

## *President's Letter*

The objectives of our Society are “to promote the profession of petroleum evaluation engineering, 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.” By participating with our sister societies under the leadership of the SPE, our Society has played a key role in shaping the SPE Petroleum Resource Management System (PRMS) into a set of guidelines that are appropriate and robust for use in international reserves and resources reporting. By taking a leading role in the United Nations Economic Commission for Europe (UNECE), our Society has been a powerful voice in assuring that the PRMS remains the underlying classification standard for hydrocarbons in the United Nations Framework Classification for Fossil Energy and Mineral Reserves and Resources (UNFC) system. While our Society monitored and commented on the latest SEC reserves guidelines prior to its finalization in 2010, we continue to maintain a leading role in developing the evaluation guidelines underpinning the standards for Canadian regulatory reporting through our authorship of the Canadian Oil & Gas Evaluation Handbook (COGEH). When the need arose, the Society led, supported, and facilitated common sense legislation initiatives to aid both independent reserves evaluators and producing companies alike in being able to more freely, effectively, and efficiently perform their reserves work for properties located in the USA. For over 30 years, the Society has organized and published the Survey of Parameters Used in Property Evaluation. By tapping the collective wisdom and expertise of its membership, the Society has developed a number of other technical documents and scientific papers including the various SPEE Recommended Evaluation Practices (REPs) and more recently Monograph III, *Guidelines for the Practical Evaluation of Undeveloped Reserves in Resource Plays*. As you all probably are now aware, the Society is hard at work on Monograph IV, which will address the evaluation of developed reserves in resource plays. A substantial effort is made every year by the international organization in hosting our Annual Technical Meeting, while significant efforts are made on an ongoing

basis by the individual Chapters of our Society in bringing relevant and timely presentations to members and non-members alike through regular local chapter meetings. There is no doubt that SPEE is an active and dynamic organization.



Operationally, the activities of our organization are supported by two part-time individuals, longtime Executive Secretary, B. K. Buongiorno, and our accounting/bookkeeping and web administration expert, Kemper Dotson. These two individuals are extremely valuable to our organization. Nonetheless, the vast majority of the work SPEE accomplishes every year, precisely the kind of activities summarized above, is directly attributable to the dedication of volunteers within its membership. Notwithstanding the many existing committee activities the SPEE has committed to, there are a number of additional projects under consideration. Before we commit to these projects, we must assure that our legacy projects are adequately staffed and that additional volunteer resources are available to carry out the newly identified projects properly and efficiently. Our ability to do this is dependent on the time that our talented Members are willing and able to make available to the Society. In order to continue to develop the organization, we need to expand the membership in a meaningful way, and we need more of our members to contribute their talents to the organization. This brings me to the three points of this letter, (1) volunteering at the international level, (2) drive to expand membership, and (3) enhancements to our sponsorship process.

First and foremost, we need engagement by as many of our members as possible in volunteering at the international level.



Continued from page 1

That means we want your help. On the inside front cover of each newsletter is a summary of all of our active committees. If you have an interest in any of our initiatives, or in any of our committees, or if you have any interest in participating in the development of additional SPEE technical papers or monographs, I encourage you to send me an email as soon as you finish reading through this newsletter. My email address is rkrennek@nsai-petro.com.

Secondly, this is an ideal time to expand our membership. While our organization is one of high standards, we all likely know a number of highly qualified individuals who, as of yet, are not members of SPEE. I encourage each of you to reach out to friends and colleagues in the industry who you know to be qualified and, in turn, encourage them to apply for membership in SPEE. Between the Executive Committee and the Qualifications Committee, we have taken many steps to improve the application process and to expedite the vetting and approval processes. Another step in that direction is eminent: the development of new application and sponsor forms which can be completed and submitted directly from template forms on the SPEE website. In many cases, an individual who wants to apply for membership must seek out three members that will become sponsors. While this process is fine in certain instances, let's collectively consider the process in a different way, by proactively seeking out potential new members and offering to be a lead sponsor in their application process.

