

## President's Letter

**H**appy New Year and Happy Anniversary SPEE as we enter our 50th year of serving petroleum evaluation professionals! Our goal is to continue the excellence perceived by the organizing directors Vance, Hurst and Poyner who chartered the organization September 24, 1962. The first SPEE Annual meeting was held November 15, 1963 at the Dallas Statler Hilton and included a discussion on *Definitions of Evaluation Terms* by J. J. Arps.

I'm looking forward to serving the society as your President in 2012. I want to share with you that becoming a member of this society has meant a great deal to me. I recall 18 years ago being accepted into the membership of SPEE and that was one of the proudest moments of my life. My goal is to provide leadership and guidance to SPEE and I know I can do this with the great support of this year's executive committee: **Barry Ashton**, Past President, **Rick Krenek**, Vice President, and **Samantha Meador**, Secretary-Treasurer. Along

with these outstanding individuals, your Board of Directors, Committee Chairs and Chapter officers are very involved and will be working hard on matters affecting the society. Ours is a small society with big and lofty purposes and goals.

I would like to welcome the new directors, **Dee Patterson**, **Mike White** and **Curt Taylor**. Our first order of business was our Board of Directors Meeting at the Denver Athletic Club hosted by the SPEE Denver Chapter. A big "thank you" goes out to Mike White and the rest of the Denver SPEE chapter for hosting us. As a surprise to me, the Board wore bow ties, as you can see in the photo below. Working with them will certainly be entertaining!

We are entering 2012 in the best financial shape SPEE has ever been in. This is very critical as we have several projects which will require financing as follows:

- The proposed legislation in Louisiana similar to the passing of house Bill 2067 which allowed non-Texas-licensed engineers to practice evaluation in the State of Texas. Currently LA laws appear to have the same issues as we had with Texas engineering practice laws. I have called upon **Tim Smith**, with the assistance of **Mike Veazey**, to provide expertise in carrying this forward.



Front row: Gary Gonzenbach, Rick Krenek, Marshall Watson, Samantha Meador, Barry Ashton  
Back Row: Rod Sidle, Graeme Simpson, Dee Patterson, Paul McDonald, Curt Taylor, Allen Barron, Mike White  
Not pictured: Ken Sigl

# 2012 Officers and Directors

## Executive Committee

President .....Marshall Watson (Midland)  
Vice President.....Richard Krenek (Dallas)  
Secretary-Treasurer ..... Samantha Meador (Houston)  
Past-President..... Barry R. Ashton (Calgary)

## Directors

Allen Barron (Houston) Ken Sigl (Oklahoma City)  
Gary Gonzenbach (Central Texas) Graeme Simpson (Europe)  
Paul McDonald (Dallas) Curt Taylor (Houston)  
Dee Patterson (Dallas) Mike White (Denver)  
Rod Sidle (Houston)

Chair of the Council of Past-Presidents .....David Gold

## Bylaws Committees

Qualifications ..... Phil Kandel  
Committee: Steve Blair, Tim Gilblom, and Richard Rowe  
Nominating .....Barry Ashton  
Grievance .....David Gold  
Committee: Frank Molyneaux and Dan Olds

## Individual Appointments

Evaluation Parameters Survey .....Dee Patterson  
Committee: Sam Attaya and Cary McGregor  
Fair Market Value.....D. Russell Long  
Internet ..... Gary Gonzenbach  
Membership.....Paul McDonald  
Newsletter Publisher..... Richard J. Miller  
Communications.....George Schaefer  
Production Tax Summary and University Interface .....Marshall Watson  
Recommended Evaluation Practices.....Daniel R. Olds  
Annual Meeting Advance Planning .....Barry Ashton  
Professional Registration ..... Marcus Snyder  
Evaluation of Resource Plays ..... Russell K. Hall  
Reserve Definitions .....S. Tim Smith  
Journal of the Society of Petroleum Evaluation Engineers ... Richard J. Miller  
SPE OGRC Oil and Gas Reserves Committee Observer ..... Ron Harrell  
JCRET Joint Committee on  
Reserves Evaluator Training.....Rod Sidle, Chairman  
Russ Long, Keith MacLeod, John Ritter  
COGEH Canadian Oil and Gas Evaluation Handbook ..... Robin Bertram  
UNECE Expert Group on Resource Classification .....S. Tim Smith

# Chapter Officers - 2012

## Calgary

Chairman – Harry J. Helwerda  
Vice Chairman – Katherine Crerar  
Secretary – Boyd Russell  
Treasurer – Gary Metcalfe  
Membership – Terry Nazarko

## California

Chairman - Brad DeWitt  
Vice Chairman – Rick Finken  
Secretary-Treasurer - Barry Evans  
Membership - John Davis

## Central Texas

Chairman – Jim Bostic  
Vice Chairman –  
Secretary - Charles Price  
Treasurer – Gary Gonzenbach  
Membership – Paul Clevenger

