

Over the past couple of years, I have had the pleasure of volunteering as Secretary-Treasurer and Vice President of our Society alongside an excellent executive team. Now, I am honoured to have been elected 2008 SPEE President in this our 45th year.

I would like to express sincere appreciation to Tim Smith for his outstanding leadership and service to the board and our Society as 2007 SPEE President. Tim will no doubt continue to demonstrate his outstanding "leadership by example" skills in 2008 as he assumes the key role of Past President. I would also like to thank Bernie Brauer for his equally outstanding contributions to the SPEE Board over the past number of years. Bernie will continue his volunteer efforts on our behalf as the latest member of the SPEE Council of Past Presidents.

SPEE, as a technical Society, is small in numbers but distinguished and distinctive in the profession of petroleum evaluation. It is appropriate to take a moment to reflect on our recent accomplishments, current work-in-progress, and potential new initiatives.

Many of our recent activities have served to strengthen our relationship with our larger sister organizations - SPE, AAPG, and WPC - as well as raise the level of awareness of our Society worldwide.

As reported in the SPEE newsletters of 2007:

- SPEE co-sponsored the Petroleum Resources Management System (PRMS).
- SPEE participated in the formation of the Joint Committee on Reserves Evaluation Training (JCORET) and continues to play a key role.
- SPEE members volunteer on the SPE Oil and Gas Reserves Committee (OGRC).
- SPEE jointly sponsored the Multidisciplinary Reserves Conference in Washington, D.C.
- Under the direction of our Newsletter Coordinator Richard Miller, our newsletter has expanded to include articles and discussions of topics of interest to us as petroleum evaluators. A particularly obvious change was the addition of colour to the format.
- The membership approved a fresh new logo which adorns this issue of our newsletter.
- SPEE's By-Laws were amended with a 90% margin. The revised By-Laws broaden and strengthen SPEE admission standards and included provisions for the application process for qualified evaluators in remote or international regions.
- The SPEE European Chapter in Formation was established.
- SPEE participated in a meeting in Geneva, Switzerland of the Ad Hoc Group of Experts (AHGE) on Harmonization of Fossil Energy and Mineral Resources Terminology, formed under the United Nations

## *President's Letter*



Framework Classification for Fossil Energy and Mineral Resources (UNFC). This is a UN-led effort to harmonize fossil energy and mineral resource terminology necessitated by an ever-expanding global economy, including the capital and energy markets.

- The Calgary Chapter issued an update to COGEGH Volume 1 incorporating changes to the Canadian reporting requirements as well as comments specific to the PRMS.

SPEE volunteers are currently working on the following,

- We will be issuing a new Membership Directory in 2008.

## 2008 Officers and Directors

### Committee Chairmen and Individual Appointments

#### Officers

President ..... Frank Molyneaux (Calgary)  
 Vice President..... David K. Gold (Bakersfield)  
 Secretary/Treasurer.....Stuart L. Filler (Houston)  
 Past President..... S. Tim Smith (Austin)

#### Directors

Barry R. Ashton (Calgary)	Scott H. Stinson (Denver)
Richard F. Krenek II (Dallas)	Brian Walter (Dallas)
ames G. Patterson (Houston)	Marshall Watson (Midland)
Bruce Randall (Tulsa)	Jim L. Wilson (Tulsa)

#### Committee Chairmen

Evaluation Parameter Survey.....Tom Collier  
 Fair Market Value.....D. Russell Long  
 Ethics and Grievance ..... L. D. (Buddy) Sipes  
 Internet .....J. Brian Walter  
 Membership..... James G. Patterson  
 Nominating .....S. Tim Smith  
 Newsletter Coordinator ..... Richard J. Miller  
 Past President's Council .....Daniel R. Olds  
 Qualifications ..... Jim Wilson

#### Individual Appointments

Annual Meeting Advance Planning .....Barry Ashton  
 Communications Director .....Bruce L. Randall  
 Production Tax Summary ..... Marshall Watson  
 Liaison Representative on SPE  
     Oil & Gas Reserves Committee..... D. Ronald Harrell  
 Professional Registration ..... Marcus Snyder  
 REPS.....Daniel R. Olds  
 JCORET..... Stuart Filler, Dan Olds, E. Bernard Brauer



1001 McKinney Street, Suite 801

Houston, Texas 77002

713-651-1639

fax 713-951-9659

www.spee.org

password: speeweb

#### Administrative Secretary

B.K. Buongiorno  
 Bkspee@aol.com

#### Newsletter Editor

Diane Pollard  
 (512)263-8022  
 dpollard@austin.rr.com

The SPEE Newsletter is a quarterly publication of the Society of Professional Evaluation Engineers. News items, correspondence, address changes and advertising inquiries should be directed to SPEE headquarters in Houston, Texas.

