Petroleum News
Bakken

page 3 Oasis makes impressive production gains despite a harsh ND winter

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XTO Siverston field production

MAXINE HERR

XTO Energy's middle Bakken Johnsrud 21-13SEH well in the Siverston field about 10 miles northeast of Watford City in north-central McKenzie County, N.D. The Siverston field encompasses over 100 sections where XTO has over 50 active wells and over 20 more on confidential status. See our story on XTO and its parent company ExxonMobil on page 4, and XTO having five of the top 10 IP wells for the week on page 10.

Bakken and Paradox plays driving Fidelity's production performance

The Bakken is the mainstay of Fidelity Exploration & Production Co., accounting for 60 percent of Fidelity's net barrels in 2013, the company said in a Jan. 4 conference call of its parent company MDU Resources Group Inc., followed closely by the company's Paradox Basin production in Utah.

Over the past two years, the company said, its oil production has increased 77 percent.

see FIDELITY NUMBERS page 15

NDIC tasks DMR to fast-track NDPC task force flaring policy

When Attorney General Wayne Stenehjem told his fellow members of the North Dakota Industrial Commission to be prepared "to act as swiftly as possible" in its response to a proposal from a flaring task force, he meant every word.

Following a Jan. 29 meeting where the task force outlined a clear plan to reduce flaring, complete with a gas capture plan and tough penalties, the Industrial Commission tasked

see FLARING POLICY page 17

Diamond Resources sets new BLM lease record at $34,000 per acre

A new record price of $34,000 per acre was paid for an oil and gas lease in the peninsula in southern Mountrail County, N.D., during the Montana/Dakotas office of the Bureau of Land Management's first 2014 lease auction held in Billings, Mont., on Jan. 28. The record bid came from Diamond Resources of Williston, which also had the second highest bid in the auction of $33,000 for a neighboring 152.18-acre Mountrail County tract.

The previous record high bid per acre was $33,000 set in the

see LEASE RECORD page 16

MOVING HYDROCARBONS

One hurdle cleared

But more could lie ahead as proponents continue to push for Keystone XL

By GARY PARK
For Petroleum News Bakken

Of all the reactions to the U.S. Department of State's supportive concluding word on Keystone XL, the most upbeat came from TransCanada and the Canadian government which argued there is no longer reason for President Barack Obama to delay signing off the on project.

BARACK OBAMA

What isn't clear is whether Obama is on the same wave-length as the XL backers.

His State of the Union address on Jan. 28 gave few insights into his thinking and nothing specific on XL.

However, he did avoid entering the fray on the pipeline beyond endorsing an "all of the above" energy strategy, with glowing praise for natural gas as the "bridge fuel that can power our economy with less of the carbon pollution that causes climate change."

"Taken together, our energy policy is creating jobs and leading to a cleaner, safer planet," Obama said.

What those remarks meant may become evident over the next 90 days — with many observers suggesting that timeline could easily be extended — when the Obama administration embarks on a consultation period with

see KEYSTONE XL HURDLES page 18

COMPANY UPDATE

Delivering on promises

Bakken helps put ConocoPhillips on the road to 3-5 percent production growth

By RAY TYSON
For Petroleum News Bakken

ConocoPhillips was locked and loaded as the company ended its first full year as an independent producer, achieving many early goals including establishing North Dakota's Bakken, Texas' Eagle Ford and other unconventional plays as a cornerstone to help lift company production by 3-5 percent in 2014 and beyond.

RYAN LANCE

MATT FOX

For the full year 2013, Bakken and Eagle Ford production rocketed 60 percent on a combined basis compared to 2012, by far greater than any other play development, in spite of bad weather across the Lower 48.

"Operationally, we hit the milestones we set for ourselves in 2013, and we have positioned the company for growth," Ryan Lance, ConocoPhillips' chairman and chief executive officer, told analysts in a Jan. 30 conference call.

see CONOCO GROWTH page 20

MOVING HYDROCARBONS

Railroads refuse to budge

CP, CN defend rail safety records as they prepare to move even more crude oil

By GARY PARK
For Petroleum News Bakken

Two of North America's largest railroads — Canadian National and Canadian Pacific — are standing resolutely behind their safety record despite a string of recent derailments and anticipate continued growth in their crude-by-rail shipments.

JANE O'HAGAN

CLAUDE MONGEAU

CP is forecasting a doubling of those volumes from Alberta and Saskatchewan to refineries in the United States and Eastern Canada by 2015, said Chief Marketing Officer Jane O'Hagan.

Regardless of possible new regulations governing the safety of tank cars and the expected start-up of new pipelines, CP is targeting the movement of 140,000-210,000 cars in 2015, compared with this year's predicted 90,000 cars, with each car offering capacity of 500-680 barrels, she told analysts in a fourth-quarter conference call.

O'Hagan said CP sees no reason to "revise our guidance" in response to recommendations in January by the U.S. and Canadian transportation safety boards to regulators and governments in their respective countries.

"We are keeping an eye on those recommenda-

see RESOLUTE RAILROADS page 19

contents

Petroleum News Bakken

● COMPANY UPDATE

Oasis weathering winter's challenges

Impressive production gains racked up despite harsh weather; capturing more gas curbs flaring; sets $1.425B capex; selling non-op assets

By RAY TYSON
For Petroleum News Bakken

Oasis Petroleum Inc. managed big gains from the Williston Basin during the 2013 fourth quarter despite months of unusually harsh winter weather that also impacted production.

In fact, the Houston, Texas-based E&P independent appeared so delighted with its quarterly and year-end performance it decided to share selected operational and some preliminary financial results with investors ahead of releasing the complete report on Feb. 25.

"In light of the significant growth we've experienced over the past year, we felt it would be more useful to you to have the call early," Thomas B. Nusz, Oasis' chairman and chief executive officer, told industry analysts in a conference call on Feb. 4.

Q4 output averaged 42,106 boepd

For one, Oasis' full-year 2013 production of 33,904 barrels of oil equivalent per day was 51 percent above 2012 output of 22,460 boe per day. Perhaps more startling, production averaged 42,106 boe per day during the harsh winter months of the fourth quarter compared to 33,064 boe per day in the third quarter.

"In spite of that, the team was able to deliver production inside our range, growing volumes 27 percent quarter over quarter," said Taylor Reid, Oasis' president and chief operating officer.

He added: "Weather in the Williston Basin was more severe than what we would call a normal winter, and our production for the quarter reflected the impact of the operational challenges caused by such conditions."

And when compared to the previous winter's fourth quarter production average of 27,556 boe per day, output from the 42,106-boe-per-day fourth quarter of 2013 represents a hefty 53 percent jump.

Oasis capturing more gas

By the end of 2013, Oasis was capturing more gas while avoiding excessive flaring by having about 93 percent of its wells connected to natural gas infrastructure, the company said.


THOMAS NUSZ


TAYLOR REID

Oasis also had about 75 percent of its gross operated oil volumes on the company's third party oil gathering system, which provides access to numerous rail and pipeline delivery points.

"This system provided us the flexibility to shift volumes between rail and pipe throughout the year to maximize price realizations," Reid said.

Oasis also outlined plans for 2014, which include increasing daily production to a range of 46,000-to 50,000 boe (excluding Sanish production), representing about a 42 percent increase at midpoint 2014 over 2013.

Capex set at $1.425 billion

The company has earmarked $1.425 billion for capital spending in 2014, with about 90 percent of the total allocated to drilling and completions. Capital spending for full-year 2013, excluding acquisitions, is expected to total between $940 million and $950 million.

Two additional rigs are to be added during the second half of the year, bringing the total to 16 operated rigs, the company said.

This year the company also plans to complete about 201 gross (147.8 net) operated and 7.7 net non-operated wells, Oasis said, adding that about 90 percent of the wells will be drilled on pads, 80 percent of which will be on pads with three or more wells. And 50 percent of the wells will be drilled into the Three Forks.

There were additional notable achievements during 2013, the company reported, including the completion of 136 gross (106.1 net) operated production wells, including 47 (36.4 net) operated wells in the fourth quarter alone.

Proved reserves up 59 percent

Oasis pushed net proved oil and natural gas reserves to 227.9 million boe, a 59 percent increase over year-end 2012, with

see **OASIS UPDATE** page 5

MOVING HYDROCARBONS

Fuel oil cars jump the track in Mississippi

An 85-car Canadian National Railway, CN, train carrying hazardous materials derailed on Jan. 31 in southeast Mississippi, spilling contents from eight of 20 derailed cars.

No one was injured in the incident, but about 50 people were evacuated from the area and a highway was closed when fuel oil began leaking from the rail cars. Besides fuel oil, cars carrying methane gas and fertilizer also derailed, but none ignited a fire or explosion. CN spokesman Patrick Waldron said the fuel oil was a heavy crude oil originating from northern Canada.

The accident occurred 20 miles southeast of Hattiesburg within New August city limits near a mobile home park, according to the Mississippi Emergency Management Agency.

A Federal Railroad Administration, FRA, spokesman told Petroleum News Bakken that an inspection team was still on site Feb. 3 continuing the investigation.

"Safety is our first priority," FRA's Mike England said. "We will conduct a thorough investigation to identify the root cause and take any and all necessary enforcement actions as appropriate."

Southeast of Hattiesburg

The accident occurred 20 miles southeast of Hattiesburg within New August city limits near a mobile home park, according to the Mississippi Emergency Management Agency. The train was traveling from Jackson, Miss., to Mobile, Ala., when it ran off the tracks near the town of 650 people, according to Canadian National Railway spokesman Patrick Waldron.

On Feb. 2, county officials lifted the mandatory evacuation and local law enforcement escorted the families to their homes where air quality teams ran tests to eliminate fears of contamination.

The accident follows a string of explosive train derailments which has federal regulators studying railcar design and material testing. As Petroleum News Bakken reported on Feb. 2, United States and Canadian transportation safety boards are applying extreme pressure on federal regulators to take swift action for changing rules for the rail shipment of crude and flammable liquids. However, Canadian railroads defend their safety record as they plan to move even more crude oil to refineries (see story on page 1).

—MAXINE HERR

COMPANY UPDATE

ExxonMobil's global output declines 1.8%

The oil giant's falling production brings down earnings, but its XTO Energy subsidiary provides boost with strong performance

By MAXINE HERR

For Petroleum News Bakken

Bakken operator XTO Energy's parent company ExxonMobil saw a company-wide production decline of 1.8 percent in the fourth quarter, which carried over to a 16 percent decline in earnings, compared to the same quarter of 2012. Worldwide, ExxonMobil reported average daily production of 2.2 million barrels of liquids per day (crude oil, bitumen and synthetic oil, and natural gas liquids).

In the U.S., however, ExxonMobil's liquids production of 446,000 barrels per day in the fourth quarter was an increase of 16,000 bpd over the fourth quarter 2012 average liquids production of 430,000 bpd. The company's 2013 U.S. liquids production averaged 431,000 bpd, up 13,000 bpd from the average 2012 liquids production of 418,000 bpd.

Overall capital and exploration expenditures, capex, were $9.9 billion in the fourth quarter, down 20 percent from the same quarter in 2012. Of that $9.9 billion, $2.1 billion went to U.S. upstream activity, approximately half of the $4 billion spent in the fourth quarter of 2012. For the year, ExxonMobil's total capex was $42.5 billion, up from the 2012 total capex of $39.8 billion. Most of the increased spending in 2013 was in non-U.S. upstream.

ExxonMobil's subsidiary XTO Energy was ranked as the sixth largest producer in North Dakota, primarily active in McKenzie, Williams and Dunn counties. It also has wells in Golden Valley, Billings, Mountrail, and along the border of Divide and Burke counties. According to the most current data available from the North Dakota Department of Natural Resources Oil and Gas Division, XTO's North Dakota production averaged 51,585 barrels per day from operated, non-confidential wells in November. In November 2012, XTO was ranked 12th among the top 50 oil producers in North Dakota at 18,989 bpd for operated non-confidential wells. Thus in the last year, XTO has moved up six places among the top oil producers in the state and has nearly tripled its North Dakota oil production.

"Certainly we have continued to make good progress in terms of productivity, well rates, down spacing, optimizing our completions and drilling," ExxonMobil Vice President David Rosenthal told analysts on Jan. 30. "So we have been able to make the progress we always thought we would when we acquired XTO and combined their folks with our folks and looking at some of these things. So that continues to improve." ExxonMobil established its presence in the Williston Basin when it acquired Fort Worth-based XTO Energy in 2010.

Rosenthal also credited XTO for its expertise in analyzing prospective areas within the various oil plays, saying it is "really important" that ExxonMobil doesn't "waste a lot of money drilling wells." He said most of the ExxonMobil's rigs are currently focused on liquids-rich areas, with production up 33,000 barrels per day from the fourth quarter of 2012.

"The biggest places for us — the Bakken, the Permian and the Woodford Ardmore — most all of our rigs are running in those areas," Rosenthal said. "Thus you have seen that significant increase in production. We are bringing a lot of wells onto sales every quarter and continue to ramp that up."

Over the next two year, ExxonMobil plans to begin some major projects to deliver profitable new supplies of oil and natural gas while strengthening its refining and chemicals arms.

On Feb. 3, ExxonMobil announced its agreement with Endeavor Energy Resources to boost its presence in the Permian Basin. Through XTO, ExxonMobil will fund development to gain substantial operating equity in Texas' Wolfcamp formation in an agreement which increases XTO's holdings in the Permian Basin to more than 1.5 million net acres.

ExxonMobil first shifted rigs from shale gas areas into North Dakota's Bakken in April 2012. ●

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● LEGAL COLUMN

Railroad has ROW but not the minerals

Court case found right of way, and no mineral interest, owned by Soo Line Railway; will likely be appealed to ND Supreme Court

By JANNELLE STEGER COMBS

For Petroleum News Bakken

In the EOG Resources Inc. v. Soo Line Railroad Company et al. case, numerous parties were involved in attempting to clarify one hundred year old deeds and a condemnation order granting lands in Mountrail County, N.D., to Minneapolis, St. Paul & Sault Ste Marie Railway Co., the predecessor to Soo Line Railroad Co., which does business as Canadian Pacific Railway.

JANNELLE STEGER COMBS

EOG Resources operates the Parshall 12-27H well on which the lands are located and commenced the action to quiet title to the minerals. On Jan. 30 an order was filed from North Dakota District Court Judge Todd L. Cresap.

Judge Cresap found that the deeds and condemnation order conveyed only a right-of-way easement to Soo Line Railroad Co., and that title to the minerals was not conveyed to the railroad. The order will likely be appealed to the North Dakota Supreme Court because of the amount of oil money involved, and there is another lower court decision that found a different result in a similar fact pattern.

Previous rulings

On Dec. 21, 2010, North Dakota District Court Judge John C. McClintock Jr. found in favor of Soo Line Railroad in a case where Soo Line had sued Eagle Operating Inc. and Empire Oil Co. in Renville County, N.D., over unpaid royalties in the West Green Madison Unit.

The deeds involved in both cases were private deeds with the title "WARRANTY DEED – RIGHT OF WAY" or "Right of Way Deed." The language in the deed itself though was traditional warranty deed language without a limitation or a description of the grant as only an easement.

The judge in the Renville County case found the heading was merely descriptive, so on their face, the deeds were not ambiguous. In the Mountrail County case, the judge found the deeds were ambiguous. Thus, he examined the instruments in light of the 1960 Lalim v. Williams County North Dakota Supreme Court case and the 1952 State v. Rosenquist Supreme court case. Rosenquist dealt with the sufficiency of a legal description in granting lands to a railroad. Lalim involved fee simple title language in a deed for a highway, as to whether that would convey an easement or fee simple title to Williams County.

