

President's Letter

Greetings from the President of the Society of Petroleum Evaluation Engineers! I would like to begin by expressing my gratitude to the membership of SPEE for allowing me to serve in this capacity. It is with great pleasure that I serve as your 2019 President, a position for which I am extremely honored. I am proud to be a part of such an amazing organization, whose members are not only my colleagues but my mentors and friends. I hope with the help of the Executive Committee and Board of Directors to exceed your expectations in the coming year.

The Executive Committee and Board of Directors began their new terms at the January Board meeting in Houston. **Floyd Siegle** completed his term as Past President and stepped off the Board. I want to extend a big thank you to Floyd for all of his hard work, guidance and leadership during his tenure on the Board of Directors and Executive Committee. **Simon McDonald**, the 2018 President, has transitioned to the position of 2019 Past President. I am looking forward to the opportunity to continue working with him. **Robert Green** has accepted the position of 2019 Vice President. Robert is busy with preparations for the upcoming Annual Meeting in Lake Louise on June 8th - 11th. The program is shaping up to be another great one with exceptional technical presentations, short courses, and social activities. I am personally looking forward to another great conference and hope to see all of you there. If you haven't already, be sure to check out the website for additional information including hotel reservations.

It is my pleasure to welcome the newest member of the Executive Committee, **Charles Boyette**, who will be serving as the 2019 Secretary-Treasurer. Charles has served on the Board of Directors for the last three years, during which time he helped Co-Chair the Software Symposium. We look forward to his continued insightful participation and leadership throughout his term on the Executive Committee.

With each new year we welcome newcomers to the Board of Directors. In 2019 we welcome **Chuck Boyer**, **Stephen Gardner** and **Doug Wright**. Chuck is an unaffiliated member from Pennsylvania who was very instrumental in the success of the 2017 Monograph 4 short course in Pittsburgh. Stephen is a member of the Houston Chapter and served on the SPE OGRC during the recent update of the PRMS. Doug hails from the Calgary Chapter

servicing in various capacities over the years, but most recently as chairman for the COGEH update committee. Congratulations again to each of them for being elected to the Board.

During the January meeting, the Board also chose to elect **Rhonda Gathers** to serve an additional year as a Director-at-Large. Rhonda continues to serve as the SPEE Internet Chairman, currently working on several initiatives to enhance the organization's website presence. She is a

very dedicated and passionate member of SPEE and I am pleased that she will be joining the Board for another year. I would like to thank **Mark Ireland** for his years of service and many contributions to the Board of Directors. With the beginning of 2019, he has completed his three-year term on the Board.

As I look forward to the year ahead of us, I find myself reflecting on the core of the SPEE culture...the SPEE Membership. I believe the SPEE family, including potential new members along with existing members, are central to all objectives of the SPEE. As an organization, we should continually reflect on how SPEE adds value for current members and how SPEE best promotes new membership. One question I am frequently asked is "what are the benefits of SPEE membership?" Ultimately the answer is different for each of us. But when I think about my own involvement and reflect on conversations with other members, several things come to mind. SPEE membership gives us all the opportunity to develop a strong professional network with other industry leaders and subject matter experts. Numerous volunteer and leadership opportunities present a chance to have a seat at the table, helping to influence best practices and industry standards. I think many



2019 Officers and Directors

Executive Committee

President..... Jennifer Fitzgerald (Houston)
Vice President..... Robert Green (Midland)
Secretary-Treasurer..... Charles Boyette (Dallas)
Past-President..... Simon McDonald (Europe)

Directors

Chuck Boyer (Pittsburgh) Steve Hendrickson (Houston)
Andrew Forcina (Denver) Attila Szabo (Calgary)
Steve Gardner (Dallas) Paul Taylor (Europe)
Rhonda Gathers (Denver) Doug Wright (Calgary)
Anna Hardesty (Houston) Joe Young (Dallas)

Bylaws Committees

Chair of Past Presidents' CouncilRick Krenek
Qualifications Neal Howard
Committee: Steve Blair, Mark Reeves, Danilo Bandiziol 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 Dee Patterson
Internet 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 Planning Tim Smith
Professional Registration Marcus Snyder
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 - 2019

Asia-Pacific - Chapter in Formation

Chairman – Antony Corrie-Keilig

Calgary

Chairman – Mike Verney
Vice Chairman – Larry Petropolous
Secretary – Gary Metcalfe
Treasurer – Tim Freeborn
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 - Jacob Walker
Vice Chairman – Brenda Brown
Treasurer - Tad Fielder
Secretary - Christina Hilton
Membership –

Denver

Chairman – Mike Flanigan
Vice Chairman - Robert Schutzius
Secretary-Treasurer – Zack Warren
Membership - Emily Miller

Europe

Chairman – Dominique Salacz
Vice Chairman – Joel Turnbull
Secretary-Treasurer – John Baillie
Membership – Tom Gunningham

Houston

Chairman – Ed Butler
Vice Chairman – Lucas Smith
Secretary-Treasurer – Ali Porbandarwala
Program Chairman – Jay Quinn

Midland

Chairman – Tom Collier
Vice Chairman – Gail Hankinson
Secretary-Treasurer – Monica Parkinson
Membership –

Northern Rockies

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

Oklahoma City

Chairman – David Yard
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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of you share the feeling that so often you get back more than you give to the society, with active participation being an honor and privilege. And let's face it, SPEE has the best conferences ever!

