- SIPES INDEPENDENTS PARTY
- SIPES CES, HOW TO BE AN INDEPENDENT
- $110 BILLION IN DEBT
- HOUSTON’S RECESSION
- ISIS OIL DESTROYED
- 20 MONTHS, 90 BANKRUPTCIES
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On the cover:
Enchanted Rock: Legend states Tonkawa Indians named this popular 425-foot pink granite batholith, believing a Spanish conquistador cast a spell on it, making magical ghost fires glow at the top.

Email your cover photos to: AllenEnergyLLC@gmail.com
There is no SIPES Luncheon this month (August).

Mark your calendar for two great SIPES Houston events: The Continued Education Seminar on November 3rd (page 4) and the SIPS Houston Independents’ Party August 18th (page 7). The Continued Education Seminar focuses on how to be an independent. The Independents’ Party is a gathering of independent oil men and women from around Houston celebrating our unique industry. Both of these events are good options for networking, especially if you are recently independent.

For fun, let’s predict what the oil price will be on December 31st. On page 13 you will find information on how to join in on this fun competition.

Jeff Allen

**IMPORTANT**: the Petroleum Club has a new rule concerning food – if you don’t specify your special-needs meal before the luncheon you will be charged an extra $20. We don’t want anyone to be charged extra so please take the time to contact BK for your special meal needs well ahead of time.
Abstract
The northern Gulf of Mexico provides an unparalleled natural laboratory for stratigraphic research. This talk summarizes over two decades of research focused on using the late Quaternary stratigraphic record of the northern Gulf of Mexico to better understand how variations in sea level, climate and other factors regulate sediment supply to the basin, how changes in sediment supply are manifest by stratigraphic architecture. Next, we will explore how stratigraphic architecture can be used to prospect for hydrocarbon reservoirs using a simple sequence stratigraphic framework.

Biography
John Anderson is the Maurice Ewing Professor of Oceanography at Rice University. His current research interests are in 1) the recent retreat history of the West Antarctic Ice Sheet and those factors that regulated ice sheet retreat, and 2) The evolution of the US Gulf Coast and response of coastal environments to global change. He has authored and co-authored 250 peer-reviewed publications, edited 5 volumes and published two books, “Antarctic Marine Geology” (Cambridge University Press) and “Formation and Future of the Upper Texas Coast” (Texas A&M Press). He has led 24 scientific expeditions to Antarctica and countless field programs in the Gulf of Mexico and its coastal waters. John was the recipient of numerous professional, teaching and mentoring awards, including the 2007 Shepard Medal of the Society for Sedimentary Research, and is a Fellow in the Geological Society of America.
The EIA has published a website to help educate the public on the drivers of crude oil and petroleum products. The website is free and informative. Explore the websites by clicking on the images above or below.

The new website shows how global petroleum product prices move in relation to each other. In the long term, global petroleum product prices tend to move together because these products can be transported between markets, which links the supply and prices of these products. In the near term, however, factors such as product specifications, refinery maintenance schedules, unplanned refinery outages, transportation constraints, consumption seasonality, and regional inventory levels can result in diverging price trends.
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Certificate of Attendance, Networking Lunch, Continental Breakfast, Coffee and Break refreshments are includ-
ed in the Registration price.

MORE INFORMATION TO COME NEXT MONTH
# August 2016

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*SIPES Independents Party!*
U.S.-led coalition aircraft destroyed an estimated $11 million worth of oil and trucks over the weekend in the largest single air-strike this year against the Islamic State’s black market oil trade in Syria.

“You’re going to have multiple effects from this one strike,” Air Force Lt. Gen. Jeffrey Harrigian, commander in the Middle East, said Tuesday. “We’ll have to see what this does to their ability to generate fighters.”

Waves of aircraft destroyed 83 oil tankers sitting in the open in Sunday’s attack. The attacks were ordered after a pilot spotted some vehicles gathering in Deir ez-Zor province, a key oil-producing region in Syria controlled by the Islamic State, also known as ISIS or ISIL.

The coalition command sent a surveillance aircraft over the area. The command then quickly directed A-10 attack planes, F-16s and two coalition aircraft, which together launched more than 80 weapons, including bombing and strafing runs, at the vehicles.