Lastly, the Executive Committee routinely hears of highly qualified individuals who simply do not have sufficient exposure to SPEE Membership, such that they cannot locate three Society members for sponsorship who already know and are familiar with their technical work. As such, we have worked with the Qualifications Committee to develop a more flexible method of sponsorship that remains within the auspices of the SPEE By-Laws.

A member who has known the applicant in a professional capacity for at least one year, and who is familiar with the applicant's training and experience in the evaluation of oil and gas properties is qualified to Sponsor the applicant based on existing knowledge of the applicant. There is no change here.

If a member has not known the applicant in a professional capacity for at least a year, or if the member is not directly familiar with the applicant's training and technical experience in the evaluation of oil and gas properties, the member may still act as a sponsor after a more rigorous review of the applicant and his or her technical background. If a member has spent sufficient time interfacing with the applicant and discussing the applicant's work history such that the member (1) understands the applicant's record of relevant experience, (2) has been shown evidence of the applicant's historical technical evaluation work, and (3) is able to judge and attest to the applicant's qualifications for SPEE membership, then

the member may provide sponsorship to the applicant. No doubt this alternate sponsorship scenario requires more time and effort on the part of the sponsoring member. However, it will allow us to bring more highly qualified individuals into the SPEE organization. The new sponsor forms that are being readied for internet deployment will contain additional information regarding this alternate sponsorship methodology. If you are asked to sponsor an applicant in this manner, I encourage you to carefully read the new sponsorship form to understand the responsibilities involved. If you have any questions regarding the process, I further encourage you to contact the Chairman of the Qualifications Committee, **Phil Kandel**. Phil can be reached by email at philip.s.kandel@wellsfargo.com.

This alternate method of sponsorship is certainly more evolutionary than revolutionary, and in fact, has been used in the recent past as a sponsorship method by some members who have been active on the Board and Executive Committee levels. The Executive Committee is firmly committed to making the sponsorship process more flexible, especially as we continue to grow our membership outside of North America. A larger organization is a more powerful one. Let's work together to expand our membership this year, both within our traditional base of North America and our frontier outside the North American continent.

In closing, I hope to see many of you in June as we gather in Coeur d'Alene, Idaho. The 2013 SPEE Annual meeting is shaping up to be a great event.

*Rick Krenek  
President*



**PLAN  
AHEAD**

**SPEE Annual Meetings**

**June 8-11, 2013 Coeur d'Alene, Idaho  
Coeur d'Alene Golf & Spa Resort**

**June 7 - 9, 2014 Stowe, Vermont  
Stowe Mountain Lodge**

**June 5 - 9, 2015 Halifax, Nova Scotia  
The Westin Nova Scotian**

**Contact Barry Ashton to provide suggestions  
on locations and venues for future meetings.**

# Chapter News

## Calgary

*Meetings - 3rd Tuesday of each month except June, July and August. Membership - 47*

## California

On April 23rd, the California Chapter of SPEE presented a panel discussion of Engineering Ethics at the 2013 SPE Western Regional Meeting in Monterrey, California. The panel discussion took place as one of the morning sessions of the conference. The goal of the session was *“To discuss the importance of ethical behavior in our industry, review various situations that may arise and illustrate these with practical examples in a workshop-like setting.”*

The panelists were Brad DeWitt, Richard Miller and Rick Finken. In presenting the topic of Engineering Ethics as a workshop rather than a lecture or the familiar technical paper format the authors assembled a PowerPoint presentation that covered (1) the foundation for development of ethical standards by the various engineering societies, (2) an attempt to define ethics with the question “What is Ethics and What It Is Not,” and (3) the ethical status of the engineering profession in public opinion. As a part of the presentation, a brief history of SPEE as an organization along with the purpose of SPEE, the ethical standards of SPEE, and the qualifications for membership in SPEE were discussed. Each panelist presented a portion of the program.

