Whiting takes #1 for Bakken IP

Correction: In March, Petroleum News Bakken reported that a ConocoPhillips well in northeast McKenzie County had what was believed to be the highest known 24-hour initia- tial production or IP rate of any well in North Dakota. Petroleum News Bakken reported 24-hour initial production from the Brazos 24-34H well in June 2012 of 5,130 barrels of oil and 9,785 million cubic feet of gas. Those IP’s were posted on the North Dakota Industrial Commission Department of Mineral Resources Oil and Gas Division’s website.

see WHITING BAKKEN PAGE 16

PBN, Saskatchewan on flood watch

PetroBakken, one of the packmakers in Saskatchewan’s Bakken and Alberta’s Cardium, has reported an active first quarter, drilling 53 wells, placing 40 on production and entering the second quarter with 30 wells waiting to be brought onstream.

But both the industry and the Saskatchewan government are on edge as they face the prospect of damaging spring floods.

Although PetroBakken’s well activity was down from the first quarter of 2012, first quarter production rose to 49,079.

see FLOOD WATCH PAGE 14

Moving Bakken oil to West Coast

U.S. refiner Tesoro and supply system provider Savage Cos. have rolled out a joint venture to build and operate a 120,000-barrels-per-day crude-by-rail unloading and marine loading facility on the Washington State coast to deliver Bakken oil to West Coast refiners.

The partners believe their plan, which needs approval by commissioners at the Port of Vancouver near Portland and regulatory agencies, could cost up to $100 million, be operational in 2014 and eventually get expanded to 280,000 bpd.

Wells Fargo analyst Roger Read said the ultimate capacity could be expanded to 360,000 bpd.

see WEST COAST DELIVERY PAGE 6

Going horizontal

Whiting says Lower Red River D zone could be ‘a major game-changer’

By RAY TYSON
Petroleum News Bakken

E&P independent and new play hunter Whiting Petroleum believes the Williston Basin’s Red River formation, generally viewed as a conven- tional reservoir system developed primarily with vertical wells, contains a zone that also may be suited for horizontal drilling.

Later this year Whiting plans to drill what it believes will be the first horizontal well to enter the Lower Red River “D” zone. If successful, the addi- tion of horizontal wells, which significantly increase well-bore exposure to oil, could dramati- cally change the production dynamics of the play.

the company indicated.

Whiting characterizes Red River as one of the oldest known but least understood geological trends in the Williston Basin. The company holds large acreage positions in several counties through which the trend crosses in eastern Montana and western North Dakota.

Vertical wells successful

The use of vertical wells to extract hydrocar- bons has been a successful undertaking for Whiting. It recently announced that it had identi- fied more than 50 drilling locations in the Upper RED RIVER ZONE page 13

Keystone beats Venezuela

Oliver: XL would serve both countries, enhance US security in face of threats

By GARY PARK
For Petroleum News Bakken

Canada’s Natural Resources Minister Joe Oliver, in waging his single- minded battle in support of Keystone XL, has assured the United States that the pipeline is vital to its dream of oil inde- pendence and a better bet than imports from Venezuela.

Continuing his crusade across Canada, followed by more stops in Washington, D.C., and New York, Oliver pressed home his case that Canada is committed to responsible energy development and building on its record as a reliable oil supplier to the U.S.

see KEYSTONE PAGE 13

FERC OKs Seaway lottery

Speculator nominations overwhelming; discrimination claims dismissed

By MIKE ELLERD
For Petroleum News Bakken

On April 12, the Federal Energy Regulatory Commission or FERC approved a pipeline tariff proposal submitted by Seaway Crude Pipeline Co. LLC which implements a lottery sys- tem for new shippers wanting to transport crude on the pipeline has increased to an unmanageable level. With demand for crude oil on the pipeline increasing, Seaway argued that the only fair way to deal with an overwhelming number of new ship- pers would be to implement a software-based sys- tem that randomly selects new shipper nominations for shipment on the pipeline on a monthly basis.

“Speculators and individuals with no apparent access to crude oil are attempting to game the sys- tem of crude oil that often occurs at Cushing. Seaway went into service in May 2012.

Too many new shippers

The reason for moving to a lottery system, according to Seaway, is that the number of “new shippers” nominating allotments for shipment on the pipeline has increased to an unmanageable level. With demand for crude oil on the pipeline increasing, Seaway argued that the only fair way to deal with an overwhelming number of new ship- pers would be to implement a software-based sys- tem that randomly selects new shipper nominations for transport on the pipeline on a monthly basis.

“Speculators and individuals with no apparent access to crude oil are attempting to game the sys- tem of crude oil that often occurs at Cushing. Seaway went into service in May 2012.

Oliver: XL would serve both countries, enhance US security in face of threats

“From the U.S. perspective the advan- tages are very clear. By displacing Venezuea oil (with crude from the Alberta oil sands and the Bakken) there will be greater economic security ... jobs created ... and revenues to a variety of states,” he said.

“There is significant advantage ... in terms of crude going to U.S. refineries in terms of enhance- ment of national security.”

Oliver argued that Keystone crude would displace

see KEYSTONE PAGE 13

FERC OKs Seaway lottery

Speculator nominations overwhelming; discrimination claims dismissed

By MIKE ELLERD
For Petroleum News Bakken

On April 12, the Federal Energy Regulatory Commission or FERC approved a pipeline tariff proposal submitted by Seaway Crude Pipeline Co. LLC which implements a lottery sys- tem for new shippers wanting to transport crude oil to Gulf Coast refineries. The pipeline originally carried crude oil from Cushing, Okla., south some 500 miles to Jones Creek, Texas, and provides a route for Bakken crude oil to Gulf Coast refining mar- kets. The pipeline originally carried crude oil from the Gulf Coast to Cushing, but was reversed in a joint venture between Enterprise Products Partners LP and Enbridge Inc. in an effort to ease the bott-
ON THE COVER
Going horizontal
Whiting says Lower Red River D zone could be a ‘major game-changer’

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Skarphol on key ND oil and gas bills

ND state representative: Relief to counties, extraction taxes, stripper wells, landowner issues all remain controversial

BY MIKE ELLERD
For Petroleum News Bakken

With the exception of the 56th legislative session in 1999, Bob Skarphol has represented North Dakota’s second legislative district in the state’s House of Representatives since 1983, a district which encompasses western Mountrail County and all of Burke, Divide and Williams counties except for Williston proper.

Not only is Skarphol a farmer and rancher, but he also owns and operates an oil and gas field services company. The combination of his legislative experience, the fact that he’s also a landowner, gives Skarphol rare insight into the legislative processes that affect oil and gas development in North Dakota. As the 63rd legislative session draws to a close with the last day scheduled for May 3, Skarphol recently took time from what is becoming a very busy schedule for all legislators to visit with Petroleum News Bakken about how the key oil and gas-related bills will or could affect the state and his district.

Relief to counties

Petroleum News Bakken: House Bill 1358, which you sponsored, received a do-pass recommendation by the Senate Appropriations Committee but only after the Senate Finance and Taxation Committee reduced the amount of funding earmarked for oil-impacted counties.

Skarphol: On April 23 the full Senate restored much of the funding bringing the total back to over $1 billion. The full Senate then passed the bill on a 46/0 vote with one absent. What does the bill now look like relative to how it was introduced?

Skarphol: It’s still $100 million short. They’ve shorted the counties. They’ve shorted the hub cities. Townships are held about harmless.