Membership growth is fundamental to the long-term sustainability of the SPEE organization. I encourage each of you to consider your own role in helping to attract and cultivate quality new members. I can remember my own start with the organization, encouraged by former member Ron Rhodes. His persistence was simple and effective. Before I knew it, I couldn't remember a time I didn't attend the monthly local luncheons. I ask each of you to think about those colleagues who would add to the strength of the SPEE organization and take a personal interest in their recruitment.

It is equally important for the SPEE organization to continue to deliver the promised value to our current membership. There are several traits of a successful professional organization, but a few in particular come to mind when I think about SPEE. Core to our mission, the SPEE supports the creation and distribution of knowledge, including the sharing of best practices. Thank you to all the members who committed countless hours to develop our existing resource materials and to those who continue to work on our current initiatives. **Dee Patterson** and **Russ Long** continue to work, with the support of their committee, on an updated addendum for Monograph 2 – Fair Market Valuation. **Gary Gonzenbach** and the rest of the Monograph 5 committee continue to the development of a Practical Guide to Type Well Profiles. The Evaluation Parameters Survey committee, led by **Steve Hendrickson**, has begun to develop the 2019 survey building upon last year's success. Currently they are looking for additional volunteers to help with the compilation of the final report. If you are interested, please contact Steve directly.

With the update to PRMS complete in 2018, work has begun for the PRMS Examples document. The current Reserves Definitions Committee Chair, **Rod Sidle**, and its members all continue to contribute significant time to help in this effort. The Ethics Committee, chaired by **Tom Collier**, is working to finalize a print-on-demand ethics presentation in early 2019 that will be available for use by all. Thank you again to **Joe Young** for another successful year of the SPEE training program. Be sure to reach out to Joe if your company or local chapter would like to host an upcoming short course. SPEE's mission is also supported by several observers and delegates to various initiatives, including **Ron Harrell** as SPE OGRC Observer, **Floyd Williams** for COGEH, and **Dom Salacz** as delegate to UNECE EGRC. These are just some of the many ways SPEE members contribute to maintaining the visibility of our profession, representing well who we are.

As mentioned earlier, the SPEE organization promotes professional networking, contributing to a sense of belonging among members. Central to this initiative are the Local Chapters, so often the face of our organization with frequent local opportunities to get involved. Thank you to all of the local chapter officers for your dedication and efforts. If you haven't been to a local meeting lately, I encourage you to attend one soon. The meetings are a

great opportunity to attend informative technical presentations and reconnect with other SPEE members. I also want to thank **Antony Corrie-Keilig** for his continued leadership to move SE Asia from a chapter in formation to full chapter. Efforts also continue in South America, led by **Anna Hardesty** in Colombia and **Federico Dordoni** in Argentina, to promote the formation of new chapters.

Did I mention that SPEE has the best annual conferences? That is thanks in huge part to the chair of the Annual Meeting Advance Planning, currently led by **Tim Smith**. Tim has confirmed arrangements for the 2020 AM in Newport, Rhode Island at Gurney's Newport Resort & Marina and the 2021 AM in Asheville, North Carolina at Omni Grove Park Inn. Both locations promise to deliver unique meeting venues certain to carry on the tradition of SPEE meeting excellence. Tim is currently working on locations for the 2022 site. If you have suggestions, please contact Tim directly for consideration.

Over the years, SPEE has continued to offer abundant opportunities for member participation, at both the local and international level. It is through these volunteer opportunities that the organization fosters a sense of commitment and ownership by our members. Currently, **Rhonda Gathers** is developing a page on our website specifically focused on identifying volunteer opportunities. Although still a work in progress, I encourage you all to check it out from time to time if you are looking for ways to become more involved.

I also want to be sure to recognize the many other committee chairs who help to deliver initiatives that further the SPEE mission. Currently, **Neal Howard** continues to serve as chair for the Qualifications Committee, **Andrew Forcina** as chair of Membership, **Rick Krenek** as chair of Council of Past Presidents, **David Gold** as chair of Grievance, **Marcus Snyder** as chair of Professional Registration, **George Schaefer** as chair of Communications, **Dan Olds** as chair of REPs, and **Marshall Watson** as chair of Production Tax Summary and University Interface. Additionally, I want to thank **Debbie Suter**, SPEE's Executive Assistant, for her continued hard work and efforts to help keep everything running smoothly. Thank you also to **Diane Pollard** for her continued support as Publisher of our quarterly Newsletter.

