

President's Letter

Welcome to my first President's letter to the SPEE membership. The SPEE is known in the industry for an esteemed membership with an admirable breadth of evaluation knowledge and expertise, coupled with an unwavering commitment to professionalism and integrity. I am proud to be a member of this prestigious organisation and deeply honoured that the membership has entrusted me with the responsibility to be the first President from outside North America. I am looking forward to working with my colleagues on the Executive Committee and the Board serving you during 2018.

The past few years have been difficult for our industry as activity levels and company budgets were cut back sharply. 2017 saw the first green shoots of recovery in oil prices and activity. It does appear that the recovery is continuing into 2018, although the pickup in activity levels is variable across the world and uncertainties remain. Our total membership level has remained steady through the downturn, which is encouraging and I believe is testament to the value placed on our society by the membership. A significant number of our members are retired and yet still remain members of the SPEE, many of them in an active capacity, which is testament to the continuing relevance of SPEE to them in retirement. Some retired members voluntarily continue to pay full membership Dues, despite being qualified for a lower concession rate. I would like to recognise the contribution of our "retirees" to the wellbeing of our society.

2017 was a successful year for the SPEE and we owe a lot to our current Past President, **Floyd Siegle**. Floyd led the SPEE with a style that reflects the standards and objectives of our organisation and has completed his term of office as President with the society in excellent standing. I look forward to working with Floyd and benefitting from his guidance. 2018 opened with the new Executive Committee and Board of Directors commencing their terms of office on 22 January at a Board meeting at SPEE's office in Houston. **Dee Patterson** completed his term of office as Past President and stepped off the Board and the Executive Committee. I would like to thank Dee for his com-

mitment, wise guidance and the leadership he has given to the SPEE in recent years, on the Board, on the Executive Committee and as past chairman of the Evaluation Parameters Survey. Dee continues to serve the society in his current capacity as co-chairman with **Russ Long** of the committee updating the Fair Market Value Monograph.

With Floyd moving to Past President, I was elected to the office of President. **Jennifer Fitzgerald** was elected to Vice President. In her newly appointed role, Jennifer will host the 2018 SPEE Annual Meeting at the Park Hyatt Aviara in Carlsbad, California between 2 and 5 June. Jennifer has shared some of her early visions and this promises to be a very special meeting, the 55th meeting of the SPEE. The strong technical programme and short courses will be both interesting and educational to a broad cross-section of our membership as well as our non-member guests. The social programme looks exciting and, as usual, there will be extensive networking opportunities. I do urge you if you have not already done so to put the dates in your diary and make your reservations when the event is launched in the next few weeks.

We also congratulate **Robert Green** on his election as the new SPEE Secretary/Treasurer. Robert has been a Board member for the past three years before accepting the appointment to the Executive Committee. He has been an active member of the Midland Chapter for many years and is currently serving as Chairman. Robert's insightful participation on the Board and professional demeanour will serve the Executive Committee very well over the next four years.

We welcome new Board members **Steve Hendrickson**, **Attila Szabo** and **Anna Milena Hardesty** who attended their



2018 Officers and Directors

Executive Committee

President..... Simon McDonald (Europe)
Vice President..... Jennifer Fitzgerald (Houston)
Secretary-Treasurer..... Robert Green (Midland)
Past-President..... Floyd Siegle (Calgary)

Directors

Charles Boyette (Dallas) Steve Hendrickson (Houston)
Andrew Forcina (Denver) Mark Ireland (Europe)
Rhonda Gathers (Denver) Attila Szabo (Calgary)
Anna Hardesty (Houston) Paul Taylor (Europe)
Joe Young (Dallas)

Bylaws Committees

Chair of Past Presidents' Council..... Rick Krenek
Qualifications..... Neal Howard
Committee: Steve Blair, Mark Reeves, Dominique Salacz and Claudio Virues
Nominating..... Floyd Siegle
Grievance..... David 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 Survey..... Steve Hendrickson
Fair Market Value..... Russ Long and Dee Patterson
Internet..... Rhonda Gathers and Mike White
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 Planning..... Tim Smith
Professional Registration..... Marcus Snyder
Monograph 3 - Evaluation of Resource Plays..... Russell K. Hall
Monograph 4 - Unconventional Developed Reserves..... John P. Seidle
Monograph 5-Type Curves..... Gary 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 Classification..... Dominique Salacz

Chapter Officers - 2018

Asia-Pacific

Chairman – Antony Corrie-Keilig

Calgary

Chairman – Keith Braaten
Vice Chairman – Mike Verney
Secretary – Tim Freeborn
Treasurer – Gary Metcalfe
Membership – Claudio Virues

California

Chairman - Brad DeWitt
Vice Chairman – Rick Finken
Secretary-Treasurer - Tom Walker
Membership - John Davis

Central Texas

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

Dallas

Chairman - Russell Romoser
Vice Chairman – Jacob Walker
Treasurer - Gary Nilson
Secretary - Brenda Brown
Membership – Tad Fielder

Denver

Chairman – Steve Gardner
Vice Chairman - Mike Flanigan
Secretary-Treasurer – Robert Schutzius
Membership – Zack Warren

Europe

Chairman – Danilo Bandiziol
Vice Chairman – Dominique Salacz
Secretary-Treasurer – Joel Turnbull
Membership – John Baillie

Houston

Chairman – Tosin Famurewa
Vice Chairman – Ed Butler
Secretary-Treasurer – Lucas Smith
Program Chairman – Ali Porbandarwala

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 – Aaron Anderson
Vice Chairman -
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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first Board meetings on 22 January. Steve currently works as an Independent Consultant, Anna works with Ryder Scott, both with the Houston Chapter, and Attila works with Sproule & Associates in Calgary. All three new Board members have been active in their Chapters, Anna and Attila having served as Chairs, with Anna and Steve currently on the Fair Market Value Committee and the Evaluation Parameter Committee respectively. I am looking forward to their input and insights in future Board meetings.