## Chapter Officers - 2008

### Calgary

Chairman	Floyd Siegel
Vice Chairman	Atilla Szabo
Secretary/Treasurer	Curt Labelle
Membership Coordinator	Terry Nazarko

(3rd Tuesday each month except June/July/August)

### California

Chairman	Russell Bertholf
Vice Chairman	Tom Walker
Secretary/Treasurer	Barry Evans

### Central Texas

Chairman	Cary McGregor
Membership	Open

(Quarterly - Austin Country Club)

### Dallas

Chairman	Dean Eiland
Vice Chairman	Paul McDonald
Secretary/Treasurer	Philip Crouse
Membership Chairman	Rick Krenek

(Bimonthly-September through May - Dallas Petroleum Club)

### Denver

Chairman	Jerry Hertzler
Vice Chairman -Program	Kevin Weller
Secretary/Treasurer	Pat Galuska
Membership	Mike White

(2nd Wednesday of first month of each quarter  
 Hershner Room - One Norwest Center)

### Houston

Chairman	Ed Gibbon
Vice Chairman	Ronald Rhodes
Secretary/Treasurer	Samantha Meador
Program Chairman	Mitchell Reece

(1st Wednesday of each month except June/July/  
 August - Petroleum Club)

### Midland

Chairman	Charles Gleeson
Vice Chairman (Program)	Tom Collier
Treasurer	Russ Hall
Membership	Joe Neal
At Large Member ExCom	Bob Dimit
At Large Member ExCom	Arlen Edgar

(1st Tuesday odd months-Petroleum Club)

### Oklahoma City

Chairman	Jim Wilson
Vice President-Program	Ken Sigl
Vice President-Membership	Bruce Heath
Secretary/Treasurer	Fletcher Lewis

(Every odd-numbered month)

### Tulsa

Chairman	Ken Richison
Vice Chairman	Chris Jacobsen
Secretary/Treasurer	Bob Harmon

(1st Tuesday of each month - Petroleum Club)

Properties.” Volume 3 will be published and available in early 2008. In progress is an additional chapter on reserves and resources evaluation of oil sands deposits.

- Vice President David Gold has revamped the format of our Annual Meeting and has designed an informative technical and training program for June 7 – 10 at The Homestead Resort, Virginia. Refer to [www.spee.org](http://www.spee.org) for details.
- We continue to contribute in an ongoing basis to the efforts of the AHGE.

#### New initiatives:

- We plan to further expand the content of our newsletter to include articles on the topic of petroleum evaluation either published by other organizations (e.g. SPE), or presented at technical meetings but never published (e.g. HEES). Additionally, we are investigating the possibility for SPEE to take on the task of organizing an up-to-date volume in the SPE Reprint Series on the subject of Economics, Finance, and Oil and Gas Property Evaluation.
- We will investigate the need for establishing guidance for the evaluation of “resource” plays that fits with existing reserve and resource definitions. Such guidance may build on the work completed for COGEH Volume 3. This topic will be the subject of a panel discussion at our Annual Meeting in June.
- A repeat of our highly successful Software Symposium is scheduled for 2009.
- The Securities and Exchange Commission has asked for public comments on possible revisions to disclosure requirements for oil and gas reserves. We have been in communication with the SEC offering the full resources of our organization to assist the SEC should it decide to revise the existing disclosure requirements. Our efforts to assist the SEC would pertain solely to the technical and commercial aspects of petroleum reserves and resources evaluation. All responders to the SEC concept release are posted on the SEC website. Our response can be found in my letter to the SEC on page 10.
- We continue to receive inquiries for membership in our Society from international locations. We will continue to explore international participation as opportunities arise.

I started out by saying we are a small Society with a distinguished global reputation as petroleum evaluation

professionals. Our accomplishments and our future plans are, of course, predicated on the dedication and hard work of our volunteer base.

As a small Society, expanding our pool of volunteers is becoming increasingly difficult. The outcome of many of our initiatives has a direct bearing on how our members will be doing their job in the future. Lending your expertise, your voice, and your time on one of the SPEE committees or projects will directly influence the global direction of oil and gas evaluation and potentially, corporate reserve reporting.

In closing, I would like to recognize the efforts of B.K. Buongiorno, our Executive Secretary. She flawlessly manages all of our administrative tasks; a job that would normally employ a team of support staff. B.K. is also an invaluable encyclopedia of SPEE historical reference for Directors during their term of service. For her contributions over the years, SPEE is eternally grateful.

If you have any questions, comments, or suggestions relevant to the Society, or would like to explore volunteer opportunities you may contact me at (403)221-6566 or [frank\\_molyneaux@scotiacapital.com](mailto:frank_molyneaux@scotiacapital.com).

See you at The Homestead in June!

**Frank Molyneux**  
**President**

### ***New Editions! Canadian Oil and Gas Evaluation Handbook***

The Calgary Chapter’s Standing Committee for the Canadian Oil and Gas Evaluation Handbook has completed revisions and updates to Volume 1. The COGEH Standing Committee has also completed COGEH Volume 3 sections on “*Detailed Guidelines for Estimation and Classification of Coal Bed methane (CBM) Reserves and Resources*” and “*Reserves Recognition for International Properties.*” Updates and new orders for all volumes can be made using the Petroleum Society of the Canadian Institute of Mining website at [www.petsoc.org](http://www.petsoc.org). Guidelines for estimation and classification of bitumen reserves and resources are currently being drafted by members of the Calgary Chapter and industry experts. These will be added to COGEH Volume 3 upon completion.

# Chapter News

## Calgary

Proposed changes to Alberta royalties will be the topic of the next luncheon meeting of the Calgary Chapter on February 19, 2008 at the Calgary Petroleum Club. Cristina Lopez, Vice President and Director Institutional Research at Tristone Capital will address the changes to Alberta's royalty regime, the impact on project economics and recent developments announced by the Alberta Government.