Reason behind the new ruling

In the current EOG Resources Inc. v. Soo Line Railroad matter, the court

see LEGAL COLUMN page 19

COMPANY UPDATE

Northern Oil's output up, expenses down

Bakken non-operator Northern Oil and Gas Inc. expects its fourth quarter 2013 production to average approximately 13,900 barrels of oil equivalent per day — an increase of 28 percent compared to the fourth quarter of 2012, and a sequential increase of 6.5 percent compared to the third quarter of 2013, the company said in a Jan. 29 production and operations update.

"We experienced solid sequential production growth driven by strong activity levels during the fourth quarter," said Michael Reger, Northern Oil and Gas chairman and CEO. "January drilling activity has remained brisk with approximately 190 active drilling rigs in North Dakota; however, completion activity has been slower given significant cold weather during the month."

Northern's total production for 2013 was approximately 4.47 million boe, an increase of approximately 19 percent compared to 2012, the company said.

During the fourth quarter of 2013, Northern said, it added 173 gross (12.6 net) wells to production, with an additional 245 gross (15.2 net) wells that were drilling or awaiting completion as of Dec. 31.

For the full year of 2013, Northern added 531 gross (40 net) wells to production, boosting its total producing well count to 1,758 gross (146.2 net) wells as of Dec. 31, the company said.

Northern said it expects its fourth quarter 2013 realized price per barrel of oil equivalent, including the effect of settled derivatives, to be in a range of $74.50 to $75. The expected realized price per boe reflects an approximate crude oil differential to WTI of $15 per barrel and an approximate $3 per barrel loss on settled crude oil derivatives during the quarter.

While production is up, lease operating expenses have fallen.

Northern said its fourth quarter 2013 lease operating expense per boe would be in a range of $8.75 to $9, a reduction of approximately 7 percent compared to the third quarter of 2013.

Non-op strategy

"As a non-operating minority working interest owner in a well, Northern does not bear all the operating and overhead costs of its operating partners, making it a low-cost producer in the Bakken and Three Forks play," the company said.

The company is pleased with the results of its strategy.

"We're pretty steadfast in the belief that non-operating is the way to go," Erik Nerhus, vice president of business development told Petroleum News Bakken. "We've batted some ideas around but for now we have no plans to become operators."

"Northern's non-operated leasehold position continues to gain momentum as Northern partners with most operators and land professionals across the Williston Basin," the company said. "In fact, many operators and land professionals in the Williston Basin utilize Northern as a divestiture tool for their non-operated working interests."

Wayzata, Minn., where the company's headquarters are located, is a town of about 5,000 people located 10 minutes driving distance from downtown Minneapolis, Nerhus said.

—STEVE SUTHERLIN

continued from page 3

OASIS UPDATE

an associated present value (PV-10) of about 69 percent. Roughly 87 percent of estimated net proved reserves at year-end 2013 consisted of oil and 54 percent were developed, the company said.

The company, which last year acquired about 161,000 net acres in four separate transactions for $1.554 billion, grew and high-graded its leasehold position by 54 percent to 515,314 net acres from 335,383 in the Williston Basin. The acreage primarily targets the Bakken and Three Forks. Additionally, Oasis said it had 422,386 net acres held by production.

Oasis said it also increased its drilling inventory by 78 percent to 3,590 locations in 2013, up from 2,020 at year-end 2012.

The company ended 2013 with $91.9 million of cash and cash equivalents and total liquidity of $1.251.1 billion, including a $1.5 billion revolving credit facility.

"The team made significant progress formulating early views on infill density potential and the lower benches of the Three Forks formation," Nusz said. "With these findings, in 2014 we will initiate full spacing unit development, including wells targeting the middle Bakken and multiple benches of the Three Forks."

$333 million property sale

In other developments, Oasis said it recently entered into an agreement to sell non-operated Sanish properties and other non-operated leases adjacent to the Sanish position to an undisclosed buyer for about $333 million in cash. The transaction is expected to close in early March, with an effective date of Oct. 1, 2013.

Properties expected to be divested consist of 8,354 net acres and 28.2 net producing Bakken and Three Forks wells, Oasis said, adding that production from the properties was 2,691 boe per day during last year's fourth quarter.

"The funds from the Sanish divestiture strengthen our liquidity position to execute on our accelerated drilling program in 2014," Nusz said.

Oasis said it intends to use cash proceeds from the sale to repay outstanding debt under its revolving credit facility and for general corporate purposes. ●

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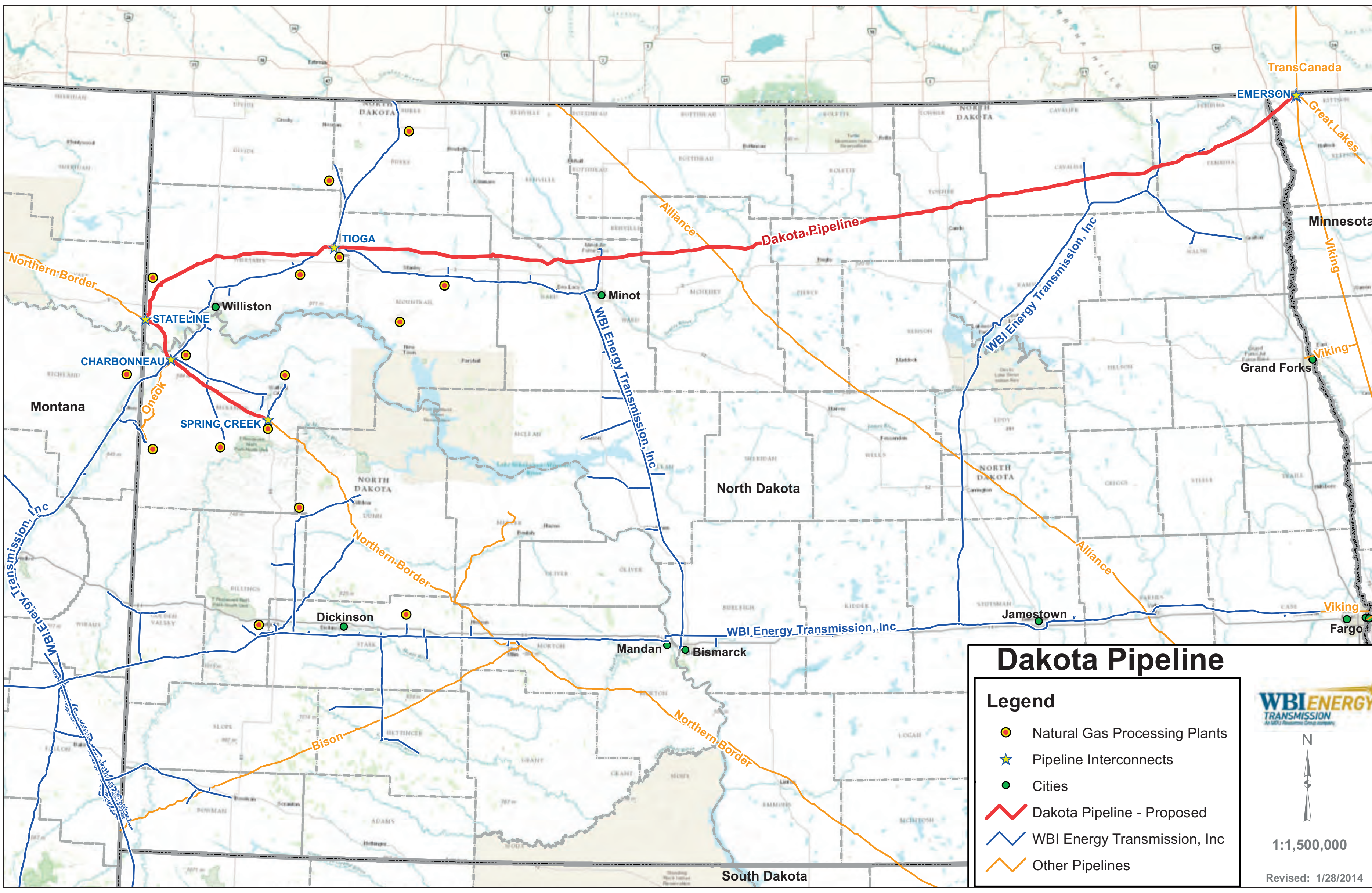

● MOVING HYDROCARBONS

WBI Energy begins open season on gas pipeline

By MAXINE HERR

For Petroleum News Bakken

Just one day after an industry flaring task force offered its recommendations to increase natural gas capture to the North Dakota Industrial Commission, WBI Energy Inc. announced that its open season seeking capacity commitments for Dakota Pipeline had begun.

The pipeline and energy services subsidiary of MDU Resources Group plans to construct a 375-mile natural gas pipeline stretching from the Montana-North Dakota state line to the Canadian border in northwestern Minnesota. Open season will run for 120 days, closing on May 30. The company projects construction to be complete in 2017.

"The Dakota Pipeline offers another avenue to move Bakken-produced natural gas out of the area and complements our other ongoing activities to build connections to several natural gas processing facilities," David L. Goodin, president and CEO of MDU Resources said in a Jan. 30 press release. "The increase in natural gas pipeline capacity out of the region will provide additional transportation opportunities for new production as it comes on line, as well as more capacity for natural gas captured through industry's efforts to reduce the flaring of this valuable resource."

The pipeline and energy services subsidiary of MDU Resources Group plans to construct a 375-mile natural gas pipeline stretching from the Montana-North Dakota state line to the Canadian border in northwestern Minnesota. Open season will run for 120 days, closing on May 30. The company projects construction to be complete in 2017.

Reducing flaring

WBI announced the project's open season at the state capitol on Jan. 30, garnering praise from Gov. Jack Dalrymple. "We are committed to working with WBI Energy and the entire energy industry so that we continue to reduce flaring, add value to our energy resources and help meet the nation's energy needs," Dalrymple said. "This pipeline is part of the solution."

The project will provide access to the Midcontinent and Great Lakes markets. The proposed route gives access to interconnections with pipelines operated by Great Lakes Gas Transmission Limited Partnership, Viking Gas Transmission Co. and, potentially TransCanada Pipelines Ltd. The interconnections would be at a point in northwestern Minnesota.

The Dakota Pipeline has been designed to initially transport approximately 400 million cubic feet, mmcf, per day of natural gas and, depending on user commitments, could be expanded to more than 500 mmcf per day. At a transport volume of 400 mmcf per day, the pipeline carries enough natural gas annually to provide the needs of 1.3 million homes. The project investment for the proposed 375-mile pipeline system is estimated to be approximately $650 million. The majority of the new pipeline would consist of 24-inch diameter pipeline and includes two new compressor stations. ●

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● COMPANY UPDATE

Oxy focused on Permian and California

As streamlining and restructuring continue, CEO Chazen expects the Occidental Petroleum to have a different look by year's end

By MIKE ELLERD
Petroleum News Bakken

No mention of the Bakken was made during Occidental Petroleum's fourth quarter 2014 earnings conference call on Jan. 30, instead the call centered around the company's operations in the Permian Basin and its California operations. However, President and Chief Executive Officer Stephen Chazen did say that Occidental, which operates as Oxy USA in the U.S., has made progress on its "strategic alternatives" as part of streamlining efforts that involve the trade and/or sale of certain domestic oil and gas interests including those in the Williston Basin which Oxy announced in October 2013.

STEVE CHAZEN

In addition, as Petroleum News Bakken reported in October, Chazen said that Occidental was also considering splitting its California assets into a separate company. Occidental has also sold a portion of its general partnership in Plains All American Pipeline, and is working with key partners to sell majority interests in its Middle East and North Africa operations. Consequently, Occidental is poised to take on a different look in 2014.

"We do expect the company to look significantly different by the end of the year," Chazen said in the Jan. 30 conference call. "We have made good progress in our pursuit of strategic alternatives to the select Midcon assets. We expect to provide further information on any transactions as they conclude, some around the end of the second quarter, and we'll announce material developments as they occur."

> *"We do expect the company to look significantly different by the end of the year."* **—Steve Chazen, Occidental Petroleum president and CEO**

Efficiency and output

Oxy improved its domestic capital efficiency in 2013 by 24 percent over 2012, which Chazen said translated into reduction of drilling capital in 2013 of approximately $900 million. Of that $900 million savings, Chazen said 50 percent was achieved in the company's Permian operations, 25 percent from its California operations and 25 percent from Oxy's other domestic operations.

Oxy has seen its domestic operating costs decline by $470 million, a reduction of 17 percent of 2012 operating costs. Nearly all of those savings came from the Permian Basin and California which accounted for 48 and 46 percent of the savings, respectively.

At the same time, Oxy increased its domestic oil production to 266,000 barrels per day in 2013, an increase of 11,000 bpd or 4 percent over its 2012 domestic production of 255,000 bpd. Of that 266,000 bpd domestic output, 146,000 bpd or 55 percent came from the Permian Basin, 90,000 or 34 percent from California, and the remaining 30,000 or 4 percent from Oxy's "Midcontinent and other" production, which includes the Williston Basin.

Oxy's domestic natural gas liquids production was also up in 2013 increasing from 73,000 bpd in 2012 to 77,000 in 2013, of which 51 percent was in the Permian, 26 percent from California and 23 percent from the "Midcontinent and other." Natural gas production, on the other hand, declined from 821 million cubic feet, mmcf, per day in 2012 to 788 mmcf per day in 2013. Most of the company's natural gas production, some 47 percent, came from the "Midcontinent and other" with California accounting for 33 percent and the remaining 20 coming from the Permian.

For the fourth quarter, Oxy saw a net decline in overall domestic production from the same quarter of 2012 from 800,000 barrels of oil equivalent per day to 762,000 boepd. That decline was primarily the result of a decline in natural gas liquids output in the Permian from 40,000 bpd to 36,000 bpd, and a reduction in natural gas production in both the Permian and the "Midcontinent and other."

World-wide, Occidental's 2013 production averaged 763,000 boepd, a slight decline from the 2012 average daily production of 766,000 boepd. That decline was due mainly to lower cost recoveries and field and port strikes in the Middle East and North Africa.

2014 capex

Occidental has estimated its overall 2014 capital expenditure, capex, at $10.2 billion, with 50 percent or $510 million going into domestic operations, $5.1 million of which is earmarked for the Williston Basin. In 2013, 6 percent of Occidental's capex went to the Williston Basin, and while the overall 2013 capex was slightly lower than the estimated 2014 capex, the actual dollars spent in the Williston Basin were slightly higher at $528 million.

Williston Basin ops

As of November, the last month for which monthly production data are available from the North Dakota Department of Mineral Resources, Oxy ranked 17th among the top 50 oil producers in the state with an average daily production of 14,876 barrels of oil per day. Oxy holds approximately 333,000 net acres in the basin with proved reserves reported at 87 million barrels of oil equivalent. The company has two core areas in the Williston Basin, the largest being in south-central and west-central Dunn County and the other in southeast Burke County. ●

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MOVING HYDROCARBONS

Open season open on new ND crude gathering system

Enable Midstream Partners announced Feb. 3 that its wholly owned subsidiary Enable Bakken Crude Services has begun an open season on a new crude oil gathering and transportation pipeline system in North Dakota's Bakken play.

