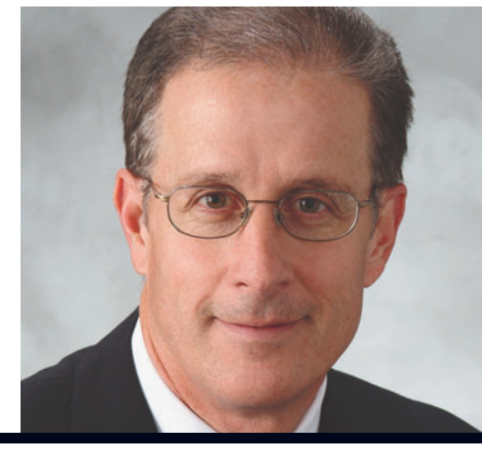
Petroleum news
BAKKEN



page 3 Third Three Forks bench tested; Whiting questions broad significance

Vol. 1, No. 17 • www.PetroleumNewsBakken.com | A semi-monthly newspaper for industry and government | December 23, 2012

Happy holidays & best wishes!

VERN WHITTEN PHOTOGRAPHY

Whiting shifts focus from Sanish field, open to joint venture for Big Is, Missouri Breaks, Niobrara

Whiting Petroleum is shifting its focus in the Williston Basin to development projects southwest of its flagship Sanish field, a major core area that provides the Denver-based E&P independent with nearly 40 percent of its total U.S. production.

Whiting has given no hint of abandoning its long-standing position in the Sanish. It's a prolific Bakken-Three Forks play that supplies the company with more than 30,000 barrels of oil equivalent per day.

"Sanish is a great, great asset, a great, great find, perhaps one of the best fields, (with) over 5 billion barrels in place right there

see **WHITING FOCUS** page 11

Enbridge makes big Bakken bid; plans additional 400,000 bpd oil

Enbridge and its U.S. affiliate Enbridge Energy Partners have made the boldest move yet to become the dominant shipper of crude from the Bakken formation in North Dakota to refineries in Eastern Canada, the eastern U.S. and the U.S. Midwest.

The Light Oil Market Access Program they have cobbled together involves spending of about C$6.2 billion over the next four years to move an additional 400,000 barrels per day of Bakken and Western Canadian crude to market.

To gain the necessary shipper support, the partnership has bowed to pressure from the Bakken producers and opted for a common-carrier approach rather than imposing long-term shipping contracts.

Enbridge Chief Executive Officer Al Monaco said the ini-

see **ENBRIDGE BID** page 18

Montana lease auctions soften

The Minerals Management division of the Montana Department of Natural Resources and Conservation, DNRC, held its quarterly oil and gas lease auction Dec. 4, selling 6,482 acres in 29 parcels statewide, for a total of $160,147 with an average price per acre of $24.71.

The acreages sold were in the following Montana counties: Carbon (1,346), Carter (640), Golden Valley (640), Lewis and Clark (640), Pondera (640), Richland (1,935) and Teton (640). The highest bid was $230 per acre by H. Kermit Anderson for a 13.5 acre parcel in Richland County. Willis

see **MONTANA AUCTIONS** page 11

● PRODUCTION & RECOVERY

Production slows

Fewer rigs, frac backlog contribute to smaller increase in October output

By RAY TYSON
Petroleum News Bakken

North Dakota's oil production continued to increase in October but at a slower pace than previous months, due to less drilling and a substantial backlog in hydraulic fracturing jobs.

Much of the slowdown can be attributed to temporary setbacks. But it also may be signaling the end of the chaotic Bakken oil boom and the beginning of more stable growth.

"We think that this next year is going to be that transition year when the rig count stabilizes in the 200 range and the truck traffic stabilizes," Lynn Helms, director of the state Department of Minerals Resources, said in a conference call with reporters.

LYNN HELMS

But the Williston Basin rig count averaged just 190 in September, 188 in October and 186 in November, slipping again to 182 by Dec. 17, when the department released it latest oil patch statistics by way of Helms' "Director's Cut" report. The record high of 218 rigs was reached on May 29 of this year.

All-time high production

Oil production averaged 747,239 barrels per day in October, a new all-time high for North Dakota, but just 2.5 percent above September's

see **PRODUCTION SLOWS** page 15

● COMPANY UPDATE

Seeking full production

Kodiak launching 2 pilot projects to test Bakken-Three Forks on tight well spacing

By RAY TYSON
Petroleum News Bakken

Kodiak Oil and Gas Corp. is embarking on two pilot projects to test the full potential of the Bakken and underlying Three Forks reservoirs using much tighter well spacing than usual at its Polar and Smokey prospects in North Dakota. The effort will consume about a third of the company's entire 2013 drilling budget.

Kodiak chief executive Lynn A. Peterson also told analysts at a recent conference that because of drilling efficiencies the company will be able to complete as many wells in 2013 as it will this year, using just six rigs, two fewer than earlier this year.

LYNN A. PETERSON

Peterson also said that while merger and acquisition activity continues in the Bakken, fewer large parcels are available these days, confirming what other regional players are saying.

Moving three rigs to Polar

Kodiak plans to move thee rigs onto its Polar block in Williams County in January, where a dozen wells are to be drilled and complet-

see **KODIAK PROJECTS** page 17

● MOVING HYDROCARBONS

Judge questions authority

Texas Keystone dispute continues; landowner argues oil sands bitumen isn't crude oil

By MIKE ELLERD
For Petroleum News Bakken

A dispute over access for the Gulf Coast portion of TransCanada's Keystone pipeline across a small piece of private property in east Texas continues after a county court judge in a Dec. 19 hearing questioned whether the issue is within his jurisdiction.

In that hearing, Nacogdoches County Court-at-Law Judge Jack Sinz asked both sides in the dispute, TransCanada and the property owner who is contesting the access, to submit arguments as to whether the dispute should be settled in county

see **KEYSTONE DISPUTE** page 15

contents

Petroleum News Bakken

● PRODUCTION & RECOVERY

Third Three Forks bench tested

Charlotte 3-22H well is Continental's first step in establishing additional oil recovery from Bakken petroleum system

By RAY TYSON

Petroleum News Bakken

Continental Resources Inc. is touting production results from a Three Forks test well suggesting that a lot more oil may be had from the massive Bakken petroleum system of North Dakota and Montana.

The petroleum system includes multiple Three Forks layers or "benches" that underlie the Bakken field. The Charlotte 3-22H is said to be the first horizontal well ever to test the deeper third bench.

"This could be a real game-changer," Harold Hamm, Continental's chairman and chief executive officer, said in a Dec. 3 statement.

Earlier this year the Oklahoma-based E&P independent dramatically increased the Bakken petroleum system's estimated in-place oil by 57 percent, from 577 billion to 903 billion barrels of oil equivalent, based primarily on numerous oil-saturated core samples taken from wells at various locations within the Three Forks.

But Continental declined to say at the time how much of that resource it thought could be commercially recovered, largely because of a lack of well performance data. Continental estimated in late 2010 that the Bakken would yield 24 billion boe on 577 billion boe of in-place resource, based on the level of technology at the time. And that estimate stands today, despite strong results from its recently completed Charlotte 3-22H.

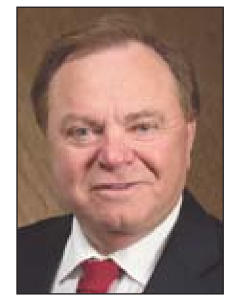
24 billion still stands

Jack Stark, Continental's senior vice president of exploration, told Petroleum News Bakken that while the Charlotte 3-22H does help support the previous estimate of 903 billion boe in place, it's only one new piece of data and "does not materially change" the company's earlier 24 billion boe recoverable estimate.

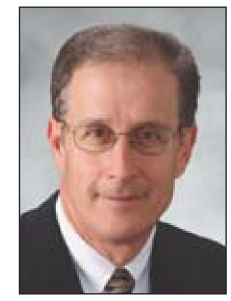
"The significance of the Charlotte 3-22H success is that it is another step in our efforts to assess the productivity of the lower Three Forks reservoirs, and determine if they increase the ultimate recoverable reserve potential of the Bakken field," Stark said in an email. "This is very encouraging but (we) will need more time and wells to prove (this) one way or the other."

Charlotte 3-22H had been producing for 15 days when the company released information on the well's early performance. And if it continues to perform in line with the Three Forks second bench Charlotte 2-22H, it will be the first well to establish commercial production in the third bench, Hamm said.

"We're very pleased with the initial performance of the Charlotte 3-22H," he added.



HAROLD HAMM



JACK STARK

Jack Stark, Continental's senior vice president of exploration, told Petroleum News Bakken that while the Charlotte 3-22H does help support the previous estimate of 903 billion boe in place, it's only one new piece of data and "does not materially change" the company's earlier 24 billion boe recoverable estimate.

Initial IP 953 boe per day

The Charlotte 3-22H flowed at 953 boe per day at 1700 psi on a 28/64 choke in its initial one-day test period, Continental said, noting that its performance compared favorably with first and second bench wells of the Three Forks.

Located in McKenzie County, N.D., the well was drilled to a total depth of 21,324 feet, including a 9,701-foot lateral section, and was completed with Continental's standard 30-stage fracture stimulation design.

The third bench Charlotte 3-22H is the first well in a 14-well program that the company plans to complete by year-end 2013 to test productivity of the second, third and fourth benches of the Three Forks over a broad area of the play.

The 1280-acre Charlotte unit is the first unit in the Bakken field to have wells producing from three separate horizons — the Middle Bakken and the second and third benches of the Three Forks.

see **THREE FORKS BENCH** *page 4*

Whiting questions broad significance

Whiting Petroleum doesn't see eye-to-eye with fellow Bakken producer Continental Resources when it comes to the possible far-reaching significance of Continental's successful production test from the first-ever horizontal well completed in the third bench of the Three Forks.

Continental believes the Charlotte 3-22H, in North Dakota's McKenzie County, is an important step in assessing the productivity of the lower Three Forks reservoirs.

Charlotte 3-22H is the first of 14 wells that will test three benches of the Three Forks and could lead to a substantial increase in the amount of oil Continental thinks can be recovered from the giant Bakken petroleum system.

Charlotte 3-22H is the first of 14 wells that will test three benches of the Three Forks and could lead to a substantial increase in the amount of oil Continental thinks can be recovered from the giant Bakken petroleum system.

"So they've drilled their well and it's looking pretty positive there," James T. Brown, Whiting's president and chief operating office, told analysts at the Dec. 5 Wells Fargo Securities Energy, MLP and Pipeline conference in New York.

Well in most oil prolific area of basin

However, because the well is situated in the most oil prolific area of the Williston Basin, coupled with its own drilling experiences, Whiting concludes that Continental's lofty expectations for the lower Three Forks are probably limited to the middle portion of the basin.

"We have tried it farther out on the edge of the basin," Brown said. "I can't say that we were real enthused with it."

He said Whiting even drilled a horizontal well into the first bench of the Three Forks on its southwest Hidden Bench property.

"We did not find the encouragement we needed," Brown added.

It's Whiting's view that the oil originates in the Lower Bakken shale and was forced down into the Three Forks. The Charlotte 3-22H happens to be in a deep portion of the basin, where the oil flows hotter and under higher pressure than other areas, and where more oil is generated from the shale than any other portion of the Bakken.

"In Whiting's opinion, it's not going to work everywhere, but it definitely could work out in the middle part of the basin," Brown said.

Nevertheless, "We're going to be keeping an eye on what they do because it could become something. And we wish them all the luck in the world."

—PETROLEUM NEWS BAKKEN

● ENVIRONMENT & SAFETY

Bakken forces Suncor to rethink

By GARY PARK

For Petroleum News Bakken

The impact of rapid production growth from North American tight oil plays, notably the North Dakota Bakken, has left a wide array of industry players reeling, none more than Suncor Energy, the largest Canadian-based oil producer.

The oil sands giant makes no secret of the fact that the ability of producers in the United States to deliver more light sweet crude has exceeded expectations, causing companies to reflect on the value of upgrading lower grades of crude, such as oil sands bitumen.

Suncor Chief Executive Officer Steve Williams told analysts in early November that investment decisions on the company's next two oil sands mines and a massive upgrader have been inhibited by uncertain economics, influenced by plays such as the Bakken.

For Suncor and its primary partner, France's Total, about C$40 billion of capital spending is stalled, affecting the 160,000 barrels per day Fort Hills mine, the 100,000 bpd Joslyn mine and the 200,000 bpd Voyageur upgrader.

Williams said Suncor's plan to spend a modest C$3.3 billion in 2013 on growth projects "demonstrates our commitment to be absolutely diligent in pursuing those projects expected to provide profitable, long-term growth for shareholders."

March decision on upgrader

However, despite throttling back on upstream plans, Suncor did set the end of March 2013 for a sanctioning decision on the Voyageur upgrader, with Total as a 49 percent partner.

> *By turning oil sands crude into a lighter grade "we would actually be upgrading into a product that won't pay for itself in the future."*
> **—Suncor CEO Steve Williams**

Williams said a review of the upgrader has been accelerated, although spending will be restrained until a decision is made.

He said in November that the economics of Voyageur, designed to convert oil sands bitumen into synthetic crude and carrying a price tag last estimated at C$23 billion, are under more pressure than when the project was initially conceived because the squeeze on upgrader margins not as healthy as they were "a few years ago."

"I'm not questioning the need to grow the oil sands industry," he told the Toronto Board of Trade. "It could possibly grow faster. What I'm questioning is the need to upgrade."

By turning oil sands crude into a lighter grade "we would actually be upgrading into a product that won't pay for itself in the future," he said.

The question facing Voyageur is whether the cost of the facility is justified by the difference between the price of crude going in and the upgraded oil coming out.

"It is not a question for today. It is about our view of the future," Williams said. "We do think those margins are going to be five, 10 or 15 years out." ●

Contact Gary Park through publisher@petroleumnews.com

Petroleum news BAKKEN www.PetroleumNewsBakken.com

Kay Cashman	PUBLISHER & EXECUTIVE EDITOR
Ray Tyson	EDITOR
Gary Park	CONTRIBUTING WRITER (CANADA)
Eric Lidji	CONTRIBUTING COLUMNIST
Rose Ragsdale	CONTRIBUTING COLUMNIST
Mike Ellerd	CONTRIBUTING WRITER
Darryl Flowers	CONTRIBUTING WRITER
Mary Mack	CHIEF FINANCIAL OFFICER
Clint Lasley	GM & CIRCULATION DIRECTOR
Julie Bourbeau	BAKKEN ADVERTISING EXECUTIVE
Raylene Combs	BAKKEN ADVERTISING EXECUTIVE
Ashley Lindly	BAKKEN ADVERTISING EXECUTIVE
Susan Crane	ADVERTISING DIRECTOR
Bonnie Yonker	AK / NATL ADVERTISING SPECIALIST
Steven Merritt	PRODUCTION DIRECTOR
Marti Reeve	SPECIAL PUBLICATIONS DIRECTOR
Tom Kearney	ADVERTISING DESIGN MANAGER
Heather Yates	BOOKKEEPER
John Lasley	DRILLING CONSULTANT
Amy Spittler	MARKETING CONSULTANT
Renee Garbutt	ADVERTISING ASSISTANT
Shane Lasley	IT CHIEF
Julie Bembry	CIRCULATION SALES EXECUTIVE
Dee Cashman	CIRCULATION REPRESENTATIVE
Joshua Borough	ASSISTANT TO THE PUBLISHER

ADDRESS
P.O. Box 231647
Anchorage, AK 99523-1647

NEWS
RAY TYSON • 605.343.4031
rtyson@petroleumnews.com

CIRCULATION
907.522.9469
circulation@petroleumnews.com

ADVERTISING
Julie Bourbeau • 907.229.7547
jbourbeau@petroleumnewsbakken.com
Raylene Combs • 509.290.5903
rcombs@petroleumnewsbakken.com
Ashley Lindly • 907.522.9469
alindly@petroleumnews.com
Susan Crane • 907.770.5592
scrane@petroleumnews.com
Bonnie Yonker • 425.483.9705
byonker@petroleumnews.com

FAX NUMBERS
SOUTH DAKOTA • 713.658.0125
ALASKA • 907.522.9583

Several of the individuals listed above are independent contractors

PETROLEUM NEWS BAKKEN is currently a semi-monthly supplement of Petroleum News, a weekly newspaper that covers Alaska and northern and western Canada. In March 2013 Petroleum News Bakken is scheduled to go weekly. To subscribe to Petroleum News Bakken email clasley@petroleumnews.com; or call Clint Lasley at 907.522.9469; or sign up online at www.petroleumnewsbakken.com.
A subscriber to Petroleum News also receives Petroleum News Bakken, and vice versa.
Print and/or online subscriptions are available.