The general discussion of Ethics was illustrated with seven specific cases involving ethical situations with which engineers might be familiar. These were interspersed through the session for discussion. The cases were taken from several of the situations discussed in the “Ethics Column” which appears in each issue of the SPEE newsletter. In some cases the situation was revised slightly to make them more appropriate to California operations. For each case, the situation was presented and was followed by the question, “What would you do?” The situation slide was followed by suggested solutions or responses to the situation.

A total of 27 engineers and geologists attended the session. Audience participation was exceptional and began almost from the start of the discussion. Each of the ethical cases presented resulted in considerable comment and, in a few instances, moderate debate as to the proper response. Discussion continued after the formal end of the session and it was clear that the topic was of real interest. Chapters and individuals interested in reviewing the presentation should contact one of the panelists.

In other news, Brent Hale of the Dallas SPEE Chapter was in Palos Verdes, California, on May 15th presenting *SPEE Monograph 3 Applications for Liquids Rich Shales* at the SPE Workshop “Liquid Rich Shale...So You Believe in Peak Oil?” Mr. Hale’s presentation offered some practical and specific applications to individual shale well performance analysis and also provided some great insight into data application on a more regional level. The presentation was well received and facilitated quite a bit of thoughtful dialogue. *Membership - 27*

## Central Texas

No Central Texas Chapter activity since the January Board Meeting hosting, which was reported in the February newsletter.

*Membership – 31*

## Dallas

*Meetings – Bimonthly September through May on 3rd Thursday of the month unless otherwise stated. Membership – 55*

## Denver

*Meetings – 2nd Wednesday of first month of each quarter – Denver Athletic Club – The New Petroleum Club. Membership – 65*

## Europe

Chairman	Jes R. Christensen
Vice Chairman	Martin Hubbig
Secretary-Treasurer	Shane K. F. Hattingh
Membership Chairman	Robert (Bob) Harrison

The Europe Chapter held its second Annual General Meeting in December 2012 where the current officers were elected and a presentation focusing on Ethics was given. The meeting agreed that the Chapter was in good health, grown the membership and held several interesting meetings.

The meeting thanked the retiring Chairman, Simon McDonald, not only for his work through 2012, but also for his prior service.

As of May 2013, the Europe Chapter has 23 full members and another four potential members with applications for membership submitted. There are approximately 5-10 personnel on a list who have shown enough interest in the Chapter’s activities and with a level of skills that we may

recommend for future SPEE membership. The slow membership approval process (generally up to 18 months at present) is still seen as a hindrance to application; it is hoped this can be speeded up in the future. We also hope that in the future applicants with other educations than Engineering and Geology may be accepted should they fulfill the general high level of knowledge required by SPEE.

Four meetings were held in 2012 and a similar number of meetings are planned for 2013 of which two have been held so far. The topic of the February meeting was *It's Really BIG*, where Peter Nicol talked to the Chapter. His talk was based on a number of known oil and gas companies, comparing their published financial performance, with their reserves and also resources disclosure (for those opting to do so). At the second meeting in May, we had Enrique Morales (SPEE) talking about probabilistic versus deterministic approach when evaluating a hydrocarbon accumulation. The topic of his talk was *Probabilistic Addition of Reserves within a Project - A Practical Example and Issues*.

Attendance is generally open to both members and non-members with up to 25 attending. As most of our members are in or around London we tend to hold our meeting there; however, this year we plan to hold our next meeting in Copenhagen in September. Meetings are generally early evening sessions, for which an eminent expert is invited to make a brief, discussion-provoking presentation.

*Meetings - Four per year. Membership - 23*

## Houston

On Wednesday, March 6th, Don Warlick from Warlick Energy presented *The Utica Shale: Does it have what it takes to become a leading unconventional play?* Don presented important drivers that are keys to success in today's shale plays as compared to the emerging Utica Shale. He also discussed current drilling activity, development trends and E&P players that can make a difference. There were 53 members, guests, and visitors in attendance from SPEE for the meeting.