The system will gather crude oil from locations in Mountrail and Williams counties and interconnect to downstream pipelines. Enable will accept indications of interest in writing until 5 p.m. Central Time March 5. Questions can be addressed to Caleb Johnson at 918-382-5105.

Enable Midstream is a joint venture between Houston-based CenterPoint Energy and Oklahoma City-based OGE Energy Corp., the parent company of Oklahoma Gas and Electric. Formed in May 2013, Enable Midstream operates and develops natural gas and crude oil infrastructure assets, which include approximately 11,000 miles of gathering pipe, 7,800 miles of interstate pipe, 2,300 miles of intrastate pipe and multiple processing and storage facilities.

—PETROLEUM NEWS BAKKEN

● LAND & LEASING

NDTL auction acreage declines again

Six-year low of 2,522 acres leased in Feb. 4 auction as fewer North Dakota Trust Lands acres remain unleased; majority in Bakken core

By MIKE ELLERD
Petroleum News Bakken

Minerals Management Division of the North Dakota Department of Trust Lands offered just 2,522.22 acres in 38 tracts in its Feb. 4 oil and gas lease auction, the fewest over the last six years. And for the first time in that six-year period, the net proceeds from the quarterly lease auction fell below the $1 million mark to $846,807.10.

The average price per acre of $331.79, although below the six-year average of $1,010.84, was well above the six-year low average of $83.99 per acre in the November 2008 lease auction.

The February auction average was bolstered mainly by six tracts in McKenzie County. Jeffrey Kendall Veigel of Rapid City, S.D., paid $3,150 per acre for one eight-acre tract, topping the auction. The second highest bid was $2,800 that Globex Oil and Gas Corp. of Houston paid for another eight-acre tract. Peregrine Petroleum Partners, also of Houston, paid $850 per acre for each of four 160-acre McKenzie County tracts. Veigel paid $460 per acre for an eight-acre tract in Mountrail County, while successful bids for the remaining 32 tracts ranged from $50 to $210 per acre.

North Dakota Trust Lands Mineral Lease Auction Results – High Bidders by Average Price per Acre
Feb. 4, 2014

High Bidder	County/Counties	Tracts	Acres	Total Paid	Average Price per Acre
Jeffrey Kendall Veigel, Rapid City, S. D.	McKenzie, Mountrail	3	23.96	$30,074.00	$1,255.18
Peregrine Petroleum Partners LTD, Houston, Texas	McKenzie	4	640.00	$544,000.00	$850.00
Globex Oil and Gas Corp., Houston, Texas	Billings, Dunn, McKenzie, Stark	7	256.00	$57,920.00	$226.25
Herco, LLC, Billings, Mont.	Burke, Divide, Mountrail	5	400.00	$69,600.00	$174.00
Wildcat Oil and Gas LLC, Bismarck, N.D.	Billings, Mountrail	2	103.40	$14,541.00	$140.63
Petro-Sentinel LLC, Williston, N.D.	Bowman	7	420.00	$58,800.00	$140.00
Interwest Petroleum, Dickenson, N.D.	Dunn	2	160.00	$21,600.00	$135.00
Diamond Resources Co., Williston, N.D.	Burke	4	311.36	$34,249.60	$110.00
Bakken Production Inc., Minot, N.D.	Mountrail	1	79.00	$3,950.00	$50.00
Fossil Oil and Gas Inc. , Des Plaines, Ill.	Mountrail	3	158.50	$12,072.50	$76.17
Total/Average		**38**	**2,552.22**	**$846,807.10**	**$331.79**

Other successful bidders at the Feb. 4 auction were Bakken Production, Diamond Resources, Fossil Oil and Gas, Globex Oil and Gas, Herco, Interwest Petroleum, Petro-Sentinel and Wildcat Oil and Gas (see chart).

A majority of the acres in the Feb. 4 auction were in traditional core Bakken petroleum system counties of Divide (160), Dunn (240), McKenzie (656) and Mountrail (357.16). Other acreages in the auction were in counties outside the tradition Bakken core, i.e., Billings (167.70), Bowman (420), Burke (471.36), and Stark (80). The leased acres were spread across 38 separate tracts.

The average price per acre of $331.79, although below the six-year average of $1,010.84, was well above the six-year low average of $83.99 per acre in the November 2008 lease auction.

Fewer core acres left

Although a majority of the acres leased in the Feb. 4 auction are in the traditional core Bakken counties, more of the nominated acres in recent Trust Lands auctions have been in outlying areas beyond the traditional Bakken core in recent auctions.

In the November 2013 auction, 6,869 acres were leased for an average price of $1,022 per acre. In August, 54,483 acres were leased but at a low average of only $88.56 per acre. A large portion of the acreages in both auctions were in areas outside of the traditional core Bakken counties.

Six-year highs and lows

The highest average price per acre over the last six years of Trust Lands auctions was $3,525.62 in the November 2011 auction when only 5,020.80 acres were leased. The highest acreage auction over six years was in February 2012 when 69,942.49 acres were leased at an average price of $1,219.38.

The Feb. 4 auction saw the lowest acreage and lowest total revenue in over six years. The second lowest acreage was 6,869.39 acres leased in the November 2013 auction, and the third lowest was the 5,020.80 acres leased in the November 2011 auction.

Behind the six-year low total proceeds of $846,807.10 in the Feb. 4 auction, the next lowest revenue total was in February 2009 when 9,117.29 acres brought in $1,559,934 averaging $171.10 per acre. The third lowest revenue auction was in November 2008 when 24,284.21 acres leased for $2,039.618.30 and had the lowest six-year average of $83.99.

In contrast to the Feb. 4 Trust Lands auction, the Bureau of Land Management's Jan. 30 Montana/Dakotas oil and gas lease auction offered leases on 2,261 acres in nine northern and western North Dakota counties and brought in a total of $17,504,250 for an average of $7,742.19 per acre. That auction also brought in a record high bid of $34,000 per acre (see story on page 1). ●

Contact Mike Ellerd at mellerd@bresnan.net

MERGERS & ACQUISITIONS

Liberty II picks up 53,000 net Bakken acres

A Denver-based oil and gas company has signed an agreement to secure 53,000 net acres in North Dakota's Williston Basin, at a price tag of $455 million.

Liberty Resources II announced Jan. 30 it will acquire acres in Williams, Divide, Burke and McKenzie counties which produce 4,000 barrels of oil per day, from the Bakken and Three Forks. The company also hopes to bolster development and production of the acquired properties.

This is the first acquisition by Liberty II since November when Riverstone Holdings, Oakmont Corp. and Liberty II management invested a combined $350 million for Liberty II to finance well completion design and execution in resource plays like the Bakken.

Riverstone and Liberty II management previously partnered successfully with Liberty Resources, an oil and gas company focused on the Bakken.

"Over the past two years, Liberty's unique completions approach consistently demonstrated the highest average production rates of any operator in the Bakken formation," Liberty II CEO Chris Wright said in a Jan. 30 press release. The announced acquisition provides us with exposure to highly attractive areas of the basin where we have not previously operated and where we hope to achieve similar operational success as that achieved during our team's prior venture."

Liberty Resources obtained 43,000 net acres with 29 wells producing more than 6,000 bpd in the Bakken and Three Forks formations before a majority of its assets were sold to Kodiak Oil and Gas in July 2013 for approximately $680 million.

—MAXINE HERR

● PEOPLE TALK

PetroShale taps land, acquisitions VP

QEP Resources appoints two new directors; Basin Electric Power Cooperative picks longtime executives for interim leadership roles

By ROSE RAGSDALE
For Petroleum News Bakken

Bakken non-operator PetroShale Inc. said Feb. 4 that it has hired Dominic Pallone as vice president of land and acquisitions for PetroShale (US) Inc.

Pallone, 36, has more than 15 years of oil and gas experience, dating back to the mid-1990s with experience working in a variety of disciplines, with increasing responsibility. Pallone served as senior landman for Kodiak Oil & Gas (USA) Corp. since January 2013, and before that worked in various positions in the oil and gas sector for more than a decade, including as manager of acquisitions and divestments at Petrogulf Corp., a private oil and gas exploration and production company.

Pallone has a master's degree in global energy management from the University of Colorado Denver and a bachelor's degree in kinesiology from the University of Northern Colorado. Recently, Pallone has held various committee roles with the Denver Association of Petroleum Landmen.

"We are excited to have Dominic join our team at PetroShale," said PetroShale (US) President John Fair. "His experience and relationships in the Williston Basin will benefit our aggressive acquisition and development strategy in North Dakota."

QEP Resources appoints two new directors

QEP Resources Inc. said its board of directors has appointed two new members, Robert F. Heinemann and Thomas C. O'Connor, effective immediately.

Heinemann brings significant exploration and production expertise to QEP's board through his experience as president, chief executive officer and director of Berry Petroleum Co., where he developed and executed the company's growth and capital allocation strategies. During his nine years as CEO, Berry Petroleum increased production from about 15,000 barrels of oil equivalent per day to more than 40,000 boepd and increased total enterprise value from $375 million to approximately $4 billion, ultimately culminating in a sale of the company. Heinemann will seek election for a three-year term at the company's 2014 annual meeting. He will replace Keith Rattie, who is retiring from the QEP board.

O'Connor brings deep midstream expertise to the QEP board through his experience as chairman and CEO of DCP Midstream LLC from 2007 to 2013. DCP is one of the largest midstream companies in the United States. O'Connor also served as chairman of a publicly traded master limited partnership, DCP Midstream Partners LP. During his tenure, O'Connor led DCP on the most aggressive growth plan in the company's history, including more than $5 billion of construction and development projects. O'Connor will seek election for a three-year term at the company's 2015 annual meeting.

Co-op taps Sukut, Johnson for interim jobs

Bismarck-based Basin Electric Power Cooperative Jan. 14 said Executive Vice President and chief financial officer Paul Sukut has been appointed as interim CEO and general manager, effective immediately. Former CEO and general manager

PAUL SUKUT

STEVE JOHNSON

Andy Serri tendered his resignation.

In addition, Steve Johnson was appointed interim senior vice president and chief financial officer of Basin Electric. Johnson, who started at the cooperative in March 1982, previously was vice president and treasurer. A University of Mary alumnus, Johnson has bachelor's degrees in accounting and business administration as well as a master's degree in management. He is also a certified public accountant.

"Senior management changes happen

People Talk

daily throughout the business world, and it is one of the responsibilities of a board to ensure that a strong succession plan is in place," said Wayne Peltier, president of the Basin Electric board of directors. "In Paul, we have an experienced, capable public utility executive who will step into his new role without missing a beat. Paul's recent promotion to executive vice president is a reflection of the confidence we have in his leadership and in his ability to assume the responsibilities of the CEO and general manager position at this time."

Peltier thanked Serri for his service and his contribution to the cooperative and extended the board's best wishes for his future endeavors.

Sukut has been employed with Basin Electric since 1983 and has worked in the energy industry since 1979. A native of Ellendale, N.D., Sukut has a bachelor's degree in business administration and political science from Jamestown College and a master's degree in accounting and tax from the University of North Dakota and is a certified public accountant.

"Having just celebrated my 30th anniversary with Basin, it's fair to say the co-op is 'in my blood,'" Sukut said. "It's been a privilege over three decades to work with such a talented group of men and women doing critical, life-changing work for millions of people, and it's an honor to serve in this new role."

Of Johnson's appointment, Sukut said, "Steve is extremely well-suited to fill this role during my tenure as interim general manager and CEO.

Basin Electric provides electricity to 137 rural electric systems in nine states generated with a diverse energy portfolio that includes oil and natural gas. ●

Contact Rose Ragsdale at roseragsdale@gmail.com

Bakken BAKKEN Stats

Montana well permits and completions

January 24—30, 2014

Abbreviations & parameters

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

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

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

And public land survey system abbreviations:
FNL = from north line | **FEL** = from east line | **FSL** = from south line | **FWL** = from west line

COMPILED BY DARRYL L. FLOWERS
For Petroleum News Bakken

New locations—horizontal wells

In Toole County, Thor Resources USA LLC has been approved to drill the Kevin HZ #30 1-34N-2W. The Nisku formation well has an SHL at NE NW NW 29-34N-2W (505 FNL/784 FWL) and a PBHL of 6,900 feet at NW SW 30-34N-2W (1544 FSL/1139 FWL).

In Richland County, Continental Resources Inc. was green lighted to drill five new Bakken formation wells: the Alma 3-25H, with an SHL at SW NW 25-23N-56E (2270 FNL/275 FWL) and a PBHL of 20,385 feet at SE NE 30-23N-57E (2550 FNL/200 FEL); the Charlie 3-5H with an SHL at SW NW 5-25N-54E (2611 FNL/260 FWL) and a PBHL of 19,552 feet at SE NE 4-25N-54E (1980 FNL/200 FEL); the Schrader 1-25H, with an SHL at NE NW 25-27N-55E (230 FNL/2000 FWL) and a PBHL of 19,829 feet at SE SW 36-27N-55E (200 FSL/1980 FWL); the Charlie 2-5H, with an SHL at NW SW 5-25N-54E (2610 FSL/260 FWL) and a PBHL of 19,565 feet at NE SE 4-25N-54E (1980 FSL/200 FEL); and the Goodman 1-35H, with an SHL at SE SW 35-26N-56E (250 FSL/1980 FWL) and a PBHL of 20,044 feet at NE NW 26-26N-56E (200 FNL/1980 FWL).

Re-issued locations

In Richland County, five re-issued permits were approved for Bakken formation wells.

Enerplus Resources USA Corp. was approved for the Stockade-Calesto 33-3-HSU, which has an SHL at NE NW 33-25N-54E (383 FNL/1863 FWL) and a PBHL of 16,073 feet at SE SE 2-24N-54E (670 FSL/670 FEL).

Continental Resources Inc. was approved for three Bakken formation wells in Richland County: the Ruben 1-9H has an SHL at SW SE 9-26N-55E (180 FSL/1660 FEL) and a PBHL of 19,979 feet at NW NE 4-26N-55E (200 FNL/1980 FEL); the Barlow Federal 1-12H has an SHL at SW SE 12-26N-55E (610 FSL/2255 FEL) and a PBHL of 19,549 feet at NW NE 1-26N-55E (200 FNL/1980 FEL); the Wood Federal 1-11H has an SHL at SE SW 11-26N-55E (460 FSL/2345 FWL) and a PBHL of 19,728 feet at NE NW 2-26N-55E (200 FNL/1980 FWL).

A re-issued permit was approved for the Delaney Federal 21-4 4-9H, a

see **MT ACTIVITY** page 11

BAKKEN STATS COMMENTARY

XTO holds half of the week's Top 10 wells

XTO Energy has five of 10 wells on this week's Top 10 IP list (page 11), two of which hold the top two spots. Those two wells, in the Tobacco Garden field in north-central McKenzie County, N.D., had 24-hour initial production, IP, volumes of 2,592 and 2,356 barrels. The No. 4 well on this week's list is an XTO well in the Heart Butte field in northeastern Dunn County at 2,249 barrels. XTO wells in the Killdeer field in central Dunn County and in the Haystack Butte field in eastern McKenzie County fill the Nos. 8 and 9 spots at 1,863 and 1,841 barrels, respectively.

HRC Operating had the No. 3 well at 2,271 barrels from an Antelope Butte field well in far eastern McKenzie County. QEP had the No. 5 well at 2,143 barrels from a Grail field well in eastern McKenzie County. At 2,109 and 2,018 barrels, Kodiak has the Nos. 6 and 7 wells, both in the Twin Buttes field in eastern Dunn County. Enerplus rounds out the week at 1,812 barrels from a Spotted Horn field well in eastern McKenzie County.

