Since my last column, natural catastrophes of historic proportions have challenged the hearts and minds of the American people. Through the “eyes” of hurricanes Katrina and Rita, we Americans have witnessed mass destruction along the Gulf Coast Region, major disruptions in the flow of natural gas, as well as crude oil and refined products, skyrocketing oil and natural gas prices and, of course, the sad reality of death, homes totally destroyed, and families and businesses uprooted, possibly forever.

My heart goes out to all people affected by these hurricanes, especially SIPES members and their families. I cannot imagine what it must be like to relocate one’s family and business and basically begin life anew. If you have not done so, please visit sipes.org and click on the “Messages & Information about SIPES Members in New Orleans and the Gulf Coast Area.” Please reach out to our colleagues as they try to rebuild their lives and businesses.

Along with the winds of the hurricanes also come the destructive winds of energy industry bashing. As usual, politicians and public outcry are quick to point the blame finger, and the media is ready and willing to supply the arm to extend that finger. Hence, the geoscience community must once again be called upon to address the barrage of questions pertaining to coastal erosion and development, global warming, oil industry price gouging, obscene profits, (Continued on Page 29)

The Art of the Deal
SIPES 2005 Convention Speakers

Outlined below are abstracts of the technical session talks presented during the SIPES Convention held in Santa Fe, New Mexico from April 27-30, 2005. These presentations are available for rent or purchase on DVD through the SIPES Foundation Video Film Library.

The rental fee is $5 per disk for a two-week rental. They can be purchased for $35 per disk. Please call, fax, or email the SIPES office if you want to rent or purchase one of these presentations. These films may apply toward continuing education requirements in Texas and other states.

Michael N. Austin, #2366 and Michael A. Pollok, #2512
“Where the Buffalo Roam”

This paper describes the exploration process used to discover a multiple pay zone field on the southern end of the Pratt anticline. Regional subsurface mapping identified a key show well drilled in the 1950s that was believed to be on the flank of a structure. 3D seismic identified the crest of the feature and resulted in discovery of (Continued on Page 12)
Hurricane Katrina and other forces and actions beyond our borders continue to control the prices Americans pay for energy. We are witnessing a volatile worldwide energy market where price is no longer controlled by OPEC, but rather supply, demand and distribution. Supply and demand are on a precariously sensitive balance where any supply disruptions can have a significant impact on price. It appears to this scribe that we are moving from a time concerned with product price to a time concerned with product availability. In contrast with previous energy booms, this surge in prices stems more from global economic vigor than supply control.

### SUPPLY & DEMAND

Hurricane Katrina caused a significant supply disruption to oil, natural gas and refined products in the United States. Initially, 1.4 MMBOPD and 8.8 BCFPD was shut-in. In addition, about 1.9 MMBPD of refining capacity was impacted while 2.9 MMBPD of refined products pipeline capacity was curtailed. The refining capacity amounts to about 10% of U.S. daily gasoline consumption. In the wake of this crisis, President Bush order 30 MMBO to be released from the Strategic Petroleum Reserve and the Paris-based International Energy Agency agreed to provide an additional 60 MMBO during the next month in an effort to alleviate the short-term supply shortage. The EPA announced it would relax anti-pollution standards on gasoline to increase availability. By September 6, shut-in oil production was down to 850 MBOPD and shut-in natural gas production was 4.2 BCFPD. By September 10, four of the eight refineries were restarted, leaving 890 MBOPD capacity offline. The EIA projects oil and natural gas production to return to pre-Katrina levels by November.

Production facilities south of the Mississippi River’s mouth bore the brunt of the Katrina’s impact. Shell’s Mars and West Delta-143 platforms were significantly damaged. These account for 250 MBOPD and 12 MMCFD that may be permanently abandoned. On September 6, the Coast Guard reported 29 oil platforms destroyed and 18 damaged to some degree. Enbridge Inc. reported damage to its 800 MMCFD Mississippi Canyon Corridor pipeline system.

OPEC August crude supply averaged 29.7 MMBOPD, up by 80,000 BOPD versus July. With the exception of Saudi Arabia, OPEC appears to be producing its maximum volume. Saudi is thought to have an additional 1.5 million BPD capacity, but much of this is a high-sulfur heavy-grade crude that refiners don’t want.

Non-OPEC supply is projected to increase by 700,000 BOPD in 2005 and 2006, well below the projected demand growth of 17 MMBOPD. Where will the missing 1.0 MMBOPD of supply be found? Worldwide spare production capacity is at its lowest level in three decades with only the heavy Saudi oil available to close the gap.

Russian Oil output has leveled off at 9.3 million BPD, down 100,000 BPD from September 2004. Having been the single largest contributor to increased world supply since 1999 (2.7 million BPD increase), Russian output is expected to be flat for the next several years. This is at least partly due to the Kremlin crackdown on Yukos and other state moves that have discouraged investment.

BP recently opened an 1,100 mile, $3.6 billion pipeline connecting Caspian Sea production to the Mediterranean Sea at the Turkish port of Ceyhan, called the BTC pipeline. Initial flow is expected at 400,000 BPD with maximum...
capacity of one million BPD. Caspian production is currently about 2 million BPD with high end reserves estimated at 33 billion barrels.

Domestic natural gas production is expected to drop by 1.5% in 2005 mainly due to Ivan and Katrina disruptions. Gas storage is estimated at 2,633 BCF on August 26, 1.9% below year ago levels but 5.2% above the 5-year average. Natural gas demand is projected to fall slightly by 0.7% in 2005 but increase to 2.6% in 2006, assuming normal weather. LNG imports are projected to be 710 BCF for 2005 compared to 650 BCF in 2004. The 710 BCF amounts to 13.5 days of supply or 3.7% of the total U.S. demand.

On the demand side, the International Energy Agency puts world demand at 82.5 million BPD for the 2nd quarter and projects 84 million BPD for the 3rd quarter and 86.4 million BPD for the last quarter of 2005. They expect capacity additions to come on line later this year to fill the gap. Their analysis projects the volume gaps to be filled by non-OPEC producers.

The USA currently consumes 21 million BPD (58% imported). The EIA projects worldwide oil demand to increase by 1.7 MMBOPD in 2005, a 2.1% annual increase compared to 3.2% in 2004. High production in the first half of 2005 built inventory levels to the upper end of the 5-year historical range. However, these stocks have not grown as quickly in terms of days supply because demand has grown rapidly. Total petroleum demand growth in the U.S. in 2005 is projected at 100,000 barrels per day, 60,000 barrels per day less than previous projections due primarily to high prices. Americans used 4% less gasoline the week after Katrina than the previous week.

Asia, and in particular China, is at the center of the demand side of any crude discussion. China's GDP is expected to continue to grow in the 8% to 9% range this year (9.5% in 1st quarter and 9.5% in 2nd quarter). The WSJ refers to this as cooling from white-hot to just red. The New York Times reports Shanghai residents have an "American-style passion for the automobile." Shanghai's plans for highways and subways were predicated on reaching 2 million cars by 2020. That level was reached in fall 2004. Interestingly, China was a net exporter of crude as recently as 1993. Chinese demand is projected at 6.9 million BPD this year. China and India alone account for more than 2 billion consumers. If China were to consume 4 BPD per capita, that would translate into a demand of 13 million BPD. As Dr. Michael Economides explained at the SIPES Midland convention in 2003, every country's GDP is related to per capita energy consumption. For these Asian countries to grow economically, their energy consumption must increase. (This talk is available from the SIPES Foundation Film Library on DVD).

India's economy, by contrast with China's, is ONLY growing at a 7% rate. India produces 650 MBOPD and imports 70% of its crude oil requirements, or about 2.1 MMBOPD.

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**OIL & GAS PRICES**

Crude oil prices are up about 50% in the last year ($44 to $64). Just in the last quarter prices have fluctuated from below $48 to above $70.

The EIA projects oil prices to average above $62 per barrel for the rest of 2005 and in 2006. April 1980, inflation adjusted prices would be over $90 per barrel today. The long term trend appears bullish while there may be abrupt and large percentage movements over short periods of time. I believe crude oil has truly entered a period where supply and demand are going to drive the price, unlike the past where OPEC could drive the price up or down. Unpredictable events, such as weather and terrorist related supply interruptions will cause short term price spikes.

Natural gas prices are up about 50% from a year ago. Price volatility has been large, from less than $5/mcf to over $11.50/mcf in the past year. In the last quarter, prices have been as low as $7.00/mcf and as high as $11.60/mcf. In spite of storage near an all-time record, prices have remained high reflecting increased demand. Supply interruptions from Katrina caused a significant increase in an already rising market. The EIA projects Henry Hub posted averages over $10.00/mcf until peak winter demand is over. This emphasizes that natural gas market is primarily a North American, not a global market. Only with significantly increased LNG imports will this change.

**U.S. ECONOMY**

So far this year, consumer prices are rising at a 3.1% annual rate compared with 4.7% increase at the same time last year. This is in spite of the rise in energy prices discussed above. The CPI was unchanged in June after a 0.1% drop in May. "These reports are pretty profound. This is the third straight month that the inflation numbers have been more benign than you’d think," said James Glassman, senior U.S. economist at J.P. Morgan Securities Inc. in New York.

Fed policy makers have raised the overnight bank lending rate at nine straight meetings to the current 3.25%. Economists expect this trend to continue. "I believe that we must stay ahead of the curve to ensure that it (inflation) does not become a problem in the long term" said Anthony Santomero, a voting member of the policy-making Federal Open Market Committee, in a July 11 speech. This trend may be broken due to Katrina if the economic impacts are viewed as severe.

Energy expenditures in the U.S. are expected to be $1.03 trillion, 18% above 2004 levels. This represents approximately 8.3% of GDP compared to 6.2% as recently as 2002, and is the highest level since 1984 (8.4%).

**RIGS, SEISMIC CREWS, & TRAINED PERSONNEL**

The number of rigs working in North America was 1999 as of September 9, 2005. This is a 33.2% increase in the past.
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year. The demand for these rigs is currently larger than the supply. My experience is that most are scheduled well into 2006 if not beyond. As a result, rig rates have increased and are going higher. Another indicator of increasing activity is seismic crew count. As reported by the SEG on May 1, 2005, 211 crews were working worldwide. This is up 39% from a year ago.

<table>
<thead>
<tr>
<th>North American Rig Count</th>
<th>09/09/05</th>
<th>09/02/05</th>
<th>09/10/04</th>
<th>Change Weekly</th>
<th>Change Annual</th>
<th>Percent Change Weekly</th>
<th>Percent Change Annual</th>
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<td>Total U.S.</td>
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<td>1351</td>
<td>1148</td>
<td>0</td>
<td>203</td>
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<td>18</td>
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<td>84.2%</td>
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<td>2.9%</td>
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<td>261</td>
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<td>297</td>
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<td>113.8%</td>
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<tr>
<td>North America</td>
<td>1999</td>
<td>1968</td>
<td>1501</td>
<td>31</td>
<td>498</td>
<td>1.6%</td>
<td>33.2%</td>
</tr>
</tbody>
</table>

The primary brake on increased activity is the shortage of experienced personnel at all levels of our industry. The WSJ reports that the number of petroleum engineers in the U.S. is about one-half of the 1980 level. I expect similar numbers exist for other disciplines. Work backlogs with service companies are large. In March, Fluor Corp. reported a $15.4 billion backlog, up 30% from a year earlier.

Increased rig numbers are creating competition for tool-pushers, drillers and roughnecks. Stories abound of crews changing employers for better pay, sometimes leaving during the middle of a well. Currently, finding a rig to drill a well is difficult for a small operator. Operators can’t get enough wells drilled with existing infrastructure. A proposal was discussed that would bring 12 Chinese rigs and trained personnel to drill in the western U.S. Despite the political grandstanding by some Congressmen, in particular John Salazar (D-CO), these rigs would ease the shortage and get more gas wells online sooner. Denver-based Golden Bear Drilling & Services Corp. is importing two rigs from China along with some personnel. Expected start date is October for the first rig.

**LNG**

FERC has approved the $600 million "Vista Del Sol" project in San Patricio County, Texas. The Exxon Mobil terminal will have a capacity of 1.1 BCF per day and is expected to be operational in 2008 or 2009. Also recently approved was the Golden Pass LNG project for terminal and related facilities to be constructed in Jefferson, Orange and Newton Counties, Texas and in Calcasieu Parish, Louisiana. The first phase of this project would import up to 1 BCF per day along the Port Arthur ship channel. The second phase would receive up to 2 BCF per day and would connect to 10 existing pipeline systems.