A recommended approach was developed by members of the Calgary Chapter and interested parties regarding the Alberta royalties for 2007 year-end reporting. This recommended approach, which was endorsed by members of the Calgary Chapter at the December 18th meeting, is available on the Petroleum Society website at [www.petsoc.org](http://www.petsoc.org).

The Canadian Securities Administrators (CSA) have implemented amendments to NI 51-101, its related forms and its companion policy, effective December 28, 2007. Details of these changes are available on the Alberta Securities Commission website at <http://albertascurities.com/Companies/Pages/OilGas.aspx>.

Guidelines for estimation and classification of bitumen reserves and resources are currently being drafted by members of the Calgary Chapter and industry experts.

Terry Nazarko was elected as Membership Coordinator for the Calgary Chapter at the January 15 business meeting.

## Dallas

On January 17, 2008, the Dallas Chapter of SPEE kicked off the New Year with a standing room only crowd at the Dallas Petroleum. Mr. Ken Golden, Senior Energy Advisor - Corporate Planning, ExxonMobil, presented an outstanding program "The Outlook for Energy - A View to 2030." The presentation summarized ExxonMobil's long-term outlook for energy. It is always interesting to hear what the "Big Guys" are thinking.

The Dallas chapter has several great meetings on the drawing board for the spring so keep watching the web site.

## Denver

The Denver Section kicked off the New Year with its first quarterly meeting on January 9th. A total of 45 people attended the luncheon which was highlighted with a presentation by Victor Hein regarding evaluation methods and limitations of various engineering techniques as applied to tight gas reservoirs. Potential pitfalls in utilizing traditional analysis techniques on tight gas reservoirs were discussed. In addition, several advanced evaluation methods were brought up, which when used carefully and in combination can yield reliable results. Victor made the trip to Denver from Houston, where he works for Albrecht & Associates, Inc., to give the presentation. The talk was well received by those in attendance and there was considerable interaction with the audience following the formal presentation.

A presentation regarding the SPEE Annual Meeting in Virginia was shown as the group assembled and a preview of the expected Annual Meeting program was distributed to those in attendance. Congratulations were conveyed to Scott Stinson, who was recently elected to the SPEE Board of Directors. Outgoing Director Nanette Schulz was also thanked for her service on the Board. The next quarterly meeting is scheduled for April 9th.

## Houston

Houston Chapter officers for 2008 were elected at the December 2007 meeting. They are Ed Gibbon - Chairman, Ron Rhodes - Vice Chairman; Samantha Meador - Secretary-Treasurer. Completing the roster of 2008 officers is Mitch Reece who accepted the appointment as Program Chairman.

Our final meeting of 2007 was held on Tuesday, December 4th, and featured Dr. Mariano Gurfinkel of the Center for Energy Economics at The University of Texas at Austin. Dr. Gurfinkel provided interesting insight into the current situation in Venezuela in a talk entitled "Evolving Scenarios for Venezuela." Attendance was 39 members and guests.

Credit for arranging consistently excellent speakers at our luncheon meetings during 2007 is due to Samantha Meador, who served as Program Chairman last year. The average attendance at our meetings during 2007 was 48 members and guests.

## Houston (cont'd)

Continuing our tradition of having a joint meeting each January with the Society of Independent Professional Earth Scientists (SIPES), we had our first meeting of the New Year at the Petroleum Club on January 17th. The speaker was Frank Cornish with Imagine Resources whose topic was "Discovery and Development of the Lower Wilcox Southwest Speaks Field, Lavaca County, Texas." The meeting was attended by 33 SPEE members and 9 SPEE guests.



*Houston 2008 program chairman Mitch Reece and speaker Cheryl Collarini*

The speaker for the Houston Chapter's February 6th meeting was Cheryl Collarini, Collarini Energy Staffing, whose topic was "The 21<sup>st</sup> Century Employee: What Is Most Important." Cheryl presented results from two recent surveys of employees that were conducted to determine what non-monetary factors are of most importance to them in today's employment environment. Attendance at the meeting was 30 members and 4 guests.



*Houston 2007 program chairman Samantha Meador and SPEE Executive Secretary B.K. Buongiorno*

The speaker for the March 5th luncheon meeting was Ron Harrell who spoke on "The PRMS and How It Applies to Unconventional Resources." There were 42 members and 18 guests in attendance.

As always, SPEE members are encouraged to attend and guests are welcome.

## Midland

The Midland Chapter concluded 2007 with an ethics presentation by Arlen Edgar titled "Engineering Ethics – What You Don't Know Can Hurt You." Twenty five members and prospective members attended this November 6th meeting. Arlen presented an interactive discussion of ethics awareness with the members working through challenging evaluation, reporting and consulting issues. Each attendee was given the SPEE "Discussion and Guidance on Ethics."

Officers were elected for 2008:

Arlen Edgar – Director  
Bob Dimit – Director  
Charles Gleeson – Chairman  
Tom Collier – Vice Chairman  
Russell Hall – Secretary/Treasurer  
Joe C. Neal – Membership Chairman

Marshall Watson gave an excellent talk on "Coalbed Methane Basics" on January 7th. The talk covered the basics of evaluating CBM reservoirs. An informative question and answer session followed the talk. 28 members and guests attended the meeting.

