE Gulf Coast Chapter Reservoir Study Group.

On Thursday, February 16, 2017, Mr. Dee Patterson, Moyes & Co., will make a presentation discussing the factors driving the LNG industry in North America and its effect on the world market. This is our annual joint meeting with SIPES.

We request and most times receive permission to post meeting presentations from all of our speakers.

#### **SPEE Monograph 4 Training Class**

On Monday, November 14th, the Houston Chapter hosted a Monograph 4 training class taught by Dr. W. John Lee of Texas A&M University. SPEE member Jennifer Fitzgerald secured the Anadarko Petroleum Corporation training facilities for our use. The Houston Chapter extends its gratitude to Jennifer for her promotional material and training site efforts and to Anadarko for their generosity. There were 28 students in attendance for this class.

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

## **Midland**

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.

The May meeting of the Midland Chapter was on Wednesday May 11th. Dr. Ramiro Bravo from the University of Texas of the Permian Basin, Department of Petroleum Engineering, presented a review of the new degree program and how the local industry could help the students and university.

SPEE and SPE sponsored a joint meeting for Ethics Training on Thursday, May 19th. Mr. Doug Walser from Haliburton was the featured speaker presenting *Vendors and Operators - Avoiding the Slippery Slope on Both Sides when the Rules are not Clear*. We had a strong turnout of over 35.

The SPEE July meeting was cancelled due to lack of attendance.

September's meeting featured Jeff Sieler, P.E., Managing Director and Co-Head of A&D, Citicorp. We had strong attendance of 34 and he spoke on *Permian Basin Overview* from an A&D perspective. November featured the world-famous Dr. Neil Frank, retired Director of the National Hurricane Center. He spoke on the Myth of Global Warming.

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

## **Northern Rockies**

The Northern Rockies Chapter of SPEE held a meeting on November 18, 2016 to elect officers for the coming year. The following officers were elected:

- Chairman - Rick Vine
- Vice Chairman - Leo Giangiacomo
- Secretary-Treasurer - Tom Hohn
- Membership - Joe Sinner

The chapter is working on future programs which relate to the assessment of the various horizontal plays being developed in the Rockies.

*Membership - 10*

## **Oklahoma City**

We are now in the final stretch of 2016. As usual we did not have any meetings during the summer months of June, July, and August.

We did have a meeting in May (since our last update). Our meeting was held on May 26th and our speaker was Cody Knepper of NUTECH. His topic was *Landing Point Optimization*

*Ahead of the Bit.* There were 8 members and 16 non-members in attendance.

After the summer break, we had Sean Murphy speak at our September 22nd meeting. His topic was *Oil and Gas Survival Guide, Handover Notes for The Next Generation*. Sean discussed reservoir engineering train wrecks early in his career as part of his new book just published. We had 8 members and 16 non-members in attendance.

Dwayne Purvis spoke at our October 27th meeting. His topic was *Practical Aspects of Shale Reserves*. Dwayne gave an excellent talk on understanding reserve estimations in shale while lacking any significant production data. There were 11 members and 45 non-members in attendance.

We currently have four submitted applications for membership and several more considering membership.

Meetings – Every odd-numbered month. Membership - 19

### Tulsa

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

## Ethics Monograph in the Final Stages

The SPEE Ethics Monograph is entering its final stages. Ernest Hemingway once said, “The only kind of writing is rewriting,” and we have entered that stage. We have our thoughts largely collected and committed to paper and are now doing the important work of shortening and making the work more user friendly. By the end of December, we expect to have a draft ready for internal review by the SPEE Executive Committee and the Council of Past Presidents.

It is the committee’s hope that you find the monograph a useful reference.

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

### Monograph 4 Short Course



*Dr. John P. Seidle, Chairman and chief editor of the Monograph 4 Committee, teaches the inaugural full-day offering of the Monograph 4 short course 10/2016 in Denver.*