On the east coast, FERC also approved a new terminal and related facilities to be constructed in Fall River, Massachusetts by affiliates of Hess LNG. This facility would potentially import and store up to 800 million cubic feet of gas per day for customers in the northeast. After FERC approval, Representative Jim McGovern (D-MA) disclosed that he had slipped language into the Transportation Bill that passed Congress prohibiting the demolition of the old Brightman Street Bridge connecting Fall River and Somerset. The law requires the bridge be preserved as a pedestrian path, bicycle route and access point for emergency vehicles. The bridge was planned to be demolished so that LNG tankers could travel along the waterway.

FERC approved the Ingleside LNG Terminal and Energy Center near Corpus Christi Bay, Texas. The project would provide capacity to import, store, and vaporize 1 BCF of LNG per day. The plan will use waste heat from Occidental Chemical’s existing facility to vaporize the LNG, reducing potential air pollution.

Currently, there are 40 LNG terminals that are either before FERC or being discussed by the LNG industry. Of these 40, industry analysts predict that only 12 will ever be built. Global LNG output is expected to reach 12.5 TCF in 2010, an 89% increase from current levels, according to consulting firm PIRA Energy. The increase will be from LNG plants currently under construction and does not account for projects currently in the planning phase. Imported LNG accounted for 3% of U.S. gas consumption in 2004 but is expected to increase to 10% by 2010, according to federal projections. In April, 15 of the world’s largest gas exporters met in Trinidad to discuss steps toward creating an energy cartel to pursue "fair" pricing. Their primary concern is oversupply.

Qatar, soon to be the world’s largest LNG exporter has deferred new projects until it’s sure gas shipments don’t depress markets. Exporting countries also worry about being locked out of the best markets. Russian gas giant OAO Gazprom is expected to develop the enormous Shtokman field in the Barents Sea this year. Iran, which has the second largest reserves of natural gas after Russia, is moving ahead with LNG plans.

**MERGERS, ACQUISITIONS & POLITICS**

The Energy Policy Act of 2005 has been passed by Congress and signed by President Bush. Important provisions in the bill include:

- **Hydraulic Fracturing** is excluded from the underground injection provisions of the Safe Drinking Water Act.

(Continued)
Stormwater Construction Permitting provisions of the Clean Water Act only apply to oil and natural gas facilities if contaminated water is discharged. This will exempt normal drilling operations from permit requirements.

BLM Permit Fees, a new fee for processing permits, cannot be charged for 10 years.

Amortization of Geological and Geophysical Expenditures is now on a 24-month schedule.

Natural gas gathering lines will be treated as 7-year property with AMT relief.

Inventory of the Outer Continental Shelf Resource Base will increase national awareness of our domestic energy potential.

A bidding war between Chevron and China National Offshore Oil Corp. (Cnooc) to purchase UNOCAL caused a political storm in Washington. Chevron eventually closed the acquisition for $18.3 billion. Cnooc is owned 70% by the Chinese government, much to the consternation of U.S. politicians. By a 398-15 vote, Congress passed a resolution stating that letting a Chinese company buy UNOCAL would "threaten to impair the national security of the United States." A WSJ/NBC News poll shows 73% of Americans dislike the Cnooc deal. The public's opinion was probably fueled by high gas prices and the Iraq war. The Bush administration took a noncommittal stance until a final UNOCAL-Cnooc agreement is reached, which would trigger a government review. Cnooc offered to increase their offer to $19 billion if UNOCAL would lobby Congress. UNOCAL's board refused. If I were a UNOCAL stock holder, I would find it difficult to justify taking a $700 million clip in my stock value so that another U.S. company, Chevron, can hold title to UNOCAL's reserves that are primarily located overseas.

Senator Byron Dorgan (D-ND) has introduced the "Windfall Profits Rebate Act of 2005" that would place a 50% excise tax on oil company windfall profits, defined as that portion of price over $40 per barrel. Co-sponsors are Senators Christopher Dodd (D-CT) and Barbara Boxer (D-CA). The tax would be reduced dollar for dollar by investments in new domestic oil exploration, refining capacity or renewable energy sources. According to Dorgan, "The oil companies are reaping $7 billion a month in windfall profits . . . At the same time, there is no corresponding increase in expenses for them. Just massive windfall profits." Obviously, Senator Dorgan has not paid any drilling expenses lately.

To combat high prices, Hawaii recently put a cap on gasoline prices. It seems to me that would create a shortage, as suppliers sell to the best market, unless they were going on vacation to those islands.

Overall, Americans, including some relatively high profile conservatives (Bill O'Reilly) claim an entitlement to cheap energy. The recent high prices are perceived as gouging by oil companies, often in some sort of conspiracy. Discussing the supply and demand issues outlined above has no impact on these citizens. They don't trust the data and suspect collusion on the part of "Big Oil."

Highlights of Recent Reports and Notes Relating to the Environment

Texas Land Use and Environmental Regulation: Citizens of Texas may soon be entitled to compensation when local governments enforce environmental land use restrictions that substantially devalue their property. Bipartisan support for legislation to protect property rights from excessive land use regulation is strong. This new bill would not interfere with cities' ability to protect water quality, but is instead intended to force local governments to show that the application of regulations are fairly applied and that citizens are compensated for loss of land value.

Nuclear Energy: The worldwide increase in demand for electric power has stimulated renewed interest in nuclear power. While it has been 26 years since an accident at Pennsylvania's Three Mile Island nuclear power plant brought the construction of new reactors in the U.S. to a standstill, nuclear power has not been dormant. The nation's 103 operating nuclear reactors generate 20 percent of the electricity used in the U.S. By comparison 70% of France's, and 55% of Belgium's electricity is nuclear power generated. Many new plants are planned, the majority of these at present in the Asian countries.

New and improving technology is helping too. Unlike the older complex "heavy water" reactors, light water reactors use enriched uranium and ordinary water, and cannot produce weapons grade plutonium. These still must be located near abundant water supplies. New PBMR or pebble bed modular reactors will use helium instead of water to cool the fuel, and use thousands of ceramic-coated uranium pebbles encased in graphite spheres, instead of fuel rods, making a meltdown virtually impossible, and thus vastly diminishing the costs of preventive containment. Costs of plant fabrication have been greatly reduced, and with the volatile cost of fossil fuels, a resurgence of interest in nuclear energy is taking place here and abroad. Nuclear power plants emit no CO2. By comparison, for every megawatt hour of energy produced, coal-fired power plants produce 2,249 pounds of CO2, oil-fired plants produce 1,672 pounds, and gas-fired plants produce 1,135 pounds.

The EPA and Stormwater Permits for the Oil & Gas Industry: The controversy concerning this issue and its effect on the oil and gas industry continues, with the EPA still intending to propose a rule by September 12. Public meetings were held in May in Dallas. The intent of the public meetings was to allow those parties interested to participate in an open discussion of the technical issues of controlling stormwater discharge from oil and gas construction activities. EPA is considering three options. The first would be to leave the permitting process in place for...
activities disturbing five acres or more. Second would be
to create a new waiver for activities with a duration of less
than 30 days dependent on the proximity to navigable
water and other considerations such as terrain. Option
three would require no permit if the operator implement-
ed and maintained procedures to control stormwater
runoff.
IPAA presented comments for itself and on behalf of
many members groups and organizations representing
thousands of independent oil and natural gas explorers
and producers. Their main contention was that because of
the oil and gas exemption of the Clean Water Act, the EPA
cannot require permits for oil and gas construction,
regardless of size, unless the discharge from the site is con-
taminated. IPAA also contends that the potential conse-
quences of applying a permitting regime raises serious
issues regarding lost domestic oil and natural gas produc-
tion without attendant environmental benefits. They fur-
ther argued that the industry has adequately maintained
and managed its construction activities to limit stormwater
runoff. Only time will tell how this issue is resolved.

Wind Farms in Kansas: Kansas continues to deal with
the proposal for very large wind farms. Even with gener-
ous subsidies and tax breaks, wind power will remain
more expensive to produce than conventional power
sources according to recent studies. It will also be less
dependable and consumers will still have to pay for con-
ventional power from coal, oil, or gas-powered generation
needed to protect against blackouts when the wind doesn't
blow, usually at peak use times on humid summer days,
when demand is highest. Couple this with the problem of
innumerable bird and bat deaths, costly transmission lines,
and the large footprint of the farms themselves, and wind
power faces an uphill battle.

Katrina's Environmental Impact: Independent experts
have said the New Orleans floodwater, may cause envi-
ronmental damage as it flows from the city to Lake
Pontchartrain and the Mississippi River. More than 500
Louisiana sewage plants were damaged or destroyed,
including 25 major ones. Also, there were at least 170
sources of leaking hydrocarbons and natural gas, besides
leaking submerged automobile fuel tanks. Medical waste,
decaying food and animals, chemicals, radioactive waste,
and numerous other contaminants pose potential long-
term health risks.
Katrina damaged large areas of wildlife habitat, but it is
too soon to assess the long-term impact. Twenty years for
recovery was the figure most used by Louisiana conserva-
tion officials. One thing about nature, it is resilient, and it
will recover. Large stands of commercial timber were laid
flat or damaged severely. Apparently the barrier islands
are almost completely gone. These sandy bars protect the
coast from storm surges. Waves hit the barrier islands first
and lose energy before they hit the coast. In places, Katrina
wiped them out. Vast expanses of disappearing wetlands
and coastal marshes were inundated and flooded by salt-
water. The impact to Louisiana's burgeoning sports and
commercial fishing, shrimpng, and hunting industries is
enormous.
Scientists harvested fish off the Mississippi coast as part
of the latest effort to assess environmental damage inflicted
by Hurricane Katrina's monstrous storm surge and toxic
floodwaters. Researchers hope to determine whether the
hurricane caused any contamination from chemical spills,
sewer overflows or other poisons that washed into the
Gulf of Mexico. Fortunately dilution may be the best solu-
tion.
Contaminants will permeate the ground and the build-
ings that have been soaking in the floodwater. After the
water is pumped out, the sewage nutrients that have
seeped into building materials will support the growth of
mold. In excess of 160,000 homes may be destroyed.
Katrina had barely passed when Rita tore into southeast
Texas and southwestern Louisiana. Two category five
storms in one month have caused immeasurable property,
human, financial, environmental, and social stresses upon
our nation. New Orleans will rise again, and nature will
eventually heal itself, though things will never be the same
again for this region.

State Legislative News

Texas: The Texas Railroad Commission regulates the
Texas oil and gas industry (exploration and production),
gas utilities, pipeline and rail safety, safety in the liquefied
petroleum gas industry, and the surface mining of coal and
uranium. The RRC does not have authority to regulate
(Continued)
gasoline prices. Texas is the nation’s largest producer of petroleum and natural gas, as well as the number one consumer of these commodities, so conservation measures practiced collectively by Texans should have a positive impact.

In the House Committee on Energy Resources during the state’s 79th Legislature, sixty-five bills were referred to committee, and twenty-nine bills are in committee.

- **HB 753 (Left pending in committee)** Relating to notice to surface owners of oil and gas exploration and production operations. (30 days notice)

- **HB 2439 (Left pending in committee)** Relating to the enforcement of the laws governing plugging of abandoned oil and gas wells and preventing, controlling, or cleaning up oil and gas wastes or other substances or materials regulated by RRC.

**Oklahoma:** State Senator Daisy Lawler supports a three-month suspension of the state tax on gasoline and diesel fuel to help provide emergency relief for Oklahomans struggling to afford to put gas in their cars. She also supported a measure that provides incentives for emergency exploration companies to drill new deep wells in search of new sources of natural gas.

Senate President Pro Tempore Mike Morgan applauded the efforts of Georgia Governor Sonny Perdue to relieve some of the financial burden being experienced by residents of his state by suspending the tax on gasoline there through September. The Senate Leader said his office is already working on a bill to be forwarded to Governor Henry, Speaker Hiott and other legislative leaders. Senate Republicans are supportive of finding ways to help reduce the burden caused by rising gasoline prices and temporarily eliminating the state gasoline tax sounds like a good idea.