Finally, but definitely not least, I want to extend on behalf of the Executive Committee, Board of Directors and myself a very large thank you to **Richard Miller**, chair of the Newsletter Committee. Serving in his post for the last 13 years, Richard has decided to step down as chair with this being his final publication. In addition to his many other contributions to SPEE, Richard has given tremendously to the organization by shaping the role and content of the newsletter as we all know it today. His vision and efforts are very much appreciated.

In closing, I want to thank you all again for the opportunity to serve as President this year. SPEE is the organization it is because of all of you. I am excited for everything the year to come holds. I look forward to seeing you all soon at an upcoming meeting.

Jennifer Fitzgerald
SPEE President

Chapter News

Asia Pacific

The Asia-Pacific Chapter continues with its formation status and is now receiving membership enquiries from Central Asia and India, and we definitely are noticing a higher level of interest in the SPEE and its industry gravitas. Membership applications continue to be submitted with six currently in the process of assessment. The AP Chapter now has sufficient SPEE membership to allow a Perth-based interview panel to assist in membership application assessment in line with the formation in chapter status. We envisage by midyear the AP Chapter will have sufficient membership to become a fully functioning chapter. The challenge for the AP Chapter will be to effectively represent and engage its members in Asia Pacific as given its geographical coverage will be the largest of the SPEE Chapters. Through a combination of VC technology and regular visits from the Chapter Committee throughout Asia and the Pacific, we are confident the chapter will represent Asia Pacific and become a leading forum with respect to reserves and resources in the region.

Calgary

The revised version of the Canadian Oil and Gas Evaluation Handbook was released in the fall. Subscriptions have been material and in general it has been well received. Minor changes were made, and a revised version released in December 2018. In 2019, the Calgary chapter will be reviewing forecast price assumptions and will review the revised version of COGEH for any changes. Changes to COGEH are expected by June 2019 and will only be completed in a redline document so that users will not need to review the entire handbook when a revision is made.

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

California

Membership - 15

Central Texas

Membership - 27

Dallas

The Dallas Chapter hosted its third luncheon meeting of the season on January 10, 2019. Dee Raibourn, a Senior Staff Attorney with the Securities and Exchange Commission's Fort Worth Regional Office, presented an informative talk on *Financial Fraud and its Enforcement at the SEC*. Mr. Raibourn discussed the SEC Fort Worth's enforcement process relating to financial statement fraud and also discussed recent enforcement actions in the oil and gas sector. There were 62 attendees.

Future meetings:

March 14, 2019: Erika Coombs, Manager of Consulting Services, BTU Analytics, *Market Whiplash: Price Drivers in 2019*

May 2, 2019: Dr. Tom Blasingame, Texas A&M University, Topic TBD

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

Denver

On November 28, the Denver Chapter of SPEE held a fifth luncheon meeting of 2018 with 49 in attendance - 30 members and 19 guests. SPEE member John Wright spoke on *Serving as an Expert Witness: One Engineer's Perspective*. Serving as an expert witness has its rewards and its pitfalls. He covered experiences serving as an expert witness for over 30 years as viewed through the lens of an engineer. We learned there is much more to expert witness testimony than we realized.

Also, at the November 28th meeting, we took the opportunity to recognize local chapter member Jerry Simon who had recently reached his 96th birthday. To our knowledge, Jerry, who regularly attends our chapter luncheons, is the oldest active member of SPEE, and we honored him with a brief slide show depicting his prior military service as a bomb disposal technician and a birthday cake adorned with toy hand grenades (see below). The gesture was well received by all in attendance.

On February 6, the Denver Chapter held its first quarter luncheon meeting of 2019 with 73 in attendance - 27 members and 46 guests. The speaker was Ms. Jamie L. Jost of Jost Energy Law speaking on *2018 Election Results and COGCC (Colorado Oil and Gas Conservation Commission) Rule Changes - How will these impact Colorado's Energy Industry in 2019*. Jamie provided an overview of Colorado's 2018 election results and potential



2019 legislative efforts that could affect oil and gas operator development in the state. Proposition 112 was a ballot initiative to increase setbacks to 2,500 feet which would have effectively shut down development drilling in Colorado. Even though Proposition 112 was defeated at the ballot box last November, proponents of 112 continue to seek legislative solutions in the form of local control. The defeat of Proposition 112 should not be viewed as a “final victory” for the oil industry in Colorado, but rather a mandate for the industry to engage with local communities earlier and more often. There will be more oversight on permits, and litigation will be used to block the COGCC and the industry, i.e. the Wild Grass Litigation. Overall, the talk was very enlightening and sobering

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

Europe

The European Chapter held four meetings during 2018. As of November 2018, there were 39 members, up three from the previous year, and expected to rise by a further two in the coming weeks. The election of office bearers for 2019 was held at the November AGM with the position of Membership Secretary becoming vacant. Tom Gunningham of Rockflow offered to stand and was duly elected.