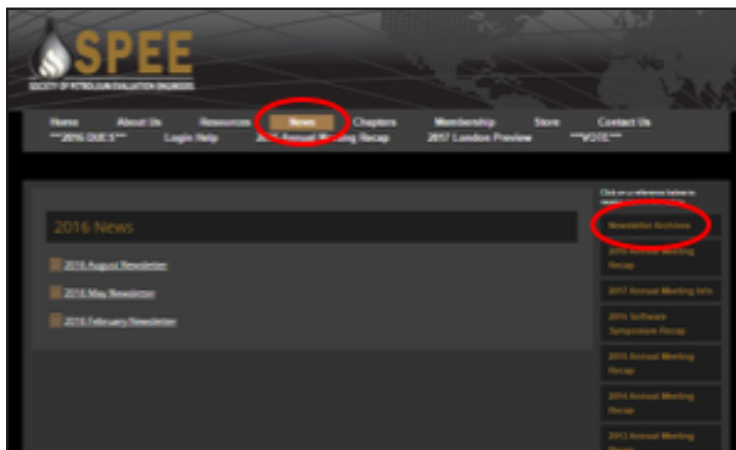
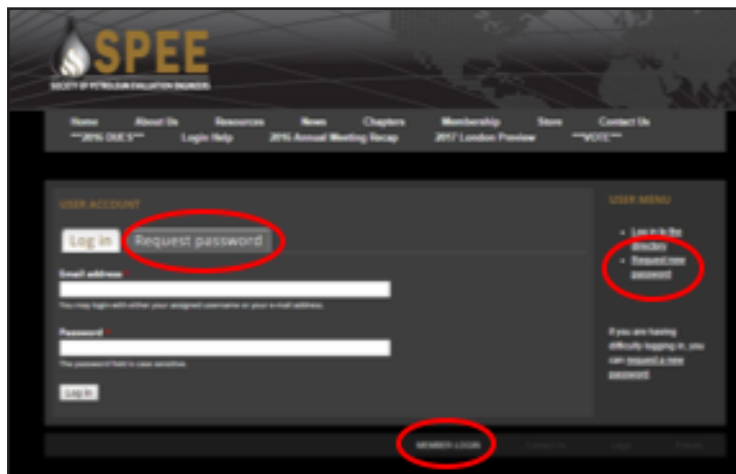
*L. R. Rick Vine, Vice-Chairman Northern Rockies Chapter; Steve Gardner Secretary–Treasurer Denver Chapter; and SPEE member Jack England. Jack attended the Monograph 4 short course on his 88th birthday so the Denver Chapter surprised him with a cake.*

## 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 Rhonda Gathers, Mike White and Jennifer Fitzgerald. The address of the SPEE website is [www.spee.org](http://www.spee.org). If anyone has any website suggestions, comments or questions, please feel free to email us at our group inbox, [info@spee.org](mailto:info@spee.org).

Every fall since 2009, the Internet Committee has prepared an online election ballot for the Board of Directors open positions. We manage the confidential election process via this online ballot. By the time this newsletter is published, the voting will be closed and our new Board members announced. On average, for the past four years, we have seen approximately 33% voting participation from the current membership. In coming years, we hope to increase this participation number by spreading the word. And as always, you can contact Debbie via email at [debbie@spee.org](mailto:debbie@spee.org), or by phone at 832.972.7733 for a paper ballot if the internet is still not your preferred method of voting. Please let us know if you have had any problems or have any suggestions for this process.

A copy of the 2017 dues notice is enclosed with this newsletter. General and Associate members can pay their dues online from our website. It is easy, secure and convenient. Retired or other members may contact Debbie at the SPEE office for their payment. The SPEE main page will contain the link to process your general membership dues starting on December 1st. You can also complete the dues notice with your contact and payment information and send via email or mail to the SPEE office. Checks are also an acceptable form of payment.



During the Board of Directors elections and the annual dues payment process, many people will be logging onto the website. Please update your contact information at this time with any changes. This is the information we use to send newsletters, and emails to keep our members up-to-date with SPEE news. If you have forgotten your password to login, you can request a new one from the Member Login page, either from the tab or the link on the right-hand side of the page. If you have forgotten your login email address, you can always contact us at [info@spee.org](mailto:info@spee.org) to help update this information.

Monograph 4 continues to be a popular item in our online store. Please visit the SPEE online store to purchase your copy. The 2016 Parameters Survey is also now available for purchase. Errata for Monograph 4 first printing as well as Monograph 3 are located on the Resources page.

Many members have asked for ideas on how to find speakers for chapter luncheons. One suggestion may be to check out the past newsletters postings on our News page under Newsletter Archives. Here we have newsletters archived back to 1986. Our Resources page may also be an area to peruse by looking through the Past Presentations page, where presentations are posted back through 2008 from various luncheons and annual meetings.

