



# ***Society of Independent Professional Earth Scientists***

## ***Houston Chapter Newsletter***

• June 2008 •

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#### ***Newsletter***

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#### ***Political Affairs***

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#### ***Public Relations***

Jeffrey Lund  
713-960-0971

#### ***Technical Program***

Paul Babcock  
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## **June SIPES Luncheon Meeting**

### ***TRADING OIL AND GAS ASSETS: AN INSIDER'S PERSPECTIVE***

**Speaker: Mark Roach, The Oil & Gas Asset Clearinghouse**



**Date: Thurs, June 19**  
**Time: Social 11:15 am**  
**Lunch 11:45 am**  
**Place: Petroleum Club**  
**800 Bell St.**  
**Houston, TX**

**Texas Licensed Geoscientists,**  
a SIPES Lunch talk counts toward the 15 PDH  
required annually to maintain your license.

### **Hospitality Sponsor**

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### **Abstract**

Whether in the board room or on vacation, regardless of your affiliation with any industry or education level, every American wants to know what a barrel of oil is really worth, how much higher the price will rise, and when, or if, it will collapse. We in the industry, as well as analysts in the media, political and investment firms, face an overwhelming number of issues. Trading speculation, politics, elections, devalued US dollar, terrorism, trade imbalance, imports, growing world oil demand and uncertain supply are but a few. Those of us who have managed to stay active or employed in oil and gas through ups and downs over the last 25 to 30 years want to know what we're worth today. Oil and gas asset marketplace metrics are intriguing to anyone who has oil and gas cash flow income. In the course of its business, The Clearinghouse collects metrics from its acquisition and divestment (A&D) transactions every year. Mark Roach, Vice President of Technical Resources, will discuss those metrics as well as the current A&D landscape. ♦

### **Professional Biography**

Mark began his career with Mobil in 1986. He worked in planning/special projects, as a reservoir engineer (Hugoton Field), and as an operations engineer (Illinois Basin). Mark

*June Meeting cont'd on page 2*

**Registration deadline by Noon, Tuesday June 17** — \$30 for Members and Affiliates, \$35 for guests and non-members. An additional \$5 for late and walk-up registrations. **No-shows will be billed.** Call, fax, or e-mail your reservation to Mrs. B.K. Buongiorno at the SIPES address above. You can sign up online at [www.sipes-houston.org](http://www.sipes-houston.org), but payment is still required at the luncheon or by U.S. mail.



## June Meeting Cont'd

*"Oil and gas asset marketplace metrics are intriguing to anyone who has oil and gas cash flow income."*

continued his career with Powers Petroleum Consultants, Snyder Oil, and as an independent consultant. His experience includes marketing oil and gas properties, supply and demand studies, reserve evaluations for A&D, expert witness support for litigation, and development/application of pressure transient analysis technology. Mark led industry engineering workshops and implemented engineering systems in the US, Canada, Europe, Indonesia, the Middle East and South America for surveillance of a wide variety of projects including CO<sub>2</sub> and water floods, as well as conventional oil and gas exploitation projects. Mark also advised Landmark and Geoquest in the

development of petroleum engineering software and training programs.

Mark joined The Oil & Gas Asset Clearinghouse in 2000 as a Senior Reservoir Engineer, became Technical Resources Manager in 2002 and assumed his present position as Vice President of Technical Resources in 2003. Mark has overseen and managed evaluations in every geologic basin in the United States.