The Europe Chapter office bearers for 2019 are:

- Chairman: Dominique Salacz
- Vice Chairman: Joel Turnbull
- Secretary – Treasurer: John Baillie
- Membership Chairman: Tom Gunningham

Meetings - Four per year. Membership - 36

Houston

The January 9th meeting was a joint meeting with SPE-GCS Reservoir Study Group. SPEE Member Manoj Devashish, P.E., Director with Citigroup spoke on *Perspectives on Engineering DD and Technical Evaluation by Reserve Based Capital Providers*.

In a joint chapter meeting with SIPES on February 21, Rachel Reese, Managing Attorney with R. Reese and Associates LLC, spoke on *How Custom Provisions in Oil and Gas Leases Can Impact Reserve Value*.

The March 6th meeting will feature John Howie, Senior Vice President, Upstream – Tellurian Inc. He will provide a history of LNG as well as a current view of the LNG market. He will also speak about Tellurian’s major assets as well as their business model.

2019 Houston Chapter Officers are:

- Chairman – Ed Butler
- Vice Chairman – Lucas Smith
- Secretary-Treasurer – Ali Porbandarwala
- Program Chairman – Jay Quinn

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



2019 Houston Chapter Officers: Jay Quinn, Lucas Smith, Ali Porbandarwala, Ed Butler

Midland

2019 Chapter Officers:

- President: Tom Collier
- Vice-President: Gail Hankinson
- Secretary/Treasurer: Monica Parkinson

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

Northern Rockies

The Northern Rockies Chapter of SPEE fall 2018 meeting was held on December 13th in Casper, Wyoming. Rod Prosceno and Gene Wadleigh, Managing Members with Grant Canyon Oil & Gas, presented a technical, enlightening program on their efforts to enhance oil production via air injection in Grant Canyon and Blackburn fields in Nevada. The meeting was attended by 28 people in Casper (five NR SPEE members) and two NR SPEE members remotely, one in Billings, MT and one in Cody, WY. The next planned meeting will be in April 2019, program TBD. We will also hold chapter officer elections at the April meeting.

Membership – 13

Oklahoma City

During the fourth quarter of 2018, the Oklahoma City Chapter held two lunch meetings. On October 25th, the OKC SPEE Chapter hosted member David Yard, VP of Engineering and Evaluations for Stronghold Resource Partners, LLC. He presented *A New Normal for the Normalization of Type Well Profiles*. Attendance was 41 members and guests.

On December 13th, the OKC SPEE Chapter hosted Don Jacks who presented the Annual Ethics Presentation. In addition, Andrea McCown, owner of McCown Contracting, LLC, presented Annual SPCC Required Training for O&G Operators. Attendance was 41 members and guests.

Meetings – Every odd-numbered month. Membership - 19

Tulsa

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



56th Annual Conference
Fairmont Chateau Lake Louise, Alberta, Canada ~ June 8-11, 2019

TECHNICAL & SOCIAL PROGRAM:

“Global Energy Resources for a Global Economy” is the broad theme for this year’s Annual Meeting. Technical events include a full day field trip covering the geology of the Canadian Rocky Mountains hosted by local experts, additional short courses on Saturday and Tuesday afternoon as well as two mornings of technical sessions. There will be opportunities to network and socialize during group and guest activities, social events and the Monday evening Gala and Awards Dinner. A major change this year includes a Western Canadian BBQ social and dinner on Sunday evening hosted at Brewster Cowboy’s Barbecue and Dance Barn. **The complete conference agenda will be available in early March on the SPEE website www.spee.org.**

HOTEL ACCOMODATIONS

Fairmont Chateau Lake Louise offers SPEE group rates from Friday, June 7th to Wednesday, June 12th, 2019 starting from CAN\$439 (current exchange rate US\$.75 to CAN\$1.00) upward depending on room size and location, plus taxes and fees. The room rate will also carry an add-on of CAN\$15 daily resort service fee which includes all Bellmen, Valet and Housekeeping gratuities as well as the following services: complimentary Wi-Fi, complimentary fitness classes, free local and 1-800 calls, 24-hour Business Center access, and Lake Louise village and Ski Resort shuttle.

The Fairmont Chateau Lake Louise has confirmed a number of special rates and room blocks for SPEE. The majority of rooms fall into three types:

- Deluxe Mountainview Rooms in the original building
- Deluxe Lakeview Rooms in the original building
- Deluxe Mountainview Rooms in the Mount Temple wing

The Mount Temple wing is new, modern and has larger guest rooms (445 sq. ft. vs 370 sq. ft.), but limited lake views. The conference facilities are in the Mount Temple wing. The spouse/guest activities and the Gala Dinner are in the original building.

Before making your room reservations we encourage everyone to visit the Fairmont Chateau Lake Louise website to examine the room options. <https://www.fairmont.com/lake-louise/>

A dedicated booking website is available for the SPEE Annual Meeting. Attendees can make, modify and cancel hotel reservations online at

<https://aws.passkey.com/go/spee56thannualmeeting>.