Petroleum news

continued from page 3

THREE FORKS BENCH

Three Forks not in earlier estimates

Recoverable estimates for the Bakken petroleum system have varied widely dating back to the 1950s. In April 2008, the U.S. Geological Survey estimated the amount of oil that could be recovered using current technology at 3-to 4.3 billion barrels, with a mean of 3.65 billion. The state of North Dakota also released a report in April 2008 estimating there were 2.1 billion barrels of technically recoverable oil in the Bakken. Another estimate placed the recoverable figure at 18 billion barrels.

However, earlier studies, including the 2008 USGS report, did not include estimates from the Three Forks and its various benches. But the USGS is expected to release an updated report next year that includes the Three Forks, which many believe will, at a minimum, double the agency's earlier recoverable estimates.

Core samples that provided Continental with the necessary data to raise its in-place oil estimate to 903 billion barrels are from wells widely dispersed within the Bakken petroleum system, in an area measuring about 120 miles by 60 miles.

Continental's 24 billion barrel recoverable estimate was based on oil in place in just the Bakken and first bench of the Three Forks. With the addition of oil found in the lower Three Forks benches, the company pushed its in-place estimate to the 903 billion barrel level.

Estimates of 4-5% recovery

And though Continental has been reluctant to discuss recoverable estimates that likely will vary from the company's official 24 billion barrels, a recovery rate of 4 or 5 percent for the additional 326 billion barrels of in-place oil seems reasonable, Stark said on the sidelines of last May's Williston Basin Petroleum Conference in Bismarck, N.D.

"This is total speculation, but it is based on the fact that there is more oil in place," he said.

At 4 percent, the recovery on the 903 billion barrels of in-place oil estimate would be about 36 billion barrels; and at 5 percent, recovery would be roughly 45 billion barrels.

Continental, the Bakken's largest leaseholder and a leading producer, has been a pioneer in the discovery and development of the Three Forks reservoir in the Bakken field. It was the first to demonstrate incremental reserves from the first bench in 2008 and from the second bench in 2011. Establishing production from the third bench is considered yet another significant milestone in the growth of the company's assets in the world-class Bakken oil field. ●

Contact Ray Tyson at rtyson@petroleumnewsbakken.com

● ENVIRONMENT & SAFETY

Fracking debate continues

Should feds or states regulate hydraulic fracturing of oil and gas wells? General consensus from two different perspectives

By MIKE ELLERD

For Petroleum News Bakken

Whether hydraulic fracturing should be regulated on a federal or state level, and whether the federal government will eventually turn over more energy regulatory authority to the states were some of the issues addressed in a panel discussion at the Great Plains and EmPower ND Energy Expo held in Bismarck on Nov. 19. Discussing these issues from two entirely different perspectives were Jeff Holmstead, former EPA assistant administrator in the George W. Bush administration and now an air quality attorney with the Washington D.C., law firm Bracewell & Giuliani, and Elgie Holstein, senior director for strategic planning for the Environmental Defense Fund.

In introducing the fracking issue, moderator Mike Eggl, senior vice president of Basin Electric Power Cooperative, noted that hydraulic fracturing is not only enhancing oil production in North Dakota, but is also unlocking huge amounts of natural gas across the U.S. He also noted that the EPA is currently studying potential effects of hydraulic fracturing, but emphasized that presently no one knows what the conclusions of the studies will be.

Eggl went on to say that former EPA assistant administrator Winston Porter has come out in favor of leaving fracking regulation to the states, while others, he said, see a need for a comprehensive fracking rule at the national level. In that context, the questions Eggl proposed to Holmstead and Holstein were, will the regulatory process facilitate production in the long term or will it inhibit production, and should regulation of fracking be left to individual states.

Views from the industry side

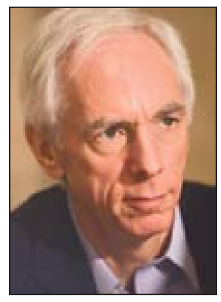
Representing an industry-oriented perspective, Holmstead said fracking regulation is one of a number of areas where he and Elgie Holstein "largely see eye to eye, and we've had this discussion once before." There is no doubt, Holmstead said, that different states have different levels of sophistication when dealing with environmental issues related to oil and gas, but he said there is also no doubt that the states that have been "blessed as a result of the hydraulic fracturing boom are learning very quickly the types of requirements and type of procedures they need to have in place."

While noting he is not an expert on hydraulic fracturing, Holmstead said he understands that local geology differs in different plays, as do production techniques, and that different states have expertise in what makes the most sense within their jurisdiction. He said with hydraulic fracturing, it makes sense to allow states to have their own programs as has been the tradition.

Holmstead said he thinks some people are calling for national regulation because as he put it, they genuinely believe it is a way to promote the industry, and people will have more confidence if the EPA is somehow involved in setting the regulations and regulating the process.

He said he has heard from senior environmental officials who believe that the natural gas boom has been a great thing for the environment, but believe that were an aquifer ever to be contaminated as a result of fracking, the EPA would be in a better position to deal with it. Holmstead said he does not agree with that view. He believes that while different people have different motivations in regard to regulating fracking, it is clear to him that some people think that anytime chemicals are injected into the ground, it is necessarily a bad thing. That, he said, results in a desire to be much more aggressive in regulating fracking and may even result in preventing fracking in many parts of the country.

JEFF HOLMSTEAD



ELGIE HOLSTEIN

The fact that there is a much greater consensus in the country about the need to do the fracking correctly, safely and responsibly from the beginning, Holstein said, "helps enormously keep these issues and decisions in the hands of the states and diminishes the likelihood that they'll find their way to the Washington beltway."

"My view," he said, "is that this is something that states have been doing effectively."

Additionally, Holmstead said he believes there is a serious debate going on within the Obama administration on fracking. He said that while there are some administration officials who would like to be more aggressive in regulating fracking, there are others who understand that fracking is an important part of maintaining a healthy economy, and want to make sure there is not too much regulation in that area.

"So I suspect we'll see a very serious, robust internal debate within the federal government over the next years on these very issues," he said.

The pro-environmental view

In his response, Holstein said he believes there is a great deal of unanimity in the "new and booming arena of hydraulic fracturing" and that nobody wants to pollute a community's drinking water, or wants to worsen a state's problems with smog-forming chemicals. And nobody wants to create localized community hazards associated with the potential for the mismanagement of the enormous amounts of chemicals, produced water and other byproducts that are part of the hydraulic fracturing business. "And so it is that I think that there are a number of the industry who are coming forward and are working very responsibly to try to define best practices in this area."

Holstein said there are many differences from state to state about how to approach the issues of oil and gas production. He said production in North Dakota has transformed its economy with diversification, job creation and long-term benefits for the citizens.

"And I think everyone including those of us in the environmental community recognize those things," he said.

In contrast, the state of New York has yet to decide the terms and conditions under which it wants to allow hydraulic fracturing, or if it wants to allow hydraulic fracturing at all. Holstein said New York has decided to conduct a series of additional health effect studies so more can be understood about the use of fracking chemicals.

With this contrast between how states look at fracking, Holstein said he believes that "the federal government should do absolutely nothing to weigh into those debates which are state-based debates and very much go to the heart of individual community and state decision making. The feds have no business trying to second-guess that, in my judgment."

However, there are other areas where Holstein believes more research is needed in order to help the states make some reasonable environmental decisions.

For example, he said, more needs to be known about how much methane may be escaping from some natural gas operations. And perhaps more needs to be known about other aspects of the gas industry, such as using compressed natural gas as a transportation fuel, and what standards should be set to ensure that "we're not replacing one fuel with another only to find that the new fuel, in this case natural gas hypothetically, is leaking all over the place."

The Environmental Defense Fund, EDF, Holstein said, is "very interested in is seeing that some real, solid scientific work is done by universities and others, and we're participating in trying to encourage that so we can get some answers to those kinds of questions."

Another aspect of fracking that Holstein addressed is the disclosure of fracking fluid compositions. He said the EDF is interested in seeing some minimum national standards and added it wasn't very long ago that there were people within the industry who were arguing that communities had no right to know what chemicals were being used in the fracking operations. EDF, he said, believes, as it has for decades, that there should be a basic right-to-know and that there should be some minimum national disclosure standards. However, he said, as has been EDF's policy in other areas of industrial activity, EDF recognizes the need to protect trade secrets such as specific fracking fluid formulas.

"So I do think there are ways in which we can pursue reasonable minimum national standards to ensure some basic community right-to-know and protection issues, but as to whether or not the state should be undertaking fracking and on what schedule they do so, I think that's something that remains clearly up to them," he said.

The fact that there is a much greater consensus in the country about the need to

see FRACKING DEBATE page 12

● COMPANY UPDATE

Baytex tags 15% of cap-ex for ND Bakken

By GARY PARK

For Petroleum News Bakken

Baytex Energy is allocating almost C$80 million, or 15 percent of its C$520 million capital program for 2013, to the Bakken/Three Forks formation.

The Calgary-based company, which has a varied basket of oil and natural gas operations in its portfolio, has made North Dakota the target for its largest single light oil development, with plans to drill about 22 (9.3 net) wells.

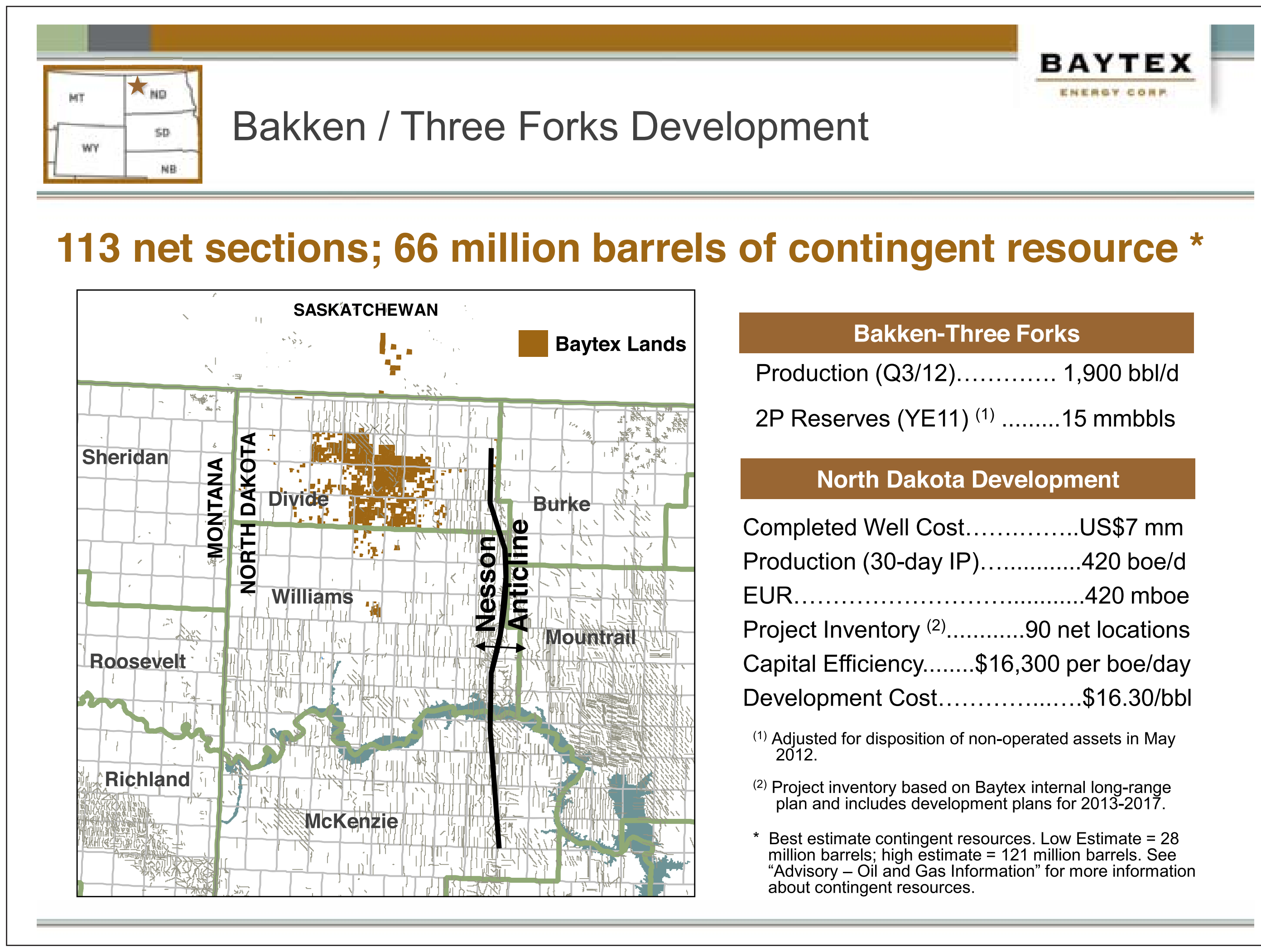
Baytex started locking up significant land positions in the Powder River and Williston basins in 2007 and 2008 and during 2012 started focusing activities on the light oil resource play in the Divide and Williams counties of North Dakota.

Production is primarily from horizontal wells using multi-stage hydraulic fracturing in the Bakken and Three Forks formations.

The company has invested in about 278,000 (116,000 net) acres, of which 216,900 (91,200 net) acres were undeveloped entering 2012 and now owns about 61,000 (24,800 net) developed acres.

Its objective for this year was to drill about 24 (10.4 net) horizontal wells after notching a success rate of 100 percent from 34 (10.4 net) Bakken/Three Forks

see BAYTEX page 8



This slide is from a presentation by Brian Ector, Baytex investor relations, made Dec. 10 at the 23rd Annual CAPP Investment Symposium in Toronto.

● COMPANY UPDATE

Crescent rolls out 2013 spending plan

By GARY PARK

For Petroleum News Bakken

Crescent Point Energy's 2013 budget basket is brimming with goodies for the Bakken and related formations in Canada and the United States.

Of the C$1.35 billion spending program, the largest chunk of C$510 million is allocated to the Viewfield Bakken and Flat Lake areas of southeast Saskatchewan, including drilling about 163 net wells in the Viewfield and 15 net wells at Flat Lake.