**Colorado:** "Surface Owner Protection Bill" - A small minority of landowners, allied with environmental groups that oppose oil and gas development, have provided the impetus to **HB 05-1219**, which requires surface use compensation agreements before oil and gas leases can exercise their mineral development property right. Oil and gas lease contracts are recorded property interests and are disclosed to land purchasers in their title documents. Requiring lessees to pay again to exercise a property right they already own violates constitutional guarantees protecting property and contracts.

This bill is an overreaction to the complaints of relatively small number of surface owners who have existing remedies they have failed to utilize. It abrogates contracts and impairs vested property rights, devaluing Colorado mineral estates. By adding delay and expense to oil and gas development, fewer wells will be drilled and the cost of energy will increase, hurting the economy and Colorado consumers.

**Kansas:** "Financial Assurance for Kansas Oil & Gas Operators" - effective with the July 1, 2005 legislative session, this bill increased the financial assurance requirements for oil and gas operators in Kansas.

- For operators that have an acceptable compliance record over the last three years, the fee increased from $50 to $100.

- For all other operators, the Blanket Bond or Letter of Credit amounts are now as follows:
  - Wells less than 2,000 feet
    - 1-5 wells $7,500
    - 6-25 wells $15,000
    - over 25 wells $30,000
  - Wells 2,000 feet or more in depth
    - 1-5 wells $15,000
    - 6-25 wells $30,000
    - over 25 wells $45,000

If you choose to pay the non-refundable fee in place of the bond amount, that fee increased from 3% of the bond required to 6% of the bond required.

**New Mexico:** **HB 1015** - Surface Owners’ Protection Act. The bill would require oil and gas operators to notify a surface land owner 45 days before starting an oil and gas operation on the land. Under the bill, the operator also would be required to make a written offer of compensation to a surface owner for any land damage. If the offer was not accepted, the land owner and oil and gas operator could enter into negotiations that would address placement of roads, locations of pits, water usage and drainage, erosion, and weed control, among other items. Despite opposition from Republicans, the bill was approved in the House by 43-23 vote. It has since moved to the Senate Judiciary Committee. Without both Senate and House approval, the bill will die.

**Wyoming:** **SF 73** was passed raising the penalties for violating the Wyoming Oil and Gas Commission rules from $500 to $5,000 per violation per day for violating rules and regulations, and from $1,000 to $10,000 per violation per day for knowingly or willfully violating rules and regulations. These penalties had not been raised since 1951.

**SF 60** was passed and confirms the right of the oil and gas operators to enter the land on split estates and conduct necessary activities for oil and gas removal, and establishes certain requirements the operator must meet to accommodate and compensate the surface owner.

The requirements apply to all surfaces lands over split estate minerals, including the federal government. It requires the operator to give surface owner a five-day notice before entering to conduct non-surface disturbing activities and written notice of no less than 30 nor more than 180 days to conduct surface disturbing activities.

The bill also requires an operator to provide the surface owner a plan of work and operations prior to entry that would “sufficiently disclose the plan of work and operations to enable the surface owner to evaluate the effect of oil and gas operations on the surface owners’ use of the land.” If the operator makes any proposed change substantially and materially different to this initial plan before
(Continued)
he begins work, he must provide written notice and offer to negotiate in good faith on those changes. The operator must attempt good faith negotiations to reach a surface use agreement “for the protection of the surface resources, reclamation activities, timely completion of reclamation of the disturbed activities, timely completion of reclamation and payment for damages.”

The operator is required to pay the surface owner money or other mutually agreed upon compensation equal to the amount of damages sustained by the surface owner for loss of production and income, loss of land value and loss of value of improvements caused by oil and gas development.

The OGCC cannot approve a permit to drill for the operator until the operator provides a surface use agreement or the surface owner's waiver of rights or a good and sufficient surety bond or other guaranty for the use and benefit of the surface owner to secure payment of damages.

There are many more requirements; the above are only a sample of some of them. Please refer to bill for a complete list.

California: Expanded efforts to drill for oil and natural gas off the California coast and elsewhere in the U.S. will be among the direct impacts of the growing demands for oil and natural gas as their supplies diminish. Senator Barbara Boxer (D-CA) and Rep. Lynn Woolsey (D-CA) have consequently drafted legislation to enlarge the boundaries of two national marine sanctuaries in Sonoma County, Northern California to prevent such drilling and its environment degradation.

"The Sonoma Coast is one of the world's most biologically diverse marine environments," Sen. Boxer said at a news conference on July 5 in San Francisco. "Our state is very clear. We don't want any more drilling." The new legislation, not yet in committees, would increase the jurisdiction of the Gulf of the Farallones and Cordell Bank National Marine Sanctuaries to include all of the Sonoma Coast.


WELCOME NEW MEMBERS
The following new members were approved by the SIPES Membership Committee from April 27 to September 12, 2005:

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Michael Austin has been independent since 1984 and is president of M&M Exploration, Inc. in Broomfield, Colorado. Current projects involve the application of 3D seismic to plays in the Mid-Continent and Gulf Coast. Mike is the SIPES National Director for the Denver Chapter.

Michael Pollok received his B.S. in geology from the University of Oklahoma in 1986. He has worked as a non-consulting independent petroleum geologist since 1987. Mike explores for oil and gas in the Northern Shelf of the Anadarko Basin; Southern and Southwest Kansas and Northern and Northwest Oklahoma. Mike is this year’s SIPES Convention Chairman, a member of the National Board of Directors, SIPES Foundation President, and currently serves as chairman of the SIPES Oklahoma City Chapter.

Raymond N. Blackhall, #2273
“Persistence and Patience Usually Have Their Rewards: A Prospect Story”

Nine years ago a prospect concept was formed in Galveston County, Texas from detailed mapping of available subsurface data. Similar exploration work in the trend had turned up some good leads, resulted in a couple of assembled prospects, and the drill bit had proven their worth. Detective work began to find more information needed to run this particular idea into another solid prospect, and a quick land review showed little signs of trouble. From that point on nothing was simple or went as planned. Complexities of title made the land situation change several times, difficulty on obtaining additional support data continued, and the prospect had to be backburnered on numerous occasions as just not tenable. There were so many twists and turns that, on several occasions, the author nearly threw in the proverbial towel, but a good idea is worth the effort, and this story may bear that out.

Raymond Blackhall has a B.S. in geology from Syracuse University and an M.S. in geology from Miami University. He is currently the president of Cosara Energy Company, located in Houston, an independent oil and gas exploration company concentrating in Texas and Louisiana. His career experience includes working for Texaco, Inc. in exploration and production and with Santa Fe Energy as a prospect generator and screener. He became an independent in 1979 and co-founded Subsurface Resources, Inc. He sold SRI in 1991 to start Cosara Energy Company.

Donald A. Bloustine
“Feeding the Chickens What They Want to Eat”

Unconventional reservoir exploration is what the chickens want to eat. With today’s oil and gas prices there is a voracious appetite for anything resembling a Barnett Shale play. Oklahoma and Arkansas, to name two, have shale plays developing - the Mississippian Caney Shale in Oklahoma, and the Fayetteville Shale in Arkansas. Both resemble the Barnett Shale of North Texas. One of Oklahoma’s largest acreage blocks has currently been leased in McIntosh County, and is now being developed for the Caney Shale. This presentation will highlight the lease acquisition, deal terms, horizontal drilling, completion techniques, and oil and gas marketing, with only the success of the venture yet to be determined.

Donald Bloustine graduated in 1969 with a bachelor of science degree in geology from Upsala University, located in New Jersey. He began his career as a geologist for Kirkpatrick Oil Company in Oklahoma City, and worked for John A. Taylor for eleven years. During that period he formed DAB Limited. In 1980 he became an independent, and is currently running an oil and gas exploration company in Oklahoma City.

David J. Chernicky
“Dewatering the Hunton Limestone in Central Oklahoma”

West Carney field in Lincoln County, Oklahoma, produces from a large stratigraphic trap in the Hunton Limestone. The Hunton contains oil and gas trapped in primary porosity, but a high hydrostatic pressure locks those hydrocarbons in place. The Hunton’s secondary porosity system of vugs and fractures easily transports water from distal areas of the reservoir, drowning out conventional completion attempts. The field remained undeveloped until operators tried high water volume completion, production, and withdrawal techniques similar to, but much larger in scale, than those used in coalbed methane.

Operators perforate and fracture the entire Hunton zone (now they drill horizontal wells and treat them with acid) before installing submersible pumps. Aggressive water production reduces reservoir pressure, which triggers gas expansion in the primary porosity. Hydrocarbons formerly trapped in place by poor reservoir quality and high hydrostatic pressure migrate to the wellbore in increasing amounts as pressure continues to decline. Maximum oil production occurs when the reservoir reaches approximately 50% of its original static bottomhole pressure. Oil

(Continued)
production peaks first, followed by a peak in gas production. As water production continues to decline, operators convert wells from submersible to beam pumps. The reservoir behaves like a traditional depletion drive during the final phase of production.

David Chernicky has over twenty-six years of exploration and production experience in the oil and gas industry. After receiving a B.S. in exploration geophysics from the University of Oklahoma in 1978, he worked with Marathon Oil Company in Casper, Wyoming, and later with Amoco Production Company in Denver. He returned to his native Oklahoma in 1981 as a consulting geologist for several companies. In 1983, he formed Chernico Exploration; New Dominion, L.L.C. was formed in 1998, and Mr. Chernicky assumed sole ownership in 2002. The corporate office is in Tulsa, Oklahoma. Mr. Chernicky and his alliance partner, Altex Resources, applied the dewatering technique to the Hunton Lime beginning in the Carney Field in 1995. These three fields demonstrated the feasibility and positive economics of Chernicky’s de-watering technique. Mr. Chernicky is a member AAPG, SEG, and is also chairman of the board for the Grand River Dam Authority, a position to which he was appointed by the governor of Oklahoma.

John (Bo) Jay Darrah, Jr.
“The North Slope of Alaska: More than ever a Great Basin for Exploration and Exploitation”

The North Slope of Alaska has demonstrated that it is a prolific petroleum system – several giant fields (>100 MMBO) are on production, including the super giant Prudhoe Bay and Kuparuk Fields. The hydrocarbon system was set up by the early Cretaceous Rifting that 1) created the structural setting, 2) caused the deposition of new potential reservoirs, and 3) added prolific source rocks. As in most basins, the early exploration successes were more often accidents; the pay zones were NOT the target horizons. The ‘North Slope renaissance’ of the 1990s, during which almost a billion barrels of oil reserves were discovered, mostly by ARCO, was similar: much, though not all, of the success was ‘accidental;’ more important, this success was achieved by a company that had failed to achieve lofty reserve replacement goals and that believed it was playing out a ‘failure leg.’ This experience reveals something fundamental about the way exploration companies use and misuse potential reserve distributions. The potential to continue the North Slope exploration success of the 1990s remains strong.

John (Bo) Jay Darrah, Jr. graduated from the University of Kansas School of Business in 1970. Bo has worked continuously as an independent since 1972 as sole proprietor of his own E&P company. He operates wells in Kansas and Wyoming. In the early 1970s he was the founding partner of Pintail Petroleum Ltd., currently operating over 250 properties in Kansas, North Dakota, and Colorado, and in 1978 he founded Mallard Drilling Company, a rotary drilling service provider that today operates in western Kansas. In 1999, he formed Alaska Venture Capital Group (AVCG LLC) and bought Fred James' (SIPES #1111) leasehold position on the North Slope of Alaska. Since that time, as manager of his Alaska LLC, he has grown that position to over 170,000 acres. Approximately 1/3 of this acreage has been processed by 3D seismic, and contains four prospects of 50 to 150 million barrels each.

Arlen L. Edgar, #620
“From Dirt to Dollars, An Australian Earth Science Saga”

This presentation chronicles the evolution of a mineral exploration effort which took a surprising turn. The project, conducted by a small company based in Midland, Texas, began with a geological search in Australia’s Northern Territory, and ended 800 miles away in the Cape York Peninsula of Queensland. Based on a tip from an Australian stockman, exploration efforts were focused on a large area of laterite with significant bauxite content. Several large companies had done reconnaissance work in the area but dropped their Authorities to Prospect. The Queensland government requires that maps, sample results and other data be filed of public record. Examination of this information, coupled with some preliminary wide-spaced hand drilled holes and sample assays, revealed that previous efforts were not properly planned and executed. Taking this into account, and incorporating fundamental geological concepts of deposition and weathering, led to an intensified hand-auger drilling and geochemical testing effort. The end result was definition of a bauxite deposit of several hundred million tons. Subsequently, interests in the project were sold to several international corporations for considerable cash and a retained overriding royalty interest.