## Dallas

Chairman - Gary Swindell  
Vice Chairman – Jay Thrash, Jr.  
Secretary/Treasurer - Jack Harper  
Membership - Dean Eiland

## Denver

Chairman – Letha Lencioni  
Vice Chairman - John Benton  
Secretary-Treasurer – Fred LeGrand  
Membership - Steve Enger

## Europe

Chairman – Simon McDonald  
Vice Chairman – Jes Christensen  
Secretary-Treasurer – Martin Hubbig  
Membership – Doug Connell

## Houston

Chairman – Jerry Blevins  
Vice Chairman – Jennifer Fitzgerald  
Secretary-Treasurer – Anna Hardesty  
Program Chairman – Loren Long

## Midland

Chairman – Russell Hall  
Vice Chairman – Todd Yocham  
Secretary-Treasurer – Karl Gulick  
Membership Chairman – Joe Neal

## Oklahoma City

Chairman – Don Jacks  
Vice President -  
Secretary-Treasurer - Fletcher Lewis  
Membership - Bruce Heath

## Tulsa

Chairman - Daryl Duvall  
Vice Chairman - Chris Jacobsen  
Sec/Treas. - Gerald Russell

**Wyoming Chapter Coordinator**  
**Scott Stinson**



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

- The continuous updating and re-vamping of our SPEE website. With the increase in demand for SPEE Monograph 3, which is nearing 1,000 copies sold, we need a better e-commerce system. In addition, membership dues, annual meeting registration and other sales are taxing the system we have in place which involves B.K. manually running credit cards. An improved “members only” site is going to enable us to stay in better contact with one another and help in the recruiting of new members. **Gary Gonzenbach** is charging ahead with this project.
- The ongoing SPEE presence at the U.N. Meetings in Geneva where SPEE is playing a critical role in framing the way the world assesses petroleum reserves. **Tim Smith** is aided by former OGRC head and SPEE member **John Ritter**. Both will be making the trip in May to give SPEE two sources of representation, giving us the flexibility of representation in the future if the other cannot attend the meeting. It is very prestigious for Tim to not only be a member of the EGRC but also be named to the EGRC communications committee. Our representation is not only critical to the assurance of PRMS as the world standard for petroleum reserve/resource definitions and guidelines, but worldwide recognition of SPEE and its importance to the industry.
- The publication of the JSPEE, which should be out by the end of March.

**Rick Krenek** is doing a great job putting the 49th SPEE Annual Meeting together in Colorado Springs where, among a great schedule of technical events, we will be having a special event celebrating SPEE's 50th Anniversary. If you have not done so, visit our web page to see the latest of what is in store for you in Colorado Springs including videos, links to the resort for reservations and more.

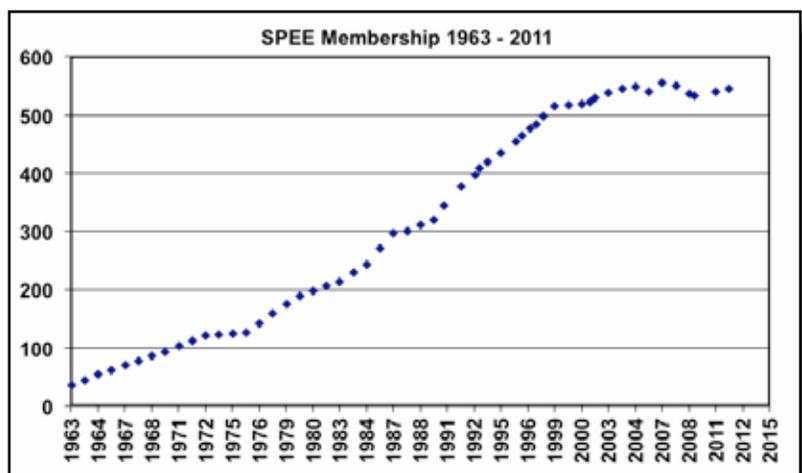
The Board of Directors just approved the revised REP No 1. The revised version handles several changes that have transpired since it was first published in 2004. The revision adds the term “resources” to several recommended practices and discusses the use of the term in reports. The new REP 1 also addresses the recently published PRMS document, probabilistic terms and methodology, new SEC rules, and adds a section on Canadian reporting standards. I want to thank **Dan Olds** for his continued hard work on REPs.

**Dee Patterson** is our new Chair of the Annual Parameters Survey. If you have any ideas, suggestions or additional survey respondents (they do not have to be SPEE members), please contact Dee. Also, please take time to respond to this year's survey as we really need more involvement from the membership.

