

President's Letter

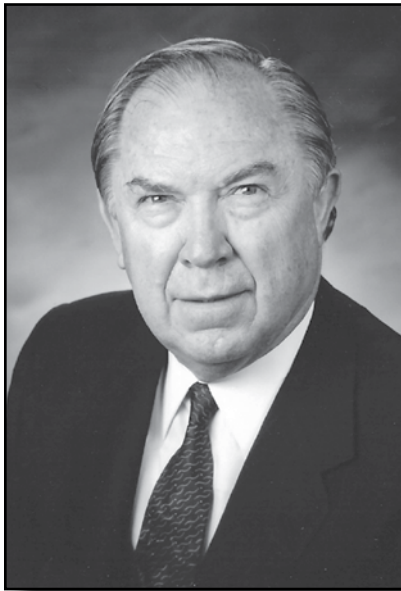
The election for new members of our Board of Directors for 2007 has been completed. Six excellent candidates were on the ballot. The board members elected are: J. Brian Walters-Dallas, Marshall C. Watson-Midland, and Bruce L. Randall-Tulsa.

The Joint Committee on Reserve Evaluation Training (JCRET) is in active development. A four-person sub-committee is working on the foundation of JCRET – a comprehensive curriculum that defines the training necessary to enable a reserves evaluator to properly estimate reserves. This training will be the first step in ensuring that the definitions and methods presented have universal consistency and acceptance without being mandatory.

Dan Olds and Stuart Filler are currently the SPEE members on the committee. Some of the curriculum will be from custom courses specifically for JCRET but some will be from existing industry modules. The goal is to have this training available internationally and although a voluntary program, it is hoped that it will have industry support and be cost-effective for the individual.

The new SPE/AAPG/WPC/SPEE Reserve and Resource Classification Definitions and Guidelines are in industry review. The SPEE Board of Directors has reviewed them twice before release. You should have received a copy by email from SPE. If not, they are available at www.spe.org/reserves or please contact me for a copy. Individual comments are invited during the industry review and should be forwarded to ogr@SPE.org by February 1, 2007. This revision is the most comprehensive since the SPE Reserves Definitions have been published. Any revision of a technical document of this size may have professional differences of opinion that can only be resolved by compromise. However, I can confirm the term “recoverable reserves” does not appear.

More news on the reserves ... AAPG and SPE are sponsoring a Multi-Disciplinary Reserves Conference in Washington, D. C., June 24-26, 2007 with SPEE and WPC as co-sponsors. Ron Harrell and I are serving on the Steering Committee as SPEE representatives. There will be international attendance



from industry, government, financial, investment and the academic communities. An opening plenary session will present the new SPE/AAPG/WPC/SPEE Reserves Definitions. Additional working breakout sessions will be held on issues of determining reserve estimates and their uses.

One issue that has finally been resolved is the www.SPEE.org website name is now legally the property of SPEE. All required transfers are in place. It took a lot of perseverance and searching to locate the principals. Many thanks to Rick Krenek and Brian Walters for all their efforts.

The SPEE is still committed to supporting the formation of an international chapter. Exactly how this will be done has not been resolved. The Council of

Past Presidents is reviewing my initial proposal. The original concept was a London Chapter but there has been a suggestion to call it European Chapter – similar to the California Chapter, without a city identity.

Frank Molyneaux is well into planning for the 2007 Annual Meeting in Vail, Colorado, with an informative technical program and entertaining activities. Our 2008 Annual Meeting is in Hot Springs, Virginia and the 2009 Annual Meeting will be in Santa Fe, New Mexico.

On behalf of the Board of Directors, I want to thank Richard and Carol Miller for their dedicated effort in serving as the Advance Planning Committee (APC) to review and evaluate potential sites for our annual meetings. Having taken this important task for several years, they are ready to retire. If you have an interest in taking over the APC, please contact Richard or me. A successful meeting always starts with an inviting location.

I want to acknowledge the extra effort that B.K. Buongiorno, Executive Secretary, makes for SPEE. Personally I have appreciated and benefited from B.K.'s always-pleasant counsel and support.

Please contact me at 361-994-7222 or ebbrauer@prodigy.net if you have any questions or comments.