After the coalition bombing campaign began two years ago, militants have since learned to avoid concentrating their forces or supplies in the open to avoid airstrikes. “This is a very good indication that they’re having trouble commanding and controlling their forces,” Harrigian told USA TODAY in a telephone interview from his headquarters in Qatar.

The strikes follow a similar miscalculation made by the militants in June, when several convoys of fighters and weapons attempted to flee the Iraqi city of Fallujah. Coalition airstrikes killed more than 300 militants and destroyed at least 200 vehicles.

Last year, the U.S.-led coalition launched a campaign, called Tidal Wave II, aimed at crippling the Islamic State’s ability to generate revenue from selling black market oil. The campaign is named after a World War II operation to bomb refineries that were fueling the Nazi war machine.

Read more at USA TODAY

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**Oil News Around the World**

- Israel has approved 24 new blocks in its economic waters that will be marketed in an international tender process, the Ministry of National Infrastructures, Energy and Water Resources said in an e-mailed statement. The plan comes as the country aims to jump-start its fledgling energy industry and export fuel abroad.

- China imported about 7.35 million barrels a day last month, the slowest pace since January, according to data from the General Administration of Customs.

- Iran may lose market share in India as Essar Oil Ltd. expects to cut back purchases from the country following the completion of a deal with OAO Rosneft, according to Lalit Kumar Gupta, the Indian company’s chief executive officer.

- The EIA downgraded its price forecast of WTI to $41.16/BO in 2016 and $51.58/BO in 2017.

- OPEC meets to discuss their markets in September. The Oil price has been unstable waiting on their news.

- U.S. Crude and Gasoline inventories are declining but still at a two-decade record high.

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For events and announcements please visit the website.

Attendance confirmation and payment for luncheons can be done through the website.

Many growing pains with the website have now been resolved and will continue to be fixed.

Any questions or issues with the website can be directed to DANNYMATRANGA@GMAIL.COM
The July luncheon lecture was by John W. Snedden, Senior Research Scientist and Director of the Gulf Basin Depositional Systems research project at the University of Texas at Austin. He spoke about Mesozoic plays in a lecture entitled “Rejuvenation of the Mesozoic Plays of the Gulf of Mexico Basin: Onshore to Offshore.” The talk was a tour-de-force of research methodologies and the evolution of the Gulf basin ultimately applied to consider new play concepts. Research was conducted by ten staff members including other researchers, undergraduate and graduate students and support staff.

Data employed in the research of several types, including zircon geochemistry, on-bottom-seismic refraction (OBC; yes, refraction) data, existing 2-D and 3-D seismic data and paleographic maps in GIS format which were provided by the study’s outside sponsors. Over 2,000 wells with biostratigraphy were also integrated into the study.

The refractive data facilitated interpretation down to picking the ’Top of the Mantle’. The OBC data, zircon geochemistry and biostratigraphy combined to facilitate the reconstruction of paleo-depositional models for the Gulf Basin for several stages in its development from pre-opening to present.

Several diagrams were presented detailing these depositional systems. Of note was tracing through geological history various depositional sources and continental drainage divides from east to west and south to north. These models are based on the chemical composition and mineralogy of the host rocks and the various oils available for analysis.

Within the Gulf Basin predictions are made for an increase in deeper discoveries on shore, on the shelf and in the deep water of the Gulf of Mexico.

In summary, the results are interesting enough that the GCS-SEPM is convening a special meeting entitled “Mesozoic of the Gulf Rim and Beyond.” The meeting will be held December 8-9, 2016 and will take place in Houston. For additional information visit the GCS-SEPM website: www.gcssepm.org

Thank you
Houston SIPES Chapter
For Providing
Education, Networking and Business Opportunities to the Houston Independents
Dan L. Smith
713.759.6095
News From The Board by Barry Raya

The monthly board meeting proceeded in a businesslike manner this month; here are a few highlights for the membership. There are two new candidates for Membership in July, Richard “Dick” Willingham for full membership and Tanyia Chuites for chapter affiliate.

Bar sponsorship was not covered this month. There was a cash bar at the luncheon. Please give Chris Atherton a call if you or someone you know might be interested in a sponsorship.