On Wednesday, April 3rd, Kurt Abraham from World Oil presented *Upstream Regulation: The U.S. oil and gas industry continues to have its hands full with Washington*. Kurt presented a discussion on the impact of the reelection of President Obama to the oil and gas industry, in particular several important nominations. He discussed a number of key issues, including oil and gas tax breaks, hydraulic fracturing regulations, air quality issues, access to federal lands, and the Keystone XL pipeline. There were 49 members, guests, and visitors in attendance for the meeting.

On Wednesday, May 8th, Cheryl Collarini from Collarini Energy Staffing presented *Ethics – A Wide Perspective*. Cheryl presented a discussion regarding important ethical issues in general business, the energy industry and in general life. She reviewed a variety of examples and led an interactive discus-

sion on specific situations. There were 46 members, guests, and visitors in attendance for the meeting.

### Upcoming Meetings:

- Wednesday, September 4th: To be announced
- Wednesday, October 2nd: To be announced
- Wednesday, November 6th: To be announced
- Tuesday, December 3rd: To be announced

*Meetings – 1st Wednesday of each month except June, July and August – Houston Petroleum Club. Membership – 186*

## Midland

In March, SPEE Midland hosted a luncheon meeting at the Petroleum Club that was well attended. The speaker was Bryan Montgomery with Firewheel Energy LLC. Mr. Montgomery's presentation was titled *Recent Experiences in the Cline Shale*. Mr. Montgomery is a Senior Petroleum Engineer with Firewheel. His presentation focused on wells in Sterling, Glasscock, and Mitchell Counties drilled and completed in the Cline Shale.

In April, SPEE Midland hosted a two-day short course titled *Basics of Petroleum Producing Property Evaluation* that was also well attended. This course was designed to target local young professionals regarding oil and gas evaluations and economics. The topics included petroleum economics and reserve estimations, merger and acquisition evaluations, evaluation for project development and budgeting, evaluation for financing, and risk assessment. Instructors included Dr. Marshall Watson, Russell K. Hall, Robert Green, and Karl E. Gulick.

We will continue our lunch-and-learn meetings in 2013 at the Petroleum Club. These meetings are scheduled for the 2nd Wednesday in odd-numbered months.

*Meetings – 2nd Wednesday odd months – Midland Petroleum Club. Membership - 28*

## Oklahoma City Chapter

During the first quarter of 2013, the Oklahoma City Chapter of SPEE elected Gary Hunter of Ward Petroleum to fill the vacant officer position of Vice Chairman of Programs to complete our slate of officers.

On January 24th, the OKC SPEE Chapter hosted Richard Spears, Managing Director of Spears and Associates, and learned about *The Drilling and Completion Equipment and Service Market in 2013*. Richard showed a variety of metrics across the service sector to support his predictions of supply and demand within the US. Attendance exceeded the 64 reservations for members and guests.

On March 28th, the OKC SPEE Chapter hosted Dr. Lee Kystinik, founder of Fossil Creek Resources, for his presentation, *There is Mississippian Chat and Then There is*

*Mississippian Chat.* Lee gave an extremely thorough review of how the geologic model for his play was developed and supported with seismic and other technologies. Attendance was 35 members and guests.

On April 25th, the OKC SPEE Chapter hosted SPEE member Chris Jacobsen, co-founder and CEO of Premier Natural Resources and learned about *How Premier is Funding and Growing Their Business.* Chris gave members his perspective of the private equity market and its importance to the growth of his company. Attendance exceeded the 25 reservations for members and guests.