Next is the Shaunavon area of southwest Saskatchewan which is earmarked for C$283 million and C$158 million for the emerging Swan Hills Beaverhill light oil resource play and the Provost area in Alberta.

For the United States, Crescent Point plans to invest C$242 million, with the newly acquired Uinta Basin light oil resource play in northeast Utah attracting C$195 million of that budget, including 74 net wells and C$10 million on facilities and infrastructure.

The Bakken on both sides of the border will get 38 percent of the $510 million, with $444 million allocated for southern Manitoba and Saskatchewan Bakken plays and $47 million going to North Dakota operations. Those numbers include include drilling and completion, facilities, land and seismic. Drilling and completion alone is $34 million for North Dakota.

The remaining C$157 million of the capital development budget has been tagged for other properties in Saskatchewan and Manitoba, including conventional assets in southeast Saskatchewan.

Company President Scott Saxberg said that "based on continued positive waterflood response in our core Bakken and Shaunavon resource plays, we have increased our waterflood capital for 2013" with the program expanded into the Beaverhill Lake, Uinta Basin, Alberta Viking and Manitoba Bakken plays.

New technologies

He said Crescent Point advanced new technologies across its major plays this year and expects to deliver production per share growth greater than 10 percent.

"We will focus on organic growth and the integration of assets from key acquisitions and continue to build on our success over the last couple of years," he said.

"The 2013 budget is focused on the development of our major oil resource plays in the Bakken, Shaunavon and Uinta Basin and on enhancing our portfolio of emerging resource plays."

Of the total spending, C$1.17 billion, or 87 percent of the budget, is expected to go to drilling and completions, with 455 net wells planned from the company's identified 7,700 net low-risk drilling locations. The remaining C$180 million is allocated to investments in infrastructure, undeveloped land and seismic across all core areas.

see CRESCENT page 8

● DRILLING & COMPLETION

Results trickle in from W Canada plays

By GARY PARK

For Petroleum News Bakken

In quick-fire succession over the past five years, the emergence of tight oil plays in Western Canada has spread from the Bakken in southeastern Saskatchewan to the Cardium, Lower Shaunavon, Viking and Swan Hills plays.

And the revolution is far from over.

Encouraging results are being generated by other plays, such as:

ALBERTA BAKKEN — Over the past two years there has been a scramble to round up land prospects, buoyed by views that the formation could contain billions of barrels of resources.

The proof will come from the current round of drilling and development programs, with early results mixed, but optimism unshaken.

DeeThree Exploration has posted some early success from its activities in the Exshaw formation in the Lethbridge area, where it holds 200,000 acres and has two rigs at work.

The company drilled four wells into the Exshaw in the second quarter, with one of its two most recently completed wells testing at 808 barrels of oil equivalent per day over nine days and the other yielding 630 boe per day over eight days.

Encouraged by its results so far, DeeThree acquired about 14,000 acres offsetting Crown land in the second quarter, and now holds 25,000 acres of Crown land it believes is highly prospective for Exshaw potential.

This year`s drilling program has successfully tested the upper Exshaw formation over a 24 square mile fairway, with the second half of 2012 scheduled to test the limits of the known Exshaw oil pool by drilling eight wells.

DeeThree is also installing a plant to handle carbon dioxide from solution gas and is lining up equipment for a second 4,000 boe per day expandable oil facility which is due on stream before year-end.

Murphy Exploration and Production said it continues to see "positive results" from the first well it has completed in the Three Forks zone of southern Alberta, with production rates at 280 bpd of light oil after production extending over 200 days.

A second Three Forks well yield almost 100 bpd over the first 70 days and a third well was scheduled for the fourth quarter.

Company President Roger Jenkins told a second-quarter conference call that Murphy expects continuing upbeat results as it gains a better understanding of the reservoir and refines its completion techniques.

MONTNEY TIGHT OIL — Explorers are delivering a series of strong initial production rates from the play in northwestern Alberta, led by Trilogy Energy, which has completed drilling operations on its first horizontal well, deploying a 15-stage fracture stimulation.

The well flowed crude at 1,800 bpd following recovery of completion load fluid, then averaged 570 bpd over the initial 30 days.

A similar follow-up well produced 1,500 bpd in the first 24 hours of production.

Trilogy has used those two wells as a springboard to acquire almost 18,000 acres, giving it a 100 percent working interest in more than 26,000 acres.

The company now estimates it holds substantially all of the petroleum and natural gas rights associated with its Montney oil pool.

An existing, underutilized Enbridge crude pipeline from the Norman Wells oil field to northern Alberta bolsters the attractiveness of the play.

Over the past four months, Trilogy has deployed four rigs for an 18-well horizontal drilling program, with operations taking 20-25 days per well (sharply down from the initial forecast of 30-35 days) as a result of improved drilling practices, allowing wells to maximize production and trim effective royalty rates while new facilities and equipment were being constructed.

In the early part of 2012, Trilogy drilled eight wells to further develop the Montney pool at Kaybob, raising to 31 the number of wells drilled into the pool.

The company also began expanding the play into the Fox Creek area, chasing the success of its first two wells.

CANOL SHALE — This fledgling play in the Central Mackenzie Valley of the Northwest Territories has seen MGM Energy file for regulatory approval to drill a horizontal well with multiple fractures.

The company has already obtained a go-ahead from the Sahtu Land and Water Board for a vertical well, said MGM President Henry Sykes.

But if the horizontal well gets the green light in a timely manner, the company will drill that instead, with Shell Canada picking up the full cost under a farm-in agreement, he said.

Sykes said his company is "very excited" about the extent of activity planned for the Canol this winter, which he described as "significant, given that this play wasn't on the radar screen two years ago."

Husky Energy drilled two wells last winter at its Slater River lease and completed 220 square miles of 3-D seismic over two exploration blocks adjacent to MGM's project.

Husky has indicated it plans to further evaluate its two wells this winter and build an all-weather road, which Sykes noted is a "very expensive" undertaking, pointing to a level of commitment to the play.

He noted that MGM has invested C$10 million-C$13 million on its own construction and maintenance of temporary roads and well site.

Shell is a partner in all of MGM's licenses after acquiring a 50 percent stake in two other licenses that MGM picked up in 2011.

MGM now holds 338,400 (180,075 net) acres in the Central Mackenzie Valley, after initially assuming it was pursuing a shale natural gas play until additional work pointed to "more of a shale oil play," Sykes said.

The results of Husky's wells can remain

see TIGHT OIL RESULTS page 9

continued from page 6

CRESCENT

Crescent Point expects to increase average production in 2012 to 112,000 barrels of oil equivalent per day, exiting the year at 114,000 boe per day.

Infrastructure projects

For the Viewfield Bakken and Flat Lake, there will be continued investment in infrastructure projects to handle continued growth in Bakken production, including preliminary expenditures related to expansion of the Viewfield gas plant to 42 million cubic feet per day from 30 million.

The Shaunavon is expected to log 89 net wells, targeting the Low and Upper Shaunavon plays, while infrastructure projects will involve spending on the Dollard rail facility to boost capacity to more than 10,000 barrels per day from 4,000 bpd.

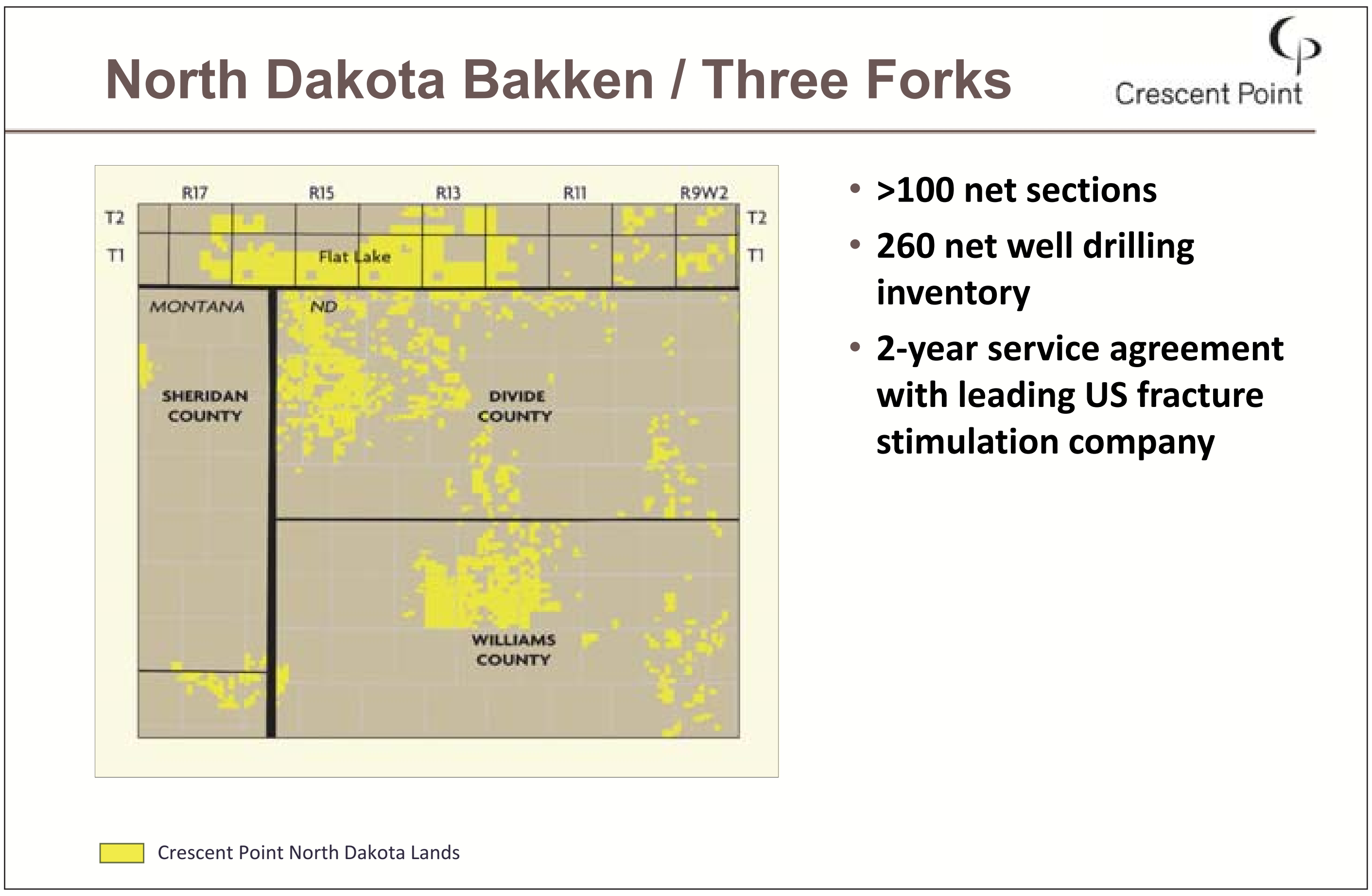
Crescent Point said it is also preparing an incremental budget for the second half of 2013, with implementation contingent on commodity prices.

That program would focus on the Beaverhill Lake and North Dakota resource plays as well as emerging plays in Alberta.

The company is basing its program on forecast average prices of US$90 per barrel for West Texas Intermediate crude and C$3.50 per thousand cubic feet for gas at the AECO trading hub, with the Canadian and United States dollars expected to remain at parity.

The corporate oil price differential is forecast at 14 percent of WTI, although Crescent Point expects to improve on that differential by increasing crude deliveries by rail, with current capacities at the Stoughton and Dollard rail facilities at 40,000 bpd and 4,000 bpd respectively. ●

Contact Gary Park through publisher@petroleumnews.com



continued from page 6

BAYTEX

wells.

Potential of 100-300 wells

Baytex said that ultimately, assuming development of only one stratigraphic elevation, the project has the potential to include 100 to 300 wells with initial production rates of about 420 barrels of oil equivalent per day.

During the third quarter, seven Baytex-operated wells (1,280-acre spacing) established average 30-day peak rates of about 445 boe per day.

In 2013 through 2017 the company currently plans to drill a total of 90 Bakken-Three Forks wells with 1,280-acre spacing — that's assuming an oil price of US$90 per barrel in year one with a 2 percent escalation thereafter and a WCS differential of 18 percent in year one and two, and 15 percent in years three through five..

A contingent resource assessment for the Bakken/Three Forks, prepared by Sproule Associates, estimated 47.3 million boe, 110.5 million boe and 204.9 million boe for low, best and high estimates.

A contingent resource assessment for the Bakken/Three Forks, prepared by Sproule Associates, estimated 47.3 million boe, 110.5 million boe and 204.9 million boe for low, best and high estimates.

Overall, Baytex has scheduled 228 net wells for 2013, of which 187 will target crude oil, three natural gas and 38 will be stratigraphic and service wells designed to support multi-lateral drilling programs in future years and delineate lands for thermal development, as well as enhancing operating cost efficiency by expanding water disposal capacity near its core producing assets.

Spending of C$430 million from the 2013 budget is targeted to generate a production rate of 56,000-58,000 boe per day from conventional operations compared with this year's guidance range of 53,500-54,500 boe per day.

The remaining C$90 million of capital is earmarked for two thermal enhanced oil recovery, EOR, projects as Baytex readies for growth in 2014 and beyond.

Growth rates of 6-8 percent

The company said that based on the mid-point of production guidance ranges for 2012 and 2013 the plan reflects growth rates of 8 percent for oil and natural gas liquids volumes and 6 percent for oil equivalent volumes.

The production mix for next year points to 89 percent liquids (75 percent heavy oil and 14 percent light oil and gas liquids) and 11 percent natural gas.

About half of the budget will be invested in conventional heavy oil operations at Peace River in northwestern Alberta, where 37 horizontal multi-lateral wells are scheduled, and Cold Lake in the Lloydminster region of east-central Alberta where Baytex plans 108 wells.

The company said its two thermal EOR projects will provide a "source of long-life, low-decline production, which will enhance our ability to continue our growth and income model over the long term."

At Cliffdale in the Peace River region, Baytex intends to drill and construct a second module of commercial thermal development, along with a 15-well cyclic steam stimulation project. ●

Contact Gary Park through publisher@petroleumnews.com

● MOVING HYDROCARBONS

Plains buying Van Hook terminal

U.S. Development selling five rail facilities to Plains, including ND's Van Hook terminal shipping on Canadian Pacific

By MIKE ELLERD

For Petroleum News Bakken

Houston-based Plains All American Pipeline said Dec. 5 that it has entered into an agreement with U.S. Development Group, USD, to purchase five crude oil handling and distribution terminals, one of which is the Van Hook rail loading terminal near New Town in southern Mountrail County, N.D.