The Continuing Education committee, headed by Bill Bippus is putting together a great seminar. Twelve talks are planned at this time and eight have been confirmed. Helga Sheller will be assuming marketing duties from Christine Milliner. Sponsorships and underwriting are being sought; graphics for announcements are just getting started. If you know of someone that might be interested in sponsoring this event please contact Russell Hamman.

Sponsorships for the Independents Day networking event have been found from within the Board of Directors. The Cadillac Bar and grill will host the event.

The Treasury continues to be in good shape. Luncheons are barely breaking even in income versus expenses. Discussions concerning raising luncheon costs and annual dues (both expenditures being amongst the lowest as compared to many local professional societies) consumed about half the meeting time. The decision was to leave the current pricing in place but that the discussion would continue at a later date.

Please email your answer to the editor, AllenEnergyLLC@Gmail.com

Quiz:

Houston is sinking. Give two reasons why Houston is sinking. (hint, read the July SIPES Newsletter)

Winner of the July Pop Quiz is Bill Smith of Wilcox Oil and Gas. Linn Energy had the most debt when filing for bankruptcy in 2016.
A report published earlier this month by Haynes and Boone found that ninety gas and oil producers in the United States (US) and Canada have filed for bankruptcy from 3 January, 2015 to 1 August, 2016.

Approximately US$66.5 billion in aggregate debt has been declared in dozens of bankruptcy cases including Chapter 7, Chapter 11 and Chapter 15, based on the analysis from the international corporate law firm.

Texas leads the number of bankruptcy filings with 44 during the time period measured by Haynes and Boone, and also has the largest number of debt declared in courts with around US$29.5 billion.

Forty-two energy companies filed bankruptcy in 2015 and declared approximately US$17.85 billion in defaulted debt. The costliest bankruptcy filing last year occurred in September when Samson Resources filed for Chapter 11 protection with an accumulated debt of roughly US$4.2 billion.

The study noted an acceleration in bankruptcy filings in 2016 with forty-eight filings in the first seven months alone including at least twelve cases with defaulted debts of at least US$1.2 billion. Oklahoma-based SandRidge Energy reported a US$8.2 billion deficit for during a one-week span in May where seven firms declared bankruptcy on debts of at least US$26.7 billion.

In June and July, nine companies filed for bankruptcy with roughly US$6.7 billion worth of debt, as the Haynes and Boone study shows.

The main factors behind the rise in bankruptcies is the fall in the price of oil, hurting companies that over expanded with cheap debt. Haynes and Boone researchers expect the number to bankruptcies to keep increasing in the months ahead due to the low price of oil.

The bankruptcy bug isn’t only affecting North American energy firms. A Deloitte study published in February concluded that a “third of the world’s publicly-traded oil companies are at high risk of going bankrupt this year.”

Read more at OilPrice.com

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**20 months, 90 Bankruptcies**

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Mesozoic of the Gulf Rim and Beyond: New Progress in Science and Exploration of the Gulf of Mexico Basin
35th Annual GCSSEPM Foundation Perkins-Rosen Research Conference
DECEMBER 8-9, 2016 Marathon Oil Tower Auditorium
5555 San Felipe Street

HOUSTON, TEXAS

The 2016 Perkins-Rosen Research Conference will focus upon the Mesozoic of the Gulf Basin, from mountain source terrain to deep-water abyssal plain. A significant portion of the program will be devoted to the Mesozoic of Mexico and its potential for international exploration. A highlight will be a special SEPM-sponsored research symposium on Mesozoic source to sink: provenance and process led by Mike Blum (U. Kansas).

Other Topical sessions
- Mesozoic depositional models, onshore to offshore
- Pre-salt basin paleogeographic reconstruction
- Emerging Mesozoic Plays in USA and Mexico
- The KPg impact event and sedimentary effects
- Mexico’s Mesozoic reservoirs and future potential

Optional Core Workshop, December 7th, BEG Core Lab, 11611 West Little York Rd.

Technical Program Committee Leaders
John W. Snedden, UT-Austin; Mike Blum, U. Kansas, Chris Lowery, UT-Austin

For information and Registration
http://www.gcssepm.org/secure/registration_2016.htm
Attention SIPES members!

You will have until August 29th to email your prediction for the price of WTI Oil at the end of the year (Dec 31st).

Email: AllenEnergyLLC@gmail.com

What do you think the price of WTI will be on Dec. 31st? 