You have by now have received your notification of proposed revisions to the By-Laws of the SPEE. The By-Laws document sets out the basic principles of governance of the SPEE. The By-Laws were last revised in 2011 and the Board has identified a number of recommended changes to be introduced in a 2018 revision. Changes have been proposed in several areas, including clarification of membership qualifications and also proposed changes in grievance procedures. Following an open comment period which closed at the end of January, voting is now open. The proposed new By-Laws have now been published on the SPEE website, together with an overview of the proposed new grievance process. As a member of the society I would urge you to vote on these recommended changes, either by logging in to SPEE.org or if you prefer you may request that a paper ballot be sent to you, which you can then fill in and mail back or send a pdf copy to the SPEE by email. The voting closes 2 April 2018.

Considerable work behind the scenes has been expended in developing the proposed changes to the By-Laws by numerous members. In particular I would like to thank Past Presidents **David Gold**, **Dan Olds** and **Rick Krenek** and more recently Vice President **Jennifer Fitzgerald** and Past President **Floyd Siegle**, for their drive and energy in bringing several years of work to fruition.

The Evaluation Parameter Survey has developed into one of the most successful publications the SPEE generates for the industry. **Brent Hale** has been chair of the committee for the past three years, during which time the scope of the survey has expanded its reach internationally, introducing new sections exploring industry feedback on parameters adopted outside of North America. Participation in last year's survey was the highest on record, for which Brent and his colleagues on the committee are to be congratulated. Existing committee member **Steve Hendrickson** has agreed with Brent that he will take up the position of chairman this year. Steve has ideas to develop the survey further which we look forward to seeing when this year's survey is unveiled in April. The most important part of the survey, however, is the contribution of members and professionals who participate. I encourage you to respond to the survey so that we can continue to publish this important part of SPEE's contribution to the industry. Meanwhile the Executive Committee would like to express our appreciation to Brent for his years of service to the SPEE, not only on the

Parameter Survey Committee but also as a past Board member and an author to Monograph 4.

On behalf of the Executive Committee I would also like to extend our thanks to **Tim Gilblom**, who is stepping down as Chairman of the Qualifications Committee. Tim and his team have done an excellent job in streamlining the processing of membership applications in a timely manner and wait times have declined. Member awareness of the interview process has been raised, which can be used for qualified candidates who need sponsors and have no opportunity to work directly with SPEE members. **Neal Howard** steps into the role of new Chairman of this committee. We have the utmost confidence in Neal and look forward to his valued contributions as the membership process continues to evolve, whilst never compromising on the very high standards that make the SPEE what it is. We still however need help from the broader membership to identify and recruit new qualified members. This is an initiative that needs the collective attention of all members. Please ask yourself who you can identify as our next qualified member, and then act on it.

It is the active participation of our SPEE members in committees and as representatives that provides the lifeblood of the society. Numerous committees are working on your behalf, for which the Executive Committee and the Board are very thankful. The Fair Market Value committee, under co-chairs **Russ Long** and **Dee Patterson**, has been busy evaluating members' responses to the new example problems that were circulated in 2017. Russ and Dee made a presentation on the results to the Board in January and plan to release an update to Monograph 2 later this year.

Rod Sidle and the members of the Reserves Definition Committee (RDC) have had an exceptionally busy year. Rod also briefed the Board in January on the status of RDCs work monitoring and evaluating proposed changes to the Petroleum Resource Management System (PRMS), which is co-sponsored by the SPEE with sister societies SPE, AAPG, WPC, SEG, SPWLA and Society of Petrophysicists. The public consultation phase of a proposed new draft of PRMS was completed in late 2017 and responses are now being evaluated. You can be sure that Rod and his committee are applying rigour and considerable scrutiny to ensure that SPEE's views and interests are fully shared and aired with the sister societies in the final stages of the drafting of the PRMS update during 2018.

A total of seven short courses on Monograph 4 Estimating Ultimate Recovery of Developed Wells in Low-Permeability Reservoirs were held in 2017. The one-day course provides fundamental background information and concepts to forecast production for developed wells in unconventional reservoirs. Profit-sharing agreements for these courses provide income to the local Chapters as well as SPEE International. As reported by **Jennifer Fitzgerald** elsewhere in this Newsletter, in addition to providing a valuable educational service to our members and non-members alike, the courses in 2017 have provided an

important financial contribution to SPEE's accounts in 2017. Three of the short courses in 2017 were provided "in-house" to large companies. If your company or your Chapter is interested in hosting a course this year please contact **Joe Young**, Chairman of the Training Committee.

Tim Smith, Chairman of the Annual Meeting Advance Planning Committee (AMAPC) has narrowed the choice for the 2020 Annual Conference down to two sites. Contract negotiations are underway and a final decision will be made shortly. Research for the 2021 location is well underway, with several possibilities under review. Please feel free to contact Tim if you would like to share any suggestions or recommendations for future meeting locations.