The Oklahoma City Chapter held a lunch meeting on May 23rd and hosted Mohan Kelkar, Department Chair and Professor at the University of Tulsa. His topic was *Unconventional Reserves Estimates – A New Perspective.*

*Meetings – Every odd-numbered month. Membership - 24*

## Tulsa

Steve Antry of Eagle Energy presented to the Tulsa SPEE chapter on March 13th. He is the founder and CEO of Eagle which he started in 2009 with 60MM\$ of total funding and sold to Midstates Petroleum in 2012 for 650MM\$. It was a very entertaining talk describing how Eagle's initial focus was on the Hunton play, but quickly changed to the horizontal Mississippian Lime play after promising initial results. Aggressive drilling and leasing programs culminated with ownership in 114 gross wells and 103,000 net acres in the Hunton and Mississippian Lime plays in North Central Oklahoma.

Meetings will continue in September.

*Meetings – Tuesday of each month – Petroleum Club.  
Membership – 27*

## Stuck in Bored Meeting?

Before (or during) your next meeting, seminar, or conference call, prepare yourself by drawing a square. I find 5" x 5" is a good size. Divide the card into columns, five across and five down. That will give you 25 one-inch square blocks. Now, write one of the following words/phrases (or personal substitutes) in each box:



synergy  
strategic fit  
core competencies  
best practice  
bottom line  
revisit  
take that off-line  
24/7  
out-of-the-loop  
benchmark  
value-added  
pro-active  
win-win

think outside the box  
fast track  
result-driven  
empower (or empowerment)  
knowledge base  
at the end of the day  
touch base  
mind-set  
client focus  
paradigm  
game plan  
leverage  
and last but not least, Moving Forward

Check off the appropriate block when you hear one of those words or phrases.

When you get five blocks horizontally, vertically, or diagonally, stand up and shout "Hokum!" or "Balderdash!" or some similar phrase. The above words and phrases are relatively generic but they work well in meetings of alumni and homeowner associations not to mention company meetings. Personally, I like to substitute those words which some people insist on using that convert perfectly good nouns into gratingly obnoxious verbs such as utilize (use, employ) and accessorize (add accessories). One could also make the list specific to the meeting; for example, in an oil industry meeting one might add **unconventional resources** and **probable proved** or **reserves** to the list. Meeting time does not have to be boring.

Have Fun!

## THE ETHICS COLUMN

### Of Bribes, Kickbacks and Conflicts of Interest...Oh my!

It struck me as I read a recent Wall Street Journal (1/29/2013) that the world does not operate in our comfortable bubble. The article quoted Alexis Tsipras, the leader of Greece's Coalition of the Radical Left or Syriza (As a note of interest, Mr. Tsipras is an engineer by training): "Here in the United States, why do you not have this phenomenon of passing money under the table?" The subject of Mr. Tsipras' talk was health care in Greece. In Greece, like most European countries, the government is the primary health care provider. As he continues the talk, he asks "Why in a public hospital, in order to have an operation, do [patients] have to slip [doctors] an envelope with a certain amount of money?" He answers, "because the state gives low wages to doctors thinking it's completely natural for them to add to their salary" by accepting these cash-stuffed envelopes.



Setting aside any thoughts this elicits about Obamacare, the speech illustrates the complexities of societies and cultures engineers operate in. Some would justify this as cultural relativism, the ethical theory that says right and wrong are related to a culture and no one universal ethical standard transcends all cultures. The "everyone in our culture is doing it and it is accepted so it must be okay" argument. But, is it ethical in any culture for a professional (a doctor in this case or an engineer in our world) to accept under-the-table compensation (read bribes) to influence an outcome? And how do we set universal ethical standards?

As I reflected about how fortunate we were to practice our profession in our comfortable bubble, I read about the Pacific Hospital of Long Beach allegedly giving large kickbacks to doctors in spinal implant cases (WSJ 4/17/2013) and the governments probe of Microsoft (WSJ 3/20/2013) and Novartis (4/27/2013) for bribery allegations. (I stop here to conserve space. The list of U.S. companies and government officials engaged in kickbacks, bribes and conflict of interests is extensive.) So obviously our culture is not insulated. We are susceptible to kickbacks, bribes and conflicts of interests; sometimes even with more flair and on a grander scale.