Bernie Brauer

2006 Officers and Directors

Committee Chairmen and Individual Appointments

Officers

President E. Bernard Brauer (Corpus Christi)
 Vice President.....S. Tim Smith (Austin)
 Secretary/Treasurer.....Frank Molyneaux (Calgary)
 Past President..... Daniel R. Olds (Houston)

Directors

Barry R. Ashton (Calgary)	Fred Goldsberry (Houston)
Robert Dimit (Midland)	Charles Nelson (Houston)
Stuart Filler (Houston)	Nanette Schulz (Denver)
David Gold (Bakersfield)	Jim L. Wilson (Enid)

Committee Chairmen

Continuing Education..... To Be Announced
 Evaluation Parameter Survey.....Leslie O'Connor
 Fair Market Value..... D. Russell Long
 Ethics and Grievance Florence Hughes
 Internet Richard Krenek
 Membership..... Brian Walter
 Newsletter Coordinator Fred Goldsberry
 Past President's Council Mark A. Doering
 Qualifications Nanette Schulz

Individual Appointments

Annual Meeting Advance Planning Richard J. Miller
 Communications Director Jim Wilson
 Directory Brian Walter
 Production Tax Summary Charles G. Massey/Dan Olds
 Liaison Representative on SPE
 Oil & Gas Reserves Committee D. Ronald Harrell
 Professional Registration Marcus Snyder

Chapter Officers - 2006

Calgary

Chairman – Barry Ashton
 Vice Chairman – Floyd Siegel
 Secretary/Treasurer – Curt Labelle
 Membership Coordinator – Phil Kandel
 (3rd Tuesday of each month except June/July/
 August)

California

Chairman	Rick Finken
Vice Chairman	Russ Bertholf
Secretary/Treasurer	Barry Evans

Central Texas

Chairman –	Cary McGregor
Program Chairman/Treasurer	Open
Co-Membership	
Austin	Wayman Gore
San Antonio	Open
Secretary/Treasurer	Open

(Quarterly - Austin Country Club)

Dallas

Chairman	Dee Patterson
Vice Chairman	Rick Krenek
Secretary/Treasurer	Dean Eiland
Membership Chairman	John Nicol

(Bimonthly-September through May - Dallas
 Petroleum Club)

Denver

Chairman	Keith Engler
Program	Scott Wilson
Secretary/Treasurer	Jerry Hertzler
Membership	Kevin Weller

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

Houston

Chairman	Sam Singer
Vice Chairman	Stuart Filler
Secretary/Treasurer	Ron Rhodes
Program Chairman	Ed Gibbon

(1st Wednesday of each month - Petroleum
 Club)

Midland

Chairman and Programs	Joel Castello
	Arlen Edgar
Treasurer	Bob Dimit
Membership	Joe Neal

(1st Tuesday of every odd month-Petroleum
 Club)

Oklahoma City

Chairman	Dean Sergent
Vice Chairmen	
Program	Jim Wilson
Membership	Bruce Heath
Secretary/Treasurer	Fletcher Lewis

(Every odd-numbered month)

Tulsa

Chairman	Stanley M. Scott
Programs	Chris Jacobsen
	Gary Nilson
Membership	David Morrell
Secretary/Treasurer	Robin LeBleu

(1st Tuesday of each month - Petroleum Club)

SPEE

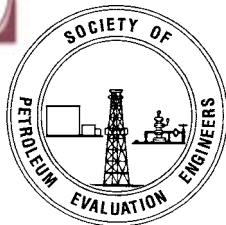
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The SPEE Newsletter is a quarterly publication of the Society of Professional Evaluation Engineers. News items, correspondence, address changes and advertising inquiries should be directed to SPEE headquarters in Houston, Texas.

Chapter News

SPEE is Looking for a New Sleuth

Houston

The attendance is up for the last three months. The speaker for Dec. 7th will be on "Identifying Shale Gas Potential." There is a joint meeting with SIPES to be held on January 3rd with the topic of "Oil & Gas Markets."

Midland

The current Midland Chapter officers are:

Chairman	Arlen Edgar
Vice Chairman (Programs)	Charles Gleeson
Secretary/Treasurer	Bob Dimit
Membership	Joe Neal

The meeting schedule has changed to the first Tuesday in odd-numbered months.