Petroleum News Bakken: What happens next?

Skarphol: I’m being told that we’re going to have the conferees from the House and a group of us western legislators try to talk about it, but I’m not feeling that comfortable that we’re going to end up with a product that we can be proud of.

This is a perfect opportunity for us to do that — being able to go away from here feeling proud of what we ended up doing. Unfortunately, I think we’re going to be disappointed.

If they are unwilling to treat the political subdivisions in the west appropriately, I sincerely believe that the political subdivisions in the west are going to begin to treat the state unfairly in an indirect way.

Right now I believe Williams County has, with spring road restrictions, told the oil companies that they must apply for a permit for the movement of any truck, and that permit costs $1,000. And if you have 2,000 trucks to drill a well, that’s $2 million in additional costs. And if HB 1358 is unsatisfactory to the political subdivisions, there are no provisions in the law that make a difference.

The Tribe is going to be kind of a tradeoff that we were going to get away. And I would have anticipated that it was highly questionable.

Petroleum News Bakken: How much influence do you think you’ll have with the conference committee?

Skarphol: Well, I personally probably don’t have any more input that any other legislator other than I’ve been here a long time and usually what I have to say is more closely listened to.

Petroleum News Bakken: But it’s your bill, doesn’t that make a difference?

Skarphol: It’s not my bill, it’s our bill. Western area legislators worked together to put it together. And it’s a statewide proposal — I mean it addresses statewide needs, not just western oil counties. And that’s what made it go out of the House I believe as 82 to eight vote.

HB 1234, a complex bill

Petroleum News Bakken: HB 1234 has evolved into a rather complex piece of legislation with many provisions that were in Senate Bill 2336 except for a reduction in the extraction tax, and it now includes a provision to change the split of production and extraction taxes on the Fort Berthold reservation between the state and Three Affiliated Tribes from the current 80/20 to 50/50. The bill passed the Senate and was sent back to the House, but the House didn’t concur with the Senate version and the bill has been assigned to a conference committee. What are your thoughts on this complicated bill, i.e., how is it evolved and where it’s going?

Skarphol: I guess my first comment would be that I’m not real fond of the evolution. When you’re not part of the discussion in the finance and tax committee, obviously you miss out on some of the nuances that are involved. And I’m having some difficulty understanding why we should feel compelled to lower the state’s take from these minerals because it is explained to me by the Mountrail county commissioners, Mountaintop County takes care of like 280-plus miles of road on the reservation at their expense, and the Three Affiliated Tribes are responsible for somewhere in the area of 20 miles of road. So using the roads as a reason to give them additional revenue, in my mind at the very least, is highly questionable.

And not only that, but there are fees assessed on the reservation that based on what I’m hearing, are not going away. And I would have anticipated that it was going to be kind of a tradeoff that we were going to give them increased revenues in order for these fees to go away so that the oil companies could have a more consistent policy to work with regard to development on the reservation. So I have a lot of questions that haven’t been answered, and in my conversations with the conferes, I’m not getting the answers I’m seeking.
Bernstein Research: Montana’s Alberta Bakken wells ‘disappointing’

A Bernstein Research report on current and emerging shale plays in Montana and Wyoming said most of the area is “well understood” and unlikely to yield big resource developments equal to the Williston Basin’s Three Forks play.

“In general, the geologic complexity, lack of classic deep marine source rocks, shallowness, lack of reservoir drive, and lesser gasiness make it difficult to find a play that will likely compete for capital with other established resource plays,” Bernstein analysts say, per an April 23 Hart Energy newsletter article.

In regard to the “Alberta Bakken” fairway from southern Alberta into northwestern Montana, the U.S. wells have been “disappointing,” Bernstein says. The report notes the nine Montana discoveries, which had average daily initial production rates of less than 100 barrels of oil equivalent with, Hart writes, “rapid declines that were estimated ultimate recoveries. Oil still had a peak 30-day rate of about 200 barrels of oil equivalent per day, and such results are uneconomical with quoted well costs of $7-12 million.”

Wells drilled in Alberta have reportedly better initial results, with the best well producing 1,200 barrels of oil equivalent per day.

---PETROLEUM NEWS BAKKEN

GEOLOGY & ECONOMICS

ConocoPhillips’ Bakken drilling rig numbers up

In 2011 ConocoPhillips had six rigs running in North Dakota’s Bakken petroleum system; in 2012 the company averaged nine rigs. At the end of February, that number was temporarily down to eight, but as of April 22, the number was up to 11, as predicted by ConocoPhillips spokesman Jim A. Levy.

In mid-March when the rig count had jumped back to nine, Lowry told Petroleum News Bakken in an email, “We expect to add another rig, possibly two, before the end of 2013.”

The big Houston-based independent believes its acreage in North Dakota contains more than 1,480 drilling locations and some 600 million barrels of oil equivalent in resources, Don Hrap, president of the Latin American and Lower 48 division for ConocoPhillips said at the IPAA OGIS New York conference on April 17.

“Our production rates are some of the top quartile that are occurring with the Bakken play,” he said. “Our plans here are to grow this by 45,000 barrels per day through 2017.”

Hrap said ConocoPhillips plans to spend some $4 billion in the Bakken over the next five years.

Globally, ConocoPhillips expects existing development programs to account for roughly 600,000 barrels of oil equivalent per day by 2017, with 365,000 boe per day of that growth coming from the Lower 48, according to Hrap. Some 200,000 boe per day of that Lower 48 production will come from the Eagle Ford of south Texas, conventional and unconventional activities in the Permian Basin of west Texas and the Bakken of North Dakota.

ConocoPhillips holds 626,000 acres in the Bakken. Of that, 200,000 acres are along the Nesson Anticline in McKenzie and Dunn counties and the rest are nearby minerals leases.

---RAY TYSON

COMPANY UPDATE

Wellstar updates Bakken operations

Wellstar Energy, a Vancouver-based junior exploration company, has updated its anticipated joint venture role in North Dakota’s Bakken formation, having participated in the drilling and completion of two wells and started drilling one of two more wells.

The latest operations, in which Wellstar has a 40 percent working interest following acquisition of a private Colorado corporation, has seen the anticipated JV drill one well and spud a second. According to State of North Dakota Industrial Commission records the wells are listed as tight holes and operated by Marathon Oil in the Wolf Bay field of Dunn County. (Marathon permitted these two wells and six others in the same field between October and the end of February.)

The deal involving non-operated oil and gas properties consists of about 18,271 gross contiguous acres which Wellstar said constitute a “fundamental acquisition” under the policies of the TSX Venture Exchange.

Of the two completed wells which are producing from two drilling units, Wellstar said it has potential working interests of 12.497 percent (Gary Bell USA and Dunn counties and the rest are nearby minerals leases.

The termination date of the purchase agreement has been extended to May 15, while the purchase price of the assets has been increased to $51.6 million from $51.55 million.

Closing of the deal is subject to a number of matters, including securing satisfactory financing by Wellstar and approval by the TSX Venture Exchange, the company said, cautioning that “as such, trading in the company’s shares remains highly speculative.”

---GARY PARK
Samson nabs industry veteran for top job

By ROSE RAGSDALE  
For Petroleum News Bakken

The departure of Randy L. Limbacher from the top job at Rosetta Resources Inc. in February promised to be the start of something big. The veteran oil and gas executive delivered on that promise recently by joining Samson Resources Corp. as its new CEO, president and director, effective April 18. As Rosetta’s chairman, CEO and president for six years, Limbacher, 54, led a dramatic restructuring of the Houston independent’s business, with a transition from exploring for conventional resources to developing unconventional resources plays. The efforts culminated in Rosetta attaining a leading position in the Eagle Ford shale in South Texas and resulted in the company posting record growth in production, reserves and cash flows in 2012.