Other committees and their chairs working on your behalf include Membership (**Andrew Forcina**), the Grievance Committee (**David Gold**), Ethics (**Tom Collier**), Internet (**Rhonda Gathers**), Monograph 5 (**Gary Gonzenbach**), Professional Registration (**Marcus Snyder**), Recommended Evaluation Practises (**Dan Olds**), Communications (**George Schaefer**), Council of Past Presidents (**Rick Krenek**), and Production Tax and University Interface (**Marshall Watson**). **Floyd Williams** (Calgary Chapter) is our COGEH representative, **Ron Harrell** serves as the SPEE OGRC observer and **Dominique Salacz** (Europe Chapter) is our UNECE EGRC representative. We recognise and appreciate the contributions you and your committees make to the well-being of the society. Thanks also to our Newsletter publisher **Richard Miller** and editor, Diane Pollard, who make this communication possible.

The list is not complete without a special thank you to **Debbie Suter**, SPEE's Executive Secretary, whose commitment and support behind the scenes allows the society to run as smoothly as it does.

In closing, I would like to thank you for your continued support as a member of the SPEE. Please do not hesitate to contact me by phone or email if you have any comments, suggestions or questions about your society.

Simon McDonald



PLAN AHEAD

SPEE Annual Meetings

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

**June 2019 Banff National Park, Alberta
Chateau Lake Louise**

Cast Your Vote for By-Laws Revisions

The SPEE By-Laws document sets forth the basic principles of governance of SPEE. These By-Laws were last revised in 2011, and the SPEE Board of Directors has identified a number of recommended changes to be included in a 2018 revision. As a member of the Society of Petroleum Evaluation Engineers, you are being asked to vote on these recommended changes.

Visit the website at www.SPEE.ORG to vote or for more information. Voting will close on **April 2, 2018**.

Pepper ... And Salt

THE WALL STREET JOURNAL



"We're finished with hunting and gathering. Let's invent the vacation."

Chapter News

Calgary

Tim Freeborn accepted the position of Secretary for the Calgary Chapter of the SPEE. The Calgary Chapter welcomes Tyler Schlosser of Verdazo Analytics as a new member to the Calgary Chapter. We extend our congratulations to Attila Szabo who was elected to the SPEE Board of Directors last fall.

The Calgary Chapter has been busy over the winter. The committees for the COGE Handbook have completed the draft versions of all sections for compiling by Doug Wright who is leading the Steering Committee. Work on the Handbook is a bit off schedule and we now anticipate having the updated Handbook ready by the end of the second quarter of 2018.

The Handbook will be subscription-based and available through the SPEE website. It will be a single digital online document available to view, print or download depending on the subscription level. This method of delivery eliminates the need for multiple hardcopy volumes and provides a document that can be easily added to, modified or updated as required.

*Meetings - 3rd Tuesday of each month except June, July and August.
Membership - 57*

California

Membership - 15

Central Texas

Membership - 27

Dallas

The Dallas Chapter of the SPEE held its second meeting of the Fall on November 9th. At a joint meeting of SPE and SPEE, Dr. Larry Brown presented a talk on *Engineering Ethics*. The talk was attended by approximately 90 members and guests.

On January 11th, Dilhan Ilk of DeGolyer and MacNaughton in Dallas presented a talk entitled *Perspectives on Rate Transient Analysis and Decline Curve Analysis for Performance-Based Reservoir Characterization and Production Forecasting*. This talk was attended by 70 members and guests.

Our next meeting is scheduled for March 8th when Rod Sidle, the chair of the SPEE Reserve Definition Committee will discuss *2018 Update to PRMS – Where are we? What is coming? What is the SPEE RDC role in developing this update?*

All meetings are held over the lunch hour at Brookhaven College in North Dallas (Farmers Branch), and are open to both SPEE members and non-members.

Meetings – Bimonthly from September through May at the Brookhaven College Geotechnology Institute. Membership – 67

Denver

On November 29, the Denver Chapter held its fifth luncheon meeting of 2017 with 53 in attendance – 43 members and 10 guests. The chapter officers led a discussion on several short case studies regarding ethical considerations in property evaluation. Offered annually, this luncheon meeting is designed to meet the requirements of various state licensing boards (as well as the SPEE annual renewal requirement) for one hour of ethics study.

On January 19, the Denver Chapter held its first quarter luncheon meeting of 2018 with record attendance of 139, 36 members and 103 guests. The speaker was Dr. Bob Barree, President of Barree and Associates, speaking on *Interference in Horizontal Well Developments*. Noting that most unconventional reservoirs are developed with multiple, closely spaced horizontal wells which are then stimulated with closely spaced fracture initiation points, Barree discussed various types of interference that may be observed. Of particular interest was the potential stress interference between closely spaced fractures along a wellbore or even within a single frack stage. Barree commented that “while closely spaced perf clusters may accelerate early production, [there] is a physical limit past which fractures will



Program Chairman Mike Flanigan presents Dr. Bob Barree with a speaker's gift.

tend to annihilate one another.” Furthermore, interference complicates the estimation of well recoveries from early life production data, which begs the question to what extent the often prolific results from newer and larger completions will translate into higher EURs.

Additionally, outgoing Chairman Dr. John Wright presented Mike White with a certificate of appreciation for his support of the Denver Chapter.