Arlen Edgar received a B.S. in petroleum engineering from the University of Texas. He worked for Pan American Petroleum Corporation for four years, and then for Leibrock, Landreth, Campbell & Callaway for the next six years. In 1967, he left for Tipperary Corporation and
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James P. Walker — Oklahoma City, OK
John V. Walker — Dallas, TX
* Donald C. Wambaugh — Midland, TX
Robert L. Williams, Jr. — Wichita, KS
W. David Willing — Houston, TX
Larry R. Wollschläger — Oklahoma City, OK
James M. Zoltekwicz — Metairie, LA

**Scout – $50**
John T. Abney — Tulsa, OK
Joseph H. Ambrister — Allen, TX
G. Pat Bolden — Midland, TX
Foy W. Boyd, Jr. — Midland, TX
Herbert L. Brewer — Dallas, TX
Frank K. Cahoon — Midland, TX
Bruce W. Fields — Corpus Christi, TX
Monty J. Gist — Midland, TX
Eduardo Gonzales — Carrollton, TX
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. Mckaskell, Jr. — Norman, OK
Eric L. Michaelson — Midland, TX
Louis H. Michaelson — 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 Rush — Houston, TX
John M. Sharp, Jr. — Austin, TX
Roy G. Sharrock — Dallas, TX
J. Keith Somerville — Midland, TX
M. R. Stipp — Midland, TX
John J. Taylor — Odessa, TX
Michael W. Taylor — Highland Village, TX
Richard W. Thompson, Jr. — Plano, TX
William D. Trumbly — Norman, OK
Joe H. Warren — Dallas, TX

* Deceased

2005-2006 SIPES CORNERSTONE GROUP

M. Ralph Holloway — Dallas, TX
W. Ralph Holloway — Dallas, TX
John A. Hord — Midland, TX
Richard J. Jones — Lafayette, LA
Thomas C. Klekamp — Mandeville, LA
Robert W. Laker — 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 B. Picou, Jr. — New Orleans, LA
John W. Rainey III — Lafayette, LA
Larry J. Rainden — Bellaire, 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. Spitzer — Carrollton, TX
Randy von Netzer — Oklahoma City, OK
H. Vaughan Watkins, Jr. — Madison, MS
John C. Worley — Bozeman, MT

NP: 14
remained there until 1971, when he went to work for Western States Producing Company. He has been an independent since 1973. He has published numerous publications, is a member of several professional and honorary societies, and has held many offices in SIPES.

**Robert M. Gallagher, President, New Mexico Oil and Gas Association — Opening Remarks**

Robert Gallagher was selected as New Mexico Oil and Gas Association (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.

Prior to joining NMOGA, Mr. Gallagher was appointed by President Clinton in 1998 to serve as a principal advisor for oil and gas to U.S. Secretary of Energy Bill Richardson. During his tenure at DOE, Mr. Gallagher served as Secretary Richardson’s and the department’s primary point of contact for the domestic oil and gas industry and traveled extensively throughout the United States and abroad. Mr. Gallagher has emerged as a leader on the national level for the oil and gas industry, delivering over fifty speeches annually, providing congressional testimony, and working closely with, and providing input to the Bush Administration’s Task Force concerning the development of a national energy policy.

Mr. Gallagher was a principal with Energy Management Group, Inc. of Midland, Texas. He was previously executive vice president at X-Pert Enterprises, Inc., of Hobbs, New Mexico, which at that time, was the largest independently owned oil and gas well servicing company in the Permian Basin. Mr. Gallagher served as city manager for the City of Hobbs, New Mexico from 1986 to 1994.

He is a graduate of New Mexico State University with a bachelor’s degree in criminal justice, and holds a degree with honors from New Mexico Military Institute. He was appointed in January 2003 by Governor Richardson to a six-year term on the NMSU Board of Regents; he was elected president of the board in March 2004. He also serves as president of the Educate New Mexico Board of Directors, and is a board member of the Rio Rancho Economic Development Corporation, and the College of the Southwest Foundation.

**Emily Hundley-Goff & William T. Goff III, #2068**

**“Low Resistivity-Low Contrast-Low BTU-High Return Permian Red Cave Reservoirs of Southeastern Colorado”**

Production was established from the Lower Permian Red Cave sandstone (stratigraphic equivalent to the Tubb Formation of the Texas Panhandle Field) in the tri-state area of Colorado, Oklahoma and Kansas with the discovery of low BTU gas at Interstate Field, Morton County, Kansas in 1965. However, not until the discovery of Spelunker Field, Baca County, Colorado in 1995 caused the building of the associated infrastructure for transporting and processing this low BTU-high helium gas, did this shallow reservoir become an exploration objective. Spelunker wells have initial potentials of 300-980 mcfg/d, projected gross reserves of 0.5-1.0 BCF per 320 acres at 1700', and average gas analysis of 425 BTU, 59.0% nitrogen and 1.6% helium. Spelunker Field is just one excellent example of a niche play that small independents can develop into a very rewarding economic venture with little competition. It is our intention to illustrate how several small independents banded together to turn this “one time Frog into a Prince.”

**Emily Hundley-Goff** received her B.S. in geology from Furman University in 1975 and her M.S. in geology from the University of North Carolina in 1977. She went to work for Exxon doing development geology in offshore Louisiana. In 1981, she moved to Denver with Texas Oil and Gas, working primarily in the Morrow trend of Southeast Colorado, and the Uintah and Piceance Basins of Utah and Colorado. After TXO was bought by Marathon in 1991, she worked with Marathon in Houston as the Rocky Mountain District Supervisor before moving to the Marathon research lab in Littleton. At the lab, she was involved in projects in South America, China, the North Sea and the Gulf Coast. In 1994, she went to work for GeoGraphix in Denver. Since leaving GeoGraphix, she has been involved in numerous consulting projects involving borehole image analysis and computer mapping. In 2000, she joined her husband, Bill, at Cholla Production, LLC in Denver, where they put together prospects and operate properties in Colorado, Kansas, and Oklahoma.

**Bill Goff** received a B.S. in geology from State University of New York - Cortland, and an M.S. in geology from the University of North Carolina - Chapel Hill. His work experience includes the University of North Carolina, Shell Oil Company, Petro-Lewis Corporation, and Wichita Industries, Inc. Bill is a past president of SIPES.

**William E. Knebusch, #3050**

**“The Independent Geoscientist in Today’s Environment”**

The independent geoscientist in today’s environment is a mixture of older, tried true practices passed on from those who preceded us and a careful, toe first, approach to the world of computer technology. The “Art of the Deal” in the hands of the geoscientist is greatly enhanced by the tools made available in today’s market. Once hindered by cost is today more affordable than at any time in the past. Mr. Knebusch will review:

(Continued)
William Knebusch is a petroleum geologist with twenty-four years of experience in both domestic and international exploration and operations. His primary responsibility is prospect generation with emphasis on stratigraphic and structural analysis, geological analysis, 2D and 3D seismic interpretation, subsurface interpretation using state of the art computer mapping techniques.

He graduated from Sul Ross State University with a B.S. in geology. After three years of graduate studies in geology, he worked at Maxus Energy Corporation in the North America Mid-Continent Division from 1980-88. He then worked for the international division until 1994 where he developed the play concept in the northwestern Chaco Basin, Bolivia that resulted in the discovery of a major oil accumulation in the Chapare District. In 1994, Mr. Knebusch went to work for Rio Petroleum, Inc. until 1999 where his job responsibilities included developing and drilling prospects in Hardeman, Texas; Anadarko, Dalhart and Northern Palo Duro Basins. From 1999 to 2002 he evaluated oil and gas leases for Mewbourne Oil Company. Mr. Knebusch is currently the owner of Calvary Consulting, LLC and provides evaluation of oil and gas leases and prospect generation in the western Anadarko Basin.

Scott Laurent, #1175
“Profitable Residuals from a Dormant Giant (Lapeyrouse Field)”

Lapeyrouse Field was discovered in 1940. The field is located in southeastern Louisiana and has produced over 600 BCF and 20 million barrels of condensate. Essentially all of the wells had been P&A before 1965. Our detailed mapping revealed some remaining areas that might contain gas and oil reserves. In 1995, we sold the idea to a company who agreed to acquire leases/options and have the entire field covered by a 27 square mile 3D survey. Our compensation included a finders fee, an override and a working interest that was carried through the acquisition of leases, 3D, and our possession and interpretation of the seismic. Since we had no intention of paying our working interest share of deep, directional, high pressured wells requiring barge rigs, we subsequently sold our working interest for cash and retained our override. Several producing wells have been drilled and additional development is planned.

Scott Laurent received a B.S. in geology from Washington & Lee University and an M.S. in geology from the University of Colorado. His experience includes working for Louisveille Gas Company, Chevron, Union Texas Petroleum, Hilliard Oil & Gas and Centura, Inc. Scott provides consulting for clients who purchase drilling prospects in the Gulf Coast region of Louisiana and Texas. He reviews the geology, seismic and economics of third party submittals for Tertiary objectives.

Woodruff G. Leel, Jr., #2980
“Hot Potato, Hot Potato . . .”

Thirty-three years have passed since Triton Energy’s entrance into the Gulf of Thailand in 1972. In 1971, under a Production Sharing Contract with the Malaysian government, ESSO drilled the Pilong-1 and found natural gas. In 1972, under a contract with the government of Thailand, Triton Energy shot seismic and drilled a well in the same area. Over the next 20 years this “Hot Potato” saw a Memorandum of Understanding (MOU) saw a Memorandum of Understanding (MOU) between Thailand, Malaysia and Triton approved, a Joint Development Area (JDA) established to define the disputed area, a Malaysian-Thailand Joint Authority (MTJA) formed to manage the area, a Production Sharing Contract (PSC) for hydrocarbon exploration and development approved, a Joint Operating Agreement (JOA) approved and the Carigali-Triton Operating Company (CTOC) established in Kuala Lumpur, Malaysia to handle the operations in the JDA.

In 1994 and 1995 CTOC drilled 16 wells and discovered eight new fields with reserves of just under 10 TCFG. The Cakerwala Field, the first field discovered and includes the original ESSO Pilong-1 well, will go on production in early 2005 at 200 MMCFGD and ramp up to 390 MMCFGd in 2006. Phase 2 natural gas sales will commence in 2008 delivering an additional 400 MMCFGD.

Woodruff “Woody” Leel earned his B.S. in geology at Kansas State University. Prior to joining Triton Energy Ltd. in 1988, he worked for Getty Oil Company and several small independent oil companies exploring and developing oil and gas prospects in the domestic onshore USA. While at Triton, he was exploration manager for all international exploration, and was involved in South America, Southeast Asia and New Zealand. After Triton discovered the Ceiba Field in Equatorial Guinea, West Africa, he was involved in the development geologic operations of that field and other nearby discoveries. Since 2003, Mr. Leel has been a consulting geologist, and currently serves on the SIPES Board of Directors.
Michael E. Lucente, #2984

“North Los Torritos Field, Hidalgo County, Texas: A Study of How LMP Petroleum Successfully Explored for and Discovered a Major New Field”

LMP Petroleum, Inc. successfully explored for and discovered North Los Torritos Field; EUR 50 BCF gas equivalent. The area was mature, land problems were severe, well costs were high, and analogous fields were marginal. What a perfect place for a discovery!

Michael Lucente received his B.S. in geology from St. Thomas University, St. Paul, Minnesota, and M.S. in geology from Kansas University, Lawrence, Kansas. In 1978, as a staff geologist with Getty Oil Company in Houston, Texas, he worked both the subsurface and seismic in Webb County, Texas. This led to the discovery of El Gato Field.