Oklahoma City

OKC has many applications for membership being filled out right now and hopes to add several new members by year end.

The chapter had an excellent speaker in September. Richard Spears of Spears & Associates gave a compelling talk titled, "If the Boom is Almost Over, Why Can't I Get a Pump Truck..." Richard's firm consults for over 400 clients in the O&G service sector. His talk covered supply/demand relationships between operators and service sectors such as drilling contractors and stimulation companies, and the long term prognosis for service prices.

Chuck Yates, Senior Managing Director for Kayne Anderson Capital Advisors, spoke to us on Nov 2, regarding the following:

"Private Equity Financing" is a term with a stigma, possibly unfairly so. As industry fundamentals have improved, the amount of private capital seeking opportunities in E&P has exploded. The result has been a tremendous expansion of deal structures, exit strategies and project descriptions. "Growth through the drill bit" is no longer a forbidden concept. Some producers are finding more favorable terms and are taking advantage of private equity to increase scale or accelerate development.



The Advance Planning Committee of SPEE is charged with exploring for those wonderful locations for the Annual Meeting. This job involves identifying potential locales, working with the Board of Directors to narrow the possible choices, sending Requests for Proposal, and reviewing the responses,

Once a location is selected, the Committee conducts facility tours; prepares a report for the Board; and subsequently, contracts for the hotel and other facilities as necessary.

This assignment does require some travel to very pleasant places. A portion of the travel may be necessary during the week. SPEE has a budget for expense reimbursement.

Why am I telling you this? The current committee is my wife, Carol, and me and, after 10 years we have decided it's time to give others a chance. The ideal replacement will have attended SPEE Annual Meetings in several locations over the past few years. A pairing with a spouse in this role can provide useful comparisons since the Annual Meeting is generally attended by couples, and a second viewpoint increases the value of the site visit. Your familiarity with past meetings will be helpful in communicating the meeting requirements to hotel sales personnel, etc. Also, Carol and I will be happy to participate as "consultants."

Should you be interested in assuming this role for SPEE we would be pleased to pass along our experience and suggestions. The meetings for 2008 and 2009 are already scheduled. The location for 2010 has been selected but no site visit has been conducted yet.

I hope I have stirred your interest. Please feel free to contact me to discuss this Committee assignment. We look forward to hearing from you.

Richard Miller

Data Services Contribute to Evaluation Difficulties

I think it started in the late 1980s and advanced to its current state somewhere around 2002. When you download data from IHS or the Texas Railroad Commission's PDQ database, unless it is a dry gas well (no condensate production), you do not get the gas volumes reported by the operator. Instead you get a gas quantity which has been inflated by a quantity of MCF equal to the barrels of condensate produced times a factor of 1.1. I am not a regulatory reporting expert but as I recall, at some point in history (again, I think it was in the late 1980s during the "gas bubble" era) the Texas Railroad Commission (TRRC) passed a rule that producers were to add a volume of equivalent gas represented by the condensate volume produced and the total volume was charged against the gas well's allowable. Some operators reported the inflated number, some did not. In those days, IHS picked up the only numbers available off TRRC tapes – the inflated quantities. Things evolved over time and today the TRRC takes the reported quantities and adds the "condensate equivalent" for you.

Today and including data extending back to the early 1990s, the TRRC maintains two databases. The PR data contains the information reported by the operator. The inflated numbers are in the PDQ database. IHS picks up the PDQ data. Why? Because it is supposedly consistent with the numbers they historically reported when they were the only numbers available. Why do newer services like DrillingInfo pick up the same numbers – seemingly because IHS does. Actually, DrillingInfo displays both numbers if you look for them and pick them out but the downloads are currently also the PDQ numbers. DrillingInfo has expressed to me a willingness/intent to revise their downloads but, as I understand it, the data file provided by the Commission does not contain the operator-reported volume but two quantities (sales and use dispositions) which would have to be summed to equal the operator reported "formation production."

There is almost always a need to account for the differences between sales and production of gas when making cash flow projections but if a client gives me their production reports, and if I want them to be consistent with the data on offset wells or other wells in a common reservoir or even the historical downloaded data, I have to turn around and inflate the numbers myself.