New ND well permits

North Dakota issued 65 well permits for the week, mostly in McKenzie and Mountrail counties. In McKenzie County, 22 permits were issued to Continental (4), Burlington Resources (11), Enerplus (5) and Triangle (2). Mountrail County also had 22 permits issued, those going to Hess (9), Oasis (5), Slawson (5), Statoil (3) and Whiting (1). Permits were also issued in Billings (1), Divide (1), Dunn (12), Stark (3) and Williams (4) counties (see page 12). Permits were renewed in Mountrail (2), Stark (1) and Williams (7) counties. Locations were resurveyed in Dunn (1), Mountrail (7) and Williams (2) counties.

Montana permits and completions

Continental Resources was issued permits to drill five new Bakken wells in Richland County, Mont. (see this page).

Slawson Exploration and Continental each completed a Bakken well in Richland County with IPs of 422 and 294 barrels, respectively. And in Roosevelt County, Oasis Petroleum and Continental each completed a Bakken well with IPs of 251and 492 barrels, respectively. Five Bakken wells were reissued in Richland County, three to Continental, one to Enerplus and one to True Oil.

—MIKE ELLERD

Bakken producers' stock prices

Closing prices as of Feb.5 along with those from previous Wednesday

Company	Exchange	Symbol	Closing price	Previous Wed.
Abraxas Petroleum Corporation	NASDAQ	AXAS	$3.11	$3.19
American Eagle Energy Corporation	OTC	AMZG	$1.82	$1.80
Arsenal Energy USA, Inc.	TSE	AEI	$4.90	$4.90
Baytex Energy USA Ltd	NYSE	BTE	$37.16	$35.88
Burlington Resources Co., LP (ConocoPhillips)	NYSE	COP	$63.46	$65.82
Continental Resources, Inc.	NYSE	CLR	$106.09	$107.03
Crescent Point Energy US Corporation	TSE	CPG	$37.66	$38.50
Denbury Onshore, LLC	NYSE	DNR	$15.70	$16.04
Emerald Oil, Inc.	NYSEMKT	EOX	$7.12	$7.52
Enerplus Resources USA Corporation	NYSE	ERF	$19.01	$18.18
EOG Resources, Inc.	NYSE	EOG	$167.49	$164.65
Fidelity Exploration & Production (MDU)	NYSE	MDU	$31.88	$31.45
GMX Resources, Inc.	PINK	GMXRQ	$0.05	$0.06
Halcon Resources	NYSE	HK	$3.39	$3.48
Hess Corporation	NYSE	HES	$74.66	$77.06
Kodiak Oil and Gas (USA), Inc.	NYSE	KOG	$10.26	$10.44
Legacy Reserves Operating LP	NASDAQ	LGCY	$26.81	$26.93
Marathon Oil Company	NYSE	MRO	$32.10	$33.04
Mountain Divide, LLC (Mountainview Energy)	CVE	MVW.V	$0.47	$0.45
Newfield Production Company	NYSE	NFX	$23.69	$24.25
Northern Oil and Gas	NYSE	NOG	$14.43	$14.90
Oasis Petroleum North America	NYSE	OAS	$39.51	$41.08
Oxy USA, Inc. (Occidental Petroleum)	NYSE	OXY	$87.29	$87.82
PetroShale Inc.	CVE	PSH	$1.37	$1.38
QEP Energy Company	NYSE	QEP	$29.87	$30.99
Resolute Natural Resources Company, LLC	NYSE	REN	$7.67	$8.29
Samson Resources Company (KKR & Co)	NYSE	KKR	$23.21	$23.95
SM Energy Company	NYSE	SM	$81.95	$82.87
Statoil Oil and Gas LP	NYSE	STO	$23.62	$24.08
Triangle USA Petroleum Corporation	NYSE	TPLM	$7.27	$7.77
Whiting Oil and Gas Corporation	NYSE	WLL	$56.03	$57.55
WPX Energy Williston, LLC	NYSE	WPX	$19.03	$19.39
XTO Energy, Inc. (ExxonMobil)	NYSE	XOM	$89.58	$95.11

Looking for a rig report?

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

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

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

PHOTO COURTESY CONTINENTAL RESOURCES

Petroleum News Bakken

IPs for ND Bakken wells

January 28—February 3, 2014

This chart contains initial production rates, or IPs, for active wells that were filed as completed with the state of North Dakota from Jan. 28-Feb. 3, 2014 in the Bakken petroleum system, which includes formations such as the Bakken and Three Forks. The completed wells that did not have an available IP rate (N/A) likely haven't been tested or were awarded confidential (tight-hole) status by the North Dakota Industrial Commission's Department of Minerals. This chart also contains a section with active wells that were released from confidential status during the same period, Jan. 28-Feb 3. Again, some IP rates were not available (N/A). The information was assembled by Petroleum News Bakken from NDIC daily activity reports and other sources. The name of the well operator is as it appears in state records, with the loss of an occasional Inc., LLC or Corporation because of space limitations. Some of the companies, or their Bakken petroleum system assets, have been acquired by others. In some of those cases, the current owner's name is in parenthesis behind the owner of record, such as ExxonMobil in parenthesis behind XTO Energy. If the chart is missing current owner's names, please contact Ashley Lindly at alindly@petroleumnewsbakken.com.

LEGEND

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

IPs for completed North Dakota wells

Continental Resources
25904; Jefferson 5-17H; Crazy Man Creek; NWNE 17-153N-99W; 2SEC; Williams; Bakken; horizontal; 21,206; 1/26/2014; 951 bbl
24924; Tangsrud 3-1H2; Hayland; LOT4 1-160N-96W; 2SEC; Divide; Bakken; horizontal; 18,930; 1/28/2014; 168 bbl

Enerplus
24753; Fox 150-94-04A-09H; Spotted Horn; SWSE 33-151N-94W; 2SEC; McKenzie; Bakken; horizontal; 21,210; 12/25/2013; 1,589 bbl
23178; Prairie Dog 150-94-04A-09H; Spotted Horn; SWSE 33-151N-94W; 2SEC; McKenzie; Bakken; horizontal; 21,320; 1/3/2014; 1,812 bbl

EOG Resources
22487; Hawkeye 02-2501H; Clarks Creek; NENE 25-152N-95W; ICO; McKenzie; Bakken; horizontal; 24,740; 12/20/2013; 67 bbl

QEP Energy
23278; Paul -26/35H; Grail; NENE 26-150N-95W; 2SEC; McKenzie; Bakken; horizontal; 20,870; 1/11/2014; 2,143 bbl

SM Energy
25531; Meadow Valley 3-1H; West Ambrose; LOT3 1-162N-100W; 2SEC; Divide; Bakken; horizontal; 12/27/2013; 775 bbl

Statoil Oil and Gas
24144; Raymond 17-20 7TFH; Ragged Butte; NENE 17-151N-101W; 2SEC; McKenzie; Bakken; horizontal; 20,410; 12/17/2013; 1,498 bbl

Whiting Oil and Gas
25796; Uran 43-17H; Sanish; NESE 17-153N-92W; 2SEC; Mountrail; Bakken; horizontal; 17,427; 1/17/2014; 1,245 bbl

XTO Energy (ExxonMobil)
23693; FBIR Huntsmedicine 24X-8E; Heart Butte; SESW 8-149N-91W; 2SEC; Dunn; Bakken; horizontal; 20,995; 12/10/2013; 2,249 bbl
20142; Hovet Federal 41X-29B; Haystack Butte; NENE 29-149N-97W; 2SEC; McKenzie; Bakken; horizontal; 20,931; 11/4/2013; 1,353 bbl
25065; Loomer 21X-4A; Tobacco Garden; LOT3 4-150N-99W; 2SEC; McKenzie; Bakken; horizontal; 21,352; 10/18/2013; 1,515 bbl
25066; Loomer 21X-4E; Tobacco Garden; LOT3 4-150N-99W; 2SEC; McKenzie; Bakken; horizontal; 21,725; 10/23/2013; 2,356 bbl
25302; Louise 31X-9D; North Tobacco Garden; NWNE 9-151N-99W; 2SEC; McKenzie; Bakken; horizontal; 20,758; 9/25/2013; 2,592 bbl
20140; Mandal Federal 41X-29C; Haystack Butte; NENE 29-149N-97W; 2SEC; McKenzie; Bakken; horizontal; 21,213; 10/30/2013; 1,841 bbl
24945; Sorkness State 24X-36A; Sorkness; SESW 36-157N-93W; 2SEC; Mountrail; Bakken; horizontal; 20,228; 11/1/2013; 1,359 bbl
24944; Sorkness State 24X-36B; Sorkness; SESW 36-157N-93W; 2SEC; Mountrail; Bakken; horizontal; 19,829; 11/1/2013; 1,559 bbl
25721; Strommen 44X-7D; Killdeer; SESE 7-145N-94W; 2SEC; Dunn; Bakken; horizontal; 20,206; 11/21/2013; 1,863 bbl
25720; Strommen 44X-7H; Killdeer; SESE 7-145N-94W; 2SEC; Dunn; Bakken; horizontal; 20,098; 11/14/2013; 1,789 bbl

IPs for ND wells released from confidential status

American Eagle Energy
25810; Lauren 2-3N-163-101; Colgan; LOT2 3-163N-101W; 2SEC; Divide; Bakken; horizontal; 14,415; 11/2/2013; 130 bbl

Baytex Energy
25171; Pulv 31-30-162-99H 1PB; Ambrose; SWSE 31-162N-99W; 2SEC; Divide; Bakken; horizontal; 18,610; 8/19/2013; 406 bbl

Burlington Resources Oil and Gas (ConocoPhillips)
25509; CCU William 34-20MBH; Corral Creek; NENE 29-147N-95W; N/A; Dunn; Bakken; horizontal; N/A;N/A; N/A
25510; CCU William 34-20TFH; Corral Creek; NENE 29-147N-95W; N/A; Dunn; Bakken; horizontal; N/A;N/A; N/A
26176; Harley 11-2MBH; Blue Buttes; LOT4 2-151N-95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
26177; Harley 11-2TFH; Blue Buttes; LOT4 2-151N-95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
26175; Harley 21-2TFH; Blue Buttes; LOT4 2-151N-95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

Continental Resources
24335; Lansing 3-25H; Banks; NENE 25-152N-99W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
24334; Lansing 4-25H; Banks; NENE 25-152N-99W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
23019; Sacramento 3-10H; Brooklyn; SWSW 10-155N-98W; 2SEC; Williams; Bakken; horizontal; 21,294; 1/13/2014; 754 bbl
24333; Steele Federal 3-24H; Banks; NENE 25-152N-99W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
24332; Steele Federal 4-24H; Banks; NENE 25-152N-99W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

Emerald Oil
22835; Jester 1-28-29H; Moline; NWSW 27-149N-102W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

Hess
25033; LK-Thomas-145-97- 3625H-3; Little Knife; SWSW 36-145N-97W; 2SEC; Dunn; Bakken; horizontal; 20,838; 12/31/2013; 507 bbl

HRC Operating (Halcon Resources)
25399; Fort Berthold 152-94-13A-24-4H; Antelope; NENE 13-152N-94W; 2SEC; McKenzie; Sanish; horizontal; 20,735; 11/21/2013; 2,271

Kodiak Oil and Gas
25288; Charging Eagle 14-14-10-2H; Twin Buttes; SESW 14-147N-92W; 4SEC; Dunn; Bakken; horizontal; 20,346; 12/10/2013; 2,018 bbl
25287; Charging Eagle 14-14-10-2H3; Twin Buttes; SESW 14-147N-92W; 4SEC; Dunn; Bakken; horizontal; 20,325; 12/10/2013; 2,109 bbl

Marathon Oil
25760; William Kukla 24-34H; Murphy Creek; SESW 34-145N-96W; 2SEC; Dunn; Bakken; horizontal; 20,840; 12/23/2013; 1,757 bbl

Newfield Production
25543; Anderson State 152-96-16-3H; Westberg; NENE 16-152N-96W; SEC; McKenzie; Bakken; horizontal; 14,578; 9/16/2013; 1,458 bbl

Petro-Hunt
23298; Boss 154-99-18C-17-4H; Stockyard Creek; SWSW 18-154N-99W; 2SEC; Williams; Bakken; horizontal; 20,910; 12/1/2013; 1,352 bbl

QEP Energy
24848; MHA 5-06-07H-147-92; Heart Butte; LOT3 31-148N-92W; N/A; Dunn; Bakken; horizontal; N/A; N/A; N/A
24847; MHA 7-06-07H-147-92; Heart Butte; LOT3 31-148N-92W; N/A; Dunn; Bakken; horizontal; N/A; N/A; N/A

Slawson Exploration
25432; Mauser Federal 4-18-17TFH; North Fork; LOT2 18- 149N-97W; 2SEC; McKenzie; Bakken; horizontal; 20,788; 11/7/2013; 720 bbl

Statoil Oil and Gas
25212; Alger State 16-21 #5H; Alger; SESE 9-155N-92W; 2SEC; Mountrail; Bakken; horizontal; 20,598; 11/29/2013; 1,712 bbl
25213; Alger State 16-21 #6TFH; Alger; SESE 9-155N-92W; 2SEC; Mountrail; Bakken; horizontal; 20,477; 12/3/2013; 1,451 bbl

Whiting Oil and Gas
24160; Pronghorn Federal 34-10PH; Park; SWSE 10-140N-100W; 2SEC; Billings; Bakken; horizontal; 21,478; 7/31/2013; 863 bbl
24161; Pronghorn Federal 41-15PH; Park; SWSE 10-140N-100W; 2SEC; Billings; Bakken; horizontal; 21,030; 8/1/2013; 716 bbl
24162; Pronghorn Federal 44-10PH; Park; SWSE 10-140N-100W; 2SEC; Billings; Bakken; horizontal; 21,811; 7/31/2013; 1,327 bbl

WPX Energy
25008; Olson 12-1HC; Van Hook; SWSE 12-150N-92W; 2SEC; Mountrail; Bakken; horizontal; 20,589; 12/20/2013; 1,062 bbl
25009; Olson 12-1HX; Van Hook; SWSE 12-150N-92W; 2SEC; Mountrail; Bakken; horizontal; 20,725; 12/27/2013; 1,614 bbl

XTO Energy (ExxonMobil)
25422; Alice 44X-34D; Siverston; SESE 34-151N-98W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
25835; Duke 34X-31F; Siverston; SWSE 31-150N-98W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

—Compiled by Ashley Lindly

Contact Ashley Lindly at alindly@petroleumnewsbakken.com

Top 10 Bakken wells by IP rate

XTO Energy (ExxonMobil)
25302; Louise 31X-9D; North Tobacco Garden; McKenzie; 2,592 bbl
25066; Loomer 21X-4E; Tobacco Garden; McKenzie; 2,356 bbl

HRC Operating (Halcon Resources)
25399; Fort Berthold 152-94-13A-24-4H; Antelope; McKenzie; 2,271

XTO Energy (ExxonMobil)
23693; FBIR Huntsmedicine 24X-8E; Heart Butte; Dunn; 2,249 bbl

QEP Energy
23278; Paul -26/35H; Grail; McKenzie; 2,143 bbl

Kodiak Oil and Gas
25287; Charging Eagle 14-14-10-2H3; Twin Buttes; Dunn; 2,109 bbl
25288; Charging Eagle 14-14-10-2H; Twin Buttes; Dunn; 2,018 bbl

XTO Energy (ExxonMobil)
25721; Strommen 44X-7D; Killdeer; Dunn; 1,863 bbl
20140; Mandal Federal 41X-29C; Haystack Butte; McKenzie; 1,841 bbl

Enerplus
23178; Prairie Dog 150-94-04A-09H; Spotted Horn; McKenzie; 1,812 bbl

Note: This chart contains initial production rates, or IPs, from the adjacent IP chart for active wells that were filed as completed with the state of North Dakota from Jan. 28–Feb 3, 2014 in the Bakken petroleum system, as well as active wells that were released from tight- hole (confidential) status during the same period. The well operator's name is on the upper line, followed by individual wells; the NDIC file number; well name; field; county; IP oil flow rate in barrels of oil.

continued from page 10

MT ACTIVITY

Richland County well operated by True Oil LLC. The Delaney has an SHL at NE NW 4-25N-58E (250 FNL/1497 FWL) and a PBHL of 19,828 feet at SW SW 9-25N-58E (660 FSL/1330 FWL).