In 1993, he joined with Mike Pedrotti (land) and Tom McCullough (engineering) to form LMP Petroleum, Inc., which specialized in exploration deal generation. Notable new field discoveries were Destino Deep Field, Orangedale Wilcox Field extension, North Strake Wilcox extension, Duty Yegua and Frio, Tea Jay Wilcox and North Los Torritos Fields. The cumulative production from all of these discoveries to date totals 399.7 BCF gas and 3,400,000 BO. In 2004, LMP Petroleum, Inc. took the next step in their evolution to becoming a successful independent by acquiring private equity funding with Greenhill Capital Partners, LLC and Limerock Partners. This allowed LMP to move into operations, and participate with a larger working interest in internally generated prospects. LMP Exploration Operating, LLC also makes strategic acquisitions and acquires working interest in third party prospects. Mr. Lucente continues to generate new drilling deals. LMP Exploration Operating, LLC will be drilling seven new exploration wells by the fourth quarter of 2005.

Stephen D. Reynolds

“No Good Deed Goes Unpunished - Acquisition Contracts and Development of a Field Discovery in the Barnett Shale”

This talk addresses the importance of contracts in the "Art of the Deal." It covers the range from confidentiality and non-compete agreements, letters of intent, participation and operating agreements, along with division orders. Mr. Reynolds discusses his own experiences in a Barnett Shale discovery in Johnson County, Texas and the value of good contracts in that effort. Every step of each contract can have a significant effect on the financial outcome of a project to the explorationist.

Steve Reynolds received his B.A. in geology and business administration from Western State College and has worked as an independent since 1973. Steve Reynolds has more than twenty years of experience in a variety of shale plays throughout the United States. He is currently vice president of Infinity Oil and Gas, Inc., an independent energy company in Denver, Colorado.

Ronald L. Wallace

“Elephants off West Africa”

This presentation outlines information on Vanco Energy Company’s extensive international exploration and production program. Vanco is a leading deepwater explorer in offshore Africa with 20 million acres under license in Morocco, Cote d’Ivoire, Ghana, Equatorial Guinea, Gabon, and Madagascar. Houston independent Gene Van Dyke, #2448, is chairman of Vanco. The challenges of being an independent company in this large international arena are discussed, along with a summary of Vanco’s activities during 2004 and 2005. The company’s strategy for the "hunt" will be presented, along with information on their "elephants."

Ron Wallace has been a proven oil finder for over 28 years, with significant experience in exploration, exploitation, new ventures and operations disciplines covering 49 countries. His primary areas of exploratory discovery have been in the Gulf of Mexico, Equatorial Guinea and Côte d’Ivoire. Mr. Wallace last served with Sovereign Oil & Gas Company as Vice President of Operations, responsible for international geological and geophysical and engineering activity. He has also served with Conoco, Ocean Energy and EOG Resources. Mr. Wallace joined Vanco Energy Company in 2003 as a senior geologist, responsible for identifying new opportunities and attracting potential partners for Vanco properties in West Africa. Mr. Wallace holds a bachelor of science degree in geology from Youngstown State University and an M.S. degree in geophysics from Kent State University.
Global Energy Resources

“Is Your Partner of First Choice”

For Drilling Prospects & Joint Ventures
Global Energy Resources is aggressively seeking joint venture programs, drilling prospects and re-entry opportunities in the United States and Canada, including offshore State and Federal waters. Both pressure and non-pressure environments are acceptable. We will participate in promoted programs on an operated and non-operated basis. Global Energy Resources will compensate generating geologists up to a 5% override and $100,000 cash for each drilling prospect.

For 3-D Seismic Shoot Projects
Global Energy Resources is interested in participating in ground floor or promoted 3-D shoots both onshore and offshore in State and Federal waters.

For Property Acquisitions
Global Energy Resources is actively pursuing producing property packages where upside potential can be developed through re-completion, drilling and/or a 3-D seismic program.

Global Energy Brings to a Partnership
- Financial and Operational Strength
- an experienced technical staff to evaluate and enhance your project
- an aggressive and innovative approach that maximizes your project potential and gets deals done.

AND

As a “partner” we’ll share our opportunities with you.
Global Energy Resources’ focus is on the United States and Canada, including State and Federal waters, where we have extensive technical knowledge and management skills. We have the ability to operate, participate in, or compliment your company’s exploration/exploitation plan of development.
Global Energy Resources wants alliances and partnerships that combine Global’s strengths with those of other industry leaders. We have significantly increased our capital and human resource commitment, which allows us to take advantage of the opportunities as they arise.
We’ve put together multi-disciplined teams with the right talent and experience to achieve our target of capturing opportunities, increasing production and increasing value in new creative ways.

OUR STRENGTHS
Project Management Skills – We’ll use our “can do” attitude to put together a multi-disciplined team targeted to each project.
Financial Backing – We use our extensive resources to maximize project performance.
Extensive Regional Knowledge – Our employees typically have more than 15 years of industry experience.
Technical Skills – 1.) Extensive 3-D experience. 2.) Global is a proven prospect generator. 3.) Operational experience. 4.) Land experience.
Environmental and Safety – We’re committed to protecting the environment, the health and safety of our employees and the communities in which we work.

Global Energy Resources, L.L.C.
19405 Helenberg Road, Suite 204
Covington, LA 70433
Phone: (985) 892-9522
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Contact Richard Watson (email: rwatson@globalenergyresources.org)
or Robert J. Martin (email: rmartin@globalenergyresources.org)
WICHITA

On Saturday, April 2 the Wichita Chapter held its annual “Spring Sizzle” at Wichita State University’s Eck stadium in conjunction with the WSU-Evansville baseball game. The event was held in the center field pavilion and a good turnout ensued.

On April 12, Tim Sanders, Managing Partner of Administration, Big A Drilling Company, was the featured speaker at a noon luncheon meeting.

On May 17, Steve Dillard, land manager of Pickrell Drilling Company presented an outstanding program entitled “Analyses of Gas Contracts” at a noon luncheon meeting.

On Thursday and Friday, September 15 and 16, the Wichita Chapter enjoyed hosting the SIPES Foundation Board of Directors and the SIPES National Board of Directors meeting at the Old Town Hotel in Wichita. A dinner was held at the Wichita Petroleum Club on Thursday evening and a luncheon on Friday prior to the presentation of a program entitled “Where the Buffalo Roam,” by Michael N. Austin, #2366, and Michael A. Pollock, #2512. (See Page 1).

Orvie Howell
Secretary

SAN ANTONIO

The San Antonio Chapter has had a very active year since our last report. In April, Patrick Forbis, editor and publisher of Texas Drilling Observer in Austin, gave a presentation entitled “Adventures in Policymaking: An Overview of your Oil and Gas Regulators.”

In May, San Antonio Chapter members and spouses/guests had a dinner meeting in place of the regular business luncheon. The dinner, at the San Antonio Petroleum Club, covered several bases - it substituted for our traditional Valentine’s dinner/dance, and was a long-delayed R&R for workers on the 2004 Annual Meeting.

Donna Balin
Vice Chairman

The Dallas Chapter’s luncheon featured Jim Talley of Talley and Associates speaking on tax issues relating to the oil and gas business. The SIPES 2005 Convention, 42nd annual meeting was held in Santa Fe, New Mexico from April 27-30. Several of our local members who were in attendance reported that it was a successful event. The SIPES Dallas Chapter co-sponsored the annual DGS Crawfish Broil, held on April 14 to bring together the various petroleum societies in the Dallas area for fun and socializing.

There was no regular luncheon meeting for May. Instead, the monthly meeting consisted of the annual Mexican Fiesta Night held at the Royal Oaks Country Club on the night of May 13. The business part of the meeting was followed by a Mexican buffet and margaritas.

The June luncheon featured Jack Palter and Boris Keyser speaking on Nord Services’ “Nord Formation Cutting Tool.” The topic dealt with existing but relatively untested in the USA, Russian technology of cutting vertical slots through casing and formation by jetting a sand-laden fluid to penetrate beyond formation damage.

The Dallas Chapter will be sponsoring a symposium to be held at the Ellison Miles Geological Institute of Brookhaven College in Dallas this coming October. The focus of this symposium will be tight gas plays and the use of new technologies to develop such plays. Besides the Barnett Shale, there are other rapidly developing plays for unconventional sands and other shales, particularly in the area in and around Dallas. The symposium will attempt to provide a review of these plays, such as the Travis Peak and Bossier Sands, the activity pertaining to these plays and their future.

Ed Gonzales
Secretary

Dallas Chapter members (L to R) Stew Chuber, Don and Roxana McGregor and Ann Chuber at the May dinner.

Guest speaker Jim Talley of Talley and Associates.

Membership Chairman David Stapp (left) with new member David Martineau.

San Antonio members (L to R) Stew Chuber, Don and Roxana McGregor and Ann Chuber at the May dinner.

The June luncheon, which was close to the time of the Calgary AAPG convention, did not have a program, but instead allowed members to visit while enjoying the buffet at the club. We welcome other SIPES members to join us here in San Antonio if you are in town.

Membership Chairman David Stapp (left) with new member David Martineau.
HOUSTON

The Houston Chapter's April luncheon topic was "Certification of Petroleum Reserves Evaluators: The Time is Now?" Speaker Daniel J. Tearpock, #3015, of Subsurface Consultants & Associates in Houston.

Dan reported that the time has come to explore the establishment of a certification program for both petroleum geosciences and engineering reserves evaluators. An exploratory intersociety committee has been formed by AAPG and SPEE to evaluate establishing a voluntary program for the certification of petroleum reserves evaluators. With worldwide reserves valued at over $600 trillion, it is vital that private and public oil and gas companies, as well as national oil companies and government agencies, have reliable reserves estimates. The intent of a certification program is to improve the industry reserves estimation process, and the ultimate reserves numbers. It has the potential to provide the financial community with a greater confidence in the estimates of oil and gas reserves, and the opportunity to develop better standards in both reserves estimation and disclosure.

In June, our luncheon topic was "The Role of Oil and Gas in the Future of Transportation." Speaker Christine Ehlig-Economides is internationally recognized for expertise in reservoir engineering, pressure transient analysis, integrated reservoir characterization, complex well design, and production enhancement. She holds the Albert B. Stevens Endowed Chair in the Department of Petroleum Engineering at Texas A&M University, and is currently working to introduce degree programs in energy engineering there. She was elected to the National Academy of Engineering in 2003 and has recently become director of the Center for Energy, Environment, and Transportation Innovation in the Crisman Institute.

Essentially the only fuel used for transportation is oil, and the amount of oil imported from foreign sources is currently more than 80% of the amount of oil consumed in transportation in the U.S. While the established trend of growth in jobs in the U.S. is about three million per year, over the last three decades disruptions in oil supply have interrupted this trend and account for perhaps as many as 45 million jobs that were not created. Continued dependence on geopolitically unreliable supplies of transportation energy is unacceptable.

Hybrid vehicles can reduce by a half the oil consumed per mile in cities. Lighter vehicles made from composite materials instead of steel can reduce oil consumption even more. Compressed natural gas could be an alternative to oil without significant change to the internal combustion engine. Questions about a hydrogen economy, the use of biofuels instead of oil, and electrified transportation were also mentioned.

The Houston Chapter presented the 2005 Continuing Education Symposium: "How Small Companies get Big Value from 3D Seismic - Latest Technology and Best Case Histories, Onshore US" on September 13, 2005 at the Houston Research Center of the Bureau of Economic Geology.

John Parrish
Secretary
CORPUS CHRISTI

The April meeting was held at the Corpus Christi Town Club with guest speaker Dave Pursell, principal, Pickering Energy Partners, Inc. where the topic of discussion was entitled "Energy Markets, Is It Different This Time?" Mr. Pursell gave a detailed perspective on how the energy markets are defined by global supply and demand interactions and how those interactions differ from previous relationships and their impact on the domestic energy economy. He has eighteen plus years of experience in gas supply and demand, as well as field engineering. He is currently responsible for macro energy analysis at Pickering Energy Partners, Inc.

The May meeting featured guest speaker Ed Egger, #2822, of 3D Imaging, L.P. Ed graciously accepted a last minute invitation to speak, when the scheduled speaker was unable to appear. He gave an in-depth presentation regarding his involvement with a Saudi Arabian seismic imaging project. Our hats are off to Ed for a great save!

