

President's Letter

Greetings from the office of the president. It is hard to believe that the 2017 Annual Conference in London is less than one month from now. The first months of 2017 have been very busy with many society activities underway, especially within the committees. The industry continues to be challenged with oil prices below \$50/bbl., even though we enjoyed a short period of optimism with prices above \$50/bbl. The industry has risen to the challenge of the lower oil prices with innovation and efficiencies to remain competitive even at lower prices. It will be interesting to see the results of the 2016 soothsayer contest and the price predictions for 2017 at the Conference in London.

The 2017 Annual Conference is shaping up to be an outstanding event. Registration to date has been encouraging. If you haven't registered it is not too late. Registration is open until May 26. The Conference will be held at three iconic locations, the Geological Society, which is in Piccadilly; the Royal Institute (Ri), which is in exclusive Mayfair and is home to the replica Michael Faraday laboratory, and the Institute of Engineering and Technology (IET), which is situated on the banks of the River Thames with panoramic views of many of London's most famous landmarks.

The Board of Directors and Committees will meet on Saturday. A short Course on *Managing Your Business Using PMRS* and a forum/panel discussion on *Lessons from Recent Examples of Guidance Given by the SEC* will be held on Sunday, June 11th. In departure from tradition, the technical program will be held over two full days with presentations grouped into three themes, Resource Classification Systems; Regulatory, Financial and Commercial Issues; and Legal, Dispute Resolution, Reputational and Ethical Issues.

Social events include an informal social hour at the Geological Society Saturday evening; the opening reception on Sunday at The Royal Institute; and the Gala Dinner and Awards Ceremony Monday evening at the Institute of Engineering and Technology. Tours, which are scheduled from Sunday through Wednesday, include an English tea, a trip to Windsor Castle; an exclusive ride on the London Eye; an Open Top

bus ride of the city and boat trip to the Tower of London; a walking tour of London; and a tour of the British Museum. The latter two tours were recently added so check the website for details.

The Evaluation Parameters Committee has completed SPEE's 36th Annual Survey of Parameters and is now working on the report to present at the Annual Conference in London. Steps were taken this year to increase the number of participants and international participation in the survey. The committee was expanded and the survey was revamped to introduce more international elements and to delete questions which were no longer pertinent. The committee received 283 responses this year, which is a 23% increase from last year. Thanks to all who participated in this valuable survey. Obviously, a higher participation rate improves the statistical significance of the results. Thanks to the committee members who are **Brent Hale (Chairman)**, **Steve Hendrickson**, **David Parry**, **Nora Stewart**, **Simon McDonald**, **Paul Taylor** and **Mike White**.

The Reserves Definitions Committee (RDC), under the leadership of **Rod Sidle**, has spent considerable time and effort over the past few months reviewing and commenting on the draft update to PRMS. Their responses to the draft have been approved by the Board and sent to the SPE Oil and Gas Reserves Committee (OGRC). The SPE OGRC plans to issue the draft update for public comment later this year. Thanks to the committee members for their work on this important multi-society project. Members of the RDC include **Rod Sidle**, **Dave Elliott**, **John Etherington**, **Martin Hubbig**, **Russ Long**, **John Ritter**, **Rawdon Seager**, **John Seidle** and **Tim Smith** plus **Charles Boyette** and **Mark Ireland**, on behalf of the Board.



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Joe Young (Dallas)

Bylaws Committees

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

Individual Appointments

Ethics Tom Collier
Evaluation Parameters SurveyBrent Hale
Fair Market ValueRuss Long and Dee Patterson
Internet Mike White and Rhonda Gathers
Membership.....Andrew Forcina
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
Monograph 5-Type CurvesGary Gonzenbach
Technical Training Joe Young
SPE OGRC Oil and Gas Reserves Committee Observer..... Ron Harrell
COGEH (Canadian Oil and Gas Evaluation Handbook) Floyd Williams
UNECE Expert Group on Resource ClassificationDominique Salacz

Chapter Officers - 2017

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Membership – Jennifer Oh

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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.

As mentioned in my February letter, and in the August 2016 newsletter, a new Grievance Process has been proposed to address deficiencies in the current process to review grievances filed against members. By-laws changes, which are required to implement this process, have been reviewed by the Board and should be put to the membership for a vote for approval later this year. This update is required to ensure that we maintain our status as a self-governing society with the highest ethical standards.

Speaking of ethics, the Ethics Committee has been working on new ethics guidelines. **Tom Collier**, Chairman of the Ethics Committee, will roll these out at the 2017 Annual Conference in London.