In Toole County, three re-issued permits were issued to wells operated by Bill Barrett Corp.: the Simmes Ranch 41-11-36-3WH, which has an SHL at NE NE 11-36N-3W (400 FNL/735 FEL) and a PBHL of 7,360 feet at SE SE 11-36N-3W (400 FSL/735 FEL); the Simmes Ranch 21-13-36-3WH, which has an SHL at NE NW 13-36N-3W (200 FNL/2230 FWL) and a PBHL of 7,596 feet at SE SW 13-36N-3W (400 FSL/2230 FWL); and the Simmes Ranch 31-14-36-3WH, which has an SHL at NW NE 14-36N-3W (400 FNL/1980 FEL) and a PBHL of 7,448 feet at SW SE 14-36N-3W (400 FSL/1980 FEL). The Barrett wells will target the Exshaw Shale.

Completions

In Carter County, Armstrong Operating Inc. reported the completion of the Hat Creek Federal 2, which has an SHL at NW 4-1S-62E (2590 FNL/2647 FWL) and a BHL of 8,850 feet at NW 4-1S-62E (2581 FNL/2005 FWL). Tapping the Red River formation, the Hat Creek well recorded an IP of 33 BOPD and 400 BWPD.

In Fallon County, Denbury Onshore LLC reported the completion of the Unit 760 31C-10SHR, which has an SHL at NW NE 10-7N-60E (707 FNL/2142 FEL) and a BHL of 15,310 feet at NW SE 9-7N-60E (2349 FSL/2427 FEL). The well reported an IP of 40 BOPD and 1,225 BWPD, producing from the Red River formation.

In Richland County, two Bakken formation wells were completed.

Slawson Exploration Company Inc. reported the completion of the Hercules 4-2H, which has an SHL at SW SW 2-23N-53E (350 FSL/280 FWL) and two laterals with BHLs of 14,250 feet at SE SE 2-23N-53E (760 FSL/252 FEL) and 14,191 feet at NW NW 2-23N-53E (245 FNL/727 FWL). The Hercules had an IP of 422 BOPD, 415 MCFPD of gas and 261 BWPD.

Continental Resources Inc. reported the completion of the Alice-Thomas HSU, which has an SHL at SW SW 15-23N-56E (230 FSL/352 FWL) and a BHL of 20,716 feet at SE SE 28-23N-56E (231 FSL/5 FEL). The well had an IP of 294 BOPD, 89 MCFPD of gas and 33 BWPD.

In Roosevelt County, two Bakken formation wells were completed.

Oasis Petroleum North America LLC filed a completion report for the BrianM 2958 43-10H, which has an SHL at SW SE 10-29N-58E (270 FSL/1400 FEL) and a BHL of 20,300 feet at NW NE 3-29N-58E (345 FNL/1662 FEL). The BrianM had an IP of 251 BOPD, 193 MCFPD of gas and 3,141 BWPD.

Continental Resources Inc. reported the completion of the Foxx 1-6H, which has an SHL at NW NE 6-29N-59E (215 FNL/2100 FEL) and a PBHL of 20,515 feet at SW SE 7-29N-59E (234 FSL/1962 FEL). The Foxx reported an IP of 492 BOPD, 353 MCFPD of gas and 1,348 BWPD. ●

Editor's note: Darryl L. Flowers, a contributor to Petroleum News Bakken, is the publisher of the Fairfield Sun Times in Fairfield, Mont., www.fairfieldsuntimes.com, and can be reached at publisher@fairfieldsuntimes.com. The information is derived from the online records of the Montana Board of Oil & Gas Conservation Commission.

Petroleum News Bakken

North Dakota oil permit activity

January 28—February 3, 2014

LEGEND

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

Abbreviations

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

FNL = From North Line | FEL = From East Line

FSL = From South Line | FWL = From West Line

Billings Co.

Permits issued

Continental Resources

Dunkirk 1-18AH1; NENW 18-141N-99W; 200'FNL and 1,980'FWL; St. Demetrius; N/A*; on confidential status; 2,745' ground; 27583; 33-007-01819; 1/30/2014

Divide Co.

Permits issued

Mountain Divide (Mountainview Energy)

Aaberg 8-5N-1H; NENE 17-162N-100W; 300'FNL and 575'FEL; Wildcat; N/A; on confidential status; 2,260' ground; 27597; 33-023-01161; 1/31/2014

Dunn Co.

Permits issued

Continental Resources

Melgaard 5-14H1; NENE 14-161N-95W; 330'FNL and 800'FEL; Sadler; N/A*; on confidential status; 2,401' ground; 27586; 33-023-01160; 1/30/2014

Marathon Oil

Friederich 34-24H; SWSE 24-146N-95W; 249'FSL and 2,079'FEL; Chimney Butte; N/A*; on confidential status; 2,258' ground; 27560; 33-025-02454; 1/28/2014

Gorey 44-10TFH; NENE 15-146N-95W; 296'FNL and 1,123'FEL; Chimney Butte; N/A*; on confidential status; 2,326' ground; 27582; 33-025-02458; 1/30/2014

Harry 34-24TFH; SWSE 24-146N-95W; 249'FSL and 2,029'FEL; Chimney Butte; N/A*; on confidential status; 2,258' ground; 27559; 33-025-02453; 1/28/2014

Hellerud 14-23TFH; NWNW 26-146N-95W; 673'FNL and 445'FWL; Alger; N/A*; on confidential status; 2,319' ground; 27576; 33-061-02941; 1/29/2014

Lewis 44-22H; NWNW 26-146N-95W; 690'FNL and 398'FWL; Chimney Butte; N/A*; on confidential status; 2,295' ground; 27568; 33-025-02456; 1/29/2014

Samann -24H; SWSE 24-146N-95W; 249'FSL and 1,929'FEL; Chimney Butte; N/A*; on confidential status; 2,257' ground; 27558; 33-025-02452; 1/28/2014

Viani USA 44-10H; NENE 15-146N-95W; 296'FNL and 1,073'FEL; Chimney Butte; N/A*; on confidential status; 2,325' ground; 27581; 33-025-02457; 1/30/2014

Petro-Hunt

Marinenko 145-97-31D-30-1H; SWSE 31-145N-97W; 245'FSL and 1,401'FEL; Little Knife; N/A*; on confidential status; 2,514' ground; 27595; 33-025-02459; 1/31/2014

Marinenko 145-97-31D-30-2H; SWSE 31-145N-97W; 245'FSL and 1,477'FEL; Little Knife; N/A*; on confidential status; 2,512' ground; 27596; 33-025-02460; 1/31/2014

XTO Energy (ExxonMobil)

Kaye Federal 43X-4B; NESE 4-148N-96W; 1,878'FSL and 420'FEL; Lost Bridge; N/A*; on confidential status; 2,015' ground; 27556; 33-025-02450; 1/28/2014

Kaye Federal 43X-4E; NESE 4-148N-96W; 1,828'FSL and 452'FEL; Lost Bridge; N/A*; on confidential status; 2,015' ground; 27557; 33-025-02451; 1/28/2014

Location resurveyed

Marathon Oil

Fox USA 14-4TFH; NWSE 14-147N-93W; 2,546'FSL and 2,520'FEL; Moccasin Creek; N/A*; on confidential status; 2,323' ground; 24745; 33-025-02036; 1/29/2014

McKenzie Co.

Permits issued

Continental Resources

Holstein Federal 1-25H; SWNW 25-153N-94W; 1,580'FNL and 1,005'FWL; Elm Tree; N/A*; on confidential status; 2,122' ground; 27563; 33-053-05652; 1/28/2014

Holstein Federal 2-25H1; SWNW 25-153N-94W; 1,580'FNL and 1,050'FWL; Elm Tree; N/A*; on confidential status; 2,123' ground; 27564; 33-053-05653; 1/28/2014

Rolfsrud 2-11H; SESE 11-151N-97W; 650'FSL and 725'FEL; Elidah; N/A*; on confidential status; 2,344' ground; 27562; 33-053-05651; 1/28/2014

Rolfsrud 3-11H1; SESE 11-151N-97W; 650'FSL and 770'FEL; Elidah; N/A*; on confidential status; 2,339' ground; 27561; 33-053-05650; 1/28/2014

Burlington Resources Oil and Gas (ConocoPhillips)

Bullrush 24-10TFH; SWSE 10- 151N-97W; 275'FSL and 2,522'FEL; Elidah; N/A*; on confidential status; 2,326' ground; 27604; 33-053-05667; 1/31/2014

Bullrush 34-10MBH-A; SWSE 10- 151N-97W; 275'FSL and 2,477'FEL; Elidah; N/A*; on confidential status; 2,324' ground; 27603; 33-053-05666; 1/31/2014

Bullrush 34-10MBH-B; SWSE 10- 151N-97W; 288'FSL and 1,727'FEL; Elidah; N/A*; on confidential status; 2,281' ground; 27606; 33-053-05669; 1/31/2014

Bullrush 34-10TFH-A; SWSE 10- 151N-97W; 288'FSL and 1,772'FEL; Elidah; N/A*; on confidential status; 2,286' ground; 27605; 33-053-05668; 1/31/2014

Bullrush 34-10TFH-B; SWSE 10- 151N-97W; 288'FSL and 1,682'FEL; Elidah; N/A*; on confidential status; 2,279' ground; 27607; 33-053-05670; 1/31/2014

Bullrush 44-10MBH; SWSE 10- 151N-97W; 288'FSL and 1,637'FEL; Elidah; N/A*; on confidential status; 2,279' ground; 27608; 33-053-05671; 1/31/2014

Hawmaker 11-15TFH; NWNW 15-151N-97W; 280'FNL and 620'FWL; Elidah; N/A*; on confidential status; 2,347' ground; 27585; 33-053-05660; 1/30/2014

Shafermaker 11-15MBH-ULW; NWNW 15-151N-97W; 280'FNL and 575'FWL; Elidah; N/A*; on confidential status; 2,355' ground; 27584; 33-053-05659; 1/30/2014

Sequoia 31-4MBH; LOT8 4-152N-95W; 1,222'FNL and 990'FEL; Hawkeye; N/A*; on confidential status; 2,316' ground; 27579; 33-053-05657; 1/29/2014

Sequoia 31-4TFH; LOT8 4-152N-95W; 1,222'FNL and 1,034'FEL; Hawkeye; N/A*; on confidential status; 2,317' ground; 27578; 33-053-05656; 1/29/2014

Sequoia 41-4TFH; LOT8 4-152N-95W; 1,222'FNL and 944'FEL; Hawkeye; N/A*; on confidential status; 2,314' ground; 27580; 33-053-05658; 1/29/2014

Enerplus Resources

Monarch 152-94-32D-29H; SESE 32-152N-94W; 646'FSL and 1,015'FEL; Antelope; Sanish; horizontal; 2,196' ground; 27591; 33-053-05665; 1/30/2014

Snapper 152-94-33C-28H; SESE 32-152N-94W; 642'FSL and 865'FEL; Antelope; Sanish; horizontal; 2,190' ground; 27588; 33-053-05662; 1/30/2014

Softshell 152-94-33C-28H TF; SESE 32-152N-94W; 641'FSL and 815'FEL; Antelope; Sanish; horizontal; 2,188' ground; 27587; 33-053-05661; 1/30/2014

Swallow Tail 152-94-32D-29H; SESE 32-152N-94W; 643'FSL and 915'FEL; Antelope; Sanish; horizontal; 2,191' ground; 27589; 33-053-05663; 1/30/2014

Viceroy 152-94-32D-29H TF; SESE 32-152N-94W; 645'FSL and 965'FEL; Antelope; Sanish; horizontal; 2,193' ground; 27590; 33-053-05664; 1/30/2014

Triangle USA Petroleum

McCabe 150-101-24-13-3H; SWSE 24-150N-101W; 250'FSL and 1,380'FEL; Rawson; Bakken; horizontal; 2,327' ground; 27565; 33-053-05654; 1/28/2014

McCabe 150-101-24-13-4H; SWSE 24-150N-101W; 250'FSL and 1,330'FEL; Rawson; Bakken; horizontal; 2,326' ground; 27566; 33-053-05655; 1/28/2014

Permits renewed

Triangle USA Petroleum

Larsen 157-101-28-33-2H; SESW 21-157N-101W; 225'FSL and 1,480'FWL; Otter; Bakken; horizontal; 2,208' ground; 24877; 33-105-02988; 1/29/2014

XTO Energy (ExxonMobil)

Prairie Federal 31X-30G; NWNE 30-149N-96W; 332'FNL and 1,750'FEL; Haystack Butte; N/A*; on confidential status; 2,385' ground; 24892; 33-053-04760; 1/29/2014

Location resurveyed

Continental Resources

Jerry 4-8H; SESW 8-151N-100W; 378'FSL and 2,155'FWL; Poe; N/A*; on confidential status; 2,135' ground; 26531; 33-053-05300; 2/3/2014

Jerry 5-8H; SESW 8-151N-100W; 402'FSL and 2,117'FWL; Poe; N/A*; on confidential status; 2,136' ground; 26530; 33-053-05299; 2/3/2014

Jerry 6-8H; SESW 8-151N-100W; 315'FSL and 987'FWL; Poe; N/A*; on confidential status; 2,182' ground; 26536; 33-053-05305; 2/3/2014

Jerry 7-8H; SESW 8-151N-100W; 315'FSL and 1,032'FWL; Poe; N/A*; on confidential status; 2,177' ground; 26535; 33-053-05304; 2/3/2014

Mountrail Co.

