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GEOPRESSURE — Relations to Lithology, Hydrocarbon Presence, and Reservoir Quality

by Norman S. Neidell, #2197
N.S. Neidell & Associates — Houston, Texas

Note: This article is from the Houston Chapter and is the sixth in a new series submitted by SIPES Chapters.

ABSTRACT

Long-term presence of geopressure causes pronounced changes in rock properties that have seismic expression. It is important to note that present-day normal pressure may have been over-pressured in the past.

Until recently, only seismic velocities - interval and certain averages - were the data used for determining geopressure as well as rock properties.

Geopressure determination is of course important if it can be accomplished, to develop efficient and safe drilling programs. Good casing programs, ideal muds and mud weights save money, time and even lives.

A second important new parameter is introduced here — Consolidation State. Consolidation State when used in conjunction with velocity and an understanding of the normal process of consolidation allows determination of all the information specification in the title above.

For a sand/shale sequence, Consolidation State determines the relationship between sand and shales as first documented by Neidell and Berry, in November, 1989 ("Documenting the Sand/Shale Crossover," *Geophysics*, Vol. 54, No. 11, pg 1430-1434). Hence, using both velocity and Consolidation State information, more accurate estimates of geopressure can be made. Also, lithology, hydrocarbon presence, and reservoir quality in relative terms can be estimated.

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President's Column

Brian S. Calhoun, #1586
Corpus Christi, Texas

Last month I returned to my old home town of Fort Stockton, Texas to attend my 35 year high school reunion. Being there brought back lots of memories about growing up in a West Texas oil town. I remember playing little league baseball at the park on the edge of town on one of those hot summer nights and seeing a towering flare from a blowout well in Gomez Field (over 4.2 TCF) and hearing that Red Adair was coming to put it out.

My Dad was the field superintendent of a large gas gathering company and I remember often spending Saturdays as a kid changing charts on orifice meters. I thought my Dad just wanted someone to open all of those wire gates for him and change the charts so that he could get finished early to go play golf on the dirt fairways they called a golf course in Fort Stockton. My Dad was pretty smart because he was doing a lot more teaching and modeling than I realized at the time.

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The following information on national, state and environmental issues was presented to the SIPES Board of Directors on June 26, 2004 in Beaver Creek, Colorado by Vice President of Natural Resources David Eyler; Craig Adams, chairman of the SIPES State Legislative Affairs Committee; and Ray Blackhall, chairman of the SIPES Environmental Committee.

■ Introduction

The United States is deep seated in the war on terrorism. Oil supply disruptions occur weekly via terrorist attacks on pipelines and facilities; kidnapping and slaying of oil field workers; Norwegian oil workers' strike causing a loss of production of just over 300,000 BOPD; and the list goes on and on. Oil and gas prices continue to be consistently at levels not seen in many years. And, if the aforementioned is not enough, we are in a presidential election year. The following report will concentrate mostly on the supply of and the demand for crude oil, since this particular commodity and its by-products are in the news on a daily basis.

Looking for some economic stability? Federal Reserve Chairman Alan Greenspan, appearing before the Senate Banking Committee, said, "going forward, we must remain prepared to deal with a wide range of events.

Particularly notable in this regard is the fortunately low, but still deeply disturbing, possibility of another significant terrorist attack in the United States." Mr. Greenspan said he and other federal policymakers learned a great deal about how to manage the economy through such an episode and continue to work to develop methods to protect the nation's banking system should another such devastating attack occur. Alan Greenspan has been nominated for a fifth consecutive term as Federal Reserve Chairman.

■ Energy Supply, Demand and Price

OPEC announced on June 3, 2004 that they would lift output ceilings by 2 MMBOPD on July 1 and possibly, another 500 MBOPD on August 1, 2004. This statement must be taken with a grain of salt considering the big exporters have been producing more than 2 MMBPOD above the ceiling of 23.5 MMBOPD they set for April 1, 2004 (excluding Iraq). Saudi Arabia, OPEC's largest producer, continues to claim they can "comfortably" turn on or off 2 million to 3 million barrels a day. However, speaking to the Permian Information Exchange on May 13, 2004, Henry Groppe with Groppe, Long & Littell of Houston, stated Saudi Arabia is an 8.5 million barrel per day producer. "They have exploited their largest field via water floods and horizontal drilling. Any excess oil they can bring to the market will be in the form of heavy, sour crude, of which very few refineries are able to process." Groppe, a knowledgeable petroleum engineer with a sound history of accurately predicting oil and gas prices sees oil prices averaging \$34/bbl and \$5.50 natural gas through 2010.

According to Stratfor.com: "Perhaps the most serious aspect of the situation (in the oil market) is the growing uncertainty surrounding the future of the Saudi oil supply, a supply that is contingent upon the continued presence of Western workers manning key positions in the Saudi oil industry. If foreign oil workers in key positions abandon their jobs, it could be a significant set of dominoes that begin to fall."

Former CIA officer Robert Baer writes in his recent book, *Sleeping with the Devil*, the Saudis have 262 billion barrels of proved reserves, 25 percent of the world's total. Nine percent of the petroleum consumed in the USA each day comes from Saudi Arabia, accounting for 15 percent of U.S. imports. The kingdom has five giant fields that are connected by 10,500 miles of pipe, much of it above ground. "The choke points are too many to count," he says. "A successful assault on the giant Ras Tanura complex would be enough to bring the world's oil-addicted economies to their knees, America's along with them."

The Bush administration plans to continue taking delivery of oil into the Strategic Petroleum Reserve but is looking at a couple of measures to slow down rising oil and gasoline prices. The administration is weighing whether to

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temporarily ease clean-burning fuel regulations that have been blamed with creating gasoline supply bottlenecks. The multitude of blends created to address region-specific pollution issues, complicates the equation of why gasoline costs as much as it does. For example: Metro Phoenix uses a different blend than the rest of Arizona, so gasoline can't be diverted from Tucson or Flagstaff to relieve a shortage in Phoenix. The administration is also considering the possible use of forward swaps, which would allow it to buy oil for the SPR on futures markets.

Demand continues to be spurred by strong economic growth in the U.S., China and the rest of the Asian countries. As the Chinese exchange their walking shoes and bicycles for mopeds and cars, the EIA predicts a 91 percent jump in energy demand by 2025.

■ Quote of the Quarter

Sen. Charles Schumer (D-NY) when urging the White House to reconsider its position to keep filling the Strategic Petroleum Reserve — "For someone who is supposed to be such a big NASCAR fan, you'd think President Bush would want to do something about these high gas prices."

■ Energy Legislation

National: In May, the U.S. Senate, with the persistent efforts of Senate Energy Committee Chairman Pete Domenici (R-NM), passed key energy industry tax provisions. Included in the "Jumpstart Our Business Strength" (JOBS) Bill, S.1637, are the following provisions:

- A new counter cyclical credit for the production of crude oil and natural gas marginal wells. The credit is not available if the market prices for oil and natural gas exceed certain levels.

- Non-conventional fuels tax credit which allows companies to claim a credit from new production. These resources include: oil produced from oil shales, natural gas from geo-pressurized brine, coalbed methane, biomass oil, landfill natural gas, agricultural and animal waste products, coal-mine gas, coke and coke natural gas.

- Extension of the suspension of the net income limitation on percentage depletion for marginal wells.

- Geological and geophysical costs to be amortized over 24 months and delayed rental payments to be amortized over 24 months.

- Increases the barrel-per-day refining limitation for special tax rules governing independent producers.

- Accelerated depreciation for natural gas gathering lines.

- Incentives for development of the Alaska natural gas pipeline. These include enhanced oil recovery credit, accelerated depreciation, and a price insurance provision.

Sen. John McCain (R-AZ) offered an amendment to delete the energy tax portion of the JOBS legislation, but it was defeated. McCain called the energy subsidies a "shameless scam" to benefit the oil and natural gas industries and other energy interests. He also said that the bill's

(Continued)

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tax breaks for developing coalbed methane “makes a very profitable industry more profitable.”

As of this writing, the House of Representatives passed **H.R. 4520**, the American Jobs Creation Act of 2004 which is basically a corporate tax bill. Action by the House allows for a conference committee to resolve any differences between the House and Senate versions.

The “recycled” Energy Bill, **H.R. 4503** – Energy Policy Act of 2004 has once again been sent to the Senate and it appears that once again partisan politics will win out and nothing constructive will happen.

State: While the haggling over a national energy bill continues on the federal level, individual and groups of states are taking it upon themselves to formulate plans of attack to stave off energy shortfalls and create incentives for all components of the energy industry.

Governor of the State of Texas, Rick Perry, by **Executive Order RP 29** has created the Texas Energy Planning Council whose duties are to advise the governor on a balanced plan to provide the energy needed to fuel Texas’ future economic growth and prosperity. The council is to submit a full report, including findings and recommendations to the governor, lieutenant governor, and speaker of the house of representatives, no later than December 31, 2004.

Not to be outdone, the Western Governors’ Association completed its “North American Energy Summit” in mid-April and unveiled a clean energy initiative and a best practices handbook for coalbed natural gas development. Governors Bill Richardson (D-NM) and Arnold Schwarzenegger (R-CA) serve as co-leaders for the association’s energy panel, and are recommending a broad-based task force to explore clean energy and energy efficiency opportunities.