The scheduled meetings for 2008 are as follows: January 8, March 4, May 6, July 8, September 9, and November 11.

## Tulsa

The Tulsa Chapter met on Wednesday, January 30 and welcomed speaker Teri Williams, who spoke on Market Trends in A & D.

Ms. Williams is a registered land professional with broad experience in the oil and gas industry, beginning her career in Oklahoma City as Land Manager for U.S. Mineral & Royalty Corporation. From 1982 through 1992, Ms. Williams worked for Fairchild Oil Corporation. In 1992, she joined Sullivan and Company in Tulsa, Oklahoma where she served in dual roles as a Manager of Land and overseeing acquisitions and divestitures. Ms. Williams is a member of AAPL, IPAA, TAPL, OCAPL, and ADAM Energy Forum. She joined Meagher Oil & Gas Properties, Inc. in 2001 and was appointed Chief Operating Officer in 2008.

# SPEE 40th Annual Meeting Preview

June 7-10, 2008 – The Homestead Resort, Virginia

“45 Years of SPEExcellence”

This will be an SPEE Annual Meeting that you will not want to miss!!

The 2008 SPEE 40th Annual Meeting celebrates the 45th Anniversary of SPEE with an excellent Technical Program, short courses on the new reserve definitions, and the always enjoyable networking functions. The Annual Meeting will be held at The Homestead Resort in Virginia. It is among the top ranked resorts, has top ranked golf courses, is a AAA “Four Diamond” award winner, is among the top 50 spas in North America, and is one of the top-rated places to have a business meeting. It is also an opportune time to visit Washington, D.C., visit George Washington’s Mt. Vernon estate south of D.C., or Thomas Jefferson’s Monticello or James Madison’s Montpelier near Charlottesville.

## Technical Interest

Short Courses - We are very pleased to have John Etherington give the Short Courses. John serves on the SPE Oil and Gas Reserves Committee. He also has primary responsibility for SPE’s interface with the United Nations Framework Classification and the International Accounting Standards Board’s Extractive Activities projects. On Saturday we’ll have “Essentials of PRMS” where John will cover the new SPE/WPC/AAPG/SPEE reserve definitions. And on Sunday he will discuss “Managing Your Business Using PRMS.” They are designed to be stand-alone classes so be sure to attend one or both.

See Tentative Technical Program on facing page.

## Social Events

Dinner - Be sure to sign-up for the Monday Evening SPEE 45th Anniversary Dinner including Virginia Crab Cakes, Salad, Brown Sugar Cured Smoked Chicken Breast, SPEE 45th Anniversary Cake, and one drink. The SPEE 45th Anniversary Dinner dress is jacket and tie.

Activities - SPEE is offering a “Lexington Civil War Tour” led by SPEE Past-President Richard Miller. The tour will visit the Virginia Military Institute, the Stone-wall Jackson House, and other sites of interest in a small Upper Shenandoah town rich in cultural and history. This tour will be a limited group of no more than 40 persons.

## Air and Ground Transportation

There are two good alternatives for getting to The Homestead.

**Alternative 1** - Fly to Roanoke, Virginia, and either get a rental car, or call The Homestead at 1-800-838-1766 to make a reservation to have them pick you up (\$70 pp one way charged to your room and that’s it, no extra charges or fees) in a very comfortable larger van.

Example connections for Attendees to Roanoke Regional Airport- code “ROA.” Fares listed below are examples from October, 2007:

Calgary - United through Chicago to Roanoke (\$860).

Denver - big airport, lots of options through Cincinnati, Chicago, Atlanta, or Charlotte (\$426).

OKC - Delta through Cincinnati or Atlanta; or United through Chicago were of shortest duration (\$453).

Tulsa - Delta through Cincinnati or Atlanta were of shortest duration (\$415).

Austin - Delta through Cincinnati or Atlanta were of shortest duration (\$457).

DFW - take United through Chicago, or Delta through Atlanta or Cincinnati (\$287).

Houston - take United through Chicago or D.C., or Delta through Atlanta (\$323).

Midland - looks like American or Continental connecting with Delta or United through the other cities listed here (\$415).

If you rent a car and drive, U.S. 220 runs from the Roanoke airport to The Homestead.

**Alternative 2** - Fly to Washington, D.C., do some sightseeing, and get a rental car to drive to The Homestead Resort. There are a number of carriers that fly to the D.C. area airports. Dulles Airport is a 4 hour drive from The Homestead but do not miss the places of interest in between.

## Homestead Resort Activities

For those not playing golf or not going on the Lexington tour, try out one or more activities offered by The Homestead. Make your reservations for Homestead activities and spa treatments by calling 1-800-838-1766 (that’s 1766 - 10 years before U.S. independence). All activities can be charged to your room. You don’t need advance reservations for swimming, bowling, the Jefferson Pools, or tennis. Reservations are recommended for golf, fishing, the guided hike, mountain biking, carriage rides, horseback riding, canoeing, and kayaking.

The Jefferson pools are mineral springs - a perfect 98° F - you can soak in them all day. You MUST visit these during your stay- hop on the Hotel shuttle at the bottom of every hour for the short five-minute ride. Thomas Jefferson soaked in these pools in 1818. The building has been there since the 1750’s - the oldest spa structure in the U.S.!! Go down the stairs behind the pool and have the attendant open the gate for a “water-induced massage” you will never forget.