Our June meeting welcomed guest speaker Gerald M. Walston, director general of GazTex LLC, based in Moscow. Mr. Walston has fourteen years of experience in organizing and managing oil and gas projects in Russia. Mr. Walston gave a very informative presentation entitled "Red Oil – Doing Business in the Russian Oil and Gas Industry." He compared the oil and gas industry in Russia and the U.S., focusing on the political influences, quality control issues, legal issues, licensing and compliance differences present in operations, and the undiscovered and under-explored fields in this region. He discussed, in great length, the differences in the uses of capital expenditures and operating expenditures in relation to efficiency and profit. He also talked about the mismanagement in the oil fields, as well as many instances of poor quality-control due to political pressures to meet performance goals. Corruption and political influences were inherent in the oil and gas industry before it was finally separated from politics and privatized. Russia has the world's largest gas reserves, with West Siberia having the largest potential of undiscovered fields out of 128 areas studied worldwide. Russia's production has gone from an average of 6 million BOPD in 1996-98 to currently 9 million BOPD, with still much left to discover. Unfortunately, with a lack in foreign investment, it will be much more difficult for Russia to

(Continued)
improve its already historically mismanaged production. Therefore, many barrels of oil will be left in the ground undiscovered.

The July meeting featured guest speaker Steve Roth, Vice President of Sales and Marketing of Houston-based NuTech Energy Alliance. Mr. Roth delivered a presentation authored by Allen Howard, co-founder and partner of NuTech Energy Alliance, which provides proprietary petrophysically-driven technology to the oil and gas industry. His presentation was entitled “Determining a True Textural Permeability by Modeling Key NMR Outputs Using Only Conventional Log Data.” In the ongoing research and development process to enhance formation evaluation, establishing a relationship to permeability has always been a key goal. In the early 1990s, the commercialization of nuclear magnetic resonance (NMR) logging in the oil and gas industry provided the first such link through the direct measurement of the fluid volume and the distribution of that fluid in the rock. This link to permeability set the stage for several refinements in NMR over the last decade, the results of which have dramatically shaped how the industry views bypassed pay. By utilizing conventional log data, textural or pore size changes within the reservoir can be detected and modeled. These models allow companies to take a new look at fields that have not had the benefit of such NMR measurements.

Our guest speaker in August was Commissioner Elizabeth Ames Jones of the Texas Railroad Commission. A sixth generation Texan from San Antonio, Commissioner Jones was elected three times to the Texas House of Representatives before her appointment in 2005 by Governor Perry to the Texas Railroad Commission. She currently serves as the Railroad Commission’s representative to the Coastal Coordination Council, which coordinates state, local and federal initiatives of the Texas Coastal Management Program. She has served as chairman of Budget and Oversight for the Energy Resources Committee, and served on committees such as the Appropriations Committee, Local and Consent Calendars Committee, and Select School Finance Committee. As a State Representative, Commissioner Jones’ work ethic was recognized by the Texas Association of Business, receiving the “Fighter for Free Enterprise,” the San Antonio Police Officers Association for her “Outstanding Contribution to Law Enforcement,” and the Texas District and County Attorneys, receiving the “Law and Order Award,” given for her service to the Texas criminal justice system.

The publication "Wooden Rigs - Iron Men" by Bill and Marjorie Walraven, a project of the Corpus Christi Geological Society Historical Committee was presented to Commissioner Jones by SIPES member Daniel Pedrotti, #1299. The September meeting was cancelled due to Hurricane Rita.

Ed Riddle
Secretary
FORT WORTH

At our April meeting Tom exhibited printed copies of the SIPES National Directory and the SIPES Most Active Companies List. He pointed out that the CD version of each book was available from the National Office in Dallas for a nominal fee. Membership Chair Terri Mayfield-Cowan introduced Ernie Grodi and presented him with his SIPES membership certificate.

Tom Bass then introduced the co-authors of the presentation paper, “Hydraulic Fracture Monitoring as a Tool to Improve Reservoir Management.” The speaker was Joel Le Calvez. Dr. Le Calvez received a B.S. degree in physics from the University of Nice, France. He completed a masters degree in geosciences from the University of Nice-Sophia Antipolis and a pre-doctoral degree in geodynamics. He has since completed a Ph.D. in geology at the University of Texas at Austin where he specialized in structural geology, salt tectonics and physical modeling. He has worked for Schlumberger as a geologist since 2001, where his present work focuses on microseismicity related to well stimulation programs.

The co-author of this paper was Sandy Connors. Ms. Connors graduated from the University of Calgary with a B.S. degree in geophysics in 1995. While acquiring her degree, she participated in the Foothills Research Project which focused on assisting energy companies to drill more accurately for oil and gas bearing structures in the faulted areas of the Rocky Mountain foothills. She joined Schlumberger and worked in the Geco-Prakla segment acquiring land seismic in Canada and the United States. She is currently involved in the development of hydraulic fracture monitoring in the north and west Texas areas.

During the presentation, Dr. Le Calvez pointed out that understanding the fracture geometry in the formation has become the key to improving the effectiveness of the well stimulation program. Most predictive models used for stimulated wells are based on assumptions that naturally lead to oversimplified fracture geometry. Published and unpublished microseismic fracture monitoring campaigns show that in most cases, the hydraulically induced fractures are asymmetric. The asymmetry is also observed in the vertical plane. This has major implications for reservoir management. A production team can significantly improve production by understanding the defined fracture pattern and adjusting the drilling and flood programs for maximum results."

Micro-seismic is one of the latest technologies allowing reservoir engineers and geoscientists to understand hydraulically induced fractures as well as natural fracture networks in three dimensional form. The interpretation of the fracture system with micro-seismic data uses arrays of high-vector fidelity geophones in one or more observation wells at a monitoring distance from the well being treated. These geophone recordings along a continuous time-line can be mapped to document how the hydraulically induced fracture system propagates within the pay formation. In plays such as the Barnett shale, many factors influence the fracture system geometry. Understanding this geometry can improve large-scale reservoir management and help design effective stimulation programs for greater production efficiency.

The subject of our May meeting, and the knowledge of the speakers, attracted the largest meeting attendance ever for the Fort Worth Chapter.

Vice Chairman, Joe Svoboda, introduced the speakers, David Prose, #2847, and Dan Jarvie, who were providing Barnett Shale comparisons between the Fort Worth and Delaware Basins.

David Prose has spent over ten months investigating the Barnett Shale in the south, and western portions of the Delaware Basin, working in conjunction with Dan Jarvie. Mr. (Continued)
Jarvie is an analytical organic geochemist specializing in pyrolysis, crude oil finger printing, gas composition, and carbon isotopes.

David Prose began with a brief description of the geologic features of the Barnett Shale in the Delaware Basin in Reeves and Culberson Counties. This shale is deposited over the Woodford Shale. It is 500 to 1100 feet thick from south to north, organically rich (gamma ray readings of 150 API units), with Total Oil Content averaging 4%. Drill depth ranges from 5,000 feet in the south to 12,500 feet to the north. The average porosities are 10% to 15% depending on the drill depth. Dave illustrated the Barnett Shale sub-surface with one east/west and two north/south log sections. An active lease play is ongoing with new wells drilling and completing. Dallas Production and Alpine are each completing a well and connecting to gas pipelines, Encana is drilling below 8,000 feet in eastern Culberson County, and in the west, EOG has permitted a new Barnett well.

Dan Jarvie presented his paper, "Evaluation of Hydrocarbon Generation and Storage in the Barnett Shale, Fort Worth Basin, Texas." Based on the Hydrocarbon Index, the Barnett Shale oil is Type 2 Kerogen. This is a thermogenic hydrocarbon system, similar to the Hardeman, Kerr, Permian, Marfa, Arkoma and Black Warrior Basin systems. The Michigan Basin Antrim Shale is a biogenic system. He described how to assess thermal history of a source rock. After describing the maturation based on vitrinite reflectance values, he listed the average Barnett Shale values based on well cuttings: 3.16 TOC, 2.52 S2, 449 Tmax, 23 HI, 21 NOC, and 55 BO/AF. In order to achieve a gas yield of 1.0, Dan provided the following questions: 1. What is the minimum formation thickness needed? 2. What is the necessary maturity? 3. What is the mineralogy needed to yield gas?

At our September meeting, Chairman Tom Bass opened the meeting with a brief description of the SIPES organization for the guests and new members. After the introduction of guests, he opened a short business session. A proposal to donate money to the American Red Cross and the Salvation Army for the benefit of the victims of the Katrina Hurricane was presented and seconded with the stipulation that the Fort Worth Board determine the amount. This proposal received unanimous approval from the members. After the meeting, the Board met and voted to send $250 each to the Red Cross and Salvation Army. Lee Petersen was elected as the national director representing Fort Worth.

Membership Chair Terri Mayfield-Cowan introduced new member Tim Dean and presented his certificate and stamp.

Vice Chairman Joe Svoboda introduced Galen Treadgold, vice president of Weinman GeoScience, who presented, "3D Seismic Techniques in Barnett Shale and Bossier Sand Prospecting." Galen started in the oil and gas industry with ARCO in 1985 and spent 15 years in various roles around the company. In 2000, Galen joined Weinman GeoScience in Dallas where he manages special project work for the Dallas and Houston offices.

The talk focused on case histories of interpretation techniques of 3D seismic surveys in the Barnett Shale and the Bossier Sand. Due to increasingly complex and problematic reservoir packages, new approaches to defining structure and stratigraphic geometry with 3D seismic surveys are necessary for economic success. Utilizing advanced seismic processing and new analysis techniques helps to determine where to drill and where not to drill. The Barnett Shale project highlights basic interpretation techniques, visualization, horizon attributes, seismic velocities, inversion and seismic facies techniques to target well locations. The Bossier Sand project identifies potential reservoir trends using seismic interpretation, seismic stratigraphy and seismic facies approaches. The examples shown on the Weinman GeoScience slides clearly demonstrated how these analyses clarified the reservoir objectives.

Bill Finley
Secretary

LAFAYETTE

What was I thinking, complaining about no spring? Well, we jumped right to summer. Fortunately, our beautiful spring fell on a weekend, so we got to enjoy it. But summer is another matter, especially with a record number of tropical storms for this part of the season.

Our April luncheon featured Ben Stevens, the "Louisiana Opal Man," as our guest speaker. Yes, Ethyl, there really are rocks in Louisiana, and it turns out some of them are semi-precious. We ended up learning a few things, but not the location of the digs. The parallels with the oil business of lease acquisition problems, permits and operation regulations, and general daily activities coupled with the excitement of discovery and frustration with the system was eye opening.

May was our annual skeet shoot and Bar-B-Q. Not much to add here, except a good time was had by all. We’re taking the summer off, so no official activities until September. See you next time, if I don’t melt before then.

Louis DuBois
Secretary
DENVER

The speaker for Denver Chapter’s May luncheon was Michael S. Johnson, #228, an independent consulting geologist from Denver, Colorado. The title of his presentation was “Elm Coulee Field and the ‘New’ Bakken Play of the Williston Basin.”

Elm Coulee Field in Richland County, Montana is a major oil and gas field being developed in the Rocky Mountain Region (150 MMBO+). The reservoir is the middle member of the Bakken Formation which is not a significant reservoir anywhere else in the Rocky Mountain Region. The geology of the Bakken and data about Elm Coulee was discussed by Mr. Johnson as well as a unique fracturing concept that applies. Mr. Johnson pointed out that similar geologic settings may exist elsewhere in the Williston Basin and gave some very specific examples which were of great value to the audience. The Bakken could become a major stratigraphic-type reservoir similar to other Lower Mississippian-Devonian shale reservoirs in the U.S.

Our June speaker was Steve Reynolds, vice president of Infinity Oil & Gas in Denver, Colorado. The title of Mr. Reynolds’ presentation is “Contracts for Geologists - or - No Good Deed Goes Unpunished.”

Mr. Reynolds discussed his own experiences in a Barnett Shale discovery in Johnson County, Texas and the value of good contracts in that effort. Every step of each contract can have a significant effect on the financial outcome of a project to the explorationist.

May guest speaker Mike Johnson, an independent geologist in Denver, gives his presentation on the emerging Bakken play in the Williston Basin.

The Denver Chapter replaced its July and August luncheon meetings with its annual picnic, held this year on August 11 at Addenbrooke Park in Lakewood, Colorado.