Included in the list of “best practices” are items and recommendations such as:

- Development plan preparation
- Master Drilling Plans for multiple applications for permits to drill
 - Proactive and early engagement with local government entities
 - Water management plan preparation
 - Options for produced water
 - Landowner information
 - Discontinue use of diesel fuel in hydraulic fracturing fluids injected directly into formations that contain underground sources of drinking water
 - Establish a single point of contact for landowner and operator
 - Surface Use Agreement development
 - Water Well Mitigations Agreements
 - Dispute resolution services
 - Minimize road development

The coalbed natural gas handbook will be updated and amended as technology evolves and as practices are monitored over time. A copy of the handbook can be found at www.westgov.org.

■ Domestic Mergers and Acquisitions

Kerr-McGee buying Westport – Purchase price of \$2.5 billion in stock. The deal (which closed on June 25, 2004) will create one of the nation’s biggest independent oil and gas producers and raises Kerr-McGee’s daily production volume by more than one-third. In all, Kerr-McGee would have 71 million acres of undeveloped territory in Colorado, Wyoming, Utah, Texas, Oklahoma, Louisiana and the Gulf of Mexico.

Chesapeake Energy is spreading out their Mid-Continent roots and spends over \$1 billion in the past six months to buy Kerr-McGee’s West Texas assets, Concho Resources, Permian Resources, Xeric Oil & Gas and Greystone. Most of the properties are located in West Texas and New Mexico with the Greystone assets being concentrated in Bossier Parish, Louisiana.

■ LNG Update

Speaking to the Midland Chapter of SIPES, John Hritcko, Jr., Vice President, LNG strategy and development for Shell Gas & Power and a participant in the National Petroleum Council’s extensive natural gas study, stated that “while we’re struggling with an aging infrastructure to meet growing demand for natural gas in the United States, the majority of supply will be produced domestically. But it won’t be enough to meet demand; we’ll need other resources to be developed.” He cited those other resources as LNG, development of Arctic gas reserves and coalbed methane, along with conservation and the development of renewable energy sources. The nation’s four LNG terminals are located at Everett, MA, Cove Point, MD, Elba Island, GA, and Lake Charles, LA. LNG comprises less than 1% of the nation’s natural gas supplies, and Hritcko said that could grow to 12 to 16 percent in the future, but LNG would still be a small portion of the nation’s gas portfolio. Federal Chairman Alan Greenspan, speaking to the Center for Strategic and International Studies reinforced the importance of LNG by saying, “If North America gas markets are to function with the flexibility exhibited by oil, more extensive access to the vast world reserves of gas is required.” Mr. Hritcko said, “There has been a dramatic increase in proposals for LNG facilities and regulators have approved five new facilities. But, siting new facilities is difficult because many people don’t want the facilities near their homes or cities out of fear and misunderstanding of what LNG is.” Currently, the federal government has sole jurisdiction over siting and construction of the LNG terminals, not the individual states.

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The DOE's Office of Fossil Energy reports that:

- Today, industry adds 2 to 4 times more oil and natural gas to the nation's reserve base per well than in the 1980s
- Today, the same level of reserve additions is achieved with 65 percent less waste being generated
- The average well site footprint today is 30% of the size it was in 1970
- More than 15 offshore platforms in the Gulf of Mexico have now become artificial reefs
- The first offshore well was drilled in 1947 in 20 feet of water
- Today, the Outer Continental Shelf produces approximately 30% of U.S. oil production and 23% of U.S. natural gas production
- Computer processing of seismic information for a square kilometer tract required 800 minutes in 1985, but takes only 10 minutes today

On a final note . . . Energy expert Daniel Yergin, chairman of Cambridge Energy Research Associates told IPAA that a global "energy demand shock" – compounded by extremely tight world oil supplies, constraints on U.S. natural gas production, and geopolitical turmoil – is now putting the United States at a "critical juncture" in its energy position, where concerted actions by industry, energy users and policymakers are required to ensure energy security and environmentally sound economic growth.

■ State Legislative Activity

Texas: Texas Governor Rick Perry opened a special legislative session in April to address the issue of high property taxes and public school funding. Perry, along with many Texas legislators has promised to lower property taxes. A concern for the oil and gas industry is that these tax cuts could result in the loss of a key franchise tax exemption used by many oil and gas producers in order to finance any school budget increases or to make up for deficits resulting from tax cuts. Current options being considered deal with increases in the sales and motor vehicle tax rates; the reduction of property tax; and the repeal of franchise tax, or business activity tax. The Texas Alliance of Energy Producers organization has stated that they do not support a specific plan because it is not clear what the impact on the oil and gas industry would be. Texas Alliance opposes any provision which adds new or higher taxes to oil and gas exploration, and they are opposed to a split tax role which separates business properties from residential. The Alliance supports the repeal of the franchise tax with reasonable, broad-based alternative, and repeal or reduction in oil or gas severance taxes.

Oklahoma: One of the main concerns for Oklahoma is a significant number of at-risk marginal wells. Oklahoma's Marginal Well Commission is charged with gathering data on such wells, evaluating factors that may extend oil and gas production, and proposing legislation and other steps to keep marginal wells producing. The Commission is try-

ing to find ways to keep wells producing long enough for new technology to be developed to help produce remaining reserves.

Four bills opposed by the Oklahoma Independent Petroleum Association (OIPA) failed to pass and are dead for the 2004 legislative session. The bills opposed by OIPA would have encouraged frivolous lawsuits against producers, imposed a new permitting fee equal to 1 percent of a new well's cost, and prohibited placing production equipment within 500 yards of a habitable structure.

Several OIPA-supported bills have been ratified in the legislature. **HB 2550** addresses gas gathering reforms to make the gathering/processing complaint procedure a more producer-friendly process at the OCC. **SB 1253** is an extension of Oklahoma's three-tiered gross production tax on oil. **SB 1556** is a statutory fix for a law signed in 2003 that requires 5 percent income tax withholding on nonresident members of "pass-through" entities. Nonresidents could opt out of the 5 percent state income tax withholding by filing Oklahoma tax returns.

Colorado: The Colorado Oil & Gas Association's stated goal is to protect the oil and gas industry from unfavorable legislation and provide a business climate that will allow for increased production. COGA has been successful in defeating legislation that attempts to cure the state's budget problems with energy severance taxes. Legislation opposed by COGA that has been defeated in the state senate include a bill requiring payment of proceeds to unleased mineral owners in drilling units, and a bill exempting road maintenance by public entities. COGA is supporting a bill requiring 500 megawatts to be generated each year by renewable energy resources and a bill providing low-income energy assistance.

Kansas: Kansas legislators continue to work on several proposed oil and gas bills. In April, Kansas Governor Kathleen Sebelius signed a bill amending the definition of "pool" in order to allow unitization of more than one oil or gas reservoir if they constitute a single pressure system. Operators are allowed to unitize without going to a hearing before the Kansas Corporation Commission if they have written consent of 100% of the royalty owners and 90 percent of the working interest owners. A bill extending the severance tax exemption from 24 months to 48 months on crude oil and natural gas is still pending in the legislature.

New Mexico: New Mexico's legislators approved **SB 170** and **SB 313**. The first measure adds sections to the state pipeline safety fund administered by the Public Regulation Commission with the goal of assuming inspection of interstate and intrastate pipelines. **SB 313** amends the state's **Oil and Gas Act** so producers are not required to gain permits from the state engineer to dispose of produced water. The goal of this precedent-setting piece of legislation will be to look for innovative uses for produced water rather than reinjecting it. Results of the recent legislative session

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were favorable to oil and gas industry as there were no new increases on the cost of doing business.

Wyoming: Wyoming Governor Dave Freudenthal has proposed allocating one cent for every one million cubic feet of natural gas produced in the state to create a fund to help wildlife habitat harmed by gas production. He estimates current production could generate as much as \$10 million annually. The proposal was made at a conference entitled, "Wells, Wildlife and the Quality of Life," attended by ranchers, conservationists and state and federal officials.

California: California approved a bill that limits direct access contracts between industrial customers and electric wholesalers. The bill re-establishes the ability of industrial customers to choose their power suppliers through a "core/noncore" market, while greatly limiting the customers' ability to change its status.

A bill was approved that extends current funding for the Orphan Idle Well Trust Fund, which pays for plugging and abandoning orphan wells.

A bill has been introduced on behalf of the California Natural Gas Producers Association to streamline the permitting process for natural gas permit applications in California.

The California Senate Environmental Committee has approved a bill making air quality violations criminal acts.

■ Environmental News

Activist Groups Sue to Stop Oil Production in National Petroleum Reserve:

Like Suing Farmers to Stop Producing Milk From Cows

Seven environmental activist groups have raised the stakes regarding their opposition to Alaskan oil recovery, suing the federal government to stop oil production in the National Petroleum Reserve. The suit, filed in February, claims the interests of caribou and other animals must take priority over oil production in the reserve. "The administration has really bent over backwards to favor oil development over all other resource values in this area," claimed Deirdre McDonnell, staff attorney for Earthjustice, one of the groups behind the lawsuit.

The National Petroleum Reserve is 23 million acres of land — about the size of Indiana — specifically set aside by the federal government in 1923 for oil production. The Reserve is located approximately 100 miles from the Arctic National Wildlife Refuge (ANWR), whose prodigious reserves activists have successfully kept from oil production.

Earthjustice, commonly perceived as one of the more extreme environmental groups, was joined in the lawsuit by several self-described "mainstream" groups, including the Sierra Club, National Audubon Society, and Natural Resources Defense Council.