The worst may be yet to come for some strained oil services companies as $110 billion in debt, most of it junk rated, creeps closer to maturity.

More than $21 billion of debt from oilfield services and drilling companies is estimated to be maturing in 2018, almost three times the total burden in 2017, according to a report from Moody’s Investors Service on Aug. 9. More than 70 percent of those high-yield bonds and term loans are rated Caa1 or lower, and more than 90 percent are rated below B1.

Speculative-grade debt is becoming increasingly risky, as the default rate is expected to reach 5.1 percent in November, according to a separate Moody’s report. The 12-month global default rate rose to 4.7 percent in July, up from its long-term average of 4.2 percent, Moody’s wrote. Of the 102 defaults this year, 49 have come from the oil and gas sector, Moody’s noted.

“While some companies will be able to delay refinancing until business conditions improve, for the lowest-rated entities, onerous interest payments and required capital expenditure will consume cash balances and challenge their ability to wait it out,” Morris Borenstein, an assistant vice president at Moody’s, said in the report.

The pressure on oilfield services companies will only increase through 2021, when nearly $29 billion of bonds and loans are expected to come due. Much of the maturing debt was issued between 2011 and 2015, when U.S. drilling was at a record high fueled by strong energy prices and new technologies. Moody’s expects that more than one-third of the analyzed companies will be carrying debt loads that are more than 10 times higher than earnings this year.

“Not surprisingly, these companies are most at risk for debt restructurings and defaults,” Borenstein wrote. “Refinancing needs across the sector are significant.”

Read more at Bloomberg

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THE HOUSTON RECESSION

When each month’s local jobs numbers come along, no matter how ugly they are, it’s tempting to say: Those aren’t nearly as bad as the 1980s. Heck, they’re not even as bad as the recession six years ago.

By many metrics, that’s true. Outside the oil sector, layoffs haven’t been as deep and the economy doesn’t feel as unstable in Houston in downturns past. The difference with this one, and the danger, is its duration: Using a diverse set of indicators that measure economic activity, businesses have been contracting for nearly twice as long as they did after the financial crisis.

That’s what we can learn from the June Purchasing Manager’s Index, which is tabulated by asking businesses whether they’re doing better this month than last month, when looking at factors like new orders, expenses, payrolls, and inventories. This month marked eighteen months in a row where more respondents said business is getting worse rather than better.

Certainly, things haven’t gotten as bad as they did during the worst of the last recession in 2008 and 2009, when the index plunged to 39 on a scale of zero to 100, with readings below 50 indicating contraction. That’s the lowest level since the Houston chapter of the Institute for Supply Management started taking measurements in 1995. The lowest reading during this downturn was 42.7, in April 2015.

But the recessionary downturn lasted less than a year, as the oil and gas turbocharged the Houston economy back into positive territory. Although the rate of job losses in the oil and gas sector has slowed as of late, it’s not clear when that might happen again -- if ever. And businesses can only contract for so long before dying of exhaustion. Read More HERE

RUSSELL LEADS IN EXPORTS TO CHINA

Russia has sold more oil to China than the Saudis seven times since May 2015. According to statistics from China’s General Administration of Customs, Russian oil exports to China increased nearly 42% to over 22 million tons from January to May. For the same period, Saudi oil exports to China totaled 21.8 million tons.

However, the big story isn’t Russia’s slight edge over Saudi Arabia for the first part of the year, but the increase in Russian oil exports to China over the past five years, which have doubled – up by 500,000 barrels per day (bpd). At the beginning of the decade, Saudi oil exports to China were around 20%, while Russian crude exports were below 7%.

Moreover, going forward Russia has a decided advantage over Saudi Arabia since Russian-Chinese oil pipelines are already in place, while the voyage for Saudi crude to China (a distance of around 6500 nautical miles) can take three weeks or more.

In May, state-owned China National Petroleum Corp., (CNPC), China’s largest oil and gas producer, announced that it would start laying a second domestic oil pipeline to allow for increased Russian crude supplies to flow to China’s northeastern city of Daqing. The 942 kilometer (585 mile) pipeline will run parallel to an existing spur off of the ESPO pipeline. Combined, both pipelines will be able to import 30 million metric tons of crude per year to China. ✤
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