I am sure everyone in our organization is aware of the ever-increasing issues involving reserve assessments. I just watched the recently released movie documentary “spOILed” and encourage all to watch it. We are seeing the dramatic impact of new technology opening up oil and gas reservoirs historically thought to be noncommercial, if thought of at all. A substantial amount of this is gas, but oil from liquid plays such as the Bakken, Eagleford and Wolfberry, appear to be turning the tide on U.S. oil decline. But the questions still abound: how long will those plays last, will they be significant to offset the US demand on foreign oil, are we still headed for peak oil, and if so, when? Other issues such as the current administration's refusal to approve the Keystone pipeline seem to defy logic. All of this points to the obligation we have as professionals to educate the public. Remember the SPEE guidelines on ethics:

- Issue public statements in an objective and truthful manner
- Members will make oral and written statements that are honest and fair, avoiding exaggeration and sensationalism.

I also urge members to be active not only in SPEE, but SPE as well. They (SPE) are our sister society and we should participate where we can, such as going to meetings and participating in SPE's TIGs. I have noted some of our members replying to the SPE Reserves and Economics TIG and encourage other to do so. This also is a means to identify potential new members. As can be seen in the graph below,



SPEE membership growth has been relatively stagnant since 1999. Other professional societies, such as SPE, have grown substantially. I have said many times, “SPEE is a small society with big and lofty purposes and goals,” and, if we want to continue in this direction, we need to add new members. We then need to train them to take on chapter responsibilities to begin with, and then advance them to national responsibilities. Unfortunately, we have lost some of our members to retirement and face a potential of losing more, as we, like the rest of industry, go through the “Great Crew Change.”

We need to expose SPEE to graduating petroleum engineers so they seek us out for meetings and continuing education once they are in the work force. This not only attracts them to our society but, gives us the chance to mentor and one day become their sponsors for membership. I urge members to contact their respective alma maters and encourage them to utilize the SPEE material we furnish at no cost to them. Encourage the petroleum faculty to contact me if they would like more material or support for Property Evaluation Classes. **Paul McDonald** is our Membership Chairman and is working on disseminating a presentation created by the Denver Chapter to aid prospective members in “wading through” the membership application process. Please contact Paul to get more information and/or go to the SPEE website to download the Denver presentation.

In closing, I want to thank **Barry Ashton** for his service and guidance through the last year. I will continue to seek his council. And, lastly, I know some of you are probably shocked that I did not have the Texas Tech Masked Rider behind me in the photograph....I was tempted!

*Marshall Watson*  
*President*



**PLAN  
AHEAD**

**SPEE Annual Meetings**

**June 9-12, 2012 Colorado Springs, CO**  
**Cheyenne Mountain Resort**

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

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

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

# Chapter News

## Calgary

Since the December 2011 SPEE newsletter, we held our annual Christmas lunch on December 20th and held one Annual General Meeting/Business Meeting on January 17th.

The lunch was held at the Calgary Petroleum Club with 30 members in attendance. It has been our tradition to conduct an annual oil price forecast competition at this lunch to see who can guess the average daily WTI oil price for the coming year and to announce the winner of the previous year’s competition. The winner of the Robert A. Odd Memorial Trophy for 2011 was Mr. Charles Moore who estimated the average oil price within pennies.

As a not-for-profit Society, we held our second Annual General Meeting on January 17th in the offices of Sproule Associates Limited. Besides being an annual requirement of the Society, the primary purpose of the AGM was to approve the audited financial statements for the year ending December 31, 2010. The audit of the financial statements for the year ending December 31, 2011 is currently underway. As the SPEE (Calgary) Executive are in the middle of their terms, no new elections will be held until the AGM in the first quarter 2013. All current Executive agreed to continue in their current capacities until that time.

The second half of the meeting on January 17th was devoted to our regular monthly Business meeting. Following are some of the highlights of that meeting:

The SPEE (Calgary) currently has 45 paid members, four lapsed memberships, six pending members and one transferee.

The membership comments on the Bitumen Section of COGEH Volume 3 have been incorporated and the document will be sent to the technical editor.

It was requested that all comments/suggested changes or enhancements to COGEH Volumes 1, 2 and 3 be sent directly to John Etherington, Chairman, or the Emerging Issues Committee.

Attila Szabo and Harry Helwerda will be meeting with the Calgary Section of SPE to review the current agreement for printing and distribution of the COGEH documents and to investigate the creation of digital versions of each document.

The Resources Sub-Committee, chaired by Mr. John Chipperfield (membership pending), continued to meet on a monthly basis preparing the Resources Guidance section of COGEH. The sub-committee anticipates having this guidance available for member and industry review and comment by late 2012.

SPEE (Calgary) has received the Chief Geophysical Forum (CGF) reserves document for consideration of a COGEH update. This document is presently with the Emerging Issues Committee for review.

The next Technical Meeting of the SPEE (Calgary) will be held on Tuesday, February 21st at the Calgary Petroleum Club at which Randy Freeborn of Energy Navigator will present a talk on the proper use of *Type Curves*.