"Most Americans know that environmental organizations operate outside the realm of common sense and accountability, but this time Americans will see just how

radical they have become," said House Resources Committee Chairman Richard Pombo (R-California). "Suing to stop petroleum production in a petroleum reserve is like suing farmers to stop producing milk from cows. If we can't get petroleum from the National Petroleum Reserve, where can we get it?"

Dan Lavery, an Alaskan specialist with the Sierra Club, described the contested National Petroleum Reserve land as a "very sensitive" part of the environment. In response, Pombo wondered if there is any land in the nation the Sierra Club would not deem "very sensitive" and upon which the Sierra Club would support resource recovery. (www.heartland.org)

ANWR Region Newly Opened: Tired of the federal government hampering its economy by prohibiting natural resource recovery from federal lands located in the state, the Alaskan state government has taken matters into its own hands and opened more of its non-federal lands to oil and gas recovery.

On March 31, the state announced it will offer 350,000 acres of new offshore leases for oil and gas recovery in an area adjacent to the Arctic National Wildlife Refuge (ANWR). While not likely to be as productive as potential ANWR sites, the state-owned land adjacent to the Refuge is an economically viable location for resource recovery and will offset some of the economic burden caused by the U.S. Senate's decision to block recovery of ANWR's rich natural resources.

State and federal legislators from Alaska have expressed overwhelming support for ANWR resource recovery but have been frustrated by a block of East Coast Senators claiming to be better at managing Alaskan lands than Alaska residents themselves. The state also will open up for resource recovery another 670,000 acres of state-managed lands near the federally managed National Petroleum Reserve.

Environmental activist groups have sued the federal government in an attempt to stop oil production in the Reserve. The suit, filed in February, claims the interests of caribou and other animals must take priority over oil production. Activist groups filed the suit despite the fact that the Reserve, an Indiana-sized area of land approximately 100 miles from ANWR, was specifically set aside by the federal government in 1923 for oil production.

The roughly one million acres of land near ANWR and the National Petroleum Reserve are but a small portion of the state-managed lands Alaska is opening for production. Responding to its citizens' economic hardship and the shortage of production resulting from ANWR restrictions, the Alaskan state government is considering many additional state-managed North Slope lands for resource recovery. Under consideration are Bristol Bay, a portion of the Bering Sea recently freed from a federal drilling moratorium; 33 million acres of the Chuckchi Sea; 25 million

(Continued)

acres of Norton Sound; and 2.5 million acres of the lower Cook Inlet.

Explained Governor Frank Murkowski (R), "America should not be held hostage by Middle East oil imports. Motorists should not have to pay more than \$2 for a gallon of gasoline. Alaska oil, Alaska natural gas, can help balance that equation." The voter backlash against extremists has been extreme indeed. (www.heartland.org)

Resource Recovery Touted in Other States: The political rewards of promoting responsible resource recovery are evident this election year in the lower 48 states, as well. In Montana, Republican candidates appealed to a standing-room-only crowd at a gubernatorial debate by contrasting the state's foundering economy with the booming economy of neighboring Wyoming. Wyoming state officials project \$1.2 billion more in 2004 state tax revenues than previously forecast, largely a result of the state's successful natural gas industry. For a state with a \$5 billion annual budget, the unexpected gain of more than \$1 billion was music to the ears of citizens and legislators.

"There's a prayer around here," said Wyoming State Rep. Randall Luthi (R). "Dear God, give us another boom and we promise not to waste it." With the assistance of a pro-recovery economic environment, Wyoming's prayers are being answered.

Not so, lately, in Montana. With regulations influenced by the anti-development agenda of environmental activist groups, the state is likely facing a deficit this year. The projected deficit is especially painful considering the state's low per-capita income.

The four Republican candidates for Montana governor received thunderous applause for pledging to restore more balance to the state's energy and environment regulations.

"(Montana is) the Treasure State," asserted Secretary of State Bob Brown. "Even though we're the poorest state in per-capita income, we're the richest in resource wealth." Recognizing that modern technology allows natural resources to be recovered in an environmentally sensitive manner is essential to preserving the economic future of Montana's children, noted Brown.

AP Fumbles Global Warming Story: In late March, the Associated Press ran a global warming story that makes a number of misleading, if not downright inaccurate, statements. Faulty "news" stories like this one, which mislead people all over the world, do not reflect a consensus of scientists. It is alarming that a media outlet as influential as AP would run a story this wrong . . . and that so many news editors would be gullible enough to run it.

The AP story reported: "Carbon dioxide, the gas largely blamed for global warming, has reached record-high levels in the atmosphere after growing at an accelerated pace in the past year . . ." "In fact, carbon dioxide (CO₂) is not the major greenhouse gas — water vapor is. The ability of CO₂ to absorb heat is quite limited, and it accounts for less than 10 percent of the greenhouse effect. Less than 1 percent of

the Earth's atmosphere (about 0.03 percent) consists of carbon dioxide. Nitrogen, oxygen, and argon constitute about 78 percent, 20 percent, and 0.93 percent of the atmosphere, respectively. The sun, not any greenhouse gas, is primarily to "blame" for global warming — and it plays a very key role in global temperature variations as well.

The AP story continued: "Carbon dioxide, mostly from burning of coal, gasoline and other fossil fuels, traps heat that otherwise would radiate into space." This, too, is untrue. Only about 14 percent of CO₂ in the Earth's atmosphere comes from the burning of fossil fuels.

"Global temperatures increased by about 1 degree Fahrenheit (0.6 degrees Celsius) during the 20th century," continued the AP story, "and international panels of scientists sponsored by world governments have concluded that most of the warming probably was due to greenhouse gases."

But most of the observed twentieth century warming occurred in the first few decades of that century, before the widespread burning of fossil fuels and before 82 percent of the increase in atmospheric CO₂ observed in the twentieth century took place.

Stormwater Discharges for Oil and Gas Construction Activity: The following are excerpts of the IPAA statement on this important issue:

Based on public comments received on the proposed rule, EPA considered including oil and gas exploration sites but, upon further review, determined that few, if any, such sites actually disturb more than one acre of land.

In reality, most oil and natural gas exploration and production sites fall within the one to five acre range. In 2000, a total of 31,732 exploratory and production wells were drilled - over 10,000 in Texas and Oklahoma. To meet future natural gas demand, the National Petroleum Council estimates that the number of natural gas wells alone needs to increase to approximately 48,000 wells annually. However, in the EPA cost analysis of the Phase II program, it estimated that the number of construction starts would be approximately 130,000 units. But, none of these units were oil and gas facilities. Oil and gas facilities alone would increase the number of units by 25 percent with a third of that total coming from the two states of Texas and Oklahoma where EPA Region 6 must handle the administrative burdens. The ultimate effect of this could be staggering. One recent analysis estimates that the permitting program could reduce investment in domestic exploration and production by as much as \$8 billion annually.

Three things are clear. First, if the current level of drilling activity presented stormwater runoff problems during construction, it would be well known. Second, the magnitude of permitting that EPA estimated during the regulatory development process is significantly understated. Third, because the Agency believed that oil and gas facilities were not affected by Phase I or II, the Phase I and II regulations and proposed CGP are structured to address

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The method described can be applied even when pressure has retarded normal consolidation and hydrocarbon maturation. These latter cases are similar in nature to sub-salt situations and can result in deep “bright spots” and also the “fizz gas” phenomenon even under overlying fully compacted formations.

TEXT

In order to introduce the ideas presented above and in some coordinated manner, we introduce two “scenarios” for discussion. They follow:

1) Geopressure, as noted, affects rock formations and hydrocarbons much like overlying mobile salt. Reasons for such effects, which include preserving reservoir quality and retarding the destruction of hydrocarbons via the thermal maturation process, are quite similar. Specifically, A) Removing heat more quickly off underlying rocks since the fluid column supporting the overburden is a better conductor of heat owing to thermal eddy currents, and B) Deflection of compaction forces by “squeezing” water from the formation much as salt flowage relieves pressure from rocks below by acting like an open fluid piston system.

Of course both salt and geopressure have excellent seal properties, which can trap hydrocarbon accumulations.

The effect we seek to understand and measure can make problematic circumstances, which are often encountered, comprehensible. One can find bona fide bright spots onshore in Texas for example, in formations like the Wilcox and Yegua at depths or arrival times normally associated with consolidated sands and even below other consolidated sands. There are even documented instances of fizz gas, which had been mistakenly attributed to “small reservoir” size.

In previous writings these ideas had been applied in particular to the offshore Gulf of Mexico and the North Sea (See *AAPG Explorer*, May 1994 “Sub-salt Concepts Due North Sea Try” and *OTC Abstract 7641*, May 1-4, 1995, “Seismic Detection of Juvenile Reservoir Character Under Leaky Fluid Cushions”).

The widespread applicability of these ideas had not been recognized until quite recently. In fact, the economic potential of this phenomenon in placing excellent reservoirs shallower in the section than we might normally expect should not be overlooked!

Following on,

2) If two different areas have identical present-day overpressuring, but one has had this same pressure regime for 30 million years while the second area at such earlier time had twice this overpressuring, what would the present-day measured seismic velocities show? We know that the long-term presence of geopressure and its changes do affect lithology and hydrocarbon maturation and so must have expression also in the present-day measured seismic velocities. If we wish to use such velocities to predict pres-

ent-day geopressure, then it seems that some “adjustment” would be required to account for the Consolidation State of the particular lithology. For the example cited, we would not expect to measure the same seismic velocities for the two cases. Yet for two different velocity measurements to yield the same value of present-day geopressure at the very least requires that some Consolidation State correction be made.