Members Mike White (L.) and (R.) John Wright (R.).

Meetings – 2nd Wednesday of first month of each quarter – Denver Athletic Club – The New Petroleum Club. Membership – 66

Europe

The November 2017 Europe Chapter Meeting and Annual General Meeting was held in London at the October’s Gallery. The meeting was attended by 15 members and non-members. The guest speakers for the evening, Reza Dadbakhsh and Rachel Lidgate, of the legal firm Herbert Smith Freehills, presented a talk titled *Potential Legal Liabilities When Issuing Reserve Reports*.

In the introduction, Reza first noted that the good news is that there have been very few claims against individuals, none at all in the UK in the public domain, only a few in the US. A key point is that it is important to understand your stakeholders to understand your liabilities. Stakeholders could be the E&P company, a ratings agency, acquirers, investors, lenders, directors, sponsors or securities regulators.

The possible types of claims boiled down into three categories: Contractual claim, Breach of duty/negligence, statutory liability. After outlining the three possible claims, Reza and Rachel talked a little about specific cases.

The speakers emphasized the importance of the engagement letter. One of its key aspects is the liability cap: in the US the expert will try and cap liability, in the UK the E&P company

will have unlimited liability and will expect the expert also to have unlimited liability. A professional indemnity insurance priced into the quote, and/or limiting liability to duty of care or material error are mitigating actions that can be considered when drafting the engagement letter.

The Europe Chapter is planning on holding three or four meetings during the course of 2018, in principle in March, June, September and November, the latter also serving as the chapter AGM. The format of our meetings is relatively informal, generally with a presentation followed by a round-table style discussion; both members and non-members are welcome.

For 2018 the following subjects that could trigger the interest of the audience have been identified: *Incremental vs Cumulative Method, Production but no Reserves – North Sea, Case Studies, and Price Forecast*.

In 2018 we plan to organize a joint SPE-SPEE reserves conference, as we successfully did in 2016. This event could replace one of the regular chapter meetings.

As of end December 2017 the Europe Chapter has 36 full members. During 2017, the membership level has been maintained at 36 full members: two cancelled due to retirement (G. Adamson, T. Harrison), two moved outside of Europe, while four new members were added (C. Borch, C. Coll, W. Prast, J. Westbury).

Meetings - Four per year. Membership - 36

Houston

Tuesday, December 5, Luther Birdzell, CEO of OAG Analytics presented at the Houston chapter’s monthly luncheon. His talk *Decision Science for Unconventional Reservoirs* highlighted how current data engineering processes have dramatically reduced the amount of time required to analyze and gain insights from a broad swath of the industry and how machine learning has helped decision-makers with predictive abilities. The presentation is posted on the SPEE internet site in pdf format.

Wednesday, January 10, the Houston chapter held their monthly luncheon – this was an annual joint meeting with the Society of Petroleum Engineers, Gulf Coast Section (SPE-GCS) Reservoir Study Group. Jeff Sieler, Managing Director Citigroup, spoke at the luncheon and gave his thoughts about what makes the Delaware tick. He reviewed what he considered to be the various dimensions of geology, engineering, economics, deal space, and midstream activities that are driving the Delaware to have such a high rig count today. The presentation is posted on the SPEE internet site in pdf format.

The 2017 officers selected Ali Porbandarwala to be the Program Chairman for 2018. The 2018 officers reviewed, approved and launched a corporate sponsorship program for the monthly meetings.



2018 Houston Chapter Officers-Ali Porbandarwala, Lucas Smith, Tosin Famurewa, Ed Butler

The remaining spring meetings will be held on February 15, March 7th, April 4th, and May 2nd.

Meetings – 1st Wednesday of each month except June, July and August – Houston Petroleum Club. Membership – 175

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.

Mr. David Fulford from Apache in Houston traveled to Midland for our January 10th Chapter meeting. His presentation was titled *Multi-Phase Production Forecasting, Bubble Point Death* and it discussed the events associated with the unconventional reservoirs. The high interest in the subject maxed out our meeting room with 32 attending.

The Midland Chapter hosted the Monograph 4 Course on February 5th at the Midland Petroleum Club. Dr. W. John Lee performed another heroic marathon presentation to a class of 19 registered students. Only two students were SPEE members. A short presentation about the benefits of SPEE and the trifold brochures were passed out.

Tom Collier, SPEE Ethics Committee Chair, plans to make an ethics presentation straight from the newly rewritten SPEE Ethics Publication. The meeting is on Wednesday March 7th at 11:30 am, Midland Petroleum Club. This presentation fulfills the state requirements for continuation training and we already have a strong interest.