I did the skeet shooting when I was there, used the 28 gauge, and hit 18 of my 25 "birds" - it was a blast, highly recommended. Jimmy was my instructor and I owe my good hit rate all to him. Our Sunday reception will be at the Gun Club so you can check out the facilities at that time.

The Cascades Gorge Walk is an easy hike. Sign up for either 9:30 AM or 1:30 PM. Our guide Brian added much to the experience. This is on private Homestead land, and you must be on a guided hike to see the Cascades Gorge. The guide said the Appalachian mountain range is the oldest in the world. We saw trilobite and other fossils from 300 million years ago. He also showed us the plant where citronella comes from, some small American Chestnut trees, and many other interesting plants and insects. If you are lucky you'll see bear, beaver, and turkey.

The Spa is world class. Call to reserve your time and spa treatment.

I was not able to audit the kayaking on Lake Moomaw, canoeing on the Jackson River, the carriage ride through wooded trails, mountain biking, falconry, horseback riding (they have about 50 horses), and golf. But they are all "Homestead" activities so I would bet they are all first class/top notch.

I was also not able to audit the fly-fishing. The Orvis-endorsed fly-fishing stream - there are only seven

of these in the United States - is on private Homestead land. The stocked stream is spring fed with constant flow year-round at 3.5 million gallons per day, that's about 80,000 bbl/day for you and me.

There are also some hiking trails around The Homestead. Ask the front desk for a brochure titled "The Homestead Hiking Trails" for a hiking map of trails that begin and end at The Homestead.

Dinner at The Homestead Dinner: For those staying Friday or Saturday nights before the meeting or Tuesday night after the meeting, make your dinner reservations at The Dining Room (coat and tie required), the 1766 Grille (coat only), or Sam Snead's tavern. Also, complimentary tea, sandwiches, and cookies are served at 3 PM.

Dress Code: The Homestead places great emphasis on the history and cultural ambiance of the resort and encourages guests to dress and act accordingly. The other SPEE activities and meetings, and hotel dress is "resort casual" (dress trousers, shirts with collars, sport jacket optional). There are, however, reports of folks seen wearing shorts around the hotel.

If you have any questions call me at 661-665-5018 or email [dkgold@aeraenergy.com](mailto:dkgold@aeraenergy.com).

Thanks and we'll see you there!!

**David K. Gold**  
2008 SPEE Vice President

### **The 2008 SPEE Annual Meeting has 60% more technical meeting time and three times the presenters as past Annual Meetings!!**

Nathan Meehan	Petroleum Engineering Consulting: Getting More of the Value Consultants Create
Leslie O'Connor	Contingent Resources - Real Examples
John Ritter and John Etherington	Contingent Resources Come of Age: Risking CRs for Internal Reporting and Disclosures
Richard Banks	Contouring Net Pay - The Correct Way To Do It
Bob Harmon	Entrepreneurial Geology - A Model For A New College Course "Acquisition of Oil and Gas Properties"
Harley Brinkley	Data Collection as Part of the Evaluator's Reserve Report
Richard Miller	The Relationship Between Performance And "Reserves" of Publicly Traded Companies
B.P. Huddleston	Economic Study of Wells Drilled in Texas 2000-2005
Gary Gonzenbach	Standardized Order and Polarity Process to Reconcile Reserves
Larry Tharp and John Homier	Mezzanine Financing
Tim Smith	Update on the UNECE Effort on Harmonization of Fossil Energy and Mineral Resources Terminology
Ron Harrell	Qualifications and Standards for Reserves Evaluators and Auditors
Fred Goldsberry	Interference and Capillary Wave Data Applications to SEC Reserves
Barry Evans	Developing a New Energy System - By Crisis or Transition
Greg Heath	The Canadian Oil Sands - Considerations in Evaluation
Tom Collier	2008 SPEE Parameters Survey
Andy Merryman	Why We Are Not As Ethical As We Think
Arlen Edgar	Engineering Ethics - What You Don't Know Can Hurt You
Arlie Skov	US Energy Needs: Fossil Fuels or Renewables
Tim Gilblom	After the Acquisition: Realizing the Value of New Assets

Panel Discussion Moderated by Stuart Filler: *Implementation of the New Reserve Definitions*

Panel Discussion Moderated by Scott Hickman: *Application of Reserve Definitions to the Evaluation of Resource Plays*

# It's Just My Opinion, of Course, but....

## Filling a Void

One of the objectives of SPEE, as stated in the By-Laws, is "...to foster the spirit of scientific research among its members, and to disseminate facts pertaining to petroleum evaluation engineering among its members and the public."

Education and dissemination of information are manifestly important goals for any professional organization, particularly one such as SPEE with a relatively confined area of interest. Attaining such a goal is not easy and often meets with a variety of difficulties. In the time that I have been a member and sometime officer of SPEE, an effort has been made by many members to achieve our laudatory goals. This effort has included the usually excellent technical program at our annual meetings; the publication of our annual parameters study and tax summary; the 1987 and 1998 editions of Monograph 1, "Guidelines for Application of Petroleum Reserves Definitions;" the publication of "Perspectives on the Fair Market Value of Oil and Gas Interests;" and the volume on Professional Ethics. Added to that is the tremendous work done by the Calgary Chapter in putting out the three-volume "Canadian Oil and Gas Evaluation Handbook" which, in most respects, applies just as well in California as in Alberta.