Limbacher has 32 years of experience in the exploration and production business, both domestically and internationally. Early in his career, he served in engineering roles with Conoco and Mobil/Superior Oil. Prior to joining Rosetta, he was appointed president, exploration and production-Americas for ConocoPhillips when the major acquired Burlington Resources Inc. in 2006. At Burlington, Limbacher held a series of positions of increasing responsibility that culminated with him serving as executive vice president, chief operating officer and director at Burlington.

Limbacher currently serves on the board of directors of CARBO Ceramics Inc. He holds a bachelor’s degree in petroleum engineering from Louisiana State University. In announcing his appointment, Claire Farley, Samson’s acting CEO and director, described Limbacher as a “proven leader” with “an outstanding track record of building companies.” He will relocate to Tulsa where the company has headquarters.

Halcon taps talent for board committees

HALCON RESOURCES CORP.

WASTED NO TIME putting to work the stellar managerial talent that joined its board of directors recently. The Houston-based independent has appointed investment banker Kevin E. Godwin to serve on the board’s Audit Committee, Michigan real estate investor/developer Michael A. Vlasic to the Reserves Committee and former Halcon Resources director in December in connection with the closing of a private placement of common stock to Canada Pension Plan Investment Board. Godwin has 24 years of experience in private equity and investment banking as well as project and production management and engineering experience. He currently serves as a senior portfolio manager in CPPIB’s relationship investments group, a position he has held since 2008. As of Dec. 31, CPPIB managed more than $172.6 billion in investment assets on behalf of 18 million Canadians. In 1989, Godwin earned a bachelor’s degree in applied science (mechanical engineering) from Queen’s University in Kingston, Ont., and an MBA in 1995 from the Richard Ivey School of Business, University of Western Ontario.

Vlasic joined Halcon’s board in August in connection with the merger of GeoResources Inc. with a direct wholly owned subsidiary of the company after serving on GeoResources’ board since April 2007 and before that, the board of Southern Bay Energy LLC from its inception in 2004. Southern Bay was acquired by GeoResources in 2007. Vlasic is the founder and CEO of MAV Development Co., a Michigan-based commercial real estate firm that has actively acquired and developed projects representing 3 million-plus square feet of commercial/office space and 1,000 acres of land valued at more than $500 million. He also led his family’s business, Vlasic Investments LLC, in the 1980s and served as a director of Texoil Inc. and a member of its executive committee from 1997 until its sale to Ocean Energy Inc. in 2001. Vlasic is a 1982 graduate of Brown University and holds an MBA degree from the University of Michigan.

Hunt became a director of Halcon Resources in December in connection with the company’s acquisition of oil and natural gas properties and related assets in the Williston Basin. Hunt is the founder and managing partner of Genesis Acquisition Partners L.P., a Dallas-based independent. An active investor in the oil and gas exploration, oil service and midstream sectors for more than 25 years, Hunt was a director of Cornerstone Natural Gas, Inc. from November 1993 when it emerged from bankruptcy reorganization until June 1996 when Cornerstone was sold to El Paso Natural Gas Co. He is business graduate of the University of Texas.

In Memoriam …

EARL HOLDING, THE UTAH BILLIONAIRE behind Sinclair Oil & Gas Co. for nearly half a century, died April 19 at the age of 86. Holding, who with his wife, Carol, built a small stake in a Wyoming truck stop — the famed “Little America west of Green River, Wyo.” — where they pumped gas and served food in the 1950s into a multibillion-dollar business empire. By 1967, the Holdings had acquired and reopened a closed refinery in Casper, and in 1976, they purchased Sinclair from PASCO, a bold business move that greatly expanded the family’s fuel sup-

see PEOPLE TALK page 6
Adjournment looms for ND Legislature

North Dakota’s Legislature is beginning to feel the crush of deadlines. April 26 was Day 75, which means North Dakota’s Senate and House had just five days to clear bills on their respective calendars before the state constitution’s 80-day limit is imposed.

North Dakota’s Legislature opened the session in January with more than 842 bills and 76 resolutions. As of April 23, Gov. Jack Dalrymple has signed 365 bills into law.

Several pieces of major legislation are still being negotiated by both chambers, including an oil tax overhaul which seems increasingly unlikely to pass this session as a conference committee of Senate and House members has yet to reconcile differences.

One big sticking point to reworking the tax structure is the stripper well exemption that the state Tax Department says is costing the state about $50 million in lost revenue annually.

The exemption was intended to keep low-volume wells producing in times of depressed prices, providing jobs and at least some tax revenue for the state. It also provides transportation fuels and other supplies to the driving public, commercial, industrial, ranching and agricultural interests in the Rocky Mountain and Central Plains regions of the United States.

The company operates 2,700 service stations in 22 states. Holding’s activities had been restricted by the complications of a strike in December 2002. At the time of his death, Forbes estimated Holding’s wealth at $3.2 billion and ranked him as the 423rd richest person in the world. No cause of death was given.

Sen. Connie Triplett, D-Grand Forks, called the exemption a loophole. Rep. David Drovdal, R-Arnegard, says cutting the exemption amounts to a tax increase on the oil and gas industry. Both lawmakers are on the oil tax overhaul conference committee.

Committee Chairman Rep. Craig Headland, R-Montpelier, said the goal of the overhaul is to be a “revenue neutral.” Attempts to close the stripper well exemption have failed in the past three legislative sessions.

Robert Skarphol Q&A

Skarphol: If they are unwilling to treat the political subdivisions in the west appropriately, I sincerely believe that the political subdivisions in the west are going to begin to treat the state unfairly in an indirect way.

Robert Skarphol

Skarphol: You know I’m not sure it’ll get through. That whole split issue is going to be pretty divisive. The stripper well should be taken care of. But I don’t see that we need to do the linkage — when we do these things I think we should have just had a bill that fixed the stripper problem. We should have had another bill to do away with the trigger. I don’t think we should have put it all together to coerce ourselves into doing something that we find objectionable, and that is to change our oil tax, until we resolve the issues with regard to infrastructure. I don’t believe the oil tax base should change, and I pay the oil tax. My wife and I have mineral interests. We pay that oil tax every month out of those royalties that we receive.

Petroleum News Bakken: Are you talking about changing the split to give more money to Three Affiliated Tribes?

Skarphol: No, I’m talking about lowering our 11.5 percent production and extraction tax in order to make the things revenue neutral. I believe it’s premature to do that until we make sure we resolve the issues with regard to adequate roads, adequate infrastructure, adequate revenue for our political subdivisions to solve the issues they’re having as a result of developments.

Petroleum News Bakken: Lowering the extraction tax was a provision in SB 2336. Has that provision been included in HB 1234?

Skarphol: Well no, it’s not in there but it’s being discussed as a way to sell the stripper well provisions. And I don’t think we should worry about it. If the stripper well provisions generate a little more money, they generate a little more money, and that money can go back to the political subdivisions.

Petroleum News Bakken: Is that what happened when SB 2336 was killed in the House?

Skarphol: I believe there was a recognition that reducing the oil tax was not politically acceptable.

