Dear SIPES Members,

This is my housekeeping article for the year. You will soon receive your SIPES annual dues statement for the 2006-07 year. You may notice a $15 increase in our annual dues amount. The SIPES board of directors diligently debated before implementing this increase, the first in twelve years. The bottom line is the increase is needed to keep SIPES operating as the premier organization that it is.

During the past four years during which I have served on the national board, I have witnessed the frugal means by which this organization operates. I have learned while attending co-op meetings with sister societies that an organization having +/-34,000 members, as does AAPG for example, or an organization with +/-1,300 members, as does SIPES, must have in place the same basic infrastructures: a sound national headquarters which requires the necessary capital to operate and a diversified governing board willing to volunteer its time.

(Continued on Page 22)
Hurricanes Katrina and Rita dealt the U.S. oil industry a double whammy this fall. Gulf of Mexico production and infrastructure took a large hit that will take months to recover. The short term supply of gasoline and refined products raised claims of price gouging at gas stations while shouts of windfall profits rang through the halls of Washington, D.C. Interestingly, oil prices peaked immediately after Katrina came onshore and have been on a decline since. Natural gas prices have remained high even with a mild fall and near record storage levels. The only certainty in these markets is volatility. Rig counts are up 19% this year, despite many offshore rigs that are out of service for repair. The U.S. economy is on a roll and appears to be strengthening.

### INTRODUCTION

SUPPLY & DEMAND

The following reports on national, state and environmental issues were presented to the SIPES Board of Directors on December 8, 2005, in Austin, Texas, by Vice President of Natural Resources Mike Austin, State Legislative Affairs Chairman George Johnson, and Ray Blackhall, chairman of the SIPES Environmental Committee. The views and opinions expressed are those of the authors. Some of the information presented is in the public domain and is available from a variety of sources; other references were selected by the authors, and are noted below.

Hurricanes Katrina and Rita dealt the U.S. oil industry a double whammy this fall. Gulf of Mexico production and infrastructure took a large hit that will take months to recover. The short term supply of gasoline and refined products raised claims of price gouging at gas stations while shouts of windfall profits rang through the halls of Washington, D.C. Interestingly, oil prices peaked immediately after Katrina came onshore and have been on a decline since. Natural gas prices have remained high even with a mild fall and near record storage levels. The only certainty in these markets is volatility. Rig counts are up 19% this year, despite many offshore rigs that are out of service for repair. The U.S. economy is on a roll and appears to be strengthening.

The toll on infrastructure due to Katrina and Rita has been immense with damage to production platforms, rigs, sub-sea pipelines, natural gas processing plants and refineries. While Rita came onshore as a category 3 hurricane, she plowed through offshore fields as a category 5, generating 155 mph winds and 60 foot seas in the Green Canyon area. MMS reports Rita destroyed 80 platforms and damaged another 29 while Katrina destroyed 29 platforms and damaged another 29. From Rita, a total of 18 rigs suffered notable damage and another 5 were set adrift. At the end of November 2005, the offshore rig count was down over 25% from the previous year. Rates on rigs capable of operating in 4,000 feet of water are reported at more than $150,000 per day.

The impact on production progressively got worse with each hurricane. The percentage of shut-in oil production 14 days after landfall for Ivan, Katrina and Rita was 28.5%, 56.4% and 77.5%. Similar percentages for shut-in gas production were 18.9%, 37.2% and 64.2%. The devastation from these storms affected not only the production facilities, rigs and pipelines, but also, the homes and towns where many workers lived. My personal experience was in Cameron Parish, Louisiana, where recovery and restarting production were hampered by FEMA's no fly zone, curfews, washed out roads, field hands rendered homeless by Rita, and damage to gas processing plants. A shortage of skilled workers at all levels has been exasperated by this damage. The industry was already running at full capacity prior to the hurricanes.

At the beginning of December, 36% (504,000 BOPD) of Gulf of Mexico oil production and 29% (2.4 BCFD) of Gulf of Mexico gas production remained shut-in. In onshore Louisiana, approximately 40% of pre-hurricane production remains shut-in. By March 2006, the EIA predicts shut-in crude production to be 19% (297,000 BOPD) of pre-hurricane levels and shut-in natural gas production to be 6.5% (0.66 BCFD) of pre-hurricane levels.

Refining capacity shutdowns at the beginning of December 2005, totaled 804,000 barrels per day. Two refineries in New Orleans and one in Houston are projected to be operational by the end of February 2006, which will return capacity to pre-hurricane volumes.

Worldwide petroleum demand growth is projected at 1.2 million BPD to 83.3 million BPD in 2005 and 1.7 million BPD to 85.0 million BPD in 2006. To meet this increased demand, non-OPEC supply outside the U.S. is estimated to grow by 800,000 BPD in 2006. Increases of 400,000 BPD from the Caspian region, 450,000 BPD from Canada and Brazil, and 150,000 BPD from West Africa will be offset by 200,000 BPD declines in existing fields. Overall, the EIA predicts a 1 million BPD increase in spare production capacity in 2006 to 2.0-2.5 million BPD with the extra oil...
coming from OPEC members Nigeria, Saudi Arabia and the United Arab Emirates.

OPEC’s 11 members produced 30.07 million BPD in October, down from 30.31 million BPD in September and 30.26 million BPD in August. The October drop reflected decreased IRAQ output and illustrates the problems of an unstable supply. John Kingston, global director of oil at Platts stated “…with so much crude production lost from the two hurricanes in the Gulf of Mexico, this report makes clear that there just isn’t that much for OPEC to do to alleviate any shortages in the short term.” Although OPEC’s crude output ceiling is set at 28 million BPD, the group has encouraged overproduction. With the exception of Saudi Arabia, OPEC member countries are unable to increase production rates. Between April and September, OPEC increased production by only 350,000 BPD despite a 50% price surge. In the longer term, Saudi Arabia is working to expand output by 2 million BPD by 2010.

Meanwhile, the IEA reported Chinese demand in September surged by almost 9%, led by a huge increase in gasoline consumption of more than 14%. At 7 million BPD in the final quarter of 2005, China is the world’s second largest oil consumer. Asia, and in particular China and India, continue as the focus of worldwide oil demand discussions. China’s economy grew at a 9.4% rate in the 3rd quarter of 2005, down from 9.5% in the 2nd quarter. The Centre for Global Energy Studies estimates that Chinese demand will rise by about 230,000 barrels of oil per day in 2005, down from 860,000 barrels of oil per day in 2004. India’s economy expanded at an 8.1% rate in the 2nd quarter compared to the same period in 2004.

Total U.S. petroleum demand for 2005, because of hurricane disruptions, is projected at 20.6 million BPD, a 0.5% decrease from 2004. U.S. demand in 2006 is projected at 21.1 million BPD, a 2.3% increase.

Domestic U.S. natural gas production is estimated to decline by 3.8% in 2005 but increase by 4.8% in 2006, mainly due to hurricane disruptions. Total LNG imports are predicted to be 650 BCF for 2005 (same as 2004) with increases in 2006 to 1,000 BCF. November 30, 2005, storage levels were 3,170 BCF, 6.3% above the 5-year average but 74 BCF below 2004 volumes. Hurricane related natural gas production losses will increase storage withdrawal requirements this winter.

Total U.S. natural gas demand for 2005 will remain near 2004 levels. Assuming a return to normal weather, the EIA projects demand to increase by 1.0% in 2006.

Expect your insurance premiums to increase as a result of these hurricanes. AIG reported a 36% drop in third-quarter net income, primary due to catastrophic losses in the gulf coast. Lloyd's of London estimated the hurricanes have caused over $5 billion in losses. Luke Savage, Lloyds director of finance and risk management, stated that 42 of the 62 underwriting syndicates in their market had revised their 2006 business plans to take advantage of the likely rise in natural-catastrophe insurance rates.

### OIL & GAS PRICES

Crude oil prices have been extremely volatile due to supply and demand issues. On August 30, crude peaked at $70.85 and has declined more than 20% since then. Interestingly, the largest drop occurred just after Katrina came ashore, possibly due to releases of crude onto the market by the U.S. and the IEA members. However, the nearly 50% price increase from June through August was driven by supply and demand factors. The EIA predicts that WTI prices will average $57 per barrel in 2005 and $63 per barrel in 2006.

The long-term trend continues to appear bullish while there may be abrupt and large percentage movements over short intervals of time as we have witnessed this year. Unpredictable events, such as weather and terrorist related supply interruptions, will cause short term price spikes. Increased demand from countries such as China and India will continue to push the price in an upward trend. Worldwide crude demand has finally met the supply. Prices will be driven by this relationship rather than by OPEC’s control of the supply as we saw in previous times.

Natural gas prices are up about 50% from a year ago. Price volatility has been large, from less than $6/mcf to over $14/MCF in the past year. The EIA projects Henry Hub prices to average $8.88 per MCF in 2005 and $9.30 per MCF in 2006. With LNG imports estimated at only 650 BCF in 2005 and with the supply interruptions from the two hurricanes, domestic natural gas supplies are tight. Price volatility through this coming winter could be dramatic, depending primarily on weather. A downward pull on natural gas prices could cause fuel switching to more economic fuels by industrial users. The EIA estimates a 7.5% decline in industrial demand in 2005 followed by a 4.6% increase in 2006.