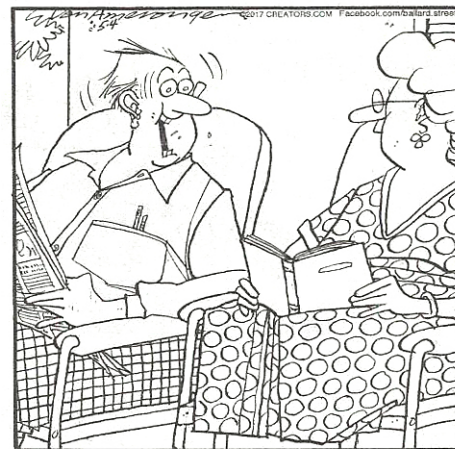
Training courses are an important source of revenue for the Society. Two short courses on Monograph 4 *Estimating Ultimate Recovery of Developed Wells in Low-Permeability Reservoirs* have been held so far in 2017. The first one was held in Pioneer's offices in Dallas on March 9 while the second course was held at Brookhaven College in Dallas on April 6. Both courses were taught by Dr. John Lee. A course in Calgary is planned on September 25. This one-day course provides fundamental background information and concepts to forecast production for developed wells in unconventional, low-permeability reservoirs. If your company or your Chapter is interested in hosting a course, please contact Joe Young, Chairman of the Training Committee.

All SPEE members are invited to participate in the update of the 2002 SPEE *Perspectives on The Fair Market Value of Oil and Gas Interests*, commonly referred to as Monograph 2. The Fair Market Value Committee, under co-chairs **Russ Long and Dee Patterson**, has prepared a set of eight problems. The number of hypothetical problems has been increased from four in the original set. Access to instructions and guidance, the eight problems and an answer sheet is available using the link at the top of the main page on the SPEE website. Responses are welcome from non-members. The answers and comments will be compiled and analyzed to gain insights on how SPEE members and non-members value a set of controlled problems. The results will be published as an addendum to Monograph 2. Please submit your answers no later than June 30, 2017. There is no requirement that you answer all the problems to participate.

I would like to remind members that we need to continue to focus on attracting members. People most often join a new organization by personal invitation so all members are encouraged to invite prospective members to attend chapter meetings and training courses. Now that the busy reserves season has passed it is a good time to encourage prospective members to complete and submit their applications.

Floyd Siegle
SPEE President

BALLARD STREET By Jerry Van Amerongen



"Doris, I tried to remember something from yesterday, and I did!"

PLAN AHEAD

SPEE Annual Meetings

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

June 2-5, 2018 Carlsbad, California
Park Hyatt Aviara

June 2019 Banff National Park, Alberta
Chateau Lake Louise

Chapter News

Calgary

The Calgary Chapter extends a big thank you to Floyd Williams who has resigned his position as Secretary of the Chapter after five years of service. His knowledge and dedicated contribution to the executive group will be truly missed. We will be looking for a volunteer to fill the position at our annual general meeting in May.

The update committee for the COGE Handbook is proud to report that very good progress continues toward the updated Handbook. The individual committees are on track to deliver their sections for review to the steering committee by the end of May. The COGEH update is to be a guidance document of industry best practices that combines existing documents into a single consolidated document. It will be digitized and available for subscription on our website. In this format, access to the document will be improved and it will be much easier to update and become an evergreen document.

A number of our members plan to attend the upcoming 54th Annual SPEE Conference in London and we look forward to seeing many of you from other chapters.

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

California

Membership - 22

Central Texas

Membership - 33

Dallas

On March 9th, the Dallas Chapter held our second meeting of 2017 with Creties Jenkins of Rose & Associates as our luncheon speaker and his presentation was *Appraising and Developing Your Unconventionals*.

The Dallas Chapter hosted a Monograph 4 Short Course with Dr. John Lee as the instructor on April 6th.

On May 4th, Randy Freeborn with Energy Navigator spoke on *The Road to a Better Type Well*.

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

Denver

Meetings - 2nd Wednesday of first month of each quarter - Denver Athletic Club - The New Petroleum Club. Membership - 62

Europe

The Europe Chapter continues to be in good health with over 30 members and 2 new applications being processed. Following the SPEE Annual Meeting which is to be held in June, there will be subsequent chapter meetings in early September and late November with the latter also serving as the chapter AGM. The last Europe Chapter Meeting was held in March 2017 in London at the October Gallery and was attended by 9 members and 16 non-members. The guest speaker for the evening, John Baillie of Verus Petroleum, presented a talk titled *The Small Independent Oil Company Perspective On Reserves Audit And Cprs*. The presentation can be downloaded from the "past presentations" area of the SPEE website.