Mark has a BS in Petroleum Engineering from the University of Missouri-Rolla (1986) and is a member of the Society of Petroleum Engineers. ♦

## May Chapter Board of Directors Meeting

The May 22, 2008 Houston SIPES Chapter Board Meeting discussed the following items:

- ✓ **Dan Smith**, Chairman of Political Affairs, briefed the Board on the latest legislative actions in Washington. Congress, he said, is pushing for energy independence by 2030. They do not want oil production in the USA. They want to restrict oil use and move the country to alternative fuels. They will do this through increased taxes on the oil industry, restrictions on new drilling and subsidies to alternative energy sources. This also ties in to the climate change initiative and the reduction in greenhouse gases. All of these actions will have the net effect of increasing energy costs.
- ✓ **Jeff Lund**, Chairman Public Relations, represented Houston SIPES at the Rick Snyder Middle School (Pasadena ISD) on Science Night. He stated that the Science

Night was partially funded by a grant from BP under their BP A+ for Energy program. Jeff was impressed by the school and organization of the Science Night program. This program was open to all of the students' families who then went from classroom to classroom to hear various speakers. Jeff anticipates SIPES will be invited to attend the function again next year and at other Pasadena ISD schools.

- ✓ **Jim Norris**, Chairman, reminded the Board that the Board agreed at the last meeting to let the other Houston area geoscience societies take the lead in distributing the maps for the Maps in School program. However, the maps will continue to be available to SIPES members for an optional \$20 donation to the Houston Chapter's scholarship fund. The maps will also be offered at the SIPES booth at Summer NAPE. ♦



## May Luncheon Meeting

by Glen Pankonien

photos by Phil Martin

The fifth SIPES Houston Chapter luncheon of 2008 was held at the Petroleum Club on May 22, 2008, with Chris Chaffin of Penn Virginia Oil & Gas, L.P. as our guest speaker. His discussion was titled "Bayou Postillion: Phoenix in the Swamp, Iberia Parish, Louisiana."

The Bayou Postillion field was discovered in 1956 and has produced over 340 BCFE to-date. With the aid of Seitel's 3D seismic over the field, additional reserves of approximately 70 BCFE were discovered in the Oligocene Discorbis 14 interval off the southern flank of the field, at depths of 12,500 to 13,000 feet.



*Pat McKinney and Ray Blackhall compare stories*

Chris stated that Penn Virginia Oil & Gas started leasing the structural crest of the field in 2004 while Century Exploration Houston leased the down dip acreage. A total of 7 wells have been drilled in the field since 2005. First production was from Century's Herald Hodges & Lee No. 1 ST well in March 2005. The maximum field production rates were in excess of 100 MMCFPD from 6 wells in April 2007. March 2008 field production was 69 MMCFPD, with cumulative production to May 2008 of 44 BCFE. The estimated ultimate recovery from this new activity is estimated to be 65 to 70 BCFE. The drive mechanism is believed to be a pressure depletion drive with weak water drive support.

The 3D seismic over the field indicated numerous untested fault blocks, with some of the fault blocks showing a strong seismic amplitude anomaly in the Discorbis 14 interval. Drilling results indicate that this amplitude anomaly is probably due to sand development within the Discorbis 14, rather than hydrocarbon content. This conclusion was drawn by updip wells that found thinner sands with no amplitude anomaly, but still in communication with downdip wells. There is some variation present with some updip wells either shaled out or having a wet Discorbis 14. ♦



*Bill Marshall, Hans Sheline and Gary Griffith*

## New Members

New SIPES member Martin M. Cassidy received his certificate at the May Luncheon. (Picture to appear in a future Newsletter)

The Houston Board has approved Perry L. Dragon for Full Membership in SIPES, and his application will be forwarded to the National Board for final approval.

*Any members with comments on any applications should forward them to Membership Chairman Jim Grubb*

## Member Announcements

**Paul Babcock** has a new work address: NFR Energy, 1415 Louisiana Street, Suite 1600, Houston, TX 77002. His phone number is 832-242-9650

**David Wood** has changed his address to 10101 Southwest Freeway, Suite 550, Houston, TX 77074. His new phone number is 713-554-7779

**Mike Jones** has been elected Secretary of the Houston Geological Society for 2009

**Paul Britt** has been elected President-Elect of AAPG's Division of Professional Affairs for 2008/09, and then President in 2009/10

*Send any news or announcements to B.K. Buongiorno  
[bkspee@aol.com](mailto:bkspee@aol.com), call 713-651-1639, or fax 713-951-9659.*



## Letter from the Secretary

by Glen Pankonien

**Editor's Note:** Recently several e-mails have been circulating through the country recommending that people stop buying gasoline from ExxonMobil to "force down the price of gasoline". The argument being that ExxonMobil would have to reduce the retail price of their gasoline in order to compete. This price reduction would then force other companies to follow suit, thus lowering gasoline prices to below \$2.00 per gallon. The following is Glen Pankonien's response to this e-mail campaign.

