Petroleum News
Bakken

page 8 Halcon: Well mods pay off; 1, 30-day IPs improve 77-91%

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COMPANY UPDATE

Firing on all cylinders

Bakken downspacing, 2nd bench TF, new frack methods, bolster EOG's 1Q

By MIKE ELLERD

For Petroleum News Bakken

In the first quarter of 2013, EOG successfully tested its first well in the second bench of the Three Forks formation, saw its overall North Dakota oil production results beat the industry average because of 160-acre downspacing, and had its new wells outperform previous wells in the Bakken petroleum system due to new hydraulic fracturing techniques.

MARK PAPA

These were among the accomplishments announced by the Houston-based independent during a May 7 earnings conference call. Led by its Eagle Ford and Bakken operations, EOG also saw its overall production exceed guidance, including a total crude oil output increase of 33 percent.

The company also continued to trim costs, beating its own guidance, and realized a $12.23 per barrel premium over West Texas Intermediate for its U.S. crude oil volumes via its "crude-by-rail" terminal system to St. James, La.

EOG's total U.S. crude oil and condensate production in the first quarter of 2013 was 178,300 barrels per day, up 36 percent from the 131,000 bopd the company averaged in the first quarter of 2012. Globally, EOG averaged 187,300

see EOG UPDATE page 16

COMPANY UPDATE

Husky: Canol 'long-term'

Company hammers home realities of NWT oil shale play after drilling 2 wells

By GARY PARK

For Petroleum News Bakken

While others start to pump up the Canol oil shale play in the Northwest Territories as a leading candidate to be the next Bakken, Husky Energy hammers home its realities.

ASIM GHOSH

With C$386 million in spending commitments on the line for two parcels, Husky has every reason to hope for a breakthrough.

To that end, it drilled two vertical wells last year at Slater River, completing and testing them in the first quarter, and is now evaluating results while holding discussions with local communities on a proposed 2013-14 winter program.

In addition, Husky completed about half of a 25-mile all-weather road last winter and plans to resume work in the third quarter.

For now, Chief Executive Officer Asim Ghosh said it will not discuss when two more wells might be drilled or release results on condensate levels from its initial wells.

To put things in perspective he said the Canol "is a project for the long-term" pending the completion of needed infrastructure, negotiating a regulatory tangle and proving that the shale

see CANOL REALITIES page 20

GOVERNMENT

Drovdal assesses session

A look back on how 63rd North Dakota legislature addressed key O&G issues

By MIKE ELLERD

For Petroleum News Bakken

Looking ahead into the 63rd legislative session, in January Petroleum News Bakken sat down with North Dakota state Representative David Drovdal and talked about oil and gas-related legislative issues. The session ended in the early morning hours of May 3, just hours before the mandated adjournment. Drovdal, who lives between Arnegard and Watford City and represents a district heavily impacted by oil and gas development, spoke with Petroleum News Bakken again on May 7 and shared his views on the key oil and gas-related issues the legislature faced and gave his assessment of how the session addressed those issues.

DAVID DROVDAL

A complicated package

Q&A

Petroleum News Bakken: House Bill 1358, the bill to provide funding to oil-impacted counties, was passed by the legislature and will provide over $1 billion in funding to those counties. The total amount of funding in the final bill is less than what Representative Skarphol, one of the bill's sponsors, had in the original bill. What are your thoughts on the final bill, and do you think it's sufficient to address the needs of the impacted

see DROVDAL Q&A page 19

CANADIAN PACIFIC

Canadian oil producers are pumping more money into moving crude by rail as Canadian Pacific and Canadian National prepare for rapid growth, but CP is hesitant about making a big investment bet on where the crude market will be in 40-45 years. See story below.

Rail gets boost, but CP wary

Larger Canadian oil producers are putting more money into leasing and buying rail cars and supporting investments in terminals as they increasingly turn to unit trains to move their crude to market, said Jean-Jacques Ruest, executive vice president of Canadian National Railway, CNR.

As the range of shippers expands, so is the volume of petroleum products being moved by rail, said officials at CNR and Canadian Pacific, CP.

CP expects to transport about 70,000 carloads (roughly equivalent to 45 million barrels) this year and reach 140,000 carloads by 2015 compared with 13,000 in 2011, while CNR is counting on doubling last year's total of 30,000 carloads in 2013.

Cautious spending

However, CP executives said they plan to spend cautiously to upgrade tracks and infrastructure used for crude shipments.

Chief Executive Officer Hunter Harrison told CP's annual meeting that because of uncertainty over how long transporting crude by rail will last CP has no plans to raise its capital spending above a relatively modest range of C$1.1 billion other than a possible C$60 million.

He said there's no telling what the demand for crude-by-rail

see RAIL BETS page 17

Bud Brigham gets his name back; Continental holds world record in Williams County; James Fair retires, Genaud takes reins

ON APRIL 16 MORE THAN 500 WILLISTON BASIN wells were transferred from Brigham Oil & Gas to Statoil Oil & Gas, which entered the Bakken play with its 2011 purchase of Brigham.

According to a Statoil spokesperson, "We have finalized all the legal documentation and notifications. I can assure you that takes a while … so now (founder) Bud Brigham can get his name back."

It's just a formality, he said.

Continental holds well records

Continental Resources, holder of the record for the longest lateral in North Dakota for the Bakken petroleum system, is the proud bearer of two other well records — the world's longest single run footage with a 6-inch PDC bit in the Patch 1-11H well in Williams County, N.D., at 14,844 feet AND the Western Hemisphere record for deepest horizontal land well with the Memphis 2-4H, also in Williams

see CHATTER page 18

contents

Petroleum News Bakken

● COMPANY UPDATE

Mitigating Bakken decline

Maturing production, well optimization activities result in leveling off in output from PetroBakken's SE Saskatchewan unit, however…

By GARY PARK
For Petroleum News Bakken

Maturing production and well optimization activities have resulted in a leveling off in production from PetroBakken's business unit in southeast Saskatchewan, trimming output to 19,029 barrels of oil equivalent per day in the first quarter from 19,741 boe per day in the final three months of 2012, the company reported.

However, Chief Operating Officer Rene LePrade said "future drilling and optimization of our extensive inventory of existing wells" should mitigate production declines and generate free cash flow from the Bakken unit.

First-quarter activities in the Bakken included 15 wells, with 14 brought on production.

A conventional business unit in the same region drilled seven wells in the three months and generated average output of 6,073 boe per day.

The company expects to gain shareholder approval on May 22 to rename itself Lightstream Resources, mirroring its diversification into areas such as the Cardium formation of central Alberta's Pembina oil field.

Cardium drilling

Production for the January-March period averaged 49,078 boe per day (82 percent light oil and liquids), an increase of 2,306 boe per day from the opening quarter of 2012.

PetroBakken credited most of the growth to the successful execution of a drilling program in the Cardium, a formation that consists of massive sandstone beds separated by shale.

Because the Cardium has a higher gas-to-oil ratio than the Saskatchewan Bakken, the company's liquids weighting dropped slightly from a year ago, while temporary facility restrictions on the Cardium unit had a proportionately larger impact on light oil production.

Production in the latest quarter "came right in line with our guidance and internal estimates and the beginning of the second quarter (without output averaging 48,000 boe per day in April) is running slightly ahead of our expectations," said Chief Executive Officer John Wright.

He said PetroBakken spent 45 percent of its C$675 million 2013 capital budget in the first quarter by drilling 41 percent of a forecast 129 wells.

Funds flow down

First-quarter funds flow from operations was C$178.9 million, down from C$187.4 million a year earlier, mostly due to a decrease in realized operating netback.

At March 31, the company had 30 wells waiting for completion and/or brought on production. Wright expects half of that total will come on stream by mid-year.

He said the Cardium should yield 25,000-30,000 boe per day through 2013 and 2014 and could edge over the 30,000-barrel mark for a "very long, extended period of time and make the best use of any infrastructure build-up that we've done, not unlike the Bakken which has turned into a 19,000-20,000 boe per day cash cow for us."

In a note, analyst Brian Kristjansen of Dundee Capital said the results matched his expectations but, because of concerns over liquidity, the company should look at selling some assets to reduce debt. ●

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2013 Capital Forecast

Our strategy for 2013.

Business Units	Net Wells* (Q1)	Capital (millions)
Bakken (SE SK)	32 (15)	$85
Conventional (SE SK)	16 (7)	$27
Cardium (Central AB)	67 (23)	$290
Emerging Plays (NE BC & AB)	14 (8)	$78
Facilities, workovers, optimization and sustaining capital		$140
Land, seismic and other		$55
Total	**129 (53)**	**$675**

- 2013 capital expenditures of $675 million, with $480 million allocated to drilling, completion and tie-in activities
- Expected average production of 46,000 to 48,000 boepd, an 8% to 12% increase over 2012
- Forecasted 2013 exit production of 49,000 to 52,000 boepd
- April average production was approximately 48,000 boepd based on field estimates

***Predominantly horizontal wells with multi-stage completions**

We Repeat: Strong Well Economics

Light-oil focused inventory generates strong economic returns.

< 2 year capital payout   > 2x recycle ratio

	Saskatchewan Conventional [1]	Bakken [2]	Cardium [3]
Drill, Complete, Equip, Tie-in *($mm)*	1.3	2.9	3.8
Netback *($/boe)*	57.38	62.27	57.16
F&D *($/boe)*	16.96	20.49	14.94
Recycle Ratio	3.8	3.0	3.8
Payout *(yrs)*	0.8	1.1	1.3
Inventory	> 350	> 900	> 580

US $90/bbl flat WTI oil price, $3.00/mcf flat AECO gas price, differential of 5%, before tax, excludes land costs

1. EUR of 77,300 boe
2. EUR of 141,000 boe (1 bilateral well)
3. EUR of 253,000 boe

Business Unit Overview

Cash generating potential in all our business units.

	Bakken	Conventional	Cardium
2012 Average Production (boepd)	17,766	5,592	16,566
2012 Realized Oil Price (Average Oil Differential)	$84.22 (10%)	$81.50 (13%)	$83.01 (12%)
2012 Netback ($/boe)	$54.76	$49.54	$47.76
2012 Operating Cash Flow[1] ($mm) (Non-core Disposition)	$18 ($427)	$26 ($105)	($198) (-)
2013 Surplus Operating Cash Flow	✓	✓	End of 2013
Inventory (net locations)	900	350	580

[1] Operating cash flow means net operating income less all capital expenditures for a business unit

● MOVING HYDROCARBONS

Stirring the rail-pipeline debate

By GARY PARK

For Petroleum News Bakken

The Association of American Railroads has stepped up a case for the safety of using its networks to move crude, driving another wedge into the debate over the merits of rail vs. pipelines.

As pipelines get harangued by environmentalists and other opponents, rail is getting more attention and support, including an estimate from the U.S. State Department that rail could more than handle the demand of oil sands producers for market access in the absence of the Keystone XL pipeline.

A market analysis included in the department's draft supplemental environmental impact statement or SEIS for Keystone XL estimates that by late 2014 there will be enough insulated railcars to transport about 800,000 barrels per day of bitumen with little or no diluents, equivalent to just over 1 million bpd of dilbit — more than the initial 830,000 bpd of dilbit planned for the pipeline.

Because tank car load limitations are by weight rather than volume, less raw bitumen can be carried compared to dilbit or light crude, with a railcar able to carry about 550 barrels of undiluted bitumen compared with 650-700 barrels of light crude.

Seizing on these numbers and the growing challenge faced by pipeline companies, the railroad association argues that U.S. energy independence is within reach and freight railroads — with an "unparalleled safety record" — last year moved 99.9977 percent of all rail hazmat materials to their destination without a release caused by train accidents, a decline of 91 percent since 1980.

Statistics compiled by the association over the 2002-12 period list 129 rail-related crude oil incidents, 94 of which involved spills of less than 5 gallons, while pipelines had 1,849 incidents.

The report said pipelines spilled 474,441 barrels of crude during that decade, while incidents involving freight rail resulted in the spillage of 2,268 barrels.

Spill rate

"A key safety measure is the spill rate (a ratio of gallons spilled per million barrel miles move)," the association said, estimating pipelines had a spill rate of 0.88 while freight rail was at 0.38.

The association said that "in more recent years" pipelines have spilled 55 percent more per ton-mile than railroads.

Excluding spills of less than 5 gallons, railroads spilled about 5,000 gallons of hazardous liquids per billion ton miles while pipelines, using the same yardstick, spilled 8,000 gallons.

The report said that total crude carloads moved on U.S. Class I railroads, including U.S. operations of Canadian railroads, totaled 400,441 carloads of crude from 2002 to 2012, carrying about 11.2 billion gallons representing 266.9 million barrels.

Orders for new cars up

The SEIS report said U.S. rail tank car production is currently about 18,000 cars per year, although orders for new cars have recently surged to about 8,800 units per quarter, with a 2012 backlog of about 46,700 cars that is expected to be cleared in 2014, adding about 1.75 million bpd of railway freighting capacity for U.S. and Canadian crude over the next 18 to 24 months.

The SEIS said at least 60 percent of the tank cars in production are insulated and contain steam coils able to reheat bitumen as needed.

"This high percentage is a strong indicator that most of the tank cars on order are either able to carry heavy oil sands crude, or give carriers the flexibility to do so," it said.

The report assumed that all crude oil rail movements occur in unit trains of 100 railcars that transport all their cargo from a single starting point to a single end point with no intermediate stops or storage.

However, BNSF Railway Co. recently announced it was considering unit trains of 118 cars. ●

Contact Gary Park through publisher@petroleumnews.com

MERGERS & ACQUISITIONS

Crestwood, Inergy merge to tap energy infrastructure demand

Crestwood Midstream Partners LP and Inergy Midstream LP said May 6 that they plan to merge in a $7 billion cash and stock deal to tap demand for oil and gas pipeline and storage services in North America's fast-developing tight oil and gas plays.

The combination of the two companies "creates a diverse platform of midstream assets providing broad-ranging services in the premier shale plays in North America," the companies said in their press release, naming the following plays as examples: Marcellus, Bakken, Eagle Ford, Permian, Niobrara, Utica, Barnett, Fayetteville, Granite Wash, Haynesville and Monterey.

Rapid growth in production from tight oil reservoirs in the United States has created demand for new energy infrastructure to gather, process and ship oil, natural gas and related liquids, Crestwood and Inergy said.

The deal, which also involves affiliates Crestwood Holdings and Inergy LP, will be implemented through a series of transactions scheduled for completion in the third quarter of 2013.

Crestwood Chief Executive Robert Phillips will lead the combined company, which will be headquartered in Houston, Texas.

"We view this transaction as a merger of equals through which we are creat-

see **MERGER** page 10

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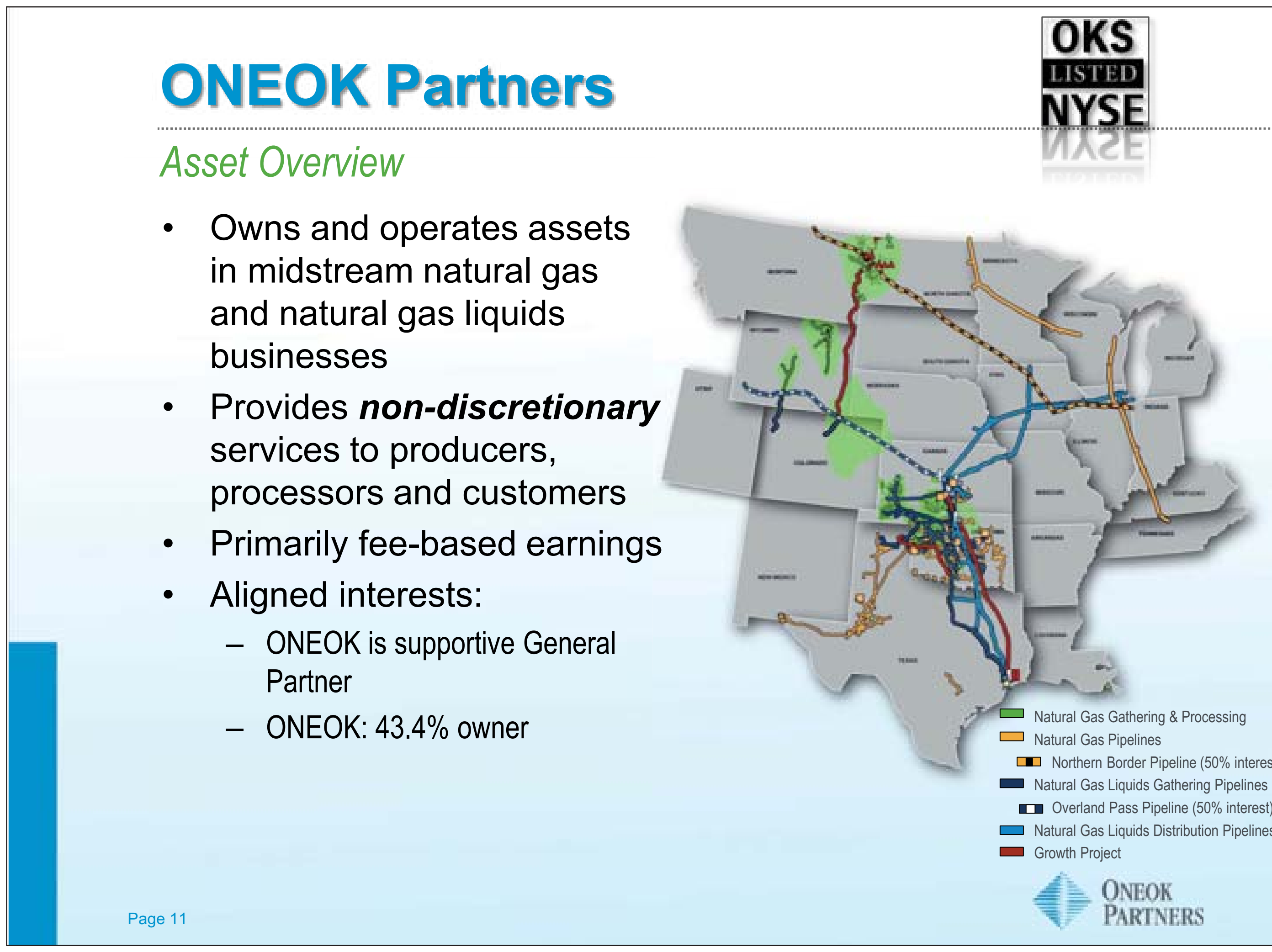
● COMPANY UPDATE

Riding out the slump

Low NGL prices and ethane rejection continue to impact Oneok's earnings despite increased Bakken volumes; end may be in sight

By MIKE ELLERD
For Petroleum News Bakken



Narrower natural gas liquids price differentials and widespread ethane rejection continue to impact Oneok Inc.'s bottom line. The company's net income in the first quarter of 2013 was up a mere 0.9 percent over its fourth quarter 2012 net income and down 8 percent from net earnings in the first quarter of 2012 according to information released by the company on April 30.