The luncheon meeting schedule resumed in September and the guest speaker was Mike Austin, #2366, owner of M&M Oil Company of Broomfield, Colorado. The title of Mr. Austin’s talk was “Where the Buffalo Roam - An Exploration Success Utilizing Regional Subsurface Mapping with 3D Seismic on the Pratt Anticline in Barber County, Kansas,” and this talk likewise was given at the SIPES National Meeting this past April in Santa Fe. (See Page 1) This talk described the exploration process used to discover a multiple pay zone field on the southern end of the Pratt anticline in Barber County, Kansas. Regional subsurface mapping identified a key show well drilled in the 1950s that was believed to be on the flank of a structure. 3D seismic identified the crest of the feature and resulted in the discovery of multiple pay zones in the Lansing-Kansas City, Marmaton, and Mississippian. Fracing of the Mississippian dolomite likewise has changed during development in recent years contributing to the success of the project. Obstacles encountered included buffalo, a high mineral owner royalty for the area, a high profile environmentalist surface owner, and limited and expensive gas gathering access.

The Denver Chapter also honored past national SIPES president Bill Goff for his years of service to the Denver Chapter and to SIPES National. Incoming Chapter Chairman Jim Rogers presented Mr. Goff with a plaque in recognition of his contributions to SIPES.

Bill Miller
Secretary
MIDLAND

In April, Stephanie Sparkman introduced members to the West Texas Energy Technology Initiative. The ETI, formed in September 2004, is a privately funded 501(c)(3) non-profit organization founded for the purpose of promoting the advancement of education and science in the area of energy technology development. Activities will be conducted in the public interest providing, initially, a source of regional economic development and, ultimately, potential answers to current questions regarding future global energy shortfalls.

Founding members created the Initiative to ensure that West Texas remains economically viable and at the forefront of emerging energy technologies, constructing a strategy that will utilize the engineering and business acumen concentrated in the region, as well as attract the best and brightest to West Texas.

New energy technologies will become businesses capable of producing an environment rich in energy diversity, employment opportunities, and creative energy-focused businesses that will ensure the future of our region. Located in Midland, ETI is expected to become the dominant influence for energy and technology-related new business development in West Texas.

April guest speaker Stephanie Sparkman with Chapter Chairman Marc Maddox.

Ron Broadhead summarized the oil, natural gas and helium potential of the Chupadera Mesa area of New Mexico in May. The Chupadera Mesa region encompasses 3,900 square miles in eastern Socorro and western Lincoln Counties in central New Mexico. The area includes varied geological elements including the broad Jornada del Muerto Basin in the west, and the Oscura Mountains and Chupadera Mesa in the medial area. The Laramide-age Sierra Blanca Basin and several isolated mountain ranges formed principally by Tertiary-age igneous intrusive bodies occupy the eastern third of the region.

The Chupadera Mesa area has been sparsely drilled. A total of forty-five wells have been drilled within the project area. This is a density of approximately one well for every 85 square miles. Many of the wells are shallow and reached total depth in Permian strata. Only twenty wells have been drilled to Precambrian basement. This is a density of one well per 200 square miles, or 6.4 townships. Neither oil, natural gas, nor helium production have been established. Nevertheless, several of the wells have encountered promising shows of oil, natural gas, and helium.

The geology of the Chupadera Mesa area indicates favorable potential for oil and natural gas. Petroleum source rock facies are concentrated in marine Pennsylvanian strata that blanket the western two-thirds of the project area and attain a maximum thickness of 2200 feet. Dark-gray to black Pennsylvanian shales contain both gas-prone and oil-prone kerogen pop-

Ron Broadhead, speaker at the May meeting.

ulations. The Chupadera Mesa project area also has favorable potential for helium. Uranium-bearing rock types favorable for the formation of radiogenic helium are present. Pennsylvanian and Permian shales and Permian anhydrites and salt beds are favorable seals for helium. Analyses of gases recovered from one well on Chupadera Mesa indicate the presence of helium in substantial amounts.

In June, Craig Rohwer with Halliburton explained the completion practices for limited-entry fracturing of horizontal wells. Drilling and completing long, horizontal sections in low to moderate permeability reservoirs has become commonplace in many oil and gas producing regions of the world. Economically successful exploitation of these types of reservoirs usually requires hydraulic fracture stimulation, in both vertical and horizontal completions. Many completion techniques have been used for fracture stimulation of horizontal wells. Limited-entry fracturing has proved to be an effective stimulation method with an acceptable level of cost and risk. Successful limited-entry fracturing of horizontal wells is highly dependent on effective zonal isolation and perforation design. This discussion presents a case history of horizontal completions using limited-entry fracture stimulation. Zonal isolation methods, perforating strategies, (Continued)
and their effects on limited-entry fracturing success are discussed and compared.

In July, Creties Jenkins with DeGolyer and MacNaughton gave a talk entitled "The Role of the Geologist in Assessing Unconventional Gas Accumulations." The successful exploitation of unconventional gas accumulations requires the simultaneous development of effective engineering technologies with appropriate geological data and models. In conventional gas systems, accumulations are localized features, having more-or-less discrete boundaries.

Unconventional gas accumulations, in contrast, are regional in extent and lack obvious seals or traps. Reservoir characteristics controlling production rates and gas-in-place in these accumulations are inherently variable and difficult to predict. This can lead to perilous assumptions such as treating an area as a statistical play or assuming that its heterogeneities are evenly distributed. This has occurred despite the observation that many unconventional gas projects are only marginally economic and cannot sustain the high cost of exploring with the drill bit to find economic production "fairways."

Therefore, geological issues must be fully understood, and the role of the geologist appropriately defined. This role includes reducing risk by anticipating trends in reservoir quality, providing interpretations to guide drilling and completion activities, and accurately quantifying gas-in-place and reserves.

Charles Hopkins of DrillingInfo.com presented "A Comparison of the Advances in Technology vs. The Ability of Industry to Extract the Reserves" in August.

In September, Jackie Thomas of Fiberod spoke on "Tax Credit for Enhanced Efficiency Equipment." "Enhanced efficiency equipment" means equipment used in the production of oil that reduces the energy used to produce a barrel of fluid by 10 percent or more when compared to commonly available alternative equipment. The cumulative total of all severance tax credits authorized by this section may not exceed $1,000 for any marginal well. The enhanced efficiency equipment installed in a qualifying marginal well must have been purchased and installed not earlier than September 1, 2005, or later than September 1, 2009.

George Friesen
Secretary

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**SIPES LOGO GIFTS**

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Payment Method:   ____ Check   ____ American Express   ____ Discover
                   ____ MasterCard   ____ VISA
Account No.: _______________________________________________
Card Expiration Date: _________________________________________
Signature: __________________________________________________

Return your Order Form to SIPES:
4925 Greenville Avenue, Suite 1106, Dallas, TX  75206
Telephone: 214-363-1780   Fax: 214-363-8195 or e-mail: sipes@sipes.org

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**Chapter News Continued**

Midland Chapter SIPES members enjoying a monthly luncheon meeting.

At current levels of E&P efficiency and assuming a 50% increase in either drilling infrastructure or drilling efficiency, it will take over 100 years to drill the necessary wells to successfully exploit the domestic resource base. Our resource limitation is people, and infrastructure impairment brought about by the lack of a national energy policy in the last fifteen years.
Barney C. McCasland, Jr., #92 1917-2004

Barney C. McCasland, Jr. of Midland, Texas was undergoing treatment for cancer in 2004, but checked himself out of the hospital in order to attend the SIPES Convention in San Antonio. He died on June 12, 2004. Barney was a Founding Member of SIPES, and was also profiled in the May 2004 SIPES Quarterly for being selected by the Houston Chamber of Commerce as the city’s first millionth citizen fifty years ago. Known as “Mr. Million,” he was honored with tributes, gifts and travel throughout the United States.

He was born July 12, 1917 in Novice, Texas, and grew up in Winters and Tulia. After graduating from Tulia High School, he enrolled at Texas Tech University earning a B.S. degree in geological engineering. He then began his career working as a geophysicist with Arkansas Fuel Company, and was later employed by Cities Service Oil Company doing domestic and foreign geological work.

After moving to Midland in 1962, he worked for the next forty years as an independent consulting geologist for mining and petroleum interests throughout the world. Barney was an avid world traveler, and also had many other interests including rocks, stamps, photography, cowboy hats, fishing, and meeting new people.

He married Frances Louise Titus in Pecos, Texas on June 11, 1939. They were able to celebrate their sixty-fifth wedding anniversary. He was preceded in death by his parents; one brother; one sister; three sons, Pike, Mark, and Bruce; as well as his grand-daughter, Mary Celeste.

Barney is survived by his wife, Frances; his sons, Barney III and wife Margaret of Mineral Wells; Scott and wife Excem of Meadows Place; and Ross and wife Gina of Lubbock; daughter Gain and husband Mike Seerey of Meadow; two sisters and one brother; eleven grandchildren, four great-grandchildren; and numerous other relatives.

In addition to SIPES, Barney was a member of the West Texas Geological Society, AAPG, and GSA. He was an enthusiastic supporter of both SIPES and the SIPES Foundation. SIPES office files contain a letter Barney wrote to SIPES Founder Carleton Speed in 1963 saying, “It is my hope that I am qualified to join your group, and that I may be of help to you in building this new Society around the country and around the world.” Barney’s friendly, cheerful presence, and his good humor will be greatly missed at the SIPES Conventions, as well as at Midland Chapter functions.

Ross McCasland — Lubbock, Texas
Diane Finstrom — Dallas, Texas

Mark Eidelbach, #1130 1926-2004

The South Texas geoscience community lost a spirited member when Mark Eidelbach passed away on July 9, 2004. Mark was born on April 1, 1926 in Flatonia, Texas where he spent all his young life. After a tour in the Army during World War II, Mark earned a degree in geology in 1951 from the University of Texas in Austin. His time after that, save for a stint in the construction business, was devoted to oil and gas exploration and development. Immediately after graduation, he began to work for independents in the San Angelo area. In 1954, he went out on his own as an independent geologist in San Angelo, and then in Victoria, representing several active oil operators. In 1975, he began working out of San Antonio, and in 1978, formed the well-known Mark IV Energy which he managed until his death.

Mark was a true “wildcatter.” He drilled, or caused to be drilled, many wildcat prospects in the Permian, Val Verde, and Ft. Worth Basins, as well as the Gulf Coast area. Despite his declining health, Mark continued to pursue the elusive oil reservoir, and actually had a prospect ready to drill when he passed away.

In addition to the information derived from these wells, Mark also contributed to the written geological library. His most notable paper appeared in Volume 31, GCAGS Transactions, entitled “A Late Cretaceous Calcareous Beach Complex Associated with Submarine Vulcanism, Wilson County, Texas,” co-authored with Edward C. Roy, Jr. and Nancy Trumbly. This paper was accorded the best paper award of the Gulf Coast Section, and also took the A. I. Levorsen Memorial Award.

In addition to SIPES, Mark was a fifty-year member of AAPG; AIPG; and the South Texas Geological Society. He served the San Antonio SIPES Chapter as head of committees and as treasurer, vice chairman and chairman during 1983-86. He was a co-founder of the Petroleum Club of San Antonio, serving as vice president from 1981-84, and as a member of the Board of Governors from 1985 to 1996.

Mark was unselfish with his time and talents. He was quick to take a novice geologist under his wing to advise and nurture him. He was proud to show and explain his mini-museum of relics, rocks, fossils and other items of natural interest to anyone who would stand still long enough. He added humor and sparkle to any gathering - just ask anyone who has participated, willingly or not, in one of his humorous schemes.

Mark enjoyed his ranch and the lake he constructed in Wilson County. He and his family enjoyed many days of fishing pleasure there, and if he was not fishing, he would be clearing brush or undertaking other tasks to improve the land.

Mark is survived by his lovely and devoted wife of 52 years, Baylor; son, Rosser and wife Donna; daughter Ellen Pitluk and husband Lee; daughter Jennifer Eidelbach, and several grandchildren.

Mark will be missed by his family, his many friends and associates.

Charlie Kosarek, #1386
Don McGregor, #87
and even the call for re-implementation of price controls, and a windfall profits tax.

The time is now for SIPES members to step up to the plate. Our knowledge and expertise in all of the aforementioned questions and accusations should be articulated to the general public as a voice of reason. As earth scientists we should allow for interviews with local and state news outlets. Write letters to the editors, and editorial articles to keep the record straight. This is not the time to be passive. Allow for your educated voices to be heard.

At the upcoming December SIPES board of directors meeting in Austin, Texas, the board will review a position paper written by Environmental Chair Ray Blackhall, titled "The Controversial Subject of Global Warming.” Mr. Blackhall has devoted a tremendous amount of time studying this subject and has authored, in my opinion, a very concise, non-biased evaluation pertinent to the issues of global warming. Please look for the final paper to be posted in early January at sipes.org, and in the February 2006 Quarterly.