*Meetings - 3rd Tuesday of each month except June, July and August. Membership - 55*

### California

The next meeting for the California Chapter will be held in conjunction with the SPE Western Regional Meeting (WRM) in Bakersfield in March 21st-23rd. One of our members, Barry Evans, will be presenting a technical paper at the WRM titled *The Vedder Lease, Section 9, Mt. Poso Field: A Unique Case History*. Mr. Evans has been the Vedder Family's petroleum engineer for 34 years. The property has been operated by a major and subsequently three smaller independent companies who have applied new technologies to enhance oil production and reserves, a very fascinating story.

Member Arlie Skov spoke to the SPE Los Angeles Basin Section in Long Beach regarding ethical topics such as "what is the proper role of a consultant?" and separately, "what is the proper role of an employee of a producer, as to the financial interests of an employer?" Specifically, must either a consultant or an employee consider the financial interests of the client and/or employer, or only provide the best impartial technical analyzes and conclusions? Member Jon Crawford has also contributed additional information regarding engineering ethics. This topic is planned to be further discussed at our Chapter SPEE meeting in March.

As part of the Petroleum Technology Transfer Council's (PTTC) West Coast Region, SPEE member Brad DeWitt presented in February workshops on reserves in Long Beach and Bakersfield to approximately 80 attendees.

*Membership - 27*

### Central Texas

*Meetings - Quarterly Austin Country Club. Membership - 31*

### Dallas

The SPEE Dallas chapter met in January to hear Art Berman talk about shale plays. According to Berman, despite impressive production growth, it is not yet clear that these plays are commercial at current or medium-term future prices because of the high capital costs of land, and drilling and completion. In his opinion, reserves and economics depend on estimated ultimate recoveries based on strongly hyperbolic, or increasingly flattening, decline profiles that predict decades of commercial production. With only a few years of production history in most of these plays, Berman believes this model has not been shown to be correct, and may be

overly optimistic. About 80 members and guests were in attendance, the chapter's largest attendance in recent years.

The chapter meets every other month from September to May. Upcoming meetings include Marshall Watson and Dr. John Lee on reserve estimates in unconventional gas reservoirs.

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

### Denver



On January 16th, the Denver Chapter held its regular quarterly meeting with the SPEE Executive Committee as featured speakers. There were 38 in attendance including 29 members and nine guests. The luncheon was coincident with the January 2012 Board of Directors and Executive Committee meeting

which was held in Denver this year. Barry Ashton and Marshall Watson addressed the Denver Chapter on general topics concerning the state of the organization. Additionally, Rick Krenek gave additional details regarding the upcoming annual meeting in Colorado Springs.



On February 7th and 8th, the Denver Chapter hosted a two-day school on SPEE's recently published *Monograph 3: Guidelines for the Practical Evaluation of Undeveloped Reserves in Resource Plays*. Russell Hall, Chairman of the SPEE Committee on Resource Play Evaluation Guidelines, instructed. Assisting

was Gail Hankinson, associate of Russell K. Hall and Associates. It was well received with 45 registrants in attendance.

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

## Europe

The Board Members of the European Chapter 2012 are Simon McDonald (Chairman), Jes Christensen (Vice Chairman), Martin Hubbig (Secretary/Treasurer) and Doug Connell (Membership Secretary). The Chapter plans 3-4 meetings this year which draw interest not only for SPEE members. First distinguished speaker in February was John Etherington, who presented the Status and Potential next steps of PRMS. Attendees from UK, Germany, The Netherlands and other European Countries regularly join these meetings, which normally are held in London. Previous meetings also took place in The Hague. Paris and Hamburg are further candidates. The membership rose to 18 with more potential candidates showing interest in SPEE.

*Meetings - Four per year. Membership - 11*

## Houston

The Houston Chapter's 2012 year began with the annual joint meeting with SIPES on January 18th. Keith Barnett spoke on *North American Natural Gas: \$3 to \$13 to \$3; Where Do We Go Now?* He focused on 2012 production being at higher levels than 2011 and how will increasing demand, declining net imports, weather, and increases in storage capacities and inventories solve the imbalance or will it come down to price? There were 38 members, guests, and visitors in attendance for the meeting.

February 1st came quickly and we held our second meeting of the new year. Dr. John Lee once again came to talk to our group. He spoke on *New Production Decline Models for Unconventional Resources*. The unconventional resource plays required more than Arps' rules for reserve determination. His discussion included the Stretched Exponential and Duong models, and evaluations of how well they model transient flow (including linear flow) followed by other flow regimes. Additionally, Dr. Lee gave insight into the development and future plans of the newly formed Petroleum Engineering program at the University of Houston. There were 114 members, guests, and visitors in attendance for the meeting.