While following the commodity markets, I wonder how the term "Lean Hogs" came to be used. Sounds like an oxymoron to me.

### U.S. ECONOMY

The U.S. economy grew at a 4.3% annual rate from July to September, the largest quarterly increase since the first quarter of 2004, and a full 1.0% increase from the April to June 2005 quarter. Mark Zandi, chief economist at Moody's Economy.com believes economic growth probably would have topped 5 percent if the hurricanes had bypassed the U.S. Preliminary reports for October and November 2005, indicate continued growth as more workers found jobs. Jobless claims were down to 320,000 for the week ended November 26 from 337,000 the previous week. Claims related to Hurricanes Katrina, Rita and Wilma totaled 9,600 for the week with a cumulative tally of 592,000 since early September. The Labor Department reported that employers outside the farm sector added 215,000 jobs in November after adding only 44,000 jobs in October and 17,000 jobs in September. Consumer prices excluding food (Continued on Page 5)
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and energy rose at a 1.2% annual rate in the third quarter, the lowest core-inflation rate in more than two years.

Fed policy makers have raised the overnight bank lending rate at twelve consecutive meetings to the current 4.0%. Most commercial banks raised their prime rate to 7%. Economists expect this trend to continue with 0.25% increases at both the December 13, 2005 and January 31, 2006 Fed meetings. The January 31 meeting will mark the end of Fed Chairman Alan Greenspan’s 18-year tenure. His nominated successor, Ben Bernanke, awaits Senate approval.

In early November, Chairman Greenspan discussed increases in world labor markets and their relation to inflation. He said the addition of more than 100 million educated workers from former Soviet countries, large segments of China’s 750-million strong work force, and workers from India “would approximately double the overall supply of labor once all these workers become fully engaged in competitive world markets,” a development that “has restrained the rise of unit labor costs in much of the world and hence has helped to contain inflation.” This labor increase will wane through time and need to be closely monitored by the world’s central banks.

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<th>North American Rig Count</th>
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<td>Total U.S.</td>
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### MERGERS, ACQUISITIONS & POLITICS

Amid record-breaking earnings reports by the world’s five biggest oil companies and claims of price gouging at gas pumps, the Senate defeated three Windfall Profits Tax Amendments in November. All votes occurred during discussions on the tax budget reconciliation bill. The first vote defeated an amendment by Sen. Byron Dorgan (D-ND) that would have imposed an excise tax on crude oil sold above $40/barrel. It would have applied to integrated companies. The tax could be offset by domestic energy related investments. The amendment failed by a 35 to 64 vote.

The second vote defeated an amendment by Sen. Jack Reed (D-RI) that would have imposed a tax on taxable income over the prior year’s taxable income in an amount equal to a specified allocation to the Low Income Home Energy Assistance Program (LIHEAP). The tax would only apply to companies with over 500,000 barrels per day worldwide production. This amendment failed by a 48 to 50 vote.

The third windfall profits tax vote defeated an amendment by Sen. Charles Schumer (D-NY) that would impose a tax on companies with gross annual receipts of $100,000,000. This also failed by a 33 to 65 vote.

Sen. Diane Feinestein (D-CA) proposed an amendment to prohibit expensing of IDCs for companies with more than 500,000 barrels per day worldwide oil production. This failed by a 48 to 51 margin.

The IPAA reports that repeal of the 24-month amortization of geological and geophysical expenditures was recommended by the Finance Committee as part of the budget reconciliation bill. IPAA states “Three aspects of these actions are significant. First, high energy prices and high industry profits are drawing intense attention in Congress. Second, most of the hostility is focused on the largest integrated oil companies. Third, there is a distinction being drawn – so far – between independent producers and integrated companies.”

What the narrow margins of defeat for both the Reed and Feinstein amendments emphasize is the significance of the upcoming mid-term elections in 2006. The higher cost of energy and its impact on low income families makes great fodder for campaigns in non-energy producing areas. Aligning against Big Oil is a political move that may result in additional votes for these candidates.

With high product prices and resulting available cash, merger activity is increasing. There appears to be a result of a lack of opportunities to grow reserves internally. A partial list of recent acquisitions include:

- Chesapeake Energy Corp. announced plans to acquire Columbia Natural Resources, LLC for $2.2 billion. The acquisition provides Chesapeake a presence in the Appalachian Basin with 125 million cubic feet per day gas production.

(Continued)
UNOCAL last summer when CNOOC’s attempt to purchase

UNOCAL’s attempt to purchase PetroKazakhstan Inc. for $4.18 billion was a victory for Beijing and overcame a late bid by Russian oil producer OAO Lukoil. The Canadian government approved this transaction with minimal fanfare compared to the intense political pressure exerted in the U.S. last summer when CNOOC’s attempt to purchase UNOCAL.

BP PLC signed a joint venture agreement with Hindustan Petroleum Corp. of India to build a $3 billion refinery in Punjab. The project will refine 180,000 barrels of crude oil per day when completed in 2009.

The Department of Energy along with an international consortium has committed to build a $950 million new generation coal-fired power plant that removes carbon dioxide and produces hydrogen and electricity. The plant is scheduled to be completed by 2012. If successful, the project would achieve reduced reliance on imported oil and natural gas by using coal, an abundant fuel in the U.S.

**ENVIRONMENTAL REPORTS**

**New Evidence from Ice Cores:** Ice cores are long plugs of ice drilled from glaciers and ice sheets that are composed of tens of thousands of layers of fallen snow. As these become compressed over time, air bubbles that are trapped within the ice preserve an accurate record of the atmosphere at the time the snow fell and accumulated. Ice cores are among the most powerful tools available to climate scientists today. A record nearly two-mile-long core of ice from Antarctica recently provided scientists with the oldest frozen sample ever drilled. The new data derived from analyses of the gases preserved in this ice record indicates that levels of two greenhouse gases, carbon dioxide and methane, have not been as high as they are today for 650,000 years.

Ice chemistry provides an accurate record of what temperatures were in the past. Bubbles entrapped in the ice are like miniature time capsules providing samples of air and gases as they existed over hundreds of thousands of years. The previous record ice core was one drilled at the Russian Antarctic station Vostok. It extended back about 440,000 years, and covered four major glacial cycles, but it stopped short of a period that scientists were eager to study because of its close similarity to today. The new core covers nearly eight full glacial cycles. These cycles occur roughly every 100,000 years with warmer interglacial periods, like the present one, in between.

The interglacial period of just over 440,000 years ago was particularly interesting to scientists because the Earth’s position relative to the sun and solar energy levels were very similar to what they are today. Scientists know that long term shifts in greenhouse gas levels are controlled more by natural geological processes and solar radiation levels. This content of the greenhouse gases within the new core provides evidence that carbon dioxide levels today are 27 percent higher than they have been in the last 650,000 years and levels of methane, an even more powerful greenhouse gas, are 130 percent higher. The work provides evidence that human activity since the Industrial Revolution has had some effect on the planet’s climate system.

**The Oil & Gas Industry again seeks delay of 2002 SPCC Rule:** The EPA has again postponed the implementation of the controversial spill prevention and control rules, but still intends to come out with its new plans in February 2006, with full implementation by August 2006. IPAA, TIPRO, the Ohio Oil and Gas Association, Texas Energy Alliance, the Interstate Oil and Gas Compact Commission, and the Oklahoma Independent Petroleum Association, among others are still working through DOE and the Office of Management and Budget to again postpone this onerous rule until additional questions have been answered.

**The Arkansas River Shiner:** The U.S. Fish and Wildlife Service is completing its economic analysis and environmental assessment to designate critical habitat for the Arkansas River Shiner, a minnow inhabiting rivers in Oklahoma, Arkansas, Kansas, Texas and New Mexico that was listed as a “threatened” species in 1998. If the critical habitat designation is finalized as proposed, it takes in approximately 839 miles of river that runs through these states, and includes a 300-foot corridor of adjacent riparian land measured outward from the river bank. Oil and gas operators would be required to consult with the USFWS if construction and drilling activities fell within the designated critical habitat area. Operators that are subject to the ARS requirements may have to move their location outside the ARS habitat, directionally drill or implement various best management practices to avoid impacting the ARS.

**Proposed EPA Air Regulations:** The U.S. Environmental Protection Agency has proposed national emissions standards for hazardous air pollutants that would limit benzene emissions, a hazardous air pollutant, from triethylene glycol dehydration units located on crude oil and natural gas production sites. The EPA is considering two options. Under Option 1, EPA is proposing to regulate all TEG dehydration units while under Option 2 EPA proposes to regulate only those TEG dehydration units in urban areas.