Landowner issues

Petroleum News Bakken: Several bills have been introduced in the session that address landowner issues. In general, do you think the issues facing your district, which is right in the middle of the oil production, are being adequately addressed?

Skarphol: You know it’s really quite amazing in the last two sessions how landowners have been more adequately addressed than they ever were. And that’s ultimately that has a lot to do with the broad stroke of development across the state. There’s a lot more people involved. In the past, oil price was pretty much controlled to just very limited areas, the general population didn’t care. But now when everybody’s more involved because the Bakken’s blanket formation, all of a sudden there’s a lot more interest out there in addressing these issues.

Flaring

Petroleum News Bakken: HB 1134 as amended passed both houses and went to conference committee, and both houses have accepted the conference committee’s recommendations, so it looks like the bill is going to become law. What are your thoughts on this bill and how will it address flaring?

Skarphol: It does a pretty good job of doing the right thing, at least in my analysis, because this is still giving the Industrial Commission the ability to waive many of the provisions that are in the bill if they find it financially infeasible. And that’s got to be done. You have to give them the flexibility to do that.

Now it does put a lot of pressure on the operators to try to utilize that gas.

There’s no question about that. But when you have a formation as widely dispersed as the Bakken and Three Forks, it is incredibly costly and time consuming to get all of the pipelines in place as fast as the wells can get drilled. I believe the industry is trying its hardest to do that because it’s money to them too. It isn’t like it’s just waste, it means revenue.

Will it be a successful session?

Petroleum News Bakken: In general do you think this legislative session has adequately dealt with the more pressing oil and gas-related issues that it has faced?

Skarphol: I think if HB 1138 comes out for the most part as it was introduced, and we resolved most of the flaring issues, I’d like to hope that in the end we take care of the inconsistencies we have in the law with regard to what’s a stripper well. If all of those things get taken care of, I think we’ll have to feel we’ve had a successful legislative session in regard to oil and gas.

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Contact Mike Elled at melled@petroleumnewsbakken.com

A week in the life of a legislator

Robert Skarphol

“I was really shoulder-deep in some issues—my main issue is landowner issues.”

Robert Skarphol

“Sen. Connie Triplett, D-Grand Forks, called the exemption a loophole. Rep. David Drovdal, R-Arnegard, says cutting the exemption amounts to a tax increase on the oil and gas industry.”

Robert Skarphol

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Robert Skarphol
“The Rest is Just Iron”

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### IPs for ND Bakken wells

#### IPs for completed North Dakota wells

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<tr>
<th>Company</th>
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<tr>
<td>Hess</td>
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<tr>
<td>Burlington Resources (ConocoPhillips)</td>
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#### Top 10 Bakken wells by IP rate

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<thead>
<tr>
<th>Company</th>
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<th>Oil Flow Rate</th>
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<tr>
<td>Statoil Oil and Gas</td>
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<td>Burlington Resources (ConocoPhillips)</td>
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<tr>
<td>Marathon Oil</td>
<td>3/16/2013</td>
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</tr>
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<td>Oasis Petroleum</td>
<td>4/6/2013</td>
<td>2,080 bbl</td>
</tr>
<tr>
<td>Petro-Hunt</td>
<td>1/11/2013</td>
<td>482 bbl</td>
</tr>
<tr>
<td>Samson Resources (E &amp; C)</td>
<td>3/30/2013</td>
<td>1,004 bbl</td>
</tr>
<tr>
<td>SM Energy</td>
<td>12/30/2012</td>
<td>1,004 bbl</td>
</tr>
<tr>
<td>Statoil Oil and Gas</td>
<td>2/23/2013</td>
<td>625 bbl</td>
</tr>
<tr>
<td>Liberty Resources</td>
<td>1/13/2013</td>
<td>273 bbl</td>
</tr>
<tr>
<td>EOG Resources</td>
<td>1/13/2013</td>
<td>273 bbl</td>
</tr>
</tbody>
</table>

### IPs for ND wells released from tight-hole status

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
<th>Oil Flow Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burlington Resources (ConocoPhillips)</td>
<td>12/30/2012</td>
<td>2,470 bbl</td>
</tr>
<tr>
<td>EOG Resources</td>
<td>1/13/2013</td>
<td>273 bbl</td>
</tr>
<tr>
<td>Hess</td>
<td>3/20/2013</td>
<td>371 bbl</td>
</tr>
<tr>
<td>Liberty Resources</td>
<td>12/30/2012</td>
<td>499 bbl</td>
</tr>
<tr>
<td>Statoil Oil and Gas</td>
<td>2/23/2013</td>
<td>625 bbl</td>
</tr>
<tr>
<td>Burlington Resources (ConocoPhillips)</td>
<td>11/1/2012</td>
<td>2,520 bbl</td>
</tr>
<tr>
<td>Marathon Oil</td>
<td>3/16/2013</td>
<td>1,651 bbl</td>
</tr>
<tr>
<td>Oasis Petroleum</td>
<td>4/6/2013</td>
<td>2,080 bbl</td>
</tr>
<tr>
<td>Petro-Hunt</td>
<td>1/11/2013</td>
<td>482 bbl</td>
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<td>3/30/2013</td>
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</tr>
<tr>
<td>Liberty Resources</td>
<td>12/30/2012</td>
<td>499 bbl</td>
</tr>
</tbody>
</table>

**Note:** This chart contains initial production rates, or IPs, for active wells that were filed as completed with the state of North Dakota from April 16 to April 22, 2013 in the Bakken petroleum system, which includes formations such as the Bakken and Three Forks. The completed wells that are not missing data have been tested or were awarded tight-hole status, so the IP rate is not yet available. The information was assembled by Petroleum News Bakken from daily activity reports filed as completed with the state of North Dakota from April 16 to April 22, 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 top line, followed by individual wells the NDRC The number, well name, county and IP oil flow rate in barrels of oil. In last week's issue one of the IP charts, April 2 – April 8, 2013, was inadvertently printed incomplete. To view the chart in its complete form, please visit http://bit.ly/Yu3y2E.
Montana oil activity report, April 12-18

Oasis Bakken well in Roosevelt County hits IP of 1,996 bopd; Petro-Hunt permits 2 Red River wells in Wibaux; Stephens 1 in Sheridan

**Montana**

**New locations**

In Wibaux County, Petro-Hunt, LLC was approved to drill two wells, both tapping the Red River formation. The McCann 11-60 26B-1-1, with a SHL at NE NE 26-11N-60E (690 FNL/1980 FWL), will have a PD of 11,050 feet. The Kahl 13-59 24D-2-1, with an SHL at NW NW 26-11N-60E (690 FNL/1980 FWL), will have a PD of 11,150 feet.

**Re-issued locations**

In Richland County, Slawson Exploration Co. Inc. was approved to drill five wells, all targeting the Bakken. The Bonum 1-12H has an SHL at NE NE 24-22N-50E (1650 FSL/1825 FEL) and a BHL of 14,699 feet at NW NW 26-22N-50E (750 FNL/450 FEL) and a PBHL of 14,999 feet at NW NW 26-22N-50E (750 FNL/450 FEL) and a PBHL of 15,466 feet at NE NE 7-32N-59E (2020 FNL/1400 FEL). The IP was 149 BOPD, 1,472 BWPD.

