Varying opinions
ND gets feedback on how to best tackle the state's gas flaring problem

By MAXINE HERR
For Petroleum News Bakken

North Dakota regulators were looking for ideas to enforce flaring reduction, and they got them.
The state’s Department of Mineral Resources hosted a special hearing on April 22 to address the Industrial Commission’s newly adopted policy on reducing gas flaring. On June 1, all operators will be required to submit a gas capture plan with each drilling permit showing how they plan to reduce flaring and provide proof of cooperation with a midstream company. The state’s goal is to reduce flaring to 15 percent in two years and 10 percent within six.

At the hearing, DMR staff heard testimony regarding the plans to amend the field rules relating to oil production entoilment. Director Lynn Helms had requested testimony of a technical nature in order to craft a workable policy.

“We are a regulatory agency, so gas capture plans without some teeth behind them, without enforcement, don’t work.”

MT activity picking up

Oasis requests new temporary DSUs; other operators want DSUs made permanent

By MIKE ELLERD
Petroleum News Bakken

Oasis Petroleum filed applications that the Montana Board of Oil and Gas Conservation will consider during hearings in Billings on May 1 asking the board to create multiple new temporary drilling spacing units, DSUs, and allow the drilling of additional wells on a number of permanent spacing units, all in Elm Coulee Northeast field along the North Dakota border in eastern Roosevelt County. Under Montana rules, operators are initially granted temporary DSUs but after wells go on production, operators must request that the board change spacing unit status to permanent for ongoing production.

Oasis is picking up additional wells on a number of permanent spacing units, all in Elm Coulee Northeast field along the North Dakota border in eastern Roosevelt County. Petro-Hunt wants the board to change the status of the state’s goal is to reduce flaring to 15 percent in two years and 10 percent within six.

Conventional activity ramps up in Montana

While Montana is seeing a continued increase in unconventional Bakken petroleum system activity in several eastern counties (see story, page 1), conventional activity also continues across the state for both oil and natural gas production.

In the Carlyle West field in Wibaux County in far-east-central Montana, Petro-Hunt wants the board to change the status of the state’s goal is to reduce flaring to 15 percent in two years and 10 percent within six.

XL: stalled once again

TransCanada considers decision to accept comments past mid-terms ‘inexplicable’

By GARY PARK
For Petroleum News Bakken

The Canadian government has set a 30-day deadline to end the use of 3,000 older-model DOT-111 tank cars for moving crude oil and ethanol regardless of what steps United States transport regulators take. Transport Minister Lisa Raitt announced April 23.

In addition, she said another estimated 65,000 less-resistant tank cars — one-third to one-quarter of them operating in Canada — which transport flammable liquids must be either phased out or retrofitted by May 1, 2017, or they will be banned from Canadian rail traffic.

It was not immediately clear what impact the changes will have on the movement of Bakken crude from North Dakota to the 325,000 barrels per day Irving Oil refinery in Saint John, New Brunswick.

Raitt said Canada is “being ambitious” with its timeline and understands the necessity of harmonizing with U.S. regulators.

“But we can move faster (than the U.S.) and we will,” she said.

New ND pipeline working group begins assessing best enhanced monitoring and control options

Technology makes virtually every aspect of life a little easier, but only when it performs as advertised.

A pipeline technology working group that began as a request by North Dakota Gov. Jack Dalrymple to identify the latest available technologies for enhanced monitoring and control of oil and gas pipelines met on April 21 to begin finalizing its research to present to state policymakers.

The group has reviewed what current leak detection systems are in place and what technology could surface in the future to assist with pipeline leak prevention and monitoring.

Justin Kringstad of the state’s Pipeline Authority chairs the group, and shared results of a survey he sent to technology companies to identify what each had to offer. But Max Kieba of the Pipeline and Hazardous Materials Safety Administration, PHMSA, spoke via teleconference saying many companies do not share the limitations of their systems.

“A lot of times when you test it, it does not meet what the vendor says,” Kieba said. “We want to know the limitations of the technology.”

The group is also looking to develop some best practices for midstream companies in which construction is designed.
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South Dakota Supreme Court finds that title devolves upon death as it does in North Dakota; documents from heirs are not stray
Houston-based global exploration and production independent company ConocoPhillips is maintaining its goal to “consistently deliver 3 to 5 percent compound annual growth in production and margins” over the next several years, and as part of that overall company growth, the company expects its Bakken production to double by 2017 over its 2013 output. That increase would result in a compound annual growth rate, CAGR, of approximately 20 percent. Fueling that rise in Bakken output is an estimated $1 billion per year the company is planning to invest in the Williston Basin where it operates under its subsidiary Burlington Resources.

“We’ve got about 600,000 net acres. We have got about 600 million barrels of expected ultimate recovery. We see more than 800 (operated) drilling locations that we can drill,” said Matt Fox, executive vice president for exploration and production, during an analysts meeting in New York in mid-April. “And we are going to drill with about 10 rigs a year … and spend about $1 billion a year to grow our production in the Bakken and that will double our production between 2013 and 2017.”

Fox added that another reason for the expected high growth rate in the Bakken is that ConocoPhillips’ acreage is in what he calls the “sweet spot.” Citing a recent report by the global research and consulting firm Wood Mackenzie, Fox said acreage in the Nesson Anticline area, where ConocoPhillips has approximately 200,000 of its approximately 600,000 Williston Basin acres, has the highest net present value (at a 10 percent discount) per acre of any of the 12 designated areas included in the Wood McKenzie study (see slide).

Furthermore, Fox said ConocoPhillips has one of the top producers in the Nesson Anticline area, coupled with “the lowest cost of supply of anyone in the Bakken.”

Current Bakken production

In the fourth quarter 2013, ConocoPhillips’ Bakken production averaged 39,000 boepd, an increase of 15 percent over its third quarter 2013 production and an increase of 63 percent over the fourth quarter 2012.

As of February, ConocoPhillips ranked as North Dakota’s fifth largest Bakken producer with an average output of 48,245 barrels of oil per day for operated, non-confidential wells reported for both Burlington Resources and ConocoPhillips according to Department of Mineral Resources Oil and Gas Division data.