Both options exempt those TEG dehydration units with an annual average flow rate of natural gas to the TEG dehydration unit of less than 3 million standard cubic feet (Continued)
per day or where the actual average emission of benzene from the TEG dehydration unit process vent is less than one ton per year. The EPA's proposal does not account for the typical decline of natural gas after production begins. Under EPA's current proposals, emission control equipment would be required upon startup of the dehydration unit, even if this control equipment is not needed within a month or two of startup.

ANWR Rides November Rollercoaster: Prospects for oil and gas exploration in the environmentally sensitive and controversial Arctic National Wildlife Refuge (ANWR), an area rich in oil and natural gas reserves, rode a dramatic roller coaster during November. Resource recovery appeared all but certain on November 3 when the U.S. Senate, long the sole obstacle to resource recovery, voted to allow it. Prospects unexpectedly became dim on November 10, however, when a small group of Republicans joined an overwhelming majority among Democrats to block approval in the U.S. House. The issue will likely be settled in reconciliation talks between the House and Senate.

■ STATE LEGISLATIVE NEWS

TEXAS

With energy costs expected to rise during the winter heating season, Railroad Commissioner Michael L. Williams called on Texans to become Vampire Slayers. It's not an audition for horror film; it's an attempt to save Texans money and help them breathe easier. The culprits are home electronics such as televisions, VCRS, DVD-players, home computers; mobile phone chargers that devour 75% of their electricity when they are turned "off." These appliances need to be plugged into power strips that can be switched off. For people who are afraid to pull the plug, Energy Star appliances consume less electricity when in standby mode. A reasonable reduction to expect after eliminating vampire appliances is 10%, with more proactive steps resulting in reductions as high as 30%.

In the House Committee on Energy Resources, 79th legislature, sixty-five bills have been referred to committee, twenty-nine bills are in committee and thirty-six bills are out of committee.

- HB 484 (06/02/2005 Sent to the Governor): Relating to the filing of electric logs with the Railroad Commission of Texas. Logs are to be filed not later than the 90th day after the date a drilling operation is completed. Operator may file a written request with the commission asking that the electric log remain confidential and not public. Upon filing, the electric log becomes confidential for a period of one year. The period can be extended once, for an additional period of two years. If an operator fails to file an electric log as required, the commission may refuse to assign an allowable for production from such well.
- HB 1161 (06/02/2005 Sent to the Governor): Relating to the provision of certain information to owners of oil or gas royalty interests by the Railroad Commission of Texas. At least once every 12 months, a payor shall provide the following statement to each royalty interest owner to whom the payor makes a payment: In part, a royalty owner may request the heating value of the gas. This Act took effect September 1, 2005.

OKLAHOMA

Wind power and other renewable resources offer huge benefits that aren't available with traditional resources, says Denise Bode, Oklahoma Corporation Commission and Wind PAC chair. The sustainability of renewable resources is nearly infinite. According to Wind PAC's findings, Oklahoma should explore opportunities to move away from traditional power resources (natural gas and coal) to renewable energy resources, focusing primarily on wind, micro, hydro, and biomass.

In October 2005, the Oklahoma legislature, in its recent session, passed four bills that already are having a positive effect on Oklahoma. Here's a brief recap of the bills.

- SB 610: Energy Efficient Homes: This bill provides a tax credit to builders of qualifying energy efficient residential construction.
- HB 1398: Biodiesel Fuel Facility Credit: This bill provides a $0.20 tax credit for each gallon of biodiesel produced in Oklahoma. Credit is limited to 25 million gallons per year for a maximum of five years.
- HB 1556: Ethanol Production: This bill expands tax credits for ethanol. It also provides a credit against the tax imposed by Section 500.4 of title 68 (motor fuel tax) in the...

(Continued)
amount of $0.16 for each gallon of ethyl alcohol in ethanol sold be a retail dealer.

- **HB 1605: Wind Turbine Manufacturers**: This bill adds additional taxes that the credit can be applied against to included Sections 624, and 628 of Title 36, and Section 1803 of Title 68. The definition of wind turbines is clarified, and the credit is increased to $25 per square foot for turbines produced from 2005 and increased the time frame through 2007.

**KANSAS**

- **HB 2104 (Concerning securities interest in oil and gas production) passed by House**: The bill amended Article 9 of the Uniform Commercial Code to restore a priority creditor status for sellers of oil and gas production when a purchaser is in bankruptcy.
- **SB 284 (referred to Commerce committee)**: Authorizes the Kansas Development Finance Authority to offer bonds to finance Kansas energy projects.
- **HB 2146 (Year of Introduction: 2005)**: An act relating to oil and gas concerning information to be included with payments to interest owners from sales of oil and gas.
- **S Sub HB 2480 (Year of introduction: 2005)**: An act concerning property taxation relating to oil and gas leases or properties; changes in determination of value.
- **HB 2390 (Year of Introduction: 2005)**: An act concerning oil and gas relating to the taxation an act concerning oil and gas valuation depletion trust fund.
- **SB 128 (Introduced 2005)**: An act concerning taxation relating to mineral severance tax: disposition of revenue; creating the oil and gas valuation.

**NEW MEXICO**

In October 2005, Governor Bill Richardson called the New Mexico legislature back for a special session intended to ease high oil and gas prices. Richardson was proposing tax rebates and expanded programs that help the poor and elderly pay their heating bills.

The legislature enacted new withholding tax on oil and gas proceeds paid to nonresidents of New Mexico effective October 1, 2003. Anyone who makes oil and gas proceeds payments to nonresidents of New Mexico from wells located in New Mexico must withhold tax from their payments if calculations show the amount to be withheld is at least $10. First payments of oil and gas proceeds withholding tax under the new law are due January 25, 2005. The statutes set the withholding rate at 6.75%.

Oil and gas windfall could ease state tax cut. Wealthy New Mexicans might get income-tax cuts faster as the result of higher than expected state revenues. State government expects a windfall of more than $600 million next fiscal year, largely due to booming oil and gas revenues. The higher projections could put new pressures on Governor Richardson to sign a roughly $216 million tax-relief package that legislators approved earlier this month.

The bill now before Richardson would accelerate the tax cuts, reducing the state's top income tax rate from 6 percent to 5.7 percent in the 2005 tax year and 5.3 percent in 2006.

**LOUSIANA**

In April 2005 the Louisiana Tax Commission ruled to give 90% obsolescence to Future Utility wells, reversing the Commissions adopted rule of 60% for Future Utility wells published in the January 2005 Louisiana Register.

There are approximately 10,200 Future Utility wells in the state of Louisiana. The reversal the Tax Commission from 60% obsolescence to 90% obsolescence is a major victory for the independent oil and gas industry.

On May 4, 2005, in the Dore Energy case, the Louisiana Third Circuit Court of Appeals concluded that a plaintiff's claims under a mineral lease were premature to the extent they involved an obligation under the mineral lease “to restore lands on which operations are ongoing.” To the extent the claims involve lands upon which operations have been completed, the court concluded the landowner's claims were not premature. The court also found that prudent operator claims under Article 122 of the Louisiana Mineral Code were not premature. The court overruled the lower court's grant of an exception of premature with respect to plaintiff's claims in the case based upon theories of negligence, breach of contract, punitive damages, trespass and maritime tort. The Dore Energy decision is one of several cases in the last few years that have attempted to define the mineral lessee's relationship to the landowner with respect to remediation of the property.

**Montana**

- **H.B. 341**: An act prohibiting oil or gas exploration and development in Mackoshia State Park from disturbing the surface of the State Park; allowing oil and gas development in certain instances; amending section 82-11-127, MCA; and providing an immediate effective date (1999 Montana Legislature).

October 28, 2005, Governor Brain Schweitzer said he would consider repealing the gas tax to help give consumers relief from high energy prices this winter. Schweitzer said cutting the gas tax is "one of the tools in the toolbox" to deal with energy costs, along with weatherizing more homes and encouraging carpooling.

Sources for this report are: Wall Street Journal; New York Times; Rocky Mountain News; www.rigzone.com; www.bloomberg.com; Energy Information Administration; WTRG Economics; www.wtrg.com; Moody's Economy.com; and other references cited above.
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Many thanks to the members listed below for their continuing support of our society.