APPROACHING A SOLUTION

In my previously cited work with Neal Berry (1989), we indicated how one might define a consolidation relationship. Such determination requires stratigraphic imaging and interpretation and with a small amount of additional information of some type (well logs? deposition? normal pressure conditions nearby? etc.) and some reasonable assumptions, it becomes possible to estimate a “normal” Consolidation State to act as a reference relationship. These same data and assumptions also enable us to estimate in addition a “normal” seismic velocity function. Both of these functions or curves are related to depths or seismic arrival times as we choose.

Two analogous functions can of course be directly estimated from the seismic data in an area of interest. We will further assume that for the designated normal curves or function pairing, at any specified time or depth, the two values, Consolidation State and velocity are linked together.

In studying the data derived consolidation curve and comparing it to the estimated normal curve, we will likely see values that occur at earlier times (or shallower depths) on the normal relationship. This is the “juvenile” reservoir condition that I have referred to many times previously. The velocity relation for any normal consolidation value as we have noted has to be associated with the Consolidation State value. Hence, the normal velocity of a juvenile Consolidation State value can be readily determined using the function pairs described.

Figure 5 from the 1989 paper presents the type of information that can be used as a starting point for estimating Consolidation State. Velocity as a function of time or estimated depth is, of course, a quite familiar measurement from seismic data.

A CONSOLIDATION CORRECTION METHOD

If we wish to use a measured seismic velocity as some quantitative indicator of geopressure, it is necessary that it be properly referenced according to an appropriate standard. A Consolidation State correction seems to be a logical element needed to develop such a standard. If the Consolidation State measured for an over-pressured part of the section appears to match in value and character a portion of the normal curve for consolidation at some earlier time or shallower depth, then the proper velocity reference for the measured seismic velocities must be that

(Continued)



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Geopressure Continued

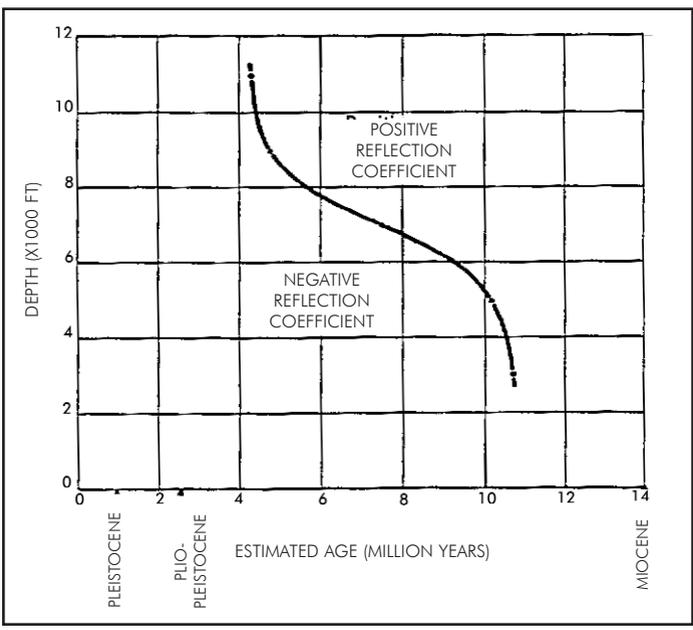


Figure 5. Normal-incidence reflection coefficient zero crossing in relation to depth and estimated geologic age for shale - water interface.

velocity at the earlier time or shallower depth corresponding to the indicated Consolidation State but now as referenced on the normal curve. In this way, the long-term presence of the pressure and its effects on the lithology can in some sense be accommodated.

Of course a procedure as outlined represents crude approximations to complex processes in addition to assumptions made and imperfect data, yet it does represent a first step in which known processes are at least recognized. We should of course understand that improvements and refinements would develop with experience as should accuracy of results.

RELATING ALL THE COMPONENTS

Detailed stratigraphic imaging of seismic data and coordination with such subsurface and/or well bore information as is available enables determination of lithology and hydrocarbon presence. In addition, the determination of velocity information and estimations of Consolidation State make it feasible to estimate so-called normal conditions or "norms" for sand/shale reflectivity.

Using such norms, the paired velocity and Consolidation State relations, we can identify juvenile reservoir state, predict and identify deep bright spots, have indications of improved reservoir quality, and also correct velocity measurements from seismic data to improve geopressure predictions. The method may also be used to determine past-effects of geopressing in cases where normally pressured sections occur today. Also, the reliance on stratigraphically imaged seismic data with only a need for limited subsurface or well-derived information makes for a very cost-effective approach.

DENVER

The Denver Chapter of SIPES has had a busy spring schedule of luncheon presentations, a networking/social gathering, and a visit from the SIPES National Board of Directors. As has been the tradition, all of the gatherings were held at the Wynkoop Brewery in lower downtown Denver.

The April luncheon presentation was titled "Prolific gas production from basin-centered gas: myths and realities" and presented by Bob Cluff, #1832, of The Discovery Group, Inc. and Keith Shanley, an independent consultant.



Bob Cluff of The Discovery Group during his April luncheon meeting presentation.

Basin-centered gas (BCG) has been the cornerstone of Rocky Mountain gas exploration since the late 1970s and is perceived to be pervasive, encompassing large volumes of rock in the central, deeper portions of several Rocky Mountain basins. Key attributes of BCG include widespread gas shows, lack of obvious down dip gas-water contacts, paucity of produced water, abnormal formation pressure, and very low permeability reservoir rocks. BCG is thought to result from widespread hydrocarbon generation driving moveable water out of reservoirs in close proximity to source rocks, resulting in a "dry" system that is everywhere at or near irreducible water saturation.

Cluff and Shanley maintain that evidence gained from exploratory drilling over the last 25 years, most of it specifically targeted at BCG accumulations, demonstrates that the reality is quite different from what most



Jerry Hodgden gives a "hands-on" presentation on the Kansas Nemaha Ridge at the May luncheon meeting.

geologists predict from the published model. BCG is not dry; in fact water production is widespread and common. The low produced water rates are a natural consequence of relative permeability effects in very tight rocks and give the false impression of a system that has been driven to irreducible water saturation. The lack of apparent gas-water contacts is a consequence of very long transition zones in very tight reservoir rocks. BCG does appear to be associated with hydrocarbon generation, at least to the extent that there is widespread availability of gas and most reservoir rocks experienced some transient gas charge in the past. Moveable gas is only found where water saturations have been driven down to low levels where the relative permeability to gas is more than a few percent, and these accumulations are without exception conventional structural, stratigraphic,

or combination traps. Most of the huge "gas resource" attributed to BCG accumulations is immobile gas that cannot be produced because the relative permeability to gas approaches zero. BCG areas are certainly favorable areas to explore because the hydrocarbon charge risk is very low; however, all other elements of a petroleum accumulation must still be assessed in a conventional manner.

The Denver Chapter held a networking social gathering in early May as a break from the typical luncheon schedule, and members were encouraged to invite as guests prospective members to SIPES. Cocktails and hors d'oeuvres were provided thanks to the generosity of the following sponsors: Mike Austin of Austin Oil; Sue and Bob Cluff of The Discovery Group; Bill Goff of Cholla Production LLC; John Hollberg of Hollberg Exploration LLC; Bill Miller of Miller Consulting Services; and Jim Viellenave of ESN Rocky Mountain Direct Geochemical.

The luncheon speaker in May was Jerry Hodgden, #1811, with help from co-author Peter Moreland of Barrett Energy. The title of Jerry's presentation was "In search of The Lost Province - or what you might find if you look just beyond 'conventional wisdom.'"

(Continued on Page 13)



Denver SIPES Chapter members and guests enjoy the networking social held in May at the Wynkoop Brewery in Denver.

CORPUS CHRISTI

Owen Hopkins, #2986, vice president of exploration for Suemaur Exploration and Production, LLC in Corpus Christi, Texas, delivered the April 2004 presentation to the Corpus Christi Chapter. His talk "The Story of Salt – The Only Rock You Eat" was very interesting and informative. Owen has been the co-chairman of the Education Committee of the Corpus Christi Geological Society

since 1985, and has made numerous presentations to schools in the Corpus Christi area to encourage an interest in science.

During our May meeting we were pleased to have Roy Govett, a local independent engineer, as our guest speaker. Mr. Govett discussed the progress on the geologic societies history of South Texas and perspectives on the barrier island shoreline erosion. The Corpus Christi SIPES Chapter donated \$250.00 to Texas

A&M University at Kingsville for the Fossil Recovery Program Hunt. This hunt was held on May 22, 2004.

Texas A&M Corpus Christi President Robert "Bob" Furgason was our June 2004 speaker. Bob talked about the many developments and improvements in progress at the Texas A&M University Corpus Christi.

