LETTER FROM THE PRESIDENT

Our industry has faced many technical challenges since the first modern wells were drilled more than 150 years ago. We have responded to those challenges with numerous innovations, enabling us to drill deeper and deeper wells with longer reach and at ever-increasing water depths. We have maintained an unwavering commitment to explore in and to produce from increasingly challenging environments. The result has been that we have produced billions of barrels of oil and trillions of cubic feet of gas for global industrial growth and better living conditions for people everywhere.

We still have many global opportunities for exploration and production. Our challenge is to produce and deliver these resources utilizing sound technology in safe, cost-effective, environmentally sound ways. We will meet that challenge.

We, members of the Society of Petroleum Engineers (SPE), have always helped the industry meet its challenges through our mission to collect, disseminate, and exchange technical knowledge concerning the exploration, development, and production of oil and gas resources, and related technologies for the public benefit; and to provide opportunities for professionals to enhance their technical and professional competence.

SPE’s mission is the underlying principle in the development of the new SPE Strategic Plan adopted early this year. We have begun work on implementing the plan’s four strategic intents:

- **CAPABILITY DEVELOPMENT** – Help universities train the engineers we need and help those engineers develop their capabilities as quickly as possible.
- **KNOWLEDGE TRANSFER** – Ensure the availability of high-quality technical information on-demand and in user-friendly ways.
- **PROFESSIONALISM AND SOCIAL RESPONSIBILITY** – Help our members maintain professional and responsible standards in all that they do.
- **PUBLIC EDUCATION** – Educate the public and the media about our profession, our technologies, and our contributions to society.

I am proud to be a member of our industry. Only the brightest minds and the latest high-tech, innovative technologies will enable us to meet our world’s energy needs.

I am honored to be a member of SPE. No other organization provides upstream professionals with so many resources to achieve our industry’s mission.
ABOUT SPE

Through booms and downturns, economic swings and variations in demand, one aspect of the petroleum industry has remained constant over the past 56 years: The Society of Petroleum Engineers delivers essential technical knowledge that translates to real-life solutions to the challenges affecting the industry.

SPE has grown from a small, primarily US-based technical organization—originally part of the American Institute of Mining, Metallurgical, and Petroleum Engineers—to become the largest individual-member organization serving the upstream segment of the global oil and gas industry. More than 110,000 members strong, SPE members can be found in 141 countries around the world.

The society experienced phenomenal growth during the past decade, with increases in membership, student chapters, and number of training courses and meetings. At a time when many professional associations saw declines in membership and initiated cutbacks in services, SPE grew in membership, programs, and services. This is a testament to the organization’s relevance in meeting and anticipating its members’ needs. The following pages highlight major activities undertaken in the past year to continue that relevance.

MISSION
To collect, disseminate, and exchange technical knowledge concerning the exploration, development, and production of oil and gas resources, and related technologies for the public benefit; and to provide opportunities for professionals to enhance their technical and professional competence.

VISION
Enable the global oil and gas E&P industry to share technical knowledge needed to meet the world’s energy needs in a safe and environmentally responsible manner.

MEMBERSHIP
SPE’s members represent a diverse cross-section of engineers, managers, consultants, and more, all tasked with meeting the world’s growing energy needs in a sustainable and environmentally sound manner. SPE is home for all E&P technical professionals—nearly two-thirds of the society’s professional members have degrees in fields other than petroleum engineering.

The society began 2013 with record membership. Professional members accounted for the largest growth. Overall, membership grew by 5.5% over the previous year.
While SPE has made great strides over the years, the industry faces many challenges requiring the society to continually improve the services it provides. With these challenges in mind, SPE leaders determined it was time to reassess its direction and core strategies to ensure the society’s continued long-term success.

In June 2012, SPE launched a strategic planning process to assess the direction of the industry and develop a new strategic framework for its next five years. This process, which was completed in 2013, identified four areas of strategic focus that form the foundation for activities that will ensure SPE’s continued growth.

- Capability Development
- Knowledge Transfer
- Professionalism and Social Responsibility
- Public Education
CAPABILITY DEVELOPMENT

A high percentage of the E&P workforce is retiring or will be eligible to retire in this decade, leaving a shortage of professionals. Of further concern, this exodus of older workers will take with them a wealth of expertise and knowledge.

SPE is committed to supporting the industry in weathering this staffing transition by making capability development a strategic priority. Attracting, retaining, and promoting a workforce that is diverse and equipped with the necessary technical and professional skills is essential to meeting the growing demand for energy. The number of future industry professionals also is affected by the size of the faculty availability to teach them.