Burlington Resources had the second and sixth top 24-hour initial production Bakken wells in North Dakota for the week of April 15-21, both along the Nesson Anticline, one in northern Dunn County with an IP of 2,866 barrels and the other in northeast McKenzie County with an IP of 2,520 barrels (see page 8).

Downspacing tests

ConocoPhillips is in the middle of testing increased well densities in the Bakken, and Fox said the company is drilling two...
GOVERNMENT

Bullock proposes $45M grant to oil counties

The 2013 Legislature passed House Bill 218 which included a one-time diversion of $15 million in federal mineral royalty revenues into a special program that would have directly aided oil impacted counties. In addition, the bill would have provided up to $10 million per year in aid to the counties from fiscal year 2014 through fiscal year 2020 from federal royalties. The bill had the support of the Montana Petroleum Association.

In his veto statement issued on June 6, 2013, Bullock said three bills passed by the 2013 legislative session collectively “represent over $40 million in other impact funds in this biennium alone,” and that HB 218 was “excessive and duplicative.” Bullock went on to say that as governor, he would “continue to ensure that we create jobs, improve our schools and have a more effective government. The more than $40 million in funds already allocated this biennium for infrastructure projects and other needs in Eastern Montana supports these goals, while maintaining the structural balance needed in budgeting.”

The bill passed the Legislature by a majority of more than two-thirds, which automatically required a poll of legislators on the veto. There were sufficient votes in the Senate to override the veto but not in the House and the bill ultimately died.

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FREEHOLD BUYS LIGHTSTREAM FOR $300 MILLION

The Bakken development is bringing jobs and economic growth, but it’s also posing challenges to local communities that we could not have imagined even a decade ago. Bullock said its intention is to get that behind us to realign our balance sheet and “get back to our growth model.”

“‘Our intention is to get that behind us to realign our balance sheet and get back to our growth model.’

—John Wright

Company Chief Executive Officer John Wright said in a statement that Lightstream’s intention is “not to take the maximum amount of time or just do the minimum this year.”

“‘Our intention is to get that behind us to realign our balance sheet and ... get back to our growth model.’

In their own statements, Freehold said it was paying C$111 million for its share of the assets and Canpar said it was buying undeveloped mineral title lands for C$30 million.

Getting back to growth

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TriANGLE Petroleum believes new completion techniques in core McKenzie County areas will bring unprecedented results in FY 2015

By MAXINE HERI For Petroleum News Bakken

While certainly pleased with recent operational results, Triangle Petroleum struggles to contain its excitement for what it sees coming in the month ahead.

On April 17, Triangle provided financial and operational results for its fourth quarter and fiscal year 2014, which ended Jan. 31, showing a production and revenue bump that is likely to start soaring.

The Denver-based company holds about 94,000 net acres in the basin, targeting the Bakken and Three Forks formations. It transitioned to a new completion technique utilizing cemented liners and a hybrid fracturing design delivering wells that are approximately 30 to 40 percent better in initial 30-day cumulative production rates when compared to its un-cemented direct offsets. Its slickwater fracturing design, which uses 40 percent less gel, is providing an improved 90-day production and saving Triangle about 400,000 pounds of gel per day.

“We have a slickwater tail, we have changed our chemical mixture, and with other things like that we are seeing a 15 percent improvement,” said Triangle President and Chief Executive Officer Jonathan Samuels. “It’s one of the things you wanted when you go infill … are all the infill wells going to be as good as the previous wells, and they are better.”

Triangle completed more than 23 net operated wells in the Bakken and 81 non-operated wells in its fiscal year 2014, which began Feb. 1, 2013. Samuels remarked that the company doesn’t have a huge inventory of wells with data behind them, so they are moving cautiously.

“We are trying to follow some scientific method … to isolate different components of completion designs,” Samuels said. “If you go from how we did a well six months ago to all the things we’re talking about, you don’t necessarily know which element or variable you changed and what it impacted, so we’re trying to view that.”

Picking up the spade pace

The length of time it takes Triangle to drill a well is in a positive direction. Samuels said with such quick drilling, the company will need to look at whether it needs to keep four rigs drilling all year. He said the company would adjust the number of rigs before it would change the capital expenditures or well count. Infill wells in the Williston Basin helped Triangle production make its 15 percent jump last year, proving its well placement strategy was a good one. It is currently using up to seven wells per pad, spaced about 600 feet apart, but believes eight will be needed within its 45,000-acre core middle Bakken area in McKenzie County to develop the acreage. The company is also beginning to explore the lower Bakken and Three Forks, saying it may be a target beginning to explore the lower Bakken and Three Forks, saying it may be a target.

“We recently set two new drilling records this past week with two wells drilled in 14 days and 12 days respectively. Industry-wide downspacing efforts continue to prove the tremendous value we and our peers see in the Williston Basin.” — Jonathan Samuels, Triangle Petroleum

Due to incllement winter weather, Samuels said rigs set up last fall may not have left the pad yet in order to drill multiple wells, but he added that the rig count is growing slightly, so he’s seeing a trend of operators drilling wells more quickly.

Past, present and future output

Fiscal year 2014 production was consistent with Triangle’s guidance and the company’s net daily production averaged 7,254 boe per day through the fiscal year, with about 75 percent of that production coming from company-operated wells. Fourth quarter 2014 production was 7,254 boe under a four rig drilling program. Triangle also saw a substantial reserve growth totaling 40.3 million boe compared to 14.6 million boe a year prior.

With another quarter ready to wrap up, Samuels said the company is already seeing an increase averaging between 8,200 and 8,500 boepd.

“We continue to see the benefits of downspacing and the value of the vertically integrated model. As oil costs drop, we capitalize on the benefits of pad drilling and we improve completion techniques,” Samuels said.

In February, the Bakken-focused company came in at the 21st spot in the top 50 Bakken producers with an average daily output of 9,384 boepd according to the North Dakota Department of Mineral Resources data for operated, non-confidential wells. Triangle plans to spend $510 million in the Williston Basin in fiscal year 2015 with $415 million targeted to its drilling program.

“We continue to prove the tremendous value we and our peers see in the Williston Basin,” Samuels said.

And we are also looking at the potential of the Middle Three Forks to see if there is additional economic resource that can be added there.” — Matt Fox, ConocoPhillips executive vice president for exploration and production

126,000 boed

In addition, the company has raised its estimates of recoverable resources to 221,000 net Eagle Ford acreage from a previous EUR of 1.8 billion boe to 2.5 billion boe.