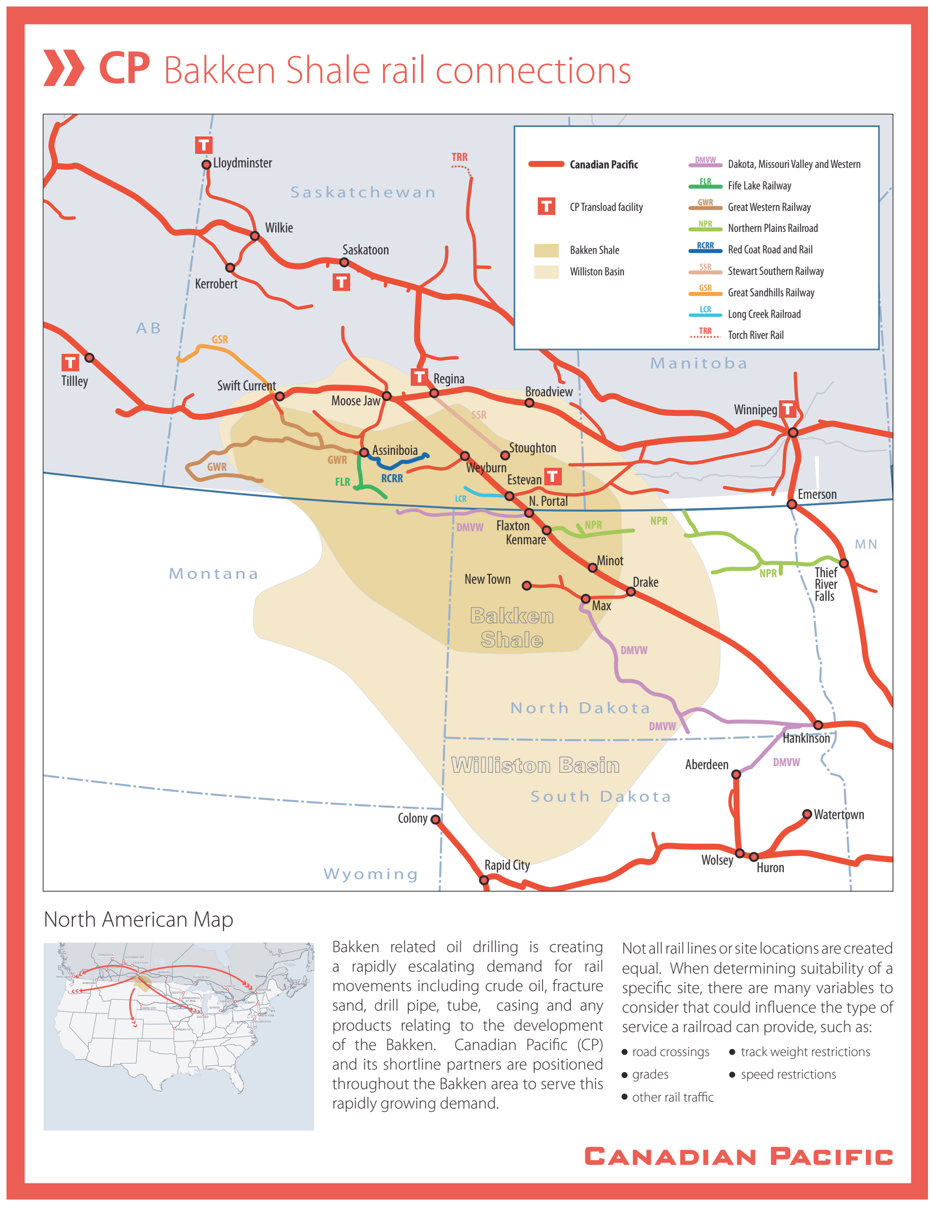
The other four terminals included in the deal consist of two other rail loading terminals, one in the Niobrara play in Carr, Colo., and the other in the Eagle Ford play in Gardendale, Texas. The remaining two terminals are rail unloading facilities, one in St. James, La., and the other in Bakersfield, Calif., which is still under development. The three loading terminals have an aggregate daily loading capacity of approximately 85,000 barrels per day, and the unloading terminal at St. James, La., has a capacity of approximately 140,000 bpd.

Under the terms of the deal, USD will continue to provide customer service and scheduling on behalf of Plains as part of a joint services agreement. The $500 million deal is expected to close by the end of December.

Van Hook terminal

The Van Hook terminal was built by USD and went into service in the summer of 2012 as a crude oil loading terminal for the Canadian Pacific railroad. It had an initial capacity of 35,000 bpd, although according to the USD website, that capacity is being expanded to 65,000 bpd. The Van Hook facility can load unit trains of up to 104 rail cars and has a storage capacity of 12,000 barrels with an expansion capability of up to 275,000 barrels.

Canadian Pacific has direct service and connections with short line railroads in the Bakken play and provides crude oil transport options to refineries throughout North America, including single line haul service between the Bakken and major crude oil markets in the northeastern U.S.



Bakken North line, Manitou rail facility

In the Williston Basin, Plains is constructing its Bakken North pipeline, an approximately 80-mile, 12-inch crude line running northwest from Trenton near Williston in Williams County and connecting with the Wascana Pipeline system at Raymond Station near Outlook, Mont.

The company also built and operates its Manitou crude oil and NGL rail facility near Ross west of Stanley in Mountrail County.

With the USD assets, along with projects currently under development, Plains All American's crude rail operations in North America will include five loading terminals in or near key producing areas extending from the U.S. Rockies to South Texas with a capacity totaling approximately 250,000 bpd, as well as three unloading terminals on the East Coast, Gulf Coast and West Coast with a total expected capacity of 335,000 bpd.

"These assets represent a very attractive addition to our existing North American rail activities, substantially improving our scale, scope, and flexibility," said Plains All American Chairman and Chief Operating Officer Greg L. Armstrong in a Dec. 5 press release. "Given recent and projected increases in North American crude oil production and volumetric and quality imbalances expected to occur in certain regions over the next several years, we believe that strategically located rail loading and unloading assets will continue to play an important role in the transportation of crude oil in North America."

Plains also owns an extensive network of rail facilities for natural gas liquids extending throughout the U.S. and Canada. That network includes 18 active loading and/or unloading terminals. The company expects to have approximately 6,700 railcars under lease by the end of 2013.

On the pipeline side, Plains owns a network of approximately 18,000 miles of liquids pipelines, 120 million barrels of liquids storage capacity and handles in excess of 3 million barrels of liquid per day.

USD's view

Dan Borgen, president and chief executive officer of USD, said the transaction would continue USD's successful working relationship with Plains. "We are very pleased to have entered into this agreement with Plains and look forward to working with them to assure a smooth transition. Our technical and service expertise in scheduling, fleet management and railroad operations support complements Plains' extensive network of assets throughout the U.S. Plains has proven to be a great terminal and pipeline partner for USD, and we believe that this transaction will provide for the most efficient optimization of the assets involved."

Houston-based USD is a North American multimodal logistics company. Its enterprises are engaged in rail terminal logistics, as well as the design, development, ownership and management of large-scale crude oil, petrochemical and ethanol rail logistic centers, in the U.S. and Canada ●

Contact Mike Ellerd at mellerd@petroleumnewsbakken.com

continued from page 7

TIGHT OIL RESULTS

confidential until 2014, but Senior Vice President Rob Symonds has said the Canol, along with the Muskwa resource play at Rainbow in northwestern Alberta, "could move the needle" for his company.

ConocoPhillips Canada has contributed to the growing interest in Canol by opening discussions with community groups on its plans to drill up to three vertical wells on exploration blocks east of Husky, although it has yet to file a regulatory proposal.

The Canol play extends over about 200 miles north and south of Norman Wells and, according to Sykes, has "sufficient organic richness to be good-to-excellent source rock" with thickness consistent at about 250 feet-300 feet.

An existing, underutilized Enbridge crude pipeline from the Norman Wells oil field to northern Alberta bolsters the attractiveness of the play. ●

Contact Gary Park through publisher@petroleumnews.com

INTERNATIONAL

Hess taking Bakken expertise to China

Platts Oilgram reported Dec. 11 that energy giant Hess Corp. has entered into an agreement with PetroChina to share production of the Malang shale oil block in Xinjiang province in western China.

Hess entered into joint assessment agreements with PetroChina in 2010 to evaluate tight oil formations, and at the time indicated it was looking for opportunities to apply the expertise it has developed in the Bakken play to exploration and development in tight oil basins in China, according to Platts.

"The main challenge is still geology and technology. PetroChina experimented with shale oil in the past but did not make much progress. I believe costs are still very high," IHS Upstream Oil and Gas Consulting analyst Huang Xinhua was reported saying on Dec. 11. "The government's focus has been on shale gas rather than shale oil, but perhaps Hess saw an opportunity to gain entry into China's upstream (market) with this block," Huang added.

Both Platts and the Wall Street Journal reported that earlier in the year PetroChina said it was negotiating with both Hess and Royal Dutch Shell on joint ventures to develop shale oil in China. Hess could not be reached for comment.

According to its website, Hess is the largest gas producer and the third-largest oil producer in North Dakota. In the third quarter 2012, the company was averaging 62,000 barrels of equivalent per day in net Bakken production. At the end of the third quarter, Hess had 16 rigs operating in the Bakken.

PetroChina is China's largest oil and gas producer and distributor. State-owned China National Petroleum Corp. is the sole sponsor and controlling shareholder of PetroChina. PetroChina stock is traded on the New York, Hong Kong and Shanghai exchanges.

—MIKE ELLERD

● INTERNATIONAL

PetroChina lands deal with Encana

Undeterred by Canada's new rules on foreign involvement in unconventional plays, JV targets Duvernay shale; $4B 4-year spend

By GARY PARK

For Petroleum News Bakken

China's largest state-owned energy company has delivered an emphatic message that Beijing is not troubled by new rules on the participation of foreign companies in Canada's unconventional resources.

Less than a week after the government of Prime Minister Stephen Harper slammed the door on takeovers by state-owned enterprises of oil sands companies and stiffened its scrutiny of lesser deals, Asia's largest oil producer PetroChina and Canada's biggest natural gas producer Encana bounced back from their failed joint-venture attempt in 2011, forming a partnership to develop the fast-evolving Duvernay shale play of west-central Alberta.

RANDY ERESMAN

Operating through wholly owned Phoenix Duvernay Gas, PetroChina laid out an immediate C$1.18 billion and pledged to spend C$1 billion over the next four years to acquire a 49.9 percent stake in Encana's 445,000 undeveloped acres in the Duvernay.

EnCana CEO Randy Eresman was quoted in press reports as saying that selling a non-controlling interest to PetroChina allowed the JV partners to bypass regulatory review under Canada's new stringent restrictions.

"Our understanding is that it does not require any government approvals at all," Eresman said in an interview.

The partnership, with Encana as operator, expects to spend C$4 billion over the four years on new drilling, completion and processing facilities, targeting Duvernay's liquids-rich gas prospects.

> *Based on the state of hydraulic well fracturing, some analysts say the Duvernay could yield 5 billion barrels of liquids and 150 tcf of gas, but have noted that Duvernay well costs are in the C$10 million-C$20 million range.*

Estimated 9 billion boe in place

Encana estimates the joint-venture lands contain about 9 billion barrels of oil equivalent of petroleum initially in place.

Eresman said a "transaction of this magnitude keeps us on track to create a more diversified commodity portfolio and maintain our balance sheet strength."

Zhiming Li, head of Phoenix Duvernay, said the deal will "build a foundation for the successful development of the Duvernay play and help to diversify our business portfolio."

Encana and PetroChina tripped over each other last year when they tried to form a C$5.5 billion joint venture to develop Encana's Cutbank Ridge shale gas assets in northeastern British Columbia.

When the attempt collapsed, Eresman said the negotiations had failed to produce an "alignment on the proposed transaction" and announced that Encana would offer a variety of joint-venture opportunities for positions in the resource, resulting in a C$2.9 billion agreement early this year to sell 40 percent of the Cutbank Ridge holdings to Mitsubishi.

> *Encana estimates the joint-venture lands contain about 9 billion barrels of oil equivalent of petroleum initially in place.*

Encana, suffering from its attempts to become a standalone gas producer, has opted to seek a presence in liquids plays, joining a wave of companies staking out positions in the 50,000-square-mile Duvernay formation, which the Bank of Montreal estimates has resources of 750 trillion cubic feet of gas that could recover 75-150 barrels of liquids from every 1 million cubic feet of gas.

Based on the state of hydraulic well fracturing, some analysts say the Duvernay could yield 5 billion barrels of liquids and 150 tcf of gas, but have noted that Duvernay well costs are in the C$10 million-C$20 million range.

Encana said it has drilled so far drilled nine Duvernay wells and has two rigs drilling additional wells.

Under the PetroChina deal, it expects to more than double its planned pace of development starting early in 2013.

Encana said the deal will not need approval from foreign investment regulators in the Canadian government because PetroChina will acquire only a 49.9 percent, non-controlling share of the assets.

Monetized at high end

Andrew Potter, an analyst with CIBC World Markets, estimated that Encana has monetized its Duvernay lands at about C$9,800 per acre, at the high end of market projections that a transaction would likely be done in the range of C$5,000-C$10,000 per acre.

Michael Dunn, an analyst with First Energy, said in a note that the transaction value "is a great metric given that this play is still in its early stages."

Dirk Lever, managing director, institutional equity research with AltaCorp Capital, said in a note that the Encana-PetroChina transaction shows that China welcomes the opportunity to invest in Canada through a joint venture

But he said it is too early to tell whether the transaction improves the chances of the Apache-operated Kitimat LNG project, with Encana and EOG Resources each holding 30 percent, securing a long-term sales contract or selling a 20 percent equity stake.

Lever said the Duvernay is still in its "early stages," but the capital from PetroChina will help unlock the play's "terrific potential," reinforcing ExxonMobil's recent C$3.1 billion takeover of Celtic Exploration, which included 105,000 net acres of Duvernay rights. ●

Editor's note: See related PetroChina, Hess story on this page.

Contact Gary Park through publisher@petroleumnews.com

continued from page 1

MONTANA AUCTIONS

Oil & Gas Inc. had the second highest bid at $220 per acre for 28 acres also in Richland County. Trinity Western Land & Exploration LLC had the third highest bid of $200 per acre for a 39 acre parcel, again in Richland County. The lowest bid was $2 per acre for a 640 parcel in Golden Valley County in central Montana.

> *"Our recent sales reflect the fact that our ownership in the Williston Basin is in play, with literally 99 percent of our Williston Basin acreage currently under lease."*
>
> **—Minerals Management bureau chief Monte Mason**

In contrast to the December 2012 sale, the December 2011 sold 197,777 acres, although the average price per acre in that sale was less at $17.71. In the March 2012 sale, a total of 115,568 acres were sold with an average price per acre of $30.60. A total of 73,185 acres were sold in the June 2012 sale with an average price per acre of $19.07, and 17,676 acres were sold in the September 2012 sale with an average price of $32.84 per acre.

In a written statement to Petroleum News Bakken, DNRC Minerals Management bureau chief Monte Mason said, "Our last two lease auctions (Sept. 5 and Dec. 4, 2012) were definitely two of our smaller sales. They follow on the heels of about 4 years of very strong leasing activity, where our total acreage under lease increased from 1.94 to 2.55 million acres. Our recent sales reflect the fact that our ownership in the Williston Basin is in play, with literally 99 percent of our Williston Basin acreage currently under lease."

Sales peaked in 1980

The highest ever grossing Montana DNRC sale was in June 1980 when 435,272 acres were sold in 1,016 parcels for a total of $15,173,584. The average price per acre in that 1980 sale was $34.86. The highest average price was in September 2008 when the DNRC sold 121,881 acres in 262 parcels for a total of $10,925,820 with an average of $89.64 per acre. That September 2008 sale was also the DNRC's second highest grossing sale.