Future Speakers:

- March - Scott Richardson of Richardson Barr
- April - Open
- May - Jennifer Fitzgerald of Ryder Scott
- June, July, & August . . . No Meeting
- September - Mark McLane of Rose & Associates, talking about reserves overbooking (our ethics talk)

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

## Midland

*Meetings – 1st Tuesday odd months – Midland Petroleum Club. Membership - 28*

## Oklahoma City

*Meetings – Every odd numbered month. Membership - 23*

## Tulsa

On January 25th, 19 members and guests of the Tulsa Chapter of SPEE met to hear Dr. John Lee speak on *New Production Decline Models for Unconventional Resources*. Dr. Lee presented several requirements that need to be met to reasonably forecast oil and gas production from unconventional resources. He focused his talk on the stretched Exponential and the Duong models, as illustrations of models that have certain advantages in current applications.

On January 26th, SPEE joined the Mid-continent Section of SPE, The University of Tulsa Department of Petroleum Engineering, and PTTC in an all day workshop on *Applying PRMS to Unconventional Resources*, which was also conducted by Dr. Lee.

Dr. Lee holds the Cullen Distinguished University Chair and is a Professor of Petroleum Engineering at the University of Houston, following a distinguished career at Texas A&M, where he held the L.F. Peterson Endowed Chair and was a Regents Professor of Petroleum Engineering.

Dr. Lee was well received at both sessions. A vigorous discussion followed each meeting.

The next meeting for Tulsa chapter will be the annual business meeting in March or April.

*Meetings – 1st Tuesday of each month – Petroleum Club. Membership – 27*

### More from Professor Botkin...

In two issues in the SPEE Newsletter (March, 2010 and December, 2011) we have published reprints of articles by Professor Daniel Botkin with the idea that Members would find them of interest. Several Members have told me how much they enjoyed the articles (and moose pictures) so I thought I would pass along some information about two books by Prof. Botkin that are available. The first is *Powering the Future: A Scientist's Guide to Energy Independence* published in 2010 by FT Press. The second is *The Moon in the Nautilus Shell: Discordant Harmonies Reconsidered*, 2012, Oxford University Press. Both are available in hardback and as Kindle and Nook. Dr. Botkin is Professor (Emeritus), University of California, Santa Barbara. No endorsement intended.

## THE ETHICS COLUMN

At times it is difficult to participate in the dissemination of technology when you are a consultant. Take the case of Ed, a respected consultant. He was fortunate to have several clients with production from a very prolific reservoir; however, the reservoir does not



yield itself to an easy understanding. In certain locations production historically exhibited the characteristics of a water drive mechanism. Much later production substantially down dip was mostly water until the reservoir pressure was reduced, then the oil cut increased markedly before eventually depleting.

Ed observed all of this and performed many evaluations. Subsequently, in his own research, he viewed core samples and derived a unique explanation of reservoir behavior. To contribute this understanding Ed wrote a technical paper for an SPE symposium.

After publication of the paper a query was made by a representative of a major oil company as to whether Ed believed the field could be economically waterflooded. When Ed responded that his opinion could be obtained for a modest fee, the conversation ended. Was his response appropriate and ethical?

A few months later Ed was invited to present his paper to a nearby SPE chapter. After his presentation the major company representative stood and asked Ed's opinion on whether the reservoir could be economically waterflooded.

### WHAT DO YOU THINK?

How should Ed respond in this setting?

Have you ever had a similar experience of someone wanting something for nothing? Your response?

Readers are encouraged to provide written comments to the SPEE Office – Attention: Editor

*Buddy Sipes*

### IN MEMORIAM

We regret to note  
the passing of:

#### **ROBERT F. BAILEY**

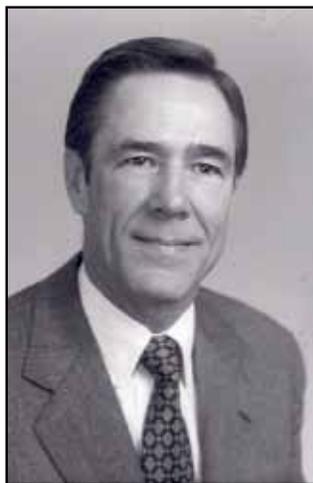
Midland, Texas  
February 2, 2012

#### **GLENN BRANT**

Midland/Calgary  
January, 2012

#### **RALPH JACKSON**

Tulsa, Oklahoma  
December 23, 2011



Robert F. Bailey, a longtime SPEE member, died on February 2, 2012. A 1955 mechanical engineering graduate of the University of Texas, Bob worked for Humble Oil Company right out of college then became a recognized consultant, entrepreneur and corporate advisor. He will be remembered for his diligence, ethics and vision as well as a good partner and friend.

Ralph Wayne Jackson, 75, passed away December 23, 2012. He graduated from Oklahoma University in 1955 with a Petroleum Engineering degree. Ralph was well known in the Petroleum Engineering field and served in various professional affiliations in his field.