Considering the size of SPEE as an organization, with our minimal budget, no full time staff, and a reliance on volunteer workers, this is an impressive body of work.

From another perspective, many of the most prominent and authoritative books, professional papers, and other publications regarding evaluation practice were written (in whole or in part) by SPEE members. A list could be made but I would be sure to inadvertently leave out someone.

And yet, there is a significant void in the accessibility and dissemination of oil and gas property evaluation information. The recent work to codify reserves definitions and to create training programs through the JCORET\* project has highlighted the fact that there is no consistently available and reliable source of evaluation information. There are bits and pieces here and there in JPT, the SPE TIG sites, company publications, industry sources such as OGJ, and occasionally in non-industry publications, but no collective source. To be sure, there are SPE papers presented at the HEES and other forums but these are rarely seen outside the event publication and most end up being stored away in the SPE library. This is not picking on SPE, which is by far the best source of professional information, but noting that the stored information is not doing a lot of good in the vault

particularly when the industry and evaluation practice have become more complex and sophisticated over time.

Our profession has no peer-reviewed journal that addresses evaluation issues. We have begun to try to rectify this problem through inclusion of technical articles in this newsletter but it is only a newsletter; original papers are hard to come by and, subject to a substantial expansion of contributors, the impact is limited. We need a consistently published repository of current and authoritative evaluation information.

Did you know that SPEE used to publish a Journal of evaluation papers? Raise your hand if you knew! I have a copy of Volume 1 from 1968-69. Further, I have it on good authority that there were "several volumes" but I have not been able to locate any others. Volume 1 is rather impressive. It is nicely printed on good quality paper. There are 37 pages not including the cover. What is most interesting are the articles and authors; Harold Vance,

Gerry Sherrod, Ken Fagin, and William Hurst & Bernie Brauer (this one even has equations and graphs.) There is also a list of the papers presented at SPEE Annual Meetings. Some of the papers were original and some had been presented elsewhere.

The SPEE Journal was a significant effort to meet one of the goals of SPEE, dissemination of information. I submit that now would be a good time to reinvigorate that effort, perhaps not with a full fledged independent journal (yet) but with an expansion of the technical portion of the newsletter to include original work from SPEE members and previously presented papers from other sources, primarily the library vaults of SPE. According to an article in the October, 2007 JPT by David Beliveau, SPE "... has a library of almost 50,000 papers..." Assuming that only a small fraction (5%) related to Economics and Evaluation, and leaving aside the ones that have been published in JPT or in the reprint series, that still amounts to over 2,000 papers. Many of these were presented at HEES or elsewhere and were never seen again. While certainly not the only source for papers, the SPE library would be a good place to start. The only obstacle is the approval of SPE to reprint a paper that is already prepared and waiting for a wider audience. Perhaps a polite enquiry should be considered. Just a thought!

**Richard J. Miller**

\* Joint Committee on Reservoir Engineer Training



## Book and Paper Reviews

In our ongoing quest to add features to your newsletter, we are beginning a new column which presents reviews and abstracts of books and papers which may be of interest to evaluation professionals and to SPEE members in general. This inaugural column presents reviews of five books and papers. The papers come from various sources and cover a range of topics from “reserves” analysis to alternative energy sources. The book review is on the subject of global warming. Some are recent but others come from early in 2007. This section of the newsletter is opened to comment by readers and, further, we solicit your suggestions and reviews to be included in the newsletter.



**“Uncertainty About Future Oil Supply Makes it Important to Develop a Strategy for Addressing a Peak and Decline in Oil Production.”** A report by the United States Government Accountability Office (GAO-07-283) dated February 2007. While the GAO may seem an unlikely source for a study of peak oil production, this lengthy paper is, nonetheless, an interesting and useful synopsis of the peak oil issue as of early 2007. The study was done in response to requests by members of Congress as a means of supplying information regarding the ability of oil supplies to expand before reaching a maximum level of production from which oil production could be expected to decline. While GAO adds no particularly new information that could not be obtained from a reading of the individual referenced sources it does provide a useful compendium of the results of the outstanding studies with an apparently unbiased view point. Copies of the study are available on the GAO web site at [www.GAO.gov](http://www.GAO.gov).

**Unstoppable Global Warming Every 1500 Years** by S. Fred Singer and Dennis T. Avery published by Rowman and Littlefield, 2007. Those who have followed 10 - 15 years will know that Mr. Singer has often been one who has pointed out some of the more obvious flaws in the so-called “scientific consensus” regarding global warming. This book compiles the information available to most geologists and geophysicists regarding the recent (10,000,000 years or so) history of the earth and demonstrates that global warming and cooling are regular events in the geologic calendar. Rather than simply saying that global warming and cooling occur naturally, Mr. Singer and Mr. Avery have put this information together into a very readable text which goes a long way toward suggesting that stampeding into a mandated solution for global warming may not be in our best interest. The book is extremely well researched and documented.