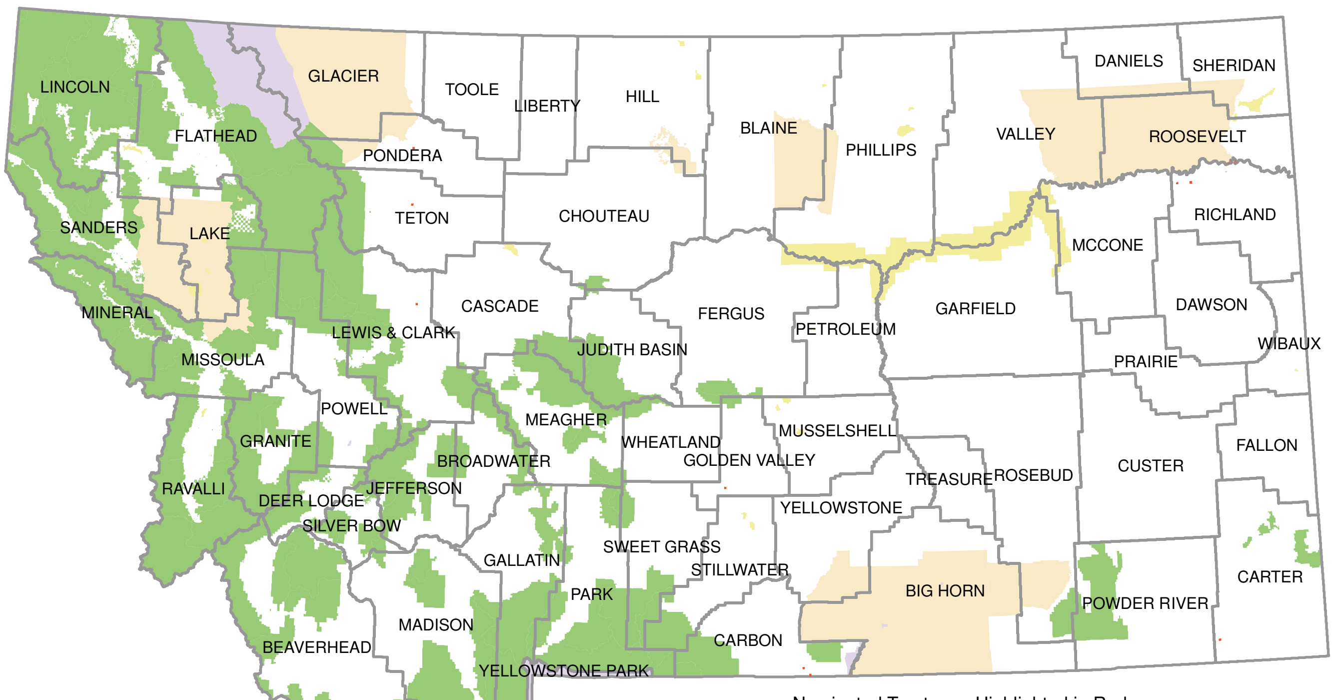
Mason noted that the majority of the Williston Basin is in North Dakota, "but we are lucky enough to have a piece of its western edge in northeastern Montana. The Elm Coulee field in Richland County has been a great success. Some production is being developed in Roosevelt and Sheridan counties and Apache has a major stake in Daniels County, but the jury is still out on whether another Elm Coulee exists in Montana."

The next Montana DNRC sale is scheduled for March 5, 2013. Nominations for that sale closed on Dec. 18. The March 5 sale will be held in the Montana Department of Transportation auditorium in Helena beginning at 9 a.m.

—MIKE ELLERD

STATE OF MONTANA DECEMBER 4, 2012 SALE

PRELIMINARY MAP - ALL TRACTS



Nominated Tracts are Highlighted in Red
See county maps for more detail
http://dnrc.mt.gov/trust/mmb/og

Upcoming BLM, ND auctions

The Bureau of Land Management's Montana/Dakotas office has scheduled its next lease auction for Jan. 29 at the Montana BLM office in Billings beginning at 9 a.m. Nominations for the January sale closed May 25.

The Montana/Dakotas BLM office rotates among the three states in the four auctions it holds per year, and the January auction is limited to North Dakota with offerings in Burke, Dunn, McKenzie, Mountrail, Stark and Williams counties. A total of 2,903 acres will be offered in 28 parcels. One 40 acre parcel in Bowman County was initially to be included in the January sale but has since been taken off the block.

The next North Dakota Department of Trust Lands Minerals Management Division lease auction is scheduled for Feb. 5. The nomination period for that sale closed Dec. 14; nominations are being processed and will be available by early January.

—MIKE ELLERD

Contact Mike Ellerd at mellerd@petroleumnewsbakken.com

continued from page 1

WHITING FOCUS

in the Sanish field. We're very fortunate to have that asset in our portfolio," James T. Brown, Whiting's president and chief operating officer, told analysts at the Dec. 5 Wells Fargo Securities Energy, MLP and Pipeline conference in New York.

Six rigs in the Sanish

Whiting is running six of its 20 Williston Basin rigs in the Sanish. By the end of this year, a total of about 300 production wells will have been drilled in the field, with another 200 yet to drill and complete. This should keep Whiting busy in the Sanish for several years. So why change its focus now?

"While we still have about three years of drilling at Sanish, we're increasing our production through other opportunities outside of the Sanish," Whiting Investor Relations Director John Kelso told Petroleum News Bakken. "We're just continuing to move the ball downfield."

These opportunities include the Pronghorn, Lewis & Clark, Hidden Bench and Missouri Breaks. Average 30, 60 and 90-day production rates from recent wells in three of these newer development areas were already exceeding rates from the average Sanish well during the 2012 third quarter.

Drilling up outside Sanish

In fact, the majority of Whiting's wells over the past 19 months have been drilled outside the Sanish field. And the company has said it intends to maintain this pace going forward.

"We've already got a great program going on down in Pronghorn," Brown told analysts. "And we're going to continue moving across the other areas in the southwest part of the basin. So you are going to see our efforts switch from Sanish and the Sanish area."

Whiting also has growth opportunities in the Rocky Mountain region outside the Williston Basin, in particular its piece of Colorado's Niobrara oil shale play, where it currently has one rig operating at its Redtail prospect.

"We are starting to see results in the Niobrara that are being competitive with some of our projects in the Williston Basin,"

see **WHITING FOCUS** *page 12*

continued from page 11

WHITING FOCUS

Brown said. "It's one of those places where we would like to become a little more aggressive and direct more capital."

Budget yet to be determined

Whiting has yet to release its capital budget and production guidance for 2013. So just how much money will be allocated among its U.S. projects and expectations for production growth next year has not been officially disclosed. However, Whiting's Brown did provide a glimpse at the Wells Fargo conference.

He said Whiting's budget likely would be in the range of $1.7-$1.8 billion, and production growth should be in the "lower teens," in the range of 12-13 percent over 2012 growth. At first glance, these numbers are not impressive when compared to 2012's $2 billion budget and 20-23 percent production growth rate.

However, Whiting is known for increasing the numbers as the year progresses. For example, the company's initial production growth guidance for 2012 was 16 percent over 2011, about 38 percent below the amount of oil and gas that actually will have been produced by the end of this year.

"We increased our production guidance three times during 2012 based on actual production results and a bigger budget," Whiting's Kelso said. "The same type of scenario may play out in 20013."

More projects than money

However, Whiting concedes that it has more projects across the United States than money to finance them. And Brown said the company is not inclined to tap financial markets and run up its debts just to accelerate programs. One option considered by Whiting, he added, is to joint venture with a third party on projects such as Colorado's Niobrara play and the Big Island (vertical Red River) and Missouri Breaks (horizontal Middle Bakken and Three Forks) fields in the Williston.

"We bring someone in, get them to pay upfront for the acreage position and then have them pay a disproportionate share of the costs," Brown explained.

Cutback at 'Big Tex'

Brown said Whiting's expenditures in 2013 "are going to break out very similar" to what they were in 2012, with the exception of a reduction in spending for the Permian Basin.

"We're not going to be as active in the Big Tex area as we were in 2012," he said.

Brown said Whiting also is not budgeting as much for land expenditures as it did in 2012.

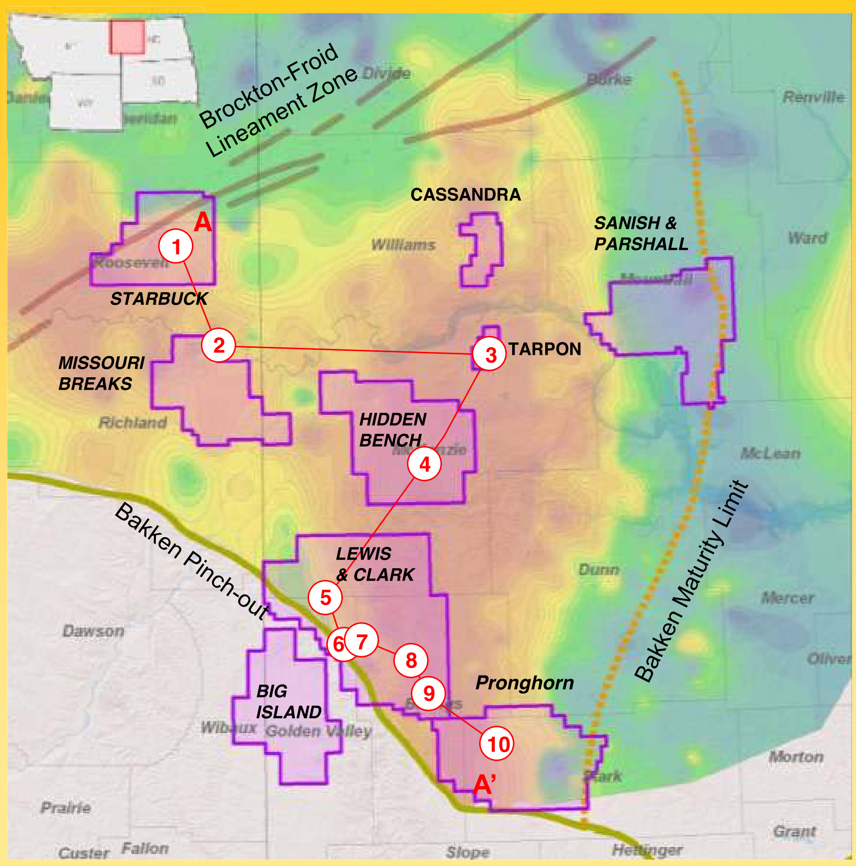
"But I want everyone to fully realize that your land budget is sort of an opportunistic budget," he said. "You can't always budget what you're going to spend on land because you can't forecast what opportunities are going to present themselves in the coming year."

In addition to the Rocky Mountains region and the Permian Basin of Texas, Whiting holds oil and gas assets in the Mid-Continent, Gulf Coast and Michigan.

—RAY TYSON

Contact Ray Tyson at rtyson@petroleumnewsbakken.com

Whiting Lease Areas In Williston Basin Plays at September 30, 2012



	Gross Acres	Net Acres
Sanish / Parshall	177,339	83,116
-Middle Bakken / Three Forks Objectives		
Pronghorn	206,365	130,269
-Pronghorn Sand Objective		
Lewis & Clark	203,319	137,808
-Three Forks Objective		
Hidden Bench	49,108	29,484
-Middle Bakken / Three Forks Objectives		
Tarpon	8,187	6,328
-Middle Bakken / Three Forks Objectives		
Starbuck	106,028	92,227
-Middle Bakken / Three Forks Objectives		
Missouri Breaks	92,214	65,544
-Middle Bakken / Three Forks Objectives		
Cassandra	30,347	13,970
-Middle Bakken / Three Forks Objectives		
Big Island	171,825	121,982
-Multiple Objectives		
Other ND & Montana	76,587	33,839
	1,121,319	714,567(1)

(1) As of 09/30/2012, Whiting's total acreage cost in 714,567 net acres is approximately $361 million, or $505 per net acre.

10

continued from page 5

FRACKING DEBATE

do the fracking correctly, safely and responsibly from the beginning, Holstein said, "helps enormously keep these issues and decisions in the hands of the states and diminishes the likelihood that they'll find their way to the Washington beltway."

State's rights?

When asked by a member of the audience about a bill that former North Dakota governor and now U.S. Senator John Hoeven introduced that would give states primacy in regulating hydraulic fracturing, neither Holmstead nor Holstein were familiar enough with the legislation to comment on it specifically, but both addressed the broader issue of whether the federal government should or will turn over more regulatory authority to states.

Holstein said the EPA's authority to delegate the enforcement of certain regulatory standards to individual states is a principle long established in law and he believes that authority will be protected. However, he does not believe the federal government will turn over primacy of long-standing federal environmental laws to any states.

While there may be proposals to actually return the core decision making to the states, Holstein said, many of the existing national environmental laws have been on the books for 30 or 40 years, and "I don't see that happening anytime soon through the U.S. Congress, however much some members of Congress may believe that might simplify the process." He went on to say that legal and legislative challenges to specific rules and to the details of implementation will continue to be the subject of legislative debate, but he believes there is strong public support for core protections of water and of air, and he doesn't anticipate a forthcoming "dismantling" of those protections.

Likewise, Holmstead said he does not foresee a turnover of primacy to states. There are a number of environmental issues, he said, that could be left to individual states and which would be handled differently in different states, and he believes it is a "shame" not to shift the balance to states. "I think Elgie (Holstein) and I both agree that it's going to be very difficult to see any kind of federal legislation that would change the basic balance that we have today in our environmental laws," Holmstead concluded. "And I think that, unfortunately, that's tipped too heavily in favor of giving the federal government more control over issues which should fundamentally be state issues."

In conclusion and in reference to the EDF, Holmstead told the audience that Holstein is respected, not only for his enormous experience in the environmental arena, but also for the fact that he has aligned himself with an environmental group that Holmstead believes has traditionally tried to strike a sensible balance on environmental issues. "I need to say that there are other very influential national groups that don't strike that balance and who really believe that they have much more influence if Washington is calling the shots. So I think that makes it much more difficult, and I think there are certain members of Congress who are much more interested in the views of groups that I view as not being quite as productive." ●

Contact Mike Ellerd at mellerd@petroleumnewsbakken.com

● DRILLING & COMPLETION

Montana weekly oil activity reports, Nov. 23-Dec. 13

COMPILED By DARRYL L. FLOWERS
For Petroleum News Bakken

Abbreviations & parameters

With a few exceptions, the Montana weekly oil activity report includes Bakken petroleum system horizontal well activity in the eastern, northeastern and northwestern part of the state. 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
SHL: surface hole location

Week of 11/23 to 11/29

New locations — horizontal wells

Four new wells in Richland County will fly the Continental Resources Inc. banner: the Staci-Linnea 4 HSU, with an SHL at SE SE 14-23N-55E (240 FSL/253 FEL) and a PBHL of 20,130 feet at NE NE 11-23N-55E (200 FNL/0 FEL); the Fisher 1-29H, with an SHL at SW SE 29-27N-53E (265 FSL/1990 FEL) and a PBHL of 18,638 feet at NW NE 20-27N-53E (200 FNL/1980 FEL); the Peck 1-30H, with an SHL at NW NE 30-27N-54E (180 FNL/1615 FEL) and a PBHL of 19,304 feet at SW SE 31-27N-54E (200 FSL/1980 FEL); the Audrey-Elaine 4 HSU, with an SHL at NE NE 31-24N-56E (210 FNL/340 FEL) and a PBHL of 20,397 feet at SE SE 6-23N-56E (200 FSL/0 FEL).

Whiting Oil and Gas Corp. was issued a permit for the Sundheim Federal 24-35-1H in Richland County. The well has an SHL at SE SW 35-26N-57E (300 FSL/2175 FWL) and a PBHL of 20,817 feet at NW NW 26-26N-57E (240 FNL/660 FWL).

All five Richland County wells will target the Bakken formation.

