

The *O.I.L. Fort Worth Letter*

The quarterly newsletter of the

OIL INFORMATION LIBRARY OF FORT WORTH

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OIL-FW enjoying a sunshine and blue skies time

FROM TIME TO TIME, THE LIBRARY'S BOARD likes to keep the membership apprised of the institution's corporate health. It also likes to try to be honest—but without bringing in a trumpeter to sound the *Deguello* as background music in case their report is grim, as it would have been in the latter half of 2010.

As you know, we had to raise membership dues in February 2011 to help offset a sharp decline in membership. At the same time, this safety measure was spliced with a vigorous cost-reduction plan. Curiously, almost concomitantly, membership unexpectedly began to rise again early in the Spring of 2011. By April 2011, it was evident that the Library's financial health was improving. By July, our balance sheet was solidly in the black for the first time in three years. Frankly, the Board was more than a little amazed! Nobody expected a turnaround so soon.

The Board wants everybody to know that when they voted in the November 2010 Board meeting to raise the Library's dues for the first time since 1994, there was considerable anxiety as to whether the increase would trigger a crippling—and potentially fatal—flight of members. But every last one of you members held firm. Not a one of you abandoned the cause. *Thank* you! For helping pull this thing through!

Membership is growing slowly again and is currently holding at a respectable 51 members. Non-member *Day* and *Reciprocating* member usage is up about 30% over 2010, and local member usage is significantly improved over 2010.

Further, our **Endowment Fund** remains strong despite the current economic doldrums. The Fund's custodian is **Charles Schwab**, while day to day investment decisions are the responsibility of Board member and currently Vice President of the Library's Board, **Keith W. Davis, Senior Geologist with Texland Petroleum LP**. The Fund officially began in April 2004 with the deposit of \$25,200 into that newly created account at *Charles Schwab*; this was money remaining from two grants (received in the 1990s) totalling \$27,500, most of which was never used. Over the next several months, additional monies totalling \$24,000 were added to the Fund.

This money was part of what remained from the income from our September 2000 *Barnett Shale Symposium* and from the \$30,000 insurance settlement the Library got for damages sustained in

the March 28, 2000 tornado. (Only about \$5,000 was eventually spent from this settlement money because most of what we lost was irreplaceable records and donated paper logs.) Then in July 2007, the last remaining uncommitted part of the Symposium-insurance money, \$19,126, was put into the Fund. At that time, the Fund had a market value of investments and cash of about \$66,000. In all, about \$61,000 was put into the **Schwab** account over about three years with the goal of making \$50,000 available for investments. By 2007, most of this money had been committed to investments.

Initially, the Board's *Investments Committee* (Chairman **Davis**, plus member **Dennis W. Browning, Panther City Expl.**, and member **Craig W. Adams, Newark Energy LLC—Adams** has since resigned from the Board and from this Committee) chose to put the growing balance in the Fund into a *Money Market* account pending decisions as to specific investments to make. In a responsibility-sharing arrangement, the Committee together with advice and consent from the rest of the Board, selected a mix of investment vehicles and the amount to put into each. The mix included a bonds fund, a mixed bonds-and-equities fund, a straight equities fund and the Russell 2000 Fund. Another mixed fund was also chosen but due to sustained poor performance, it has been closed. **Davis** with Board consent has recently added a well-performing energy MLP (Encore Energy Partners – ENP) for its high-yield dividends.

The Fund as of September 13, 2011 had a market value of over \$111,000. According to **Davis**, the Library's **Endowment Fund** has increased in market value by a simple percentage of **59.4%** since 2004, and it has earned \$41,376.17 in profits, all of which has been reinvested into the Fund's investment accounts.

Regrettably, the Board has had to approve four separate \$5,000 emergency cash withdrawals from the Fund's **Money Market account** since 2006. But now that the Library's operating finances have improved, it has been possible to repay \$10,000 of the total \$20,000 "borrowed" from the Fund. We hope to be able to repay the remaining \$10,000 within a year.

(Do we anticipate *income tax problems* with our Endowment Fund? Probably not, at least not for a long time under existing IRS rules. In tax law affecting 501(c)(3) non-profit organization such as **OIL-FW**, there is a principle known as the **30% Rule**. This rule says that "C3" organizations can have income sources outside their income from normal business operations that are tax-free *provided* that that income does not exceed 30% of the organization's annual budget. (There are other restrictions as to the *nature* of these outside sources.) The Library's annual budget is currently just under \$100,000. 30% of this is \$30,000. It will be *forever* before our investments begin bringing in more than \$30,000 in a calendar year.)

Davis is currently evaluating several investment options based on dividend income. These future investments, if any, will come out of the Fund's Money Market account held by **Charles Schwab**.

This last quarter of the calendar year contains our country's Day of Thanksgiving, so in a celebratory mood, the Board wants to tell you about some more reasons for why they're so relieved, happy and upbeat about the ways your Library's financial health is so much improved.