SPE offers a variety of initiatives that help young professionals and those who are more experienced acquire broad technical and soft skill sets that enable them to perform complex tasks successfully and take the next steps in their career journey.

Training
In 2013, the number of training courses increased by 30% over the previous year. Global training courses were held in conjunction with workshops, conferences, and at SPE training centers in Calgary, Dubai, Houston, and Kuala Lumpur. SPE also began offering in-house training courses, gaining new ground in the organization’s efforts to deliver more courses on more subjects in more locales.

The organization has defined career stages typical of petroleum engineers and completed a preliminary mapping of SPE’s training courses to those stages. This information is being used to expand training courses globally with at least a third of them being introductory in nature.

Petroleum Faculty Support Program
This initiative provides targeted faculty funding to help attract, develop, and retain petroleum engineering faculty worldwide. This program is designed to support the brightest minds in academia as they use innovative approaches and techniques to prepare the next generation of petroleum engineering professionals and ensure they possess the highest level of technical competence.

Soft Skills Council
Created just two years ago, the council has made great strides in helping industry professionals attain the highest level of lifelong learning and develop the interpersonal skills required for a successful career. Soft skills workshops, which focus on topics such as conflict resolution, negotiation, leadership, and teamwork, are held in locations around the globe. The council’s work is the basis for the development of an SPE Leadership Academy for young professionals that will focus on leadership skills that accelerate the development of the next generation.

Student Programs
Nearly 30,000 students in 103 countries comprise SPE’s student membership. These young men and women, who will make up the industry’s future workforce, benefit from access to technical and targeted programming at SPE meetings and gain valuable career experience by networking with industry professionals and potential employers. SPE’s scholarships and fellowships assist undergraduate and graduate students pursuing degrees related to the petroleum industry.

SPE Scholarships
In 2013, SPE provided more than USD 2.6 million in scholarships and assistance for universities. This funding furthers the society’s mission to assist the industry in attracting, recruiting, and retaining talent.
KNOWLEDGE TRANSFER

The cornerstone of SPE’s legacy is the collection, dissemination, and exchange of technical knowledge for the benefit of the industry. It is the essence of the organization’s mission and has remained unchanged. What has changed is how technical knowledge is transferred. Meetings and workshops, books, technical papers, and periodicals such as the Journal of Petroleum Technology (JPT) ruled the early days of SPE. While these methods are still major portals, the advent of mobile devices and social media platforms have revolutionized how the world communicates, and these advances have not been lost on SPE.

PUBLICATIONS

Journal of Petroleum Technology
JPT, sent to all professional members, is the upstream industry’s most trusted periodical. Its depth and breadth of technology developments is unmatched in the industry. The magazine has been enhanced over the past two years with more content and expanded coverage of all aspects of E&P. In addition, JPT publishes more than 130 summaries of technical papers each year. These high-level synopses offer busy professionals key information from technical papers in 44 categories.

HSE Now
HSE Now is SPE’s online resource for health, safety, security, environmental and social responsibility news, and technical information. This publication is updated continually with stories curated from around the Web and exclusive content created by or for SPE. Content includes columns from experts and thought leaders in the HSE discipline.

Oil and Gas Facilities
Now in its second year of publication, OGF is sent to more than 8,000 SPE members in the Projects, Facilities, and Construction discipline. This bimonthly magazine focuses on the projects, systems, and technologies of facilities engineering through in-depth features and columns, and includes several peer-reviewed papers in each issue.

SPE Connect
Providing enhanced functionality and user-friendliness for its online technical interest groups, SPE launched connect.spe.org, its newest member benefit and online collaboration and communications platform. This virtual meeting space allows SPE members worldwide to connect, collaborate, discuss technical challenges, and find solutions.

PetroWiki
SPE’s online “wiki,” based on the seven-volume Petroleum Engineering Handbook (PEH), marked its first year as an online reference. While preserved in its original form, last published in 2007, SPE members can update and expand content from the published version. All contributions are reviewed by members with subject matter expertise to ensure technical validity.

OnePetro
OnePetro has become one of the most comprehensive resources available on upstream oil and gas. The online library contains more than 145,000 technical documents produced by 18 partner societies. OnePetro was developed in response to industry requests for a means of streamlining research for their employees. Access is available to the general public, and full-text articles can be obtained online through individual purchase or subscription.