John's presentation touched upon the potential pitfalls of decline curve analysis and how work by external auditors impacts their work. John wants to work closely with auditor companies, to engage, to reflect true value and to be technically robust. What he didn't want was for the auditors to do the analysis "by cookbook," to reinvent the wheel, to negotiate over technical details or to discount reserves through conservatism. John made the point that there will be some degree of conservatism throughout the process - oil company, CPR, bank and so there is little value left with which to acquire the debt needed to finance their business.

Following John's presentation, Paul Taylor (Chapter Chair) went over the results of an online survey on how to classify resources with a hypothetical field. A Company is developing an onshore field with a very thin oil rim (strong aquifer and large gas cap) with no direct commercial analogues. To keep things simple it is assumed there are no commercial contingencies except the economics. A vertical well was tested and produced a small amount of oil but mostly gas (the gas has no value). The Company intends to sidetrack the discovery well horizontally and then drill five horizontal wells. The Company says it is committed to drilling the STK and all 5 HZ wells and has an FDP in place. There is a risk the volumes recovered will be uneconomic. How do you classify the resources? A presentation covering the results of the survey can be downloaded from the "past presentations" area of the SPEE website.

Meetings - Four per year. Membership - 33

Houston

Wednesday, March 1, the Houston chapter held their monthly luncheon where Dr. Nathan Meehan, Senior Executive for Baker Hughes, presented a one-hour ethics seminar. He reviewed several current ethical challenges with examples inspired by actual ethical events. The presentation is posted on the SPEE internet site.

Wednesday, April 5, Ken Golden, Commercial Advisor for ExxonMobil Exploration Company, highlighted ExxonMobil's 2017 Outlook for Energy. Outlook is a global view of energy demand and supply through 2040. It highlights the dual challenge of ensuring the world has access to affordable and reliable energy supplies while reducing emissions to address the risk of climate change. ExxonMobil uses Outlook to help guide their long-term investments. The presentation is posted on the SPEE internet site.

Wednesday, May 3, Geoff Roberts, Managing Director and Head of U.S. A&D for BMO Capital, spoke at the Houston chapter monthly luncheon. He reviewed recent upstream transaction metrics, and presented the industry standard methodologies for calculating fair market value. This included a comparison of historical transaction metrics by key regions and the use of discounted cash flow analysis. The presentation is posted on the SPEE internet site.

The fall 2017 meetings will be held September 6th, October 4th, November 1st, and December 5th.

Meetings – 1st Wednesday of each month except June, July and August – Houston Petroleum Club. Membership – 182

Midland

The January meeting of the Midland Chapter was on Wednesday January 11th. We featured a panel discussion titled *A New Administration in Washington, A New Attitude at OPEC, A New Outlook for the Permian Basin*. The panelists were from industry, education and community. The discussion was lively and spirited. I might add the Midland paper featured an article today that the industry has spent \$86 billion in the Permian in less than a year.

The Chapter's March 8th meeting featured "ETHICS". Dr. Chip Prehn, Head of School, Trinity School of Midland, presented an interesting session on *Value-Based Ethics vs. Situational Ethics*. We were reminded of the school explosion in 1937 in New London, Texas, which prompted the Engineering Registration Act.

For the May meeting, the Midland Chapter hosted Robert Thibault, Legal Council, Haynes and Boone, LLC. His presentation *Growing Trends in Subsurface Rights and Trespass Arising from Fracing and Horizontal Drilling* reflected timely and important information for companies active in the Permian Basin Spraberry Wolfcamp Play.

The chapter continues to use the SPEE website for online registration and payment.

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

The Northern Rockies Chapter of SPEE conducted a very successful presentation on horizontal well evaluation in April. Mike Borah with Borah-Borah Petroleum Engineering made a presentation on evaluating frac stimulations on horizontal wells to determine the fracture half-length created to allow use of this data to predict the drainage area of horizontal wells. Bonnie Percy with Gene George & Associates, NR SPEE member, presented the methodology used in the Rectangular Method of evaluating the drainage area of horizontal wells. Both of these methods are actively used in evaluations of horizontal wells in the Powder River and DJ Basins of Wyoming. The meeting had 40 attendees at the meeting place in Casper and 6 attendees at remote locations in Cody, Wyoming, and Billings, Montana. Five NR SPEE chapter members were in attendance in Casper and four NR SPEE members were in attendance at the remote sights. The video-conferencing system is working well for the remote nature of our membership. Mike Borah and Bonnie Percy are pictured presenting below.