## David's Dilemma!

In the December, 2011, newsletter, The Ethics Column posed an interesting issue that has arisen for all of us, in one form or another, more than once. David, a professional evaluation engineer, is retained by Spencer to estimate the FMV of Spencer's oil properties. As described in the scenario, "...David does a meticulous study of 20 properties including one waterflood and one CO2 project..." When presented with the results of the study, Spencer "...is very disappointed. He was expecting a much higher value based on sales that had been reported in various industry publications per barrel of oil equivalent... Spencer now pressures David to raise his FMV..."

The Ethics Column poses four questions regarding the proper response by David, each of which should be discussed in some detail. There is not space here for that so let us concentrate on the main issue, is there any credibility to values reported in trade journals? The short answer is, NO! Certainly not for use in estimating market value for real properties for any serious purpose. But since this issue pops up so often, even amongst those who should know better, it is worthy of a bit of discussion. The problem, of course, is not that the \$/BOE figures are reported in trade journals but rather that they are extremely misleading as sources of market data. The information reported is commonly very limited; usually all that is given is the buyer, seller, some general location (West Texas, Rocky Mountains), and a "value" calculated \$/BOE. Some sources give more data, some less, but there are no details (exceptions exist, if you are willing to pay for the data).

Assuming that Spencer can provide the source of the sales on which he is relying, what is David being asked to do? He has already done a thorough evaluation of the properties by an Income Approach. Spencer now wants him to use the trade journal data to do a Comparable Sales Approach valuation by taking the \$/BOE data and applying it to, presumably, the

reserves of the properties. How should David respond? He could just say, "No, I do not believe that is a correct way to value these properties" and leave it at that but maybe Spencer is persistent and a good client. David could then take the following approach. He could sit down with Spencer and the sales data list (it must be a real list, not "something I read") and ask Spencer which transactions he (Spencer) thinks are most comparable to his properties. Obviously not all the transactions involve 20 properties with a waterflood and a startup CO2 project so there could only be a limited number of sales to use. David should then ask Spencer to identify the similarities and differences between the properties in the sales and the properties to be valued. Since Spencer has 20 different properties, the comparison must be made for each property. In addition, they (David and Spencer) have to find out how much of the value of the reported sale is for oil properties and for gas properties, the various classes of reserves, product prices, operating costs, future required investment ... you get the picture. Further, what was the actual purchase price? How much was cash, stock, and/or assumed debt? Why did the buyer want the property? Whom did the buyer have to outbid to get it? How many bidders were there? None of that information is provided in sales lists in the Oil & Gas Journal or other sources. At the end of this exercise Spencer should realize that David cannot simply take some average \$/BOE number and use it to estimate market value. Doing so might make Spencer happy but it is not ethical regardless of how long a disclaimer David writes into the report.

Further discussion on this topic can be found in SPE # 18907 by William Strevig and at [www.rjmanda.com](http://www.rjmanda.com) under Newsletters, December, 1998.

**Richard J. Miller**

## The Journal of SPEE

For those who have been anxiously awaiting the new JSPEE there is good news. We did not make our early January publication date for a couple of reasons primarily related to receiving more material than expected and then working to edit all that material into a consistent form. This has taken longer than anticipated but we think you will like the result. Our current target date for publication is in March. Stay tuned and watch your e-mail box. Thank you for your patience.

**Richard J. Miller**

## It is Just My Opinion, Of Course, But...

The subject of Continuing Education (or CE) and Ethics Training comes up every now and then as it did during a recent California Chapter meeting and, whilst pondering said topic, I thought an article might be useful. SPEE has done a good job of developing CE programs for the Annual Meeting and several chapters have good speaker programs. The Annual Meeting also includes an Ethics Training segment that allows attendees to meet their obligations under various state registration requirements. The combination of the CE programs and the Ethics Training has arguably been a factor in maintaining attendance at the Annual Meetings over the past few years and augmenting organizational income.

The apparent success of these programs is a strong indication that they should be expanded and made available to all Members, not just those that are able to attend the Annual Meeting. Since most SPEE Members are required to meet some standard for CE and/or Ethics Training, it seems reasonable to improve the accessibility of those programs. This could be done in several ways. One would be to offer the CE programs at Chapter meetings or at a location within reach of the largest number of Members. Houston is an obvious location but so are Calgary, Denver, Midland, and Bakersfield. This might involve some cost but SPEE is apparently making money off the current programs so there should be no loss. Besides, SPEE is supposed to be involved in Member education. Another approach could be through internet seminars or “Webinars” that could be accessed by individuals or groups of Members without the need for travel to distant locations. I have taken a few courses using this method and it works very well. Some courses even allow for dialogue with the lecturer.

There would be a learning curve but once the course material is prepared, it is just one more presentation. Here again, there would be some cost but it could be offset by a charge for each course which could be reasonable but still not as expensive as traveling to the Annual Meeting. The same thing could be done with exceptional presentations at Chapter meetings or even parts of the Annual Meeting technical program.