Does this problem lead to significant errors? The gas volume error is about 1 percent for each 10 barrels of condensate per MMCF. If the difference is not accounted for, it always inflates the value of gas wells. Somewhere it is written (I am sure of that not only because one of my early mentors told me so but it has been my experience) that all errors in reserve reports contribute to over statement of values. When you compound small errors it can become significant. Reserve reports are not precise, but compound errors in a consistent direction need to be avoided like a plague.

If you work on maintaining your personal or company databases with time and over continuing assignments, it introduces an extra aggravating layer of database management. If you are not careful, you end up in a TRRC hearing (or worse – in front of a jury) and have to spend forever trying to explain why you are using the correct production numbers and your adversary (using IHS numbers from the TRRC) is not.

So what is the point of this article? The data services are not going to produce the correct information unless we customers insist. DrillingInfo has indicated a willingness to cooperate. If we so insist, we might as well tack on a requirement that sales volumes also be included in the formatted data downloads.

Russ Long
Long Consultants, Inc.



With Sympathy

HARRY J. GASTON
AUSTIN, TEXAS
NOVEMBER 25, 2006

CHARLES G. (CHUCK) MASSEY
EDMUND, OKLAHOMA
OCTOBER 2, 2006

IN MEMORIAM

WE REGRET TO NOTE
THE PASSING OF
THE FOLLOWING:

DELORIS SIPES
SPOUSE OF MEMBER BUDDY SIPES
MIDLAND, TEXAS
AUGUST 9, 2006

JOHN R. WARNER
HOUSTON, TEXAS
SEPTEMBER 24, 2006

Membership Applicants

The following member applicants have been processed by the Qualifications Committee. The bylaws require that their 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

FULKERSON, CHARLES E.

Landmark Graphics/Halliburton
2101 CityWest Blvd., Building 2
Houston, Texas 77042-3021

Flo Hughes
Guy Humphries
Michael White

GONZENBACH, GARY JENNINGS

TRC Consultants, LC
120 Dietert Avenue, Suite 100
Boerne, Texas, 78006

Larry Connor
Don Jacks
Brian Walter

HARMON, ROBERT EDWARD (Jr. Member)

C. E. Harmon Oil, Inc.
5555 E. 71st St., Suite 9300
Tulsa, OK 74136

Richard Banks
Charles E. Harmon
Robert Burlingame

MEADOR, SAMANTHA F.

TCW Asset Management
333 Clay Street, Suite 4150
Houston, Texas 77002

Ed Gibbon
Ron Rhodes
Fred Richoux

SIGL, KENNETH WAYNE

Devon Energy Corporation
20 North Broadway
Oklahoma City, OK 73102

Bill Huck
Dean Sergent
Jim Smith

SIMPSON, GRAEME S.

Gaffney, Cline & Associates
Bentley Hall
Bentley, Blacknest, Alton,
Hampshire GU 34 4 PU
UK

Ron Harrell
Rawdon Seager
Rod Sidle

WILLIAMS, FLOYD

Alberta Securities Commission
4th Floor, 300 - 5th Avenue S.W.
Calgary, Alberta T2P 3C4

Ken Crowther
Harry Helwerda
Keith MacLeod

Welcome New Members



BOYER, II, CHARLES M.

Member No. 690
Schlumberger, Data & Consulting Services
Principal Consultant - Unconventional Reservoirs
1310 Commerce Drive, Park Ridge 1
Pittsburgh, PA 15275-1011

GILBERTSON-PRITCHARD, KENNETH COLIN

Member No. 691
Alberta Securities Commission
4th Floor, 300 Fifth Ave., SW
303 West Wall Street, Suite 1800
Calgary, Alberta T2P 3C4
Canada

MEDFORD, RICHARD MALCOLM

Member No. 692
W & T Offshore
Acquisitions Engineering Manager
8 Greenway Plaza, Suite 1330
Houston, Texas 77046

SPEE

1001 McKinney Street, Suite 801
Houston, Texas 77002

Michael Horne, the new SPEE Parameter Survey Chairman, has begun preparations for the upcoming 2007 Survey. He welcomes suggestions and opinions from Members on the questionnaire's content and distribution, and the final product's format and presentation.

Please direct your comments by email to mikehrn@earthlink.net. (Please note this email address is a correction from the August newsletter)