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- Monty J. Gist — Midland, TX
- Eduardo Gonzales — Carrollton, TX
- Keith E. Green — Whittier, CA
- David N. Grimes — Midland, TX
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- Monty J. Gist — Midland, TX
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- Keith E. Green — Whittier, CA
- David N. Grimes — Midland, TX
- Paul E. Habermas — Houston, TX
- Robert T. Halpin — Dallas, TX
- Harold W. Hanke — Oklahoma City, OK
- Larry L. Jones — Houston, TX
- Charlie Kosarek — San Antonio, TX
- John D. Kullman — Midland, TX
- Clayton J. Laird — The Woodlands, TX
- Nina C. Lian — Houston, TX
- Jerry G. McCaskill, Jr. — Norman, OK
- Eric L. Michaelsen — Midland, TX
- Louis H. Michaelsen — Midland, TX
- Wayne D. Miller — Midland, TX
- Craig E. Moore — Houston, TX
- Robert D. Phelps — New Orleans, LA
- Eddie W. Rhea — Dallas, TX
- W. Mark Ruse — Houston, TX
- John M. Sharp, Jr. — Austin, TX
- Roy G. Sharrow — Dallas, TX
- J. Keith Somerville — Midland, TX
- M. R. Stipp — Midland, TX
- John J. Taylor — Odessa, TX
- Michael W. Taylor — High Island Village, TX
- Richard W. Thompson, Jr. — Plano, TX
- William D. Trumbly — Norman, OK
- Joe H. Warren — Dallas, TX

**Investor — $1000**
- Ralph O. Kehle — Durango, CO
- Edgar B. Krider — Houston, TX
- Scott Laurent — Houston, TX
- Robert C. Leibrock — Midland, TX
- Peter MacKenzie — Worthington, OH
- Roger L. Martin — Wichita, KS
- Harold E. Mathy — Lafayette, LA
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- Michael A. Possell, OK
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- John M. Rakowski — Florissant, CO
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- M. Robin Vasicek — Midland, TX
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- James P. Walker — Oklahoma City, OK
- John V. Walker — Dallas, TX
- Robert L. Williams, Jr. — Wichita, KS
- W. David Willig — Houston, TX
- Larry R. Wollschlager — Metairie, LA
- James M. Zatkiewicz — Metairie, LA

**Deceased**
- Nolan Hirsch — Midland, TX
- W. Ralph Holloway — Dallas, TX
- John A. Hord — Midland, TX
- Richard J. Jones — Lafayette, LA
- Thomas E. Kieckamp — Mandeville, LA
- Robert W. Lake — Corpus Christi, TX
- Jack P. Martin — Lafayette, LA
- Eugene L. Maxwell — Houston, TX
- James F. O’Connell — Amarillo, TX
- M. Davis Payne — Midland, TX
- Elwin M. Peacock — Houston, TX
- Wes B. Perry, Jr. — Midland, TX
- Edward D. Picou, Jr. — New Orleans, LA
- John W. Raine III — Lafayette, LA
- Larry J. Rainden — Bellaria, TX
- William F. Reynolds — Wichita Falls, TX
- David A. Robinson — Dallas, TX
- Charles D. Schmidt — Valley Center, KS
- Vinton H. Sholl — Houston, TX
- Rudolf B. Siegert — Shidell, LA
- Joe H. Smith — Houston, TX
- Stephen A. Sonnenberg — Lakewood, CO
- Marion F. Spiller — Carrollton, TX
- Randy von Netzer — Oklahoma City, OK
- H. Vaughan Watkins, Jr. — Madison, MS
- John C. Worley — Bozeman, MT
so-called "Plates"! Plate tectonic theory finds near total acceptance in the United States. Treatises to the contrary will not reach publication! Expansion of the earth on the other hand has an equally large following in many foreign countries, and especially in the Southern Hemisphere. Expansionists have, believe it or not, conducted several International Conferences on the subject. Did you know that? The latest concepts and study results have been recorded from the 2001 Proceedings of the 3rd Lautenthaler Montanistisches Colloquium held in Saxony, Germany (Scalera and Jacob, 2003).


There are really two very much longer lists of adversaries, and many of these experts have contributed to or contested one of two principal arguments concerning the apparent separation of major planetary "plates". It would take at least the length of a standard textbook to recount the pros and cons of this contest. A result is that two serious and disturbing notions have surfaced in consideration:

First, why did the Plate concept nimbly jump past hypothesis to theory? At best, Plate Tectonics has been and is at best only a hypothesis. A hypothesis is a premise, from which a solution is drawn, an assumption used as a basis for action. It is not supported by fact. Plate Tectonics cannot be considered a fact out of hand without definitions and constraints. Neither is it a theory since it is not a collection or construction of principles or rules based on knowledge, experimentation or systematic compilation of facts determined for the prediction or confirmation of repeatable events, reactions or behavior in science.

A close examination of existing criteria that may be germane to the current "hypothesis" reveals that there is no incontrovertible evidence that plate tectonics exists. However, should it indeed exist, the claims that it is caused by "drift", lateral mantle evolution, or other "superficial" planetary scale phenomena, currently have no provable scientific basis.

Second, new criteria of both solar and celestial planetary dynamics are only now being garnered by very early astrophysical measure. The universe is dominated by hydrogen plasma, both in the brightest of galaxies and in the dark blackness of outer space. Geoff Marcy, University of California, Berkley, has recently reported on 102 extrasolar Jovian (massive hydrogen gas) planets that are one to ten times the size of solar Jupiter. Our own solar planets lying beyond the asteroid belt are also similar gas giants. They are comprised of 99+ % hydrogen, with minor He, Ar and CH-4, that attests to similarity with the new cosmos "stuff", and the near certainty of uniform dynamics over the past 14+ Ga.

The Russian Valdimir Larin, following many earlier proponents, has opened up the entire argument in support of a cosmochemical rationale of the universe, based on the prevalence, and dominant effusion, of hydrogen in the subsequent history of the "expanding earth" (Figure 2).

Figure 2 - Possible Effusion of Hydrogen in the History of the Earth (modified after Larin, 1993)

It therefore seems feasible, if not yet demonstrable, that shortly after Solar birth, Earth and the other nearby "rocky" planets were under compression as primeval, hydrogen-saturated gas giants. These juvenile planets could very well have been comprised of a hydrogen plasma; a very dense, H+ stuffed metallic, or silane, core under a weight exceeding perhaps 30 GPa. A companion gaseous, hydrogen-rich atmospheric canopy, of Jovian

(Continued)
magnitude, could conceivably have been subsequently stripped by the early and powerful solar-generated "winds". Such events would diminish a thick initial atmospheric canopy, thus diminishing "overburden" pressures reaching to the core, and trigger exothermic effusion of formerly high-pressure subcrustal hydrogen. This requires knowledge of high pressure hydrogen solution chemistry and ion substitution properties in metal lattices, not popular pursuits in domestic science. In any case, universal planetary dynamics, not statics, now seem to be most likely over geologic time.

This Pandora’s Box of feasible planetary origin and behavior cannot be ignored! The concept of expansion is being examined on all fronts, from plasma geochemistry, to magnetic and gravity geophysics, and cosmos geochronology; virtually every avenue of scientific study. Ramifications affect core-to-mantle exchange both early and late, stability and distribution of early Canadian type "shields", ocean basin evolution, Phanerozoic crustal history, associated mantle accretion, lateral continental growth, and general orogenesis. Recent evidence of truly deep continental roots exceeding 1000 km could then be more easily explained. Since it is hard to grasp the thought of such large continental "ships" plowing through a viscous asthenospheric sea floor of such depth! Finally, a whole new era and basis of investigation is opened for commercial earth resources.

But, suppose all this can be otherwise explained? That's OK! Let’s welcome back the multiple working hypothesis; not the current acceptances or rejections based the "pendulum effect" of popular belief that is so often peculiar and typical of North American earth science.

As far as I am concerned the jury is still out. For those of you who should be intrigued, watch out! This topic is a black hole. Recall that I was only interested initially in applied thermal expansion (Figure 1). But before I knew it I had slipped past palinspastic restorations of paleostratigraphy, conventional stress-strain solutions, orogen histories, the "simpler" paleotectonics of ancestral continental margins, the conical geometries of modern island arcs, and into countless Earth inconsistencies under the theory of "plate tectonics". Of the latter inconsistencies and lack of address there are myriads! To recount just a few:

- Assumption of secular invariability of gravity and mass "constants".
- Antipodal arrangement of the continents.
- Recent deep-sea earthquakes previously thought to be absent.
- Evolving knowledge of the asthenosphere, hence recent prospects of isolated lenses of high heat flow.
- Addressing the validity of the "Surge Channel" postulate. Thesis that relates large expansion and contraction events with lava channel and tunnel flow origin and behavior, said to universally underlie all major Earth geotectonic results, and to source their thermic histories. Such features have been observed on several planets of the solar system and are presently under study by astrophysicists.

- Sweeping generalizations about orthogonal lineaments, many with seamounts, in all oceans, (Beware: popular artistic license given over to renditions of the ocean basin bathymetry and resulting fanciful geometries!)
- Problem of 100+ seamounts with crustal (10-15 km depths) ages ranging from Jurassic to Miocene.
- Lack of variation in modern thermal flux between major ridge crests and ocean basins.
- The "subduction-less" Antarctic.
- Two layer Benioff zone (vertical and horizontal separation), and its absence along margins of all the southern oceans, the Atlantic and Indian continents, and of the Arctic Ocean.
- The length of spreading sites being three times longer than those of so-called "subduction" sites across the world.
- Uncounted examples of ocean floor "magnetic reversals" that are fault bounded.
- Lack of confirmation of plate motion from geodetic measurements from space sensor technology.
- The equivocal results of paleomagnetism. Alternative 4-D distribution and configuration histories need to be addressed.
- Evidence of criss-crossing megabands of high heat flow across the entire earth irrespective of continents.
- Invoking Bolivian subduction from the east by Brazil to explain both symmetry and uplift of the Andes.
- Post-Miocene faunal and sedimentological evidence for vertical uplift of the Tibetan Plateau.