The company estimates its average 2014-17 Eagle Ford product mix at 59 percent oil, 21 percent gas and 20 percent natural gas liquids, NGLs. In comparison, ConocoPhillips estimates its average 2014-17 Eagle Ford product mix at 64 percent oil, 11 percent natural gas and 6 percent NGLs. For all of its North American unconventional plays, which include the Bakken, Eagle Ford, Permian, Anadarkos and Niobrara in the U.S., and the Devonian and Montney plays in Canada, ConocoPhillips is projecting an overall production CAGR of again 22 percent between 2013 and 2017, ultimately reaching between 350,000 and 400,000 boepd in 2017.

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Midstream continue to tout their value. In 2014, Rockpile completed 31 wells for Triangle and 50 wells for third parties as compared to 12 and five, respectively, a year ago. With a healthy backlog going into fiscal year 2015, Rockpile is fully committed with Triangle and additional business from other operators.

Caliber’s natural gas facility began its first gas sales on April 15 with more than 100 miles of pipe installed, connecting 62 percent of Triangle’s operated producing wells. In addition to gas sales, Triangle also relies on Caliber for its hydraulic fracturing water supply. The two companies provided an aggregate of $35.2 million reduction in Triangle’s oil and natural gas expenses in fiscal year 2014, representing a 10 percent cost savings.

Triangle generated revenue of approximately $161 million in fiscal year 2014, spending approximately $313 million in capital during the year, which includes the $35 million from Rockpile and Caliber.

“We calculated our F&D cost at approximately $14 per barrel for the fiscal year which we believe is below Bakken comp averages,” said Triangle Chief Financial Officer JustinBliffen. “The three business segments continue to outperform, and cash generated by each will allow us to reinvest in growth without sacriﬁcing our disciplined approach to our balance sheet.”

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Montana’s top Bakken oil producer held firmly to that position in February with an average daily Bakken production of 17,251 barrels per day for the month. Continental was also the top Bakken producer in North Dakota in February, and that average daily output of 85,368 bpd combined with the Montana production put the company’s average total Bakken production at 102,637 bpd in February.

Oasis Petroleum held its No. 2 spot in Montana averaging 7,212 bpd. XTO Energy, Enerplus Resources and Whiting Oil and Gas held their positions as the third, fourth and fifth largest Montana Bakken producers in February (page 7). All of the Bakken oil produced by Continental, Oasis, XTO and Whiting came from the Elm Coulee and Elm Coulee Northeast fields in Richland and Roosevelt counties. While most of Enerplus Resources’ Bakken output came from Elm Coulee, the company also produced from the Charlie Creek, Epworth, Girard, Mustang, Spring Lake and Three Buttes fields, all in Richland County.

**XTO tops ND IP list**

XTO Energy not only took the No. 1 spot on this week’s top 10 North Dakota IP list (page 8), but the ExxonMobil subsidiary also filled the Nos. 5, 9 and 10 spots on this week’s top 10 North Dakota IP fields, all in Richland County.

ConocoPhillips subsidiary Burlington Resources had the Nos. 2 and 6 wells at 2,966 and 2,520 bpd from Corral Creek and Hawkeye field wells in Dunn and McKenzie counties (see map). Kodiak Oil and Gas had the Nos. 4, 5 and 8 IP wells with two Traux field wells and a Stockyard Creek well, all in Williams County. Those three IPs were 2,665, 2,631 and 2,492 barrels, respectively. In the No. 7 spot on the list is a Whiting Oil and Gas well in the Timber Lake in central McKenzie County with an IP of 2,495 barrels.

### Bakken producers’ stock prices

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The information below is derived from State of Montana production reports and ordered out by company. Note this is produced by wells operated by these companies; it does not identify the percentage of Bakken petroleum system oil as such as Three Forks, Bakken, Pronghorn, etc. that is actually owned by the company, or might differ from what each company reports. It also does not include oil production from wells operated by others, in which these companies might hold an interest. The daily average was derived from dividing the total production by the number of days in February, excluding productive wells on confidential status. The monthly total was derived from multiplying the daily average by the number of days in February and rounding to the nearest whole number. Note Alamos, Armstrong, Marathon, MBI Oil and Gas, McKeen & Henry, Mountain Pacific, Sagebrush, Samson Resources, and TAQA-Roth had not yet filed their February production information, so their January production is shown here. Neither Panther Energy nor Samson Oil and Gas USA have filed their January or February production numbers and those data will be included in the monthly Montana production as soon as they are available.

The operator names used in this report are as they appear in State of Montana records, even though some of the companies or their Bakken system assets might have been purchased by other companies. When that is the case, the current owner’s name is in parenthesis behind the owner of record. If any current owners are missing, please contact Ashley Lindly at ald@petroleumnewskanek.com.

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IPs for North Dakota Wells

Burlington Resources Oil and Gas (ConocoPhillips) 25459; Bully Federal 404-20B; Bear Deer; McKenzie, 3,112 bbl

Burlington Resources Oil and Gas (ConocoPhillips) 15694; CCU Masterwell 14-24TFH; Coral Creek, Dunn, 2,966 bbl

Burlington Resources Oil and Gas (ConocoPhillips) 25260; Bully Federal 404-20A; Bear Deer; McKenzie, 2,682 bbl

Burlington Resources Oil and Gas (ConocoPhillips) 25600; P Scanlan 153-98-16H; Tioga, Williams, 2,530 bbl

Kodiak Oil and Gas 25789; Lucky Lady 44-35H; Tioga, McKenzie, 2,492 bbl

Kodiak Oil and Gas 26029; P Earl Rennerfeldt 154-99-1-3-10-16H; Stockyard Creek, Williams, 2,432 bbl

Day. This chart contains initial production rate, in bbl, from the full adoption chart for active wells that were not completed with the state of North Dakota from Apr 15, 2014, in the Bakken petroleum system, as well as active wells that were released from tight oil (condensate) status during the same period. The well operating name is on the upper line, followed by individual wells with the AOC number on the operating name in the Bakken petroleum system, which includes formations such as the Bakken and Three Forks. The completed wells that did not have an IP rate chart have been tested or were awarded confidential filetype.(AOC numbers do not appear in state records, with the loss of an occasional Inc., LLC or Corporation becaus of company formation. Some of the companies, or their Bakken petroleum system assets, have been acquired by others. In some of those cases, the current owner's name is in the Bakken petroleum system, which includes formations such as the Bakken and Three Forks. The completed wells that did not have an AOC number in state records were excluded. The well operator's name is on the upper line, followed by individual wells with the AOC number on the upper line, followed by individual wells with the AOC number on the upper line, (the Bakken petroleum system, which includes formations such as the Bakken and Three Forks. The completed wells that did not have an IP rate chart have been tested or were awarded confidential filetype. In this chart's first 24 hours of oil production.) The well operating name is on the upper line, followed by individual wells with the AOC number on the operating name in the Bakken petroleum system, which includes formations such as the Bakken and Three Forks. The completed wells that did not have an IP rate chart have been tested or were awarded confidential filetype.