Permits issued

Hess

EN-Abrahamson- 155-93-3019H-5; SWSE 30- 155N-93W; 724'FSL and 1,921'FEL; Alger; N/A*; on confidential status; 2,333' ground; 27609; 33-061-02951; 1/31/2014

EN-Abrahamson- 155-93-3019H-6; SWSE 30- 155N-93W; 724'FSL and 1,954'FEL; Alger; N/A*; on confidential status; 2,333' ground; 27610; 33-061-02952; 1/31/2014

EN-Abrahamson- 155-93-3019H-7; SWSE 30- 155N-93W; 724'FSL and 1,987'FEL; Alger; N/A*; on confidential status; 2,333' ground; 27611; 33-061-02953; 1/31/2014

EN-Abrahamson- 155-93-3019H-8; SWSE 30- 155N-93W; 724'FSL and 2,020'FEL; Alger; N/A*; on confidential status; 2,333' ground; 27612; 33-061-02954; 1/31/2014

EN-Jeffrey A- 155-94-2734H-6; SWSE 22-155N-94W; 898'FSL and 1,958'FEL; Alkali Creek; N/A*; on confidential status; 2,052' ground; 27571; 33-061-02936; 1/29/2014

EN-Jeffrey A- 155-94-2734H-7; SWSE 22-155N-94W; 898'FSL and 2,007'FEL; Alkali Creek; N/A*; on confidential status; 2,051' ground; 27572; 33-061-02937; 1/29/2014

EN-Jeffrey A- 155-94-2734H-8; SWSE 22-155N-94W; 1,048'FSL and 2,021'FEL; Alkali Creek; N/A*; on confidential status; 2,054' ground; 27573; 33-061-02938; 1/29/2014

EN-Jeffrey A- 155-94-2734H-9; SWSE 22-155N-94W; 1,043'FSL and 2,071'FEL; Alkali Creek; N/A*; on confidential status; 2,054' ground; 27574; 33-061-02939; 1/29/2014

Oasis Petroleum

Oasis Meiers 5692 43-18 4T2; SWSE 18-156N-92W; 255'FNL and 2,283'FEL; Alger; Bakken; horizontal; 2,316' ground; 27598; 33-061-02946; 1/31/2014

Oasis Meiers 5692 43-18 5B; SWSE 18-156N-92W; 255'FNL and 2,316'FEL; Alger; Bakken; horizontal; 2,317' ground; 27599; 33-061-02947; 1/31/2014

Oasis Meiers 5692 43-18 6T; SWSE 18-156N-92W; 255'FNL and 2,349'FEL; Alger; Bakken; horizontal; 2,316' ground; 27600; 33-061-02948; 1/31/2014

Oasis Meiers 5692 43-18 7T2; SWSE 18-156N-92W; 255'FNL and 2,382'FEL; Alger; Bakken; horizontal; 2,317' ground; 27601; 33-061-02949; 1/31/2014

Oasis Meiers 5692 43-18 8B; SWSE 18-156N-92W; 255'FNL and 2,415'FEL; Alger; Bakken; horizontal; 2,317' ground; 27602; 33-061-02950; 1/31/2014

Slawson Exploration

Challenger Federal 3-29-32H; NWNE 29-151N-92W; 242'FNL and 1,650'FEL; Big Bend; N/A*; on confidential status; 1,910' ground; 27593; 33-061-02944; 1/30/2014

Challenger Federal 5-29-32TFH; NWNE 29-151N-92W; 242'FNL and 1,700'FEL; Big Bend; N/A*; on confidential status; 1,909' ground; 27592; 33-061-02943; 1/30/2014

Challenger Federal 6-29-32TFH; NWNE 29-151N-92W; 242'FNL and 1,625'FEL; Big Bend; N/A*; on confidential status; 1,910' ground; 27594; 33-061-02945; 1/30/2014

Whirlwind 3-31H; SWSE 30-152N-92W; 220'FSL and 1,910'FEL; Big Bend; N/A*; on confidential status; 1,941' ground; 27618; 333-061-02956; 2/3/2014

Whirlwind 6-31TFH; SWSE 30-152N-92W; 220'FSL and 1,885'FEL; Big Bend; N/A*; on confidential status; 1,941' ground; 27619; 333-061-02957; 2/3/2014

Statoil Oil and Gas

Barstad 23-14 3H; SWSE 23-156N-93W; 450'FSL and 1,605'FEL; Alger; N/A*; on confidential status; 2,319' ground; 27577; 33-061-02942; 1/29/2014

Barstad 23-14 7TFH; SWSE 23-156N-93W; 450'FSL and 1,635'FEL; Alger; N/A*; on confidential status; 2,319' ground; 27576; 33-061-02941; 1/29/2014

Barstad 23-14 8H; SWSE 23-156N-93W; 450'FSL and 1,665'FEL; Alger; N/A*; on confidential status; 2,319' ground; 27575; 33-061-02940; 1/29/2014

Whiting Oil and Gas

Leo 13-29TFH; NWSW 29-153N-91W; 1,390'FSL and 270'FWL; Sanish; Bakken; horizontal; 2,265' ground; 27617; 33-061-02955; 2/3/2014

Stark Co.

Permits issued

Fidelity Exploration and Production (MDU)

Gilbert Ridl 26-35H; NENW 26-140N-98W; 293'FNL and 2,239'FWL; Green River; Bakken; horizontal; 2,542' ground; 27569; 33-089-00826; 1/29/2014

Rosalie J Ridl 26-35H; NENW 26-140N-98W; 293'FNL and 2,289'FWL; Green River; Bakken; horizontal; 2,544' ground; 27570; 33-089-00827; 1/29/2014

Permits renewed

Fidelity Exploration and Production (MDU)

Albert J 2-11H; LOT2 2-139N-98W; 754'FNL and 2,389'FEL; Zenith; N/A*; on confidential status; 2,503' ground; 24915; 33-089-00765; 2/3/2014

Williams Co.

Permits issued

Oasis Petroleum

Andre Shepherd 5501 31-8 6T; NWSW 8-155N-101W; 1,571'FSL and 300'FWL; Missouri Ridge; Bakken; horizontal; 2,316' ground; 27613; 33-105-03398; 2/3/2014

Andre Shepherd 5501 31-8 7T; NWSW 8-155N-101W; 1,604'FSL and 300'FWL; Missouri Ridge; Bakken; horizontal; 2,315' ground; 27614; 33-105-03399; 2/3/2014

Andre Shepherd 5501 31-8 8T; NWSW 8-155N-101W; 1,637'FSL and 300'FWL; Missouri Ridge; Bakken; horizontal; 2,314' ground; 27615; 33-105-03400; 2/3/2014

XTO Energy (ExxonMobil)

Hansen 34X-10C; SWSE 10-159N-96W; 320'FSL and 1,750'FEL; Temple; N/A*; on confidential status; 2,316' ground; 27616; 33-105-03401; 2/3/2014

Permits renewed

Triangle USA Petroleum

Kittleson 157-103-32-29-1H; SWSW 32-157N-103W; 225'FSL and 1,155'FWL; Strandahl; Bakken; horizontal; 2,354' ground; 24885; 33-105-02994; 1/29/2014

Kittleson 157-103-32-29-2H; SWSW 32-157N-103W; 225'FSL and 1,105'FWL; Strandahl; Bakken; horizontal; 2,351' ground; 24886; 33-105-02995; 1/29/2014

Larson 157-101-21-16-2H; SESW 21-157N-101W; 430'FSL and 1,480'FWL; Otter; Bakken; horizontal; 2,212' ground; 24880; 33-105-02991; 1/29/2014

Larson 157-101-21-16-3H; SESW 21-157N-101W; 430'FSL and 1,430'FWL; Otter; Bakken; horizontal; 2,211' ground; 24881; 33-105-02992; 1/29/2014

Larson 157-101-21-16-4H; SESW 21-157N-101W; 430'FSL and 1,380'FWL; Otter; Bakken; horizontal; 2,208' ground; 24882; 33-105-02993; 1/29/2014

Larson 157-101-28-33-3H; SESW 21-157N-101W; 225'FSL and 1,430'FWL; Otter; Bakken; horizontal; 2,208' ground; 24878; 33-105-02989; 1/29/2014

Larson 157-101-28-33-4H; SESW 21-157N-101W; 225'FSL and 1,380'FWL; Otter; Bakken; horizontal; 2,210' ground; 24879; 33-105-02990; 1/29/2014

Location resurveyed

Oasis Petroleum

Herb 5501 14-1B; LOT1 1-155N-101W; 350'FNL and 975'FEL; Cow Creek; Bakken; horizontal; 1,980' ground; 24775; 33-105-02972; 1/28/2014

Marlene 5501 14-1T; LOT1 1-155N-101W; 350'FNL and 1,025'FEL; Cow Creek; Bakken; horizontal; 1,978' ground; 24774; 33-105-02971; 1/28/2014

**Note - The geologic target for these wells was not listed in its well file because they are tight (confidential) holes, but the following fields produce from the Bakken pool; Alger, Alkali Creek, Big Bend, Chimney Butte, Elidah, Elm Tree, Hawkeye, Haystack Butte, Little Knife, Lost Bridge, Moccasin Creek, Poe, Sadler, St. Demetrius, Temple, and Zenith.*

–Compiled by Ashley Lindly

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COMPANY UPDATE

Bankruptcy will split GMX into 2 firms

GMX Resources Inc. said its confirmed plan of reorganization became effective Feb. 3 and it will emerge from bankruptcy as two privately held companies: Thunderbird Resources Equity Inc. and Thunderbird Resources LP.

On April 1, 2013, GMX and its affiliated companies Diamond Blue Drilling Co. and Endeavor Pipeline Inc. filed a voluntary petition for reorganization under Chapter 11, in the U.S. Bankruptcy Court for the Western District of Oklahoma.

The reorganization plan, which was confirmed by the court Jan. 22, reorganizes GMX into a pair of privately held entities that will not be listed on any national securities exchange, GMX said in a Feb. 3 release, adding that it expects to formally terminate the registration of its securities with the Securities and Exchange Commission.

The reorganization of the debtors' capital structure under the plan reduces the total amount of outstanding indebtedness by approximately $505 million. Secured claims of $338 million under the senior-most lien were exchanged for equity interests in Thunderbird Resources Equity Inc. ("Reorganized GMXR") and/or Thunderbird Resources LP ("New GMXR").

In connection with the plan, GMX has contributed all of its assets to New GMXR free and clear of all liens and encumbrances, it said.

General unsecured creditors received a pro rata share of one interest in a creditor trust, and $1.5 million in cash, GMX said. All rights and interests of holders of the company's common and preferred stock have been terminated.

GMX's debtor-in-possession credit facility was converted into a new exit credit facility, and all cash consideration necessary for the debtors to make payments on transactions under the plan were obtained from cash on hand under the new exit credit facility.

The company is currently developing its Bakken and Three Forks oil shale resources located in the Williston Basin, N.D., it said. It also has natural gas resources in the East Texas Basin, primarily in the Haynesville/Bossier gas shale and the Cotton Valley sand formation; where the majority of its acreage is contiguous, with infrastructure in place and substantially all held by production.

In its initial filing, GMX said it had been blindsided by a steep decline in natural gas prices.

In 2010, the company made a strategic decision to expand from East Texas into basins with oil potential. In early 2011, the company acquired positions in more than 75,000 undeveloped net acres in the Williston Basin of North Dakota and Montana, targeting the Bakken and Three Forks formations, and in the Denver Julesburg Basin of Wyoming, targeting the emerging Niobrara play.

The company did increase its oil production, but not quickly enough to stave off the bankruptcy filing.

—STEVE SUTHERLIN

● GOVERNMENT

New ND task force hopes to resolve right-of-way issues

By MAXINE HERR
For Petroleum News Bakken

Plans are under way in North Dakota to develop a right of way, ROW, task force led in part by the North Dakota Petroleum Council, NDPC, and Attorney General Wayne Stenehjem. The NDPC flaring task force presented its recommendations to the North Dakota Industrial Commission on Jan. 29 with aggressive plans to capture natural gas and reduce flaring. Included in the task force's report was a suggestion to develop a ROW task force to address the need for access, as industry considers this the biggest obstacle in getting gas lines connected and ultimately bringing flaring numbers down. The group's purpose would be to discuss and review potential energy corridors, section line easements and legislation to improve ROW access.

Ron Ness, NDPC president, told Petroleum News Bakken that he has discussed creation of the ROW task force with the attorney general, and "plans are beginning to develop." He said NDPC will initiate the first meetings. Stenehjem indicated at the Jan. 29 meeting that he would be willing to work with the ROW task force, and a spokeswoman from the attorney general's office told Petroleum News Bakken that a representative from the office will serve on the task force, but offered no additional information.

Others recommended to join the effort include Justin Kringstad of the N.D. Pipeline Authority, Rory Nelson, who serves as the state energy impact coordinator, county officials, landowners and representatives from the industry.

Securing landowner permission in order to connect the gas lines is an integral part of the flaring task force's proposal, but landowners are just as determined to solve the flaring problem. Myron Hanson, chairman of the Northwest Landowners Association said his group would welcome an opportunity to determine a plan of action that works for everyone.

"We would like to work with the industry and resolve it and get this done, because farmers and ranchers with one of those flares six or seven hundred feet from his house, that's not too pleasant of an experience," Hanson said. "Some of these flares are huge. They turn the dark of night into high noon."

> *"We would like to work with the industry and resolve it and get this done, because farmers and ranchers with one of those flares six or seven hundred feet from his house, that's not too pleasant of an experience."* **—Myron Hanson, Northwest Landowners Association**

Joining the discussion

Hanson said landowners want to address construction standards, route planning, and liability and abandonment issues with the industry in order to develop a reasonable agreement before allowing pipelines to be placed on their land. They want to avoid an industry push toward eminent domain, and Hanson believes there are better solutions than property seizure.

"I think we can set up some standards and have a decent easement contract that we can present to people and maybe make this work without having that type of situation," Hanson said.

He said landowners' resistance has come from instances when industry has used poor practices to obtain easements, giving short notice about its plans and then pressuring the landowners to sign before they have an opportunity to seek legal counsel or advice.

"There are a lot of things that need to be addressed, and I think we can do that if we're included in the discussion," Hanson said. "For them to say that they have trouble with landowners and we're the holdup because we don't want these pipelines, I don't think that's fair. There's no reason why this can't be resolved together." ●

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FIDELITY NUMBERS

Fidelity plans a 2014 emphasis on development drilling.

"A major portion of Fidelity's $440 million 2014 drilling program will again be targeted at further development in the Bakken and Paradox areas," the company said.

December's wretched cold temperatures impacted operations across North Dakota's oil fields, the company said, but Fidelity's production was on par with expectations while oil gained weight as a percentage of the company's production portfolio.

"Our E&P group had great results on the strength of a 30 percent increase in oil production compared to the prior year," said David L. Goodin, MDU president and CEO. "Further progress was made balancing its production portfolio with oil now representing 47 percent of total production in 2013, approximately double what it was in 2010."

Goodin said Fidelity's adjusted earnings grew 41 percent in 2013, to $28 million.

"Our Bakken and Paradox acreage continued to drive the group's strong results generating an oil production record of 4.8 million net barrels produce during the year; oil production for the Bakken increased 36 percent and 221 percent in the Paradox compared to last year," he said.

Goodin said Fidelity has two rigs operating in the Bakken — with one each in Mountrail and Stark counties, and two rigs operating in the Paradox Basin.

Goodin said Fidelity is looking to increase its rig count in the Bakken.

"We do look to add more rigs over time to try to accelerate our growth there," Goodin said. "We have to be careful not to get ahead of the permits; we have to be careful not to get ahead of our learning and particularly as we are now starting to move to some different areas with the second rig as well as looking at the up-hole clastics.

"We could actually have a little bit of a slowdown in our production growth which will accelerate over time as we explore those new areas, so we are trying to be very disciplined here because this is an area where industry has not been able to make it work for five decades," he said. "We feel like we are on a really good track and we are trying not to get ahead of ourselves, so it will be a measured growth but as soon as we feel confident we will look to accelerate the number of rigs working there."

Bakken drives E&P

Fidelity will make $130 million in capital expenditures this year in the Bakken, Goodin said.

"The Bakken continues to drive our E&P group but with each passing quarter over the past year, the Paradox has taken on increasing significance for us and we see that continuing as we move forward," he said.