For attendees who prefer to reserve via phone, a dedicated group desk is available at **1-403-522-1830** or **1-800-441-1414**. Please mention the group name “SPEE 56th Annual Meeting” when making reservations.

Reservation requests must be made by May 7, 2019.

SPEE WEBSITE NEWS

As you may have been aware, your internet committee is conducting an update to the styling of our website and it's looking great! We have a few minor clean up items to figure out before we unveil this new "look" in the Spring this year. Again, we always like to solicit any ideas on visual improvement or anything else that may have been bugging you about your SPEE website. Please submit these ideas or concerns to our group mailbox at info@spee.org. All suggestions/comments are highly appreciated!

Chapters, if you need speaker or topic ideas for SPEE, we encourage you to visit our Newsletter archives in the News menu, or the Past Presentation area under the Resources menu on the SPEE website.

Speaking of our Newsletter archives on the website, do you know what was going on in our society 30 years ago? Annual meeting was held in Austin, TX in early May, the society applied for nonprofit status, we had a total of 4 local chapters, Herb Poyner was awarded Life Membership and there was a fire at the SPEE Houston office headquarters building where B.K. Buongiorno, our Executive Secretary, could not be let back into the office for several days.

As a reminder, annual membership dues are available for payment on the website. The first late fee has been instituted and the next fee will be added after March 31st. When you log in, please always update your contact information, especially your email address. It helps the society keep in contact with you and for you to receive our new "all digital" newsletter.

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
Internet Committee Chair

IN MEMORIAM

We regret to note
the passing of:

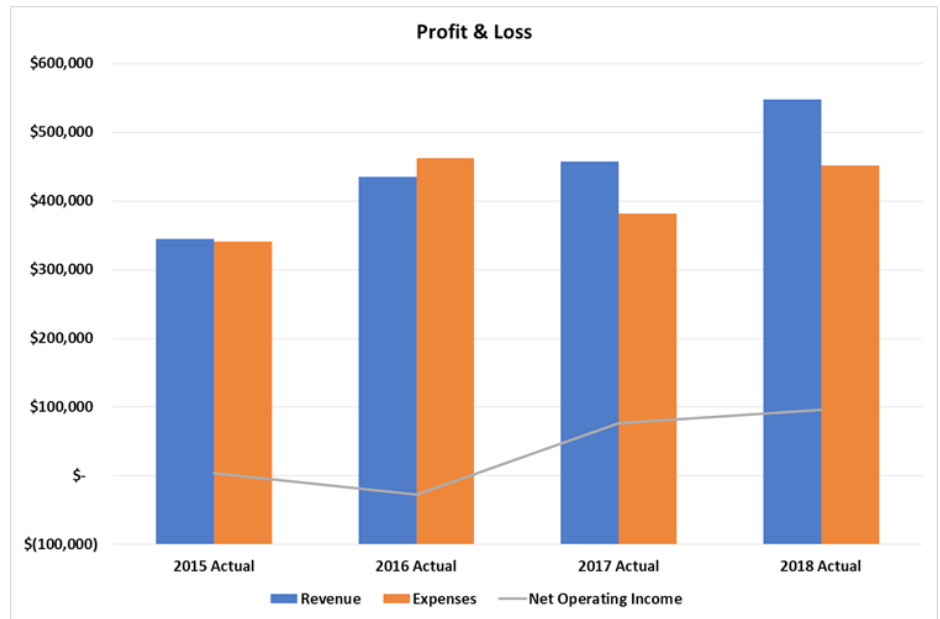
Charles (Chuck) Harmon
Tulsa, OK
December 27, 2018

Charles "Chuck" Harmon, of Tulsa, passed away Thursday, December 27th at the age of 83. He attended the University of Oklahoma and earned B. S. degrees in Geological Engineering as well as Petroleum Engineering. He and wife Evelyn founded C.E. Harmon Oil Inc. in 1980 and he remained President of the company until his death. He was known by his employees for the many cookouts he hosted for them and the compassionate, caring way he ran his business. He remained active in many professional organizations including the Domestic Energy Producers Alliance, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Petroleum Engineers, and the National Strippers Well Association to name a few. He was also an active member of the Dustin High School Alumni Association, the University of Oklahoma Alumni Association and his home church, South Tulsa Baptist.