Top 10 Bakken wells by IP rate

XTO Energy (ExxonMobil) 25259; Bully Federal 404-20B; Bear Deer; McKenzie, 3,112 bbl

Burlington Resources Oil and Gas (ConocoPhillips) 15694; CCU Masterwell 14-24TFH; Coral Creek, Dunn, 2,966 bbl

Burlington Resources Oil and Gas (ConocoPhillips) 25260; Bully Federal 404-20A; Bear Deer; McKenzie, 2,682 bbl

Burlington Resources Oil and Gas (ConocoPhillips) 25600; P Scanlan 153-98-16H; Tioga, Williams, 2,530 bbl

Burlington Resources Oil and Gas (ConocoPhillips) 26029; P Earl Rennerfeldt 154-99-1-3-10-16H; Stockyard Creek, Williams, 2,432 bbl

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In support of royalty owners, the North Dakota Industrial Commission denied an application for a 2,560-acre spacing unit because the distribution of wells within the proposed overlapping unit would not necessarily have protected correlative rights.

WPX Energy Williston requested authorization to develop the large spacing unit for up to 28 wells in the Squaw Creek field in far eastern McKenzie County. Assistant Director of the Department of Mineral Resources Oil and Gas Division Bruce Hicks presented the case to the commission on April 21. He said the case was initially heard in December when WPX Energy was only requesting two 1,280 spacing units with 24 wells each, and then again in January when WPX changed the application to also consider approval of drilling the section line between the two units. In March, the company chose to try for the 2,560 overlapping spacing unit.

Hicks said that the way the large, four-section unit was proposed, there was no specification as to how wells would be drilled and thus wells could be drilled in any manner. As a result, he explained, the wells could be drilled differently on one side of the section line and therefore not evenly distributed, and with different targets, it would not protect correlative rights.

“What we believe we should do is to keep the 1,280s as they are more protective of those rights, and WPX could develop the units individually,” Hicks said.

He felt the latest proposal allowed WPX Energy too much flexibility to do whatever they wanted with the unit, particularly along the section line.

“The purpose of the section line wells is to be draining on either side and affecting both spacing units,” Hicks said. “You’re creating a mini unit and you’re drilling wells that may not affect the other portion of that spacing unit. We have not been allowing this in the past, and we don’t intend to allow it in the future.”

All three commissioners voted to deny the application. The commission is made up of the governor, attorney general and agriculture commissioner.

Commission okays oil treatment facility

An application to construct an oil treating and processing facility that met resistance from a county zoning commission because it believed it had jurisdiction to deny the permit was approved by the commission.

In March, the commission deemed it
The South Dakota Supreme Court issued an opinion April 16 related to its dormant mineral act. Many of the issues raised have previously been brought before North Dakota’s court and decided similarly for both Dakotas. Both states allow a surface owner to reclaim unused severed minerals after notice and a court action to confirm title.

In 1967, Severt Kvalheim conveyed all of his surface and half of the minerals in lands in Harding County, S.D., to Gordon Holsti. Gordon later published a notice of lapse of mineral interest in August and September 1996 for three weeks with the official Harding County newspaper. In 2007, Holsti conveyed the surface estate to his sons, John and Mark Holstis. In December 2011, the Holstis sons published a notice of lapse of mineral interest in the official Harding County newspaper. They did not mail a Notice of Lapse to Kvalheim, who had died in 1969 as a single man. They made no further inquiry of the identity of his heirs. In May 2012, since no severed mineral owner had filed anything after their publication, the Holstis brought a quiet title action.

In the quiet title action, the Holstis named Kvalheim’s heirs as parties, since there were “various documents/leases/affidavits of record indicating” their claims to the minerals. The complaint, further noted, that “none of these defendants are record owners of any interest.” Several of Kvalheim’s heirs answered the complaint and pointed to multiple 1978 oil and gas leases, a 1994 statement of claim and two mineral deeds, recorded in 1998 and 2011, recorded by heirs.

The trial court found that Kvalheim had not used his minerals for more than 43 years, and the documents filed by the heirs were not uses under the statute since the interest was never conveyed of record to the heirs. South Dakota’s dormant mineral act requires the severed mineral be unused for 23 years. North Dakota’s act is for 20 years. Montana does not have a statutory dormant mineral act.

The South Dakota Supreme Court found that a mineral interest is “any interest in oil, gas, coal, clay, gravel, uranium, and all other minerals of any kind and nature, whether created by grant, assignment, exception, reservation, or otherwise, owned by a person other than the owner of the surface estate.” The North Dakota definition is almost identical. The South Dakota Supreme Court also found that the heirs became the owners of Kvalheim’s mineral interest upon his death, the same would be true in North Dakota. One issue not decided was whether uses by only a portion of the heirs are sufficient to save the severed minerals for other heirs as well. The case was reversed by the South Dakota Supreme Court and remanded to the trial court.

The case dealt with issues similar to...
had authority over these types of sites based on North Dakota administrative and Century codes when it approved Truson Energy Services’ oil waste injection facility in Dunn County.

On April 21, the commission was presented with an application by Earthworks requesting an oil field waste facility near state Highway 22 in Dunn County, and rejected in jurisdiction over these sites despite objections from the Dunn County zoning commission.