JOHN W. GIBSON

Oneok's natural gas and natural gas liquids business unit felt a nearly 23 percent decline in its first quarter 2013 operating income from the fourth quarter of 2012 and a nearly 31 percent decline from the first quarter of 2012.

In addition, Oneok Partners owns a 50 percent share in the Overland Pass and the Northern Borders pipelines, and both contributed to a 25 percent decrease in Oneok's equity earnings in the first quarter. Earnings for the Overland Pass pipeline were down in the first quarter due to lower volumes resulting from ethane rejection, and earnings for Northern Borders were down due to recently reduced transportation rates.

"Both Oneok and Oneok Partners' first quarter results were lower on a quarter-over-quarter basis," said Oneok Chairman and Chief Executive Officer John W. Gibson in a May 1 earnings conference call. "The partnership's earnings were lower primarily because of reduced NGL optimization margins, lower NGL volumes due to ethane rejection and lower realized commodity prices."

Growth in Bakken

However, Oneok Partners' recently completed growth projects in the Williston Basin, including the Stateline and Garden Creek gas plants and the Bakken NGL pipeline, helped to offset the impacts resulting from lower prices and price differentials the partnership felt in the first quarter.

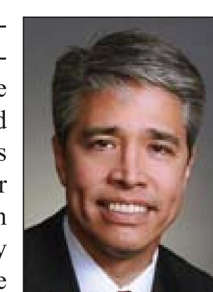
"On a positive note," Gibson said, "the partnership continues to see the volume growth we expected in both the natural gas liquids and natural gas gathering and processing businesses as a result of our completed capital projects. And that volume growth will continue as volumes from the new Stateline II natural gas processing plant and, of course, the Bakken NGL pipeline ramp-up."

Despite the lower earnings, Oneok said it has reaffirmed its 2013 net income guidance and growth forecasts that it revised in March due to the lower than expected NGL margins and NGL and natural gas prices.

"We also affirmed our 2013 earnings guidance ranges for both Oneok and Oneok Partners based on the expectation that recently completed and soon-to-be completed projects will contribute earnings throughout the rest of the year," Gibson added.

Gathering and flaring

In the May 1 conference call, Oneok Partners President and Director Terry K. Spencer said that the partnership increased the volume of natural gas it gathered in the first quarter 2013 by 16 percent and processed volumes increased by nearly 30 percent. The increases, he said, were driven by the Stateline and Garden Creek gas plants and associated infrastructure projects that were completed in 2012. The Stateline I and Garden Creek plants are operating near their 100 million cubic feet per day capacity, and the recently completed Stateline II plant is expected to reach capacity later in the year.


TERRY K. SPENCER

Spencer added that between the Williston Basin and the Mid-Continent, Oneok Partners' expects to connect 1,000 wells to its natural gas gathering systems in 2013.

see **ONEOK EARNINGS** page 6

continued from page 5

ONEOK EARNINGS

"The first quarter was a bit challenging on the well connection front due to inclement winter weather conditions. Despite those challenges," he said, "we still connected 270 wells in the quarter compared with 200 wells in the first quarter last year. The flaring of natural gas in the Williston Basin continues but, in the areas we operate, flaring is decreasing, so our new infrastructure is making a positive impact."

First quarter numbers

Oneok Partners gathered a total of 1.215 trillion British thermal units of natural gas per day in the first quarter of 2013, which was a 1 percent increase over the fourth quarter of 2012, and a 16 percent increase over the first quarter of 2012. The partnership said this increase was due to increased well connections in the Williston Basin and in western Oklahoma, along with the completion of natural gas gathering and compression infrastructure supporting the Stateline I gas processing plant near Williston that went into operation in September 2012. The first quarter increase was partially offset by natural gas production declines in the Powder River Basin in Wyoming.

Natural gas processing was up 3 percent from the fourth quarter of 2012 to a total of 989 billion Btu per day in the first quarter, which also represents an increase of 29 percent over the first quarter of 2012. That increase is again due to increased well connections in the Williston Basin and in western Oklahoma, but is also due to completion of the Stateline I plant.

The partnership's contracted natural gas transportation capacity was 5,670 decatherms per day in the third quarter, up nearly 4.5 percent from the fourth quarter of 2012 and up 2 percent from the first quarter of 2012. Oneok Partners' subscribed natural gas transportation was at 93 percent in the first quarter of 2013, up 3 percent from the fourth quarter of 2012 and up 1 percent from the first quarter of 2012.

NGL fractionation down

On the downside, ethane rejection manifested itself in NGL processing, with NGL fractionation down 15 percent from the fourth quarter of 2012 to 512,000 barrels per day, which also represented a 12 percent decrease over the same quarter of 2012. The volume of NGLs transported on distribution lines also decreased in the first quarter of 2013 due to ethane rejection to 394,000 bpd, a decrease of 22 percent from the fourth quarter of 2012 and 19 percent from the first quarter of 2012.

The volume of NGLs that the partnership transported on gathering lines was 498,000 bpd in the first quarter of 2013, which was a 6 percent decrease from the fourth quarter of 2012, again due to ethane rejection. However, first quarter 2013 NGL gathering transport was unchanged compared to the first quarter of 2012 due to increases in transport capacity in Texas and the Mid-Continent that went into service in the second quarter of 2012.

Oneok Partners saw an average natural gas price of $3.42 per million Btu in the first quarter of 2013, which was a 4 percent increase over the $3.29 per million Btu it saw in the fourth quarter of 2012, and a 44 percent increase over the average first quarter 2012 natural gas price.

The partnership's realized composite NGL price in the first quarter 2013 was 85 cents per gallon, a 19 percent decrease over the fourth quarter 2012 NGL price, and a 22 percent decrease over the same quarter of 2012. Oneok Partners reported an average Conway-to-Mont Belvieu ethane in ethane/propane mix of 1 cent per gallon, down 86 percent from the 7 cents per gallon in the fourth quarter of 2012, and down 96 percent from the 24 cents per gallon the partnership saw in the first quarter of 2012. The Conway-to-Mon Belvieu ethane differentials are based on Oil Price Information Service or OPIS pricing. ●

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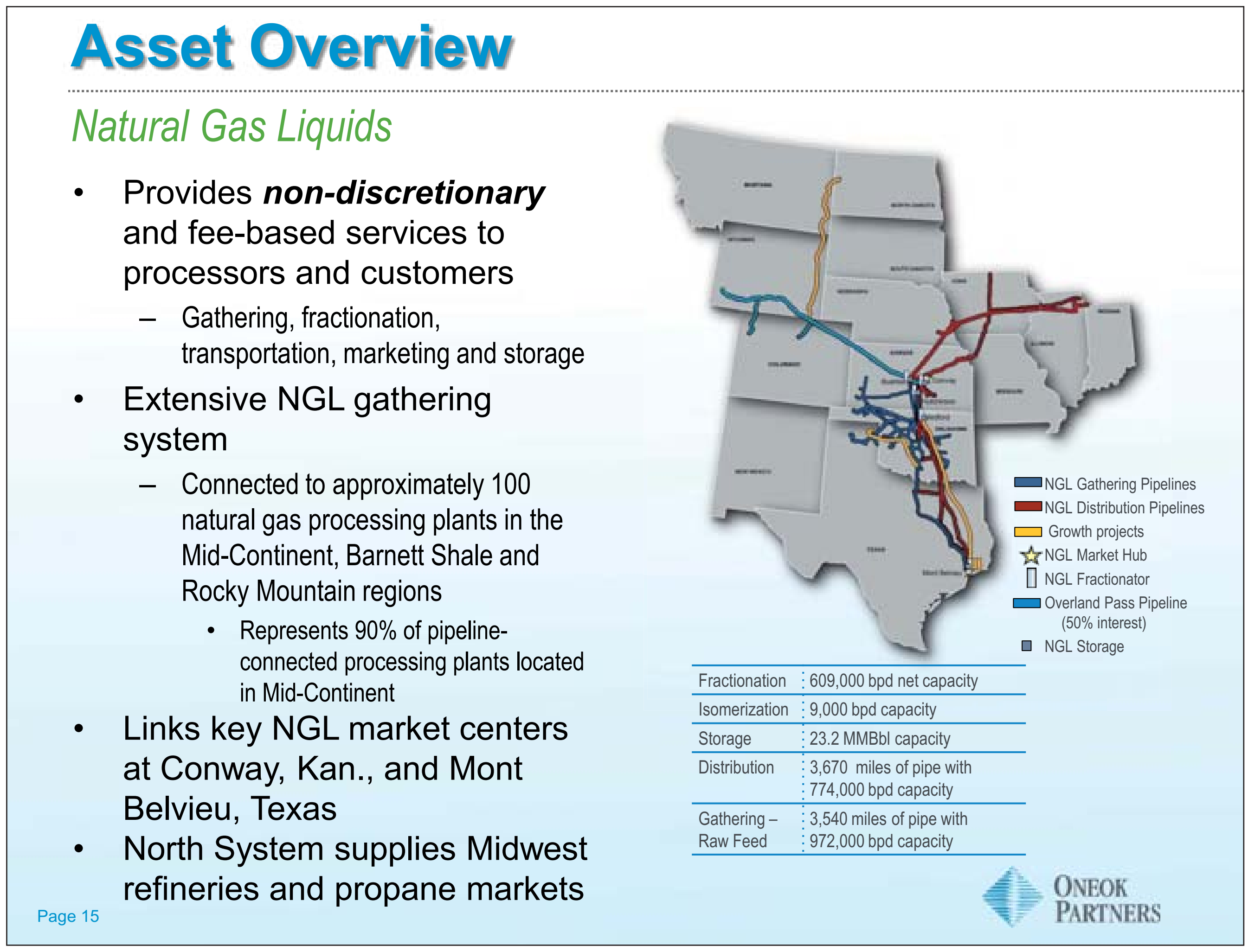

Ethane glut could be declining

Ethane prices continued plummeting in the first quarter of 2013 due a glut of ethane on the Gulf Coast, and Oneok Partners, the largest independent operator of natural gas gathering and processing facilities in the Williston Basin, is feeling the impact. The partnership reported an average ethane price differential of ethane in an ethane/propane mix between the eastern terminus of the Overland Pass pipeline in Conway, Kan., and Mont Belvieu, Texas, of a dismal 1 cent per gallon in the first quarter. That price fell from the 7 cents per gallon average that Oneok reported in the fourth quarter of 2012 and was down substantially from 24 cents per gallon in the first quarter of 2012.

When stripping ethane from the natural gas stream for use as a petrochemical feedstock is no longer economic due to depressed prices, up to certain limits ethane is left in the gas stream in a process known as "ethane rejection."

The depressed ethane market and resulting ethane rejection have negatively impacted NGL prices, which in turn have been cutting into Oneok's earnings (see adjacent story).

In a May 1 earnings conference call, Terry K. Spencer, president of Oneok's subsidiary Oneok Partners, noted that "the biggest contributor to Oneok Partners' quarter-over-quarter earnings decline was significantly narrower NGL location price differentials between the Conway, Kansas, and Mont Belvieu, Texas, market hubs, driven largely by our industry's current high ethane inventory position." Because of the excess ethane inventories on the Gulf Coast, Spencer said, Oneok Partners expects ethane rejection to continue to affect its throughput for much of 2013.

But the tide could be turning

While the ethane glut has been ongoing, Spencer said both ethane and propane inventories are now on the decline, and he noted that in April, the Conway/Mont Belvieu ethane price differential rebounded back up to 9 cents per gallon. Looking forward, Spencer said Oneok Partners expects to see "substantial improvement" in its optimization margins in coming months. "Ethane and propane inventories are decreasing, primarily as a result of ethane rejection and the startup of a new propane export facility on the Gulf Coast."

With continued high petrochemical utilization rates expected throughout 2013, Spencer said that Oneok Partners expects inventories to continue to decline, and he expects to see a return to normal ethane inventories by the end of 2013, followed by "consistent ethane recovery in 2014 and 2015 with only intermittent periods of ethane rejection."

—MIKE ELLERD

● LAND & LEASING

ND O&G auction robust, record setting

Available lease acres down; average price per acre steady; high bid per acre up; ND Board of Higher Education tract sets record

By MIKE ELLERD

For Petroleum News Bakken

The Minerals Management Division of the North Dakota Department of Trust Lands held its quarterly oil and gas lease auction in Bismarck on May 7. While the total acreage leased was nearly half of the acres leased in its February sale, the average price per acre in the May auction of $889, was literally within 5 cents of February lease auction average.

However, the highest price per acre bid at the May auction was $15,100, which exceeded a high of $13,000 in February.

Lease prices in the May auction ranged from the high of $15,100, which was for a 3.84-acre Missouri riverbed tract in Dunn County, to a low of $5 for an 80-acre tract in Bowman County. Dunn County had the highest county average at $6,065 on a total of 1,450 acres. Mountrail County had the most acres offered in the lease auction at 3,341, but those acres averaged only $68.64 per acre.

A total of 14,816 acres in 195 tracts were leased in May bringing in just over $13 million to the Department of Trust Lands.

"On behalf of the school children and other North Dakota education beneficiaries that are supported by the revenues from the land held in permanent trust, we appreciate the continued interest in producing the oil and gas minerals and for the generosity demonstrated in the bidding at this lease auction," said North Dakota Department of Trust Lands Commissioner Lance Gaebe.

TBD bid highest average price per acre

TDB Resources of Sherwood, N.D., came away from the auction with the highest average price per acre of $12,327 for a total 42.05 acres of Missouri riverbed tracts in Dunn County.

Banded Rock LLC of Sherwood, N.D., averaged $8,348 on 36.84 acres, paying between $11,000 and $11,300 for three Missouri riverbed tracks in Dunn County totaling just over 1.5 acres and between $7,500 and $8,500 for three Yellowstone riverbed tracts in McKenzie County totaling just over 35 acres.

ROC Oil and Gas Management of Columbus, Mont., leased the most acres with 3,608 acres in McLean and Mountrail counties, followed by Northern Oil and Gas of Wayzata, Minn., which leased a total of 2,651 acres in McKenzie County.

Pacer Energy of Gillette, Wyo., had the third highest acreage leased with 1,911 acres leased in Dunn and Slope counties.

ND trust lease auction results – high bidders by price per acre (May 7, 2013)

High Bidder	County/Counties	Acres	Total Paid	Average Price per Acre
TDB Resources LP, Sherwood, N.D.	Dunn	42.05	$518,334.00	$12,326.61
Banded Rock LLC, Sherwood, N.D.	Dunn, McKenzie	36.84	$307,542.00	$8,348.05
Agri Properties LLP, Westhope, N.D.	McKenzie	16.00	$128,000.00	$8,000.00
Forestar Petroleum Corp., Denver, Colo.	Dunn	721.33	$4,381,963.00	$6,074.84
Pacer Energy LLC, Gillette, Wyo.	Dunn, Slope	1,911.23	$3,896,096.13	$2,038.53
Northern Oil and Gas, Inc., Wayzata, Minn.	McKenzie	2,651.09	$2,192,900.50	$827.17
Sundance Oil and Gas, LLC, Bismarck, N.D.	Burke	793.70	$652,592.00	$822.21
Legacy Resources, Inc., Bismarck, N.D.	Burke	160.00	$104,000.00	$650.00
Diamond Resources Co., Williston, N.D.	Burke	439.60	$251,778.00	$572.74
MBI Oil and Gas, LLC, Belfield, N.D.	Stark	160.00	$90,400.00	$565.00
Norwegian American Oil Corp., Minneapolis, Minn.	Dunn, Mountrail	52.00	$21,040.00	$404.62
LSM Energy, Inc., Mandan, N.D.	Burke, Slope	402.96	$134,529.00	$333.85
Condor Petroleum, Inc., Tioga, N.D.	Mountrail	167.90	$31,909.90	$190.05
Vinnie Corp., Minot, N.D.	Dunn	160.00	$22,400.00	$140.00
Paladin Resources Inc., Minot, N.D.	Ward	247.93	$25,910.90	$104.51
Limestone Ridge Resources, LLC, Chapel Hill, Texas	Bottineau, Ward	1,456.00	$118,848.00	$81.63
ROC Oil and Gas Management, Columbus, Mont.	McLean, Mountrail	3,608.47	$233,952.05	$64.83
Copperhead Corp., Minot, N.D.	Renville	80.00	$4,800.00	$60.00
Northern Energy Corp., Bismarck, N.D.	Hettinger	8.00	$440.00	$55.00
Great Northern Energy, LLC, Bismarck, N.D.	Bowman	80.00	$4,000.00	$50.00
Wells Petroleum, Inc., Golden, Colo.	Ward	480.00	$21,200.00	$44.17
RTR Energy, Lone Tree, Colo.	Hettinger	160.00	$5,600.00	$35.00
H. Kermit Anderson and/or Rebecca Ann Hilton Anderson, Ronan, Mont.	Bowman	204.00	$6,880.00	$33.73
556 Skyline Investments, LLC, Chandler, Ariz.	Billings, Dunn, Mountrail	377.03	$9,395.98	$24.92
Fossil Oil & Gas Inc., Des Plaines, Ill.	Billings	320.00	$7,360.00	$23.00
Wildcat Oil and Gas, LLC, Bismarck, N.D.	Billings	79.94	$799.40	$10.00
Total/Average		**14,816.07**	**$13,172,670.86**	**$889.08**

ND trust lease auction results – acres and proceeds by county (May 7, 2013)

County	Acres	Total Proceeds	Price per acre
Billings	559.22	10,707.88	$19.15
Bottineau	176.00	9,848.00	$55.95
Bowman	160.00	4,400.00	$27.50
Burke	1401.26	$1,012,549.00	$722.60
Dunn	1450.43	$8,796,958.00	$6,065.07
Hettinger	168.00	$6,040.00	$35.95
McKenzie	2702.40	$2,611,405.50	$966.33
McLean	492.70	$57,505.00	$116.71
Mountrail	3341.42	$229,364.45	$68.64
Renville	80.00	$4,800.00	$60.00
Slope	1996.71	$177,502.13	$88.90
Stark	160.00	$90,400.00	$565.00
Ward	2127.93	$161,190.90	$75.75
Totals	**14,816.07**	**$13,172,670.86**	**$889.08**

$24,500 per acre bid in Continental spacing unit

In addition to the Trust Lands acreage leased in the May auction, an additional lease was offered on a tract of 19.94 net mineral acres in northwest McKenzie County that belongs to the North Dakota State Board of Higher Education. That lease brought in a total of $488,530 for an average of $24,500 per acre, which is the highest price per acre ever received at a Trust Lands auction. The proceeds from that lease go to agricultural research at North Dakota State University.