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



Dr. W. John Lee presenting Monograph 4 Course in Midland, Texas

Meetings – 2nd Wednesday odd months – Midland Petroleum Club. Membership - 24

Northern Rockies

Membership – 13

Oklahoma City

Meetings – Every odd-numbered month. Membership - 19

Tulsa

Meetings – Four times yearly - Summit Club. Membership – 21



55th Annual Conference

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

TECHNICAL & SOCIAL PROGRAM:

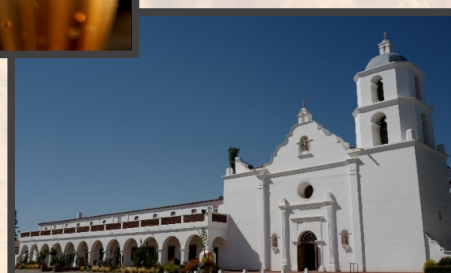
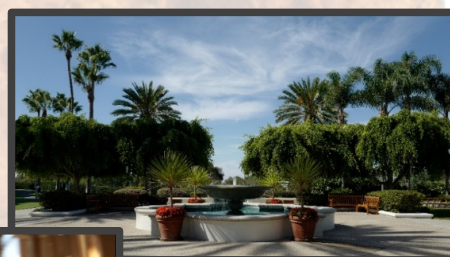
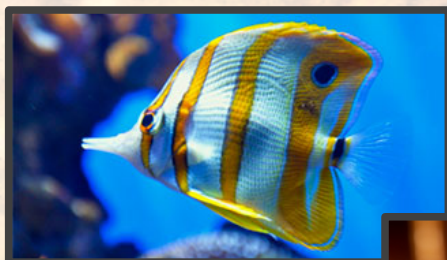
The broad theme for this year's conference is *"Embracing the Tides of Change"*. Several short courses will be offered this year as well as two mornings of technical sessions, group and guest activities, social events and the Monday evening Gala and Awards Banquet. The complete conference agenda will be available in early March at the SPEE website www.spee.org.

The conference hotel is the **Park Hyatt Aviara Resort** located on the natural Batiquitos Lagoon and minutes from the Pacific Ocean in Carlsbad. There is nearby access to museums, shopping, restaurants, outdoor activities and wineries.

HOTEL RESERVATIONS:

A discounted room rate of \$275USD per night beginning Friday June 1st through Tuesday June 5th. Please use the following website by **May 11, 2018** to ensure receipt of the preferred guestroom rate: <https://aws.passkey.com/go/spee2018>

Reservations can also be made directly by calling the Park Hyatt Aviara's reservation department at 1-888-459-4991. Refer to the Society of Petroleum Evaluation Engineers conference to ensure you receive the preferred rate.



THE ETHICS COLUMN

Reporting and Decision-Making: Can we ethically report only proved reserves, but still make decisions on the most likely case?



Some questions just need a little time to ruminate upon. As I recall, this question arose in a ballroom in Stowe, Vermont. It impressed me enough to jot it down, and I believe that it is worth an attempt to answer even four years later. The following is my opinion based on my experience. Others will undoubtedly have other experiences, and may have deeply held and thoroughly researched opinions. I would certainly enjoy hearing them. The question is,

“Given fiduciary responsibility to shareholders, how do we justify decision-making based on the most likely case (2P) with reporting based on reasonable certainty (1P)?”

There are those who maintain making decisions under one set of criteria while reporting results on another represents an ethical challenge. It can be seen as analogous to keeping two sets of books – one for the public while keeping the other set secret. Acting as a fiduciary is a very high standard. It requires placing the interests of others (in this case the owners of the firm) ahead of one’s self-interest. Transparency would then demand that the investing public be given insight into the actual figures behind management’s investment decisions.

Others advocate that proved reserve reporting is becoming less important, at least for unconventional plays and players. They suggest that investment decisions are largely made on location count and type curves, independent of reserve category. Looking to public company investor presentations, the term “premium inventory” is becoming a more popular way of to describe a company’s portfolio of opportunities. Since this approach completely disregards the subtleties of proved versus probable or possible reserves, it implicitly places little emphasis on reserve or resource classification.

But I say that a petroleum evaluator can ethically report on a 1P basis, independent of the underlying decision-making process, so long as the disclosure is complete, accurate, and unbiased. Investment analysis, whether for investment in a firm or for investment in a drilling opportunity, is dependent on a host of items many of which are not directly related to the reserve estimate. Well-established reporting requirements and consistent engineering standards of practice are essential to this process. The expectation that actual performance will in the aggregate almost always exceed estimates, combined with the fairly rigorous standards associated with 1P reporting lend themselves quite well to effective regulatory oversight. The result is a more level playing field for all reporters of reserves as well as consistency between firms that can be used for comparison purposes.

Not every aspect of every business decision needs to be disclosed. Those in the position of fiduciaries have a serious obligation to their investors, and where their capacity to act relies on proprietary knowledge this must be protected. Their success is related to the projects they choose to undertake and the manner in which they execute the projects they select. Taken to its logical extreme, full disclosure of every piece of the company’s investment decisions could very well remove much of the company’s competitive advantage. And so, for the benefit of the investors, some pieces of information properly remain confidential. Having established that not all information unrelated to public health and well-being need be disclosed, it is reasonable that the difference between 1P reporting and 2P decision making could fall into this category.

Simply counting possible well locations in a mappable geologic unit must be supplemented by more rigorous disclosure. Industry has long recognized the truth that hydrocarbon accumulations are limited in extent. Conventional resources are limited by the size of the trap and the charge of hydrocarbons. Unconventional resources are often much larger in areal extent, but they too have their limits. Furthermore, within these regional accumulations lie so-called “sweet spots” that are often delineated only by drilling. Attempting to describe these broad accumulations with their unmapped complexity as a count of well locations with associated type curves do not adequately describe a company’s portfolio. These types of disclosures lack sufficient rigor to be used on a standalone basis.