Membership – 10



Oklahoma City

Meetings – Every odd-numbered month. Membership - 20

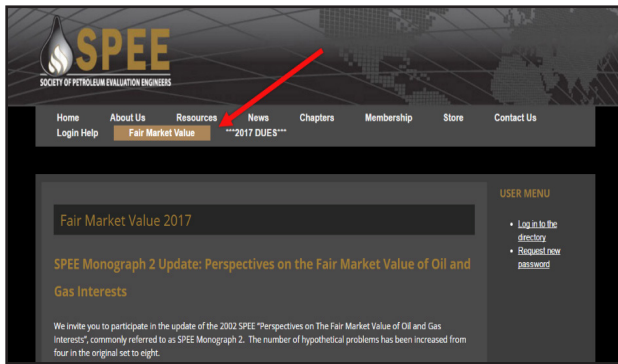
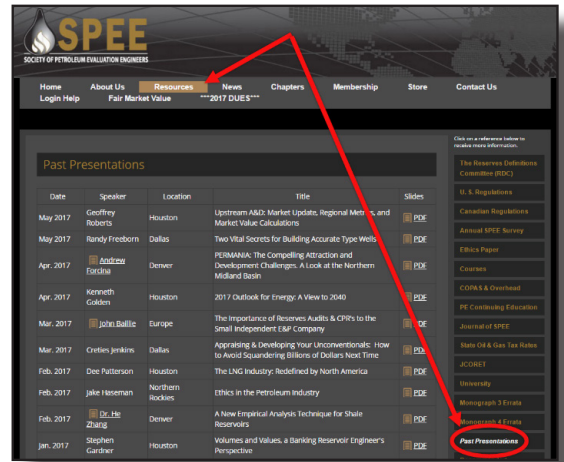
Tulsa

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

SPEE Website News

Final preparations for the Annual Meeting in London are in full swing for what promises to be an exciting event! If you are unable to attend, please check the main webpage for a post-meeting recap with photos for everyone to enjoy. This year's meeting will feature two full days of speakers focusing on the use of the petroleum classification systems. Most of these presentations will be posted after the meeting on our Past Presentations page. You can access the Past Presentations page from the main page by clicking on the highlighted links in the image to the right.

Monograph 4, Monograph 3 and the current Parameters Survey remain popular items in our SPEE online store. Planning is in the works for a Monograph 4 short course in Calgary in September 2017. An official announcement and registration will be open on the website shortly after Annual Meeting. As a reminder, if you are interested in hosting a Monograph 4 short course in your area, please contact our Technical Training Chairman Joe Young at JoeYoung@larocheltd.com



The SPEE Fair Market Value Committee is working on an update to the 2002 SPEE *Perspectives on The Fair Market Value of Oil and Gas Interests*, commonly referred to as *SPEE Monograph 2*. If you would like to participate in this update, please visit the **Fair Market Value** Link from the main website page to obtain the problem set as well as instructional guidance.

Please keep your membership active for 2017. If you haven't yet paid your membership dues, the first and second late fees have been instituted. The last late fee increase will take place after June 30th. General membership dues payment can be made online from a link at the top of the main website page.

The address of the SPEE website is 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.

Rhonda Gathers & Mike White
Your Internet Committee

IN MEMORIAM

We regret to note the passing of:

Leland H. Miller
Fayetteville, Texas
September 19, 2016



Leland H. Miller was born on February 13, 1924 and passed away on September 19, 2016. He grew up near Columbus, Texas, and earned his Bachelor of Science degree in Petroleum Engineering at the University of Texas, Austin, after serving in the U.S. Navy. Leland started his career with Gulf Oil Corporation, and went on to work with Robert W. Harrison and Company and Keplinger and Associates appraising oil and gas properties, and specializing in reservoir studies, property developments, secondary recovery and unitization in the U.S., Canada and South America. He also prepared documentation for the Securities and Exchange Commission (SEC) and Federal Power Commission (FPC) work and hearings. He was a longtime member of SPEE as well as a number of other professional affiliations. He was recognized by SPE as a Legion of Honor member and most recently by the Texas Board of Professional Engineers and former Texas Governor Rick Perry for over 50 years of service to the State of Texas as a Professional Engineer.

THE ETHICS COLUMN

New SPEE Ethics Monograph



I smiled as I hit the “Send” button on my email.