I work for one of those bad oil companies and am also paying high prices for gasoline to drive to work each day. I wish the price of gasoline was lower and it was as easy to manipulate the pump price as the proposed campaign implies. It is not. Gasoline price is primarily driven by the price of oil – the feedstock of gasoline. The price of oil is somewhat set by OPEC but is primarily driven by commodity brokers/speculators who bid up or down the price based on what they perceive the future to hold.

There are really only two ways to get the price of gasoline lower – increase supply or decrease demand/consumption. Refusing to buy gasoline from one dealer, but then buying the same amount of gas from another dealer does not reduce consumption. In fact, most major oil companies supply a lot of the gasoline they refine to other dealers. So not buying from one major oil company just means that they sell more gas wholesale to the other gasoline dealers. Assuming that the suggested campaign is successful, major oil company profits may somewhat be reduced by having dealers loose business. This, however, hurts primarily those local dealers because most of the filling stations are owned not by major oil companies but by the local dealers – your neighbors. The best way to decrease consumption is to use public transportation or a smaller car. I have parked my 20 mpg pickup truck and am using a 40 mpg Toyota. Combine trips; adjust your household thermostat so that you use less electricity and natural gas. All these things help reduce oil consumption because the oil that is used to make gasoline is also burned to generate electricity.

I honestly hope renewable fuels (wind, tide and solar) eventually replace oil. Even if a remarkable breakthrough was made today in renewable fuels, it would take decades to incorporate them in significant percentages into our energy supply. So we are stuck with oil as our main energy supply for the foreseeable future.

I can testify that the American oil industry is working as hard as we can to increase supply. I have met geologists in their 80's that have come out of retirement to help look for oil and gas. Honestly, for most people, this is not done out of some patriotic sense but more out of desire to make money after 20 years of low wages and layoffs in the industry. Regardless of the motivation, the net result is the same. We have more drilling rigs looking for oil and gas in the USA than any time in the last twenty years.

One last thing before I close, the price of oil is currently \$130 per barrel. A barrel contains 42 gallons so that equates to \$3.10 per gallon. That price does not include approximately \$20 per barrel (\$0.48 per gallon) of federal, state and local taxes, transporting the oil to the USA, refining the oil into gasoline, transporting it to the dealer and any profit for anyone along the way. So, I believe it is unrealistic to think that not buying gasoline from one company will force them and the rest of the industry to go bankrupt by selling the product at less than cost.

Again, the best way to lower the cost is to lower the price of oil by reducing consumption and increasing supply. We are doing our part. ♦

### Upcoming SIPES Events

- Thu, Jul 17 SIPES Luncheon; Joint Meeting of SIPES / HGS / GSH Ethics presentation: "The Dilemmas of Truth", Judge Lynn Highes
- Wed, Aug 27 Summer NAPE, a SIPES sponsored event
- Thu, Sep 25 Houston Chapter Continuing Education Seminar; -subject to be announced-

### Upcoming HGS Events \*

- Sat, Jun 14 Guest Night; Speaker: Jim Reilly, STS 117 Space Station Astronaut NASA
- Thu, Jul 17 Joint Meeting of SIPES / HGS / GSH Ethics presentation: "The Dilemmas of Truth", Judge Lynn Highes
- Tue, Aug 12 Technofest 2008; 2:30 - 8:30 PM at the Westin Galleria
- Mon, Sep 8-10 7th HGS/PESGB African Conference

\* See HGS Bulletin or go to [www.hgs.org](http://www.hgs.org) for meeting details, times and location