(Continued)
- Epicontinental deposits of several kilometers thickness, thus greater than the vertical rise and fall, and interregional tectonic capacity of the "plates". For example, the North American plains belt, Pampas, Caucasus, Hudson’s Bay, etc.
- Vast areas of seabed subsidence; e.g. the North Atlantic beyond Iceland.
- Innercratonic, non-compressional orogenesis; e.g. Amadeus Basin, Baikal "rift" zone, etc.
- The "impossibility" of proposed Iberian-European compression, as the Pyrenees and the Cantabrica Range are continuous.
- Paleozoic fossils in mid-oceanic dredges (trilobites, graptolites and others).

The reader is advised that this listing is arbitrary, and just a small sample! Some others involve the so-called Tethys Sea, the Hindu Kush, Australia, Antarctica, Siberia, and many specific subduction inconsistencies. There is an obscure though long authorship, not recounted here, that has formally addressed many of the weaknesses of the "new global (plate) tectonics". The alternative conceptual "expansionist" conclusion is dramatized by Perry (Figure 3), using modern computer graphics.

![Figure 3 - Computer generated radial expansion of the Earth by Dr. Kenneth Perry. Inner globe left is already expanded by 25%. Growth stripes are shown on the modern globe, right. (Taken from Carey, 1998, ed.).](image)

Of course I certainly do not know which, or if either, of the two contesting earth histories is correct. There may be several others, or hybrids, beyond these two possible choices. Having suffered through Harry Hess’ island arc hypothesis, Carey’s early expansion dogma, Larin’s radical hydride theories, Hill’s transform magnitudes in California, Hunt’s anhydride postulate, Kuenen and Natland’s research and struggles with deep water turbidites, the historical struggle on the complex origin and stoichiometry of dolomite, the vexatious pH geochemistry of silica, and the early controversies of refractive versus reflective seismology, among others, I find it necessary to proceed slowly with an acceptance of all new geo-ideas. This particular battle has already been joined many times in the recent past. So what is the current imperative of these comments relative specifically to Plate Tectonics? Examine hypotheses carefully, and the evidence and application more so. It is difficult to discover and establish a new principal or validate an old one. Reliance on unproven or erroneous orthodoxy in applied geology can have serious consequences. Concepts in the earth sciences will probably always be in a growth phase and subject to careful query.

There is substantial countervailing literature. The following references will provide an entrée to those wishing to pursue the issue further:


Maxlow, James, 2002, *Quantification of an Archaean to Recent Earth Expansion Process*, Terrella Consultants, 29 Cecil Street, Glen Forrest, Western Australia, pp. 101, (Email: Terrella Consultants@bigpond.com).


This article was previously published and modified from: *South Texas Geological Society Bulletin*, p. 9-11, Vol. XLII, No. 8, April 2002

Of the many issues that President Bush spoke on during the latest State of the Union address, I was most interested in what he had to say about energy and the energy industry. One subject that the president mentioned that piqued my interest was for increased research for biofuels such as ethanol. In particular, he stated that this could be accomplished by planting not only corn, but by using "switchgrass" as a source for ethanol production. "All of a sudden, you know, you may be in the energy business" Bush said, "You know, by growing grass on the ranch and have it harvested and converted to energy. And that is what's close to happening."

So what is this all about with switchgrass and ethanol? First, it is easy for many groups to get carried away with the wonderful benefits that ethanol or cellulosic ethanol has as a transportation fuel. The claims are that ethanol is clean burning, provides a more efficient burn (contains oxygen), and does not contribute to the volatile organic compounds that gasoline emits, but more importantly, we have a seemingly never-ending supply of source material for ethanol production. This would benefit Americans by creating lower national energy prices and reducing our dependency on foreign oil.

Most fuel grade ethanol is currently being manufactured using mainly harvested corn, but also waste wood and paper. This is mainly due to the large corn producer's lobby and government subsidies. In ethanol production, the first step is to separate the plants' component parts by mechanical methods and then chemically separate them into a cellulose state (cellulose is a polysaccharide containing chains of 6-carbon sugars). The cellulose can then be rendered down further into glucose and pentose molecules. The next step is converting these sugar molecules into ethanol, by using certain enzymes as immobilized biocatalysts. The enzymes used for this conversion are the subjects of much of the current biochemical research in the cellulosic ethanol field.

So what is "switchgrass"? Switchgrass once grew over most of the central and eastern portions of the United States, from the Gulf Coast to Canada. It is a hardy grass like plant that grows in just about any environment and can attain a height of 8 feet in some regions. It is now mainly used as livestock feed and is grown primarily in areas of poorer quality land.

Switchgrass (Panicum virgatum), is now being promoted as an ideal biomass source. It has a high net energy yield per acre (high cellulose content compared to corn), moderate to high productivity, high moisture and nutrient efficiency, low-cost production, and is adaptable to most regions. Switchgrass is also listed as a lignocellulosic material, or a material that can be co-fired with coal, reducing cost and pollutants in coal fired applications. It is estimated that there is roughly 15% of the North American continent that is not suitable for food farming but would be suitable for switchgrass. Further estimates claim that if this land were planted with switchgrass, we could replace every single gallon of gas consumed in the United States with a gallon of domestically produced cellulosic ethanol.

But here is the key for the success of switchgrass. Ethanol is blended with petro-fuels (gasoline and diesel) to increase combustion and decrease pollutants. According to Charles Taliaferro, professor in the Oklahoma State University Department of Agronomy, "Currently, most ethanol is derived from corn, and the total output/input ratio is about 1.2. This means that the net energy gain from corn ethanol is about 21%. The energy output/input for switchgrass is 4.4, which represents a net energy gain of 334%." When you make ethanol from corn, it is estimated that for every gallon of fuel you get, you put in about seven-tenths of a gallon of fossil fuel energy, oil or natural gas. On the other hand ethanol from cellulose-based switchgrass has higher energy usage efficiency. For every gallon of ethanol from switchgrass only a small percentage of fossil energy is required. In the biomass world, switchgrass is like hitting a home run as compared to corn.

It sounds simple enough, but there are plenty of hurdles. The enzyme technology; even though breakthroughs have been made, finding a more efficient, cost-effective enzyme has a way to go. Substantial amounts of new land or conversion of existing traditional farming projects would be...
required for “biomass farming” creating possible competition for land usage for food products. Currently the U.S. has approximately 1% of transportation vehicles utilizing ethanol. Filling stations do not want to dedicate space to a fuel mix that has a 1% market share, and there are only small pilot projects that are in operation and large processing plants would have to be built.

Other countries, particularly Brazil and Sweden have pioneered national use of ethanol. Brazil has mandated by 2007 a transition that 80% of all new vehicles sold will be flex-fuel (ethanol capable). This year Detroit will offer some two-dozen models of standard cars with a flex-fuel option available for purchase. The engineering difference is in a sensor and computer chip that regulates the fuel air mixture and will cost an additional $100-$800. It is estimated that the cost to convert your current gasoline-burning vehicle to use biomass or ethanol fuel is about $100.00 per car. The Bush administration will budget of $150 million to help bio-based transportation fuels for 2007. This is a $50 million increase over the fiscal year 2006.

I am not sure that switchgrass will be the next non-conventional energy play in the United States, but if anyone has any interest, give me a call. I own a lawn mower and I have a great idea for some west Texas pasture land!
**AUSTIN**

The Austin Chapter, located in the state’s capital, has geologists, engineers, and geophysicists that work all areas of Texas. In addition, we have a number of older geologists and engineers who have retired to Austin and the "Hill Country." The Austin Geological Society focuses on academia and environmental geology. The Austin SIPES Chapter has concentrated on oil and gas and other mineral topics. The SIPES Austin Chapter meets on the third Thursday of the month, September through May at the County Line Bar-B-Q on Bee Caves Road.

In October, Mike Lucente, #2984, of Corpus Christi, gave his paper on North Los Torritos Field in Hidalgo County, Texas. Mr. Lucente previously presented this paper in Santa Fe; it is also available on DVD from the SIPES Foundation’s Video Library. His personal efforts in the development and knowledge of the details made this an excellent Gulf Coast paper.

In November, Bryan Brister of Gunn Oil Company presented a paper on coal bed methane in the Raton Basin. He provided a real insight into this new gas exploitation technique. (principally limestone transgressive and siliciclastic highstand and lowstand system tracts) to record the paleogeography during Late Pennsylvanian Virgilian and Early Permian Wolfcampian Epochs in 1200 feet of strata on-shelf, and 2800 feet within the basin. "Such frameworks help to focus expensive 3-D seismic acquisitions, and eliminates wasting the drill on obviously negative areas." (See photo on Page 16).

In December, SIPES members joined with members of the South Texas Geological Society, the San Antonio Geophysical Society, and local landmen, to enjoy the annual Christmas Party. Best wishes for a happy and prosperous 2006 to all.