The latest edition of *Discussion and Guidance on Ethics* has been submitted for vetting and approval by the leadership of the SPEE. I would like to thank the Ethics Committee for all of their hard work and wisdom in preparing this project. Over the last two years, we have written, discussed, edited and reviewed the state of play relative to engineering ethics as it relates to petroleum evaluation.

We undertook the project to update the ethical guidance material that SPEE developed in 2005 to reflect current circumstances. In addition to our historic *Principles of Acceptable Evaluation Engineering Practices* and *Code of Ethics of Engineers*, the monograph provides an excellent summary of ethical considerations that the petroleum evaluator faces on an ongoing basis. The document is not prescriptive in nature and it addresses the following ethical areas:

- The petroleum evaluator’s relationship to society
- Standards of performance
- Competency
- Conflict of interest, independence, and disclosure
- Work product control and proper use
- Environmental issues
- Duty to disclose

The monograph also addresses providing expert witness testimony, republishing Scott Hickman’s 2005 article on the subject. The monograph will be available once the final approvals are in place. Those of you attending the annual meeting will see a preview of the material in the ethics talk that will take place on the first morning of the conference.

The document will also help ensure that SPEE members have a common reference point for ethical issues. As a self-regulating society, I thought it important that the society’s views on ethical behavior were consistent and well disseminated to the society as a whole. The next step in the dissemination process is to get the word out to our various chapters via the SPEE website, as well as a prepared slide presentation with speaker’s notes. The committee has even received a request for a video of our ethics presentation, and we may even take on such a project. Actually, a first attempt at a video presentation has already been made.

It has been very rewarding working on this project, especially given the fact that the project began as a means to facilitate the ethical behavior of an ethical group of professionals. To put it more bluntly – I am glad that this project was not undertaken to address any ethical shortcomings that had become apparent. It was done to improve rather than correct.

In the coming weeks I expect that the leadership of SPEE will provide useful feedback that the Ethics Committee will take incorporate into the final document. Once that is complete, we will roll the document out to the membership. I think that you will find it very useful.

Tom Collier, Chair
tcollier@concho.com
on behalf of
Tim Gilblom, P.E.
Charles Gleeson, P.E.
Michael Horne, P.E.
Jay Thrash, P.E.
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
Borch, Carsten Principal Commercial Reservoir Engineer Lloyd's Register - Energy 71 Fenchurch Street London EC3M 4BS United Kingdom	Creties Jenkins Patrick Quinn Jes Christensen	Newey, Jacques Manager of Reservoir Engineering Anschutz Exploration 555 17th Street, Suite 2400 Denver, CO 80202	Steve Enger Scott Wilson Robert Newman
Davies, Jacqueline Senior Petroleum Engineer Group Risk Management, Credit Royal Bank of Canada (RBC) 3900, 888 – 3rd Avenue SW Calgary Alberta T2P 5C5 Canada	Robin Bertram Doug Ashton Derek Longfield	Nichols, Stephen Managing Partner- Consulting Petroleum Engineer Ramsey Property Management, LLC 2932 NW 122nd Street, Suite 4 Oklahoma City, OK 73120-1955	Dale Smith John Dick Richard Brown
Haugen, David Senior Vice President Ryder Scott Petroleum Consultants Suite 600, 1015 4th Street SW Calgary Alberta T2R 1J4 Canada	Joan Simmins Phil Welch Laurie Bowns	Prast, William Consultant 9 Grosvenor Cottages London SW1W 8HA United Kingdom	Simon McDonald Paul Taylor Richard Smith
Khosla, Anil Consultant (former ExxonMobil/Imperial Oil) 135 Edgeridge Terrace NW Calgary Alberta T3A 6C3	John Etherington Cheryl Collarini Charlie Chapman	Quinn, Jay (Associate Member) Vice President, Engineering Pintail Oil & Gas 11200 Westheimer Road, Suite 520 Houston, TX 77071	Greg Graves David Nordt Steven Davis
Mitschke, Wayne Senior Petroleum Engineer Bank of Texas 1401 McKinney, Suite 1000 Houston, TX 77010	Simon Bidwell Neil Miller David Nordt	Reitz, Dean President Ryder Scott Company, LP 1100 Louisiana Street, Suite 4600 Houston TX 77002	Don Roesle Anna Hardesty Ron Harrell

Calgary Chapter

Welcome New Members

Robottom, Jason (Associate Membership)

Member No. 918
 Supervisor, Engineering & Partner
 Sproule Associates Limited
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jason.robottom@sproule.com