"For instance in 2012, we were encouraged by early results from the Paradox Basin, but it was largely based on the success of one or two wells and production from the play accounted for only 7 percent of our total oil production for the year," he said, "In 2013 we repeated those early successes and production from the play represented 17 percent of the total oil production, and in the fourth quarter the Paradox moved up to representing 21 percent of our oil production."

Fidelity is experimenting with completion designs in the Bakken.

Goodin said the company is crafting changes to its completion designs and it would make an announcement later in 2014 when the changes are expected to be finalized.


DAVID L. GOODIN

"We are testing alternative completion techniques in both counties utilizing more frack stages, cemented liners, higher strength propane and varying the pumping techniques," he said. "Results to date have been encouraging, but there is still more work to do."

A third oil play

Fidelity is seeking a new frontier, as it eyes geographic diversification in its production portfolio.

"We've continued our focus on adding a third oil play and will announce any progress if and when agreements have been signed," Goodin said.

"Maintaining a strong portfolio of drilling inventory is important to our E&P group's success," he said.

Goodin said Fidelity is projecting 10 percent to 20 percent oil production growth along with 5 percent to 10 percent natural gas liquids growth.

"In 2013, we were pleased to replace 277 percent of oil production for 13.3 million barrels," Goodin said

"Our year end reserves totaled 80.7 million barrels of oil equivalent," he said, adding that the company's reserves value estimates had increased $270 million over 2012 levels.

"Our E&P business had good success in 2013 and we look forward to continuing the momentum that was generated throughout the year," he said.

Bakken integration

The knife of winter cold cuts both ways for MDU: Its utility business serves Bakken customers.

Goodin said the company is crafting changes to its completion designs and it would make an announcement later in 2014 when the changes are expected to be finalized.

Colder than normal temperatures at the beginning and end of 2013 helped push natural gas sales up 15 percent, the company said. The utility business reported earnings of $72.5 million, a 21 percent increase over 2012.

The company said it also benefited from customer growth above the industry norm, surpassing the one million customer mark.

MDU has planned a $300 million capital expenditure program for 2014, of which approximately 25 percent will be targeted in the Bakken region, where the company experienced 6 percent electric and 4 percent natural gas customer growth last year.

Construction of a $77 million 88-megawatt natural gas turbine to serve the Bakken region is on schedule, the company said, with operation expected to begin in the third quarter.

The Bakken also has driven adjusted earnings higher at MDU's pipeline and energy services business WBI Energy, driven primarily by its interest in the Pronghorn natural gas and oil midstream assets which saw higher volumes, the company said.

Pipeline work planned

WBI plans to significantly expand its reach into the Bakken oil fields during 2014.

WBI said a new 15-mile pipeline will come on line by this summer, serving a new processing facility that is under construction in North Dakota.

Later this year, the company expects to begin refining 20,000 barrels of Bakken crude per day into diesel fuel.

Costs of the new refinery, Dakota Prairie Refining, which WBI is building with a partner, have been revised upwards to $350 million. Construction is on schedule — approximately 40 percent complete — and the facility is expected to be on line at the end of this year, the company said.

WBI Energy said it recently launched an open season on a proposed $650 million, 375-mile pipeline to be built across northern North Dakota to provide take-away capacity for natural gas that is produced with Bakken oil. The pipeline would have an initial capacity of 400 million cubic feet per day and would provide more transportation capacity for natural gas captured through industry's efforts to reduce flaring.

Construction of the line could begin as early as the latter part of 2016, said Steve Bietz, WBI president and CEO.

The proposed line would carry gas from western North Dakota northeast into northwestern Minnesota and tie into the Emerson pipeline, the Viking pipeline, and the Great Lakes pipeline, with a potential connect to a TransCanada pipeline, Bietz said.

Following a 120-day open season which kicked off Jan. 30, Bietz said, "We will probably see a couple of months where we would negotiate with our customers to get final precedent agreements in place.

"The regulatory process would be about 2 years," he said. "We would expect an EIS would be required for this project, which would allow for construction to start in late 2016 within the service date likely late 2017."

—STEVE SUTHERLIN

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January 2014 BLM Montana/Dakotas Oil and Gas Lease Auction Results
By High Bidder
(all tracts in North Dakota)

County	High Bidder	Tract Acres[A]	Bonus per Acre ($)	Total Bonus Bid ($)[B]
Mountrail	Diamond Resources Co, Williston, N.D.	53.05	$34,000.00	$1,836,000.00
Mountrail	Diamond Resources Co, Williston, N.D.	152.18	$33,000.00	$5,049,000.00
Mountrail	Slawson Exploration Co. Inc., Wichita, Kan.	9.32	$28,000.00	$280,000.00
Mountrail	Slawson Exploration Co. Inc., Wichita, Kan.	14.56	$24,000.00	$360,000.00
Dunn	TDB Resources LP, Salt Lake City, Utah	80.00	$21,200.00	$1,696,000.00
Mountrail	Slawson Exploration Co. Inc., Wichita, Kan.	5.84	$19,000.00	$114,000.00
Mountrail	Slawson Exploration Co. Inc., Wichita, Kan.	26.98	$18,000.00	$486,000.00
Mountrail	Slawson Exploration Co. Inc., Wichita, Kan.	10.95	$18,000.00	$198,000.00
Mountrail	Slawson Exploration Co. Inc., Wichita, Kan.	4.38	$18,000.00	$90,000.00
Mountrail	Slawson Exploration Co. Inc., Wichita, Kan.	6.78	$18,000.00	$126,000.00
Dunn	Enerplus Resources (USA) Corp, Denver, Colo.	46.20	$18,000.00	$846,000.00
Dunn	Marathon Oil Company, Houston, Texas	20.27	$17,400.00	$365,400.00
Mountrail	Marathon Oil Company, Houston, Texas	13.51	$17,000.00	$238,000.00
Mountrail	Marathon Oil Company, Houston, Texas	1.07	$17,000.00	$34,000.00
Dunn	Enerplus Resources (USA) Corp, Denver, Colo.	19.59	$16,100.00	$322,000.00
Mountrail	Slawson Exploration Co. Inc., Wichita, Kan.	133.68	$14,500.00	$1,943,000.00
McKenzie	Petrogulf Corporation, Denver, Colo.	66.40	$13,300.00	$891,100.00
Williams	Norwegian American Oil Corp., Minneapolis, Minn.	1.20	$13,000.00	$26,000.00
Dunn	Marathon Oil Company, Houston, Texas	44.68	$11,500.00	$517,500.00
Mountrail	Diamond Resources Co, Williston, N.D.	39.72	$11,000.00	$440,000.00
McKenzie	TDB Resources LP, Salt Lake City, Utah	9.60	$8,500.00	$85,000.00
Williams	Diamond Resources Co, Williston, N.D.	1.94	$8,000.00	$16,000.00
McKenzie	Statoil Oil & Gas LP, Austin, Texas	48.00	$7,500.00	$360,000.00
Williams	Globex Oil and Gas Corp., Houston, Texas	8.10	$6,000.00	$54,000.00
Williams	Diamond Resources Co, Williston, N.D.	24.00	$5,500.00	$132,000.00
Williams	Norwegian American Oil Corp., Minneapolis, Minn.	6.40	$5,500.00	$38,500.00
McKenzie	Globex Oil and Gas Corp., Houston, Texas	10.75	$5,000.00	$55,000.00
Williams	Lonewolf Energy Inc., Billings, Mont.	40.00	$4,700.00	$188,000.00
Williams	Globex Oil and Gas Corp., Houston, Texas	13.00	$4,000.00	$52,000.00
Williams	Globex Oil and Gas Corp., Houston, Texas	11.00	$4,000.00	$44,000.00
McKenzie	NovaNRG, Sugarland, Texas	17.50	$4,000.00	$72,000.00
Divide	HERCO LLC, Billings, Mont.	160.24	$1,350.00	$217,350.00
Bottineau	Bakken Production Inc (35%), Minot, N.D. Agri Properties LLP (35%), Westhope, N.D. Southfork Oil LLC (30%), Ray, N.D.	40.00	$1,100.00	$44,000.00
Williams	HERCO LLC, Billings, Mont.	160.00	$900.00	$144,000.00
Bottineau	Bakken Production Inc (35%), Minot, N.D. Agri Properties LLP (35%), Westhope, N.D. Southfork Oil LLC (30%), Ray, N.D.	40.00	$800.00	$32,000.00
Williams	NovaNRG, Sugarland, Texas	200.00	$250.00	$50,000.00
Golden Valley	NovaNRG, Sugarland, Texas	160.00	$175.00	$28,000.00
Burke	NovaNRG, Sugarland, Texas	320.00	$90.00	$28,800.00
Bowman	PRE Resources LLC, Denver, Colo.	80.00	$50.00	$4,000.00
Golden Valley	NovaNRG, Sugarland, Texas	160.00	$10.00	$1,600.00
TOTAL		**2,260.89**	**NA**	**$17,504,250.00**
AVERAGE		**50.24**	**$7,742.19**	**NA**
MAXIMUM		**320.00**	**$34,000.00**	**$5,049,000.00**
MINIMUM		**1.07**	**$10.00**	**$1,600.00**

A: BLM rounds all acreages up to the next whole number before calculating total bonus bid
B: Totals do not include advanced rental bids or a $155 admin fee per tract
NA: Not applicable

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LEASE RECORD

July, 2013 lease auction from Continental Resources for a 28.75-acre tract in northeast McKenzie County.

Slawson Exploration, partnering 50/50 with PetroShale (US) Inc., paid the third and fourth highest prices per acre at $28,000 for a 9.32-acre tract and $24,000 for a 14.56-acre tract, both in peninsula in Mountrail County (see chart). Slawson and PetroShale picked up 212.49 acres in eight tracks, all in the peninsula in Mountrail County, paying between $14,500 and $28,000 per acre with an average price of $16,927.86 per acre.

The fifth highest bid came from TDB Resources of Salt Lake City which paid $21,200 per acre for an 80-acre tract in Dunn County (see chart). Enerplus Resources (USA) Corp. of Denver paid $18,000 per acre for a 46.20-acre tract and $16,100 for a 19.59-acre tract, both in Dunn County.

Marathon Oil picked up leases on 78.85 acres in four tracts in Dunn and Mountrail counties, paying between $11,500 and $17,400 per acre with an average of $14,521.56 per acre.

Petrogulf Corp. paid $13,300 per acre for a 66.40-acre tract in McKenzie County, Norwegian American Oil Corp. paid $13,000 for a 1.20-acre tract in Williams County, and Diamond Resources paid $11,000 per acre for a 39.72-acre tract in Mountrail County. All other high bids were below $11,000 and ranged from a very low bid of $10 to $8,500 per acre (see chart).

Other high bidders in the January auction were Statoil Oil and Gas, Globex Oil and Gas Corp., Lonewolf Energy Inc., NovaNRG, Herco LLC and PRE Resources. Bakken Production Inc., Agri Properties LLP and Southfork Oil LLC partnered on two 40-acre tracts in Bottineau County.

A total of 2,260.89 acres in 45 tracts were leased in the January auction bringing in a total of $17,504,250 in bonus bids, above the six-year average of $15,964,883.80. However, the January total is even more impressive when considering that the 2,260.89 acres offered in the auction is the lowest total acreage over the last six years of Montana/Dakotas BLM lease auctions and far below the six-year average of 32,933.17 acres.

Another record set in the January lease auction was the average price per acre of $7,742.19, which is also well above the six year average price per acre of $834.26. In addition, the average tract size in the January auction was 50.24 acres, the lowest average track size over the last six years and far below the six-year average of 458 acres per tract.

Most of the acreage leased in the January auction is in Mountrail County at 472.02 acres. The other acreages are in Williams (465.64 acres), Burke (320 acres), Golden Valley (320 acres), Dunn (210.74 acres), Divide (160.24 acres), McKenzie (152.25 acres), Bottineau (80 acres) and Bowman (80 acres) counties.

—MIKE ELLERD

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FLARING POLICY

Department of Mineral Resources Director Lynn Helms with developing the regulation to implement the ideas, and do it now.

Regulators respond to task force's swift pace

According to DMR Public Information Officer Alison Ritter, Gov. Jack Dalrymple requested Helms provide a presentation at the commission's next meeting on March 3.

ALISON RITTER

"That's a pretty short turnaround, so we need to fully understand everything they presented and how we can best put that into a policy," Ritter told Petroleum News Bakken.

The fast pace was set by the task force because their proposal recommended a tentative date of June 1 for the Industrial Commission to require the capture plans on new wells. Operators of existing wells would have a little more wiggle room with plan submission deadlines of either Sept. 1 or March 1, 2015, depending on flare volumes.

Timeframes are tight, but Ritter said Helms was very impressed with the depth and detail put into the task force report.

"Now the next step is working through what they presented to see what's feasible and what's not, and present to the commission what we can implement from our office," Ritter said.

A systematic approach

The department is reviewing the recommendations, as well as their implications if put into policy. For instance, Ritter said regulations may need to be field-specific because as Helms reviewed the task force's ideas, he determined there cannot be a blanket approach.

"He always has a very systematic approach to things, so I don't think this will be any different, and he will look at how to best implement it," she said.

As Helms considers future regulations, he is encouraged that industry found a way to work together to develop a proposal, particularly one that suggests self-regulation.

> *"Now the next step is working through what they presented to see what's feasible and what's not, and present to the commission what we can implement from our office."*
>
> **—Alison Ritter, N.D. Department of Mineral Resources**

"They set a precedent," Ritter said. "Like Eric Dille (task force chairman) said, industry companies don't usually put their heads together. The fact that they could actually put something together is great, because it just doesn't happen. So it's a step in the right direction: Now how do we actually put (the plan) into place?"

Gathering feedback and finding what works

Helms spent Feb. 4-7 in Houston at a conference which he attends annually to hear from industry about their plans for the coming year. He used the opportunity to also gain feedback on the task force proposal.

"Lynn's been thinking about what's the next policy, and he really did need feedback from industry in order to understand how to move forward because there may be some unintended consequences for royalty owners or drilling plans," Ritter said. "There's a lot to consider."

Helms is in favor of the task force's idea to create a pipeline hotline as a way for landowners to easily notify the appropriate person about any issues and ensure quality control. But Ritter admits the feasibility of such a process remains to be seen.

"There are a lot of great suggestions in there," Ritter said. "And now it's just trying to figure out which ones are going to work the best."

In September, Dalrymple requested that the North Dakota Petroleum Council form a task force made up of industry leaders to develop a plan to capture natural gas and reduce flaring. The state currently flares approximately 30 percent of the gas from its producing wells. The task force proposal would lower that number to 15 percent within two years and potentially hit the Industrial Commission's goal of 5 percent by 2020.

—MAXINE HERR

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KEYSTONE XL HURDLES

eight U.S. government agencies.

Girling looks for decision

TransCanada Chief Executive Officer Russ Girling said that after about 65 months of reviews by U.S. regulators he "would hope that everything that could possibly have been needed to review has been reviewed and that we could expeditiously get a decision" from the White House.

Girling suggested the State Department's final supplemental environmental impact statement would allow the U.S. government agencies to "truncate significantly" the process of deciding XL's fate and decide whether the project serves the U.S. national interest because much of the consultation among the agencies has already been done.


RUSS GIRLING

Alex Pourbaix, TransCanada's president of energy and oil pipelines, said the State Department has acknowledged that XL will create "$3.4 billion of GDP and create 42,000 person years of employment."