As you probably are aware, the 2006 SIPES Annual Meeting and Convention has been relocated from New Orleans to Lake Tahoe, which was to be the 2007 meeting site. It was with great regret that we were forced to move the 2006 Convention. The New Orleans Chapter, under the leadership of Jeanne Phelps, was in the final stages of preparation to co-host an outstanding event. As a result of this move, the Dallas Chapter has kicked it into high gear, moving up their time line to co-host the Lake Tahoe meeting. I extend my sincere appreciation to both the New Orleans and Dallas Chapters for their understanding of this most unfortunate situation.

The SIPES board of directors, at its September board meeting in Wichita, approved a number of proposed changes to the SIPES Constitution and Bylaws. These changes will now be submitted to SIPES members for a vote. Please take time to review these changes and promptly return your ballots to the National Office in Dallas. An organization is only as strong as the participation level of its members.

On a final note, I strongly feel that SIPES is undergoing a paradigm shift within the organization. We need to be cognizant of these changes and share with one another and the board of directors comments and suggestions for maintaining a vibrant organization. SIPES is the ONLY national organization designed exclusively for the independent or consulting professional earth scientist. Hence, we are a very unique organization, and it is time that we not only ask the question, "what does SIPES do for me” but begin asking, "what can I do for SIPES?”

The following is taken from SIPES Constitution, Bylaws and Code of Ethics.

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**Article 2. Purposes**

Section 1. To provide an organization of earth scientists composed of consultants and independents that are certified by the governing body of the Society as to professional competence and observance of professional and business ethics.

Section 2. To make available to all interested persons a directory giving each member's educational background, details of professional experience, scientific specialties and other information necessary to evaluate his/her qualifications.

Section 3. To protect the public by strict enforcement of the standards and practices set forth in the Code of Ethics for the Society and by the maintenance of high educational and experiential requirements for membership in the Society.

Section 4. To provide advice and make recommendations to legislative bodies with regard to proposed legislation which pertains to the earth sciences, and to the professional practice of earth scientists.

Section 5. To establish and maintain liaison and to offer services to industry, to federal, state and local governments, to civic organizations and to educational institutions.

Section 6. To stimulate the interest of the public in the earth sciences by dissemination of scientific information and public discussion of related topics.

Section 7. To publish and distribute scientific, business or legal papers which are considered helpful to members and other earth scientists and to make copies of such papers available at public libraries and institutions of higher learning.

Section 8. To support programs for the preservation of primary sources of earth science information and to insure the availability of this material to all earth scientists.

Section 9. To encourage the establishment of scholarships in the field of the earth sciences in educational institutions.

Section 10. To improve the economic and professional status of independent earth scientists through active organization and communication among its members.

Section 11. To cooperate with other organizations in the accomplishments of the above purposes.

Onward,

David A. Eyler
President
James B. Bennett, #1709, received the SIPES Houston Chapter’s Distinguished Service Award in gratitude for his many years of service above and beyond the call of duty.

Michael David Jones, #2974, of Houston, Texas, recently received Houston Geological Society’s Rising Star Award.

Jeannie Fisher Mallick, #2961, received AAPG’s Certificate of Merit for service to the House of Delegates. She also received recognition from the SIPES Houston Chapter for her roles of increasing responsibility, including secretary and membership chair.

J. Phil Martin, #2390, received a SIPES Chapter Award recognizing his successful year as 2004 Houston Chapter Chairman.

Peter R. Rose, #1264, of Austin, Texas is the current president of AAPG. Dwight "Clint" Moore, #3023, of Houston, Texas is serving as AAPG Treasurer.

Deborah K. Sacrey, #1271, of Houston, Texas is the current president of AAPG’s Division of Professional Affairs. Richard G. Green, #1980, of Dallas, Texas is the president-elect. Daniel J. Tearpock, #3015, of Houston, Texas is a candidate for DPA President-Elect, and Suzanne G. Cluff, #1810, of Denver, Colorado is a candidate for DPA Vice President.

Charles A. Sternbach, #3006, of Houston, Texas is serving as general chair of the 2006 AAPG Convention to be held in Houston. Jeannie F. Mallick, is on the entertainment committee; Deborah K. Sacrey and Daniel J. Tearpock are general vice co-chairs for the meeting.

Several SIPES members were scheduled to be honored at the 2005 GCAGS Convention in New Orleans during October, but the meeting was cancelled due to Hurricane Katrina. John J. Amoruso, #335, of Houston, Texas was to receive the 2005 Don R. Boyd Medal for Excellence in Gulf Coast Geology. The 2005 GCAGS Transactions was to be dedicated to Edward B. Picou, Jr., #2218, of New Orleans, Louisiana. Bonnie R. Weise, #1735, of San Antonio, Texas was to receive GCAGS Honorary Membership.

The SIPES Web site, www.sipes.org, and the SIPES New Orleans Chapter Web site, www.sipesneworleans.org, are posting information about SIPES New Orleans members and friends, and their current locations. If you do not have Internet access, and have questions about a member from this area, please contact the SIPES office in Dallas.
SIPES Membership Directory CD

Because so many SIPES members were forced to move due to Hurricane Katrina, the SIPES Board has recommended that publication of the SIPES Biographical Membership Directory CD be delayed to give these members time to return home or permanently relocate. We plan to publish this directory CD in January 2006. If you have address, telephone, email or photo changes for the SIPES Directory, you still have time to send them in to the Dallas office.

SIPES Foundation Donations

This month SIPES Members will receive a letter from SIPES Foundation President Mike Pollok asking for your financial support. This is a great opportunity to recognize or remember a friend or family member. Your contribution will be recognized in the SIPES Quarterly for the next year, and will also apply toward your cumulative giving totals. Members who have donated to the Foundation at various levels are awarded a plaque at the next SIPES Annual Meeting, and are recognized in the convention program book as well as the SIPES Quarterly. All contributions to the SIPES Foundation are tax-deductible for federal tax purposes.

SIPES 2006 Annual Meeting

Due to Hurricane Katrina, the SIPES 2006 Annual Meeting has been moved from New Orleans. The Dallas Chapter has stepped in a year early, and will co-host this meeting in South Lake Tahoe, Nevada from June 21-24, 2006. The headquarters hotel will be Harrah's. James H. Henderson, #1005, of Dallas, has volunteered to serve as the meeting chair. The convention theme will be "Strike a Bonanza in Tahoe!" Mark your calendar now. Plan to attend with your family! If you have all ready reserved ad space for the 2006 Convention, the registration book will be published later than originally scheduled due to the change in the meeting date and location.

Permian Reef Trail Project

In June, the SIPES Foundation asked members to help pay for the printing costs to produce a booklet entitled, "A Young Person's Geology Guide to the Permian Reef Trail." The Permian Reef Trail is located inside the beautiful Guadalupe Mountains National Park in West Texas. During recent budget cutting in Washington, funds to produce these trail guides have been eliminated. Generous contributions from SIPES Members have enabled this project to move forward. Park Rangers now report that the trail guide will be completed in December. Please see the SIPES website in December for additional information. Updates on this project will be printed in the February Quarterly.

SIPES Constitutional Changes

At their recent meeting in Wichita, Kansas SIPES Directors voted to approve several changes to the SIPES Constitution and By-laws. These proposed changes will be sent to all Regular and Honorary Members of the Society in the near future for your vote. Some of the proposals attempt to clarify the definition of "Independent." The changes are proposed in response to several situations that have arisen recently in our constantly changing business environment. Please return your ballot by mail, fax or email.

Geoscience Publications

In October, the American Geological Institute re-issued its news magazine, Geospectrum, as a free electronic publication. The first issue contains 42 pages of information about member societies, disaster prevention, as well as an article on what books the 21st Century GeoLibrary should contain. SIPES members with an email address on file with the Dallas SIPES office should have received the inaugural issue. You can obtain a free electronic subscription through the AGI Web site.

AGI has also recently published the fifth edition of the Glossary of Geology. Of the 40,000 entries, approximately 3,600 are new additions, and 13,000 entries have been updated, providing the most comprehensive set of geological terms in publication. For more information, go to www.agiweb.org/pubs.

The Interstate Oil and Gas Compact Commission has produced a report, "Mature Regions, Youthful Potential: Oil and Natural Gas Resources in the Appalachian and Illinois Basins. The report outlines opportunities for development within this region. Copies are available from the IOGCC in Oklahoma City.
SIPES Foundation Donors – July 1, 2004 to September 30, 2005

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Dallas, Texas – The SIPES Foundation, administering the scientific, educational and charitable programs of the Society of Independent Professional Earth Scientists, is very pleased to announce that eight outstanding earth science students have been selected to receive scholarship awards this year. Applications were accepted from upper-division or graduate students in any field of earth science who had a cumulative grade point average of 3.5 or higher.

Receiving $2,000 awards from the Marvolene Speed Bennett and Carleton D. Speed Jr. Endowed Fund, the Stephen E. Collins Memorial Scholarship Fund, and the Edward A. McCullough Endowed Fund are Steven Sloan, a doctoral candidate in geophysics at the University of Kansas; Upendra Kumar Tiwari, a Ph.D. candidate in geophysics at the University of Texas at Dallas; and Carlos E. Escalante, a master’s degree student in petroleum geology at the University of Oklahoma.

$1250 scholarship awards were presented to Jay T. McKee, an undergraduate geology student at Mississippi State University; Anne H. Covault, a master’s degree student in geoscience at the University of Texas at Dallas; Marin Matesic, a master’s degree student in geology and geological engineering at Colorado School of Mines; Siyavash Motealleh, a Ph.D. candidate in petroleum engineering at the University of Texas at Austin; and Heidy A. Correa, a master’s degree student in geophysics at the University of Oklahoma.

Since its establishment in 1981, the SIPES Foundation has awarded scholarships to more than 143 promising earth science students. Funding for the 2005 awards was made available through donations from SIPES members; a bequest from the estate of Marvolene Speed Bennett, widow of the society’s founding member, Carleton D. Speed, Jr.; the Stephen E. Collins Memorial Scholarship Fund; and the Edward A. McCullough Endowed Fund. The SIPES Foundation also conducts and films educational seminars, contributes funding to earth science publications and continuing education programs, and also maintains an extensive library of earth science films.

The Society of Independent Professional Earth Scientists is a national organization of more than 1300 self-employed geologists, geophysicists and engineers engaged primarily in domestic energy exploration and development. SIPES has fourteen chapters located in oil and gas centers of the United States.

# # #
August 23, 2005

Society of Independent Professional Earth Scientists
4925 Greenville Avenue, Suite 1106
Dallas, Texas 75206 U.S.A.

Dear SIPES Members,

I want to thank you for choosing me to receive one of your graduate student research awards. Without the support that this grant provided, my fieldwork and subsequent thesis would not have been feasible. This would have been a shame, considering that your group and I feel that it is a worthy project.

I am pleased to report that I successfully completed four and a half weeks of fieldwork outside of Salina, Utah, this July. Thankfully, I was able to get a fellow UTD grad student and very hard-working field assistant (Ms. Carrie Glavich) to help me. We were able to map the beautifully exposed fault in detail thanks to our generator, bright halogen lamps, and our trusty ladder. Since the tunnel straddles a frontage road right next to I-70, ATV-drivers and ranch owners were frequent passers-by - though the more perplexed folks would stop and ask us "what the heck are ya doin?" I especially enjoyed pointing out the fault to those who had been driving through the tunnel for years and said they had never really noticed it.

I think our favorite confused facial expression was the look on an ATV-driver's face when he came around the bend and was suddenly faced with Carrie in a hardhat, working on a laptop, sitting next to a printing printer and generator. "Whatever he was expecting to see, it certainly wasn't me!" she said.

I look forward to keeping you updated on my thesis progress in the next year. I will be studying advanced structural geology at the University of Leeds this fall (with Dr. Martin Casey and Dr. Rob Butler), and will be presenting my thesis work at an annual consortium meeting held by Rock Deformation Research Ltd. in early November. I will return to Dallas in January to finish my Masters at UTD. Thank you again for your organization's support of my project.

Sincerely,

Annie Covault

University of Texas at Dallas
Masters degree student in sedimentology and structural geology
Rock Deformation Research USA, Inc.
Research Assistant
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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, 1996