Ed Egger
Secretary

Denver Chapter News Continued

The portion of the Forest City Basin that covers thenortheastern corner of Kansas has produced oil from the Lower Paleozoic Hunton, Viola and Simpson Formations since 1940. This production has been found in small anticlinal structures near the basin axis at depths of about 2,800 to 3,300 feet. The western flank of the basin rises dramatically from the basin axis up the eastern front of the Nemaha Uplift. The Pre-Pennsylvanian strata were generally eroded from this Late Mississippian uplift, and it has long been assumed that these Lower Paleozoic strata were terminated by a fault system with a vertical displacement of several thousand feet. That fault system is called the Humbolt Fault, and the acceptance of its presence as the controlling factor separating the Forest City Basin and the Nemaha uplift has been generally acknowledged over the years as "conventional wisdom."

However, through the use of proprietary seismic it was determined that Lower Paleozoic strata were preserved west of the supposed "Humbolt Fault" in what is herein called the "Lost Province." It was also observed that these formations were terminated by erosional truncation rather than faulting. Test wells were drilled by Kinney Oil in conjunction with the Kansas Geological Survey that confirmed the presence of Lower Paleozoic horizons and even oil shows in the "Lost Province." A proprietary airborne magnetic survey provided the basis upon which a new pattern of



SIPES Executive Director Diane Finstrom and board member Woody Leel relaxing at the June luncheon meeting.

structural development was postulated that led, along with subsurface geological information and seismic interpretation, to the identification of the positioning of the stratigraphic truncations as well as other prospective structural leads in the area. Since the "Lost Province" was thought to have been west of the Humbolt Fault, it has never before been explored until now, and it is estimated that the Lower Paleozoic horizons there could contain as much as 52 million barrels of oil.

The SIPES National Board of Directors were special guests of the Denver Chapter at our June luncheon. They were in Colorado to attend their annual Think Tank session in the Rocky Mountains, and stopped in Denver to meet the local chapter membership. President Brian Calhoun gave a brief presentation on what's happening at the national level of SIPES.

Not to be upstaged, past president Bill Goff gave the June luncheon tech-

nical presentation and his talk was titled "How a Frog Becomes a Prince." Bill's wife, Emily Hundley-Goff, was co-author of this presentation. Bill spoke of how production was established from Lower Permian Red Cave sandstone in the Colorado, Oklahoma and Kansas area with the discovery of low BTU gas at Interstate Field in Morton County, Kansas. Not until the 1995 Spelunker field discovery in Baca County, Colorado 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 Field is an excellent example of a niche play that can develop into a low resistivity/low contrast/low BTU economic venture with little competition. Bill and Emily illustrated how several small independents banded together to turn this "one time Frog into a Prince."

In other chapter news, the Denver Chapter will host its annual picnic on August 12 at Addenbrooke Park. If any SIPES members find themselves in Colorado during that time and would like to attend please feel free to contact Bill Miller at 303-572-7787 for more information. Last but certainly not least, the Denver Chapter was saddened to hear of the passing of member Jack Jordan after a two-year struggle with cancer.

Bill Miller
Secretary

WICHITA

On April 28, a luncheon meeting was held at the Wichita Petroleum Club featuring Mike Fogarty, #1720, a SIPES Foundation Distinguished Speaker with Exploration Systems, Inc., in New Orleans, who presented an excellent paper entitled "Examples of Fluvial and Shallow Marine Sequence Stratigraphy from Low Cost High Resolution 3D Seismic Data." He discussed recognizing subtle trapping mechanisms resulting from sand

pinch outs and differential compaction with 3-D seismic re-processing. Also recognizable are small scale fluvial-deltaic stratigraphic features such as individual channels and their sand or shale filled content.

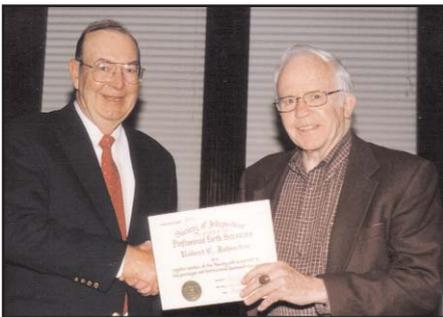
On May 5, the Chapter held our "Spring Sizzle" in an outfield pavilion at Wichita State University's Eck Stadium in conjunction with the WSU-UCLA baseball game. We had an excellent turnout and enjoyed great food and beverages.

On May 19, a luncheon meeting was held at the Wichita Petroleum Club where a presentation was made by Jim Thomas, president of Thomas Energy, Inc., entitled "Kansas Leasing 2004 and Beyond." This was a very good review of the continuing evolution of oil and gas leasing activities. The Chapter will have no activities during the summer.

Orvie Howell
Secretary

OKLAHOMA CITY

The Oklahoma City Chapter began 2004 with the following officers: Chairman Tom Smith; Vice Chairman Tom Rowland; Secretary and National



Roger Wilkinson (left) welcomes new member Robert Johnston.

Board Member Mike Pollok; Treasurer Vic Cooper; Membership Chairman Roger Wilkinson; Political Affairs Chairman Richard D. "Dick" Darnell; and Public Relations Chairman Connie Allen. New members Robert C. Johnston and James B. Jackson were welcomed into the Oklahoma City Chapter in January 2004.



March speaker Tony Say spoke on natural gas prices.



April guest speaker Gary King (left) and Chairman Tom Smith.

At the March 2004 luncheon meeting, Tony Say spoke about natural gas pricing today and into the future, giving members the latest outlook on where prices are going.

At the April luncheon meeting, members were informed by Gary King on the latest developments in the Oklahoma City Geological Library. Although many members use the library on a daily basis, there are so many new additions to its resources that this talk was extremely informative to everyone. New logs in Oklahoma now come to the library as Raster images, and are then printed out in hard copy. Very soon this will also be true for new Kansas and Texas Panhandle logs.

In May, Charles Gilbert gave a book review entitled *The Map that Changed the World*. The book is about the life of Sir William Smith, the "Father of Stratigraphy." The Spring Picnic was held on May 14 at the Elk's Club.

Connie Allen
Public Relations

IN MEMORIAM

We regret to note the passing of the following:

Mark Eidelbach, #1130
of San Antonio, Texas
who died on July 9, 2004



E. Wayne Gordon, Jr., #2449
of San Antonio, Texas
who died on May 29, 2004



Barney C. McCasland, Jr. #92
of Midland, Texas
who died on June 12, 2004



Norman A. Sax, #1088
of Midland, Texas
who died on June 5, 2004



Johnnie W. Thomas
of Frisco, Texas
who worked for SIPES
from 1976-1984
in Midland, Texas
died June 30, 2004



John M. Zordan, #2725
of Golden, Colorado
who died in November 2003





SIPES 2004 BIOGRAPHICAL MEMBERSHIP DIRECTORY CDs HAVE BEEN MAILED

If you want to purchase a print-out of this book, an unbound black and white copy is available from the SIPES office for \$40.

If you have any changes or corrections, please send them to the Dallas office:
4925 Greenville Avenue, Suite 1106, Dallas, TX 75206

MIDLAND

The April meeting of the Midland Chapter was a presentation by Rehka Patel and Rene Calderon of Petris Technology. They spoke about Petris' ability to provide software to the petroleum industry through a web-based platform of services and sys-



April guest speakers Rehka Patel and Rene Calderon of Petris Technology.

tems. The members present were introduced to this technology that includes geoscience and engineering applications on a pay-as-you-go basis.

The May meeting was a very well-received rendition of SIPES member Jim Gibbs' talk entitled "How to Succeed at Property Purchases." Jim, #314, presented this talk at the 2004 SIPES Convention where several Midland members heard it and spread the word about how interesting the subject was. The local members were not disappointed and Jim was given additional kudos for battling laryngitis to deliver this highly informative topic. (See <http://www.sipes.org/film.htm>).

In June, John Hritcko, Jr., vice president of LNG for Shell Trading, updated the members on the current state



Attending the May meeting are (L to R) Vice Chairman Marc Maddox, guest speaker Jim Gibbs and Chairman Jack Naumann.

of the LNG industry and markets. Mr. Hritcko's talk was most timely, given the current publicity being given LNG and its potential impact on the natural gas industry.

Greg Hair
Secretary

NEW ORLEANS

The New Orleans Chapter featured two speakers at its April and May meetings. In April, Howard Held, of Land Management Services, L.L.C. in Metairie, presented "The Landman and the Independent Geologist;" he discussed the land process by which a prospect is put together. Mr. Held's over twenty-five years experience as a landman was split between independent and major company land work. After the informative presentation, he answered a range of questions concerning leases.

The May Dinner awards presentations and announcements were followed by D-Day Museum Research Historian Martin Morgan's talk titled "U-Boats in the Gulf: New Discoveries." He discussed how the discovery of the wreck of the World War II German submarine, U-166, in 2001 led to a revision of the traditionally accepted story of the U-Boat's sinking.



World War II German submarine, U-166.

This year marked the 60th anniversary year of the demise of U-166. The presentation featured a series of the recently discovered, never-before-seen photographs of U-166 and its crew. Mr. Morgan also reviewed how oilfield technology such as side scan sonar assisted in the search, discovery and underwater archeology.

Billy Geen
Secretary

LAFAYETTE

During the month of April the Lafayette Chapter held its monthly meeting at the Petroleum Club. Vice Chairman Jim Gamble introduced our guest speaker, Captain Stephen P. Garrity of the U.S. Coast Guard, who talked about Gulf Coast Homeland Security. He told us of the plans, and the Coast Guard's role in their implementation, to protect our coast and the offshore infrastructure of our industry from external threats.