**Drilling & Completion**

**Exploration**

In Sheridan County, Marathon Oil Co. LLC was approved to drill five wells, all targeting the Bakken. The Halberd 1-27 has an SHL at NE NE 12-22N-57E (750 FNL/350 FWL) and a PBHL of 15,466 feet at NE NE 7-32N-59E (2020 FNL/1400 FEL). The IP was 812 BOPD, 215 MCFPD and 1,207 BWPD. The State 24-24N-51E has an SHL at NE NE 12-22N-57E (750 FNL/350 FWL) and a PBHL of 20,176 feet at NW NW 11-33N-12W (982 FNL/2011 FWL) and a BHL of 16,022 feet. The Spear 1-26H, with an SHL at NE NE 7-22N-57E (750 FNL/350 FWL) and a PBHL of 20,320 feet at SW SE 23-27N-59E (301 FSL/2375 FWL) and a BHL of 19,474 feet at SW NW 35-28N-57E (1984 FNL/226 FWL) turned in an IP of 973 BOPD, 430 MCFPD and 3,675 BWPD. Both XTO Energy wells tap the Bakken formation. Oasis Petroleum North America LLC reported the completion of the Jimbo Federal 2759 12-14B in Roosevelt County with an SHL at NE NE 14-27N-59E (225 FNL/2230 FWL) and a BHL of 20,320 feet at SW SE 23-27N-59E (301 FSL/3063 FWL). Producing from the Bakken formation, the well reported an IP of 1,996 BOPD, 1,625 MCFPD and 6,797 BWPD. In Sheridan County, Marathon Oil Co. filed a completion report for the Sorensen 34-9H. The Bakken producer has an SHL at SW SE 34-9H (383 FSL/365 FWL) and a BHL of 18,625 feet at NW NE 4-31N-59E (994 FNL/579 FWL). The IP was 149 BOPD, 1,534 MCFPD.

**Abbreviations & parameters**

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

**Compiled by Darryl L. Flowers**

**For Petroleum News Bakken**

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**Contact Ashley Lindly at alindly@petroleumnewsbakken.com**
### Bakken well operator transfers

**April 13 – April 19, 2013**

#### NORTH DAKOTA

- **DREW COMBS**
  - bbl; SWSE 27-154N-89W; Mountrail Co.
  - Hallingstad 27 1H; horizontal; Bakken; Parshall; 3/27/2008; 274,16978
  - Hynek 2 1H; horizontal; Bakken; Alger; 1/9/2008; 282 bbl; LOT 4
  - Field 18-19 1 H; horizontal; Bakken; Todd; 7/31/2006; 141 bbl; NENW 9-154N-102W; Williams Co.
- **LEGEND**
  - Bakken producers’ stock prices
  - North Dakota well operator transfers
  - Bakken producers’ stock prices
  - LEGEND
  - Bakken producers’ stock prices
- **Company**
  - Exchange
  - Symbol
  - Closing price
  - Previous Wed.
  - Abrasas Petroleum Corp.
    - NASDAQ
    - AXAS
    - $2.20
    - $2.05
  - American Eagle Energy Corp.
    - AMEX
    - OTC
    - $1.86
    - $1.80
  - Arrow Energy USA, Inc.
    - NYSE
    - AEG
    - $5.07
    - $4.93
  - Baycor Energy
    - NYSE
    - BTE
    - $28.84
    - $33.81
  - Brigham Exploration Co. (Dallas)
    - NYSE
    - STD
    - $23.39
    - $22.67
  - Burlington Resources Co. (ConocoPhillips)
    - NYSE
    - COP
    - $30.26
    - $31.61
  - Continental Resources, Inc.
    - NYSE
    - CR
    - $72.39
    - $74.87
  - Creos Point Energy
    - NYSE
    - CPE
    - $1.75
    - $1.70
  - Ensco Resources USA Corp.
    - NYSE
    - ERF
    - $17.05
    - $17.18
  - EnergyQuest Resources, Inc.
    - NYSE
    - EOG
    - $119.30
    - $114.82
  - Fidelity Exploration and Production (MBL)
    - NYSE
    - MD
    - $26.26
    - $23.62
  - G3 Operating LLC (Bakken Interests)
    - NYSE
    - HK
    - $6.78
    - $6.56
  - GNK Resources, Inc.
    - FNK
    - GMDX
    - $10.25
    - $9.15
  - Hess Corp.
    - NYSE
    - HES
    - $70.12
    - $66.91
  - Kinetic Oil and Gas (USA), Inc.
    - NYSE
    - KOG
    - $7.66
    - $7.70
  - Legacy Resources Operating LP
    - NASDAQ
    - LSCY
    - $28.05
    - $26.24
  - Liberty Resources, LLC
    - NYSE
    - ACK
    - $9.85
    - $9.05
  - Marathon Oil Co.
    - NYSE
    - MRO
    - $91.37
    - $82.69
  - Newfield Production Co.
    - NYSE
    - NFX
    - $21.31
    - $20.43
  - Oasis Petroleum Inc.
    - NYSE
    - OAS
    - $34.68
    - $32.51
  - OQY USA (Independent Petroleum Company)
    - NYSE
    - OEQ
    - $49.83
    - $46.45
  - OQ Energy Co.
    - NYSE
    - OEP
    - $28.41
    - $28.86
  - Resolute (Resolute Energy Corp.)
    - NYSE
    - REN
    - $9.32
    - $9.33
  - Samson Resources Co. (ROX & Co.)
    - NYSE
    - XSR
    - $20.19
    - $19.69
  - SM Energy Co.
    - NYSE
    - SM
    - $42.11
    - $34.57
  - Sundance Energy, Inc.
    - SEA
    - ASX
    - $0.86
    - $0.94
  - Trinity USA Petroleum Corp.
    - NYSE
    - TPLM
    - $5.37
    - $5.12
  - Whiting Oil & Gas Co.
    - NYSE
    - WHI
    - $46.75
    - $44.53
  - WPX Energy Co.
    - NYSE
    - WPX
    - $15.83
    - $16.15
  - XTO Energy Inc. (Economobile)
    - NYSE
    - XOM
    - $89.43
    - $86.08

**Looking for a rig report?**

**Montana**


**North Dakota**

- The best list for North Dakota is updated daily by the North Dakota Oil and Gas Division at [www.dmd.nd.gov/oilgas/ris/rgist.asp](http://www.dmd.nd.gov/oilgas/ris/rgist.asp).

**Saskatchewan**


**Manitoba**

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**TRANSFERS**

4,357 bbl; NWSE 19-155N-92W, Mountrail Co.

18653 - Tjylde 29-32 1-H; horizontal; Bakken; Glau Buff; 5/21/2010; 2,803 bbl; NWEN 29-151N-102W, McKenzie Co.

18654 - Sonesson 29-32 1-H; horizontal; Bakken; Algif 10; 4/10/2010; 4,434 bbl; NWNE 29-153N-92W, Mountrail Co.

18744 - Wright 4-33 1-H; horizontal; Bakken; Algif 8; B15/10; 3,094 bbl; SESW 4-155N-92W, Mountrail Co.

18745 - Sukut 28-33 1-H; horizontal; Bakken; Squires; 8/20/2010; 1,752 bbl; NENW 28-155N-103W, Williams Co.

18784 - Ross-Alger 6-7 1-H; horizontal; Bakken; Alger; 6/6/2010; 2,694 bbl; NENW 28-155N-103W, Williams Co.

18791 - Sorenson 10-11 1-H; horizontal; Bakken; Alger; 5/19/2011; 1,872 bbl; NWNE 34-151N-100W, McKenzie Co.