**Rhonda Gathers**  
IC Committee



## THE ETHICS COLUMN

### A Cautionary Tale

#### SEC FRAUD ACCUSATIONS: Geologist blames Breitling CEO

This headline appeared on the first page of the business section of the Dallas Morning News on July 1st of this year. The article written by Jeffrey Weiss details the story of a small oil company run amuck. The SEC complaint alleges that the companies owned and controlled by one man duped investors out of \$80 million, of which \$30 million was misappropriated to fund “a lifestyle of decadence and debauchery.”

Named in the complaint is a professional geologist who acted as a petroleum evaluator. While the complaint does not allege that he took an active role in misappropriating funds, it does allege that his work was technically flawed, misrepresented as independent, and unilaterally modified to reflect an unrealistically optimistic appraisal. The evaluator in question is not a member of SPEE, a fact for which I am thankful. The case has yet to be resolved, and so I will withhold any judgment. But there is some benefit in considering the SEC complaint at face value, and looking at how this might have been prevented.



*Flawed Methodology: Using the results of the best wells to estimate future performance.*

The complaint alleges that the consultant selected only the best wells to use as analogs, and that his track record of assessing the performance of drilling prospects was very poor – in one case he predicted producing rates that were ten times the actual rates from the wells. This case is extreme, but when we look through our set of data for “comparable” wells do we take care to include and understand the poor performing wells? When we consider analog wells, do we simply assume that earlier, poorer performing wells are outliers? Consider the fairly common case where results in a resource play improve with time. Do we work to distinguish between the case where industry has developed completion techniques that result in higher recoveries from cases where with time industry has identified the sweet spots in a resource play? In the former, normalizing or neglecting the earlier wells may be appropriate while in the latter this could lead to a significant error.

*Independence: Did the consultant have a stake in the outcome?*

The complaint alleges that the reports were represented as independent assessments of the prospects, and yet the evaluator had signed documents as the Vice President of Exploration for the company. Clearly, in this case something should have been disclosed. That might very well have addressed this issue. There is a conflict of interest, or at least the appearance of one here. By not disclosing the actual relationship between the company and the evaluator potential investors were misled. Stating the obvious, independence is best achieved when the evaluator’s remuneration does not in any way depend upon the reserves that are predicted.

*Control of Work Product: The evaluator’s report was unilaterally modified.*

Sometimes, even cherry-picking the best wells was not good enough and so others changed the reports to inflate rates and reserves. The complaint alleges that the CEO of the company unilaterally increased the evaluator’s estimates. This was clearly unethical of the CEO, but the question remains, how could he do that? In the end, we must first establish how our work is to be used and we must make sure that our work is used for the purposes intended. Perhaps, if the evaluator in question made it a constant practice to publish only complete, signed reports (as opposed to providing input to another’s report) he could have better maintained control of the work product. It was his business to know how his reports were being used.

*A Matter of Character: How long can one lie with dogs and not get fleas?*

In the end, there is nothing to suggest that the evaluator participated in any of the excesses described in the complaint. It was his CEO who was spending millions on travel, clothes and nightclubs. In the end, even the evaluator’s final paycheck bounced. But perhaps he should have parted ways with his employers before it got to that. Now, his name is connected with the entire debacle and not just the parts for which he was responsible.

If someone from Hollywood had asked me for my opinion on this story, I would have told him that it was too far-fetched. And yet here it is. I was relieved to learn that none of the named parties were SPEE Members, and with a little vigilance on your part none ever will.