Peer-Reviewed Journals
In 2013, SPE’s peer-reviewed journals became available in OnePetro. Pages are optimized for mobile devices, enabling members to read their journals any place the internet is available.

Distinguished Lecturers
Logging more than 1.3 million miles in the 2012-13 season, 28 Distinguished Lecturers shared their experiences and expertise through 500 presentations to local SPE sections. The initiative not only supports the organization’s mission of disseminating technical information but also recognizes and honors the professional contributions of members who have gained the respect of their peers.
Users can translate PetroWiki content into 17 languages.
Approximately one in four SPE members is under the age of 35.
KNOWLEDGE TRANSFER

A decade ago, SPE held 50 meetings annually. Today, the organization holds more than 140 meetings all over the world. This expansion is just one illustration of SPE’s mission to facilitate the transfer of technical knowledge and its desire to support members by delivering technical information to their region of the world. Technical papers presented at these meetings contribute more than 3,500 documents to OnePetro.org annually.

MEETINGS

Annual Technical Conference and Exhibition
SPE’s flagship meeting is a unique blending of emerging technologies, state-of-the-art innovation, and thousands of industry leaders, engineers, and scientists.

The technical program included more than 300 technical papers. The Young Technology Showcase, a new program designed to highlight young technologies in the industry, was presented on the exhibition floor. In addition, 400 exhibits showcased the best technology the industry has to offer.

International Petroleum Technology Conference
Growing in prominence as a must-attend event, the conference rotates between Asia Pacific and the Middle East. It is produced in partnership with the American Association of Petroleum Geologists, European Association of Geoscientists and Engineers, and Society of Exploration Geophysicists. The synergy of these four leading, individual member-driven societies provides a unique opportunity to create an engaging and multidisciplinary technical program.

Offshore Technology Conference
The Offshore Technology Conference is the world’s foremost technical conference and exhibition for the development of offshore resources. Sponsored by 12 industry organizations and societies that collaborate to develop the technical program, OTC 2013 attendance reached a 30-year high of 104,800, the second highest in show history and up 17% from the previous year. The Annual OTC Dinner, attended by more than 1,000 industry leaders, raised USD 250,000 for the nonprofit Offshore Energy Center.

Heavy Oil Conference—Canada
This conference has quickly become the go-to event for those interested in obtaining a broad perspective on best practices and technological advances in the exploration and production of heavy oil in the region. Three training courses and a Young Professionals workshop, held in conjunction with the conference, offered Canada’s more than 5,000 members a multifaceted approach to addressing the unique needs of the region.

Offshore Europe
The largest upstream E&P event outside of North America, Offshore Europe marked its 40th anniversary and brought together delegates and exhibitors representing 37 countries to share knowledge and debate challenges in order to equip the industry with tools needed to meet the growing demand for energy resources.

Arctic and Extreme Environments Conference and Exhibition
With more than 20% of the world’s undiscovered oil and gas resources located north of the Arctic Circle, the industry grapples to develop oil and gas fields where conditions are some of the harshest and most challenging in the world. Industry professionals attended the Arctic and Extreme Environments Conference and Exhibition to share the industry’s best practices and lessons learned from Arctic E&P.
Professionalism and social responsibility rose as a very important topic when discussing the future of SPE. The society actively promotes professionalism and social responsibility, but there is much more to consider. We must continue to emphasize the SPE Guide for Professional Conduct in everything we do, consider developing a common global understanding of professional behavior, continue to provide high-level certification, and promote safety and environmental protection as high priorities.

Guide for Professional Conduct
The SPE Guide for Professional Conduct, established in 1985, holds members to the highest standards of competency, honesty, integrity, and impartiality. It asks professionals to accept personal responsibility for adherence to applicable laws, the protection of the environment, and safeguarding the public welfare in their professional actions and behavior. These principles govern professional conduct in serving the interests of the public, clients, employers, colleagues, and the profession.

Professional Certification
SPE professional certification helps members further their technical and professional competence and skills. It provides an internationally recognized standard that defines required knowledge in different areas of petroleum engineering and offers members an opportunity to demonstrate their technical knowledge through examination. The exam, which measures engineering fundamentals and ability to solve practical engineering problems, is available at testing sites around the globe.
The SPE Guide for Professional Conduct holds members to the highest standards of competency, honesty, integrity, and impartiality.
Energy4me was developed to attract young people to the petroleum industry as well as improve community awareness.
PUBLIC EDUCATION

In addition to training and retaining top talent, SPE is committed to attracting young people to the industry as well as improving community awareness. The society’s energy education program positively impacts the petroleum talent pipeline.