While CE is an educational opportunity, Ethics Training is an equally, if not more important, function of SPEE. Attendees at the Annual Meeting now get credit for sitting through a short presentation but unless there is a session set up for a Chapter meeting, the rest of the Membership has to find other ways to meet their requirement. Ethics Training sessions are usually only an hour or so but they could still be done along the same lines as discussed above for CE credit using centralized locations or web-based access. Here is a novel idea. The SPEE Newsletter includes an Ethics Column in every issue. The Column usually poses a situation and asks a one or more questions. We do not often get responses, which sort of makes us wonder if anyone is paying attention, BUT what if a Member could gain Ethics credit for responding to the question with a serious discussion of the issue or by contributing material for discussion along with the column? This is actually more than is required at the AM. We could publish some responses, sort of like Letters to the Editor (of which we get very few) but could collect them and allow responders to get the same credit as Annual Meeting attendees. Works for me! But, just my opinion.

*Richard J. Miller*  
*Newsletter Editor*

## SPEE Ethics Summary

Dear SPEE Members,

The SPEE Ethics Summary in this newsletter includes, all on one page for handy reference, Article VI Section 1 from the SPEE By-Laws, the “Code of Ethics of Engineers” as adopted by the Accreditation Board for Engineering and Technology, and the SPEE “Principles of Acceptable Evaluation Engineering Practice.”

Also, SPEE is a unique organization that has a grievance process in the By-Laws. From Article XII “Charges of misconduct in violation of Article VI or the Principles of Acceptable Evaluation Engineering Practice hereof shall first be submitted in writing to the President of the Society by a Member in good standing, with a full statement of the evidence on which the charges are based.”

*David K. Gold*  
*Grievance Committee Chairman*  
*Chairman of the Council of Past-Presidents*

# Announcing the 2012 Annual Meeting

In a few short months, many of us will gather in the mountains of Colorado for SPEE's 2012 Annual Meeting, to be held June 9-12, 2012, at the Cheyenne Mountain Resort in Colorado Springs.

The Colorado Springs area boasts a rich and diverse past, which has helped shape the unique character of the city today. Our host resort sits in a tranquil part of the city at the base of Cheyenne Mountain. The scenic views afforded by Cheyenne Mountain will serve as a backdrop for much of our time at the resort.

## Activities

Organized activities will include tours of Old Colorado Springs, Old Colorado City, and Manitou Springs, a slow climb up Pikes Peak to an elevation of 14,110 feet aboard the Cog Railway, and a tour of the red rock formations at Garden of the Gods, along with a tour of the Colorado Springs Olympic Training Center. Our annual golf tournament will be held on Saturday afternoon at the Cheyenne Mountain Resort course nestled behind the main resort complex. A tennis tournament is being organized for Monday afternoon.

If you seek additional mountain adventure, arrive early or stay at the resort after the meeting ends, and enjoy some of the many other activities available in the area, including rafting, ziplining, biking Pikes Peak, or horseback riding. If less strenuous activities are more to your liking, try one of several historic railroad journeys, visit the Cheyenne Mountain Zoo (billed as the country's only mountain zoo), or see the Air Force Academy grounds. Information on these events will soon be located on our website.

On Saturday evening, we are planning an informal get-together in the hotel lobby. On Sunday night, all attendees are invited to board buses for a special evening

at the Garden of the Gods Club. A legendary private club for over 50 years, Garden of the Gods Club is perched high

on a mesa providing commanding views of natural rock formations, sheer cliffs, abrupt towers, balancing rocks, oak-covered valleys, and the snow-capped top of Pikes Peak. Here we will enjoy a wide variety of appetizers along with drinks in an idyllic setting as the sun sets across the mountains on a Colorado summer evening. Our Monday evening banquet will be held at Cheyenne Mountain resort. The evening will begin with a champagne reception on the outdoor deck off the lobby, which will be followed by a three-course dinner in the resort's Centennial Ballroom.

## Logistics

The most convenient way to get to Cheyenne Mountain Resort is to arrange a flight into the Colorado Springs Airport. From there, the drive is approximately 20 minutes. Those from Denver will know that the Cheyenne Mountain Resort is located about an hour south of Denver on I-25; if you prefer to fly into the Denver International Airport, the drive to the resort should be about 90 minutes.

We have reserved a block of rooms at the resort at a discounted SPEE rate, and a direct link to a special resort website for making SPEE-discounted reservations will soon be available through our website at [www.spee.org](http://www.spee.org). You may also make reservations by calling the resort reservation line at 800-588-0250 and asking for our group rate, indicating that

you are with the Society of Petroleum Evaluation Engineers Conference. The resort also offers transportation to and from



the Colorado Springs Airport for an additional fee. Watch for more information coming soon by email and on our website.