Hicks presented an additional protest from a nearby landowner, Delmont Rice, who had several concerns about safety including truck traffic, “blinding” lights from the site as one drives along Highway 22, groundwater contamination to nearby shallow water wells and air quality issues.

Hicks explained that safety was already considered by the Department of Transportation concerning truck traffic, and the facility lights would face downward, not affecting nearby traffic.

The groundwater and air quality objections are environmental issues that are high-ly regulated by the state, Hicks said, and any air quality permitting would be handled through the state Department of Health.

The facility is to be located on a saltwa-ter disposal well pad, so the site previously went through a rigorous permitting process. “The treating plant will have more stipula-tions on it than a disposal well will have because of the different activities that take place,” Hicks said. “But both have good monitoring systems.”

**Driving firm seeks settlement**

Hicks told the commission that Black Hills Trucking has requested a meeting with the Oil and Gas Division to develop a con-cord agreement and settle the case against them. The Wyoming-based trucking com-pany violated multiple environmental rules by allowing saltwater to flow out of its truck on a road in Williams County on several occasions in February and March. The Industrial Commission is seeking maximum penalties of more than $590,000 in the case. The company will have a separate meeting with the state’s Department of Health to also attempt some type of agreement on the $1,000-per-day fines the department is pur-suing. The driver of the truck is facing crim-nal charges by the attorney general’s office.

**A look back**

Hicks also presented DMR’s quarterly report to the commission, noting a new record of 2,667 drilling permits in the fourth quarter 2013, which is an increase of 726 from the previous quarter. He said permits are taking approximately 28 days to process and 2014 is expected to be the same or a lit-tle longer. The state has more than 10,000 producing wells, and Hicks pointed out that in the fourth quarter, the Abandoned Well Restoration Fund, which is being used to clean up illegal dumping incidences when a perpetrator cannot be determined, gained $1 million. “We’re going to need it,” Hicks said.

**continued from page 9**

**NDIC RULING**

Heirs inherit upon death

file a timely statement of claim so that individuals are personally served, they likely owner usually finds the location of the diligent pursued; thus, the surface title holders, or their heirs, must be very diligent in reviewing the records cases. The courts have typically been very diligent minerals. Attempts to find missing missing incidences when a perpetrator cannot be determined, gained $1 million. “We’re going to need it,” Hicks said.

**continued from page 10**

**MOUNTAIN DIVIDE**

locations (6.6 net) at the 12 Gage project represent approximately 10 percent of the original inventory of net locations, with 72 net undiscovered locations remaining.

Mountainview made no acquisitions in 2013. “All reserve increases were achieved through the drill bit,” the company said.

“We look forward to further growth as we continue to develop the Three Forks and begin to develop the Bakken in Divide County, North Dakota,” Montabban said. “We will continue to focus on improving development and production costs as we refine operations in the field.”

**New wells completed**

Mountain Divide successfully com-pleted a 32-stage fracture treatment on two new wells at its 12 Gage project, the Reistad 23-14-1H and the Reistad 26-35-1, the company said in a Feb. 25 opera-tional update. The wells were drilled from the company’s second multwell pad at 12 Gage, using Calgary-based Encana Energy’s 118 drilling rig, which is the first “skidable” rig that Mountain Divide used on its first multwell pad.

“The wells were stimulated simulta-neously using a zipper frac leading to operational efficiencies and, thus, consid-erable cost savings,” the company said. “These efficiencies were achieved in spite of exceptionally cold temperatures in northwestern North Dakota.”

Wellhead production equipment and tankage were pre-installed on the wellpad in preparation for first production. The wells came on line in March. The company’s working interest in the Reistad 23 well is 92.5 percent. It holds a 99.2 percent working interest in the Reistad 26 well.

“The development of the 12 Gage property continues to highlight the opera-tional evolution of the Company, as drilling and completion costs have decreased by up to 24 percent,” the company said. “This was accomplished through the expertise of the in-house operations staff and the core group of field consultants and service companies who are focused on operational efficiencies and timely execution.”

All eight wells in the 12 Gage project target the Three Forks formation. Montabban told Petroleum News Bakken in November that while the Bakken formation is prospective in northwest Divide County, the Three Forks formation has proven a better prospect. Those wells have a flatter decline curve, and wells cost less because the Three Forks is shallower in that region.

—STEVE SUTHERLIN

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**LEGAL COLUMN**

much of those addressed in North Dakota’s dormant mineral act and recent cases. The courts have typically been very diligent in reviewing the records when a party attempts to accede to dor-mant minerals. Attempts to find missing title holders, or their heirs, must be very diligently pursued; thus, the surface owner usually finds the location of the mineral owner. Most of the time if indi-viduals are personally involved, they likely file a timely statement of claim so that the matter does not proceed to quiet title.

Heirs inherit upon death of interest holder

This case also brings up the issue of who is in North Dakota title after the death of an interest holder. In the 2011 case, “Bigham Oil and Gas, L.P. v. Lario Oil & Gas Company, et al.,” the North Dakota Supreme Court found that heirs inherit and have an interest in the mineral rights at the time of the death of the interest holder, subject to administra-tion. North Dakota law is clear that “property passes upon death, not upon distribution.” That principle can be applied to dormant mineral claims, as well as for leasing record title holders, pooling and risk penalty purposes. A court action in North Dakota is needed for good title to be conveyed, but the actual interest is in the hands of the heirs at the time of a decedent’s death.

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Who regulates pipelines in ND? Good question.

Knowing which government agency regulates a particular pipeline in North Dakota does not come easy. Operators and landowners often question which agency to approach about various pipeline issues, and even some state regulators admit to needing a cheat sheet now and then.

The state’s Public Service Commission, PSC, recently released a chart outlining which agency has oversight of the various pipelines (see chart). Not every pipeline is governed by just one entity, and some agencies’ scope of oversight is unknown. Patrick Fahn, PSC’s director of compliance and competitive markets, compiled the chart as part of a request by Gov. Jack Dalrymple to the pipeline technology working group (see story, page 1) in order to develop a framework regarding jurisdiction.

Oversight gets murky based not only on the type of material flowing through the pipeline, but whether it is a pipeline that stays in-state or runs between various states and/or countries.

For instance, the PSC generally has authority over transmission lines within the state, but their jurisdiction in that area stops short of saltwater or brine. The PSC oversees distribution for natural gas in the state, but not on lines that cross borders. However, it does carry jurisdiction for carbon dioxide and hazardous liquids for interstate transmission pipelines.