"It was great to see the State Board of Higher Education, namely the NDSU research station do so well," Trust Lands Minerals Management Division Director Drew Combs said of the record high bid. "From my understanding, those funds are going directly to the research station whose projects are helping our state's other great industry, agriculture."\

The 19.94-net mineral acre tract is part of a 2,560-acre spacing unit permitted to Continental Resources by the Oil and Gas Division of the North Dakota Industrial Commission's Department of Minerals Management. Oil and Gas Division records show that Continental is in the process of drilling up to 14 wells from a single pad on the spacing unit.

The high bidder on the Board of Higher Ed lease was Williston-based Diamond Resources, which Petroleum News Bakken sources in the past have said represents Continental. (The information has not been confirmed by Continental or Diamond.) ●

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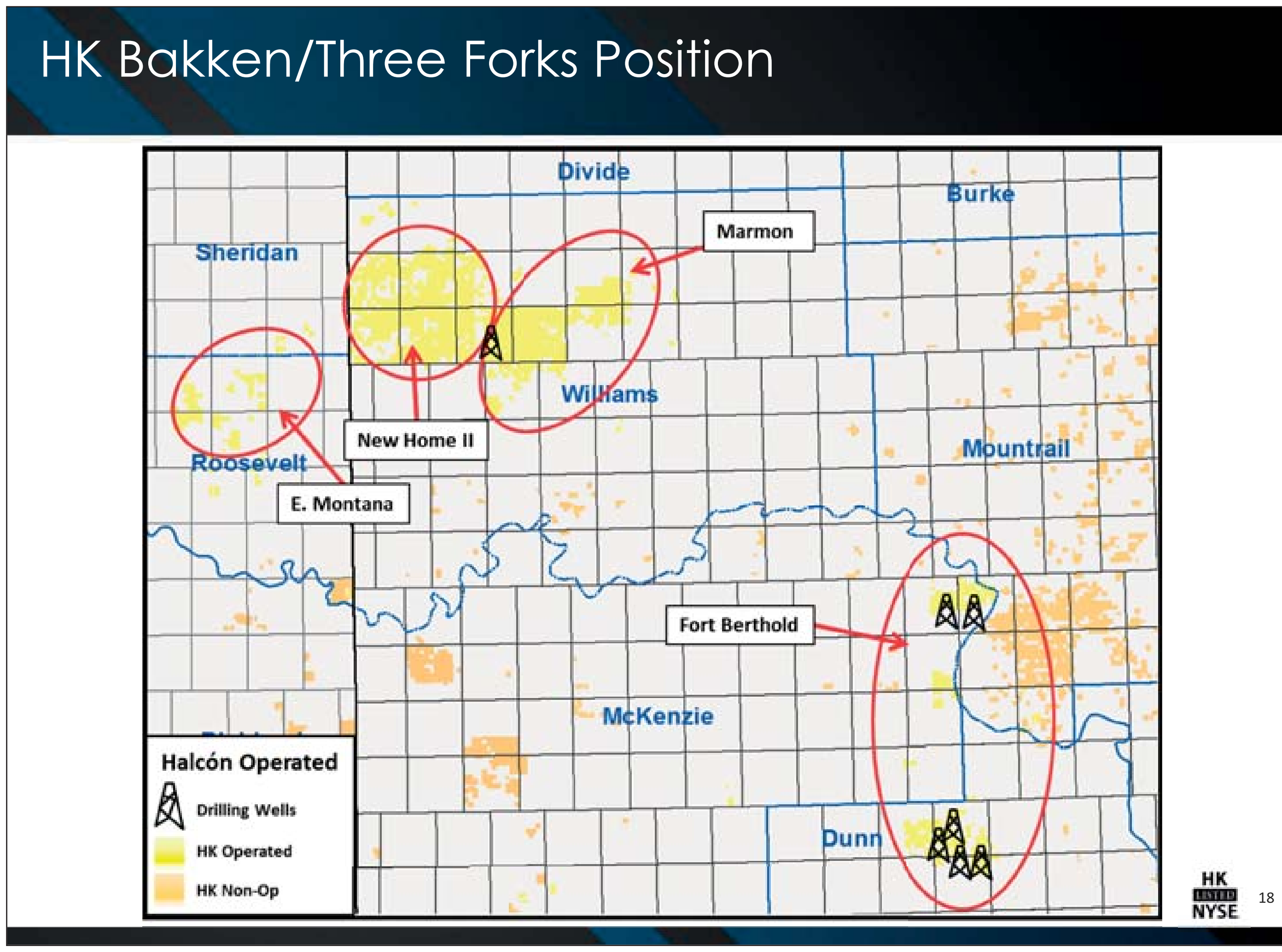
● COMPANY UPDATE

Well modifications paying off for Halcon

24-hour and 30-day IPs improving from 77 to 91 percent in recently tested wells; little or no flaring expected by 2014

By MIKE ELLERD
For Petroleum News Bakken



Recently implemented drilling and completion modifications are paying off for Halcon Resources in the Williston Basin. The Houston-based independent said May 2 that it is seeing improved initial production rates from recently completed wells in the company's Fort Berthold and Marmon areas in McKenzie, Dunn and Williams counties, and it attributes those improved IP rates to those drilling and completion modifications.

"We're approximately two months into implementing a number of drilling completion modifications designed to improve the overall economics of the wells we are drilling in the Williston Basin," said Halcon Chairman and Chief Executive Officer Floyd C. Wilson during a May 2 first quarter 2013 earnings and operations conference call. "Early results are encouraging to say the least. On the drilling side, we're in the process of transitioning a rig fleet to deliver batch drilling efficiencies and optimizing the motor bit configuration, drilling with back pressure to improve penetration in the curve and lateral section, and using dedicated spud rigs to preset surface casing."


FLOYD C. WILSON

In the Fort Berthold area, Halcon reports an average 24-hour initial production rate for its four most recently completed Three Forks wells of 2,094 barrels of oil equivalent per day, which it said is 86 percent oil. That rate, Halcon said, is a 77 percent improvement over all of its other Three Forks wells that the company drilled and completed in the Forth Berthold area in the first quarter of 2013 using previous completion methods.

And in the Marmon area, the new drilling and completion modifications have resulted in a 91 percent improvement in average 24-hour IP rates for its two most recent Bakken wells compared to all of its other Bakken wells in that area.

First quarter Bakken operations

During the first quarter Halcon averaged eight operated rigs in the Williston Basin, with six in its Fort Berthold area, one in the Marmon area and one in the New Home II area, another Williston Basin area where Halcon operates. The company spudded 22 wells, 17 in the Fort Berthold area, four in the New Home II area and one in the Marmon area. Halcon said earlier this year that it is not planning to drill any wells in its Montana acreage in 2013.

Halcon completed 10 wells in the Fort Berthold area in the first quarter, five of which are in the Bakken formation, and the other five in the Three Forks formation. The Bakken laterals averaged 10,041 feet in effective length, and the Three Forks laterals averaged 9,910 feet. The Bakken wells averaged 27 frack stages while the Three Forks averaged 28 stages. Average 24-hour and 30-day IP rates for applicable Bakken wells, i.e., wells that produced at least 30 days, were 1,691 boepd and 889 boepd, respectively, with those productions being 82 percent and 85 percent oil, respectively The corresponding initial and 30-day IPs for the Three Forks wells were 1,463 boepd and 613 boepd and consisted of 84 percent and 79 percent oil, respectively.

One of the Bakken formation wells the company completed in its Fort Berthold area had initial and 30 day production rates of 2,104 boepd and 1,114 boepd and consisted of 84 percent and 75 percent oil, respectively. That well had an effective lateral length of 9,523 feet and was completed with 30 frack stages,

In its Marmon area, Halcon completed two Bakken wells in the first quarter that came in with an average 24-hour IP rate of 1,405 boepd which averaged 88 percent oil. These two Bakken wells had average effective lateral length of 9,704 feet and averaged 35 frack stage completions.

Halcon completed seven Bakken wells in the New Home II area in Williams County in the first quarter. The applicable wells came in with average 24-hour and 30-day IP rates of 694 boepd and 314 boepd and consisted of 92 percent and 85 percent oil, respectively. The average effective lateral length of the New Home II wells was 9,613 feet. The wells were completed with an average of 31 frack stages.

Staging down flaring

Halcon reports that it flared approximately 6 million cubic feet of natural gas per day in the Williston Basin in first quarter of 2013, which contributed to a negative impact on production of approximately 1,500 boepd along with winter weather and the implementation of batch drilling. Wilson said the flaring is the result of infrastructure constraints.

A company spokesperson said that on the short-term, Halcon is installing wellhead compression to the extent that it can in order to alleviate some of the flaring issues in the basin. However, a permanent solution will be installed by third party providers by the fourth quarter of 2013. "We expect to stage this down throughout the year with little or no flaring by early 2014," Wilson said.

First quarter production

Halcon's Williston Basin production averaged 13,506 boepd in the first quarter of 2013, up 6 percent from its fourth quarter 2012 Williston Basin pro forma production of 12,710 which included production from the company's 2012 GeoResources and Petro-Hunt acquisitions. Halcon's pro forma production in the first quarter of 2012 averaged 7,518 boepd.

As of May 2, Halcon had 134 wells producing in the Williston Basin, including some wells in Montana, of which 103 are Bakken formation wells and the remaining 32 in the Three Forks. It had another five Bakken wells and one Three Forks well awaiting completion. Six Bakken and three Three Forks wells are being drilled.

As Petroleum News Bakken reported in March, Halcon is planning to spend $475 million in the Williston Basin in 2013 where it plans to operate six to eight drill rigs and spud 65 to 75 gross operated wells. Halcon holds a total of approximately 130,000 net acres in the Williston Basin. According to North Dakota Industrial Commission data, as of February Halcon was ranked 15th among North Dakota's oil producers.●

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● COMPANY UPDATE

WPX production up 50 percent

Production up greatly year-over-year but growth modest quarter-over-quarter as company settles into pad drilling in Williston

By ERIC LIDJI

For Petroleum News Bakken

WPX Energy Inc. saw its oil production from the Williston Basin jump 50 percent year-over-year, but stay roughly even quarter-over-quarter, the company announced May 2.

The Tulsa-based company produced some 11,500 barrels per day from its North Dakota properties during the first quarter of the year, up from 7,700 bpd in the first quarter of 2012. Accounting for winter storms that slowed operations, WPX believes production could have been even higher, citing an average production rate for March of 12,500 bpd.

Companywide, WPX produced 19,400 bpd during the quarter.

While production jumped considerably over last year, growth from the fourth quarter was a modest 1 percent. WPX brought 12 gross (nine net) wells online in the first quarter — 10 in the Middle Bakken and two in the Three Forks. WPX is running four rigs in the play.

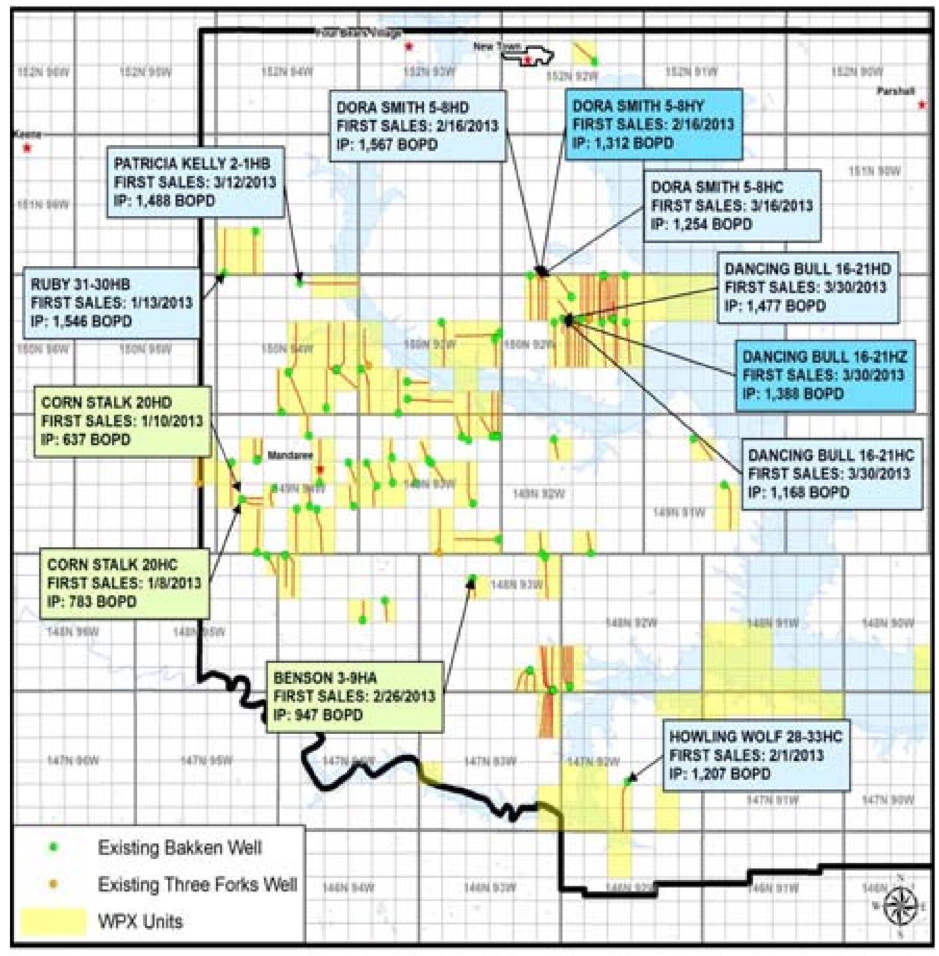
As production has risen, costs have fallen over the past year.

Having fully transitioned to pad drilling and now implementing "zipper fracs," WPX claims to have reduced its Williston Basin costs by 10 to 20 percent to some $11 million per well. The technologies work in tandem: pad drilling spreads fixed costs over numerous wells and zipper fracs allow several wells to be completed simultaneously.

During the quarter, WPX completed its first "triple zipper frac," completing three wells at once. The process cut completion time to 6.5 days from 15 days. All told, WPX is touting average spud to rig release times of 29 days for the Middle Bakken and 28 days for the Three Forks, with new record spud to rig release times of 27 and 25 days, respectively.

Asked during a quarterly earnings call whether WPX planned to start down spacing wells in the Williston Basin, Senior Vice President of Operations Bryan Guderian said the company was conducting a study on the issue and watching other pilot projects in the region and planned to make "definitive" decisions on the question in the second half of the year. Currently, WPX drills three to four wells per 1,280 acres in the Williston. ●

Contact Eric Lidji at ericlidji@mac.com



● COMPANY UPDATE

Renegade embarks on strategic review

By GARY PARK

For Petroleum News Bakken

Heavily tied to the Williston Basin in southeast Saskatchewan, Calgary-based Renegade Petroleum hit record production of 4,435 barrels of oil equivalent per day in the fourth quarter of 2012 and is forecasting up to 7,850 boe per day in the first quarter from the Viking and other focus areas.

It's also poised for a drastic course correction, having appointed three new independent directors who immediately were named to a special committee to initiate a strategic review of the company and its corporate direction.

The board also adopted a shareholder rights plan to buy time to evaluate any unsolicited bids for Renegade, which has a market capitalization of about C$250 million, and to "develop value-enhancing alternatives."

While that process moves ahead, Renegade said it will not disclose developments unless and until the board has approved a change of business plan or "any particular transaction or otherwise determines that disclosure is required or appropriate."

While Renegade said there are no assurances or guarantees that changes will occur, it has done all it can to prepare for a game changer.

Founded in 2004, the company became a leading participant last year in a trend which Sayer Energy Advisors analyst Ben Rye said was aimed at "consolidation of junior oil and natural gas companies with the intent of transforming the resulting entities into divided paying corporation."

Leading trend participant

Founded in 2004, the company became a leading participant last year in a trend which Sayer Energy Advisors analyst Ben Rye said was aimed at "consolidation of junior oil and natural gas companies with the intent of transforming the resulting entities into divided paying corporation."

He said Renegade joined the movement by purchasing assets in Saskatchewan from an unnamed senior producer for C$420 million, then entered the dividend-paying fold.

The acquisition added 200 drilling locations to its portfolio, with technical evaluations completed on 90 where drilling is scheduled for an early start.

Although tightlipped about its long-range thinking, Renegade reported that it brought 22 of its west-central Saskatchewan Viking wells (with a 10 percent working interest) on stream in the first quarter, with 17 averaging 55 boe per day over the first 30 days. The remaining five wells are slated to be optimized once the spring thaw is over.

The company also drilled four wells (50 percent working interest) in southeast Saskatchewan, with one posting 135 boe per day after 46 days, two scheduled for stimulation and one expected to be abandoned.

Capital spending in the quarter of C$34 million added 990 boe per day of production, with implied all-in capital efficiencies of C$34,300 boe per day for the three months, 14 percent less than Renegade budgeted.

The company said in a statement that drilling results this year have demonstrated its ability to successfully delineate and develop its "high-quality, light oil-focused asset base."

Through a combination of capital spending, dispositions, corporate cash flow and payment of dividends, Renegade's net debt at the end of the first quarter was estimated at C$296 million and is expected to be reduced in the current quarter as a result of limited budget field operations. ●

Contact Gary Park through publisher@petroleumnews.com

continued from page 4

MERGER

ing a larger, more diversified operating platform that will be highly attractive to investors, customers, creditors and employees," Phillips said.