Our May meeting was the 19th Annual Clay Shoot and Barbeque with a good time had by all who attended. The event was held on May 13 at the Vermilion River Gun Club.

In June the Lafayette Chapter did not meet so we wish everyone a happy and safe summer.

David Dupre
Secretary

HOUSTON

The Houston technical luncheon program continues to draw large crowds in 2004, with our average attendance about 68 members and guests. Our April speaker was Richard



Patrick Shannon (left) discusses South Texas geology with April luncheon speaker Richard Bain.

C. "Dick" Bain, who spoke on "Exploitation of Thin Basin-floor Fan Sandstones, Navarro Formation (Upper Cretaceous), South Texas." The Navarro sand facies in southern Webb and northern Zapata Counties may be hard to find, but if you can predict where it may be present, it is worth deepening a Lobo well to test it. Averaging 10 feet in thickness, it has been proven to have superior porosity and sustained flow rates as high as 9.1 MMCFG. Navarro sands are often too thin (less than 15 feet) to be resolved by seismic as a discrete event Mr. Bain described how to search for the presence of subtle intrabasinal lows where there would have existed accommodation space for the sand, by identifying isochron thicks using adjacent reflections.

Scott W. Johnson, co-founder of oil and gas financial advisors Weisser-Johnson, presented "The Landscape for E&P Financing" to May luncheon attendees; he explained the difficulties of securing capital for drilling projects. Gas represents 70 percent of the commodity produced by independents. In the face of a looming natural gas shortage, investor dollars for drilling continue to remain limited. Past

sources of gas from Canada, the lower 48 states, and the deep water Gulf of Mexico, cannot accommodate the growth in demand. The U. S. will need to implement greater use of LNG and build an Alaskan gas pipeline, or else see sustained prices at the upper end of the National Petroleum Council's forecast range of \$3-\$7 per MCF. Interest in energy investment rises with prices (NYMEX May monthly average \$6.36 MCF, oil \$40.09 BBL), yet like rig rates, trails price increases by 6-12 months. Sources of capital, such as the public market, industry partners, and banks, are now taking notice. Mezzanine financing that fell apart following the



May luncheon speaker Scott Johnson (left) discusses sources of E&P capital with Mike Barnes.

2001 Enron debacle is again coming available. Drilling dollars are slowly returning to support exploration and production.

Attorney Ronald L. Moore brought an important message of caution to the June luncheon attendees with his talk "Where is the 'P' in LLC?" He noted that oral agreements may not be worth the paper they're written on, but conduct can change a deal. Casual use of the term "partner," when referring to a fellow working-interest owner, participant or et. al., in either conversation or correspondence, may have financially catastrophic consequences. Any two entities can be partners, if acting in concert for profit. If as a friendly gesture, you allow the implication to be understood by oth-



Program Chairman John Parrish (left) with Ron Moore, June luncheon speaker.

ers that a deal participant is a partner, others may decide that person is legally your partner. In Texas, the default business entity is general partnership, the parties to which are liable jointly and separately for 100% of all debts and liabilities. Even a 1% partner is liable for 100% of liabilities.

Drilling a well is expensive and many things can go wrong. If a calamity occurs on the rig, if an operator fails to pay the vendors, or a participant goes bankrupt, someone has to pay. When losses and liabilities are incurred, people go looking for a way to reach into others' pockets to settle debts. Lawsuits may land you in court where a jury will decide if you acted in the manner of a partner, or held yourself out as such. Do not place yourself in the position of having to prove you are not a partner. Picture yourself on the witness stand during cross-examination by an attorney asking you the question, "You said earlier that you were a partner in this deal and today you say you are not. Were you lying then, or are you lying now?" It's time to say, adios to the word "partner."

Jeannie Mallick
Secretary

DALLAS

The Dallas Chapter began the spring quarter with an April luncheon presentation on "Downhole Expandable Tubulars." Beau Urech of Lone Star Steel provided a well received update



Dallas Chapter vice chairman Eddie Rhea (left) and June guest speaker Frank Schuh.



Dallas Chapter executive committee from left to right: Vice Chairman Eddie Rhea; Secretary Mark Mathisen; Chairman Jerry Watkins; Past Chairman Dick Cleveland; Treasurer Richard Thompson; and Membership Chairman Ed Gonzales.

on important new developments in expandable steel technology.

The May program shifted to a Friday evening when the chapter held the annual Spring Mexican Fiesta. More than 120 members, spouses and

guests enjoyed a festive dinner at the Royal Oaks Country Club.

In June Dallas Chapter member Frank Schuh, #2095, spoke on new advances in "Directional Drilling Technology" at the monthly luncheon. In addition to the lunch meeting the Dallas Chapter co-sponsored a two day symposium on the "Barnett Shale and Other Ft. Worth Basin Plays" as part of the continuing education program at the Ellison Miles Geotechnical Institute of Brookhaven College. Over two hundred attendees came from as far as London, New York and California as well as the surrounding 5 state area.

Mark Mathisen
Secretary

SIPES Chapter Meeting Information

ARK-LA-TEX

Chairman: Ralph Richardson
Secretary/
Treasurer: Dan Scurlock
Meets: Petroleum Club
Smackover Room
4th Tuesday

DALLAS

Chairman: Jerry Watkins
V-Chrmn: Eddie Rhea
Secretary: Mark Mathisen
Treasurer: Richard Thompson
Meets: Royal Oaks Country Club
3rd Tuesday

HOUSTON

Chairman: Phil Martin
V-Chrmn: Wulf Massell
Secretary: Jeannie Mallick
Treasurer: Larry Rairden
Meets: Petroleum Club
3rd Thursday

OKLAHOMA CITY

Chairman: Tom Smith
V-Chrmn: Tom Rowland
Secretary: Mike Pollok
Treasurer: Victor Cooper
Meets: The Petroleum Club
Bank One Bldg., 35th Floor
1st Wednesday

AUSTIN

Chairman: Tom Miles
V-Chrmn: TBA
Secretary: TBA
Treasurer: Bill Walker
Meets: Various Locations
3rd Wednesday

DENVER

Chairman: Lon McCarley
V-Chrmn: Mike Cruson
Secretary: Bill Miller
Treasurer: Sue Cluff
Meets: Wynkoop Brewing Co.
4th Thursday

LAFAYETTE

Chairman: Bill Finley
V-Chrmn: Jim Gamble
Secretary/
Treasurer: David Dupre
Meets: Petroleum Club
2nd Wednesday

SAN ANTONIO

Chairman: Stewart Chuber
V-Chrmn: Donna Balin
Secretary/
Treasurer: Joe Finger
Meets: Petroleum Club
3rd Thursday

CORPUS CHRISTI

Chairman: Ed Riddle
V-Chrmn: Brent Hopkins
Secretary: Ed Egger
Treasurer: Mike Bergsma
Meets: Town Club
Last Tuesday of month

FORT WORTH

Chairman: Phil Carlisle
V-Chrmn: Steve Poe
Secretary: Steve Poe
Treasurer: Keith Shirley
Meets: Various Locations
2nd Tuesday

MIDLAND

Chairman: Jack Naumann, Jr.
V-Chrmn: Marc Maddox
Secretary: Greg Hair
Treasurer: George Friesen
Meets: Midland Country Club
3rd Wednesday

WICHITA

Chairman: Terry McLeod
V-Chrmn: Dan Reynolds
Secretary: Orvie Howell
Treasurer: Doug McGinness II
Meets: Petroleum Club
Meeting date varies

NEW ORLEANS

Chairman: Bob Murphy
V-Chrmn: Rodney Rymer
Secretary: Billy Geen
Treasurer: Ken Huffman
Meets: Fairmont Hotel
3rd Tuesday

SAN ANTONIO

After recovering from co-hosting the 2004 Convention, the San Antonio Chapter has finally gotten back to normal. The first thing on its agenda was to elect the following slate of new officers: Chairman Stewart Chuber; Vice Chairman Donna Balin; and Secretary/Treasurer Joe Finger. Don McGregor remains as the membership

chairman, and Bill Wilbert as the newsletter liaison.

San Antonio Chapter member Perry Roehl, #1136, showed slides and talked at the July meeting about the classic Lower Cretaceous carbonate El Abra-Tamabra complex in northeastern Mexico. The area north of Tampico has produced copious amounts of oil starting in 1915. The rudistid atoll called the Golden Lane (*Faja del Oro*) is

still producing today. Perry had studied the area while with both Shell Development and Union of California. The meeting was well-attended, and there were several guests.

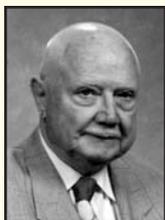
We are also sorry to report that long-time members Mark Eidelbach and Wayne Gordon died during the past quarter.

Bill Wilbert
Newsletter Liaison

IN MEMORIAM

Thomas Hughes Philpott, #300

(1919 – 2004)



Tom Philpott - simply stated - was a geologist's geologist and a man's man. For over 60 years he graced our profession with his presence in so very

many ways, including working as a company geologist and officer, a professor, as an independent and consulting geologist, and of course by his many professional activities and contributions.

He distinguished himself over the years as one of the premier geologists in the Gulf Coast, and was unfailing in his efforts to help his fellow geoscientists in every possible way. He passed away on January 18, 2004, in Mandeville, Louisiana, at the age of 84.