18891 - Ross-Alger 6-7 1-H; horizontal; Bakken; Alger; 6/6/2010; 2,694 bbl; NENW 28-155N-103W, Williams Co.

19325 - Macmaster 11-2 1-H; horizontal; Bakken; Bull Butte; 5/19/2011; 1,425 bbl; NWNE 14-156N-103W, Williams Co.

19398 - Ansel Anderson 11-11 1-H; horizontal; Bakken; Algif 4; 11/7/2010; 2,834 bbl; NWSE 14-155N-92W, Mountrail Co.

19412 - Kono 14-11 1-H; horizontal; Bakken; Algif 3; 12/15/2010; 1,936 bbl; NWNE 20-154N-102W, Williams Co.

19442 - Kroll Farms 14-2 1-H; horizontal; Bakken; Avoca; 2/10/2011; 1,867 bbl; NWNE 20-155N-100W, Williams Co.

19452 - Bratcher 10-3 1-H; horizontal; Bakken; Squires; 7/20/2011; 1,273 bbl; NWSE 15-155N-92W, Williams Co.

19453 - Sonesson 29-32 2-H; horizontal; Bakken; Algif 8; 3/15/2011; 4,661 bbl; NWSE 20-155N-92W, Williams Co.

19461 - Lucy Hanson 15-22 1-H; horizontal; Bakken; Catwalk; 8/5/2011; 2,670 bbl; NWNE 15-153N-103W, Williams Co.

19537 - Donakson 30-31 1-H; horizontal; Bakken; Algif 1; 10/1/2010; 4,106 bbl; NWNE 30-155N-92W, Mountrail Co.

19568 - Barco 20-29 17TFH; horizontal; Bakken; Algif 11; 11/16/2010; 2,834 bbl; NWNE 20-155N-92W, Mountrail Co.

19605 - Brad Olson 9-16 3TFH; horizontal; Bakken; Algif 5; 12/4/2011; 1,702 bbl; NWNE 9-154N-102W, Williams Co.

19606 - Brad Olson 9-16 3TFH; horizontal; Bakken; Algif 5; 11/2/2010; 2,472 bbl; NWNE 9-154N-102W, Williams Co.


19736 - Maxstott 15-32 2-H; horizontal; Bakken; Cow Creek; 4/12/2011; 3,122 bbl; NWNE 15-150N-102W, Williams Co.

19758 - Ansel Anderson 11-11 1-H; horizontal; Bakken; Algif 4; 11/7/2010; 2,834 bbl; NWSE 14-155N-92W, Mountrail Co.

19787 - Charlie Sonesson 17-18 1-H; horizontal; Bakken; Algif 10; 10/30/2011; 3,742 bbl; NWNE 20-155N-92W, Mountrail Co.

19807 - Grunstolon 20-31 1-H; horizontal; Bakken; Camp; 4/19/2011; 2,326 bbl; NWNE 30-151N-102W, McKenzie Co.

19829 - O'Neill 17-20 1-H; horizontal; Bakken; Todd; 5/29/2011; 2,365 bbl; NWSE 8-155N-102W, Williams Co.

19830 - Ross-Alger 6-7 1-H; horizontal; Bakken; Cow Creek; 5/29/2011; 2,541 bbl; SESW 7-155N-100W, Williams Co.

19867 - Endrud 9-4 1-H; horizontal; Bakken; Banks; 10/14/2011; 2,789 bbl; SESW 9-155N-102W, Williams Co.

19930 - Russell 10-3 1-H; horizontal; Bakken; Painted Woods; 6/20/2011; 2,670 bbl; NWNE 15-150N-102W, Williams Co.

20013 - Larry Hanson 15-22 1-H; horizontal; Bakken; Catwalk; 8/5/2011; 3,771 bbl; NWNE 15-150N-102W, Williams Co.

20046 - Donello 12-11 1-H; horizontal; Bakken; Painted Woods; 6/21/2011; 2,789 bbl; SESW 7-155N-100W, Williams Co.

20146 - Field Trust 18-19 3H; horizontal; Bakken; Todd; 10/6/2011; 2,173 bbl; LOT8 7-154N-101W, Williams Co.

20171 - Erickson 8-17 2H; horizontal; Bakken; Painted Woods; 11/10/2011; 2,033 bbl; NWNE 8-155N-102W, Williams Co.

20178 - Erickson 8-17 3H; horizontal; Bakken; Painted Woods; 4/17/2011; 2,752 bbl; NWNE 8-154N-102W, Williams Co.

20214 - Field Trust 7-6 1-H; horizontal; Bakken; Todd; 6/10/2011; 2,004 bbl; LOT8 7-154N-101W, Williams Co.

20282 - Williston Airport 2-11 1-H; horizontal; Bakken; Todd; 10/17/2011; 2,671 bbl; LOT3 2-154N-101W, Williams Co.


20338 - Pladson 4-9 1TFH; horizontal; Bakken; Kittleson Slough; 6/15/2011; 3,431 bbl; SESW 7-155N-100W, Williams Co.

20384 - Dave Amor 8-5 1-H; horizontal; Bakken; Cow Creek; 5/24/2011; 2,192 bbl; NWSE 8-154N-100W, Williams Co.

The Bakken Petroleum System of the Williston Basin: a Tight Oil Resource Play

Credit: Stephen A. Sonnenberg, Colorado School of Mines

**The Bakken Petroleum System of the Williston Basin: a Tight Oil Resource Play**

Credit: Stephen A. Sonnenberg, Colorado School of Mines
Red River Plays
Sheridan, Roosevelt, Golden Valley and Wibaux Counties

OBJECTIVE
Vertical Red River

BIG ISLAND
Whiting has assembled 133,468 acres (20% net) in our Big Island development project:
• 7 wells already completed on 20 acres
• Has identified over 50 prospects in the upper Red River "D" zone
• Currently extending the prospect to the west. (In Wibaux County, MT)

STARKVILLE
Whiting has assembled 104,508 acres (35% net) and is currently conducting a 3D seismic survey that will enable us to identify new drilling targets and opportunities.

MISSISSIPPI BLuffs
Whiting has assembled 55,928 acres (80% net) of Mississippi Bluffs and plans on a 3D seismic survey later this year.

ESTIMATED UPGRADE RECOVERY
100,000 to 300,000 BBL per well

COMPETED WELL COST
$500,000 - $5.5 million

DRILLING PROGRAM
All BIG ISLAND acreage was acquired via the Katherine 33-23 drilling in the Upper Red River "D". Per Red River "D" Later Takes in 2012.

Red River Plays
Sheridan, Roosevelt, Golden Valley and Wibaux Counties

continued from page 1

keystone

expensive Brent-priced crude coming into the U.S. Gulf Coast refinery region.

Although the price might be closer to West Texas Intermediate, it will be lower than Brent which should translate into cheaper prices at gasoline pumps, he suggested.

Better service

Whiting’s chief executive officer, told analysts at an April 15 conference in New York hosted by the Independent Petroleum Association of America, IPAA.

While commenting that the Canadian government remains “cautiously optimistic” about the final decision expected this summer on Keystone XL, Oliver also added some edge to his comments, noting that Canada faces a “pivotal moment” in the future of its oil and natural gas sector and it is not prepared to pull all of his hopes on Keystone XL.

He said almost 100 percent of global urban growth over the next 25 years will occur in non-Organization of Economic Co-operation and Development countries, largely in Asia.