## Technical Program

Unconventional resources continue to play an important role in the North American energy industry, and are beginning to play an increasing role outside of North America as well. As such, this year's technical sessions will continue to include talks geared to bringing new insights regarding forecasting of unconventional reserves and resources. Two short courses dedicated to the forecasting of reserves in unconventional resources will be offered this year, one by Dr. John Lee focusing on performance-based methods, and one by Dr. Christopher Clarkson on unconventional gas rate-transient analysis.

Because the development of unconventional resources have become such a political issue, perhaps more than a technical one, we have invited Congressman Cory Gardner, representing Colorado's 4th Congressional District and member of the House Committee on Energy and Commerce to speak to SPEE. Congressman Gardner has graciously accepted and will provide some insights on legislative winds that may impact our industry in the coming years. Following Congressman Gardner's talk, Gerry Precht, Partner with Fulbright & Jaworski L.L.P., will present his recent research into Securities Litigation and Enforcement Risks for Shale Operators.

Thanks to more widespread use of robust static modeling tools, more reservoirs are becoming candidates for dynamic reservoir simulation models, and reservoir simulations are becoming more prevalent in reserve and resource evaluation. These models are powerful tools that can provide great insight into reservoir behavior, as long as they are understood and used properly. This year, we are including a series of discussions on reservoir simulation, starting with a short course on the fundamentals of reservoir simulation by Dr. Bob Gochnour, Manager of Advanced Reservoir Simulation Development and Deployment for BP Exploration and Production Technology. Two other talks related to reservoir simulation will be presented during the technical sessions, one on auditing reservoir simulation models, presented by Derek Newton of Netherland, Sewell & Associates Inc., and one discussing the concept of reservoir simulation as a reliable technology under current SEC guidelines, presented by Dr. John Lee.

Other technical discussions at the Annual Meeting include SPEE Director Rod Sidle with Oxy Oil & Gas presenting his paper titled *Reasonable Certainty and Principles-*



## Summary Schedule of Events

Sat AM	ExCom, BOD, COPP Meetings
Sat PM	Golf Tournament
Sat Eve	Informal Gathering, Resort Lobby
Sun AM	Short Course I
Sun PM	Short Course II
Sun Eve	Cocktail Reception Garden of Gods Club
Mon AM	Technical Sessions and Spouse/Guest Tour
Mon PM	Tennis Tournament and Other Activities
Mon Eve	Awards Banquet
Tues AM	Technical Sessions
Tues PM	Short Course III

*Based Regulation*, and Ronyld Wise with PLS, Inc. presenting an overview of recent activity and trends with respect to upstream A&D, E&P, and capital markets. SPEE member Jim Gouveia is scheduled to present a body of work recently

prepared by Rose & Associates regarding probabilistic analysis, titled *Guidelines for the Estimation of Probabilistic P10/P90 Ratios*. Perhaps one of the most complex and least understood areas of the science of petroleum property evaluation is that of petrophysics. Dr. Jim Davidson with Netherland, Sewell & Associates, Inc. will lead a talk that explores two aspects of petrophysics: 1) evaluation of shaly sands and the inherent

uncertainty of the result, and 2) challenges in upscaling petrophysical parameters for dynamic reservoir modeling.

Our Monday technical sessions will begin with an important SPEE business meeting. President Marshall Watson will disseminate information regarding the society at the international level, including the ongoing initiatives being pursued by the Executive Committee, the Board of Directors, and the various standing and special committees of SPEE. Our technical sessions will close on Tuesday with a discussion on Ethics led by Buddy Sipes with Chisos Operating, Inc., and Charles Gleeson with Knightsbridge Resources LP, and a presentation of the 2012 Survey of Parameters Used in Property Evaluation by Committee Chairman and SPEE Director, Dee Patterson.

**Rick Krenek**  
2012 Annual Meeting Chairman

# 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>Adams, Craig H.</b> Netherland, Sewell & Associates 1601 Elm Street, Suite 4500 Dallas, TX 75201	Rick Krenek Danny Simmons Laurie Bowns	<b>Dangel, Matthew Dale</b> Houston, TX	Greg Reep Jeff Tenzer Jerry Hale
<b>Braaten, Keith M.</b> GLJ Petroleum Consultants Ltd. 4100, 400 – 3rd Avenue SW Calgary, Alberta T2P 4H2 Canada	Laurie Bowns Harry Jung Fred Au-Yeung	<b>Smith, Richard W.</b> Maersk Oil & Gas Esplanaden 50 Copenhagen, Denmark 1263	Fred Richoux Phil Schenewerk Leslie O'Connor
<b>Clampitt, Jeff</b> Noble Energy, Inc. 1625 Broadway, Suite 2200 Denver, CO 80202	Fred LeGrand Jerry Pope Jim Klutho		

## Welcome New Members

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