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Art Berman

“U.S. Shale Gas: A Different Perspective on Future Supply and Price”

Wednesday, August 15, 2012
Midland Country Club, 11:15 a.m.

Abstract

A secular shift has occurred in the U.S. to drilling mostly shale wells. The tremendous number of wells drilled in the last several years has contributed to an over-supply of gas. Operators have indulged in an orgy of over-drilling for many reasons but adding reserves, holding leases and company growth are among the main factors. The inevitable result has been the collapse of prices. Most analysts forecast that the future will be much like the present, and that natural gas will be abundant and cheap for decades. There are, however, strong and consistent indicators that natural gas supply may be less certain than most observers believe.

While gas prices remain at sub-commercial levels, higher demand and the flattening of supply have resulted in a 70% price increase since April, 2012.

Shale gas reserve forecasts have followed a formulaic model that assumes strong hyperbolic flattening and attendant long well life and high estimated ultimate recovery. This model is based on a limited data set of tight sandstone production history that may have little application to shale gas reservoirs because of lower permeability.

Some of the shale gas plays may be at or near peak production at least at current prices. Most producing areas are in decline. Intermediate-term shale well performance is poorer than previously assumed.

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2012– Local Chapter Upcoming Meetings

- **August 15– Art Berman**
- **September 19– TBA**
- **October 17– TBA**



July Speaker

Billy Harris

**(Craig Smith, Billy Harris
and Brian Miller)**

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**The Midland Chapter of
SIPES has been given
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Continuous drilling has masked this problem so play decline rates are not recognized and overall production is always increasing. Decline rates are, however, a problem and most of a shale gas well's reserve is produced in the first few years. Well life appears to be shorter than initial expectations.

The gold rush is over at least for now with the less commercial shale plays. The money and activity have moved to more oil-prone shale plays like the Eagle Ford and Bakken or to higher potential gas plays like the Marcellus Shale. Improbable stories that great profits can be made at increasingly lower prices have intersected with reality. A painful adjustment is occurring in the natural gas exploration and production industry. Jobs will be lost and projects will develop more slowly. This may expose the myth of long-term natural gas abundance and cheap gas as an illusion. The good news is that this adjustment will lead to higher gas prices in a future less distant than most believe.

Biography

Arthur E. Berman is a geological consultant with thirty-four years of experience in petroleum exploration and production and has an M.S. in Geology from the Colorado School of Mines and a B.A. in History from Amherst College. He worked 20 years for Amoco Corporation (now BP plc.) and has been an independent consulting geologist for 14 years.

He currently is consulting for several E&P Companies and Capital groups in the energy sector. He frequently gives keynote addresses for investment conferences and is interviewed about energy topics on television, radio, and national print and web publications including CBS, CBC, CNBC, CNN, Platt's Energy Week, BNN, Bloomberg, Platt's, Financial Times, Rolling Stone and New York Times.

He is a Director of ASPO-USA (Association for the Study of Peak Oil & Gas USA) and is a Managing Director and a frequent contributor at the Oil Drum, and an associate editor of the AAPG Bulletin. He is on the board of directors of the Houston Chapter of SIPES, past editor of their Bulletin, and Vice-President of the Society.

He has published more than 90 articles on geology, technology, and the petroleum industry during the past five years. Publications topics include petroleum exploration, oil and gas price trends and cycles, and petroleum play evaluation. He has published 13 articles on shale gas plays including the Barnett, Haynesville and Fayetteville shales.

During the past year, he has made 28 presentations to the energy sector boards of directors and executive committees, financial analyst conferences, oil & gas association meetings, and engineering and geological society meetings. He is a guest lecturer at the Rice University Jesse H. Jones Graduate School of Management.

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<http://sipesmidland.org>

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The Midland Chapter will be soliciting sponsorships for our monthly luncheons in the coming year. Any member interested in doing so may contact Billy Harris, our Sponsorship Chairman. They will be recognized in the monthly newsletter as well as given time to address the luncheon meeting. Suggested donations are \$350.