As a native of Louisiana and a resident of New Orleans in the ‘60s and early ‘70s, I would feel remiss if I didn’t mention the San Antonio chapter’s, and my personal, best wishes to everyone there, chiefly to the earth science community, and particularly the SIPES New Orleans Chapter.

**SAN ANTONIO**

Lee Billingsley of San Antonio, current vice president of exploration for Abraxas Petroleum Corporation, and AAPG President-Elect for 2005-06 addressed the local SIPES chapter on the benefits of AAPG membership and updated us on the current membership numbers. Lee also reminded us of AAPG’s three divisions, and urged all members to be active in divisions and committees.

Our November talk was by L. Frank Brown, Jackson School of Geosciences, The University of Texas at Austin, and was entitled “Applying Sequence-Stratigraphic Technology and Depositional Systems Tract Analysis Using Wireline Logs and 3-D Seismic Data to Define New Subtle Targets in Mature Producing Areas, Eastern Shelf and Basin Margin of West Texas Basin, North-Central Texas.” (Whew!). By analyzing about 2000 miles of cross-sections, >5000 wireline logs, and by extensive outcrop studies, Dr. Brown and his colleagues were able to delineate and define 16 depositional sequences (principally limestone transgressive and siliciclastic highstand and lowstand system tracts) to record the paleogeography during Late Pennsylvanian Virgilian and Early Permian Wolfcampian Epochs in 1200 feet of strata on-shelf, and 2800 feet within the basin. "Such frameworks help to focus expensive 3-D seismic acquisitions, and eliminates wasting the drill on obviously negative areas." (See photo on Page 16).

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**GUIDEBOOK PUBLISHED**

The SIPES Foundation is pleased to announce that the trail guide “A Young Person’s Guide to the Permian Reef Trail” has now been published. This project was generously funded by contributions from SIPES Members and by the SIPES Foundation’s General Fund.

In appreciation for this funding, a reception to publicize this new book is planned for the Guadalupe Mountains National Park Visitors Center on March 4, 2006. Various National Park Service officials will be present along with Park Rangers and Dr. Gorden Bell, the park’s head geologist. Several SIPES Foundation Directors will attend this event. Copies of this trailguide should be available soon to those who want a copy.

Thanks to all SIPES Members who donated funds to this important project.

**Bill Wilbert**

Newsletter Liaison
DALLAS

The last quarter of 2005 found members busy and in high spirits. This year, the SIPES Dallas Chapter embarked upon a new idea for our October meeting. With the help of the Ellison Miles Geotechnology Institute, Brookhaven College, the North Texas Energy Council, and the Petroleum Technology Transfer Council Texas Region, the first annual Dallas SIPES Chapter Symposium was held at Brookhaven College on October 18. The title of the symposium was "New Technology Enabling New Plays." The event was organized by Vice Chairman Mark Mathisen.

The focus of the one-day workshop was to present an update on the use of new, as well as some proven, technologies, and their application to exploration and production for independents. The emphasis was on unconventional plays around the Dallas area, such as the Bossier Sand and Barnett Shale.


During lunch, L. Frank Brown of the Bureau of Economic Geology discussed "Applying Sequence Stratigraphy Technology and Depositional Systems Tract Analysis Using Wireline Logs and 3D Seismic Data to Define New Targets in Mature Producing Areas, Eastern Shelf and Basin Margin of West Texas Basin, North-Central Texas." An open panel to discuss the day’s topics followed the presentations, and a social hour helped to round out the day. Due to the success of this event, similar seminars are being contemplated in the future.

The November meeting returned to the usual forum of a luncheon at the Royal Oaks Country Club. The featured speaker was John Tinnin of Geotrace Technologies. His topic was "The Use of High Frequency Seismic Resolution to Improve Imaging of Reservoirs." The talk focused on new seismic techniques to better evaluation reservoir potential.

There was no regular luncheon meeting in December. Instead, as is the tradition, the Dallas SIPES Chapter’s annual Christmas Party took the place of the monthly meeting. The party was held at the Dallas Petroleum Club. This year saw a noticeable increase in attendance and high spirits as people dined on fine cuisine and danced to music. The following slate of 2006 officers for the Dallas chapter was introduced: Chairman Mark Mathisen, Vice Chairman Ed Gonzales, Treasurer David Bissmeyer, Secretary Hugh Pendery, Membership Chairman Bobby Greenwood, Activities Chairman David Martineau, NTEC representatives Dick Cleveland and James Henderson, National Directors Woody Leel and Cliff Walker, Continuing Education Chairman Stan Pittman and Past Chairman Eddie Rhea. The event was a very enjoyable way in which to bid farewell to the old year and help usher in the new one.

The Dallas Chapter will be hosting the SIPES 2006 National Convention to be held in Lake Tahoe, Nevada. As a result of the unfortunate hurricane events in New Orleans last year, the Dallas Chapter has agreed to host the convention in an effort to provide some relief to the New Orleans Chapter. The Dallas group is excited and looking forward to this event and hopes for a great turn out of members.

Ed Gonzales
2005 Secretary
WELCOME NEW MEMBERS

The following new members were approved by the SIPES Membership Committee from September 15, 2005 to December 8, 2005:

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<th>NAME</th>
<th>CHAPTER</th>
<th>SPONSORS</th>
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<td>3055</td>
<td>Joseph A. Baca</td>
<td>Midland</td>
<td>S. Robichaud, J. Small, S. Zemkoski</td>
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<td>Donald G. Eckerty</td>
<td>Midland</td>
<td>L. Carr, J. Kullman, A. Oestmann</td>
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<td>3057</td>
<td>Denise M. Stone</td>
<td>Houston</td>
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<td>Wesley W. Lilley</td>
<td>Denver</td>
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<td>3058</td>
<td>Cliff J. Fontenot</td>
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<td>J. Amoruso, P. Martin, Jr., M. Rush</td>
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<tr>
<td>3059</td>
<td>Gustavus W. Hobbs IV</td>
<td>Houston</td>
<td>Reciprocal- DPA</td>
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<td>3060</td>
<td>Peter J. Massion</td>
<td>Oklahoma City</td>
<td>C. Allen, G. Johnson, T. Smith</td>
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</table>
HOUSTON

Ronald L. Moore, president of the law firm Ronald L. Moore, PC was the Houston Chapter's guest speaker for October. He is a native Houstonian, and has practiced oil and gas law here since 1974.

He is a frequent lecturer to industry audiences on oil and gas law for the small operator, investor and consultant. He specializes in the review and preparation of documents related to exploration and production of oil and gas prospects, for the purchase and sale of oil and gas properties, and for the examination of title and the preparation of title opinions. His topic was "Read it and Weep," a cautionary tale of presenting prospects to Big Oil Companies. Well-written agreements are those which keep the agreeing parties out of court. Often the spirit of an agreement relies too heavily on ethical guidelines to make it work.

On November 4 Houston SIPES members and friends met at the Petroleum Club for dinner at the chapter's Annual Fall Social. This event was hosted by the chapter's 2006 Chairman Larry Rairden. Our guest speaker was John H. Lienhard, author and voice of National Public Radio's "The Engines of Our Ingenuity." He offered insights into our culture and ourselves through stimulating discussion of the familiar machines and technologies that are central to our lives. Dr. Lienhard is the M.D. Anderson Professor Emeritus of Mechanical Engineering and History at the University of Houston.

Fred L. Oliver, #580, of Dallas, Texas spoke at our luncheon meeting in November. His topic was "Beware of Global Cooling: The Paleo-Geologic Effects on Global Climate Change," which was very well received, and stimulated lively discussion. Fred is an independent petroleum geologist and engineer who actively pursues oil and gas prospects as well as production. SIPES National President David A. Eyler of Midland, Texas also attended this meeting and commended the SIPES Houston Chapter members, officers and committee chairmen for their outstanding luncheon programs, hospitality, newsletter, and continuing education seminars.

The topic of our December luncheon was "Martian River Deltas and the Origin of Life," which was enthusiastically received. There remains significant debate as to whether there were persistent water flows, significant precipitation, and standing water bodies during the early Noachian history of Mars. Recent Mars Global Surveyor (MGS) Mars Orbiter Camera (MOC) images of meandering channels associated with a Noachian-age, lacustrine delta within Holden NE Crater show evidence for persistent water flows. This supports the hypothesis that early Mars was both warmer and wetter during the Noachian. In addition, these sediments represent a probable watery habitat that should be investigated for evidence of possible extinct Martian life.

Our speaker was Dr. Janok P. Bhattacharya; he is the Robert E. Sheriff Professor of Sequence Stratigraphy at the University of Houston. His research interests include deltaic sedimentology, sequence stratigraphy, and the local control of structure on stratigraphy, and reservoir architecture of clastic depositional systems.

New Chapter Officers for 2006 were also elected in December. Taking office on January 1 were Chairman Larry Rairden; Vice Chairman Pat Shannon; Secretary Scott Sechrist; and Treasurer Mark Gregg. National Director Ray Blackhall also agreed to serve another three-year term beginning March 2006.