“Canada can play a critical role in meeting that demand and the good news is that (Asians) are ready and waiting for us. But time is of the essence and we have to get on with it.”

“There is tremendous benefits for us in finding new markets as our oil producers while exporting to the U.S. are currently losing C$20 billion each year due to unfavorable price differentials. For Asian buyers, procuring from Canada will be in line with their efforts to diversify sources of energy,” he said.

Too soon for independence

Riwhunu Lukman, former secretary-general of the Organization of Petroleum Exporting Countries, told the same Calgary conference said it is far too soon for the U.S. to declare it will no longer need offshore crude and could eventually become a net exporter as tight volumes grow.

“The so-called oil from shale is still not fully studied,” he said. “We really don’t know to what extent these reserves will be producible and at what cost. Because it is local, governments go out of their way to make it viable, in spite of it not being economic, compared to the Middle East or elsewhere, where you punch a hole and its gushes out,” he told the Financial Post.

Lukman said that if the U.S. lowers its import demand, OPEC producers such as Nigeria will adjust and seek new markets in Asia.

He said that is already taking place, with crude finding its way to China, Japan and India, regardless of high transportation costs.

New pipelines unavoidable

As an aside, Oliver said that although the use of rail transport has helped in recent weeks to narrow the price gap between Canadian heavy oil being delivered to U.S. refineries and global benchmarks, the construction is new pipelines is unavoidable.

“Rail has been a great supplement,” he said. “It’s been important, but it cannot replace over the longer term, the volume of oil and natural gas that has to be moved.”

Oliver also found an ally in Mark Carney, who soon to leave his job as governor of the Bank of Canada to fill the same post with the Bank of England.

He said the combination of wide differentials between Western Canada Select and West Texas Intermediate and inadequate pipeline capacity is starting to affect investment in Canada’s energy sector.

“We think we are starting to see the implications of that. And that is tempering an otherwise robust investment profile.”

Carney said that “despite all the elements of shale oil and shale gas in the United States, which is bringing tremendous economic benefits, (for North America) to be truly energy independent requires changes to energy infrastructure cross-border and east-west in Canada. We’re not picking exact projects as favorites. But the big picture is that is going to take an integrated strategy on each side of the border.”

Contact Gary Park through paulstenson@ipaaonline.com

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Bakken-like ‘porosity highlights’

However, interesting anomalies have appeared in Whiting’s extensive 3-D seismic studies — Bakken-like horizontal “porosity highlights” located in the Lower Red River “D” zone at Big Island.

“It’s very similar to drilling in a lower porosity zone like the Bakken,” Volker explained. “It really would allow us to go horizontal in areas that essentially show up on our 3-D, sort of...
continued from page 13

RED RIVER ZONE

between the porosity indications that are seen on the 3-D.”

He added: “With these large acreage positions that we hold here, they may turn into a horizontal play as well as a vertical play. If that happens, it’s a major game-changer for Whiting and some of the other producers in the area.”

However, the massive Bakken shale formation itself, a world-class unconventional play being developed with horizontal wells, does not exist in the Big Island prospect, said Mark Williams, Whiting’s senior vice president of exploration and development. And though the underlying Three Forks formation is present, he added, it’s not a prospective reservoir.

“Three-dimensional seismic is used by Whiting on its Red River play to identify areas of high porosity that have “very good economics” for inexpensive vertical wells, Williams said. "There is little to no shale in the Red River," he said. Nevertheless, he added, reservoir distribution “is fairly continuous and structure is not a dominant control on oil saturation, which is the distinction of an unconventional reservoir or resource play. We are developing the Red River “D” zone at Big Island with vertical wells and testing this zone with horizontal wells later this year.”

Whiting is currently extending its huge Big Island prospect to the west into Wilbuck County, Mont. Big Island alone encompasses 172,464 gross (122,389 net) acres.

Whiting’s other prospects

In addition to Big Island, Whiting’s Starbuck and Missouri Breaks prospects are located in the Red River play corridor. Starbuck, where 3-D seismic was recently acquired, encompasses 104,508 gross (92,227 net) acres. Missouri Breaks, where 3-D is planned for 2014, consists of 95,928 gross (66,905 net) acres.

Other operators, resulting in a successful oil play, have drilled into the Red River “B” zone in southern Williston Basin. Starbuck, Missouri Breaks and another Whiting prospect, Lewis & Clark, are prospective in the “B” and “C” zones with both vertical and horizontal wells, Williams said, adding: “We will be testing these later this year.”

FLOOD WATCH

continued from page 1

barrels of oil equivalent per day (82 percent light oil and liquids weighted), up 4 percent from the previous quarter and 5 percent from the same quarter of 2012.

The company said most of its drilling occurred in the Bakken, where 15 wells were drilled and 14 were placed on production, and Cardium, where 23 wells were drilled and 17 placed on production. Bakken production averaged 19,000 boe per day, down 700 boe per day from the fourth quarter of last year, while the Cardium yielded 20,600 boe per day, up 8 percent from the final three months of last year.

Spring downtime

PetroBakken said it now anticipates spring downtime because of road bans and weather related conditions, which could be prolonged by early summer rains, but it is still targeting average production of 46,000-48,000 boe per day for 2013, exiting the year at 49,000-52,000 boe per day.

Based on greater than normal precipitation in March, the government is already braced for a possible repeat of significant flooding two years ago, which shut in about 20 percent of production and has provided more than 200 communities with information and advice on what they can do to prevent and respond to flooding.

The government has also activated an emergency response team to deal with any infrastructure challenges. “The annual forecasts include higher downtime factors for this period,” PetroBakken said.

However, the company said that compared with previous years, it expects the impact of spring breakup to be reduced “as our production base is more mature and more wells have been tied in to infrastructure.”

“In addition, new wells and the debottlenecking of restricted production in the Cardium business unit in the second quarter will help mitigate the impact of spring breakup.”

—GARY PARK
continued from page 1

**SEWAY LOTTERY**

term by signing up as new shippers, presumably in an attempt to broker the space in a secondary market,” Enterprise said in an April 2 filing. “Seaway receives approximately five-to-10 inquiries a week from persons seeking to become new shippers, including most recently from various business students in Toronto, Canada.”

Seaway said that as an industry standard, it allocates 90 percent of the pipeline’s capacity to “regular shippers,” which includes historic and committed shippers, with the remaining 10 percent allocated to “new shippers.”

Seaway added that when the pipeline went into service in May 2012, it received shipper nominations from five new shippers, but in April 2013 that number “increased dramatically” to 275. From March to April 2013 alone, Seaway received nominations from 74 new shippers.

Furthermore, Seaway said 4.4 million barrels were nominated for transport in May 2012 when the pipeline went into service, which represented 1,000 percent of the capacity allotted to new shippers at the time. By April 2013 that volume increased to 2.1 billion barrels.

In addition, Seaway said new shippers are required to ship a minimum of 60,000 barrels per month in order to qualify for regular shipper status. However, with the increasing number of new shippers, Seaway said volumes allocated to each new shipper have “fallen substantially” below that minimum.

Until recently, Seaway said, it attempted to address this issue by aggregating new shipper allocations of “domestic sweet” crude oil to meet the 60,000 barrel per day minimum. While that worked for a while, Seaway said that practice “has now become unwieldy and created significant burdens and inefficiencies for both Seaway and its shippers.”