"This combination with Crestwood represents Inergy's ongoing and exciting transformation into a pure-play midstream service provider … Both of our companies are focused on capitalizing on the rapidly developing U.S. shale plays, and we have been evaluating a number of opportunities to expand our services to gain access to incremental hydrocarbon supply," said John J. Sherman, chairman and chief executive officer of Inergy.

Inergy Midstream and Inergy LP will continue to be listed on the New York Stock Exchange, while Crestwood Midstream will be merged with a wholly owned unit of Inergy Midstream, the companies said.

—PETROLEUM NEWS BAKKEN

BAKKEN Stats

North Dakota permit activity

April 30 – May 6, 2013

LEGEND

The county name is on the upper line, the type of permit issued is on the second line, and company names are next, followed by individual wells with data in this order: well name; location; footages; field; well bore type; elevation; NDIC file number; API number; date permit shows on NDIC website.

Abbreviations

Following are the abbreviations used in the report and what they mean:

FNL = From North Line | FEL = From East Line
FSL = From South Line | FWL = From West Line

Billings Co.

Permits issued

Whiting Oil and Gas

BSMU 3603X; NENW 36-142N-101W; 473'FNL and 1811'FWL; Big Stick; vertical; 2523' ground; 25532; 33-007-01795; 5/2/2013

NERU 0904ERH; SWSE 9-144N-101W; 390'FSL and 1625'FEL; Elkhorn Ranch; 2310' ground; 25539; 33-007-01796; 5/2/2013

Bottineau Co.

Permits issued

Corinthian Exploration

Corinthian Berge 16-26 1-H; SESE 26-164N-77W; 700'FSL and 750'FEL; North Souris; horizontal; 1711' ground; 25561; 33-009-02315; 5/6/2013

Corinthian Skarphol 13-28 1-H; SWSW 28-164N-77W; 750'FSL and 720'FWL; North Souris; horizontal; 1577' ground; 25560; 33-009-02314; 5/6/2013

Legacy Oil and Gas

Legacy ET AL Berge 16-36H; SESE 36-164N-77W; 722'FSL and 283'FEL; North Souris; on confidential status; 1766' ground; 25523; 33-009-02312; 5/2/2013

Legacy ET AL Bernstein Barbot 13-8H; SWSW 8-163N-76W; 722'FSL and 350'FWL; Red Rock; horizontal; 1764' ground; 25517; 33-009-02311; 5/1/2013

Legacy ET AL Hansen Pager 12-5H; NWSW 5-163N-76W; 1903'FSL and 283'FWL; North Souris; on confidential status; 1851' ground; 25558; 33-009-02313; 5/6/2013

Burke Co.

Permits issued

Oasis Petroleum

Bonita 5992 42-22H; SESW 22-159N-92W; 215'FSL and 2600'FWL; Cottonwood; horizontal; 2407' ground; 25520; 33-013-01716; 5/1/2013

Permits renewed

EOG Resources

Vanville 24-2623H; NWSE 26-159N-91W; 2375'FSL and 1600'FEL; Thompson Lake; horizontal; 2341' ground; 20664; 33-013-01564; 5/1/2013

Vanville 23-2635H; NWSE 26-159N-91W; 2375'FSL and 1500'FEL; Thompson Lake; horizontal; 2339' ground; 20665; 33-013-01565; 5/1/2013

Permits cancelled

Cornerstone Natural Resources

Schwartz 2-30-31H; NWNE 30-162N-90W; 225'FNL and 2488'FEL; Wildcat; horizontal; 1958' ground; 24187; 33-013-01697; 5/1/2013

State Viper 3-15-22H; NENW 15-162N-91W; 200'FNL and 2440'FWL; Lignite; horizontal; 1955' ground; 21930; 33-013-01612; 5/1/2013

Tafelmeyer 6-1-12H; SWSE 36-164N-90W; 240'FSL and 2345'FEL; Customs; horizontal; 1883' ground; 22049; 33-013-01628; 5/1/2013

Divide Co.

Permits issued

Continental Resources

Strath 1-27H1; NWNE 27-162N-96W; 260'FNL and 2400'FEL; on confidential status; 2219' ground; 25503; 33-023-01034; 4/30/2013

SM Energy

Meadow Valley 3-1H; LOT3 1-162N-100W; 300'FNL and 2112'FWL; Ambrose; on confidential status; 2266' ground; 25531; 33-023-01035; 5/2/2013

Tomlinson 3-2HS; LOT3 2-161N-100W; 300'FNL and 1900'FWL; Wildcat; on confidential status; 2298' ground; 25533; 33-023-01036; 5/2/2013

Permits cancelled

Samson Resources (KKR & Co.)

Cabriolet 33-28-163-97H; SWSE 33-163N-97W; 422'FSL and 2242'FEL; Fillmore; horizontal; 1984' ground; 22838; 33-023-00837; 5/1/2013

Dunn Co.

Permits issued

Burlington Resources (ConocoPhillips)

CCU Powell 31-29MBH; NENE 29-147N-95W; 728'FNL and 868'FEL; Corral Creek; on confidential status; 2413' ground; 25507; 33-025-02150; 4/30/2013

CCU Powell 41-29TFH; NENE 29-147N95W; 728'FNL and 823'FEL; Corral Creek; on confidential status; 2415' ground; 25508; 33-025-02151; 4/30/2013

CCU William 34-20MBH; NENE 29-147N-95W; 728'FNL and 778'FEL; Corral Creek; on confidential status; 2417' ground; 25509; 33-025-02152; 4/30/2013

CCU William 44-20TFH; NENE 29-147N-95W; 728'FNL and 733'FEL; Corral Creek; on confidential status; 3419' ground; 25510; 33-025-02153; 4/30/2013

G3 Operating (Halcon Resources Corp.)

Fort Berthold 148-94-29A-32-8TFH; NWNE 29-148N-94W; 205'FNL and 1575'FEL; Eagle Nest; on confidential status; 2325' ground; 25556; 33-025-02157; 5/6/2013

Fort Berthold 148-94-29A-9TFH; NWNE 29-148N-94W; 205'FNL and 1635'FEL; Eagle Nest; on confidential status; 2327' ground; 25557; 33-025-02158; 5/6/2013

Fort Berthold 148-94-33C-28-3H; SWSW 33-148N-94W; 288'FSL and 598'FWL; McGregory Buttes; on confidential status; 2380' ground; 25534; 33-025-02154; 5/2/2013

Fort Berthold 148-95-25A-36-3H; SENE 25-148N-95W; 1990'FNL and 1047'FEL; Eagle Nest; on confidential status; 2410' ground; 25506; 33-025-02149; 4/30/2013

Fort Berthold 148-95-25A-36-4H; SENE 25-148N-95W; 1999'FNL and 1096'FEL; Eagle Nest; on confidential status; 2411' ground; 25505; 33-025-02148; 4/30/2013

Fort Berthold 148-95-25A-36-5H; SENE 25-148N-95W; 2009'FNL and 1145'FEL; Eagle Nest; on confidential status; 2412' ground; 25504; 33-025-02147; 4/30/2013

XTO Energy (ExxonMobil)

Clarence Federal 34X-7B; SWSE 7-148N-97W; 499'FSL and 2446'FEL; Haystack Butte; 2402' ground; 25541; 33-025-02156; 5/3/2013

Clarence Federal 34X-7C; SWSE 7-148N-97W; 501'FSL and 2385'FEL; Haystack Butte; 2402' ground; 25540; 33-025-02155; 5/3/2013

Permits cancelled

Petro-Hunt

Fort Berthold 147-94-1B-12-4H; SESW 36-148N-94W; 431'FSL and 2081'FWL; McGregory Buttes; horizontal; 2195' ground; 23380; 33-025-01814; 4/30/2013

Fort Berthold 147-94-1B-12-5H; SESW 36-148N-94W; 521'FSL and 2201'FWL; McGregory Buttes; horizontal; 2200' ground; 23378; 33-025-01812; 5/1/2013

Fort Berthold 147-94-2B-11-4H; SESW 35-148N-94W; 220'FSL and 1645'FWL; McGregory Buttes; horizontal; 2299' ground; 24424; 33-025-01998; 4/30/2013

Fort Berthold 147-94-2B-11-5H; SESW 35-148N-94W; 220'FSl and 1745'FWL; McGregory Buttes; horizontal; 2300' ground; 24422; 33-025-01996; 4/30/2013

Fort Berthold 147-94-2B-11-3H; SESW 35-148N-94W; 220'FSL and 1545'FWL; McGregory Buttes; horizontal; 2300' ground; 24426; 33-025-02000; 4/30/2013

Fort Berthold 147-94-3B-10-5H; NENW 3-147N-94W; 285'FNL and 1450'FWL; McGregory Buttes; on confidential status; 2301' ground; 24270; 33-025-01962; 5/1/2013

Fort Berthold 148-94-19C-18-4H; SESW 19-148N-94W; 299'FSl and 1503'FWL; Eagle Nest; horizontal; 2436' ground; 23987; 33/025/01898; 4/30/2013

Fort Berthold 148-94-19C-18-5H; SESW 19-148N-94W; 366'FSl and 1369'FWL; Eagle Nest; horizontal; 2442' ground; 23985; 33-025-01896; 4/30/2013

Fort Berthold 148-94-20C-21-4H; SWSW 20-148N-94W; 1047'FSL and 226'FWL; Eagle Nest; horizontal; 2430' ground; 23903; 33-025-01878; 4/30/2013

Fort Berthold 148-94-20C-21-5H; SWSW 20-148N-94W; 1121'FSL and 213'FWL; Eagle Nest; horizontal; 2433' ground; 23902; 33-025-01877; 5/1/2013

Fort Berthold 148-94-30B-31-4H; SESW 19-148N-94W; 265'FSL and 1571'FWL; Eagle Nest; horizontal; 2433' ground; 23986; 33-025-01897; 4/30/2013

Fort Berthold 148-94-30B-31-5H; SESW 19-148N-94W; 332'FSL and 1436'FWL; Eagle Nest; horizontal; 2439' ground; 23984; 33-025-01895; 4/30/2013

Fort Berthold 148-94-33C-28-3H; SWSW 33-148N-94W; 288'FSL and 598'FWL; McGregory Buttes; horizontal; 2380' ground; 22928; 33-025-01719; 4/30/2013

Fort Berthold 148-94-35C-26-3H; SESW 35-148N-94W; 220'FSL and 1495'FWL; McGregory Buttes; horizontal; 2302' ground; 24427; 33-025-02001; 4/30/2013

Fort Berthold 148-94-35C-26-4H; SESW 35-148N-94W; 220'FSL and 1595'FWL; McGregory Buttes; horizontal; 2299' ground; 24425; 33-025-01999; 4/30/2013

Fort Berthold 148-94-35C-26-5H; SESW 35-148N-94W; 220'FSL and 1695'FWL; McGregory Buttes; horizontal; 2299' ground; 22423; 33-025-01997; 4/30/2013

Fort Berthold 148-94-36C-25-4H; SESW 36-148N-94W; 386'FSL and 2021'FWL; McGregory Buttes; horizontal; 2195' ground; 23381; 33-025-01815; 4/30/2013

Fort Berthold 148-94-36C-25-5H; SESW 36-148N-94W; 476'FSL and 2141'FWL; McGregory Buttes; horizontal; 2197' ground; 23379; 33-025-01813; 4/30/2013

Fort Berthold 148-95-23C-14-3H; NENW 26-148N-95W; 203'FNL and 1967'FWL; Eagle Nest; horizontal; 2447' ground; 24063; 33-025-01909; 4/30/2013

Fort Berthold 148-95-23C-14-4H; NENW 26-148N-95W; 152'FNL and 2053'FWL; Eagle Nest; horizontal; 2443' ground; 24065; 33-025-01911; 4/30/2013

Fort Berthold 148-95-23C-14-5H; NENW 26-148N-95W; 101'FNL and 2139'FWL; Eagle Nest; horizontal; 2446' ground; 24067; 33-025-01913; 4/30/2013

Fort Berthold 148-95-25A-36-3H; SENE 25-148N-95W; 1990'FNL and 1047'FEL; Eagle Nest; horizontal; 2410' ground; 24205; 33-025-01945; 4/30/2013

Fort Berthold 148-95-25A-36-4H; SENE 25-148N-95W; 1999'FNL and 1096'FEL; Eagle Nest; horizontal; 2411' ground; 24204; 33-025-01944; 4/30/2013

Fort Berthold 148-95-25A-36-5H; SENE 25-148N-95W; 2009'FNL and 1145'FEL; Eagle Nest; horizontal; 2412' ground; 24203; 33-025-01943; 4/30/2013

Fort Berthold 148-95-26B-35-3H; NENW 26-148N-95W; 178'FNL and 2010'FWL; Eagle Nest; horizontal; 2444' ground; 24064; 33-025-01910; 5/1/2013

Golden Valley Co.

Permits cancelled

Whiting Oil and Gas

Henry State 24-36H; SESW 36-143N-105W; 260'FSL and 1425'FWL; Wildcat; horizontal; 2597' ground; 20889; 33-033-00305; 5/6/2013

McKenzie Co.

Permits issued

G3 Operating (Halcon Resources Corp.)

Fort Berthold 152-94-11B-14-5H; SESW 2-152N-94W; 500'FSL and 2360'FWL; Antelope; on confidential status; 2077' ground; 25524; 33-053-04969; 5/2/2013

Fort Berthold 152-94-11B-14-6H; SESW 2-152N-94W; 500'FSL and 2310'FWL; Antelope; on confidential status; 2078' ground; 25525; 33-053-04970; 5/2/2013

Fort Berthold 152-94-11B-14-7H; SESW 2-152N-94W; 500'FSL and 2260'FWL; Antelope; on confidential status; 2081' ground; 25526; 33-053-04971; 5/2/2013

Newfield Production

Anderson State 152-96-16-3H; NENE 16-152N-96W; 295'FNL and 300'FEL; Westberg; on confidential status; 2424' ground; 25543; 33-053-04973; 5/3/2013

Anderson State 152-96-16-4H; NENE 16-152N-96W; 295'FNL and 255'FEL; Westberg; on confidential status; 2425' ground; 25542; 33-053-04972; 5/3/2013

Oasis Petroleum

Domino 5002 43-11H; SWSE 11-150N-102W; 390'FSL and 2400'FEL; Foreman Butte; horizontal; 2180' ground; 25559; 33-053-04977; 5/6/2013

SM Energy

Walla 13-19H; LOT4 19-151N-99W; 515'FSL and 260'FWL; Poe; on confidential status; 2175' ground; 25519; 33-053-04966; 5/1/2013

Walla 13X-19H; LOT4 19-151N-99W; 610'FSL and 260'FWL; Poe; on confidential status; 2176' ground; 25518; 33-053-04965; 5/1/2013

Triangle USA Petroleum

Arnegard 150-100-23-14-1H; SESW 23-150N-100W; 225'FSL and 1530'FWL; Timber Creek; horizontal; 2319' ground; 25521; 33-053-04967; 5/1/2013

Arnegard 150-100-23-14-2H; SESW 23-150N-100W; 225'FSL and 1480'FWL; Timber Creek; horizontal; 2318' ground; 25522; 33-053-04968; 5/1/2013

XTO Energy (ExxonMobil)

Marlene 42X-20D; SENE 20-150N-95W; 1655'FNL and 327'FEL; Blue Buttes; on confidential status; 2303' ground; 25550; 33-053-04975; 5/6/2013

Marlene 42X-20G; SENE 20-150N-95W; 1685'FNL and 327'FEL; Blue Buttes; on confidential status; 2304' ground; 25549; 33-053-04974; 5/6/2013

Marlene 42X-20H; SENE 20-150N-95W; 1625'FNL and 327'FEL; Blue Buttes; on confidential status; 2302' ground; 25551; 33-053-04976; 5/6/2013

Permits renewed

Enerplus Resources

Hall #5-11H; LOT4 5-150N-94W; 800'FNL and 650'FWL; Spotted Horn; on confidential status; 2280' ground; 20981; 33-053-03639; 5/6/2013

Petro-Hunt

Pesek Trust 151-102-35D-26-3H; SWSE 35-151N-102W; 250'FSL and 1950'FEL; Nameless; on confidential status; 2151' ground; 23024; 33-053-04161; 5/3/2013

see **PERMIT** *page 13*

Montana activity report, April 26-May 2

Statoil files completion reports on two high IP wells — 2,408 bopd in Richland County well and 2,518 bopd in Roosevelt well

COMPILED BY DARRYL L. FLOWERS
For Petroleum News Bakken

New locations target Red River

Two permits were issued in Dawson County; both wells are aiming for the Red River formation.

Interstate Explorations LLC was approved for the MBA Consultants 1-1 at NE NE 34-19N-56E (1180 FNL/664 FEL) with a PD of 12,000 feet.

Denbury Onshore LLC was approved to drill the Glendive 11-7 in the Glendive field. The well is at NW NW 7-14N-55E (750 FNL/1110 FWL) and has a PD of 9,150 feet. The Glendive field was discovered in 1951 with the Texaco NPRR-B No. 1 well at NE NE 35-51N54E. According to the Montana Geological Society the field covers the northern portion of the Cedar Creek anticline and is situated in the Williston Basin.

New locations — horizontal wells

Seven new horizontal wells were permitted in Richland County, all targeting the Bakken formation. All of the Richland County wells permitted in the reporting period will fly the Continental Resources Inc. banner.

The Levengood 2-5H has a SHL at NE NE 5-23N-53E (425 FNL/530 FEL) and a PBHL of 13,827 feet at SE SE 5-23N-53E (200 FSL/660 FEL); the Levengood 3-5H has an SHL at NW NW 5-23N-53E (230 FNL/1274 FWL) and a PBHL of 14,059 feet at SW SW 5-23N-53E (200 FSL/660 FWL); the Levengood 4-5H has an SHL at NW NW 5-23N-53E (230 FNL/1319 FWL) and a PBHL of 13,912 feet at SE SW 5-23N-53E (200 FSL/1320 FWL); the Levengood 5-5H has an SHL at NE NW 5-23N-53E (230 FNL/1364 FWL) and a PBHL of 14,065 feet at SE SW 5-23N-53E (200 FSL/1980 FWL); the Abernathy 1-16H has an SHL at NE NW 16-23N-52E (240 FNL/1765 FWL) and a PBHL of 13,745 feet at SE SW 16-23N-52E (200 FSL/1980 FWL); the Brearly 1-36H has an SHL at NE NW 36-23N-52E (235 FNL/2270 FWL) and a PBHL of 13,976 feet at SE SW 36-23N-52E (200 FSL/1980 FWL). Rounding out the Richland County permits is the Jeanette 3-14H, with an SHL at SE SW 14-23N-54E (260 FSL/2225 FWL) and a PBHL of 19,895 feet at NE NW 11-23N-54E (200 FNL/1980 FWL).