It actually began in a time of real concern for the Library's future. In the Board meeting of June 29, 2010, the entire *Agenda* was set aside for discussion of the grim state of the Library's finances and how the Board might possibly deal with it. . (It was in that meeting that **Treasurer Dennis Browning** reported that if things didn't change, the Library would end 2010 about

\$5,000 in the hole—deep in *red ink*. That meeting's brain-storming led directly to our first round of cost-cutting. In October 2010 at the anniversary of the license, the Board ended our decades-long association with **IHS** when it cancelled their *Dwight's Scout* CD-based well permit-and-completion program. (With a 10% price increase due to take effect at renewal, that program alone was going to cost the Library nearly \$7,000 per year.) Then in December 2010, we reluctantly cancelled **Lasser's** excellent production data program on CD. That saved another \$2,800. These two savings together got the Library out from under the burden of nearly \$10,000 in annual data costs.

In order to replace these two separate programs with a less costly alternative, the Library with some misgivings approached **DrillingInfo** for a *library* subscription to their online data program. We knew that **DI** had a decade-long policy of not licensing their product to an energy library, so we decided to be bold but candid with our approach. We proposed that only the Librarian would have the *user name and password*. Strong support for this strategy was the fact that all but two—*two*—of the Library's members were already **DI** subscribers. To our relief, in time they accepted our proposal. We've had our **DI subscription** since November 2010 at \$700 per each three-month period. Now Library users without a company or personal subscription to **DI** can use that website by having the Librarian log them on with the assigned user name and password.

In July, 2010, we got another financial shock: A bill from our building management company that included not only our share of the 2009 annual building cost assessment, but a retro-assessment of the same costs that were not deducted during the three-year period (September 2006-December 2009) when our space was under sublease from Bank of America. The total bill came to nearly \$5,000.

But just as we were about to swallow hard and pull the money out of our Endowment Fund, along came a tall, slender, middle-aged dude dressed in street casual who stopped the Librarian in the hallway one day and said, *I'd like to give you all some money*. (I stood there thinking, *Oh, dear God, whadoisaynow?!*) Finally, I said, *Thank you, sir!* He said, *Come up to my office and talk with me about it*. I said I would. Then I high-tailed it to my computer and shot an email to the Board, telling them about what had just happened. Most replied with snappy comments like, *Go, dog, go!* **Dennis Browning, our Treasurer**, emailed, *What are you doing sitting there writing this email? GO!*

That man's name is **F. Howard Walsh, Jr.** (I knew him from casual contact in the basement hallway here in the Bank of America Bldg. It's the all-weather passageway between the building and its garage north across West 6th Street, so foot traffic is heavy. I've met a *bunch* of folks that way!) When all was said and done, **Howard, Jr.** through two of the Walsh companies, **Walsh & Watts** and **F. Howard Walsh, Jr. Operating Co.**, arranged for an unrestricted grant to the **Oil Information Library of Fort Worth** of \$10,000—\$5,000 from each of his sources.

With \$5,000 of that grant, we paid that humongous bill from the building's management company. The rest went into the Library's General Fund.

And all we could say was, *Thank you, Howard!*

And maybe now a *little* more. Howard, guy, we were getting pretty low about the time you came along with you spirit of generosity. Your grant helped a *bunch*. It made us feel like Somebody-Up-There really did like us *after* all! So now, we have a long-term wish for you: May all the speedbumps in your life be little bitty ones—here and hereafter!

Another thing we're pleased as punch about is the progress we've made in archiving the Library's hardcopy data. A huge part of our hardcopy assets is irreplaceable. But in their hardcopy state, the data they store are impossible to incorporate into the digital storage environment that is today's norm. To date, we've scanned about 400,000 completion cards. We have about 1.9 million to go.

In order to make this digital archive accessible, Board members **Shana Wells**, **Tom Taber** and **Sean Creek** are working on a program that will allow access. All three are full-time employed at high-energy jobs, so they can work on this program only in their spare time—which isn't much. (All three have families and other responsibilities, too.)

We also have the matter of *copyright* to consider in this project. That issue is not yet fully resolved.

There's still another thing the Board is pleased about because it involves *taxes*. We're a tax-exempt non-profit corporation, but every now and then the issue of taxes comes over the horizon. Three years ago, **Tarrant Appraisal District** began assessing a **business personal-property tax** on the Library. The first year we paid it, but Board member **Dan Murphy** became convinced that we shouldn't have to pay that tax because we're officially a **501(c)(3) tax-exempt non-profit organization** as determined by IRS rules. Frankly, we couldn't see how the IRS could grant us a tax exemption while the Tarrant Appraisal District couldn't—or wouldn't. The second year, we filed for an exemption but were turned down. On the advice of one of our Board member's CPA, we hired a professional tax adjuster to negotiate our case with the Appraisal District's Board. After some starts and stops, that Board last February 2011 finally ruled that **OIL-FW** does indeed qualify for exempt status—and made the decision retroactive to January 1st, 2010. That tax break will save the Library between \$500 and \$600 annually.

So here we go—headed toward another New Year. **OIL-FW** turns **26 years old** this month (October 2011) and is comfortably in the black. A year ago, we didn't feel so good about the Library, but things change. Today, the **Oil Information Library of Fort Worth** is humming cheerily along in surprisingly good financial health.