**Underlying problems**

Seaway complained that the demand by new shippers for a limited capacity on the pipeline has created a number of problems. First, Seaway said that increase in new shipper demand has resulted in new shippers creating what it calls “shell companies” that are presumably attempting to “game” the system in order to secure as much capacity as possible. This, Seaway said, “has made it increasingly difficult for Seaway to make capacity available to walk-up shippers in an efficient and fair manner.”

Furthermore, Seaway said that there is substantial speculation and market uncertainty resulting from the current nominations process, which has made it increasingly difficult for Seaway to make capacity available to walk-up shippers.

Another problem with the current nominations process cited by Seaway is in aggregating numerous types of crude oil, and Seaway said it ultimately expects to transport up to 20 different types of crude. Aggregating numerous individual new shipper tenders into batches of each type of crude oil in time to create a monthly shipment schedule, Seaway contended, coupled with having to make monthly reallocations to account for changes in available capacity, while all the time making sure that all shippers are treated fairly, “is a daunting task that has now simply become unworkable.”

Seaway added that the increasing number of new shippers has “created a time-consuming administrative burden for Seaway with respect to such responsibilities as accepting nominations, tracking changes in ownership and billing shippers for tariff charges.”

**The lottery solution**

The solution to the problem proposed by Seaway is a lottery system, similar to one used on the Spearhead pipeline. The Spearhead is a crude pipeline that originally shipped crude oil from Cushing to Chicago that was acquired and reversed by Enbridge and went into service in 2006. FERC approved the Spearhead tariff, which included the lottery system, in May 2012.

The Seaway lottery will be used when, in any given month, no new shippers can be allocated the minimum volume of 60,000 barrels on a prorated basis because there are too many new shippers submitting nominations. In that case, a software-based random number generator system will be used to allocate minimum 60,000 barrel volumes to nominees until the 10 percent of available capacity set aside for new shippers is filled. However, new shippers are not eligible for consideration in the lottery if they are affiliated with regular...
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SEAWAY LOTTERY

lar shippers or are affiliated with any other new shipper selected in the lottery.

The complaints

On March 28, Suncor Energy submitted a motion to FERC to intervene and protest Seaway’s proposed lottery approach, as did Apache and Noble in a joint motion. An issue that all three companies have is that in order for a new shipper to achieve regular shipper status, that shipper must ship a minimum of 60,000 barrel volumes per month in a rolling 12-month period. Suncor argued that the lottery system is discriminatory because in order for a new shipper to reach regular shipper status, the new shipper would have to be successful in Seaway’s lottery for 12 consecutive months, a prospect that Suncor describes as “negligible.” Suncor further argued that it and its affiliates have shipped on Seaway for 10 consecutive months, and assuming Suncor ships on Seaway in April, the company would have to win the May lottery to achieve the last of the 12 consecutive months of shipping. Suncor put the odds of winning the May lottery at less than 10 percent.

Suncor also said that the Spearhead lot-
tery, the lottery after which the Seaway system is patterned, only requires that a new shipper win the lottery six times out of 12 months of a base period to qualify for reg-
ular shipper status. Another pipeline that uses a lottery system for new shippers, according to Suncor, is Enbridge Pipelines (North Dakota), and that lottery requires a new shipper win the lottery in only nine out of 12 months to qualify for regular shipper status. Consequently, Suncor argued that Seaway’s lottery is not consist-
tent with common industry standards and is “unduly discriminatory.”

In their joint motion, Apache and Noble also argued that Seaway’s lottery system discriminates against new shippers. Using information provided to FERC by Seaway stating that Seaway would allocate space to 13 of 200 new shippers in any given month, Apache and Noble calculate that new shippers would have only a 6.5 percent chance of being selected in the lottery for shipping capacity in a particular month.

Seaway’s response

In its April 2 response to the Apache, Noble and Suncor protests, Seaway told FERC that those complainants could have become regular shippers by committing during one of two open seasons that Seaway held for the pipeline. Seaway added that the 275 new shippers nominated a total of 2.1 billion barrels of oil in April, but the capacity available to new shippers is only 900,000 barrels per month. That would allow less than 3,300 barrels per month for each of the 275 new shippers, which Seaway said is not eco-
nomical.

In addition, Seaway told FERC that it “remains open to reviewing and modifying the lottery process if it encounters issues when it is put into practice,” but added that any such changes “should await actual experience with the operation of the lottery in order to determine the best means of addressing any practical issues that may arise.”

FERC’s take

After reviewing the situation, FERC sided with Seaway. In its April 12 ruling, FERC said that it recognized the protest-
or’s concerns but said the protesters did not show that they were the subject of dis-
crimination. FERC said that Seaway’s lot-
tery will not put the protestors in any status quo. FERC also noted Seaway’s willingness to reevaluate the lottery at some point in the future.

In closing remarks in its April 12 ruling, FERC said “The Commission finds that Seaway has made a good faith attempt to alleviate the apportionment problems with uncommitted capacity on its system in order to protect bona fide shippers who intend to be long term customers on Seaway. Seaway’s proposal is therefore superior to allowing the ongoing apportion-
tment problems under the current pro-
cedure to continue unchecked.”

“The existing system,” FERC contin-
ued, “would allow the unrestricted eligi-
bility of individuals without access to crude oil, to the detriment of new shippers with actual barrels to ship. Since the vari-
ous grades of oil on the pipeline render informal batching infeasible, the proposed tariff revisions strike a reasonable balance, and appear to allocate reasonably the available ten percent of the pipeline’s capacity reserved for New Shippers.”

Seaway’s new tariff, including the lot-
tery system for new shippers, went into effect on April 15.

Seaway expansions

Although demand has forced Seaway into a lottery system, the Seaway pipeline project is undergoing expansions that will ultimately more than double the capacity from Cushing to the Gulf Coast refineries.

The Seaway pipeline initially had a capacity of 150,000 barrels of oil per day when the reversal was completed in May 2012. Subsequent pump station additions and modifications increased that capacity to 400,000 bopd. However, Seaway told FERC in February that the pipeline is not expected to run at that capacity due to slower movements of heavier crude.

Now a parallel pipeline is under con-
struction and is expected to increase Seaway’s capacity to the Jones Creek term-
inal at Freeport, Texas, to 850,000 bopd by the first quarter 2014.

And from Freeport, Seaway is installing additional pipelines that will provide trans-
port of crude deliveries northeast to Enterprise Products Partners’ ECHO crude storage facility at Houston, and further east to the refining complex in the Port Arthur and Beaumont area.

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WHITING BAKKEN IP

However, Petroleum News Bakken recently learned that since the March 17 story was published, the IPs on the web-
site for the Brazos 24-34H well have been modified and are now posted at 1,363 barrels of oil and 1.75 million cubic feet of gas, significantly lower than what had originally been posted.

In light of these modified IPs, the highest reported IP for a North Dakota well, as far as Petroleum News Bakken is aware, is Whiting’s Tarpon Federal 21-4-
3H well in northern McKenzie County in December 2012, that well yielded 4,971 barrels of oil along with 11.5 million cubic feet of natural gas during its first 24 hour production.

Another well on the same pad, the Tarpon Federal 21-4H well, had initial 24-hour IPs of 4,815 bopd, 13.2 million cfpd of natural gas when it went on pro-
duction in October 2011. In terms barrels of oil equivalent, based on a conversion of 1 barrel of oil equals 6,000 cubic feet of gas, these two Whiting wells had IPs of 7,006 and 6,878 bopd, respectively.

—Mike Klirod