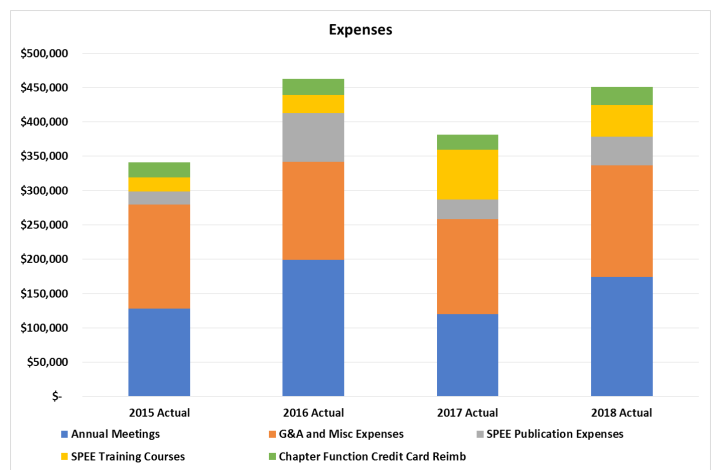
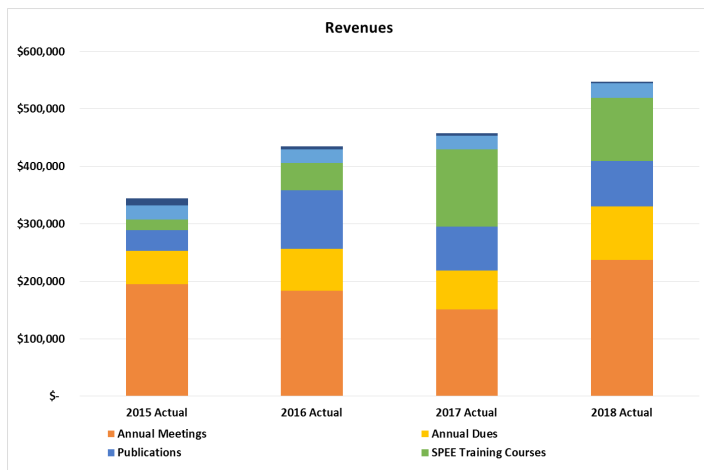
Financial Report

SPEE International continues to remain financially healthy. Revenue of SPEE International in 2018 was \$548,772 and the Expenses were \$451,340, giving a Net Profit of \$97,432. Cash assets held by SPEE International at the end of 2018 in checking and money market accounts plus CDs total \$557,254.

The chart to the right shows the financial performance of SPEE International for 2015 through 2018. Overall, the financial performance for 2014-2016 ran in the negative and lost \$32,427. However, 2017 and 2018 turned around for very successful years for the organization, resulting in a profit in large part due to an active training program. SPEE posted a 2017 profit of \$77,581 and for 2018 \$97,410. A much smaller profit of \$75,777 is budgeted for 2019. SPEE International's cash balance is projected to stand at approximately \$495,000 at the end of 2018.

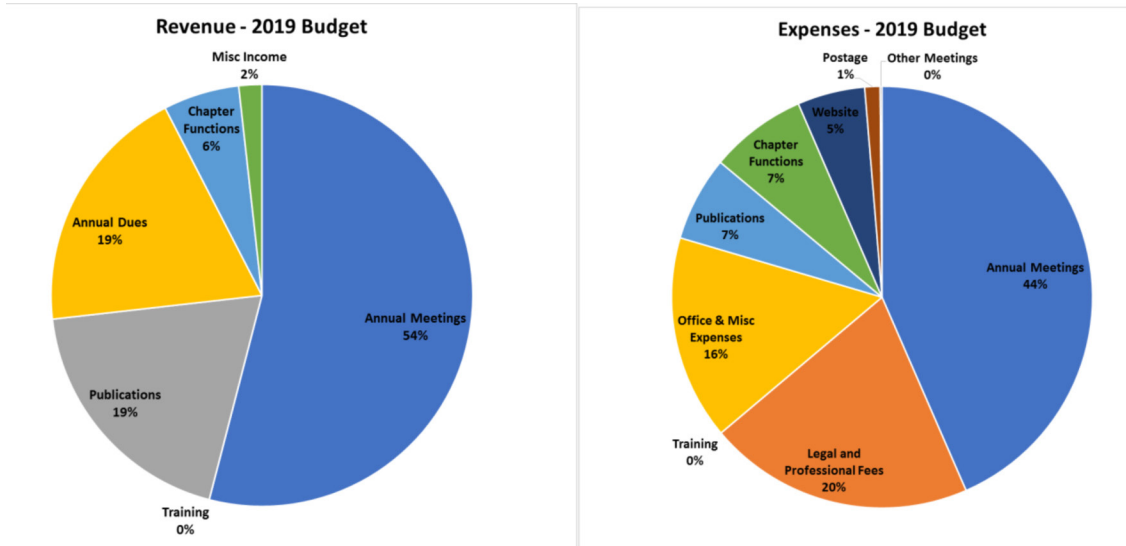


The charts below summarize the principal sources of revenue and expenses over the last several years. Dues have declined in recent years but rose in 2018 because of the associated increased annual dues rate. The membership has been largely static at 556 members. The increased revenue in 2017-2018 reflects a very active training program associated with Monograph 4. However, there are no Monograph training courses projected for 2019. The Annual Meeting continues to create the largest revenue item for the SPEE. Essentially the AM, while providing a service to the industry, also pays the society's budget.