In Roosevelt County, Oasis Petroleum North America LLC was green lighted to drill the BrianM 2958 43-10H. The BrianM has an SHL at SW SE 10-29N-58E (270 FSL/1400 FEL) and a PBHL of 20,355 feet at NW NE 3-29N-58E (250 FNL/1600 FEL) and will target the Bakken formation.

Abbreviations & parameters

With a few exceptions, such as the Red River petroleum system, the Montana weekly oil activity report includes horizontal well activity in the Bakken petroleum system in the eastern/northeastern part of the state within the Williston Basin. It also includes what is referred to as the South Alberta Bakken fairway in northwestern/west-central Montana, which is at least 175 miles long (north-south) and 50 miles wide (east-west), extending from southern Alberta, where the formation is generally referred to as the Exshaw, southwards through Montana's Glacier, Toole, Pondera, Teton and Lewis & Clark counties. The Southern Alberta Bakken, under evaluation by several oil companies, is not part of the Williston Basin.

Following are the abbreviations used in the report and what they mean.

BHL: bottomhole location | **BOPD:** barrels of oil per day | **BWPD:** barrels of water per day
IP: initial production | **MCFPD:** thousand cubic feet per day | **PBHL:** probable bottomhole location
PD: proposed depth | **SHL:** surface hole location | **TD:** total depth

And Public Land Survey System (PLSS) abbreviations:
FNL = From North Line | **FEL** = From East Line |**FSL** = From South Line | **FWL** = From West Line

Re-issued locations

In Richland County there were seven re-issued permits. All seven wells list the Bakken as the target formation.

The Sonny 24X-16, operated by XTO Energy Inc., has an SHL at SW 16-22N-59E (1141 FSL/2573 FWL) and a PBHL of 18,511 feet at NW NE 9-22N-59E (700 FNL/2640 FEL); the Boomerang 1-4H, a Slawson Exploration Co. Inc. well, has an SHL at SE SE 36-21N-59E (200 FSL/760 FEL) and a PBHL of 15,436 feet at SW SW 4-20N-60E (700 FSL/773 FWL).

Whiting Oil and Gas Corp. is listed as the operator on two of the permits: the Mahlen Federal 21-5-1H, with an SHL at NE NW 5-25N-57E (400 FNL/1500 FWL) and a PBHL of 20,153 feet at SW SW 8-25N-57E (240 FSL/660 FWL) and the Kittleson Federal 24-7-1H, with an SHL at SE SW 7-26N-57E (395 FSL/1900 FWL) and a PBHL of 20,330 feet at NW NW 6-26N-57E (240 FNL/660 FWL). Wrapping up the seven re-issued Richland County wells are three operated by Slawson Exploration Co. Inc.: the Barong Federal 1-17-20H, with an SHL at SW SW 8-21N-59E (200 FSL/700 FWL) and a PBHL of 20,073 feet at SW SW 20-21N-59E (700 FSL/700 FWL); the Hobo 1-16H, with an SHL at NW NW 16-24N-52E (250 FNL/735 FWL) and a PBHL of 13,544 feet at SW SW 16-24N-52E (250 FSL/735 FWL) and the Knave 1-9-4H, with an SHL at NW NW 16-24N-52E (250 FNL/760 FWL) and a PBHL of 16,008 feet at W2 W2 4-24N-52E (250 FNL/760 FWL).

In Roosevelt County, XTO Energy Inc. was approved for the Barr State 34X-21. The Barr State will target the Bakken with an SHL at SW SE 21-30N-58E (330 FSL/2595 FEL) and a PBHL of 19,653 feet at NE NW 16-30N-58E (700 FNL/2637 FWL).

Permit modifications/corrections

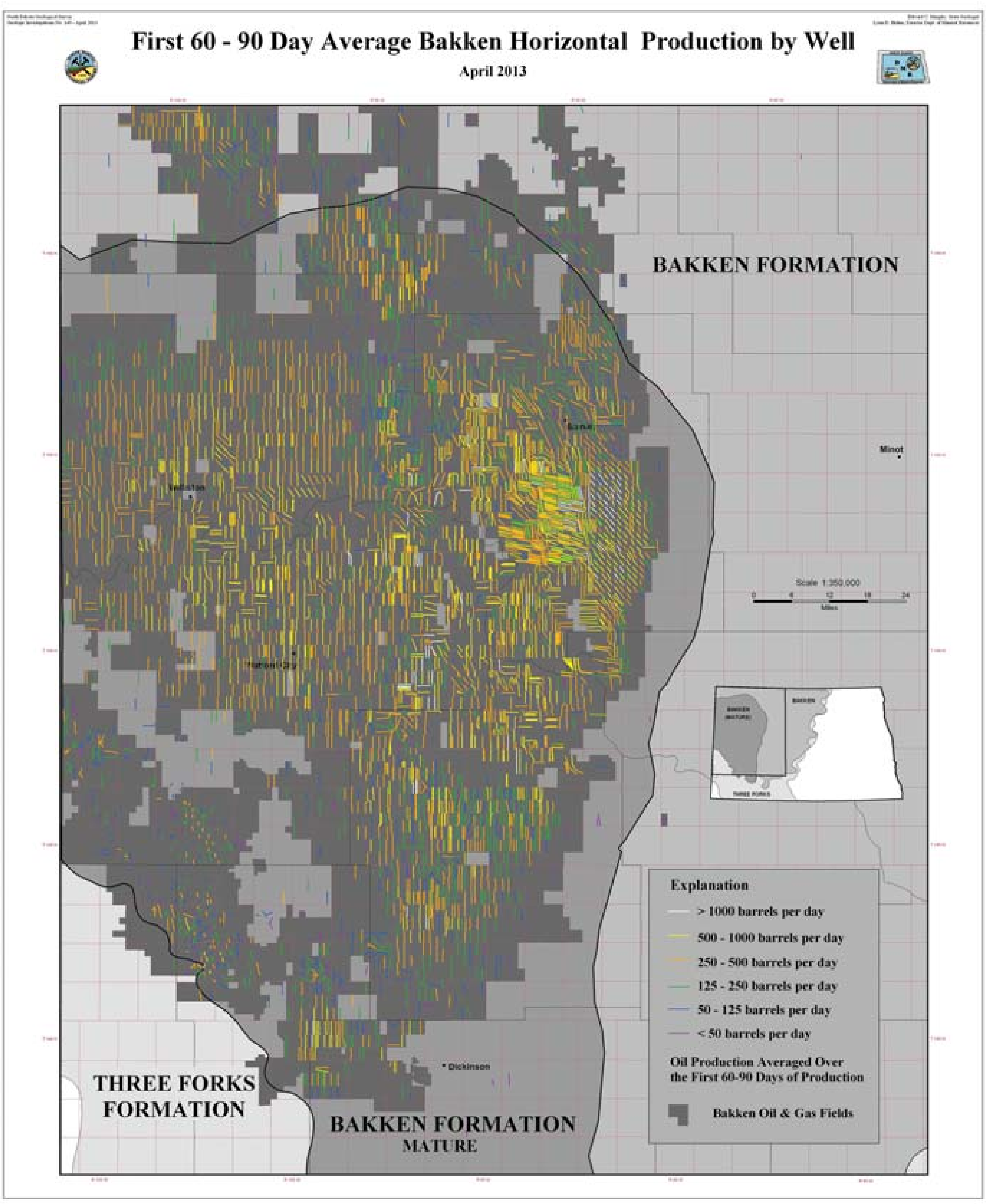
In Richland County, two permits were issued to Continental Resources Inc.

The Williamson 1-34H has an SHL at SW SE 34-23N-54E (275 FSL/2140 FEL) and a PBHL of 14,404 feet at NW NE 34-23N-54E (200 FNL/1980 FEL) and the Thomas-Bettye HSU, with an SHL at SE SE 27-23N-56E (275 FSL/355 FEL) and a PBHL of 20,180 feet at EL NE 22-23N-56E (200 FNL/0 FEL). Both wells will target the Bakken.

Completions

In Richland County, Statoil Oil & Gas LP filed a completion report for the Judith 10-3 1H, with an SHL at NW NE 15-25N-59E (350 FNL/1455 FEL) and a BHL of 20,875 feet at NW NE 3-25N-59E (274 FNL/2349 FEL). The Judith reported an IP of 2,408 BOPD, 1,332 MCFPD and 3,624 BWPD. The well taps the Bakken formation.

see **ACTIVITY** page 13



Development in North Dakota's Bakken: The map on the left is from Alison Ritter's May 1 presentation at the annual Williston Basin Petroleum Conference, which this year was held in Regina, Sask. Ritter is the public information officer for the North Dakota Industrial Commission's Department of Minerals. She reports to, and works closely with, DMR Commissioner Lynn Helms. The map shows the mature area of the Bakken petroleum system, and the location of wellbores. Per Ritter, " It helps show the development pattern we have strived to encourage operators to use, which they have. It also shows production rates of those wellbores," she told Petroleum News Bakken in an email.

Petroleum News Bakken

IPs for ND Bakken wells

April 30 – May 6, 2013

This chart contains initial production rates, or IPs, for active wells that were filed as completed with the state of North Dakota from April 30 to May 6, 2013 in the Bakken petroleum system, which includes formations such as the Bakken and Three Forks. The completed wells that are missing either haven't been tested or were awarded tight-hole status, so the IP rate is not available. This chart also contains a section with active wells that were released from tight-hole status during the same period, April 30 to May 6. The information was assembled by Petroleum News Bakken from daily activity reports from the North Dakota Industrial Commission's Department of Minerals' website and other sources. The name of the well operator is as it appears in state records, with the loss of an occasional Inc., LLC or Corporation. Some of the companies, or their Bakken assets, have been acquired by others. In those cases, the current owner is in parenthesis, such as ExxonMobil in parenthesis behind XTO Energy.

LEGEND

The well operator's name is on the upper line, followed by individual wells with data in this order: NDIC file number; well name; field; location; spacing; county; wellbore type; total depth; IP test date; IP oil flow rate. (IP stands for initial production; in this chart it's the first 24 hours of oil production.)

IPs for completed North Dakota wells

Burlington Resources (ConocoPhillips)
23667; Kummer 21-30TFH; Blue Buttes; NWNE 30-150N-95W; 2SEC; McKenzie; horizontal; 20,663; 3/23/2013; 1,597 bbl
23649; Kummer 31-30MBH; Blue Buttes; NENE 30-150N-95W; 2SEC; McKenzie; horizontal; 20,660; 3/23/2013; 2,650 bbl
23650; Kummer 31-30TFH; Blue Buttes; NENE 30-150N-95W; 2SEC; McKenzie; horizontal; 20,737; 3/24/2013; 1,536 bbl
23293; Mesa Verde 24-22TFH; Clear Creek; SESW 22-152N-96W; 2SEC; McKenzie; horizontal; 20,281; 3/2/2013; 3,878 bbl

Continental Resources
23798; Michelsen 1-34H; Frazier; SWSE 34-161N-97W; 2SEC; Divide; horizontal; 18,970; 3/7/2013; 355 bbl
23809; Myhre 2-18H; Stoneview; LOT1 18-160N-95W; 2SEC; Divide; horizontal; 18,960; 2/10/2013; 452 bbl
23609; Akron 3-27AH; Banks; NENE 27-152N-99W; N/A; McKenzie; horizontal; N/A; N/A; N/A
23686; Lindsay 1-35H; New Home; SWSE 35-158N-97W; 2SEC; Williams; horizontal; 20,087; 3/10/2013; 484 bbl

Cornerstone Natural Resources
22049; Tafelmeyer 6-1-12H; Customs; SWSE 36-164N-90W; N/A; Burke; horizontal; N/A; N/A; N/A

Emerald Oil
19863; Mongoose 1-8-5H; Charbonneau; SESW 8-149N-102W; N/A; McKenzie; horizontal; 20,575; N/A; N/A

Enerplus Resources
23542; Grace 150-94-06B-07H; Spotted Horn; LOT3 6-150N-94W; 2SEC; McKenzie; horizontal; 20,753; 2/27/2013; 1,007 bbl

G3 Operating (Halcon Resources Corp.)
23706; Miller 1-35-26H; Climax; LOT3 2-157N-102W; N/A; Williams; horizontal; N/A; N/A; N/A
23596; Pasternak Federal 1-2-11H; Strandahl; LOT3 2-157N-102W; N/A; Williams; horizontal; N/A; N/A; N/A

Hess Corp
90220; AV-Hansen Disposal 163-94-19D; Forthun; SESW 19-163N-94W; N/A; Burke; vertical; N/A; N/A; N/A
23969; BB-Rice 150-95-0718H-3; Blue Buttes; NWNW 7-150N-95W; 2SEC; McKenzie; horizontal; 20,385; 4/2/2013; 1,188 bbl
23130; SC-Norman 154-98-3130H-4; Truax; SESW 31-154N-98W; N/A; Williams; horizontal; N/A; N/A; N/A
23131; SC-Norman 154-98-3130H-5; Truax; SESW 31-154N-98W; N/A; Williams; horizontal; N/A; N/A; N/A

Kodiak Oil and Gas
23977; Grizzly 147-103-16-21-16-1H3; Mondak; SESE 21-147N-103W; 2SEC; McKenzie; horizontal; 19,934; 2/23/2013; 765 bbl
23225; Moccasin Creek 4-3-34-3H3; Moccasin Creek; LOT4 3-147N-93W; W2; Dunn; horizontal; 16,020; 2/12/2013; 2,169 bbl
24057; Moccasin Creek 14-11-2-3H3; Moccasin Creek; SESW 11-147N-93W; 2SEC; Dunn; horizontal; 19,775; 2/5/2013; 1,570 bbl

Liberty Resources
23423; Northern 155-100-30-31-1H; Springbrook; NWNE 30-155N-100W; 2SEC; Williams; horizontal; 20,434; 12/1/2012; 820 bbl

Marathon Oil
24083; Kevin Schmidt 44-32H; Murphy Creek; LOT2 5-143N-95W; N/A; Dunn; horizontal; N/A; N/A; N/A

Newfield Production
23926; Staal 150-99-23-14-2H; South Tobacco Garden; SWSE 23-150N-99W; 2SEC; McKenzie; horizontal; 21,235; 3/27/2013; 3,027 bbl

Oasis Petroleum
21383; Zaye Federal 5201-34-2H; Camp; NESE 2-152N-101W; 2SEC; McKenzie; horizontal; 20,660; 11/16/2012; 3,194 bbl

Petro-Hunt
23380; Fort Berthold 147-94-1B-12-4H; McGregory Buttes; SESW 36-149N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
23378; Fort Berthold 147-94-1B-12-5H; McGregory Buttes; SESW 36-149N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24426; Fort Berthold 147-94-2B-11-3H; McGregory Buttes; SESW 36-149N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24424; Fort Berthold 147-94-2B-11-4H; McGregory Buttes; SESW 35-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24422; Fort Berthold 147-94-2B-11-4H; McGregory Buttes; SESW 35-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24154; Fort Berthold 148-94-8B-17-3H; Eagle Nest; NENW 8-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24153; Fort Berthold 148-94-8B-17-4H; Eagle Nest; NENW 8-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24152; Fort Berthold 148-94-8B-17-5H; Eagle Nest; NENW 8-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
23987; Fort Berthold 148-94-19C-18-4H; Eagle Nest; SESW 19-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
23985; Fort Berthold 148-94-19C-18-5H; Eagle Nest; SESW 19-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
23902; Fort Berthold 148-94-20C-21-5H; Eagle Nest; SWSW 20-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
23903; Fort Berthold 148-94-20C-21-4H; Eagle Nest; SWSW 20-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
23986; Fort Berthold 148-94-30B-31-4H; Eagle Nest; SESW 19-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
23984; Fort Berthold 148-94-30B-31-5H; Eagle Nest; SESW 19-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24425; Fort Berthold 148-94-35C-26-4H; McGregory Buttes; SESW 35-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24423; Fort Berthold 148-94-35C-26-5H; McGregory Buttes; SESW 35-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24427; Fort Berthold 148-94-35C-26-3H; McGregory Buttes; SESW 35-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
22928; Fort Berthold 148-94-33C-28-3H; McGregory Buttes; SWSW 33-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
23379; Fort Berthold 148-94-36C-25-5H; McGregory Buttes; SESW 36-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
23381; Fort Berthold 148-94-36C-25-4H; McGregory Buttes; SESW 36-148N-94W; N/A; Dunn; horizontal; N/A; N/A; N/A
24063; Fort Berthold 148-95-23C-14-3H; Eagle Nest; NENW 26-148N-95W; N/A; Dunn; horizontal; N/A; N/A; N/A
24065; Fort Berthold 148-95-23C-14-4H; Eagle Nest; NENW 26-148N-95W; N/A; Dunn; horizontal; N/A; N/A; N/A
24067; Fort Berthold 148-95-23C-14-5H; Eagle Nest; NENW 26-148N-95W; N/A; Dunn; horizontal; N/A; N/A; N/A
24205; Fort Berthold 148-95-25A-36-3H; Eagle Nest; SENE 25-148N-95W; N/A; Dunn; horizontal; N/A; N/A; N/A
24204; Fort Berthold 148-95-25A-36-4H; Eagle Nest; SENE 25-148N-95W; N/A; Dunn; horizontal; N/A; N/A; N/A
24203; Fort Berthold 148-95-25A-36-5H; Eagle Nest; SENE 25-148N-95W; N/A; Dunn; horizontal; N/A; N/A; N/A
24064; Fort Berthold 148-95-26B-35-3H; Eagle Nest; NENW 26-148N-95W; N/A; Dunn; horizontal; N/A; N/A; N/A
24066; Fort Berthold 148-95-26B-35-4H; Eagle Nest; NENW 26-148N-95W; N/A; Dunn; horizontal; N/A; N/A; N/A

To view this chart in its entirety, please visit: http://bit.ly/10bzl3W

Top 10 Bakken wells by IP rate

Top 10 Bakken wells by IP rate
23293; Mesa Verde 24-22TFH; McKenzie; 3,878 bbl

Oasis Petroleum
21383; Zaye Federal 5201-34-2H; McKenzie; 3,194 bbl

Newfield Production
23926; Staal 150-99-23-14-2H; McKenzie; 3,027 bbl

Burlington Resources (ConocoPhillips)
23649; Kummer 31-30MBH; McKenzie; 2,650 bbl

Kodiak Oil and Gas
23225; Moccasin Creek 4-3-34-3H3; Dunn; 2,169 bbl

Burlington Resources (ConocoPhillips)
23667; Kummer 21-30TFH; McKenzie; 1,597 bbl

Kodiak Oil and Gas
24057; Moccasin Creek 14-11-2-3H3; Dunn; 1,570 bbl

XTO Energy (ExxonMobil)
22302; Mariana Trust 12X-20C; McKenzie; 1,556 bbl

Burlington Resources (ConocoPhillips)
23650; Kummer 31-30TFH; McKenzie; 1,536 bbl

XTO Energy (ExxonMobil)
23762; Nelsen State 24X-33A; McKenzie; 1,246 bbl

Note: This chart contains initial production rates, or IPs, from the adjacent IP chart for active wells that were filed as completed with the state of North Dakota from April 30 to May 6, 2013 in the Bakken petroleum system, as well as active wells that were released from tight-hole status during the same period. The well operator's name is on the upper line, followed by individual wells the NDIC file number; well name; county and IP oil flow rate in barrels of oil.

continued from page 12

ACTIVITY

Statoil reported the completion of two wells in Roosevelt County. The Willard 19-18 1H has an SHL at NW NW 30-28N-59E (350 FNL/1214 FWL) and a BHL of 20,453 at NE NW 18-28N-59E (296 FNL/1842 FWL). The Bakken producer turned in an IP of 1,879 BOPD, 1,228 MCFPD and 4,806 BWPD.