Industry groups gained additional pipeline jurisdiction as part of new rules that took effect April 1 in which it regulates all gathering pipelines that carry oil, water, gas or carbon dioxide from the edge of a site to the point of connection to the PSC-governed facility. These new rules gave the state jurisdiction over 18,000 miles of gathering pipeline and an additional 30,000 or more miles expected to be built, which had not been regulated to this point.

While the chart is complex, Dalrymple appreciates the compiled information. In a statement to Petroleum News Bakken, he said the chart is helpful for the various agencies as they form partnerships and identify necessary communication for each pipeline and each type of pipeline project.

One material that has opened the door to some confusion is carbon dioxide. Though carbon dioxide pipelines are shown to be regulated, using the gas for enhanced oil recovery causes midstream companies to question whether the federal government has authority under those conditions. The U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration, PHMSA, regulates transmission for pipeline safety, but it is unclear if it would also have jurisdiction over the pipelines leading to the wells for enhanced oil recovery, EOR.

“If you’re not injecting into a storage facility, but injecting for EOR, I’m not sure how we look at that,” said PHMSA’s Al Beshore. “I don’t think distribution would be the right terminology. Distribution is typically for residential lines, so we’d call it something else but I’m not sure what.”

Beshore plans to research the issue and report his findings to the pipeline working group in May.

Mike McGrath of Alliance Pipeline suggested the chart is helpful as it serves as a guide, but just because an agency has jurisdiction, it doesn’t mean they also have rules for monitoring the facility.

“We are mandated to monitor, and some are not — and that’s a big distinction,” he said.

---MAXINE HERR

Contact Maxine Herr at maxinefh01@yahoo.com
PIPELINE GROUP

grants through the N.D. Oil and Gas Research Council to study and test the technology. He is working with the University of North Dakota aviation department, and is scheduled to test some aircraft by flying over cropland near Carrington in east-central North Dakota in June. The equipment will provide streaming video or still photography of activity on the ground.

“We thought there could be a better way to inspect encroachment and right-of-way issues than what is being used by energy companies,” Lampa said. “Having UND in our backyard, it was a good idea to team up with them immediately. We will be on the cutting edge of this.”

Lampa was asking for support from the working group to help midstream companies to allow him to fly over their pipelines to develop the concept.

“I need help from the industry as far as what they’d like to see, what would bene-

FLARING FEEDBACK

enforceable things to impose, they’re just promises and negotiations and goals,” Helms told Petroleum News Bakken during a break in the hearing. “The whole purpose was to figure out a way to con-
vert completely unusable production restriction language to something we could use to enforce gas capture plans.”

Brad Aman, vice president of Continental Resources northern region, spoke on behalf of the North Dakota Petroleum Council flaring task force say-
ing industry is confident the gas capture goals will be met, but the commission needs to allow the program to work. Consequently, the task force requested any new policy not take effect until the fourth quarter of 2014.

Aman said the task force believes pro-
duction restrictions are unnecessary, but if the commission decides to implement them, enforcement should be targeted to specific operators.

“The NDIC should work with that operator and it may include limits on per-
mits, production curtailment or applying for an exemption,” Aman said.

The NDIC flaring task force suggest-
ed the first well in a spacing unit should be done on a case-by-case basis. “We should look at the Bakken as a whole and do more comprehensive plan-
ing,” Skokos said. “Focusing on individ-
ual operators is too narrow a lens.”

The Environmental Defense Fund holds a similar opinion on curtailing production by field instead of by well or operator. Regional Director Dan Grossman said his organization is in favor of the gas capture targets presented by the flaring task force, but believes the commission should have the flexibility to set field-specific targets, not just broader state-wide targets. “The field-specific targets, to which each oper-
or in the field will be bound, should be set such that in the aggregate, they achieve the statewide targets each year,” Grossman said. “Apply controls to meet the field goals, and you have maximum flexibility.”

Helms felt the testimony allowed for some good input on where the commission should focus its audits of the gas capture plans. “I think they are confirming our thought that regulating on a well-by-well basis is far too restrictive and narrow to really deal with the problem,” Helms said.

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Continental Activity

Slawson Exploration wants permanent status for eight 640-acre DSUs in the Elm Coulee field in Richland County. One of those wells is a dual-lateral well with one lateral targeting the middle Bakken and the other targeting the upper Bakken shale. That well went on production in May 2013 and through February produced 9,314 barrels of oil and 472 thousand cubic feet of gas with a 68 percent water cut and a 1,030 cfb GOR. The other well went on production in March 2013 and through February averaged 98 bpd with a 72 percent water cut and a 145 cfb GOR. The remaining six wells went on production between April 2012 and April 2013, and through February averaged 322 bpd with a 62 percent GOR. The other well went on production in March 2013 and through February averaged 322 bpd with a 62 percent GOR. The GOR was 206 cfb. The other well went on production in May 2013 and through February produced 1,920 barrels of oil and 117 barrels of gas with an average production of 64 bpd with an average 55 percent water cut and a 1,280 cfb GOR.

Other Montana Bakken activity

EOG Resources wants permanent status for two temporary 1,280-acre units in the Elm Coulee Northeast field in Roosevelt County for production from one existing Bakken well on each. One of the wells went on production in January 2013 and through February 2014 averaged 288 barrels per day with a 65 percent water cut and a 656 cfb GOR. The other well went on production in March 2013 and through February averaged 322 bpd with a 62 percent water cut and a GOR of 769 cfb. EOG is also seeking authorization from the board to drill one additional horizontal Bakken/Three Forks well on each of the spacing units.

Continental following suit

The board will also consider requests by Continental Resources to make permanent 10 separate temporary spacing units where the company has producing wells. Continental is also seeking authorization to drill up to three additional horizontal Bakken/Three Forks wells on that spacing unit. According to the board’s database, seven of those nine wells have produced oil since they first went on production in December 2013. Through February, those seven wells were on production between 23 and 49 days with a 36-day average. The average daily output of those seven wells ranged from 85 to 467 barrels per day with an over-all average of 220 bpd and an average water cut of 38 percent. Six of the seven wells produced natural gas during the period and those wells had an average gas-to-oil ratio, GOR, of 403 cubic feet of natural gas per barrel of oil, cfb. In the Elm Coulee Northeast field in Roosevelt County, Continental is seeking permanent status for another temporary 1,280-acre DSU on which it has a well that went on production in February and over 10 days of production averaged 352 barrels of oil with a 59 percent water cut. Over that 10-day period, that well did not produce any gas according to data posted by the board. Continental is also seeking authorization to drill up to three additional wells on the four Richland County 1,280s and up to four additional wells on the 1,280 in Roosevelt County.