Tom was born on July 19, 1919, in Chicago, Illinois, where he spent his early childhood. He moved to Oklahoma where he received a B.S. degree in geology from the University of Oklahoma in 1939; he also did graduate work there. He began his professional career in 1939 with Standard Oil Company of Louisiana, which was shortly taken over by the Carter Oil Company. He remained with Carter, including a tour in the navy, until 1953. While with Carter in Shreveport, Tom also served as a professor of geology at Centenary College in the Evening School Division from 1947-53. During this time he collaborated with Roy T. Hazard and B.W. Blanpied to create *The Standard Columnar Section of Arkansas, Mississippi, and North Louisiana* which is

still in use. In addition, he was instrumental in publishing *The Reference Report on Certain Oil and Gas Fields of North Louisiana, South Arkansas, Mississippi, and Alabama*, Volumes 1 and 2.

Tom moved to New Orleans in 1953, where he served several smaller companies including Olin, Nilo, and LaSalle Oil. In 1964, he joined the Edwin L. Cox Company as exploration manager, and remained with them until 1975. In 1981, he was a founder and became senior vice president of The Exploration Company of Louisiana. During this period he participated in many discoveries, including North Maurice Field in Lafayette Parish with Cox. Since 1985, Tom was an active independent and maintained a successful consulting practice.

Tom became an active member of the AAPG in 1941, and served as vice president from 1963-64. AAPG awarded him an Honorary Membership in 1993. He was a founder of the Gulf Coast Association of Geological Societies (GCAGS) in 1950, and was the first editor of the *GCAGS Transactions* in 1951. He served as president of the GCAGS in 1962. In 1990, the GCAGS awarded him Honorary Membership. The 1997 *GCAGS Transactions* were dedicated to Tom, and in 2001 he received a Special Recognition Award by having the GCAGS/GCSSEPM Excellence of Presentation Award named in his honor. At the 53rd annual GCAGS Convention he was awarded the Don R. Boyd Medal for Excellence in Gulf Coast Geology. The list of committees he served on in the GCAGS and the AAPG is endless. Among these, he was very instrumental in developing the national certification of petroleum geologists by AAPG, and became CPG #5.

Always a deeply religious and very humble person, Tom felt that he was very fortunate to have had the cooperation and support of many people with whom he was associated over the years, and he credited many of his colleagues for his success.

Tom was happily married for many years, and he and his lovely and devoted wife, June, lived in Mandeville, a suburb of New Orleans. He was very proud of his children and his many grandchildren.

Once when I was reviewing and compiling a list of his many awards and accomplishments for presentation at yet another recognition ceremony, I asked Tom to review my write-up for approval. He looked at what I had written, made some minor suggestions, and gave me his approval. I then asked him which of all these accomplishments and awards was he most proud. He read the paper again, thought for a few minutes, then said "You've written that I was unfailing in my efforts to help my fellow geoscientists in every way." He went on to say "I honestly did do as much as I could to help everyone I possibly could to the best of my ability in every way. That's what I am proudest of, and that's the way I would like to be remembered." Well, Tom, that's just one of the many ways in which you and your sixty-five years in the profession and business will be forever remembered. We won't see your like again, the current state of the oil business doesn't provide opportunities for someone like you to come along. All of us will miss you terribly, and thank you so very much for sharing your life with us.

Donald I. Andrews, #1717
New Orleans, Louisiana

Solid Propellant Gasgun™

The GasGun is like many technologies that are developed for a particular application and are then found to work in other applications as well. The case in point — perforating through abnormal cement accumulation behind casing.

The well in question is the Gordon #2, Cologne Field, Victoria County, Texas. It was drilled to 2100 feet, and 4 1/2" casing was cemented to surface on March 1, 2002. The Miocene 1950 Sand was perforated into a very, very, fine-grained unconsolidated sand.

The first few months of production was dry gas, but sand began to appear, at increasing amounts, in a slurry of sand/gas/water until the well watered out after only producing 8500 Mcf of gas. The zone was abandoned and we moved up the hole to perforate the 1600 Sand, again into the same type of sand and production. The well watered out after producing only 13,000 Mcf of gas. However, the reserves were still in place, with original pressures of 820 psi and 700 psi.

Unfortunately, a cement bond log was not run at the time of the primary cement job. A bond log was run on May 30, 2003, showing little cement in the hole, and no bonding across the two perforated zones. This certainly could have contributed to the production problem.

The next several days were spent on a number of squeezes, re-squeezes, drilling out and re-perforating, to no avail, in the upper zone. In the lower zone the second re-squeeze held, but there was no recovery from the new perforations. Obviously, there was little penetration into the cement. The assumption was made that production of the slurry of sand/gas/ water had created a void of sand around both sets of perforations. The primary cement and all the cement from subsequent squeezes filled up the hole from the bottom, then going horizontally into this lower void and possibly into the upper void as well. The 1600 Sand was lost in this well, but hopefully the 1950 Sand could still be saved and produced.

Plans were made to perforate with a 3" casing gun, but wet weather put

the plans on hold. In the meantime, we learned of the solid propellant GasGun offered by J Integral Engineering. We were intrigued that the fractures this gun creates grow radially from 10 to 100 feet out into the formation, but no more than 2 to 5 feet above or below the zone treated — that was exactly what we needed! Even though the GasGun was designed to frac carbonates and hard sandstones, why couldn't it frac cement as well?

I talked this over with Richard Schmidt, of J Integral, on the phone and the GasGun had been used successfully on several cement jobs. Considering the easy field procedure, safety and reasonable cost, we gave it a try.

GasGun test, November 3, 2003 — Rigged up wireline, shot 3 1/4" X 2' GasGun canister across the 1937'- 40' perforations. Seconds after it went off, the formation took 400 feet of casing water. Swabbed back injected water, no gas or pressure — But in three weeks time 30 psi WHSIP. What happened? Possibly, fractures didn't reach reservoir pressure, but weakened cement allowing pressure to slowly reach fractures!!

November 30, 2003 — SITP 30 psi, flowed 4 to 5 barrels of formation water, pressure increased to 60 psi. Shut in well.

January 2, 2004 — SITP 450 psi, dropped soap stick, open well on 24/64 choke, flowed 2 barrels of water and gas, FTP increasing to 350 psi. On 11/64 choke, flowed 1/2 barrel of water and gas FTP to 650 psi. On 6/64 choke, unloaded slight amount of water, FTP to 800 psi, went to gas, flowed well for 1 hour — calculated 120 Mcf/gpd — SITP 820 psi after 15 minutes.

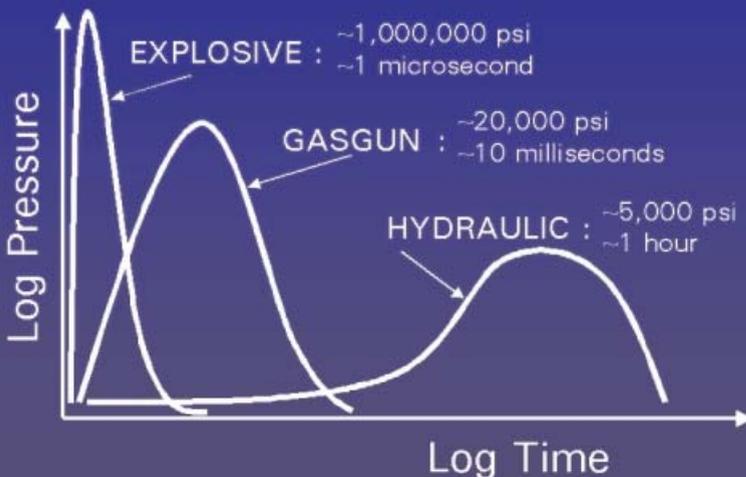
January 6, 2004 — SITP 820 psi. — Preparing to enter sales line.

February 6, 2004 — SITP 820 psi. 5 5/64 choke, 130 Mcf/gpd rate, FTP 810.

February 11, 2004 — FTP 770 psi, 5/64 choke, est. 83 Mcf/gpd, line psi 410.

Robert B. Robinson, #2380

Pressure-time profiles of three stimulation methods



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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 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.

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 **Juergen Dreier**, a master's degree student in petroleum engineering at the Colorado School of Mines; **Dustin Marks**, an undergraduate degree student in petroleum engineering at Texas Tech University; and **Kimberly Doupe**, a master's degree student in geology at the Colorado School of Mines.

\$1250 scholarship awards were presented to **Fulbert Del Mundo**, an undergraduate student in petroleum engineering at the University of Texas at Austin; **Louise Anne Totten**, a master's degree student in geology at the University of Oklahoma; **Emily Martin**, a master's degree student in geology at Tulane University; **Ann Anderson**, an undergraduate student in geology at the University of Texas A&M at Corpus Christi; and **Joseph Roy Johnson, Jr.**, a master's degree student in geology at the University of Southern Mississippi.

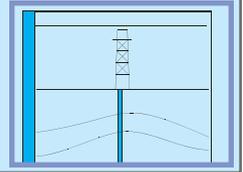
Since its establishment in 1981, the SIPES Foundation has awarded scholarships to more than 135 promising earth science students. Funding for the 2004 awards was made available through donations from SIPES members; a bequest from the estate of Marvolene Speed Bennett, widow of the society's founding 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 continuing education programs in the earth sciences, and 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.

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I would love to spend another Saturday morning riding around with my Dad in the company truck, changing charts and opening gates.