The following three papers address the topic of alternative fuels derived from bio fuel sources such as ethanol. The first is an article entitled, **“Who’s Fueling Whom? Why the biofuels movement could run out of gas.”** This article by Mr. Richard Conniff appeared in *Smithsonian* magazine for November, 2007. The author discusses the development

of the of biofuels movement by noting the growth of ethanol and other biofuel production but then goes on to discuss the increasingly apparent problems with the use of ethanol and other bio fuels as a substitute for gasoline and other fuel sources. While noting some of the advantages of corn-based ethanol, the author also points out the inefficiencies of ethanol usage and goes on to explain the damage done to the environment and the agricultural economy resulting from excessive land and water use for growing corn and other agricultural products used for biofuel sources. The article is available on the Smithsonian online site at [www.Smithsonianmag.com/issue/November\\_2007.html](http://www.Smithsonianmag.com/issue/November_2007.html).

Articles and papers which discuss the limitations of biofuel development are rarely found in public media. It was surprising therefore to find an article in the *Los Angeles Times*, a news source which more commonly celebrates any green activity, which pointed out two scientific papers which strongly questioned land use associated with biofuel development. The Times article referenced two papers published by *Science* magazine which make very interesting reading regarding the expansion of ethanol development in the United States and worldwide. Neither paper was printed in the weekly print version of *Science* magazine but were reported only on the *Science* magazine website and then only if one knew where to look. The first paper is titled, **“Land Clearing and the Biofuel Debt”** by Jason Hill et al and notes the following; *“Increasing energy use, climate change, and carbon dioxide emissions from fossil fuels make switching to low-carbon fuels a high priority. Biofuels are a potential low carbon energy source, but whether biofuels offer carbon savings depends on how they are produced. Converting rainforests, peatlands, savannas, or grasslands to produce food-based biofuels in Brazil, Southeast Asia, and the United States creates a biofuel carbon debt by releasing seventeen to 420 times more CO<sub>2</sub> and than the annual greenhouse gas reductions (GHG) these biofuels provide by displacing fossil fuels.”* The second paper is entitled, **“Use of U.S. Croplands for Biofuels Increases Greenhouse Gases Through Emissions from Land Use Change,”** by Timothy Searchinger et al. This paper is a companion to the paper described above and notes that, *“Most prior studies have found that substituting biofuels for gasoline will reduce greenhouse gases because biofuels sequester carbon through the growth of the feedstock. These analyses have failed to count the carbon emissions that occur as farmers worldwide respond to higher prices and convert forest and grassland to new crop land to replace the grain (or cropland) diverted to biofuels ... we found that corn-based ethanol, instead of producing a 20% savings, nearly doubles greenhouse emissions over 30 years and increases greenhouse gases for 167 years. This result raises concerns about large biofuel mandates and highlights the value of using waste products.”* See [www.scienceexpress.org](http://www.scienceexpress.org) for both papers.

# Concept Release On Possible Revisions To The Disclosure Requirements Relating To Oil And Gas Reserves

The following letter to Nancy M. Morris, Secretary of the Securities and Exchange Commission was sent by SPEE President Frank Molyneaux on February 12, 2008.

The Society of Petroleum Evaluation Engineers (SPEE) was formed in 1962 as a non-profit technical society specializing in the profession of petroleum resource and reserve evaluation. The Society is active in the promotion and advancement of the profession by fostering scientific research and providing the opportunity for technical exchange among its members, industry, and the public.

As a society of professional evaluators, SPEE has a core commitment to ensure its members meet stringent admission standards. Indeed, with a requirement for a minimum of ten years experience in the specific area of petroleum evaluation, members are at least 35 years of age, or older, at the time of admission. Individual SPEE Members are also members of the Society of Petroleum Evaluation Engineers (SPE), the American Association of Petroleum Geologists (AAPG), or both; however, membership in SPEE demonstrates acceptance into a professional community of evaluation specialists. As with any professional specialty, the membership is necessarily small in size with only 550 Members. Nevertheless, SPEE enjoys an unprecedented and disproportionate level of industry recognition and respect.

SPEE has long been involved with reserves definitions and was the catalyst for first defining the probable and possible categories. SPEE published the first Guidelines for Application of Petroleum Reserves Definitions (1988, Revised 1998), the only Monograph on Fair Market Value, the only Recommended Evaluation Practices (REPs), and the only Annual Survey of Economic Parameters Used In Petroleum Property Evaluation (widely used in evaluations, litigation, and anywhere that the historical perspective of the evaluation community must be captured). The Canadian Chapter of SPEE published the Canadian Oil and Gas Evaluation Handbook (2002, 2005, 2007) which is the legislated standard for evaluation practice in Canada. SPEE is a founding partner of the Joint Committee on Reserve Evaluator Training (JCRET), and a creative partner, sponsor and co-author of the March 2007 Petroleum Resources Management System (PRMS). SPEE currently lends its expertise to matters of global significance in the area of petroleum reserves/resources, such as the Ad Hoc Group of Experts (AHGE) formed under the United Nations Economic Commission for Europe (UNECE) Committee on Sustainable Energy.

As a society focused on the promotion and advancement of oil and gas reserves and resources evaluation, SPEE has historically refrained from taking positions on legal, regulatory or governmental issues and proceedings. This is more appropriately the province of individual SPEE Members themselves or as representatives of their companies, agencies or clients. In light of this, we refrain from issuing question-by-question responses to the specific questions posed in the subject Concept Release. However, SPEE will offer commentary that will be responsive to most of the questions contained with the Concept Release in the broader sense.