Slawson also seeks permanent units

Slawson Exploration wants permanent status for eight 640-acre DSUs in the Elm Coulee field in Richland County. One of those wells is a dual-lateral well with one lateral targeting the middle Bakken and the other targeting the upper Bakken shale. That well went on production in May 2013 and through February produced 9,314 barrels of oil and 472 thousand cubic feet of gas with a 68 percent water cut and a 1,030 cfb GOR. The other well went on production in March 2013 and through February averaged 98 bpd with a 72 percent water cut and a 145 cfb GOR. The remaining six wells went on production between April 2012 and April 2013, and through February produced 322 bpd with a 62 percent GOR. The other well went on production in March 2013 and through February produced 322 bpd with a 62 percent water cut and a 206 cfb GOR.
CONVENTIONAL ACTIVITY

continued from page 1

a 320-acre spacing unit from temporary to permanent for production of a Red River formation well. In Montana, spacing units must be designated as permanent for ongoing production. That Petro-Hunt well went on production in August 2013 and through January averaged 73 bpd and 79 percent water cut and a gas-to-oil ratio,GOR, of 452 cubic feet of natural gas per barrel of oil.

Also in Wibaux County, Interstate Explorations is seeking permanent status for two Red River formation wells. One of the wells still has wildcat status without field designation, but the other is located in the Yates field. Production data are not yet available for either well. In neighboring Fallon County, MDU Resources subsidiary Fidelity Exploration is asking the board to make permanent a 160-acre unit in the Cedar Creek field for production from an Eagle formation well. That well went on production in 2008 and has since been on production for 1,538 days producing 78 million cubic feet of natural gas for an average daily output of 58,000 cubic feet per day.

In northeast Montana, BTA Oil Producers are seeking permanent status for a 320-acre unit in the Bainville North field in Roosevelt County for production from an Interlake formation well on that unit which has been recompleted in the Mission Canyon and Ratcliff formations.

Northern Oil Production wants a temporary 320-acre unit made permanent in the Comertown field in Sheridan County in the northeast corner of the state for production from all formations from the top of the Madison Group to the base of the Red River formation. The well originally produced from the Nisku formation from January 1986 through October 1988 and yielded 10,522 barrels of oil at an average daily production of 12 bpd with an 87 percent water cut and a 1,539 cfb GOR. The well was recompleted as a DuPereow formation well in 1996 but produced virtually no oil from that formation.

Core 54 Oil and Gas LLC is asking the board to create a temporary spacing unit in Big Horn County in south-central Montana for the purpose of drilling a horizontal test well in the Tensleep Sandstone formation. That spacing unit consists of a quarter-section plus two adjacent lots which total just over 88 acres for a total spacing unit area of slightly over 248 acres. R.C.S. Oil Inc. is asking the board to make permanent a 10-acre spacing unit in the Brady field in Pondera County on the Rocky Mountain Front in northwest Montana for production from two currently shut-in wells. The company wants those wells to produce oil from all formations from ground surface to the base of the Sawtooth formation.

J. Burns Brown Operating Co. is asking for a temporary 320-acre unit in Blaine County in north-central Montana and is also seeking authorization to drill a well in the Bowes formation on that unit.

—MIKE ELLERD

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MT ACTIVITY

1,280-acre unit for production from a wildcat Bakken/Three Forks formation well in Roosevelt County. Production data for that well are not yet available. Statoil is also seeking authorization to drill up to four additional wells on that spacing unit. True Oil LLC is asking that the board make permanent a 1,280-acre unit in the Elm Coulee Northeast field in Richland County. A well on that unit went on production in December 2013 and through February produced 11,285 barrels over 23 days on production for an average of 491 bpd with a 39 percent water cut and a GOR of 1.15 cfb.

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Montana Counties with May 2014 Drilling and Drilling Unit Applications

Conventional non-Bakken Activity

Primarily Unconventional Bakken Activity
Canada to Carter: Remember 1979

The anti-Keyes XL faction’s latest recruit needed little time to ruffle the feathers of the Canadian government. Jimmy Carter has become the first living former occupant of the White House to urge President Barack Obama to reject the TransCanada project, joining nine other Nobel Peace Prize winners in signing a letter of opposition to the shipment of oil sands bitumen from Canada and Bakken crude from North Dakota to the U.S. Gulf Coast.

The open letter urged Obama not to underestimate the importance of the Keystone XL “tar sands pipeline.” They said that blocking the venture would demonstrate how serious Obama was when he pledged to act against global warming in the interests of future generations.

“Leadership by example would usher in a new era where climate change and pollution is given the urgent attention and focus it deserves,” the signatories said.

The myth that tar sands development is inevitable and will find its way to market by rail if not pipeline is the “Keystone XL project is the linchpin for tar sands expansions and the increased pollution that will follow, triggering more climate upheaval with impacts felt around the world.”

Canadian Prime Minister Stephen Harper waited no time reacting, suggesting Carter and the others should think about 1979, when a slump in oil supplies from the Middle East followed the Iranian revolution, causing a spike in prices, long lines at gas pumps and undermined Carter’s one-term presidency.

Harper’s office said Carter should focus on his time in office during the energy crisis that sees that there are benefits to the U.S. from securing stable crude suppliers like Canada. The 1979 crisis also served as a prod to the Canadian oil industry and the Alberta government to advance the development of the oil sands.

Two presidents support XL

In contrast to Carter, George W. Bush told an energy conference last year: “Build the damned thing,” while Bill Clinton said people should “embrace the project under strict conditions.”

A letter from Democratic senators called on Obama to back Keystone XL.

Mean while, the Bank of Canada, in its latest interest rate policy report, said oil sands producers should not fear the rapid rise of shale oil production in the United States.