So, can we morally justify 2P decision-making with 1P reporting? I think we can. However, I have my reservations about calling that optimal. In a well-established regulatory regime where consistent petroleum evaluation practice is established, 1P reporting is adequate, but 3P reporting (realistic estimate of an unexpectedly good outcome) would provide superior information to investors. Although I would still maintain that, in principle, not all relevant information must be publicly disclosed, the disclosure of 3P reserves does not in my view unduly compromise competitive advantage. I will close this column as I opened it repeating that this is my opinion, and I welcome feedback and differing views.

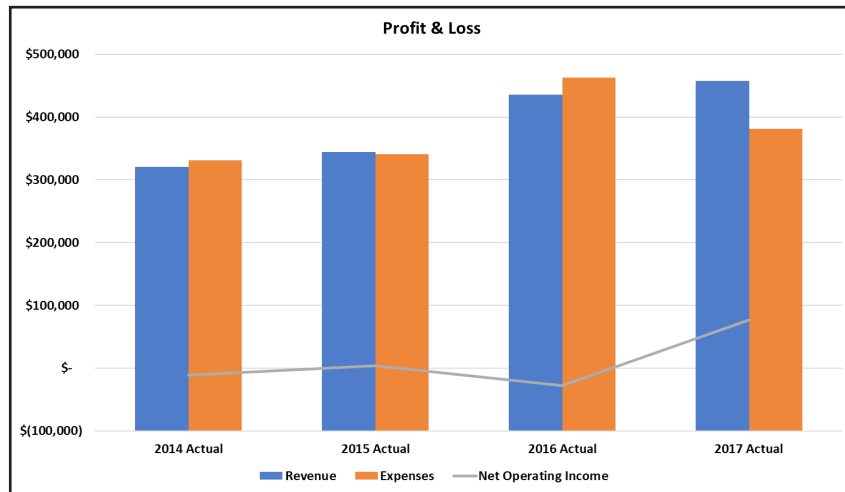
On the ethics of 1P reporting, I say yes. What say you?

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

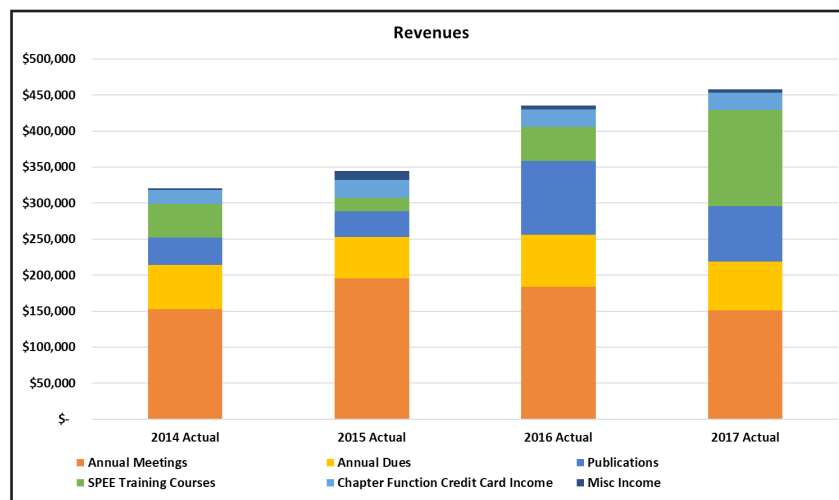
Financial Report

I am pleased to provide a financial summary for SPEE National. The Society continues to remain financially healthy. Revenue of SPEE National in 2017 was \$458,743 and the Expenses were \$381,162, giving a Net Profit of \$77,581. Cash assets held by SPEE National at the end of 2017 in checking and money market accounts plus CDs total \$476,222.

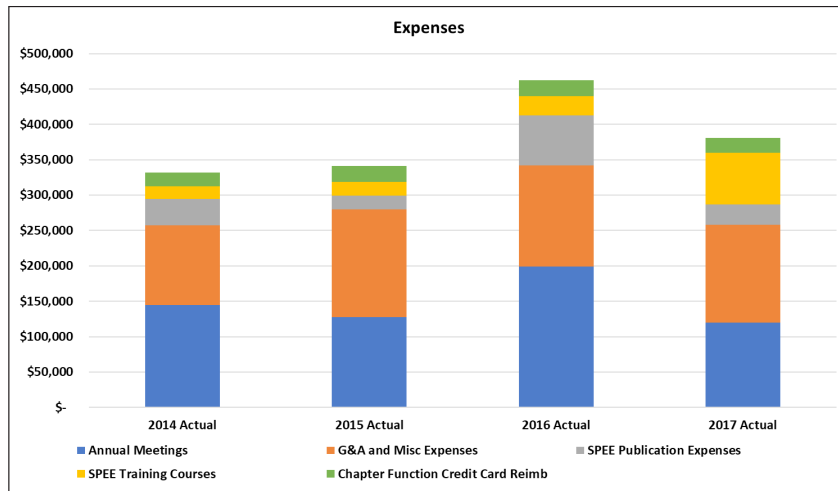
The chart below shows the financial performance of SPEE National for 2014 through 2017. Overall, the Society had been operating at a loss for a few years. However, 2017 was a very successful year for the organization, resulting in a profit in large part due to an active training program. A profit of \$19,000 is budgeted for 2018. SPEE National's cash balance is projected to stand at approximately \$495,000 at the end of 2018.