The G&A costs of the Society have increased over the last several years but are projected to stabilize to approximately \$150k for 2019. 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.

The charts below summarize the relative contributions of revenue and expense categories for the 2019 budget. Publications and Training revenue dropped significantly because of the lack of scheduled Monograph Training courses. The Training Committee continues to work toward offering Monograph 4 courses later in 2019 but currently not a part of the budget.



Whilst the financial reserves of the Society are healthy, results from 2016 (\$29,121 loss) 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 Jennifer Fitzgerald directly.

Robert Green
2018 Secretary / Treasurer – speetreasurer@spee.org

**PLAN
AHEAD**

SPEE Annual Meetings

**June 8-11, 2019 - Banff National Park, Alberta
Chateau Lake Louise**

**June 13-16, 2020 - Gurney's Resort and Marina
Newport, Rhode Island**

**June 12-15, 2021 - Omni Grove Park Inn
Asheville, North Carolina**

No Crying Over Spills —Unless They Flood Your Laptop

Luckily, internet research shows nothing is too soggy to be salvaged

By Joe Queenan

Wall Street Journal Jan. 31, 2019 11:34 a.m. ET

Spilling coffee all over your laptop is one of the most traumatic misfortunes known to man. It's best not to do it when you are in the middle of a Power Point presentation or Skyping with your parole officer. I myself spilled a half-gallon of chocolate milk all over my MacBook Air last week while doing my taxes. That wasn't quite as dramatic; my mortgage interest deduction wasn't working out as I'd hoped, anyway.

Pulling myself together, I jammed the inundated laptop into the oven—at a very low temperature, of course—and then went to the best place to look for authoritative solutions to any problem: the internet. Here, other flooding victims generously shared their suggestions, sometimes with helpful videos. Based on my review of their often-ingenuous solutions, it is possible to say this: No device, no matter how soggy, is beyond salvation by internet video. A wet battery can be shipped off to the dry cleaners. A soaked motherboard can be dried out over a small open-pit fire. A drowned USB need not be DOA.

That said, folks on the internet disagreed on certain issues. I know, it's shocking but true. Some said that if a beverage has seeped into the battery, you need to take it to the Mojave desert to dry it out. Others said that if you simply remove the laptop's casing, take the entire unit outside and let the noonday sun go to work on it for a few hours, it'll be up and running in no time.

There are far bigger disagreements about the best materials and tools to use for reconditioning an inundated laptop: rice, cotton, chamois, granola, old socks, hair dryers, chicken fingers, dry-vacs, barbecue grills, leg warmers, heating pads, crushed velvet, pita wraps, microwaves—all have their loyal adherents.

Rice has long been mythologized as the ultimate quicker picker-upper when sopping up coffee, beer, schnapps, blood and even hot fudge sundaes. Yet my investigation revealed that white rice had only limited effect. It's brown rice that you want to be using. Or that grainy semolina used in making cous-cous. Bulgur also works nicely. Grits are a bit more problematic.

When disaster strikes, identifying the culprit is of paramount importance. If you spill coffee on your laptop, it's vital to know which brew. Certain flavors—thick, grainy Senegalese High Mountain Blue immediately comes to mind—are more damaging than others and should probably be immediately banned from any table holding electronic equipment. Because of the invasive froth, white mochas are positively deadly. Any coffee containing non-dairy creamer will inflict irreparable damage.

Some substances are even worse for your laptop than coffee. Yankee Bean soup comes to mind.

At this point you probably have questions. Is it okay to dry out your laptop using a heat lamp? Dickey. A sauna? Not if the device has less than 5 terabytes of memory. An ordinary toothbrush is fine to clean out the insides of a device. An electric toothbrush? Come on. You know better.

One thing agreed upon in every video I consulted was this: The moments immediately after inundation are crucial. That means always being prepared. No one in their right mind should ever leave the house without packing an emergency laptop/smartphone salvage kit—a pair of pliers, a set of tongs, a Phillips screwdriver, a magnifying glass, a soldering iron, a dozen Q-tips, three chamois cloths, two pounds of basmati rice, a small box of baby wipes, a portable hair dryer and a tourniquet. If you really value your device, you might also bring along a hot water bottle, a portable space heater, a couple of calico blankets and a woolen beret.

And maybe, instead of relying on your fragile device, you should see your parole officer in person and send your taxes to an accountant. Better safe than sorry.



Illustration: Serge Bloch

THE ETHICS COLUMN

Can Audit Scrutiny Increases Lead to an Ethical Dilemma?

Overlap in oversight is growing. At the end of last year, the Public Company Accounting Oversight Board (PCAOB) promulgated more stringent standards for the auditing of the work of specialists, which may include the work of petroleum evaluators.¹ These amendments become effective at the end of next year. This raises a simple question. Where there is an overlap in oversight, how do we work out our differences across multiple areas of competence? Of course, an exhaustive treatment of this subject is out of the question, but I can provide an illustration of the problem. In the end, based on my reading of the standard and my considered opinion that the public is best served by aligning roles and responsibilities with competence, I would conclude that much of the new auditing standard effectively improves oversight. However, there are two problematic areas in which ethical concerns may preclude a petroleum evaluator from deferring to the financial auditor.