**Energy4me**

At a time when the petroleum industry strives to engage and attract tomorrow’s university students to careers in energy, SPE’s Energy4me global energy education outreach program offers career information and unbiased factual resources to students, teachers, and the general public.

Recognizing the role teachers play in educating young people about energy’s importance, the Energy4me website’s classroom resources section provides educators with materials and activities, lesson plans, educational videos, and other resources. Printed materials are available in six languages.

In addition, teacher workshops are held at select SPE conferences worldwide. These free, professional development opportunities help teachers develop a comfort level presenting complex energy topics by familiarizing them with interactive, age-appropriate experiments. Workshops also feature speakers and tours, when available. In 2013, teacher workshops were held in conjunction with conferences all over the world.

SPE’s *Oil and Natural Gas* continues to be in high demand. The hardcover book is a colorful and informative representation of petroleum and how it shapes the world. New this year, the book was translated into Angolan Portuguese and Brazilian Portuguese, bringing the total number of translations available to eight.

**Public Awareness**

In a big step in creating and improving public awareness and education around key challenges in our industry, SPE launched a new website devoted to factual, unbiased information about hydraulic fracturing. The site takes the average person through the process based on proven facts and expert, hands-on experience. The site’s content is designed to help industry professionals discuss hydraulic fracturing with their neighbors, friends, relatives, and communities. This initiative is a way to separate fact from fiction and move beyond the headlines to facilitate more educated public discourse. www.energy4me.org/hydraulicfracturing.
LEADERSHIP

The Society of Petroleum Engineers is a global not-for-profit organized as a Stichting (foundation) under the laws of The Netherlands. SPE is governed by a 27-member international board of directors representing SPE’s geographic and technical diversity.

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ConocoPhillips

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John Walsh
GHD Group

Reservoir Description and Dynamics
Olivier Houzé
KAPPA Engineering
FINANCIAL REPORT

SPE exceeded budget expectations for the fiscal year ending 31 March 2013. SPE had total operating revenue of USD 68.0M compared to USD 64.8M in 2012. All major business segments (meetings, publications, membership, retail sales, SPE.org, training courses) contributed to the overall success. Net operating income for the year was USD 2.0M. Investments earned USD 3.5M and Member Advantage funding for programs such as scholarships and energy education was USD 1.4M, resulting in a net income of USD 4.1M.

SPE’s balance sheet continues to be financially strong. Since the balance sheet date of 31 March 2013 there have been no significant events that would materially impact the society’s current financial condition.

STATEMENT OF FINANCIAL POSITION

Society of Petroleum Engineers (SPE) Stichting Consolidated Statement of Financial Position as of 31 March 2013

<table>
<thead>
<tr>
<th>Audited</th>
<th>USD thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
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<tr>
<td>Cash and Cash Equivalents</td>
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<tr>
<td>Other Assets</td>
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<tr>
<td>Reserve Fund Investments</td>
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<td>Property and Equipment</td>
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<td>Interest in SPE Foundation</td>
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<td><strong>Total Assets</strong></td>
<td><strong>102,768</strong></td>
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<tr>
<td>Liabilities and Net Assets</td>
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<tr>
<td>Accounts Payable</td>
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<td>Deferred Revenue</td>
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<td><strong>Total Liabilities</strong></td>
<td><strong>30,329</strong></td>
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<tr>
<td>Net Assets</td>
<td>72,439</td>
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<tr>
<td>Total Liabilities and Net Assets</td>
<td>102,768</td>
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</tbody>
</table>

STATEMENT OF ACTIVITY

Society of Petroleum Engineers (SPE) Stichting Consolidated Statement of Activity for the year ended 31 March 2013

<table>
<thead>
<tr>
<th>Audited</th>
<th>USD thousands</th>
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<tbody>
<tr>
<td>Meetings</td>
<td>9,821</td>
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<tr>
<td>Membership</td>
<td>(5,071)</td>
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<tr>
<td>Education and Professional Activities</td>
<td>(232)</td>
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<td>Print and Electronic Media</td>
<td>(2,520)</td>
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<td><strong>Operating Income</strong></td>
<td><strong>1,998</strong></td>
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<tr>
<td>Member Advantage Programs (Funded through investment income)</td>
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<tr>
<td>Investments</td>
<td>3,532</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>4,103</strong></td>
</tr>
</tbody>
</table>
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