John Parrish
Secretary
CORPUS CHRISTI
The October SIPES meeting was held on Tuesday, October 25 at the Corpus Christi Town Club. Arthur E. Berman, #3062, was the guest speaker. His presentation was entitled, "The Current Oil Boom and the Causes of Oil Price Cycles, 1973-2005: It May Surprise You!" He discussed the leading explanations for the rise in oil prices and the compelling truths behind them and how they compare to other world influenced factors. Oil prices had returned to their inflation-adjusted levels in 1981-82, yet the causes for the current high prices discussed by oil experts and pundits are unsatisfactory. The leading explanations for current high oil prices are: the onset of peak world oil production, the failure of oil companies to discover significant new reserves, and unanticipated petroleum demand from China and India. While there is some truth in all of these factors, they are not compelling either separately or in combination to explain high oil prices. Mr. Berman discussed various supply and demand, new discovery, and shortage of refineries explanations in relation to these issues.

Our November meeting was held on Monday, November 28 at the Corpus Christi Town Club. Bob Scott, chief geologist of The Exploration Company of San Antonio gave a presentation entitled "The Maverick Basin: New Technology – New Success" during which he discussed how 3-D seismic and recent drilling has opened up numerous productive horizons in a previously dormant basin.

On December 15 the SIPES Corpus Christi Chapter held its annual Christmas Party at the Corpus Christi Town Club. The local officers were presented with gift awards for their service. The book Wooden Rigs-Iron Men, written by Bill and Margorie K. Walraven for the Corpus Christi Geological Society, was given away as a door prize.

Eduardo Riddle
Secretary

MIDLAND
At our October meeting, Bob Gallagher, president of the New Mexico Oil and Gas Association in Santa Fe presented a talk on "New OCD Rules and More." The association promotes the welfare of the oil and gas industry and the conservation and orderly development of the oil and gas resources within the state of New Mexico. NMOGA is responsible for working with the legislature, the various state regulatory agencies, the federal regulatory agencies, Indian Nations and the congressional delegation. Bob Gallagher was selected as NMOGA President in January 2000. He is the chief executive of the association made up of 300 member companies, ranging from the largest major in the world to the smallest independent in New Mexico.

Steve Reynolds, vice president, Infinity Oil and Gas, Inc. in Denver presented our November program, "Contracts for Explorationists or Hey, I thought you said I got a 3% override!" Throughout the history of oil and gas development, explorationists have focused their study and talents in finding new reserves which create wealth for our industry. All too often, this has meant that the discoverer of this wealth has been left with little or nothing to show for his/her efforts.

This talk focused on the philosophy, style, and form of contracts most commonly used, or should be used, by the explorationist in today’s marketplace. Included were discussions on confidentiality and non-compete agreements, letters of intent, participation, purchase and sales agreements, as well as operating agreements. Steve also discussed basic deal terms and issues regarding the definition of overriding royalty. All these agreements have changed during our careers and we should be aware how each one affects our eventual income.

Steve has been active in oil and gas exploration since 1978 building three companies since graduating college with degrees in geology and business administration. He is co-owner of Infinity Oil & Gas, Inc. which presently has interests in over 800,000 acres of leasehold and minerals in 10 states and 13 basins. Infinity has focused on unconventional (desorption) reservoirs since it’s inception in 1990. There is an average of ten rigs drilling on Infinity properties daily, some on the 2TCF of gas discovered by Infinity. Steve is responsible for project selection, land acquisition and contract negotiations for the company.

Midland did not meet in December and our local officers for next year are voted on in January.

George Friesen
2005 Secretary

November guest speaker Steve Reynolds, vice president of Infinity Oil and Gas, Inc.
DENVER

The Denver Chapter of SIPES holds their monthly luncheon meetings at the Wynkoop Brewery in Lower Downtown Denver. The speaker for the October luncheon was Mark Longman, an independent consulting geologist from Denver, Colorado. The title of Mr. Longman’s presentation was "Application of High-Resolution Image Logs in Identifying and Interpreting Gas Bearing Sandstones in the Mesaverde and Mancos Intervals of the Uinta Basin."

The Upper Cretaceous Mesaverde Group in the eastern Uinta Basin consists of more than 2500 feet of interbedded sandstones, siltstones, shales, and coals. Sandstones in this interval have become a major exploration target for gas over the past decade. The productive sandstones range in thickness from 3 feet to more than 50 feet and occur at depths of 6,000 to 13,000 feet. They were deposited in a variety of environments including marine upper and lower shoreface, washover fans, fluvial channels and point bars, splays, and braided streams. Not surprisingly, reservoir quality of these sandstones is strongly influenced by the environment of deposition.

Mr. Longman’s study, funded in part by the Utah Geological Society, was undertaken to show how high-resolution image logs can be used to identify and interpret gas-bearing sandstones in the Mesaverde and Mancos intervals. Three companies (Questar, Kerr McGee, and EOG Resources) provided access to Formation MicroImager logs run in 10 wells through parts of the Mesaverde Group in the area of Natural Buttes Field centered on T9S-R23E of Uintah County, Utah. The presentation focused on several topics including:

1. What is an image log?
2. Interpreting depositional environments from an image log
3. Showing examples of productive and non-productive sandstones
4. Comparison of a core and an image log
5. Use of image logs to quantify fracture abundance, orientation, and dip
6. Distinguishing true gas entry on an image log from "regurgitated gas"

There was no Denver Chapter luncheon meeting in November due to the Thanksgiving holidays. The Denver Chapter annual Christmas party was held on December 8 at the Southglenn Country Club in Centennial, Colorado. This well-attended event gave many old friends a chance to enjoy the holiday season together and celebrate another successful year of Denver Chapter activity.

Thanks to the efforts of Chapter Chairman Jim Rogers, this winter-spring the Denver Chapter will be hearing from some well-known speakers with "hot topics" for our monthly meetings with subjects ranging from Kansas, Oklahoma, and Yellowstone National Park. We meet for lunch on the fourth Thursday of each month at (John Hickenlooper’s) renowned Wynkoop Brewing Company (our geologist/mayor’s flagship establishment). Out-of-town SIPES members and guests are always welcome. Call Jim Rogers (303-832-2328) or Bill Miller (303-572-7787) for more information about our meetings.

Also in May our chapter will be conducting a half-day short course on Contracts for Geologists. This course will be presented by Steve Reynolds, Vice President of Infinity Oil and Gas, following on Steve’s successful presentation on the same subject at the National Meeting in Santa Fe. (See Midland Chapter News Page 19).

Bill Miller
Secretary

IN MEMORIAM

We regret to note the passing of the following members:

Robert E. Eggerton, #1116 of Slidell, Louisiana who died on December 15, 2005

Larry E. Gnagy, #303 of Midland, Texas who died on December 20, 2005

Robert R. Lamb, #835 of Plano, Texas who died on December 1, 2005

Duane R. Lutton, #2074 of Midland, Texas who died on December 23, 2005

William R. Ransone, #505 of Dallas, Texas who died on January 12, 2006
FORT WORTH

In October, over 50 members and guests were present for a Mexican buffet and business meeting. Chairman Tom Bass opened the meeting with a discussion of SIPES activities and the introduction of guests.

Tom Bass presented a SIPES Chapter Award Plaque to James Talbot for the year 2003. Vice Chairman Joe Svoboda discussed future training programs for the Dallas/Fort Worth area. He introduced the speaker, Richard F. Strickland and his topic, “Simulation of the Barnett Shale and Implications for Continued Development.”

Dr. Strickland is president of the Strickland Group, Inc. which provides petroleum consulting services in the areas of reservoir and geologic engineering to the oil and gas industry. He has a Ph.D. in petroleum engineering from Texas A&M University, and was an associate professor at A&M for six years teaching reservoir engineering and numerical simulation of reservoirs. In addition, he presented over seventy-five reservoir engineering courses to geoscientists throughout all areas of the industry.

Numerical simulation of the Barnett Shale provides valuable insight into reservoir description, reservoir mechanics and future expectations for reserve recovery and future development. For vertical and horizontal wells, he provided a description of the effective parameters governing a historical production match, as well as the effect on Estimated Ultimate Reserves and the limitations of this analysis technique. He concluded with a discussion of reserves and recovery estimates, effective drainage, the potential for infill drilling, re-fracturing horizontal wells and a brief discussion of the shallow western Barnett.

The Fort Worth Chapter had its final luncheon meeting of 2005 on November 17, 2005, at the Fort Worth Petroleum Club.

The 2006 chapter officers were then announced and are as follows: Chairman Joe Svoboda; Vice Chairman TBA; Secretary Lou DuBois; Treasurer Russ Hensley; Membership Committee Chair Terri Mayfield-Cowan; and National Director Lee Petersen.

After short treasurer and membership status reports, Mr. Bass presented a SIPES Chapter Award Plaque to Phil Carlisle and recognized him for the Chapter’s accomplishments in 2004.