The Wilde 30-31 1H, with an SHL at NW NW 30-28N-59E (350 FNL/1184 FWL) has three laterals with BHLs at 18,258 feet at NE SW 31-28N-59E (1955 FSL/1775 FWL); 19,016 feet at SE SW 31-28N-59E (1202 FSL/1719 FWL); and 19,920 feet at SE SW 31-28N-59E (299 FSL/1698 FWL), all reaching the Bakken formation. The Wilde reported an IP of 2,518 BOPD, 1,581 MCFPD and 6,885 BWPD. ●

continued from page 11

PERMIT

Pesek Trust 151-102-35D-26-4H; SWSE 35-151N-102W; 250'FSL and 1875'FEL; Nameless; on confidential status; 2150' ground; 23023; 33-053-04160; 5/3/2013

True Oil
True Federal 21-16 12-21H; NENW 16-148N-100W; 225'FNL and 1980'FWL; Bully; on confidential status; 2403' ground; 22948; 33-053-04140; 5/3/2013

XTO Energy (ExxonMobil)
Arlene Federal 44X-11; SESE 11-149N-97W; 579'FSL and 467'FEL; North Fork; on confidential status; 2267' ground; 20767; 33-053-03588; 5/1/2013
Cross Federal 32X-20; SWNE 20-148N-104W; 2164'FNL and 1832'FEL; Mondak; on confidential status; 2271' ground; 20764; 33-053-03587; 5/1/2013

Permits cancelled

Kodiak Oil and Gas
Smokey SWD 5-29; SWNW 29-149N-98W; 2320'FNL and 352'FWL; Pembroke; vertical; 2221' ground; 90167; 33-053-90167; 5/2/2013

Petro-Hunt
Fort Berthold 152-93-19C-18-6H; SESW 19-152N-93W; 250'FSL and 2413'FWL; Four Bears; horizontal; 2027' ground; 24171; 33-053-04512; 5/1/2013
Fort Berthold 154-93-19D-18-4H; SESE 19-152N-93W; 250'FSL and 925'FEL; Four Bears; horizontal; 2031' ground; 24168; 33-053-04510; 5/1/2013
Fort Berthold 152-93-19D-18-5H; SESE 19-152N-93W; 250'FSl and 1000'FEL; Four Bears; horizontal; 2030' ground; 24167; 33-053-04509; 5/1/2013
Fort Berthold 152-93-19D-18-7H; SWSE 19-152N-93W; 250'FSL and 2615'FEL; Four Bears; horizontal; 2028' ground; 24170; 33-053-04511; 5/1/2013
Fort Berthold 152-94-11B-14-5H; SESW 2-152N-94W; 500'FSl and 2360'FWL; Antelope; horizontal; 1922' ground; 24499; 33-053-04625; 5/1/2013
Fort Berthold 152-94-11B-14-6H; SESW 2-152N-94W; 500'FSL and 2310'FWL; Antelope; horizontal; 2078' ground; 24500; 33-053-04626; 5/1/2013
Fort Berthold 152-94-11B-14-7H; SESW 2-152N-94W; 500'FSL and 2260'FWL; Antelope; horizontal; 2081' ground; 24501; 33-053-04627; 5/1/2013

Locations resurveyed

Continental Resources
Harms 1-32H; SESW 32-153N-93W; 466'FSL and 1536'FWL; Elm Tree; on confidential status; 2089' ground; 22818; 33-053-04099; 5/2/2013

Triangle USA Petroleum
Dwyer 149-101-2-11-6H; LOT3 2-149N-101W; 484'FNL and 1441'FWL; Antelope Creek; horizontal; 2322' ground; 24665; 33-053-04692; 5/2/2013
Dwyer 150-101-35-26-1H; LOT3 2-149N-101W; 284'FNL and 1499'FWL; Rawson; on confidential status; 2325' ground; 24546; 33-053-04654; 5/2/2013

Mountrail Co.

Permits issued

Hess
EN-Ruud 154-93-1734H-2; SWSE 22-154N-93W; 260'FSL and 1713'FEL; Robinson Lake; on confidential status; 2301' ground; 25548; 33-061-02552; 5/3/2013

Marathon Oil
Rudolph 44-10TFH; NENE 15-151N-93W; 325'FNL and 1270'FEL; Reunion Bay; on confidential status; 2112' ground; 25544; 33-061-02548; 5/3/2013
Rudolph USA 41-15TFH; NENE 15-151N-93W; 325'FNL and 1220'FEL; Reunion Bay; on confidential status; 2113' ground; 25545; 33-061-02549; 5/3/2013

Slawson Exploration
Payara 3-21H; SWSE 21-152N-91W; 450'FSL and 2350'FEL; Van Hook; on confidential status; 1956' ground; 25546; 33-061-02550; 5/3/2013
Voyager 3/28H; SWSE 21-152N-91W; 450'FSL and 2325'FEL; Van Hook; on confidential status; 1956' ground; 25547; 33-061-02551; 5/3/2013

Whiting Oil and Gas
Nesheim 13-24H; NWNW 24-153N-91W; 460'FNL and 233'FWL; Sanish; horizontal; 2163' ground; 25554; 33-061-02553; 5/6/2013
Nesheim 41-24H; NENW 24-153N-91W; 228'FNL and 2030'FWL; Sanish; horizontal; 2168' ground; 25555; 33-061-02554; 5/6/2013
Rigel State 11-16XH; NWNW 16-153N-91W; 390'FNL and 860'FWL; Sanish; horizontal; 2403' ground; 25515; 33-061-02547; 5/1/2013

Permits cancelled

Statoil Oil and Gas
R. Barstad 23-14 #3H; SWSE 23-156N-93W; 450'FSl and 2290'FEL; Alger; horizontal; 2326' ground; 20909; 33-061-01761; 5/3/2013

Williams Co.

Permits issued

Hunt Oil
Scorio 159-101-12-1H-1; NENW 13-159N-101W; 240'FNL and 2085'FWL; Zahl; on confidential status; 2063' ground; 25516; 33-105-03066; 5/1/2013

Kodiak Oil and Gas
P Evitt 154-98-13-12-1-3H3; SWSW 12-154N-98W; 400'FSL and 1215'FWL; Truax; on confidential status; 2301' ground; 25511; 33-106-03062; 4/30/2013
P Evitt 154-98-13-12-2-4H; SWSW 12-154N-98W; 400'FSL and 1155'FWL; Truax; on confidential status; 2304' ground; 25512; 33-105-03063; 4/30/2013
P Evitt 154-98-15-12-1-2H3M; SWSE 12-154N-98W; 460'FSL and 1375'FEL; Truax; on confidential status; 2296' ground; 25513; 33-105-03064; 4/30/2013
P Evitt 154-98-15-12-2-2H; SWSE 12-154N-98W; 460'FSL and 1432'FEL; Truax; on confidential status; 2295' ground; 25514; 33-105-03065; 4/30/2013
P Thomas 154-98-14-33-28-3H; SESW 33-154N-98W; 345'FSL and 1460'FWL; Truax; on confidential status; 2069' ground; 25538; 33-105-03074; 5/3/2013
P Thomas 154-98-14-33-28-4H; SESW 33-154N-98W; 345'FSL and 1400'FWL; Truax; on confidential status; 2071' ground; 25536; 33-105-03072; 5/3/2013
P Thomas 154-98-14-33-28-4H3; SESW 33-154N-98W; 345'FSL and 1370'FWL; Truax; on confidential status; 2073' ground; 25535; 33-105-03071; 5/3/2013
P Thomas 154-98-14-33-28-4H3M; SESW 33-154N-98W; 345'FSL and 1430'FWL; Truax; on confidential status; 2070' ground; 25537; 33-105-03073; 5/3/2013

Zavanna
Bear Cat 33-28 2H; SWSE 33-155N-100W; 270'FSL and 1890'FEL; Williston; on confidential status; 2116' ground; 25553; 33-105-03076; 5/6/2013
Bear Cat 33-28 3TFH; SWSE 33-155N-100W; 270'FSL and 1920'FEL; Williston; on confidential status; 2116' ground; 25552; 33-105-03075; 5/6/2013
Sylvester 32-29 1H; SESW 32-155N-100W; 350'FSL and 2070'FWL; Springbrook; on confidential status; 1902' ground; 25528; 33-105-03068; 5/2/2013
Sylvester 32-29 2H; SESW 32-155N-100W; 350'FSL and 2010'FWL; Springbrook; on confidential status; 1901' ground; 25530; 33-105-03070; 5/2/2013
Sylvester 33-29 3TFH; SESW 32-155N-100W; 350'FSL and 2100'FWL; Springbrook; on confidential status; 1903' ground; 25527; 33-105-03067; 5/2/2013
Sylvester 33-29 4TFH; SESW 32-155N-100W; 350'FSla nd 2040'FWL; Springbrook; on confidential status; 1902' ground; 25529; 33-105-03069; 5/2/2013

Permits renewed

Hess
Go-Dahl A 156-97-2536H-1; NENW 25-156N-97W; 477FNL and 2256FWL; Dollar Joe; on confidential status; 2217' ground; 22953; 33-105-02626; 4/29/2013

Texakota
H. Borstad 2; SWSW 3-157N-95W; 702'FSL and 714'FWL; West Tioga; on confidential status; 2450' ground; 18154; 33-105-01737; 5/1/2013
H. Borstad 4-5; LOT1 4-157N-95W; 600'FNL and 550'FEL; West Tioga; on confidential status; 2476' ground; 18155; 33-105-01738; 5/1/2013

Locations resurveyed

Hess
SC-Mari-153-98- 2223H-1; NWNW 22-153N-98W; 140'FNL and 500'FWL; Truax; on confidential status; 2062' ground; 23642; 33-105-02782; 5/3/2013
SC-Mari-153-98- 2223H-2; NWNW 22-153N-98W; 190'FNL and 504'FWL; Truax; on confidential status; 2062' ground; 23643; 33-105-02783; 5/3/2013

—Compiled by Ashley Lindly

Contact Ashley Lindly at alindly@petroleumnewsbakken.com

Bakken producers' stock prices

Closing prices as of May 1, along with those from previous Wednesday

Company	Exchange	Symbol	Closing price	Previous Wed.
Abraxas Petroleum Corp.	NASDAQ	AXAS	$2.44	$2.14
American Eagle Energy Corp.	AMZG	OTC	$1.94	$1.84
Arsenal Energy USA, Inc.	TSE	AEI	$0.39	$0.42
Baytex Energy Corp.	NYSE	BTE	$41.12	$38.98
Burlington Resources Co. (ConocoPhillips)	NYSE	COP	$62.59	$60.01
Continental Resources, Inc.	NYSE	CLR	$84.92	$77.47
Crescent Point Energy Corp.	TSE	CPG	$38.38	$38.08
Enerplus Resources USA Corp.	NYSE	ERF	$14.10	$13.96
EOG Resources, Inc.	NYSE	EOG	$137.90	$118.83
Fidelity Exploration and Production (MDU)	NYSE	MDU	$26.80	$25.21
G3 Operating LLC (Halcon Resources Corp.)	NYSE	HK	$6.19	$6.25
GMX Resources, Inc.	PINK	GMXRQ	$0.18	$0.17
Hess Corp.	NYSE	HES	$71.89	$70.71
Kodiak Oil and Gas (USA), Inc.	NYSE	KOG	$8.29	$7.60
Legacy Reserves Operating LP	NASDAQ	LGCY	$26.58	$25.66
Liberty Resources, LLC	LBY	ASX	$0.04	$0.05
Marathon Oil Co.	NYSE	MRO	$34.72	$31.89
Newfield Production Co.	NYSE	NFX	$22.88	$21.71
Oasis Petroleum Inc.	NYSE	OAS	$37.02	$32.78
OXY USA (Occidental Petroleum Corp.)	NYSE	OXY	$89.28	$87.55
QEP Energy Co.	NYSE	QEP	$27.78	$26.95
Resolute (Resolute Energy Corp.)	NYSE	REN	$8.22	$8.72
Samson Resources Co. (KKR & Co.)	NYSE	KKR	$21.13	$20.74
SM Energy Co.	NYSE	SM	$63.54	$57.94
Statoil	NYSE	STO	$24.06	$24.21
Sundance Energy, Inc.	SEA	ASX	$0.91	$0.92
Triangle USA Petroleum Corp.	NYSE	TPLM	$5.90	$5.30
Whiting Oil and Gas Corp.	NYSE	WLL	$47.83	$42.48
WPX Energy Inc.	NYSE	WPX	$16.71	$15.35
XTO Energy Inc. (ExxonMobil)	NYSE	XOM	$91.70	$87.51

Looking for a rig report?

Montana
Drilling Ahead at **www.drillingahead.com/USARigReport** offers a U.S. Drilling Rig Report that includes Montana.

North Dakota
The best list for North Dakota is updated daily by the North Dakota Oil and Gas Division at **www.dmr.nd.gov/oilgas/riglist.asp**

Saskatchewan
Weekly drilling activity report from the government of Saskatchewan:
www.economy.gov.sk.ca/Daily-Well-Bulletin-Weekly-Drilling-Reports

Manitoba
Weekly drilling activity report from the government of Manitoba:
www.manitoba.ca/iem/petroleum/wwar/index.html

PHOTO COURTESY CONTINENTAL RESOURCES

● COMPANY UPDATE

Overcoming gas-price despair

Bakken in southern Alberta takes key role in turning DeeThree from shale gas to oil player, building future on 480M barrels OOIP

By GARY PARK

For Petroleum News Bakken

Canadian startup DeeThree Exploration, like so many of its peers, experienced the sickening dive over recent years in natural gas prices from C$11 per thousand cubic feet to C$2.

So how come Chief Executive Officer Martin Cheyne can say with a straight face: "We were lucky ... no doubt about it?"

The luck stemmed from the company's core holdings in the Bakken region of southern Alberta, also known as the Exshaw play, which have turned DeeThree from a shale gas player into an oil producer, bolstered by a breakthrough last year.

Keith Schaffer, editor of Oil & Gas Investment Bulletin, said the company has found itself in a "very enviable position," having cracked the geological code that has played a key role in raising its output in two years from 400 barrels per day to more than 6,000 bpd in a shallow oil formation.

Original-oil-in-place on its Bakken assets has been evaluated by Sproule Associates at 480 million barrels, with a best estimate of ultimate potentially recoverable resources of 57.5 million barrels. Average proved plus probable reserves for the company's first six wells drilled last year have been calculated at 263,000 barrels of oil equivalent per well.