SPEE co-authored the project-based Petroleum Resources Management System (PRMS) in 2007 working closely with the Society of Petroleum Engineers (SPE), The World Petroleum Council (WPC), and the American Association of Petroleum Geologists (AAPG).

The definitions and guidelines found in the PRMS were specifically designed to provide a common reference for the international petroleum industry, including national reporting and regulatory disclosure agencies, and to support petroleum project and portfolio management requirements. The system is robust, and addresses the entire spectrum of petroleum resources. Another strength of the PRMS is that its sponsoring professional societies recognize the need for ongoing enhancements and updates to maintain alignment with changing industry practice and technologies. Thus, the system will not significantly lag advancements in technology that affect evaluation practice and portfolio management. Finally, the PRMS sponsors are committed to training, and teaching the PRMS to industry evaluators around the world. Training should help promote disclosure quality, consistency and comparability - a challenge given the cultural cross section of industry respondents. For all of these reasons, SPEE supports the use by the SEC of the PRMS as the framework around which new securities reporting disclosure requirements may be formulated.

Furthermore, I would like to offer the full resources of SPEE to assist the SEC should it decide to revise the existing disclosure requirements relating to petroleum reserves. For contextual clarity, this offer pertains solely to the technical and commercial aspects of petroleum reserves and resources evaluation. SPEE members have extensive experience working with Canadian securities regulators assisting with the formulation of oil and gas reporting technical requirements. Canadian regulators recognized the necessity for a modern and standardized reference document that would provide detailed guidance that could be applied to the definitions of reserves and resources. The objective of a standardized document was to achieve consistency in approach and in resulting estimates.

The Calgary Chapter of SPEE, in response to the need for detailed evaluation guidance, authored and published the Canadian Oil and Gas Evaluation Handbook (COGEH). It is important to note that COGEH was designed to be a standard of good evaluation practice, flexible enough to be applied to various definitions of reserves and resources. COGEH was adopted by the Canadian Securities Administrators (CSA) and referenced in the legislated reporting requirements known as National Instrument 51-101. SPEE is well positioned to bring this experience to bear should the SEC identify a requirement for a detailed handbook, which would complement the PRMS.

The SPEE welcomes the SEC's efforts to obtain information about the extent and nature of the public's interest in revising oil and gas reserves disclosure requirements, and we appreciate the opportunity to comment on this important undertaking.

# Membership Applicants

# Welcome New Members

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

## APPLICANT

## SPONSOR

### **WILLIAM R. LEMMONS, JR., P.E.**

Flatrock Energy Advisors, LTD  
Senior Partner  
300 E. Sonterra Blvd., Suite 1200  
San Antonio, Texas 78258

Paul Clevenger  
Zane Meekins  
W.D. Von Gonten, Jr.

### **PAUL ROBERT ONSAGER, P.E.**

Pioneer Natural Resources  
1401 17th Street, Suite 1200  
Denver, Colorado 80202

Dave Cox  
Gary Nilson  
John Wright

### **DEAN, BYRON HOWARD - Member No. 706**

Reef Exploration, L.P.  
Manager, Acquisitions & Divestitures  
1901 N. Central Expressway, Suite 300  
Richardson, Texas 75080  
972-437-6792  
972-994-0369 fax  
howard@reefexploration.com

### **DICK, JOHN PAUL - Member No. 703**

Pinnacle Energy Services, LLC  
Owner/Manager/Engineer  
9420 Cedar Lake Avenue  
Oklahoma City, Oklahoma 73114  
405-810-9151  
405-843-4700 fax  
jpdick@pinnacleenergy.com

### **KUMAR, VINODH K. S. - Member No. 707**

El Paso Exploration and Production  
Senior Staff Reservoir Engineer  
1001 Louisiana Street  
Houston, Texas 77002  
713-420-3912  
713-420-4655 fax  
Vinodh.kumar@elpaso.com

### **TURNBULL, JOEL BERNARD - Member No. 705**

Nexen Petroleum UK Ltd.  
Charter Place, Vine Street  
Uxbridge, Middlesex  
UB8 1JG  
United Kingdom  
+44(0)20 7925 7925  
+44(0)20 7837 6482 fax  
Joel\_turnbull@nexeninc.com

THE BOARD OF DIRECTORS OF THE  
SPEE HAS UNANIMOUSLY APPROVED  
A LIFE MEMBERSHIP FOR  
MR. GEORGE ODUM.

ON BEHALF OF ALL MEMBERS  
OF OUR SOCIETY, WE WISH  
GEORGE ALL THE BEST.



## **Please Help us Update our Web page!**

**We need your help updated taxing information for our SPEE web site from anyone working on areas where they have looked up or examined severance, ad valorem/property or other local and state taxes. Please go to our web page and review what has been posted.**

**If you have updated information on taxes for all U.S. states, Canadian provinces and Indian Tribal Lands, please forward the information to Marshall Watson at [marshall.watson@ttu.edu](mailto:marshall.watson@ttu.edu).**

**Please include references such as web sites or regulatory bulletins. If there are questions contact Marshall at 432-683-4640.**



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**SOCIETY OF PETROLEUM EVALUATION ENGINEERS**

**1001 McKinney Street, Suite 801**

**Houston, Texas 77002**