Our guest speaker was Benjamin Johnson, CEO of Summit Resource Management with headquarters in Dallas. Summit is a consulting firm specializing in oil and gas valuations. The topic of Mr. Johnson’s talk was “Topping Off the Tank: Getting the Most from Your Oil and Gas Sales.”

Mr. Johnson described the concepts and procedures employed by oil and gas marketers to maximize value and manage risk. He also related some inside stories from his personal experience in nationwide oil royalty litigation and governmental efforts to update oil valuation regulations.

Lou DuBois
Secretary
energies and finances towards the betterment of the society.

Our national headquarters is located in Dallas, Texas and is headed up by the very able Diane Finstrom, in addition to two part time employees, Katie Ruvalcaba and Tiffany Summitt. This small group is responsible for a plethora of duties ranging from laying out our outstanding Quarterly publication and maintaining our website to carrying out the majority of the responsibilities of organizing and operating our Annual Meeting and Convention. If you ever find yourself in the Dallas area be sure to drop in on Diane and company and see for yourself the work being generated within the close confines of 4925 Greenville Avenue.

Our national board members, for the most part, come out of pocket for travel and lodging expenses while attending annually the three quarterly board meetings plus one Annual Meeting and Convention. This commitment is not insignificant when factoring in the cost of being away from one’s business for twelve to fifteen business days per year.

Your national headquarters and board of directors are constantly looking at ways to increase SIPES’ revenues, while trying to keep expenses at a minimum. SIPES’ National’s ½ of 1% net profits interest as a Special Endorser of both winter and summer NAPE events should net SIPES approximately $15,000 annually. SIPES National received $2,361 which represented ½ the net profit of our 2005 Annual Meeting and Convention in Santa Fe, New Mexico. The balance of said net profit went to the SIPES host chapter city, Oklahoma City. SIPES Cornerstone Group, through its voluntary contributions remains one of the mainstays of the SIPES organization. The 2005-06 proposed budget has the Cornerstone Group contributing $27,875, or 12.5% of budgeted total funds received. The Cornerstone Group was founded 12 years ago to strengthen the SIPES’ financial position so as to better serve the membership through the addition of various services and activities. On behalf of all SIPES members, I sincerely appreciate those of you who support the SIPES Cornerstone Group.

As always, I encourage all of you to become more involved in SIPES. When SIPES members are busy, as many of us now are, it is very easy to drift away from a society such as SIPES. I urge you to visit http://www.sipes.org to view the latest happenings of your organization. See what other SIPES chapters are doing. If you are in a SIPES chapter city on business or pleasure, plan to attend a local meeting. A listing of these meetings and scheduled talks are available on our web site.

Regular and Honorary members recently received information on proposed amendments to the SIPES Constitution. Please review this material and fax or mail your votes on these changes before March 15, 2006.

In closing, my hope is that ALL SIPES MEMBERS will plan on attending our Annual Meeting and Convention slated for June 21-24, 2006 in South Lake Tahoe, Nevada. For me personally, this one event opened my eyes as to what SIPES is all about. Professional geoscientists from all across the U.S. sharing ideas and forming friendships with other SIPES members, each whose standing in the geosciences community is uncompromising.

Onward,

David A. Eyler
President
E. Bernard Brauer, #2978, of Corpus Christi, Texas has been elected president of the Society of Petroleum Evaluation Engineers, and assumed office in January 2006. He is also serving as treasurer on the SIPES Board of Directors.

Willard R. Green, #1676, of Midland, Texas and G. Warfield "Skip" Hobbs, #3059, of New Canaan, Connecticut are candidates for president-elect of AAPG.

Mark E. Gregg, #2883, of Houston, Texas has recently been appointed to the board of directors of the SEG Foundation. He also serves as treasurer of the SIPES Houston Chapter.

Terry L. Hollrah, #1920, of Oklahoma City, Oklahoma will receive AAPG Honorary Membership on April 9, 2006 at the group's annual convention. Also receiving awards will be Neil F. Hurley, #2754, of Denver, Colorado who will receive the AAPG Distinguished Service Award. Robert M. Cluff, #1832, of Denver, Colorado will receive AAPG's Wallace E. Pratt Memorial Award that recognizes the best AAPG Bulletin article published each calendar year.

Valary L. Schulz, #2284, of Dallas, Texas will receive AAPG’s House of Delegates Honorary Member of the House Award at the AAPG Convention in April.

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Thursday, June 22

8:30-11:45 A.M.
Introductory Speaker - James Henderson, #1005

DRI: 50 Years of Environmental Research - Stephen Wells

Update on the Yucca Mountain Project - William Boyle

Assessing Undiscovered Oil and Gas Resources of the Eastern Great Basin in Parts of Nevada, Utah, Idaho and Arizona - Lawrence Anna

1:30-4:30 P.M.
Down-dip Woodbine, Polk County, Texas - Fred Byther

Petroleum and Geothermal Exploration Activity in Nevada - William Ehni

Three Centuries of California Gold - Mike Miller

Friday, June 23

8:30-11:30 A.M.
The Oil & Gas ‘Sweet Spot’ . . . How Long Can it Last? - David Pursell

Summary of Research Projects at the Great Basin Center for Geothermal Energy - Lisa Shevenell


With All that Coal, Where’s the Gas in the Illinois Basin? - David Morse

1:30-4:30 P.M.
Great Basin Elephant Hunt - Alan Chamberlain

Statistical Plays: Blackjack Strategies for the Barnett Shale - Jimmy Thomas, #2710

Fractured Reservoirs: A Predictive Approach for Optimizing Reservoir Management - Laird Thompson

*Speakers as of February 16, 2006. Speakers and schedule are subject to change. Meeting registration books will be mailed to all SIPES members in April.
BIG BONANZAS (AND A FEW BORRASCAS):
Lake Tahoe to the Mining Frontier
George Whittell, Jr., Thunderbird Lodge and Julia Bulette

by Ron and Susan James

Mining has affected Lake Tahoe since the 1860s, and Lake Tahoe has been critical to regional mining. With the founding of Virginia City in 1859, the fabled mines of the Comstock Lode developed a voracious appetite for lumber. The Sierra Nevada Range supplied supports for the mines, fuel for its engines, and lumber for aboveground construction. The effect on the Tahoe Basin has been devastating and lingering.

Ironically, mining also played a role in saving the Basin. George Whittell, one of the richest men in the nation, was the sole heir to two Gold Rush era fortunes. During the 1930s he purchased the Nevada side of the Lake for development. Fortunately, he lacked motivation, and the eastern side of the Lake remains largely undeveloped to this day. His mansion together with its stories of showgirls and wild parties remain a Tahoe fixture to this day.

The other side of this gold and silver coin is Virginia City, one of the nation's largest Historic Landmarks. It incubated the wealth of George Randolph Hearst and the imagination of Mark Twain. Inventions first tested on the Comstock became the industry standard for fifty years, and its miners were internationally recognized as some of the best in their field. Stories continue to echo about last chance mines, Big Bonanzas, and the fast men and women who made a place great.

This presentation will describe the entwined story of Lake Tahoe and Virginia City. The epic western tale has inspired fascinating stories ranging from murdered prostitutes, poor Irish miners who made it big, and a spoiled rich heir whose youthful indiscretions, service during World War I, and Tahoe sojourn became the stuff of legend.

Ron James is the Nevada State Historic Preservation Officer, having administered his agency since 1983. He is the author of five books including The Roar and the Silence: A History of Virginia City and the Comstock Lode and Comstock Women: The Making of a Mining Community (co-edited with C. Elizabeth Raymond). Ron and his wife, Susan, co-authored Castle in the Sky: George Whittell Jr. and the Thunderbird Lodge. Ron serves as adjunct faculty at the University of Nevada, Reno. He is a historian and folklorist, with degrees in both fields from the University of Nevada, Reno. He was the nation's I.T.T. Fellow to Ireland in 1981-1982, where he studied folklore at the national archives. Ron's publications have appeared in Europe and North America, and he has given hundreds of presentations throughout the nation.

Susan James, the co-author of Castle in the Sky: George Whittell Jr. and the Thunderbird Lodge, is a historian who lectured for fifteen years at the University of Nevada, Reno where she received her degrees. She currently serves as the Scholar in Residence for the Fourth Ward School Museum in Virginia City and has curated several exhibits on the history of the Comstock Mining District. Susan's many articles include the definitive work on Julia Bulette, a Virginia City prostitute who gained fame after her brutal murder in 1867. Susan and Ron perform with the Sierra Highlanders Pipe Band, which in 2005 became the first representative from Nevada to compete in the World Pipe Band Championship held annually in Glasgow, Scotland.

Photos courtesy of the Library of Congress and the Thunderbird Lodge website
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SIPES Vision Statement

To be the pre-eminent organization for furthering the professional and business interests of independent practitioners of the earth sciences. In achieving this vision, emphasis will be placed on (1) professional competence, (2) professional business ethics, and (3) presenting a favorable, credible and effective image of the Society.

Adopted by the SIPES Board of Directors
September 21, 1990

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