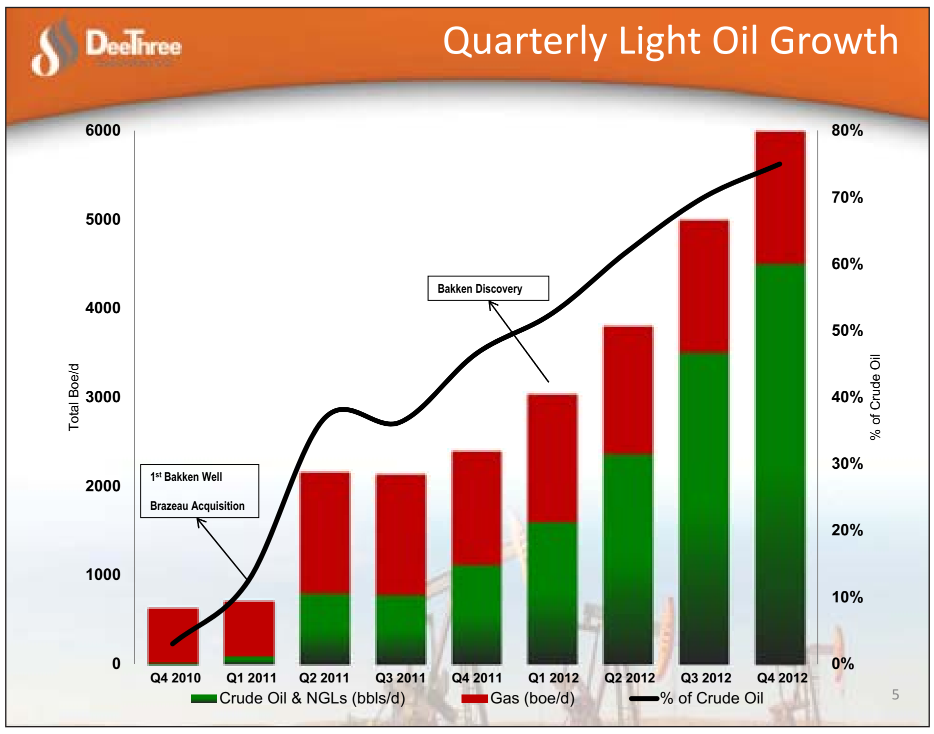
Created, sold off

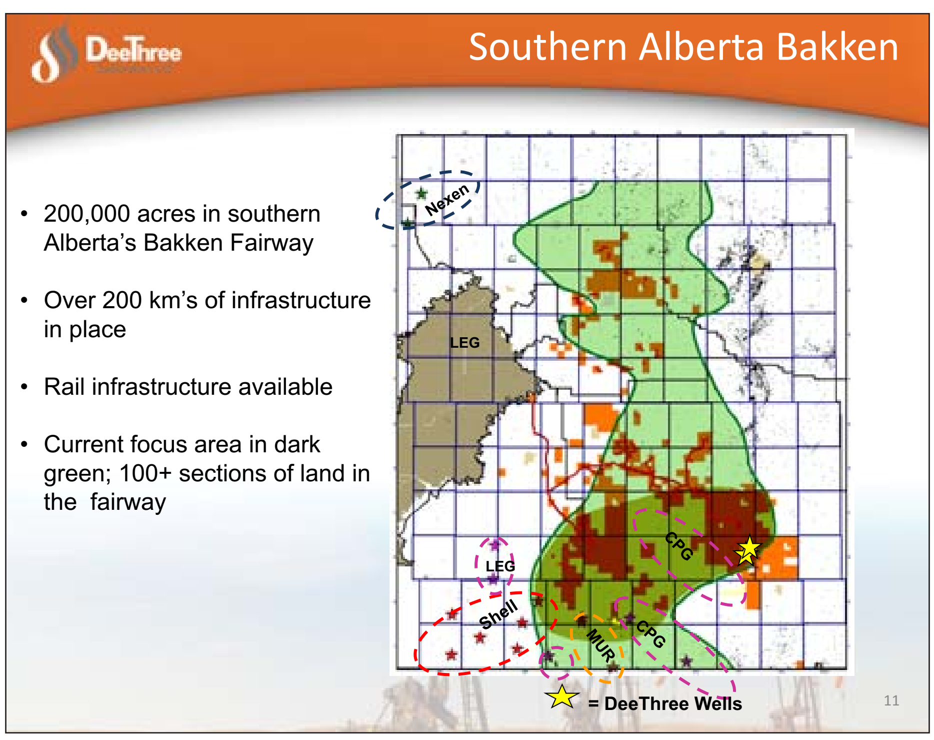
Cheyne said that during his 25 years in the industry he has "never had anything quite like" his good fortune in this incarnation.

That experience has seen him create and sell off two companies — Dual Exploration and Devlan Exploration — leading to his new outfit, thus the DeeThree nametag.

Company share values tripled last year helping DeeThree to set a capital budget of C$160 million for 2013, while lenders are committed to raising its credit line to C$135 million from C$90 million.

Average production for 2013 is targeted at 7,600-8,000 boe per day (76 percent oil and natural gas liquids), with an exit rate at year's end of 9,600-10,000 boe per day (81 percent oil and NGLs) as it takes advantage of an estimated 200 to 250 drilling locations.





Facility infrastructure

The budget includes plans to increase facility infrastructure to handle oil production increases from its two core fields — the Ferguson Alberta Bakken in southern Alberta and the Brazeau Belly River in central Alberta which the company rates as "two game-changing oil plays" — with a new oil battery under construction to handle initial output of 8,000 bpd from Ferguson.

In addition, DeeThree holds 100,000 gross acres in the Montney and Doig plays of northwestern Alberta's Peace River Arch.

Plans include 20 Alberta Bakken wells and 11 Belly River wells this year (where it has a farm-in agreement with an unidentified major oil producer) – five of them exploration and 26 development wells.

Significant new oil pool

Last year's successes included the discovery of a significant oil pool in the Alberta Bakken and confirmation of the multi-zone potential of its Belly River light oil resource play — the platforms for achieving significant production growth.

Acquisitions in 2012 included 32,640 net acres that offset its Alberta Bakken play and 21,760 net acres offsetting Belly River.

The company's final Alberta Bakken well last year was a two-mile long horizontal extension east of the Ferguson Bakken field.

It encountered excellent pay and gas detection to the end of the leg and expanded the known limits of the pool to a 40-square-mile fairway.

Initial production from the well was 448 bpd, reinforcing the company's geological and seismic modeling.

The results prompted DeeThree to add 3,840 acres at an Alberta government land sale and encouraged it to further delineate the trend this year over 9,600 acres of its eastern lands.

DeeThree has yet to define the western edge of the Ferguson Bakken, where it has acquired more than 12,000 acres at land auctions and where it plans to drill two to three wells this year to enlarge the identified size of the pool.

New prospects

On its northern core area in the Alberta Bakken, the company has completed an internal geological and geophysical study of its 32,000-acre land base, including almost 11,000 acres recently acquired.

Based on 2012 drilling results and legacy vertical well control, plus geological and geophysical mapping, DeeThree believes it has pinpointed two separate and distinct oil prospects in the northern Alberta Bakken.

Both are 12 to 15 square miles in size and are five to 10 miles from the company's existing core development area.

Two to four wells are scheduled for this year, aiming for a breakthrough on prospects that have yet to be assigned any significant oil resource potential. ●

Contact Gary Park through publisher@petroleumnews.com

● COMPANY UPDATE

SM Energy improving efficiencies

By MIKE ELLERD

For Petroleum News Bakken

Denver-based SM Energy said April 30 that in the first quarter of 2013 it operated a four-rig drilling program in the Williston Basin and completed a total of 11 gross flowing wells. For the second quarter, SM Energy said it expects to swap out two of those four rigs for a contracted walking rig in order to enhance efficiency. The company plans to continue its focus on its Gooseneck prospects in Divide County and its Raven/Bear Den prospects in Williams and McKenzie counties.

Javan D. Ottoson, SM Energy's president and chief operating office, said in a May 1 earnings conference call that the company has developed a "top-notch" drilling and completion team for its Bakken and Three Forks prospects, and the that team is working to lower drilling and completion costs.

"These are expensive wells," Ottoson said. "A long lateral 1,280 Frontier well is probably $14 million, $15 million. And with opportunity to really work on that, we think we can generate even more value here by really grinding on costs. It puts it right in that flywheel of excellence that we have around our drilling program in the Rockies. It's just real great opportunity for us."

Unlike many operators in North Dakota, SM Energy said it did not experience any abnormal weather impacts, and the company is not anticipating any flooding issues with its operations.

"We always have weather impacts in the wintertime

see SM EFFICIENCIES page 20

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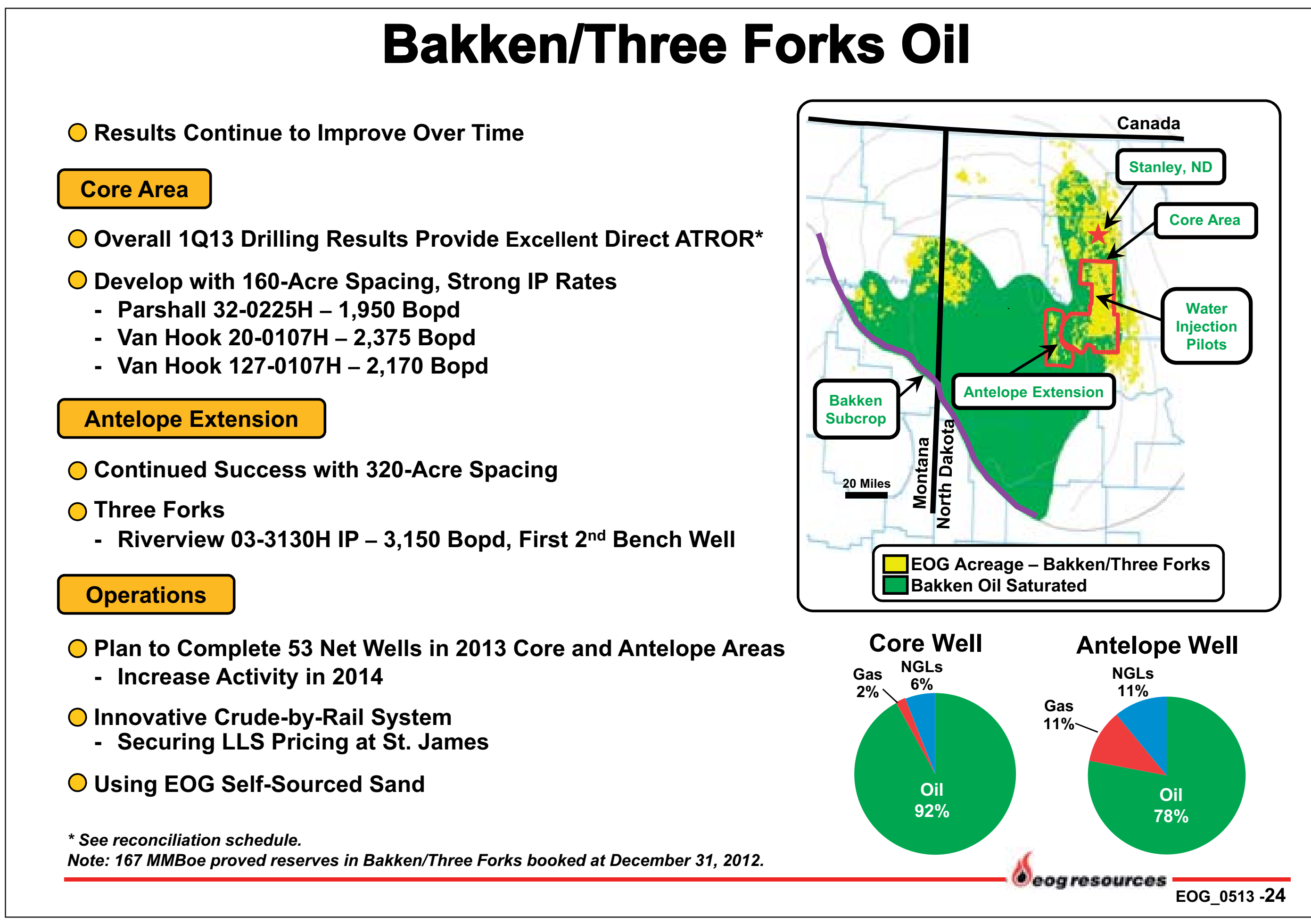
EOG UPDATE

bopd in the first quarter, up 33 percent over the 140,800 it averaged in the same quarter of 2012.

"We hit on all cylinders in the first quarter," said outgoing Chairman and Chief Executive Officer Mark Papa in a May 7 conference call. "Our oil, NGL, and North American gas volumes considerably exceeded our guidance, and for the same quarter in a row our unit cost beat guidance, and domestic oil prices were at a significant premium to WTI. Therefore, we beat on volumes, costs, and net backs."

BILL THOMAS

In the U.S., EOG focuses on three major plays: the Bakken petroleum system in the Williston Basin, the Eagle Ford in south Texas, and the Midland and Delaware plays in the Permian Basin of west Texas and New Mexico. EOG does not break down its U.S. production by play, but according to North Dakota Industrial Commission records, in February 2013, EOG was the fifth largest crude oil producer in North Dakota producing an average of 43,338 bopd. The numbers come only from EOG-operated wells and do not break out oil owned by other companies, partners in the wells, nor do they include wells in which EOG is a minority partner and therefore not the operator.



Second and third Three Forks benches

In its Antelope Extension acreage in northeast McKenzie County, EOG brought its Riverview 03-3103H well on production in the first quarter. In the first 24 hours that well yielded 3,150 barrels of oil from the second bench of the Three Forks formation in the Bakken petroleum system. The company's West Clark 101-2425H well, which targeted the first bench of the Three Forks, had a 24-hour initial production of 2,205 barrels.

"The Three Forks and (middle) Bakken results on our Antelope Extension acreage continue to look strong, and we are particularly excited about the potential of the Three Forks second bench," EOG President Bill Thomas said in the May 7 conference call. "Early looks indicate that this target may have better potential than the first bench and the Bakken phase in this area. We plan to test the third bench of the Three Forks in this same area next year."

Drilling will likely increase in 2014

EOG also saw positive results from its ongoing 160-acre downspacing. In the Parshall field in southern Mountrail County, N.D., EOG's Van Hook 20-0107H and 127-0107H wells had 24-hour oil IP rates of 2,375 barrels and 2,170 barrels, respectively. In that same area, the company's Wayzetta 136-2127H well had a 24-hour IP rate of 1,910 barrels, and its Fertile 53-3024H well had a 24-hour IP of 1,725 barrels. All four are 160-acre infill wells.

The 160-acre downspacing continues to outperform EOG's expectations, according to Thomas, and he said the "vast majority" of the company's planned 53 North Dakota well completions in 2013 will be on 160-acre spacing units, which could well lead to an increase in the company's drilling activity in 2014.

"As we continue to gain confidence in downspacing results over the course of 2013, we will likely increase the level of drilling activity in 2014," Thomas said.

Papa added that EOG's overall North Dakota results are better than the industry average "because we are drilling 160-acre downspace wells in the best acreage in the entire play."

New fracking techniques

In addition to downspacing, EOG continues developing and implementing new hydraulic fracturing techniques, including using its sand from its own mine. Thomas said the company is very positive about its new frack techniques.

"We're contacting more rock, and we're really enhancing the recovery factor of the Bakken on our core acres. So it's going well right now."

The combination of the new fracking and downspacing continue to improve EOG's productivity in the Williston Basin.

"In summary," Thomas said, "we are encouraged by our solid downspacing results in the Parshall core area and excellent results from multiple Three Forks pays in the Antelope Extension area. As reported on our February call, we are applying new frack techniques in the Parshall core and Antelope area, and the new wells are outperforming the original wells that we drilled several years ago. The results continue to set us up for many years of excellent drilling in the play. With our new techniques, we believe EOG will continue to lead the industry in Bakken and Three Forks drilling results."

What's ahead in 2014?

Thomas said EOG's positive results paint a bright future for the company in the Williston Basin.

"The results continue to set us up for many years of excellent drilling in the play. With our new techniques, we believe EOG will continue to lead the industry in Bakken and Three Forks drilling results."

Papa added that if crude oil prices remain strong, i.e., in the range of $94 to $95 per barrel, EOG will likely increase its drilling activity in its Bakken, Eagle Ford and Permian plays in 2014.

Papa, however, won't be at the helm in 2014. He is stepping down as chief executive officer as of July 1 and Thomas will take over as CEO. Papa will remain as executive chairman through the end of the year, retiring on Dec. 31. Thomas will then take over as chairman as well. ●

Contact Mike Ellerd at mellerd@petroleumnewsbakken.com

● COMPANY UPDATE

Northern production up 30 percent

Well costs drop to $8.4-$8.8 million; plan 44 net wells in 2013; add 6,000 net WB acres in first quarter at about $1,087 per acre

By MIKE ELLERD
For Petroleum News Bakken

Minnesota-based Northern Oil and Gas announced on May 6 that its average daily production in the first quarter of 2013 was 11,115 barrels of oil equivalent per day (90 percent oil) from its non-operated Williston Basin assets, up 30 percent from its first quarter 2012 production of 8,517 boepd (93 percent oil).

The company said its operator partners brought 128 gross (9.6 net to Northern) wells on production in the first quarter, bringing its total number of gross Williston Basin wells to 1,355 (115.8 net) as of March 31.

Northern is participating in an additional 152 gross wells (12.2 net) that were either being drilled or waiting on completion as of March 31.

Northern Chairman and Chief Executive Officer Michael Reger said that approximately half the 152 wells being drilled or awaiting completion are in Mountrail County, N.D., where Northern is partnering with both Slawson Exploration and EOG Resources.

Reger said Slawson has had three drill rigs active on the peninsula in far southern Mountrail County since the beginning of the year, and EOG has been actively downspacing in the Parshall field.

Northern has seen its largest step changes in production in these two areas.

Reger also said the average number of wells per rig increased in the first quarter as operators continue to move to pad — i.e. development — drilling.

"Pad drilling is playing a significant role in rig efficiency and for Northern," Reger said in a May 7 first quarter earnings conference call. "Approximately two-thirds of our gross wells that are currently drilling or awaiting completion are on a multi-well pad. As a result, we are seeing a steady decline in drilling and completion costs, and we continue to expect our average well cost to land between $8.4 million and $8.8 million for the year."

Reger said Northern's 2013 guidance is to add 44 net wells. Winter weather and road restrictions, he said, limited the number of wells added in the first quarter to 9.6, but he said most of the wells that Slawson and EOG are drilling should be completed in late May or June. Reger said he was optimistic that Northern can achieve its goal of 44 net wells for the year.

Northern also added approximately 6,000 net acres to its Williston Basin assets in the first quarter at an average cost of $1,087 per acre. Most of those 6,000 acres are in permitted drilling units. As of March 31, Northern controlled nearly 182,000 net Williston Basin acres targeting both the Bakken and Three Forks formations.

Some of Northern's leases, however, are approaching expiration. Reger identified leases on approximately 15,800 acres that could expire in 2013.

Approximately half of that acreage, he said, is in the company's Big Sky prospect in Richland County, Mont. But he is confident about retaining those holdings because operator Slawson has been actively drilling on a unit-by-unit basis in the area.

As a result, Reger said he doesn't expect to lose a "material amount of acreage" in Big Sky. ●

Contact Mike Ellerd at mellerd@petroleumnewsbakken.com

COMPANY UPDATE

Marathon upping Bakken guidance

After a strong first quarter, Marathon Oil Co. is upping its production guidance for the Bakken this year by 14 percent to some 40,000 net barrels of oil equivalent per day.

The Houston-based company reported a 6 percent increase over fourth quarter production from the play. The results out of the Bakken, along with a 22 percent quarter-over-quarter increase from its Eagle Ford operations, helped the company post a 19 percent increase in year-over-year production and a 4 percent increase in quarter-over-quarter production.

"We continue to see higher crude oil realizations in the Bakken driven by our increased utilization of available rail capacity," Marathon said in a May 7 earnings press release.