Re-issued locations

In Richland County, a permit was issued to XTO Energy Inc. for the Shaw 44X-13, with an SHL at SE SE 13-22N-59E (366 FSL/341 FEL) and a PBHL of 17,067 feet at NE SE 12-22N-59E (1948 FSL/1000 FEL), targeting the Bakken formation.

EOG Resources Inc. was approved for the Candee 4-0405H, a Richland County well with an SHL at NE SW 4-25N-53E (1960 FSL/1545 FWL) and a PBHL of 13,725 feet at NW NE 5-25N-53E (660 FNL/2245 FEL). The target formation is the Bakken.

Two permits were issued to Slawson Exploration Co. Inc. for wells in Richland County: the Hornet 1-25H, with an SHL at NE NE 36-23N-54E (270 FNL/775 FEL) and a PBHL of 14,674 feet at NE NE 25-23N-54E (700 FNL/775 FEL) and the Savage 1-32H, with an SHL at NE NE 32-24N-52E (350 FNL/668 FEL) and a PBHL of 14,032 feet at SE SE 32-24N-52E (250 FSL/750 FEL). The Slawson wells will tap into the Bakken formation.

In Roosevelt County, XTO Energy Inc. was issued a permit for the Grindland 34X-25C, with an SHL at SW SE 25-28N-57E (220 FSL/1360 FEL) and a PBHL of 20,063 feet at NW NE 24-28N-57E (250 FNL/1980 FEL). The well is aiming for the Bakken formation.

Completions

In Richland County, Oasis Petroleum North America LLC reported the completion of the Olson Bottoms Federal 2658 12-10H, with an SHL at NE NW 10-26N-58E (203 FNL/2321 FWL) and a BHL of 20,500 feet at NE NW 34-27N-58E (255 FNL/2502 FWL). The Bakken formation well is a "Big 'Un", with a reported IP of 1,788 BOPD, 1,450 MCFPD and 7,935 BWPD.

Oasis Petroleum North America LLC reported the completion of the Ella Marie 2759 42-9H, with an SHL at SE SW 9-27N-59E (216 FSL/2500 FWL) and a BHL of 20,340 feet at NE NW 4-27N-59E (301 FNL/2356 FWL) in Roosevelt County. The Bakken formation well is another whopper with an IP of 1,901 BOPD, 1,528 MCFPD and 5,060 BWPD.

Week of 11/30 to 12/6

New locations — horizontal wells

In Daniels County, Apache Western Exploration LLC was granted a permit for the Wescoe 34-7H-B, with an SHL at SE NE 34-36N-47E (2300 FNL/210 FEL) and a PBHL of 11,420 feet at SW NW 34-36N-47E (2291 FNL/200 FWL). Apache Corp. was green lighted for the Wescoe 35-8H-T, with an SHL at SE NE 34-36N-47E (2330 FNL/210 FEL) and a PBHL of 12,163 feet at SE NE 35-36N-47E (2291 FNL/200 FEL). Both wells aim for the Bakken formation.

Two permits were issued to Slawson Exploration Co. Inc. in Richland County. The Hercules 3-2H, with an SHL at SW SW 2-23N-53E (280 FSL/350 FWL) and a PBHL of 14,590 feet at NW NW 2-23N-53E (250 FNL/750 FWL) and the Hercules 4-2H, with an SHL at SW SW 2-23N-53E (350 FSL/280 FWL) and a PBHL of 14,563 feet at SE SE 2-23N-53E (750 FSL/250 FEL). The Slawson wells will target the Bakken formation.

Continental Resources Inc. was granted a permit for the Julie 3-3H in Richland County. The Julie has an SHL at SW SE 3-23N-54E (180 FSL/2320 FEL) and a PBHL of 19,999 feet at NW NE 34-24N-54E (200 FNL/2320 FEL), tapping into the Bakken formation.

In Richland County, a permit was issued to Oasis Petroleum North America LLC in Roosevelt County: the Freesia Federal 2658 13-11H, with an SHL at NW NE 11-26N-58E (460 FNL/1780 FEL) and a PBHL of 20,949 feet at NW NE 35-27N-58E (210 FNL/2300 FEL). The target formation is the Bakken.

Oasis was approved for two wells in Roosevelt County: the Reveille Federal 2759 14-26H, with an SHL at NE NE 26-27N-59E (320 FNL/300 FEL) and a PBHL of 20,557 feet at SE SE 35-27N-59E (210 FSL/100 FEL) and the Stonewall Federal 2959 43-21H, with an

see MONTANA REPORT page 14

MOVING HYDROCARBONS

NorthStar building new rail terminal

Minneapolis-based NorthStar Equity Services LLC is planning to begin construction on a new multi-commodity transload terminal on the Montana-North Dakota border in far western McKenzie County that will be served by the BNSF railroad and will provide the area with additional crude loading capacity, as well as loading capacity for a variety of other commodities including construction and building materials, chemicals, refined petroleum products, machinery and agricultural products.

The project will be on approximately 375 acres at the intersection of North Dakota state highway 200 and county road 50 just east of Fairview, Mont. The facility will have two major components: a transloading facility known as NorthStar Transloading and a land development and infrastructure component known as MonDak Corner.

The NorthStar rail capabilities will include transloading, switching and rail car storage with four sidings each more than 9,000 feet long. The facility will also include indoor warehouse and cold storage as well as outdoor storage.

In a statement to Petroleum News Bakken, NorthStar Equity President Jon Hempel said customers will have the opportunity to lease parcels for industrial sites served by rail, or to utilize the full service NorthStar Transload facility.

Construction of the facility is scheduled to begin in the spring of 2013 and operations are planned to begin in the summer of 2013. The project is estimated to cost between $45 million and $65 million.

—MIKE ELLERD

LAND & LEASING

Eco-Trade strikes Alberta Bakken deal

Eco-Trade Corp., an independent Montana-based E&P company, has acquired rights to explore, drill and produce on a property near Great Falls covering more than 5,800 acres called the South Bakken prospect. No dollar figure was disclosed.

The property is at the southern end of the Alberta Bakken fairway and could hold an estimated reserve potential of 80 million-120 million barrels of recoverable oil according to a report prepared by BakkenQuest.

The fairway, which crosses the U.S.-Canada border has been rated by some as comparable to the Bakken formation in the Williston Basin.

It was first discovered and drilled in Alberta and now extends deep into northwest Montana, bordered by the Rocky Mountain Thrust Zone the Sweetgrass Arch.

BMO Capital Markets said the emerging play “appears to be developing into a potential new unconventional tight oil resource play.”

Eco-Trade said it has positioned itself in the middle of the new oil play and is looking forward to developing the assets.

Other companies in the same general area include Primary Petroleum, Rosette Resources, Newfield Exploration, Stone Energy, Anschutz Exploration, Quicksilver Resources, Fairways Offshore Exploration, Arkanova Energy, FX Energy and American Eagle Energy.

Some estimates place investment in the Alberta Bakken at more than C$500 million, including land acquisitions, joint venture, exploration and drilling

—GARY PARK

continued from page 13

MONTANA REPORT

SHL at SW SE 21-29N-59E (190 FSL/1500 FEL) and a PBHL of 20,455 feet at NW NE 16-29N-59E (210 FNL/1500 FEL), both targeting the Bakken formation.

Re-issued locations

In Richland County, Enerplus Resources USA Corp. was green lighted for the Porky-Harold 9-13-HSU. The well has an SHL at SW SW 9-24N-54E (275 FSL/400 FWL) and a PBHL of 15,925 feet at NE 5-24N-54E (671 FNL/1001 FEL), aiming for the Bakken formation.

In Roosevelt County, EOG Resources Inc. received a permit for the NBB 1-3229H, a Bakken formation well with an SHL at SE SE 32-30N-59E (250 FSL/1170 FEL) and a PBHL of 20,554 feet at NE NE 29-30N-59E (200 FNL/1320 FEL), tapping into the Bakken formation.

Permit modifications / corrections

In Richland County, a permit was issued to Continental Resources Inc. for the Belleeza 1-12H. The Bakken formation well has an SHL at NE NW 12-23N-53E (180 FNL/1980 FWL) and a PBHL of 19,627 feet at SE SW 12-23N-53E (660 FSL/1980 FWL).

Completions

In Sheridan County, TAQA North USA Inc. reported the completion of the State 16-4H. The well has an SHL at NW NW 16-37N-57E (880 FNL/230 FWL) and a BHL of 11,676 feet at NE NE 16-37N-57E (645 FNL/830 FEL), tapping into the Bakken formation. The well turned in an IP of 67 BOPD and 653 BWPD.

In Toole County, FX Drilling Inc. reported they had wrapped up two wells. The Anderson 14-29 taps into the Bakken formation at an SHL at SE SW 29-35N-1W (363 FSL/2011 FWL) and a BHL of 6,321 feet at NE NW 29-35N-1W (1052 FNL/1816 FWL), turning in an IP of 5 BOPD and 5 BWPD.

Completions: New horizontal lateral or extension

In the Redstone Field of Sheridan County, a permit was issued to Sagebrush Resources II LLC for the SBR 1-36H. The well has an SHL at NW SE 36-35N-51E (1830 FSL/1979 FEL) and BHLs of 10,723 feet at SE SE 36-35N-51E (708 FSL/729 FEL) (Winnipegosis formation) and 12,113 feet at NW NW 6-34N-52E (1266 FNL/1091 FWL) (Bakken formation).

Week of 12/7 to 12/13

XTO Energy Inc. won approval for three wells in Richland County, all aiming for the Bakken. The Donna 31X-15 has an SHL at NW NE 15-24N-56E (304 FNL/2200 FEL) and a PBHL of 19,897 feet at SW SE 22-24N-56E (700 FSL/2642 FEL); the Elaine 34X-21 has an SHL at SW SE 21-24N-56E (775 FSL/2000 FEL) and a PBHL of 18,708 feet at N2 N2 16-24N-56E (700 FNL/2640 FEL) while the Wilbur 34X-29 has an SHL at SW SE 29-24N-56E (500 FSL/2373 FEL) and a PBHL of 19,620 feet at NE NW 20-24N-56E (700 FNL/2649 FWL).

Continental Resources Inc. was given the go-ahead for the Edgar 2-34H in Richland County. The well has an SHL at SW SW 34-26N-52E (185 FSL/580 FWL) and a PBHL of 18,798 feet at NW NW 27-26N-52E (200 FNL/660 FWL). The well will tap into the Bakken formation.

EOG Resources Inc. was green lighted for the Sidney 1-2021H in Richland County, a Bakken formation well with an SHL at SW SW 20-26N-53E (1240 FSL/200 FWL) and a PBHL of 19,034 feet at SE SE 21-26N-53E (1320 FSL/200 FEL).

Rounding out the list of Richland County permits is the Caltrop 1-28H, a Slawson Exploration Co. Inc. well with an SHL at NE NE 28-22N-57E (300 FNL/750 FEL) and a PBHL of 15,042 feet at SE SE 28-22N-57E (250 FSL/750 FEL). The well targets the Bakken formation.

In Sheridan County, Mountain View Energy Inc. was approved for the Anderson 11-1H, a Bakken formation well with an SHL at SW SE 11-33N-57E (345 FSL/2065 FEL) and a PBHL of 18,078 feet at NW NE 2-33N-57E (250 FNL/1980 FEL). ●

Darryl L. Flowers, a contributor to Petroleum News Bakken, is the publisher of the Sun Times in Fairfield, Mont., www.fairfieldsun-times.com, and can be reached at publisher@fairfieldsuntimes.com.

continued from page 1

PRODUCTION SLOWS

average of 729,248 barrels per day. November's production numbers were not available.

"That is a smaller increase than we've seen in probably the previous six to nine months — all were closer to 4 percent production increases," Helms said in the conference call. "Probably the biggest thing is the reduced drilling."

The production slowdown also is reflected in the slight increase in the number of producing wells that came on line — 8,025 in October compared to 7,899 in September.

In another unusual turn of events, natural gas production showed hardly any increase, largely due to dry gas wells and high gas-oil ratio wells in units being shut in. Daily output was 795,806 cubic feet in September versus 796,042 cubic feet in October.

"Construction of processing plants and gathering systems is now affected by weather," Helms said. "U.S. natural gas storage is up to 8 percent above the five-year average. This indicates low prices for the foreseeable future. North Dakota shallow gas exploration is not economic at near term gas prices."

Meanwhile, additions to gathering and processing capacity are helping with the well flaring problem, but the percentage of gas flared remained the same in October at 30 percent. The historical high was 36 percent in Sept. 2011.

Transition to 'walking' rigs

Helms said the rig count fell into the low 180s as companies transitioned to more efficient "walking" drilling rigs and began implementing year-end cost cutting. But the department also registered a big spike in idle wells, indicating an estimated 340 wells were awaiting hydraulic fracturing services.

"Rapidly escalating well costs that consumed capital spending budgets faster than many companies anticipated and uncertainty surrounding future federal policies on taxation and hydraulic fracturing are impacting capital investment decisions," Helms said.

However, the department anticipates that oil production will regain its footing, increasing to around 830,000 barrels per day by the middle of 2013 and to 850,000 barrels per day by the end of next year.

"We expect those barrels to just keep marching right on up," Helms said. "We really expect drilling efficiencies and hydraulic fracturing to keep that oil production going up 3 or 4 percent every month."

Rig count back up in January

Helms said companies have told him that with the approval of their 2013 capital budgets, they probably will take the rig count back up to about 200 beginning in January.

"We've talked to some of the biggest Bakken drillers and producers," Helms noted. "So we believe that shortly after the first of the year we will start to see that rig count increase again. We'll see a lot of hydraulic fracturing trying to catch up with that drilling rig count."

He noted that the expected increase in the rig count should be aided by the delivery of the new walking rigs over the next six to 12 weeks, allowing operators to actually drill more wells per rig per year. These rigs are specifically designed to move laterally along a well pad to install multiple wells on a single pad, a practice known as cluster or pad drilling. It only takes a walking rig about an hour to move the 25 to 30 feet from one well to another, while conventional rigs must be broken down prior to moving.

"Most of the companies want to get to the place where they have only one or two conventional rigs in their portfolio and the all the rest walk," Helms said.

The number of drilling permits also fell dramatically from October (370) to November (211), but the decline was primarily attributed to the department's efforts to build a large permitting inventory in the fall before moving into the harsh winter months. The inventory stands at around 1,400 issued permits.

But the department also wanted to make sure companies had plenty of permits in hand in the event of brief delays due to the writing of any new hydraulic fracturing rules.

Takeaway capacity adequate

In other developments, crude oil takeaway capacity remains adequate to keep up with near-term production projections, the department said, noting that a majority of Bakken oil now ships by rail to East Coast, Gulf Coast and West Coast destinations.

The price of a barrel of North Dakota sweet crude averaged $80.66 in November, compared to $87.00 in October and $84.98 in September. The price was $75.25 per barrel on Dec. 17.

Helms said the Bakken oil boom is playing out pretty much as the department had anticipated.

"The curve seemed to be going straight up in terms of rigs, people, trucks and production and then basically flatten and become a nice plateau," he said. "And that is what we're trying to achieve."

However, he said that while hotel demand has leveled off, there is continuing demand for apartments and even more demand for single family housing in the oil patch.

"I think we can expect to see continuing transition from roughnecks to people that are working fracking crews and working workover rigs and production jobs," he added. "The other thing I think you have to face is massive amounts of road construction.