Tom Collier, Chair  
SPEE Ethics Committee

# 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
<b>Anderson, Aaron J. (Associate Membership)</b> Consulting Petroleum Engineer Rose Rock Petroleum PO Box 1578 Edmond, OK 73083	Ken Sigl Don Jacks Elizabeth Richards	<b>Gilbert, Steven R.</b> Senior Vice President & Secretary DeGolyer and MacNaughton 5001 Spring Valley Rd. #800E Dallas, TX 75244	Charles Boyette Gary McKenzie Reggie Boles
<b>Ash, W. Patrick</b> Ultra Petroleum Director, Reservoir Engineering 116 Inverness Drive East Englewood, CO 80112	Grant Olsen Don Rosele Stuart Filler	<b>Hilton, Christina</b> Vice President Reservoir Engineering Covey Park Energy 8401 N. Central Expressway, Suite 700 Dallas, TX 75225	Russell Romoser Samantha Holroyd Kimberly Lacher
<b>Coll, Carolina</b> BG Group plc Head of Corporate Reserves 100 Thames Valley Park Drive Reading, Berkshire RG6 1PT United Kingdom	Graeme Simpson Jes Christensen Simon McDonald	<b>Hiraoka, Steven</b> Self-Employed 12 Strawflower Lane Golden, CO 80401	John Benton Steven D. Gilbert Patrick Galuska
<b>Davis, John G. (Associate Membership)</b> Senior Engineer DeGolyer and MacNaughton 5001 Spring Valley Rd #800E Dallas, TX 75244	Charles Boyette Gary McKenzie Michael Eubanks	<b>Liu, Baozhong (Paul) (Associate Membership)</b> Occidental Petroleum Corporation 5 Greenway Plaza, Suite 110 Houston, TX 77046	Steve Davis Patrick Thibeaux Greg Graves
<b>Freeborn, Timothy R.</b> Vice President GLJ Petroleum Consultants 4100, 400-3rd Avenue SW Calgary, Alberta T2P 4H2 Canada	Keith Braaten Jodi Anhorn Mark Ireland	<b>Mitchell, Trenton R.</b> Reservoir Engineering Manager Unit Petroleum Company 8200 S. Unit Dr. Tulsa, OK 74132	David Morrill Dick Banks Fred Richoux
<b>Garcia, Marylena</b> Vice President-Technical Specialist Ryder Scott Company 1100 Louisiana Street, Suite 4600 Houston, TX 77002	Tosin Famurewa Deji Adeyeye Richard Smith	<b>Purvis, Dwayne C.</b> Self-Employed P O Box 325 Fort Worth, TX 76101	Zane Meekins John Lee Tom Walker
<b>Gardner, Stephen R.</b> Sr. VP Energy Banking/Sr. Reservoir Engineer BBVA Compass 2200 Post Oak Blvd, 21st Floor Houston, TX 77056	Steve Davis Patrick Thibeaux Scott Wilson	<b>Thompson, D. Wayne</b> Senior Vice President DeGolyer and MacNaughton 5001 Spring Valley Rd. #800E Dallas, TX 75244	James Hail Charles Boyette Gary McKenzie
		<b>Wallace, John W.</b> Chairman & CEO DeGolyer and MacNaughton 5001 Spring Valley Rd. #800E Dallas, TX 75244	James Hail Charles Boyette Greg Graves

# Membership Applicants

APPLICANT	SPONSOR	APPLICANT	SPONSOR
<b>Warholm, Robert R.</b> Manager, Quality & Assurance Sproule Associates Limited Suite 900, 140-4th Avenue SW Calgary, Alberta T2P 3N3 Canada	Harry Helwerda Nora Stewart Attila Szabo	<b>Shaoyong Yu</b> Self-Employed 168 Royal Birch Cres NW Calgary, Alberta T3G 5P2	Jim Gouveia John Lee Randy Freeborn
<b>Watson II, Danny A. (Associate Membership)</b> Gulfport Energy Corporation Resource Development Manager 14313 N. May Avenue, #100 Oklahoma City, OK 73134	David Yard Don Jacks Ken Sigl	<b>Zannitto, Peter J.</b> Staff Reservoir Engineer Shell 150 North Dairy Ashford Road Houston, TX 77079	Dan Murphy David Gold Bob Palermo
<b>Westbury, Jonathan K.</b> Senior Commercial Business Advisor Gaffney Cline & Associates Bentley Hall, Blacknest Alton, Hampshire GU34 4PU United Kingdom	Rod Sidle Daniel Diluzio Richard Smith		

## Welcome New Members

### Dallas Chapter

**Boles, Regnald**                      **Member No. 889**  
 Senior Vice President  
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 5001 Spring Valley Rd, Suite 800 East  
 Dallas, TX 75244  
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### Denver Chapter

**Cordts, Yulee**                              **Member No. 890**  
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**Faulder, David**                              **Member No. 892**  
 5731 S. Spottswood St.  
 Littleton, CO 80120  
 ddfaulder@earthlink.net

### Houston Chapter

**Status Change-Associate to Regular Member**  
**David Fulford**                              **Member No. 883**  
 Senior Reservoir Engineer  
 Apache Corporation  
 2000 Post Oak Blvd., Suite 100  
 Houston, TX 77056-4400

### Northern Rockies Chapter

**Finley, Andrew**                              **Member No. 897**  
 Owner/Geologist  
 Goolsby, Finley & Associates, LLC  
 1551 Three Crowns Dr., Suite #300  
 Casper, WY 82604  
 andy@goosbyfinley.com

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