"We said this project is going to be safer than other alternatives for moving oil. The (State Department) document finds that, if the project goes ahead, we will see lower spills, less injuries and fewer fatalities," he said.

Oliver: Conclusions reaffirmed

Canada's Natural Resources Minister Joe Oliver offered a similar assessment.

"The State Department has reaffirmed its previous (four) conclusions. So, I think the time is ready for a decision, once (the administration) completes its 90-day review," he said.


JOE OLIVER

Oliver said his government would like to see Obama render his final determination by mid-2014, given the State Department's view that Keystone XL would have no major impact on greenhouse gas emissions — a criterion Obama insisted must be met to gain his support.

"The report also stated that 'approval or denial of any one crude oil transport project (including XL) remains unlikely to significantly impact the rate of extraction in the oil sands, or the continued demand for heavy crude oil at refineries' in the United States," he said.

Alberta Energy Minister Diana McQueen said Obama's State of the Union views are aligned with those of her province in promoting energy production.

"The president does send good signals that all forms of energy are still part of his energy strategy," she said.

Alberta Premier Alison Redford said the State Department's findings were consistent "with the analysis Alberta has put on the table in our various face-to-face meetings with key decision-makers in Washington."

Chorus against billionaires

Girling, joining a chorus against U.S. billionaires, said they "ignore the fact that U.S. companies are major players in the Canadian oil sands. ... When you're a wealthy billionaire you can afford to kill jobs."

Jack Gerard, president of the American Petroleum Institute, was emphatic that five federal reviews over five years, dozens of public meetings and more than a million comments have reached one conclusion — "the Keystone XL pipeline is safe for the environment. This final review puts to rest any credible concerns about the pipeline's potential negative impact on the environment."


DIANA MCQUEEN

U.S. House Speaker John Boehner said Obama is "out of excuses (on XL). The fact that he has let a final decision on the Keystone pipeline project — and the more than 100,000 jobs that come with it — languish for more than five years is economic malpractice."

John Hoeven, Republican senator for North Dakota, said there is no longer any reason to withhold approval of XL.

"Although not explicit (the report's findings) ... affirm the need to begin construction without delay.

"On the other hand the report is vague and provides no timeline for a final decision, giving the president broad room to further postpone a decision," he said.

Kerry to get involved

The only word out of the White House came from Obama spokesman Jay Carney who cautioned that the report does not represent a final decision by the U.S. government.

More tellingly, a spokeswoman said Secretary of State John Kerry will get "involved in the (XL) process for the first time," making the environment and climate change — two of Kerry's overarching concerns — part of the process.

"There is no deadline for Secretary Kerry to make a decision," she said.

Regardless of what the proponents think ought to happen and regardless of whether the State Department's criteria have been met or exceeded, Keystone XL may yet face its most daunting barrier.

What matters is how the project measures up with Obama's ambition to be seen as a global leader on climate change and how influential Kerry will be in steering Obama to the ultimate verdict.

For Obama the test is further complicated by the resistance to XL among many of his hard-core supporters — environmentalists, young voters and congressional Democrats whose seats are on the line in the mid-term elections — prompting many to forecast the XL verdict will be stalled until after the Nov. 4 vote.

"We do have to take (the State Department's work) and look at it against the broader question about where this project fits into our national and international efforts to address climate change and foreign policy and energy security," said Kerri Ann Jones, an assistant secretary of State for oceans and international environmental and scientific affairs.

"Given the priority that climate is (for Obama, Kerry) and the U.S. in general, that is certainly a key consideration," she said, giving fresh motivation to the vast array of environmental opponents of XL, whose scope was reflected in the State Department report.

Almost 1.5 million comments

It said a 2013 invitation for public comment attracted 1,496,396 submissions, of which 99 percent were form letters sponsored by nongovernmental organizations, with only 16,583 "identified as unique submissions."

One of the most formidable voices is the Sierra Club, whose executive director Michael Brune said Obama faces two choices: "Fighting climate disruption, or promoting energy policy that includes the expansion of dirty fossil fuels like tar sands. The Keystone XL tar sands pipeline fails the basic climate test and it's not in the interest of the American people."

The anti-Keystone factions — which have 30 days to comment on the final review — have also questioned whether the final State Department report is impartial, given alleged financial ties between TransCanada and the EMR Group, the contractor hired by the State Department to prepare the report.

Conservative party on offensive

The Canadian government of Prime Minister Stephen Harper, while insisting the State Department has demonstrated the "clear" benefits of XL to the U.S. and Canada, has conceded there are many battles ahead.

The ruling Conservative party wasted no time going on the offensive, launching an ad on its website slamming U.S. "billionaires who want to attack our oil industry," led by wealthy businessman-turned-environmentalist Tom Steyer.

Oliver said the campaign is intended to counter the "distorted and inaccurate" message of Keystone opponents and provide Canadians with a "counterbalance setting of the facts."

The State Department analysis delved into the impact of the $7 billion, 830,000 barrels per day pipeline on groundwater, air quality and greenhouse gas emissions.

It noted that pipelines from Canada already have capacity to deliver 3.4 million bpd to the U.S. and plans are in the works to expand those transmission systems to accommodate projects growth in oil sands output from 1.2 million bpd in 2012 to 2.3 million bpd in 2015 and 5.5 million bpd by 2030, plus 1.4 million bpd of conventional production.

The study noted that TransCanada has 550,000 bpd of firm commitments to ship Alberta heavy crude to market through XL, plus 65,000 bpd of Bakken crude, adding that the eventual crude mix and quantity will be "determined by market demand."

It said that output from U.S. tight oil formations, such as the Bakken, was expected to grow from 5.5 million bpd n 2010 to 7.5 million bpd by mid-2013.

The report said the 180,000 bpd of crude currently being moved out of the Western Canada Sedimentary Basin by rail is undergoing rapid growth, with rail loading facilities in the region destined to have capacity of 1.1 million bpd by the end of 2014. ●

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RESOLUTE RAILROADS

tions and in the current year we will make strategic investments in new siding to ease congestions, loading facilities and focus on safety," she said.

O'Hagan said there is rising interest among refinery operators to secure greater volumes of heavy crudes from Western Canada, which Chief Executive Officer Hunter Harrison is counting on along with cost cutting to contribute to an increase in revenue of 6 percent-7 percent this year to about $6.5 billion. Crude accounts for about 4 percent of its car-loads.

Keith Creel, CP's chief operating officer, said the railway has improved its accident total by 20 percent last year from 2012.

CN also cites improved safety

CN Chief Executive Officer Claude Mongeau said his company improved on its accident ratio by 9 percent last year.

> *"What we know now is that the DOT-111 is ... more prone to failure. It has a low probability of having an accident, but the high severity of the consequences is calling into question the design of the cars."* **—CN Chief Executive Officer Claude Mongeau**

He said the accident rate per million train miles was 1.92 in 2013 compared with 2.10 in 2012, including 33 main-track accidents, which Mongeau said have declined by more than 50 percent over the past decade despite greater freight volumes.

He said CN is committed to working with rail regulators on the use of older DOT-111 tank cars, which the U.S. and Canadian safety watchdogs favor phasing out.

"What we know now is that the DOT-111 is ... more prone to failure. It has a low probability of having an accident, but the high severity of the consequences is calling into question the design of the cars," he said.

Mongeau agreed with the safety boards that the DOT-111 should be phased out and replaced with a new tank car design, but he didn't offer any timelines for a changeover.

He does not expect any regulatory changes to have an impact on demand for shipping crude by rail.

Enforcement touted

Michael Bourque, chief executive officer of the Railway Association of Canada, said in a Financial Post article the industry has a 90 percent success rate in implementing safety board recommendations, while CN and CP are recognized as the two safest railroads in North America.

He said it is "unfortunate that, despite the declining accident rates over the past 12 years, some critics choose to focus only on high profile accidents and to draw broad-based conclusions about the industry and the regulatory framework."

Bourque also challenged the argument that the industry is "self-regulated," noting that in Canada railways operate under the Railway Safety Act, which has been regularly reviewed and updated since it was introduced 25 years ago.

"It provides for a robust regime of regulatory inspections, oversight, compliance and enforcement actions, including recently enhanced administrative monetary penalties against companies and individuals for violations," he said, noting that Transport Canada conducted 30,000 inspections of railway operations in 2012.

He said railways and regulators have taken a "comprehensive view on ways to achieve further safety improvements (since the Lac-Megantic disaster in Quebec last July)." ●

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LEGAL COLUMN

found that even though the granting language was consistent with fee simple title, it was not conclusive of that finding. The right-of-way language at the top of the private deeds created uncertainty. The very narrow dimensions of the land described in the deed as well as release language at the bottom of the deed favored viewing the deeds as easements.

Language in the deeds included a release to the railroad "from all claims from any and all damages to the lands through and across which the piece or strip of land hereby conveyed is located, by reason of the location, grade, construction, maintenance, and operation of a railway over and upon the premises hereby conveyed." In the Mountrail County case, the judge found that the release would not be necessary if the private owners conveyed all of their interest in the land, but rather the release would only make sense if the private owners retained an interest or retained fee simple title while conveying a right of way.

Additionally, at least two deeds found in title after the private deeds to the railroad conveyed the property as the whole quarter with lands "heretofore acquired by said Railway Company ... under the Act of March 2nd, 1899" and less a strip of land "acquired from the United States of America by virtue of" the Act. The 1899 Act only conveyed an easement on the lands, and Soo Line stipulated that it had no minerals under that original track line. The legal descriptions in the deeds were lands extending off the 1899 right of way by an additional approximate 25 feet.

In the Williams County case, there was also a condemnation order on property managed by the North Dakota Department of Trust Lands for original school grant lands in Section 36. Those lands were included when the entity who leased Soo Line Railroad, G-4, LLC, cross-claimed to include additional lands from the ones under the Parshall well.

While the condemnation order also uses only fee simple language, the judge found that under state laws existing at the time of the condemnation, fee simple could only be used in a condemnation order if the property was taken for public buildings or grounds. In this case it was taken for private railway use, in which case only an easement could be granted. That made the order void, and the State of North Dakota retained title to those minerals. ●

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CONOCO GROWTH

Bakken hits 43,000 boepd in Q4

Bakken alone averaged 39,000 barrels of oil equivalent per day in the fourth quarter of the 2013, a whopping 63 percent increase over the same period in 2012. That compares to 34,000 boe per day in the third quarter, up 13 percent from the second quarter and 31 from the third quarter of 2012. Daily output in the 2013 fourth quarter peaked at 43,000 boe, the company reported.

In the Eagle Ford, where natural gas makes up a larger portion of production than the Bakken, output averaged 126,000 boe per day in the fourth quarter, representing 42 percent growth versus the same period in the previous year. Production reached a peak daily rate of 141,000 boe in late December, the company noted.

When adding ConocoPhillips' Permian production to the company's Bakken-Eagle Ford mix, 2013 fourth-quarter output from these areas was up a combined 31 percent compared to the fourth quarter of 2012.

More reserves to book

ConocoPhillips has booked less than 30 percent of "identified resource" in the Bakken and Eagle Ford, based on current well spacings of 80 acres in the Eagle Ford and 320 acres in the Bakken, said Matt Fox, the company's executive vice president of exploration and production. He said "key additions" from new organic reserve replacements come from the Eagle Ford and the Bakken plays.

> *ConocoPhillips has booked less than 30 percent of "identified resource" in the Bakken and Eagle Ford, based on current well spacings of 80 acres in the Eagle Ford and 320 acres in the Bakken, said Matt Fox, the company's executive vice president of exploration and production.*

ConocoPhillips, which operates through its Burlington Resources subsidiary in the Williston Basin, has a five-year plan to spend $5 billion in the Bakken to grow production to more than 50,000 boe per day by 2017. The company has more than 626,000 acres prospective for the Bakken and estimates a drilling inventory of more than 1,400 wells.

Preliminary year-end 2013 proved reserves are reported at 8.9 billion boe, up 3 percent from 2012, the company said, adding that proved organic reserve additions are expected to be about 1.1 billion boe, representing an organic reserve replacement ratio of 179 percent of 2013 production. About 470 million boe are primarily in liquids-rich plays, including the Eagle Ford and Bakken.

Liquids make up 60% of reserves

Liquids comprised about 60 percent of the reserve additions, and another 15 percent were tied to liquids pricing through liquefied natural gas, LNG.

Lower 48 and Latin American production for the 2013 fourth quarter averaged a combined 497,000 boe per day, an increase of 22,000 boe per day compared with the same period in 2012. Lower 48 production alone was up 34,000 boe per day, representing overall 7 percent growth compared to 2012.

"But more importantly behind this overall growth, our oil production grew 24 percent year-on-year delivering the mix shift we're targeting as we execute our strategy," Fox said.

In 2012, ConocoPhillips spun off its refinery and midstream assets into Phillips 66 to become a pure exploration and production, E&P, company. One of its North American goals was to increase valuable liquids production. During 2013, liquids output from continuing operations increased to 56 percent of total production "and should continue to improve in 2014 and beyond," said Jeff Sheets, executive vice president and chief financial officer for ConocoPhillips.

"You just saw a fairly large shift in liquids production … in very significant percentage related primarily to Eagle Ford and the Bakken, the biggest driver of that change," he added.

Overall production slips

Total worldwide company production from continuing operations for the fourth quarter of 2013 averaged 1.473 million boe per day, down 93,000 boe per day compared with the fourth quarter of 2012. The decrease was due primarily to normal field decline, the impact of the disruption in Libya and weather-related downtime, partly offset by new production from development programs, including the Bakken, the company said.

Production from continuing operations for full-year 2013 averaged 1.502 million boe per day, compared with 1.527 million boe per day for 2012. Adjusted for dispositions, Libya and downtime, production grew by 30,000 boe per day, or 2 percent compared with 2012, the company emphasized. Viewed another way, growth of 207,000 boe per day last year was 30,000 bpd higher than decline of 177,000 bpd.

"The majority of our growth came from our development and major projects in the Lower 48 shale plays and the oil sands in Asia," Sheets said.

Unconventional exploration in North America during the 2013 fourth-quarter remained focused on drilling in the Niobrara and Permian Basin in the Lower 48, as well as the Montney, Duvernay and Canol plays in Canada.

Conoco targets 1.55 million boepd

The company has targeted daily production of 1.55 million boe in 2014, but said it will exclude Libya from company projections.

"So we now think of this 1.472 million boe per day as the base on which we are going to grow 3 percent to 5 percent in 2014 and beyond," Sheets said.

Meanwhile, ConocoPhillips generated $15.8 billion in cash from continuing operations in 2013, received $10.2 billion in proceeds from asset dispositions and paid dividends of $3.3 billion. The company also financed a $16.3 billion capital program for continuing operations and fully prepaid a $2.8 billion joint venture acquisition obligation to the company's 50 percent owned FCCL business venture.

However, ConocoPhillips' adjusted earnings of $1.74 billion for the 2013 fourth quarter were essentially flat to the prior year's fourth quarter and down slightly sequentially. "Some of the drivers in this quarter's performance aren't obvious," Sheets noted.

Embedded in the earnings, he explained, were weaker liquids realization in North America, reflecting wide price differentials to benchmarks West Texas Intermediate and Western Canadian Select. Moreover, production volumes were negatively impacted by unusual weather in the Lower 48 and the North Sea.

"We also had continued curtailment in Libya and a plan to turnaround in Qatar," Sheets said. But adjusted full-year earnings of $7.1 billion were up 5 percent compared to 2012's adjusted earnings, he added. ●

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