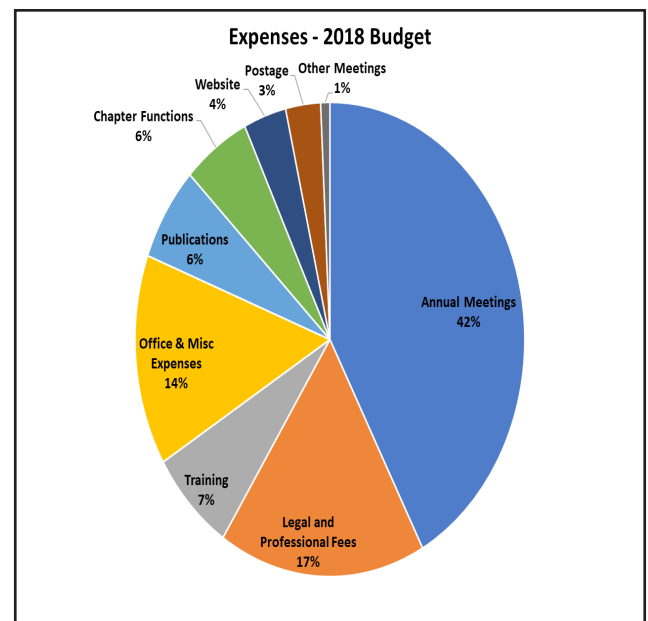
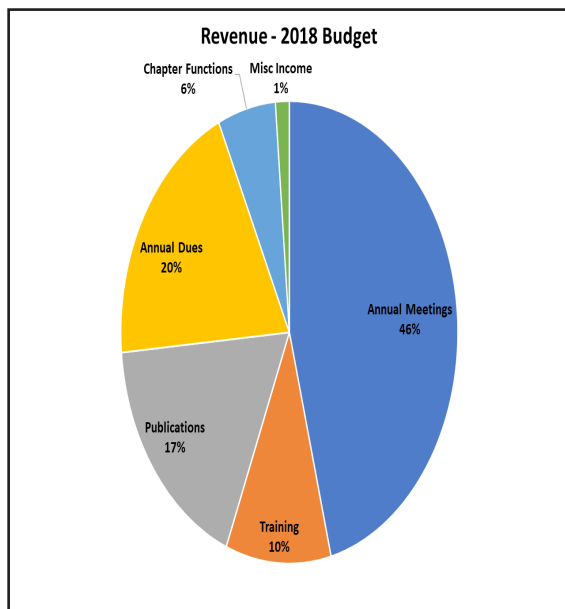
The next two charts summarize the principal sources of revenue and expenses over the last several years. Dues have declined in recent years but are projected to increase in 2018 associated with the recent increased annual dues rate. The membership has been largely static at 560 members. The increased revenue in 2017 is associated with a very active training program associated with Monograph 4. Additionally, there were decreased expenses in 2017 associated with Annual Meetings, partially due to a final 2017 Annual Meeting payment that will be made in 2018 and lower advanced payments for upcoming meetings.



The G&A costs of the Society have increased over the last several years but are projected to stabilize to approximately \$150k for 2018. Office Rental and Secretarial/Bookkeeping Fees have risen in the past few years as the Society now has dedicated office facilities and has invested in its administrative and financial framework. Other costs have remained reasonably stable in recent years.



These charts summarize the relative contributions of revenue and expense categories for the 2018 budget. Publications and Training continue to represent a significant contribution to total annual revenue. We have already conducted one successful short course for Monograph 4, with on-going work to plan additional courses later in 2018.



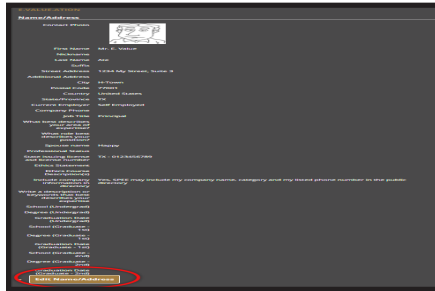
Whilst the financial reserves of the Society are healthy, results from 2017 illustrate the importance of many SPEE initiatives to help increase the Society's revenue. The Society will continue our investment in additional Monograph publications. An update of Monograph 2 is in preparation and a committee has begun work on Monograph 5, which will focus on type well profiles. A vibrant and current Monograph portfolio should allow us to continue to develop and increase our Training activities. If you have any questions or need additional information, please feel free to contact me or President Simon McDonald directly.

Jennifer Fitzgerald
 2017 Secretary / Treasurer
speetreasurer@spee.org

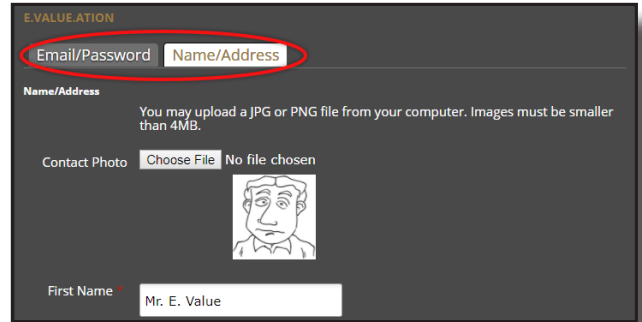
SPEE Website News

Currently active on our home webpage is the 2018 Annual Meeting registration in Carlsbad, CA. Please join us for this fun and educational event. All members and non-members welcome.