Thank you, one and all, for helping it get that way, and for helping it stay that way!

THE CALENDAR ---

OCTOBER 2011

- 10 - (Monday) FWGS Luncheon and Meeting – In the Petroleum Club, Carter-Burgess Plaza, 40th Floor, 11:30 AM (Lunch is \$25/person, cash or check)**
Speaker: Dr. Helge ALSLEBEN, Asst. Prof., School of Science, Energy and the Environment, TCU – Fort Worth
Topic: *Effects of confining stresses and rock strength on fluid flow in low permeability rocks*
(NOTE: German declines according to gender. *Helga* is feminine gender, *Helge* is masculine. The name means *Holy*.)
- 10 – (Monday) Columbus Day – Library is OPEN FOR BUSINESS**
- 11 - (Tuesday) OIL-FW Board of Directors monthly meeting – In the Library, 12:00 o'clock Noon. TENTATIVE; please stay tuned.**

- 13 - (Thursday) SPE-Ft. Worth luncheon and meeting – In the Petroleum Club, 11:30 AM
Speaker: Dr. Erdal OZKAN, Colorado School of Mines,
Topic: *Releasing Shale-Gas potential with fractured horizontal wells*
- 19 - (Wednesday) SIPES meeting-luncheon –
No information. Website currently under construction.
- 31 - (Monday) – *Halloween 2011*

NOVEMBER 2011

- 06 - (Sunday) *DAYLIGHT SAVING TIME ENDS* – “Fall Back” means set your clocks back ONE HOUR.
- 08 - (Tuesday) *Election Day* – some places
- 11 - (Friday) *Veterans Day*
- 14 - (Monday) FWGS monthly luncheon-meeting – In the Petroleum Club, 11:30 AM
Speaker and Topic: *Unavailable at press time*
- 17 - (Thursday) SPE-Ft. Worth luncheon-meeting
No information posted to website at press time.
- 24 - (Thursday) *Thanksgiving 2011* – Library will be C L O S E D
- 25 - (Friday) *Day AFTER Thanksgiving* - Library will be C L O S E D

HAPPY THANKSGIVING, EVERYBODY!!!

DECEMBER 2011

- 07 - (Wednesday) *Pearl Harbor Day*
- 12 - (Monday) FWGS – *No meeting in December*
- 13 - (Tuesday) *Traditional day for OIL-FW's ANNUAL MEETING.* At this time, tentative date. Please stay tuned.
- 21 - (Wednesday) *Hanukkah, the Festival of Lights*
- 22 - (Thursday) SPE-Ft. Worth – *No meeting in December*
- 22 - (Thursday) *First day of WINTER*
- 23 - (Friday) *LIBRARY WILL CLOSE AT 12:00 O'CLOCK NOON*
 ***** *HAVE A BEAUTIFUL CHRISTMAS EVERYBODY!* *****
- 30 - (Friday) At this point, this Friday before New Year's Day is a normal business day.
- 01.01.2012 - (Sunday) *HAPPY NEW YEAR, EVERYBODY!!!*

HERE WE GROW AGAIN!

Since Vol. 12.2 was published in May 2011, we've grown by two new members.

Mbsp. 296 – **Company:** Joint Resources Co. **Primary member:** R. Dean WILLIAMS
 5416 Birchman Ave., Fort Worth TX 76107 *General energy company*

Mbsp. 297 – **Company:** *Not incorporated* **Primary member:** David R. BALES
 2131 Bois D Arc Ln., Midlothian TX 76065-6142 *Consulting Geologist (registered)*
Main interest: *Midland Basin, “West Texas”*

TOTAL: 51 pay members

The OIL INFORMATION LIBRARY OF FORT WORTH is a 501(c)(3) tax-exempt non-profit organization under IRS Code, Fed. ID No. 75-2064072. It is exempt from Texas sales and franchise taxes, Texas Taxpayer ID No. 3-00094-1286-4. The Library is open to the public, but access is fee-based except to students and faculty of educational institutions who can show valid identification and enrolment credentials.

The Library is located in the basement ("Lower Level") of the Bank of America Bldg. between West 6th and West 7th Streets at Lamar St. in downtown Fort Worth. Our business address is 500 W. 7th St. Ste. LL-150, Fort Worth TX 76102. Our mailing address is 500 W. 7th St. Unit 7, Fort Worth TX 76102-4772. Phone/Fax Number: 817-332-4977. Email: oilfw@swbell.net . Current President, Board of Directors, is Shana M. Wells. Librarian is Roy R. English. For additional information, please contact the librarian. Library's hours are: 8:00 AM-12:00 PM, 1:00-5:00 PM Monday-Friday except standard holidays, or as announced to the membership.

The stairs to the basement are not available from the first floor; access to the Library is by elevator only. Press the "LL" button on an elevator's callboard. As you step off the elevator in the basement, go to the basement hallway and turn *right*. The entrance to the Library is about twenty feet down the hall; it's the doorway that's recessed about four feet off the hallway.