So what are our standards? America's Foreign Corruption Practices and Britain's Bribery Act are good starting points. Both are far-reaching antibribery laws. The Criminal Division of the U.S. Department of Justice and the Enforcement Division of the U.S. Securities and Exchange Commission recently released *A Resource Guide to the U.S. Foreign Corruption Practices Act*. It is a great resource. Unlike most government documents, this one is readable (all 130 pages) and provides many examples.

The above standards cover corporations, dealings with foreign governments and relationships with official of government-owned companies. But, what standards for the evaluation engineer? In February, 2013 *SPEE Newsletter* Arlen outlined a list of sources for the evaluation engineer; the *By-Laws of the SPEE*, the *SPEE Ethics Committee Monogram*, etc. But, above all, it is doing the right thing and not giving in to cultural relativism or other rationalization theories.

Ethics is a lifetime journey. Enjoy your travels. Let me leave you with a couple of quotes to guide us through the ethical situations we will without question face:

"Relativity applies to physics, not ethics" - Albert Einstein

"An ethical person ought to do more than he's required to do and less than he's allowed" - Unknown

"..it may be said that an overarching concept of ethical behavior is doing what is right simply because it is the proper thing to do." - Arlen Edgar (One of my personal favorite ethicists.)

*Charles Gleeson*

# Welcome New Members

## Adamson, Gordon

Member No. 814  
Head of Reserves and Asset Eval. Services  
Senergy (GB) Ltd.  
15 Bon Accord Crescent  
Aberdeen, AB11 6DE, UK  
gordon.adamson@senergyworld.com

## Devashish, Manoj Kumar

Member No. 817  
Managing Director  
Indus Investors Service  
2332 Wordsworth Street  
Houston, TX 77030  
281-888-1661  
manoj@indusinvestor.com

## Ford, Nicole Marie

Member No. 816  
Senior Petroleum Engineer  
Enduring Resources  
511 6th Street, Suite 700  
Denver, CO 80202  
303-501-4203  
nford@enduringresources.com

## Freeman, Craig Denman

Member No. 815  
Director Engineering  
Wells Fargo Bank  
1000 Louisiana St., 9th Floor  
Houston, TX 77002  
713-319-1829  
Craig.d.freeman@wellsfargo.com

## Wurster, Bryan John

Member No. 813  
Vice President  
McDaniel & Associates Consultants Ltd.  
Suite 2200, Bow Valley Square 3  
255 – 5th Avenue SW  
Calgary, Alberta T2P 3G6  
Canada  
403-218-1390  
bwurster@mcdan.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
<b>Baillie, John Miller</b> VP Developments Iona Energy Ltd. Lower Ground Suite 3 Queen's Gate Aberdeen, AB15 5YL, UK	Doug Connell Andrew Evans Robert Harrison	<b>Mingoia, Michael Robert</b> Vice President Albrecht & Associates 711 Louisiana, Suite 1600 Houston, Texas 77002	Tom Fitzsimmons Reuven Hollo Mike Laird
<b>Fielder, Tad Michael</b> Vice President – Petroleum Engineer DeGolyer and MacNaughton 5001 Spring Valley Road, Suite 800 East Dallas, Texas 75244	Charles Boyette James Hail Jacob Glenn Walker	<b>Warren, William Zachary</b> Sr. District Engineer Samson Resources Company 370 17th Street, Suite 3000 Denver, Colorado 80202	Craig Adams Rick Krenek Dave Reese
<b>Joziassse, Peter Adrian</b> Cenovus Energy Inc. Sr. Staff Reserves Engineer 500 Centre Street SE Calgary, Alberta T2P 0M5, Canada	Barry Ashton Laurie Bowns Phil Welch		