As an annual reminder, and as we have recently renewed our membership dues, please make sure your contact information is updated on our website. We have had many members move employers, are currently self-employed, etc... over the last couple of years. Keeping your contact information up to date helps



to keep you informed of society and chapter activities throughout the year via email and the printed newsletters. Log into the website and scroll down to the bottom of your profile, click the “Edit Name/Address” button. From here you can edit your email address, password, name and address, etc... from the tabs at the top. If you have forgotten your password, you can request a password reset from the tabs at the top of the login page.



In this coming year, the internet committee will be working on re-designing the SPEE website with hopes of a fully functional updated site in early 2019. Over the years, we have seen access to our website from mobile devices increase. We hope to provide a more mobile responsive site as well as improve navigation and readability no matter what browser you are using. We would like to solicit any ideas on visual improvement or anything else you may have. Please submit these ideas to our group mailbox at info@spee.org. All suggestions will be highly appreciated! We realize there are many aspects about our website that are outdated, but please let us know your thoughts as we may have overlooked things that we need to add to our list of “wants”. The website is not only your place to use, gain information, etc...but it also represents our society to the general public. Our amazing content will not change.

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 MEMORIUM



We regret to note
the passing of:

Larry L. House
PanAtlantic Exploration
Spring, TX
2016

Lane Larance
Larance Operating Company
Wichita Falls, Texas
December 15, 2017

Welcome New Members

Calgary Chapter

Schlosser, Tyler **Member No. 932**
Chief Data Scientist
Verdazo Analytics
505 - 100 4th Ave SW
Calgary, AB T2P 3N2
Canada
tyler.schlosser@gmail.com

Dallas Chapter

Ghasemi Doroh, Mojtaba (Associate) **Member No. 936**
Project Engineer
DeGolyer and MacNaughton
5001 Spring Valley Road, Suite 800 East
Dallas, TX 75244
mghasemi@demac.com

Gross, Matthew **Member No. 937**
Vice President, Senior Engineer
DeGolyer and MacNaughton
5001 Spring Valley Road, Suite 800 East
Dallas, TX 75244
mgross@demac.com

Hooks, J. David **Member No. 939**
Senior Staff Geologist
DeGolyer and MacNaughton
5001 Spring Valley Road, Suite 800 East
Dallas, TX 75244
dhooks@demac.com

Pence, Thomas **Member No. 941**
Senior Vice President
DeGolyer and MacNaughton
5001 Spring Valley Road, Suite 800 East
Dallas, TX 75244
tpence@demac.com

Tompkins, Clifford **Member No. 934**
Senior Geologist
DeGolyer and MacNaughton
5001 Spring Valley Road, Suite 800 East
Dallas, TX 75244
ctompkins@demac.com

Wall, Sandra **Member No. 935**
Corporate Reserves-Sr. Staff Reservoir Engineer
Pioneer Natural Resources
5205 N O'Connor Blvd, Suite 200
Irving, TX 75039
sandra.wall@pxd.com

Europe Chapter

Gunningham, Tom **Member No. 938**
Director of Reservoir Engineering
Rockflow Resources Ltd.
2 Bernay House, Lower Street
Haslemere GU27 2PE United Kingdom
tom.gunningham@rockflow.com

Houston Chapter

Jordan, Paul **Member No. 931**
Senior Director
FTI Consulting
1001 Fannin St #3950
Houston TX 77002
paul.jordan@fticonsulting.com

Oklahoma City Chapter

Landreth, Barbra **Member No. 940**
Manager
Greenstar Resources Operating, LLC
P O Box 721930
Norman, OK 73070-8472
blandreth@greenstarenergy.com

Tulsa Chapter

Smith, Derek **Member No. 933**
Staff Reservoir Engineer
Unit Corporation
8200 South Unit Dr.
Tulsa, OK 74132
derek.smith@unitcorp.com

Welcome New Members

Status Change – Associate to General Member

Chernik, Paul **Member No. 776**
Chief Operating Officer
ERC Equipoise
Stephenson House, 2 Cherry Orchard Road
Croydon, LON CR0 6BA
United Kingdom
paul_chernik@hotmail.com

Porbandarwala, Ali **Member No. 876**
Senior Vice President
Ryder Scott Company
1100 Louisiana St, Suite 4600
Houston, TX 77002
Ali_porbandarwala@ryderscott.com

Davashish, Manoj **Member No. 817**
Director
Citigroup
811 Main Street, Suite 4000
Houston, TX 77002
manoj.devashish@citi.com

Robottom, Jason **Member No. 918**
Manager, Reserves Certification
Sproule
900,140-4th Ave SW
Calgary, AB T2P 3N3
Canada
Jason.robottom@sproule.com

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
Brand Ferrell, Justin Director, Group Subsurface MOL Group Oktober Huszonharmadika U. 18 1117 Budapest Hungary	Richard Smith Dominique Salacz Jonathan Westbury	Ryan, Deborah Partner, Senior Reservoir Engineer MHA Petroleum Consultants 730 17th St., Suite 410 Denver, CO 80202	Rhonda Gathers Leslie O'Connor John Seidle
Krystosik, Stefan Vice President/Sr. Petroleum Engineer DeGolyer and MacNaughton 5001 Spring Valley Road, Suite 800 East Dallas, TX 75244	Gary McKenzie James Davis Michael Eubanks	Strunk, Adam Vice President of Engineering Lario Oil & Gas Company 1675 Larimer St, #800 Denver, CO 80202	Nicole Ford Mike Flanigan Joel Castello