"So (there will be) less intense drilling activity, fewer trucks than we had in the first half of this year, a lot of road construction and a lot of pipeline construction, really a tremendous amount of pipeline construction." ●

Contact Ray Tyson at rtyson@petroleumnews.com

continued from page 1

KEYSTONE DISPUTE

court or if it should be moved to a Texas district court. Written arguments will be submitted by the first week in January, but a hearing date has not been set. In the meantime, construction on the pipeline continues.

The Gulf Coast project is part of TransCanada's larger Keystone pipeline that will originate in Alberta and run through eastern North Dakota, providing Bakken producers with additional transportation options to Mid-Continent and Gulf Coast refineries.

The issue began on Dec. 7 when Judge Sinz granted a restraining order to Michael Bishop, a local landowner, temporarily stopping construction of the pipeline on Bishop's property.

What it's all about

The issue began on Dec. 7 when Judge Sinz granted a restraining order to Michael Bishop, a local landowner, temporarily stopping construction of the pipeline on Bishop's property. Bishop claims that Calgary-based TransCanada had mislead him as to exactly what would be transported through the pipeline and further claimed that he had signed an access agreement with TransCanada under duress.

The rub is over bitumen from the Canadian oil sands and whether it meets

see **KEYSTONE DISPUTE** *page 19*

Petroleum news BAKKEN

October 2012

Top 50 North Dakota Bakken Oil Producers

Company	BDP*
1 Continental Resources, Inc.	66,155
2 Whiting Oil and Gas Corporation	63,126.4
3 Hess Corporation	60,136.7
4 EOG Resources, Inc.	47,847.2
5 Brigham Oil & Gas, LP (Statoil)	45,597.0
6 Marathon Oil Company	29,313
7 Slawson Exploration Company, Inc.	23,256.8
8 Petro-Hunt, LLC	22,386.4
9 Burlington Resources Oil & Gas Company, LP (ConocoPhillips)	20,054.0
10 XTO Energy (ExxonMobil)	19,944.3
11 Oasis Petroleum North America LLC	19,468.5
12 Kodiak Oil & Gas (USA), Inc.	17,844.7
13 WPX Energy Williston, LLC	13,998
14 Oxy USA, Inc.	13,048.8
15 SM Energy Company	12,660.2
16 Denbury Onshore, LLC (ExxonMobil/XTO Energy)	12,156
17 Enerplus Resources USA Corporation	11,348.0
18 Zavanna, LLC	10,425.2
19 Hunt Oil Company	10,149.3
20 Newfield Production Company	9,697
21 QEP Energy Company	9,014
22 Helis Oil & Gas Company, LLC	8,818
23 Fidelity Exploration & Production	8,359.8
24 Murex Petroleum Corporation	7,628.1
25 Samson Resources Company (KKR & Co.)	7,109.3
26 Zenergy, Inc.	6,449
27 Crescent Point Energy US Corp.	3,423
28 Baytex Energy USA Ltd	3,148.5
29 G3 Operating, LLC	2,750
30 Sinclair Oil and Gas Company	2,043.5
31 Triangle USA Petroleum Corporation	1,524.3
32 Liberty Resources, LLC	1,460.9
33 Cornerstone Natural Resources, LLC	1,046.5
34 Arsenal Energy USA, Inc.	897.8
35 American Eagle Energy Corporation	688
36 GMX Resources, Inc.	501.6
37 True Oil, LLC	450.4
38 Windsor Energy Group, LLC	249.6
39 Sequel Energy, LLC	214
40 Abraxas Petroleum Corp	191.6
41 Resource Drilling, LLC	188
42 Gadeco, LLC	176.6
43 Prima Exploration, Inc.	166.1
44 Legacy Reserves Operating LP	140.3
45 Resolute Natural Resources Company, LLC	59.3
46 BTA Oil Producers, LLC	56.3
47 Texakota, Inc.	49.3
48 Petro Havester Operating Company, LLC	38.0
49 Tri-C Resources, LLC	25.2
50 Pride Energy, An Oklahoma General Partnership	21

*Barrels of oil per day

Numbers derived from the October 2012 Oil & Gas Production Report published by the North Dakota State Industrial Commission, Department of Minerals, Oil & Gas Division. Note this is the oil produced by wells operated by these companies; it does not identify the percentage of Bakken petroleum system oil (including Three Forks) that is owned by the company or its partners, so it may differ from what the company reports.

October 2012
North Dakota Bakken oil production by company

Derived from the October 2012 Oil & Gas Production Report published by the North Dakota State Industrial Commission, Department of Minerals, Oil & Gas Division. Note this is the oil produced by wells operated by these companies; it does not identify the percentage of Bakken petroleum system oil (including Three Forks) that is owned by the company or its partners, so it may differ from what the company reports. Also, the daily average was derived from dividing the total production by the number of days in October, versus the number of days the well was actually producing. There are a few wells that did not produce for the entire month.

Legend:
Company
Field — Pool — County — Barrels of oil
Daily average barrels

Also note: Burlington Resources Oil & Gas Company, LP is owned by Conoco Phillips; Brigham Oil & Gas, L.P. is owned by Statoil; and XTO Energy, Inc. is owned by ExxonMobil, operating its own acreage in the Bakken as well as the assets of Denbury Onshore, LLC, which ExxonMobil has also acquired. Samson Resources Company is now owned by KKR & Co. The operator names used in this chart are exactly as they appear in State of North Dakota Oil & Gas Division records, but some of the other companies and/or their Bakken assets might also have been acquired by others.

Abraxas Petroleum Corp
Demores - Bakken - Billings - 408
North Fork - Bakken - McKenzie - 5,098
Roosevelt - Bakken - Billings - 435

Daily Average - 191.6

American Eagle Energy Corporation
Colgan - Bakken - Divide - 21,315

Daily Average - 687.6

Arsenal Energy USA, Inc.
Stanley - Bakken - Mountrail - 27,831

Daily Average - 897.8

Baytex Energy USA Ltd
Ambrose - Bakken - Divide - 34,487
Burg - Bakken - DIV/WIL - 2,663
Garnet - Bakken - Divide - 3,254
Lone Tree - Bakken - Williams - 3,740
Lone Tree Lake - Bakken - Williams - 2,465
Moraine - Bakken - Divide - 2,512
Musta - Bakken - Divide - 3,689
Plumer - Bakken - Divide - 272
Skabo - Bakken - Divide - 950
Smoky Butte - Bakken - Divide - 2,800
West Ambrose - Bakken - Divide - 20,688
Whiteaker - Bakken - Divide - 17,506
Wildcat - Bakken - Williams - 2,577

Daily Average - 3,148.5

Brigham Oil & Gas, LP (Statoil)
Alexander - Bakken - McKenzie - 8,884
Alger - Bakken - Mountrail - 449,857
Avoca - Bakken - Williams - 9,617
Banks - Bakken - McKenzie - 117,338
Briar Creek - Bakken - McKenzie - 21,376
Buford - Bakken - Williams - 4,819
Bull Butte - Bakken - Williams - 37,763
Camp - Bakken - McKenzie - 61,635
Catwalk - Bakken - Williams - 11,001
Cow Creek - Bakken - Williams - 33,086
East Fork - Bakken - Williams - 45,218
Elk - Bakken - McKenzie - 14,135
Foreman Butte - Bakken - McKenzie - 5,088
Glass Bluff - Bakken - McKenzie - 2,249
Kittleson Slough - Bakken - Mountrail - 10,935
Lake Trenton - Bakken - Williams - 4,465
Last Chance - Bakken - Williams - 11,139
Nameless - Bakken - McKenzie - 8,245
Painted Woods - Bakken - Williams - 66,683
Parshall - Bakken - Mountrail - 419
Poe - Bakken - McKenzie - 21,340
Ragged Butte - Bakken - McKenzie - 66,018
Rosebud - Bakken - Williams - 11,374
Ross - Bakken - Mountrail - 255
Sakakawea - Bakken - McKenzie - 9,039
Sandrocks - Bakken - McKenzie - 13,460
Spring Creek - Bakken - McKenzie - 6,559
Squires - Bakken - Williams - 41,708
Stony Creek - Bakken - Williams - 26,916
Sugar Beet - Bakken - Williams - 13,701
Todd - Bakken - Williams - 246,926
Wildcat - Bakken - MCK/WIL - 13,398
Williston - Bakken - Williams - 18,861

Daily Average - 45,597.0

BTA Oil Producers, LLC
Bicentennial - Bakken - Golden Valley - 254
Elkhorn Ranch - Bakken - Billings - 52
North Tioga - Bakken - Burke - 145
Pierre Creek - Bakken - McKenzie - 190
Stoneview - Bakken - Divide - 1,104

Daily Average - 56.3

Burlington Resources Oil & Gas Company, LP (Statoil)
Bailey - Bakken - Dunn - 18,771
Banks - Bakken - McKenzie - 19,309
Bennett Creek - Bakken - McKenzie - 738
Blue Buttes - Bakken - McKenzie - 53,684
Bully - Bakken - McKenzie - 5,232
Cabernet - Bakken - Dunn - 16,947
Camel Butte - Bakken - McKenzie - 4,974
Charlson - Bakken - McKenzie - 43,892
Clear Creek - Bakken - McKenzie - 17,207
Corral Creek - Bakken - Dunn - 26,901
Croff - Bakken - McKenzie - 10,517
Crooked Creek - Bakken - Dunn - 8,005
Dimmick Lake - Bakken - McKenzie - 3,793
Elidah - Bakken - McKenzie - 37,393
Fayette - Bakken - Dunn - 4,796
Hawkeye - Bakken - McKenzie - 13,943
Haystack Butte - Bakken - McKenzie - 55,754
Jim Creek - Bakken - Dunn - 2,777
Johnson Corner - Bakken - McKenzie - 7,318
Keene - Bakken/Three Forks - McKenzie - 94,880
Killdeer - Bakken - Dunn - 8,904
Little Knife - Bakken - Dunn - 12,693
Lone Butte - Bakken - Dunn - 3,385
Mondak - Bakken - McKenzie - 1
Morgan Draw - Bakken - Golden Valley - 1,044
Murphy Creek - Bakken - Dunn - 32,783
North Fork - Bakken - McKenzie - 17,367
Pershing - Bakken - McKenzie - 7,206
Pierre Creek - Bakken - McKenzie - 700
Sand Creek - Bakken - McKenzie - 16,559
Twin Valley - Bakken - McKenzie - 6,697
Union Center - Bakken - McKenzie - 31,547
Westberg - Bakken - McKenzie - 29,930
Wildcat - Bakken - McKenzie - 3,510
Willmen - Bakken - Dunn - 2,517

Daily Average - 20,054.0

Carl H. Nordstrand
Pierre Creek - Bakken - McKenzie - 131

Daily Average - 4.2

Charger Resources, LLC
Buckhorn - Bakken - McKenzie - 27
Johnson Corner - Bakken - McKenzie - 74
Morgan Draw - Bakken - Golden Valley - 194
Pierre Creek - Bakken - McKenzie - 0

Daily Average - 9.5

Chesapeake Operating, Inc.
Wildcat - Bakken/Three Forks - STK/GV

Daily Average -

Citation Oil & Gas Corporation
Sadler - Bakken - Divide - 113

Daily Average - 3.6

Condor Petroleum, Inc.
Big Bend - Bakken - Mountrail - 0
Hayland - Bakken - Divide - 130
Stoneview - Bakken - Divide - 115

Daily Average - 7.9

Continental Resources, Inc.
Alkali Creek - Bakken - Mountrail - 11,828
Avoca - Bakken - Williams - 8,621
Banks - Bakken - McKenzie - 146,572
Barta - Bakken - Billings - 2,644
Battleview - Bakken - Williams - 7,990
Bear Creek - Bakken - Dunn - 8,755
Beaver Creek - Bakken - Golden Valley 4,682
Beaver Creek Bay - Bakken - Mercer - 275
Beaver Lodge - Bakken - Williams - 506
Bell - Bakken - Stark - 5,537
Bicentennial - Bakken - McKenzie - 725
Big Gulch - Bakken - Dunn - 9,797
Blacktail - Bakken - Billings - 1,197
Border - Bakken - BRK/DIV - 5,048
Brooklyn - Bakken - Williams - 110,609
Bully - Bakken - McKenzie - 10,034
Cabernet - Bakken - Dunn - 8,504
Camel Butte - Bakken - McKenzie - 1,619
Camp - Bakken - McKenzie - 50,450
Cedar Coulee - Bakken - Dunn - 6,635
Charlie Bob - Bakken - McKenzie - 225
Charlson - Bakken - McKenzie - 85
Chimney Butte - Bakken - Dunn - 72,710
Corinth - Bakken - Williams - 19,991
Corral Creek - Bakken - Dunn - 6,017
Crazy Man Creek - Bakken - Williams - 30,800
Demores - Bakken - Billings - 319
Dimmick Lake - Bakken - McKenzie - 14,067
Dollar Joe - Bakken - Williams - 26,571
Dolphin - Bakken - Divide - 18,934
Dutch Henry Butte - Bakken - Stark - 161
East Fork - Bakken - Williams - 76,645
Edge - Bakken - McKenzie - 3,911
Elidah - Bakken - McKenzie - 26,998
Elk - Bakken - McKenzie - 3,783
Elkhorn Ranch - Bakken - Billings - 9,436
Elm Tree - Bakken - McKenzie - 101,360
Epping - Bakken - Williams - 46,179
Glade - Bakken - Billings - 249
Hamlet - Bakken - Divide - 44,356
Hanson - Bakken - Williams - 10,733
Haystack Butte - Bakken - MCK/DUN - 23,158
Hebron - Bakken - Williams - 17,277
Indian Hill - Bakken - McKenzie - 23,083
Jim Creek - Bakken - Dunn - 96,263
Last Chance - Bakken - Williams - 21,235
Lindahl - Bakken - Williams - 16,806
Little Knife - Bakken - Williams - 28,040
Lone Tree Lake - Bakken - Williams - 16,727
Long Creek - Bakken - Williams - 10,753
Mary - Bakken - McKenzie - 1,262
Mondak - Bakken - McKenzie - 3,117
Murphy Creek - Bakken - Dunn - 61,585
North Fork - Bakken - McKenzie - 1,359
North Tioga - Bakken - WIL/BRK - 89,529
North Tobacco Garden - Bakken - McKenzie - 19,051
Northwest McGregor - Bakken - Williams - 23,505
Oakdale - Bakken - Dunn - 122,622
Oliver - Bakken - Williams - 57,966
Patent Gate - Bakken - McKenzie - 20,911
Pembroke - Bakken - McKenzie - 9,514
Pershing - Bakken - McKenzie - 15,873
Pleasant Valley - Bakken - Williams - 8,300
Poe - Bakken - McKenzie - 5,193
Rainbow - Bakken - Williams - 13,637
Ranch Coulee - Bakken - McKenzie - 3,053
Ranch Creek - Bakken - McKenzie - 1,305
Rattlesnake Point - Bakken - Dunn - 31,611
Ross - Bakken - Mountrail - 322
Sadler - Bakken - Divide - 18,037
Sauk - Bakken - DIV/WIL - 14,065
Siverston - Bakken - McKenzie - 3,590
South Boxcar - Bakken - McKenzie - 428
Squires - Bakken - Williams - 10,478
St. Demetrius - Bakken - Billings - 56,900
Stoneview - Bakken - DIV/WIL/BRK - 99,213
Temple - Bakken - Williams - 6,254
Todd - Bakken - Williams - 5,041
Upland - Bakken - Divide - 46,096
Viking - Bakken - Burke - 25,262
West Capa - Bakken - Williams - 3,911
Westberg - Bakken - McKenzie - 20,354
Wildcat - Bakken - WIL/BIL/MCK - 28,871
Wildrose - Bakken - Divide - 41,043
Willow Creek - Bakken - Williams - 12,632

Daily Average - 66,154.5

Cornerstone Natural Resources, LLC
Bailey - Bakken - Dunn - 1,350
Carter - Bakken - Burke - 7,230
Clear Water - Bakken - Burke - 1,915
Coteau - Bakken - Dunn - 893
Customs - Bakken - Burke - 2,229
Flaxton - Bakken - Burke - 5,402
Lostwood - Bakken - Burke - 3,422
Northeast Foothills - Bakken - Burke - 1,271
South Coteau - Bakken - Burke - 2,013
Wildcat - Bakken - Burke - 474
Woburn - Bakken - Burke - 6,243

Daily Average - 1,046.5

Crescent Point Energy US Corp.
Colgan - Bakken - Divide - 11,694
Dublin - Bakken - Williams - 6,487
Ellisville - Bakken - Williams - 17,680
Gooseneck - Bakken - Divide - 9,340
Little Muddy - Bakken - Williams - 8,382
New Home - Bakken - Williams - 477
West Ambrose - Bakken - Divide - 15,691
Wheelock - Bakken - Williams - 721
Wildcat - Bakken - DIV/WIL - 35,139
Wildrose - Bakken - Divide - 514

Daily Average — 3,423.4

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

continued from page 1

KODIAK PROJECTS

ed within a single 1,280-acre spacing unit. All of them will be fracked and then brought on line about the same. About half the wells be completed in the middle Bakken and half alternated between what Kodiak refers to as the upper and middle benches of the Three Forks.