During my high school years I perceived that I was one of the more "intelligent" students at FSHS, at least that's what my Mom told me and what my Dad expected me to be. In my senior year, I was so bold as to take Mr. Harrell's physics class. We had only ten students, out of a graduating class of 135, that thought they were smart enough to take on Mr. Harrell's demanding physics. He challenged you everyday and expected you to perform. I was so smart to take his class because college physics 101 was review for me (well, maybe the first six weeks). During 1969, my senior year, when it came time to make a career choice, it was easy. Petroleum Engineering was a natural because after all, I was smart and I already knew how to change a chart and open a wire gate. Only I wasn't so smart anymore; everyone in petroleum engineering at Texas Tech was smart or smarter, and the oil business was in a slump in the early 70's. After my junior year at Tech, I was in too deep to change majors. Boy, was I dumb.

But the Arab oil embargo made me look smart again. I got offered a job with Texas Oil and Gas in Corpus Christi, Texas and, after working summer jobs for minimum wage in the oil fields of West Texas, I never dreamed I would be making so much money. They even gave me a new white Chevy Impala to drive with a mobile phone. The ladies were impressed with the mobile phone. I was going to go to the top of TXO corporate structure and a masters of business administration would get me on the fast track. After all, I was smart, and all of my BA buddies at Tech worked half as hard as I did and made 3 point GPAs. Again, I was dumb. Those people in night school were focused and these were accelerated classes. This was work.

After two years of corporate life, I decided that working for a small independent/consultant was a good career move. Never knowing when and where the next consulting job was going to take me, I nixed the MBA plan and it cost me a \$100 bet with my Dad (dumb move, never bet against the old man). But the oil and gas business was booming by the late 70's and there was no limit to the potential for a smart guy like me. In fact, after being away from college life for only four years and still single, I started my own consulting business. If I had realized how little I knew, I would have never made that move.

In spite of my dumbness, because it was boom time, I still made a good living as a consultant. When an acquaintance asked me to make a structure map on an old oil and gas lease he had acquire, I said "yes." He

would "flip" the lease to an operator and we could split the proceeds. I'm embarrassed now about that first "deal" because if I showed the same amateur idea to me now, as a buyer, I would laugh. I made \$5000 on that first deal, and I was hooked. Even dumb people can survive during the good times.



Brian S. Calhoun

This was my new exploration plan — in my spare time I would look through the scout tickets in the log library for wells that tested gas on DST, and because of low natural gas prices, or lack of market, had been plugged (pretty smart, huh). My partner and I formed Raider Oil Corporation (Great company name for a couple of Tech alumni). Based on my brilliant exploration plan, we raised money for our first prospect in Jim Wells County, and the Torrans No. 1 turned out to be a producer. We moved over to Duval County, and drilled the Peters No. 1 and No. 2 wells. I was three for three, and I was smarter than ever. I think I even grew two inches taller that year. Then we drilled the Torrans No. 2. That had to be the stupidest idea ever drilled. It was so dry, I get thirsty just thinking about it.

Like I said, it was hard not to be successful during these times. By 1981, my partner wanted to go it alone, and I wanted to accommodate him. We split during the absolute peak of the business. There were over 4100 drilling rigs running in the US and there was no end in sight as to how high it would go; or so we thought.

By year end 1982, the rig count was half of the peak, but I was the smart one who sold out at the top and I had cash. I tied a big chunk of it up in a lease block for a small Yegua prospect in Lavacca County, Texas. I had too much money tied up in leases, I had no seismic support, and I had no down dip shows. Consequently, I learned the true meaning of rejection. After some sixty turn downs and two rental payments on a three-year lease, I was beginning to think that I wasn't so smart anymore.

Finally someone paid me a nominal amount for a seismic option on the deep Wilcox. Their dip line went directly across my Yegua idea, and I was back in business. I sold the deep idea and the shallow, doubled my money, and made a couple of really good Yegua oil wells. Suddenly I'm brilliant again. But even good wells can't rescue you when oil goes to \$9/barrel and your bank loans were based on \$30/barrel. It's a scary thing to wake up and realize in a down economy that you have a negative net worth and a negative cash flow. Thank God for overrides and HBP acreage, because someone drilled a well on that old Torrans lease and it provided enough cushion to see me through to the next "smart" deal.

(Continued)

I could go on and on about how smart, and about how dumb I've been in my career. We've only partially covered ten years out of a thirty-year career, and I haven't even touched on my personal life. I'll save that for some other time. By now you are probably asking yourself, does this have any connection to SIPES? The answer is "yes." Joining SIPES early in my career was one of the smartest things I've ever done (*not as smart as marrying my wife, but it ranks up there pretty high*).

I'm sure that most of the geologists reading this are also asking: "why does every petroleum engineer think he can map geology?" Based on some of my earlier exploits, you are probably justified in asking that question. I recognized pretty early that my basic geology courses at Tech weren't sufficient for what I wanted to accomplish.

I found great mentors in the Corpus Christi SIPES Chapter. Any idea that I conceived, I could take to one of several SIPES friends like Fred Thompson, Bob Owen or

Jack Klatt. They always had time to "guide" me and they freely shared their insights, years of experience, and collective wisdom. There was never the slightest fear that these men couldn't be trusted with my unleashed ideas. Their character was impeccable. They were wonderful mentors.

As I have gotten more involved in SIPES, I have met many more men like Fred, Bob, and Jack, and I continue to gain from their wisdom. But the gains that I most cherish, are the friends I have made and the fellowship I have enjoyed. While I am still looking for the prospect that is the real company maker, in the search process I have been blessed with a wealth of great relations among friends and awesome support from my family. I don't know if that makes me smart but, I'd like to think so.

Respectfully submitted
Brian Calhoun

WELCOME NEW MEMBERS

The following new members were approved by the SIPES Membership Committee
 from March 19 to June 17, 2004:

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Larry D. Bartell, #2526, of Houston, Texas received the Houston Geological Society's Distinguished Service Award at a June 26th dinner meeting.

Houston National Director **Paul W. Britt**, #2249, is serving as general chairman of the organizing committee for the 2004 APPEX event to be held in Houston, Texas on September 14-16. SIPES is a co-sponsor for this prospect expo.

Robert L. Countryman, #2799, of Bakersfield, California is the current AAPG Secretary.

West Texas Geological Society Pioneer Awards were presented in May to **Charles M. Hartwell**, #1143, **Nolan Hirsch**, #475, and **M. Russell Stipp**, #759, of Midland, Texas.

Lee Higgins, #2267, of Flower Mound, Texas, is the new vice president of Dallas Geological Society.

Neil F. Hurley, #2754, of Golden, Colorado is currently serving as AAPG Vice President.

Peter MacKenzie, #2991, of Worthington, Ohio, is currently serving as secretary for the Eastern Section of AAPG.

Donald P. McGookey, #1003, of Midland, Texas received the 2004 Dedicated Service Award from the West Texas Geological Society at a May banquet.

Rosemary P. Mullin, #2319, and **Robert O. Hubbell**, #770, of Houston, Texas received President's Awards from the Houston Geological Society at their June awards dinner.

Terrence G. O'Hare, #2692, of Dallas, Texas received Dallas Geological Society Honorary Membership at a May banquet. He had served as a president of DGS, and also as general chairman of the AAPG 2004 Annual Convention.

John F. Parrish, #2923, of Houston, Texas has been elected first vice president of the Geophysical Society of Houston. He also is serving as the program chairman for SIPES Houston Chapter.

Mark A. Rainer, #2369, of Dallas, Texas is the new president of the Dallas Geological Society.

Peter R. Rose, #1264, of Austin, Texas was elected president-elect of AAPG.

Deborah K. Sacrey, #1271, of Houston, Texas is the current president-elect of AAPG's Division of Professional Affairs.

construction of building facilities - houses and commercial buildings.

This approach is overly burdensome for oil and gas facilities. For example, subdivisions are properties that are purchased by the developer, go through an extensive design process, and have a construction period that may be months or years. The timing for permitting is not a critical path item. Conversely, oil and gas production operations involve the leasing of surface rights, construction occurs within a matter of weeks, and timing is critical because it involves obtaining a drilling rig that must be carefully scheduled and is paid for based on the number of days it is in use. Disruption in this process can place entire projects and substantial capital at risk. These consequences are at issue in the Phase II regulations.

Because of these concerns, we believe that EPA should conduct a thorough reassessment of its approach to stormwater construction permitting and oil and natural gas exploration and production facilities. EPA's proposed suspension of the Phase II stormwater construction regulation as it applies to oil and gas exploration and production facilities initiates an opportunity to consider alternative approaches that would be consistent with the environmental impacts of construction of these facilities and minimizing the regulatory burden. (*www.ipaa.org*)

EPA To Delay Spill Prevention, Control and Countermeasure (SPCC) Rules: The lawsuit filed by API and others against the Environmental Protection Agency regarding SPCC rules was finalized and a settlement agreement was made public. The EPA initially stated that it was planning on allowing the 2002 SPCC rules to take effect in August 2004 and planning on developing discretionary enforcement guidelines for regional offices.

Industry groups expressed concerns that EPA's discretionary enforcement approach would have been confusing and inconsistently applied and asked for time for the EPA to address the settlement agreement issues through the rule making process instead of through discretionary enforcement. (*OIPA Wellhead*, May 2004).

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To be the pre-eminent organization for furthering
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 (2) professional business ethics, and
 (3) presenting a favorable, credible
 and effective image of the Society.

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