Before we begin, it is vital to define two terms. Through the rest of this column, I will use the terms Area of Competence and Competency in a very specific way, and they are not interchangeable. Area(s) of Competence refers to an ability arising from education, training and experience to complete a task. In the context of this column, there are many areas of competence in play such as decline curve analysis, type curve preparation, financial auditing, accounting, etc. Competency refers to an established prerogative to render an official decision. In this column we will consider two Competencies – issuing a reserve report (Competency of the petroleum evaluator) and issuing an audit opinion (Competency of the financial auditor).

One of our canons of ethics as engineers is to practice only in our Areas of Competence. We recognize as practicing professionals that competence is task specific, and that the professional judgment that we develop must be applied in its proper context. More broadly, we recognize that competence does not extend to other disciplines, e.g. an engineer would not provide an opinion on geology. Certainly, a petroleum evaluator, however experienced, would not have competence to practice accounting.

Codes of professional conduct for certified public accountants, not surprisingly, contain similar provisions.² In the United States, recently promulgated auditing standards call upon public accounting firms to perform a more detailed review of reserve reports as the work product of a specialist.³ In this case, the accountants' auditing standard requires them to test work that lies outside their Areas of Competence. The auditing standards clearly recognize the fact the accountant is not an engineer. I would argue that the financial auditor is in an excellent position to validate that the production and cost data provided by the company to the petroleum evaluator is complete and accurate, as well as to verify that there are no extant conditions that are in material conflict with the reserve report's stated assumptions.⁴ Additionally, the financial auditor can readily opine on the objectively required professional qualifications, absence of public scandal (reputation) and the independence of the petroleum evaluator relative to the company.⁵

There are two requirements in the auditing standard that could prove problematic. The newly promulgated standard requires the financial auditor to verify that the methodology used by the reserve evaluator was appropriate under the circumstances.⁶ Secondly, the financial auditor should report doubts about the knowledge, skills, and ability of the petroleum evaluator.⁷ Beyond the simple case of a reserve report being prepared pursuant to an incorrect regulatory regime (e.g., a report prepared according U.S. SEC standards for use in listing on the London AIM which requires COGEH or PRMS standards) the ability to assess the methodology or skills of the petroleum evaluator lies beyond the financial auditor's Areas of Competence. This eventuality would bring us to an impasse. The petroleum evaluator who prepared the original report has an ethical responsibility to produce a reliable reserve report. Once produced, absent the discovery of material new information in existence before the date of the report or the discovery of an error, the original report should not be changed. The petroleum evaluator retains the Competency to issue the reserve report and it would be unethical to alter its contents at the request of any party, including the financial auditor.

This illustration is, of course, an extreme case that tests the rule. How unlikely it is that such a case might occur is impossible to predict. The key to achieving the best outcome for the users of the reserve report and audit opinion is for all parties involved remain aware of the need to align the Competencies of the parties with their respective Areas of Competence.

Deacon Tom Collier
Chair, SPEE Ethics Committee

Footnotes on following page

A “Reliable” Reserve Report – Better than an “Accurate” One

In my last column, I referred to an engineer producing an “accurate” reserve report. Ron Harrell was kind enough to offer the following comment indicating that “accurate” was too strong a descriptor for any reserve report.

“Having produced and signed hundreds of reserves reports has not provided me sufficient intellect and background to produce an accurate report; hopefully some were sufficiently reliable for their intended purposes.”

I think that Ron has made an excellent point. I am happy to pass it along to you.

Footnotes for Ethics Article:

1 Public Company Accounting Oversight Board: Docket 044: Proposed Amendments to Auditing Standards for Auditor’s Use of the Work of Specialists, December 20, 2018: <https://pcaobus.org/Rulemaking/Docket044/specialists-redline-existing-standards-vs-final-Amdts.pdf> Accessed February 18, 2019.

2 American Institute of CPAs: AICPA Code of Professional Conduct §1.300.010 <https://pub.aicpa.org/codeofconduct/Ethics.aspx>: Accessed February 19, 2018.

3 Cf AS 1105 Appendix A

4 Cf. AS 1105 Appendix A.A8.a and A8 Note (1)

5 Cf. AS 1105 Appendix A.A3.a & c, AS 1105 Appendix A.A4. It must be recognized that for internally generated reserve reports, the requirement for independence be replaced by an adequate control system to ensure a reliable reserve report.

6 Cf. AS 1105 Appendix A.A8.c. Additionally, AS 1105 Appendix A.A8 Note (1) could also be potentially problematic, should the financial auditor attempt to apply the standard of “generally accepted [assumptions]” to the technical assumptions underlying the analysis.

7 Cf. AS 1105 Appendix A.A10 Note (4)

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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.

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