Marathon produced some 37,000 net boe per day from the Bakken during the first three months of the year, up from 35,000 net boe per day in the fourth quarter of last year. In April, the company estimates it produced some 38,000 net boe per day. The Bakken production in 90 percent crude oil, 5 percent natural gas liquids and 5 percent natural gas.

Marathon reported an average realized sales price of $91.22 per barrel for its Bakken crude and condensate during the quarter, as compared to average prices of $103.78 per barrel from the Eagle Ford and $90.52 per barrel from the Anadarko Woodford.

Marathon moved 45 percent of its Bakken crude to market by rail in the first quarter. Marathon drilled 18 gross wells and brought 22 gross wells online during the quarter, and reported an average spud-to-spud time of 25 days, among the fastest in its portfolio. The company is reporting a total cost of $9.7 million per well in the Bakken/Three Forks.

—ERIC LIDJI

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RAIL BETS

services will be in a few years, let alone a generation from now.

"We're not going to go out and spend capital and build an infrastructure that's going to last 40 or 45 years when we're not sure where the (crude) market will be in five or six years," he told shareholders.

Harrison and Chief Operating Officer Keith Creel said they do not see approval of TransCanada's Keystone XL pipeline having an impact on CP's crude business, claiming there is room for both pipelines and rail.

CN expects unit trains soon

A CN spokesman said his company is now assembling batches of tank cars for inclusion with regular freight train cars, but expects it will soon have whole trains — so-called unit trains — devoted to moving crude.

In their first-quarter conference calls, executives of both railroads said they are holding discussions with larger refiners and integrated producers about ways to meet rising customer demand.

Ruest said refiners are "extremely bullish on leasing cars, buying cars and doing backstop capital investments for those who are willing to build a terminal for their products."

In addition, pipeline companies are showing interest in multimodal options and playing an investment role in loading terminals, he said.

CP expanding dealings

CP Executive Vice President Jane O'Hagan is counting on rail volumes changing as market and refinery demands for different crude grades evolve.

She said heavy crudes from Western Canada need to find appropriate refineries on the U.S. Gulf Coast and elsewhere and eventually for export.

O'Hagan said CP has expanded its dealings from marketers to producers and transloaders and is engaged in intense, confidential negotiations with producers seeking refining markets.

Claude Mongeau, CN's chief executive officer, said his company has grown from picking up crude at its point of origin to more sophisticated deals such as agreements with large refiners who are weighing partnerships to build point-of-origin loading and unloading facilities.

Without commenting directly on the joint venture by Tesoro and Savage Cos. to build unloading and marine facilities at the Port of Vancouver in Washington State for shipment of Midcontinent oil to Tesoro's California refineries, he said larger companies seem willing to make complex deals with an eye on the long term.

Mongeau said investments on that scale suggest the companies are investing in infrastructure to move crude by rail "for many years to come."

He also said heavy crude producers, despite some initial doubts, apparently now see the benefits in moving crude by rail and barges, or by pipeline and rail to access refineries.

"We are seeing a range of new avenues being created and new players getting involved," he said. "It clearly shows rail and pipeline are complementary and that we are helping to move energy to markets in an efficient way."

—GARY PARK

Contact Gary Park through publisher@petroleumnews.com

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CHATTER

County, at 26,908 feet measured depth.

Fair retires, Genaud takes PetroShale reins

PETROSHALE INC. IS GETTING A NEW president and chief executive officer, namely Evan Genaud, 38, who will replace James Fair.

Fair, who has more than 34 years of oil and gas experience in both the U.S. and Canada, will continue to serve as a director of the company, which has offices in Denver and Calgary.

"Evan's unique background of technical, entrepreneurial and financial markets experience makes him an ideal CEO to lead PetroShale," John Fair, president of PetroShale (US) Inc., said on behalf of the board. "I look forward to working together with Evan to aggressively grow the company."

Genaud's experience over the past 17 years has included "technical, business development, entrepreneurial and financial markets positions in North America, South America, Europe, Asia, Africa and the Middle East," PetroShale said. After three years as global oil and gas advisor and chief engineer for HSBC, London, U.K., Genaud recently moved back to Denver.

He played an "instrumental role" helping HSBC grow its highly successful worldwide energy practice, PetroShale said.

Genaud, who is an MBA graduate of the University of Colorado and holds a B.S. in geophysical engineering from the Colorado School of Mines, also spent seven years with Anadarko/Kerr-McGee "in increasing roles of responsibility both internationally and in the Rocky Mountain region, including extensive experience in the Williston Basin," PetroShale said.

Oxy elects career diplomat as chairman

A MERE FIVE DAYS AFTER POSTING a raft of changes designed to give independent directors more authority in guiding the company, Occidental Petroleum Corp. has ousted its former CEO Ray R. Irani, Ph.D., as chairman of the board. In Irani's place, Oxy's board has elected independent director Edward P. Djerejian as its new chairman. The directors also chose former Energy Secretary Spencer Abraham to serve as vice chairman.

An independent director of Oxy since 1996, Djerejian most recently chaired the board's corporate governance, nominating and social responsibility committees. His 32-year career in the Foreign Service included two stints in the Middle East as U.S. ambassador, first to Syria and then to Israel. He is also the founding director of the James A. Baker III Institute for Public Policy at Rice University in Houston.

Helms addresses U.S. House committee

House Science looking at Keystone science — The U.S. House Science Committee's energy and environment panels held a joint hearing May 7 on scientific and environmental issues with the Keystone XL pipeline. Witnesses included North Dakota Industrial Commission's Lynn Helms. See story from Gannett Washington Bureau at http://on.wcsh6.com/ZO49bv. ●

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COMPANY UPDATE

Phillips: Bakken competitive on coasts

Even with margins narrowing against Brent, Phillips 66 believes Bakken crude can compete on the East and West coasts, a company official said in a recent earnings call.

Asked how the relationship between Brent, West Texas Intermediate and Bakken crude oil prices might impact Phillips 66's rail operations to East Coast or West Coast refineries, Phillips 66 Executive Vice President Tim Taylor acknowledged there would be a point when shipping Bakken crude to the East or West coasts would no longer be economic," but, he added, "fundamentally, that crude needs go that direction. That's the right place, I think, for that crude to go. So I would see that as short-term dislocation versus really a fundamental (shift). We still believe Bakken will price to be competitive and it's going to take into account where it needs to go to price itself into the market."

Currently, Phillips 66 ships Bakken crude oil supplies by rail to the Bayway Refinery at the Port of New York and New Jersey and the Ferndale Refinery in Puget Sound.

The premium of Brent to West Texas Intermediate fell below $8 per barrel on May 8 for the first time since January 2012, but WTI continues to have a premium over Bakken.

The price premium is currently a benefit. In part as a result of running more Bakken crude in the place of Brent, Phillips 66 reported improved margins at its Bayway during.

—ERIC LIDJI

Petroleum News Bakken Oil Patch Bits

Larson Electronics announces infrared LED emitter

Larson Electronics said May 1 that it has released a 12 watt infrared LED light emitter designed to provide output and operation suitable for medical applications. The LEDLB-4E-IR-M-110V medical infrared LED light bar provides those in the medical field with a powerful and effective source of infrared light that can operate from standard wall outlets and be magnetically mounted to metallic surfaces for easy control and precise application.

The LEDLB-4ET-IR-M-110V 110 is designed to provide professionals in the medical fields with high output source of infrared light in a versatile and easy to manage design. With current medical studies showing promising results from the use of infrared light in a variety of fields including dermatology and neurology, this high power infrared LED light bar is an easy to operate infrared light source intended for application in these fields. This LED light bar produces invisible infrared light in the 850 or 940Nm portion of the light spectrum depending upon configuration, making it ideal for professionals utilizing these wavelengths in their treatment and therapy plans.

For added versatility and ease of use, Larson Electronics has fitted these units with three magnetic mounting pads. This lamp can be securely attached to just about any metal surface, making it ideal for applications where professionals need to easily move the unit to various locations for optimal coverage. For more information visit www.Larsonelectronics.com.

Bakken Players

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DROVDAL Q&A

counties over the next biennium?

Drovdal: That of course was a bill that Bob Skarphol put in that all of us western legislators from the oil counties worked on all through last summer and fall. It asked for $1.2 billion, and we ended up getting $1.14 billion, which was just a little under what we asked for. They didn't break it down like we had originally requested, which isn't a big problem because our county commissioners certainly know their needs in their local counties better than we do.

It's the biggest money we've ever sent back. But on top of that we sent back a bunch of money to four-lane the highway between Watford City and Williston, which is currently one of the most dangerous in the state. And we also put money in for a bypass around Watford City for Highway 85, and also around Alexander on Highway 85. And then next year there's money to put a bypass around Watford on Highway 23 to Highway 85 and that's going to really help Watford City considerably reduce that 10,000 to 12,000 number of vehicles going through town down to a manageable number.

So overall it was about triple what we asked for in the last session. And is it enough? I always get asked that question. The answer is no. It's not enough because the problems continue to grow and expand, but it's enough to get us started and try to continue to address those problems that we're having out there.

First it was roads and now it's law enforcement and emergency services and schools. Our infrastructure is being stressed to the limit and just about everything's a problem right now. But I think our local elected officials are doing a great job in trying to catch up on the problem and get a step ahead of it.

The housing situation — it's slowly coming around. I think hotels are pretty well built up once we get them all open, and that's going to relieve a lot of the problem. Overall HB 1358 I think was a pretty good bill for western North Dakota.

The complex and controversial package

Petroleum News Bakken: HB 1234 ended up being not only a very complicated bill, but a controversial bill as well. In the end it contained such provisions as changing stripper well status qualifications and requiring stripper well recertification, royalty income tax withholding, incentives for non-Bakken petroleum system development, extending for two years the horizontal well trigger of $55 per barrel to lower the extraction tax by 2 percent, and the 50-50 revenue split with Three Affiliated Tribes. There was an attempt to add an amendment to the bill calling for a 0.5 percent reduction in the production/extraction tax. What did the final bill look like, and what are your thoughts on it as a whole as well as some of the individual components?

Drovdal: Here's the story on 1234. We did negotiate a tax reduction. You had 17 conference committee meetings on the bill. We did get the half-percent reduction and the reason was that a half-percent reduction was still a $55 million tax increase for the oil industry. Without the half-percent reduction, it was a $170 million tax increase on the oil industry and royalty owners. I didn't think going into the session with $1.6 billion in additional reserves that we needed to raise taxes on anybody — in fact we lowered it on everybody else.

> *"I think overall, considering the pressure everybody was under, I think we had a good session."* **—North Dakota state Representative David Drovdal**

That bill went to the floor of the house and it got soundly defeated. The Democrats voted against it because it had the half-percent tax reduction in it. The Republicans votes against it because they didn't like the split with the Native Americans.

They then took most of that bill and put it into HB 1198, which they did pass, but it did not include the trigger freeze on the price of oil, and it also didn't include the half-percent reduction in the reduction tax.

I did get a lot of emails saying don't go for the half-percent tax reduction because we need the money in the west for infrastructure needs. When they passed that bill without the half-percent extraction tax reduction, there was not one dime of that $170 million that went to any county or city in western North Dakota.

Petroleum News Bakken: Wasn't HB 1198 originally related to income tax withholding for oil and gas royalties?

Drovdal: Right, it was one of those, and it just got to be a "hog house" because of everything that was put in it.

Petroleum News Bakken: In general, how do you feel about 1198 given that it didn't change the $55 per barrel trigger and didn't include an extraction tax reduction in it?

Drovdal: Well I think that 1234 was a better bill, but 1198 took care of a number of things we were concerned about, and so it was a step in the right direction. It would have been better if it was 1234, but it's better than nothing.

We eliminated some incentives that were no longer needed. Everybody's paying the same tax on oil, so we have a fairness issue in there. It did raise a lot more money which I personally don't think the state needed. It had the 50-50 split on the Reservation, which we had on trust land before and now it moves it over to fee land where it was 80/20 before. And Native Americans and Three Affiliated Tribes certainly have infrastructure needs.

But the question is that if they (the legislature) were willing to give a 50-50 split on that tax to the Three Affiliated Tribes for their infrastructure needs, then why aren't they giving a 50-50 split to the oil counties for the same infrastructure needs.

Petroleum News Bakken: The counties don't get a 50-50 split?

Drovdal: Overall the counties get about 14 percent of the total extraction and production tax, while the Native Americans get a 50-50 split. So there is a giant discrepancy there, and I think next session there's going to be some questions as to why.

Landowner issues

Petroleum News Bakken: A number of bills were introduced in the session that addressed landowner issues and rights regarding oil and gas development such as increased setback distances and dispute mediation. How do you think landowners fared?

Drovdal: I don't think they fared very well at all. The setback bill we passed really didn't do much at all. We had 500 feet from any occupied building, and all this says is it has to be 500 feet from the wellhead and all the equipment has to be on the other side of the wellhead — really not much of a change. Most of the other bills got killed. It's very difficult to get a landowner's bill through the session. I've tried for 12 years.

Petroleum News Bakken: Why is it so difficult?

Drovdal: One thing is the lobbyists are there and the landowners are not. That's probably the biggest issue. The landowners, of course, are working, and they don't know when the hearings are, so we don't hear from them like we should or like we would like to.

The session overall

Petroleum News Bakken: What is your assessment of the session overall as it dealt with oil and gas-related issues?

Drovdal: I think overall, considering the pressure everybody was under, I think we had a good session. We took care of a lot of needs with the money we had from the oil industry. And we put a lot of money into infrastructure, not only in the oil and gas counties; we put a lot of money into infrastructure throughout the state. We helped every township in the state with some money.

Agriculture is our number one industry but oil is certainly the one that is driving the economy right now, and I think we addressed a lot of issues that we needed to. We put a lot of money into roads — state highways — which we haven't been able to do in the past. We always had to rely on the federal government.

I think we did a lot of positive things. You can always find things you can nitpick about, but I'm very happy where we ended up. I think we helped education, both higher ed and K through 12, and hopefully we helped the taxpayers.

We sent a gigantic income tax relief to individuals, corporations and financial institutions. And we did give a lot of money to hopefully reduce property taxes. The income tax reduction was $250 million and the property tax was up to $750 million. So that's $1 billion we sent back to the taxpayers. Those are pretty good numbers for a small state like North Dakota. ●

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CANOL REALITIES

oil trapped in the source rock of the Norman Wells oil find of the 1920s (which has since yielded millions of barrels) can be economically produced.

MGM: pipelines needed

Of the other Canol players, MGM Energy said both crude oil and natural gas pipelines will be needed out of the Central Mackenzie Valley before crude starts flowing.

But MGM is upbeat about its East MacKay I-78 wells which tested in March at about 140 barrels of fluid during four days — rates company President Henry Sykes said "certainly meet our expectations for a vertical well with small fracs and a limited testing period."

ConocoPhillips, which has 216,000 net acres of Canol rights, drilled, logged and cored two wells during the first quarter.

"This is a Devonian shale that we believe is in the oil window on trend with the prolific Horn River gas play," said Matt Fox, the company's executive vice president of exploration and production.

MATT FOX

"We're planning to go back to this area next winter for a multi-well program, including a horizontal well production test."

Husky confirms Duvernay estimates

On other resource fronts, Husky confirmed external estimates that it may have 200 million barrels of resources to exploit in northern Alberta's Duvernay play, making the company one of the first to lift the lid on its Duvernay results.

Ghosh said "those numbers do not sound absurd to us" as Husky probes about 25,000 acres in what he described as the "dense" portion of the formation.

He said there is generally "too much focus" on the acreage held by companies in resource plays, while Husky puts its emphasis on the resource density of its holdings instead of being "seduced" by total land holdings.

For now, Chief Executive Officer Asim Ghosh said it will not discuss when two more wells might be drilled or release results on condensate levels from its initial wells.

Chief Operating Officer Rob Peabody said that although Husky does not release individual well results, "everything we have drilled has had very high liquids yields and we have been able to bring costs way down on the Duvernay. We feel pretty good where we are."

He said the Duvernay interest, while "not an immaterial resource," does not yet match Husky's results from its Ansell play in west-central Alberta, which he said has "hundreds and hundreds of millions of barrels" of resources.

"Because of our operational performance (Husky is) a very attractive operator for other partners to use given that there's an awful lot of wells that have to be drilled fairly soon for other companies to maintain their acreage positions," Peabody said.

Ghosh noted that Husky raised its Ansell production to 14,500 barrels per day in the first quarter from 4,000 bpd last year, prompting the company to transfer unspecified amounts of capital into the area after adding 27 million boe of natural gas and gas liquids reserves and booking 398 million barrels of contingent resources.

Husky drilled 18 horizontal and vertical wells in the Ansell last year and is now completing four horizontal and six vertical wells.

The company also reported it drilled 45 gross horizontal wells in the opening quarter on its resource plays in the Bakken, Lower Shaunavon, Viking, Cardium and Rainbow Muskwa plays in Western Canada, with Peabody reporting that the latest Muskwa well cost about C$5 million, down 27 percent from last year. ●

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"These are expensive wells. A long lateral 1,280 Frontier well is probably $14 million, $15 million. And with opportunity to really work on that, we think we can generate even more value here by really grinding on costs." **—SM Energy President and CEO Javan D. Ottoson**

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SM EFFICIENCIES

in North Dakota. At this point, we don't have any reason to expect that we're going to have any significant flooding events there. But, of course, it's not over yet," Ottoson said.

Production up

The company's first quarter Bakken/Three Forks production averaged 12,200 barrels of oil equivalent per day, which was a 3 percent increase over the company's fourth quarter 2012 Bakken/Three Forks production, and an increase of 18 percent over its first quarter 2012 Bakken/Three Forks production.

SM Energy also has operations in Eagle Ford, the Permian Basin, East Texas and the Powder River Basin, and the company's total first quarter production from those plays combined with the Bakken/Three Forks averaged 115,000 boepd, a company record for quarterly production. Furthermore, that production was close to the top of the company's guidance range of 110,000 to 116,000 boepd. The first quarter total production was an increase of 5 percent over the 109,900 boepd the company averaged in the first quarter of 2012.

The first quarter 2013 production consisted of 30 percent oil/condensate, 18 percent natural gas liquids and 52 percent natural gas. By the end of 2013, SM Energy expects its production mix to reach 50 percent liquids. ●

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