“A large portion of the existing refining capacity in the United States is currently configured for heavy oil, thus supporting demand for Canadian crude,” Canada’s central bank said.

“While the shale revolution will exert downward pressure on global oil prices, the impact, on its own, should not be large enough to cause a significant delay in the development of the oil sector in Canada.”

Since shale oil is often as expensive to produce as oil from the Canadian oil sands, only the most marginal and costly Canadian projects would be affected.

The bank also argued that a sizeable portion of the expected growth in U.S. shale oil output comes from ultra-light condensate, it cannot be used directly to supplant Canadian light oil in the U.S.

On the contrary, the report said, increased condensate supplies are vital to dilute oil sands bitumen to facilitate its shipment by pipeline.

However, the bank did concede that a potential glut in light oil supplies in the U.S. “could provide price incentives for refiners to idle their heavy oil processing units.”

GARY PARK

What’s the big attraction?

A. an industry institution
B. quality, accurate reporting
C. attractive, readable design
D. 93 percent market saturation

The U.S. will change its rules for the shipment of crude oil. She expressed confidence that no one will try to circumvent the regulations.

Canada is introducing, noting that Canada’s two largest railways — Canadian Pacific and Canadian National — have already said the older DOT-111 cars are not acceptable from a safety standpoint.

“IT’S GETTING NO PUSHBACK FROM INDUSTRY,” she said.

The industry has been manufacturing DOT-111 cars to an improved standard, known as the CPC 1232 design, since October 2011 and officials are considering even tighter standards, although the specifications have yet to be announced.

TSB said in a report that model cars lack sufficient lining, external shields and venting to prevent punctures and gas blowouts.

Chair Wendy Tadros said in January that a “long and gradual phase out of older model cars simply isn’t good enough.”

The Canadian government also announced April 23 that effective immediately it will require emergency response awareness plans and that blocking of venting for movement of crude oil, gasoline, diesel, aviation fuel and ethanol and create a task force of stakeholders such as municipalities, first responders, railways and shippers to strengthen their response capacity across Canada.

DOT-111, back a new situation to “railway companies to reduce the speed of trains carrying dangerous goods to 50 mph and demanded a risk assessment that could see that restriction lowered to 40 mph.

Deliberations are also under way on possible changes to third-party liability and compensation regulation for rail accidents involving dangerous goods that Raill said will focus on a “polluter pays” result.

The Lac-Megantic, Quebec, disaster last July has so far seen the Canadian government invest C$60 million to support response and recovery efforts and up to C$95 million for decontamination work.

Raitt said the government has decided to act “directly and decisively” in response to recommendations from Canada’s Transportation Safety Board following its initial investigation of the Lac-Megantic events, which claimed 47 lives when a train carrying Bakken crude to the Irving refinery derailed and exploded.

It has been followed by three more oil train accidents which caused fires in Alabama, North Dakota and New Brunswick — all of them outside unpopulated areas and none resulted in any deaths.

She expects the final report from the TSB on the accident will call for further actions.

—GARY PARK

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XL STALLS

has been exposed to a “thorough, predictable and independent regulatory process” that has been demonstrated to be in North America’s “best interest as it provides energy security, jobs and a dependable energy source from an environmentally responsible and democratic friend and ally.”

The “inexcusable” delay

Russ Girling, chief executive officer of TransCanada, said in a release his company is “extremely disappointed and frustrated with yet another delay” that he described as “inexcusable.”

He said Americans will “miss out on another construction season where they could have worked to build Keystone XL and provide for their families. We feel for them.”

Girling said the U.S. is now left even more dependent on “suspect and aggressive foreign leaders” for imported oil.

He noted that the original Keystone pipeline has been shipping crude to refineries near St. Louis since 2010.

“It is about the same length of pipe as Keystone XL, carries the same oil and also crossed (the Canada-U.S. border). It took just 21 months to study and approve. After more than 2,000 days, five exhaustive environmental reviews and over 17,000 pages of scientific data, Keystone XL continues to languish,” Girling said.

He blamed interest groups and paid activists for stalling a project and creating higher greenhouse gas emissions and greater public risk by forcing shippers to use rail to ship crude while they wait for a new pipeline.

David Collyer, president of the Canadian Association of Petroleum Producers, said in a statement that the announcement was dis- appointing and provided no legitimate reason for further delay.

However, he conceded that the delay “is perhaps not surprising given the way this has played out so far.”

Shawn Howard, a spokesman for TransCanada, said in an email that shippers who have agreements to use XL are still 100 percent behind the project and there is a waiting list of companies interested in mov- ing crude through the pipeline if the system is expanded.

Howard said the customers “want a direct connection between the U.S. and Canadian oilfields and American refineries” that will improve security of supply for oil that will be needed well into the 2040s when demand for U.S.-market crude that are currently up to 9 million barrels per day.

On the environmental issue, Howard said it’s “time for people to recognize the facts.”

In addition to the superior safety record of pipelines over other modes of transporta- tion, he noted that the U.S. State Department has indicated that without XL greenhouse gas emissions would be 28 percent to 42 percent higher.

“That hardly seems like the responsible environmental path to follow,” Howard said.

State Department blames courts

The State Department said April 18 it had notified eight federal agencies they would have more time to contribute to a decision on whether the pipeline should proceed.

It partly linked the delay to a recent Nebraska court ruling that the state government illegally tried to mandate the pipeline route. That decision is under appeal at the state supreme court.

State Department officials said in a con- ference call that the legal action gave them no option but to extend the deadline for government agencies to comment on the anticipated impact of XL until the final route was settled as the impact on local ecosystems was understood.

Rachel Wolf, a spokeswoman for All Risk, No Reward Coalition, said the State Department’s extended comment period is a “huge victory for climate champions and communities from Alberta down to Nebraska and the Gulf.”

Every day without Keystone XL is a day we keep high-carbon tar sands in the ground.”

She said the postponement “confirms, yet again, that this project is not permit- able. This export pipeline fails the climate test, fails the jobs test, and doesn’t even have a legal route.”

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RAIL RULES

said Raitt said her government is engaged in “excellent conversations” with the U.S. without having any sense of what and when

The 1979 crisis also served as a prod to the Canadian oil industry and the Alberta government to advance the development of the oil sands.