"We've got to be prepared to handle 15,000-to 20,000 barrels in a pretty short timeframe in order to move all this properly," Peterson said at the Dec. 5 Wells Fargo Securities Energy, MLP and Pipeline conference in New York. "This is going to be a fun test for us. We think it will really start to show us what this play's potential is."

Meanwhile, Kodiak's well costs in the deepest, most operationally expensive portion of the Bakken have dropped to $10-$10.5 million from $11.5-$12 million per well, the company said.

12-well test at Smokey

Kodiak will run a similar 12-well test with the same tight well spacing on a 1,280-acre unit on its Smokey prospect south of Polar in McKenzie County, except that these wells will not be brought on stream at the same time. In fact, two wells already have been fracked. Three more are currently being drilled. Two more rigs then will be brought in to drill the remaining seven wells.

"So we're going to see if there is a difference in production as we frack them over time versus fracking them all together," Peterson said. "So there's a little bit of science going into this thing, in trying to figure out what we've got here."

He added: "It is important that we do this work in the early stages of our development program in order to gain information to help us best drain the reservoirs."

No third bench test

However, Kodiak said it will not test the deeper lower bench of the Three Forks, or what Three Forks pioneer Continental Resources refers to as the third bench, even though Kodiak believes its Polar, Smokey and Koala prospects have lower bench potential. Continental recently completed the first-ever horizontal well in the third bench, which has now been successfully producing for several weeks. (See story on page 3 of this issue.)

"We want to see what the results are before we go spending any capital," Peterson said of the third bench. "But we're very comfortable with the first two benches."

Continental's 14-well pilot

Continental is conducting a 14-well pilot on its Charlotte prospect, also located in the heart of the Bakken play and relatively close to Kodiak's Polar and Koala blocks. The 1,280-acre Charlotte unit is the first unit in the Bakken to have wells producing from three separate horizons — the middle Bakken and the second and third benches of the Three Forks.

Additional drilling successes could lead Continental to dramatically increase estimated recoverable oil that possibly could be applied to the entire Bakken-Three Forks play.

"We will continue to monitor other operators' results from tighter drilling, as well as results from wells drilled in the

Kodiak will run a similar 12-well test with the same tight well spacing on a 1,280-acre unit on its Smokey prospect south of Polar in McKenzie County, except that these wells will not be brought on stream at the same time.

deeper benches of the Three Forks formation," Peterson said. "Both of these developments could have a significant impact on the entire Williston Basin."

Efficiencies drop well costs

Meanwhile, Kodiak's well costs in the deepest, most operationally expensive portion of the Bakken have dropped to $10-$10.5 million from $11.5-$12 million per well, the company said.

That's because Kodiak is drilling wells much faster than a year ago due to efficiencies built into the system, Peterson said, noting that a well that used to take 35-38 days to drill now takes 20-23 days, with some wells taking less than 20 days to drill. For example, crew quality has improved and more wells are being drilled and completed per pad, Peterson said.

"We've had the same drilling supervisors, a lot of the same service companies now that have worked with us," he explained. "We've also had a chance to really work through some of the details now, changed out some mud, changed out some bits. It used to take us two or three days to make the bends. Today we make it in about 15 hours. Those types of things have changed a lot. So it's a combination of everything."

Few big parcels available

Like every major play, consolidation continues in the Bakken, "though a lot of good packages have been purchased already," Peterson said, explaining that ExxonMobil, Hess, Statoil and other large companies have contributed to the land scarcity, as they expand their positions in the Bakken.

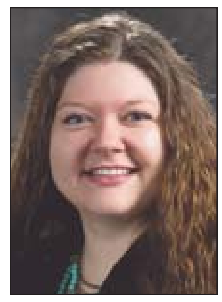
"Are we going to find a 50,000-acre block in the heart of the play? No! But I think we might find a 5,000 or 10,000-acre block to build on our position. But it's certainly changed in the last year," Peterson said. ●

Contact Ray Tyson at rtyson@petroleumnewsbakken.com

Oil Patch Bits

Firm announces Kolling's certificate, Cripe addition


MATTHEW KOLLING


HAYLEE CRIPE

The law office of Ebeltoft . Sickler . Lawyers said Nov. 27 that Matthew Kolling has earned the highest certificate available for HR professionals after passing examination demonstrating a mastery of concepts such as strategic management, workforce planning and employment, human resource development, total rewards, employee and labor relations and risk management. Kolling and a team of HR layers are available to provide business HR practices audits and presentations to your human resources staff. Please contact him at 701.225.LAWS (5297).

In addition, the firm announces the addition of Attorney Haylee Cripe to its practice group. Cripe graduated from UND School of Law in Grand Forks, ND in spring of 2012 and completed her undergraduate education at UND graduating with a bachelor's of accountancy.

Ebeltoft . Sickler . Lawyers, serves the Bakken-based businesses in North Dakota and Montana. Practice groups provide corporate due-diligence; merger; acquisition and business sale negotiation and completion; leasing; purchase or sale of real estate and developer contracts; appearances for planning and zoning and litigation relating to governmental decisions; environmental claims litigation.

Magnalight.com announces 40 watt magnetic light

Larson Electronics' Magnalight.com said Dec. 5 that it has released a powerful magnetic LED work light designed to provide output comparable to 250 watt metal halide fixtures while improving reliability and reducing energy use. Lighter and producing less heat than comparable metal halide lamps, the AML-LED-WP40-M is ideal for a wide

see OIL PATCH BITS page 19

Bakken Players

continued from page 1

ENBRIDGE BID

tiatives "reflect changing North American supply and demand fundamentals and will create significant value for our customers."

He said the program will ensure "that most of the light oil production in our catchment area has attractively priced, pipeline-connected destination markets, which can be accessed at favorable cost and on a timely basis."

Shipper requests

Enbridge said the combined projects are in response to shipper requests for transportation to major refinery hubs and could involve further expansions south of the Patoka, Ill., hub.

Spurring the plans to this stage are Enbridge estimates that Bakken output has grown to 700,000 bpd from 200,000 bpd over the past five years, combined with expectations of growth to 1.2 million bpd over the next five years, plus 100,000 bpd of new light production from the Cardium and Viking plays of Western Canada.

Monaco said the light oil initiative follows his company's announcements earlier this year of its C$2.7 billion Eastern Access program and its C$5.8 billion U.S. Gulf Coast access program, with more elements under consideration, including pipeline extensions to the eastern Canadian and U.S. coasts and more capacity to the U.S. Gulf Coast.

However, he said any systems to the Atlantic seaboard will be the subject of later announcements.

EEP will cover C$3.4 billion of the costs, with the option to increase or decrease its economic interest by 15 percent, with Enbridge paying the balance.

Long-term contracts not favored

The partnership disclosed Bakken producers are reluctant to participate in long-term shipping contracts, partly because of uncertainty over the long-term potential for using rail.

EEP President Mark Maki told a webcast that "all parties who effectively use the system will pay because all benefit ... it's a long-term regulatory arrangement."

Steve Wuori, Enbridge's president of liquids pipelines and major projects, said some Bakken producers believe "they can achieve better results by having the flexibility of moving by rail."

He said it is impossible to speak with one voice for all Bakken producers "because they are all taking their individual views of production profiles and the markets they want to target."

"Many are involved in (shipping) by rail and there's an on-going question as to whether rail is a short-term or long-term phenomenon," he said.

"Rail is doing great things right now moving production out of the Bakken that cannot move by pipe (but) without question there is an issue of truck and rail congestion and general infrastructure," Wuori said.

"Over the long-term for Bakken there is no question that more pipeline capacity is going to be needed."

Series of projects

The series of projects includes the US$2.5 billion Sandpiper project, funded entirely by EEP, to expand takeaway capacity from EEP's North Dakota system by 580,000 bpd — 225,000 bpd more than originally expected — through a 600-mile line adding about 225,000 bpd of capacity between Beaver Lodge and Clearbrook, Minn., and 375,000 bpd between Clearbrook and Superior, Wis.

An addition to previously indicated projects is a US$800 million Southern Access (Line 61) extension covering 165 miles from Flanagan to Patoka, targeting an in-service date of mid-2015.

Monaco said an initial 300,000 bpd of capacity on Southern Access has been contracted to Marathon Petroleum for its Midwest refineries, making Patoka a "launching point to move light crude to (western Pennsylvania and Ohio) where there's significant light oil refining capacity."

Wuori said the primary initial objective is to serve Patoka, but an open season will be held to determine interest in shipping crude to various markets south of Patoka.

Also involved are expansions and modifications to Line 9 and Line 6B as part of the Eastern Access upsizing at a combined cost of about C$500 million; U.S. Mainline expansions of US$500 million to Line 62 from Flanagan to Griffith, Ind., and US$1.3 billion for Line 61 from Superior to Flanagan; and C$600 million for the Canadian Mainline system.

Shippers have provided 15 letters of support to the U.S. Federal Energy Regulatory Commission covering regulatory approval and the commercial framework of the North Dakota and mainline projects.

The terms endorsed by the shippers for the U.S. mainline projects include surcharges to be added to Enbridge's competitive tolling settlement international joint toll.

The program will require various regulatory approvals and permits, which Wuori said have been factored into the in-service dates, although he expressed hope that the Sandpiper project could be accelerated ahead of its late-2014 start-up.

—GARY PARK

Contact Gary Park through publisher@petroleumnews.com

continued from page 15

KEYSTONE DISPUTE

the definition of crude oil. According to StateImpact Texas, a Texas public radio news service, Bishop says that the Keystone pipeline was permitted to transport crude oil but claims that bitumen is not crude oil because it is not a naturally occurring liquid. TransCanada, on the other hand, maintains that diluted bitumen is a form of crude oil, a view supported by several previous Texas court rulings.

"Oil is oil and Keystone XL is designed to carry various grades of crude oil from different sources, all of which must meet strict tariff specifications and regulatory requirements in the U.S. and Canada," said TransCanada spokesperson Shawn Howard in a Dec. 19 statement. "While each batch will have its own unique characteristics, if it does not meet strict specifications, we will not accept it for transportation. More than a dozen studies conducted in the last few years have shown that diluted bitumen and other crude oils derived from the oil sands have the same characteristics as traditional light crude oils and pose no added risks to pipeline safety."

Earlier court proceedings

While the restraining order was issued by Judge Sinz on Dec. 7, TransCanada did not learn of the order until Dec. 12 and argued against the restraining order in a rushed hearing on Dec. 13. At that point, Judge Sinz dissolved the restraining order of Dec. 7 and set a Dec. 19 hearing date to hear both sides of the dispute.

"We are very pleased with Judge Sinz's dismissal on this temporary restraining order," Howard said in a prepared statement following the Dec. 13 hearing. "TransCanada has been open, honest and transparent with Mr. Bishop at all times. We recognize that not everyone will support the construction of a pipeline or other facilities, but we work hard to reach voluntary agreements and maintain good relationships with landowners," Howard added.

According to Bloomberg news service, Bishop offered TransCanada the use of an existing pipeline easement along one edge his 20-acre property at no charge, but said the situation changed when he learned the pipeline would be located closer to his house than he had originally believed.

In a written statement issued after

> *"Today's delay in hearing this matter does not impact construction in Texas and 4,000 workers remain focused on safely building the Gulf Coast Pipeline so we can bring it into service in late 2013."* **—TransCanada's Shawn Howard following Dec. 19 hearing**

Judge Sinz dissolved the temporary restraining order on Dec. 13, TransCanada's Howard said that Bishop entered into an easement agreement TransCanada following mediation in which he was represented by an attorney, and that he had no basis for his latest actions. "He was fully informed about what was in the agreement, and in exchange he received a significant compensation payment (including paying his legal bills up to that point) that he cashed the very next day. Judge Sinz acknowledged that Mr. Bishop knew what he was doing when he entered into the agreement with TransCanada." That agreement was worth a total of $75,000.

Howard went on to say that TransCanada has followed all of the laws established by the State of Texas and has the legal authority to construct the Gulf Coast Pipeline, and none of Mr. Bishop's claims are supported by credible facts.

Between now and then

Following the Dec. 19 hearing, Howard released a statement saying that while TransCanada went into the hearing fully prepared to address Bishop's claims, regardless of how Judge Sinz rules on the jurisdiction issue, TransCanada is ready and able to proceed with the project. "Today's delay in hearing this matter does not impact construction in Texas and 4,000 workers remain focused on safely building the Gulf Coast Pipeline so we can bring it into service in late 2013."

Other legal action by Bishop

In addition to the legal action against TransCanada, Bishop has filed a lawsuit against the Texas Railroad Commission, the agency that regulates pipelines in Texas. According to StateImpact Texas, Bishop claims the agency should never have granted the pipeline permit to TransCanada in the first place. StateImpact Texas also reports that several other landowners have sought legal action to stop the pipeline. ●

Contact Mike Ellerd at mellerd@petroleumnewsbakken.com

continued from page 18

OIL PATCH BITS

variety of applications including automotive mechanics, racing, inspections, and general shop work lighting.

The AML-LED-WP40-M mechanics LED work light from Magnalight.com produces high output illumination comparable to metal halide fixtures, yet is smaller, cooler running, and more versatile. Designed for illuminating in and around the shop during vehicles repairs, these LED fixtures are constructed of high strength aluminum and powder coated for protection from the elements as well as grease and oil. A shatterproof polycarbonate lens provides excellent lamp protection, and a waterproof and vapor proof sealed assembly ensures full protection against rain and damaging conditions. These LED work lights produce 1,462 lumens in a long flood pattern, allowing them to effectively illuminate large work areas, such as the underside of a vehicle while removing a transmission.

"This mechanics work light provides an even spread of bright white light for illumination for hands free operation during routine maintenance, repairs, and automotive performance modifications," said Robert Bresnahan of Larson Electronics' Larsonelectronicsllc.com.

For more information visit www.maganlight.com.


COURTESY MAGNALIGHT