Petroleum News
Bakken

page 3 TransCanada looks to cut jobs as Keystone XL remains stuck in limbo

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One of many Chimney Buttes

VERN WHITTEN PHOTOGRAPHY

This one is in the Blue Buttes oil and gas field in northeast McKenzie County, North Dakota looking northwest. Another is actually in the "Chimney Butte" field in central Dunn County. But there are yet two other topographical features in western North Dakota with the same name, one in southern Billings County and the other in central Golden Valley County.

Gathering pipeline conversion would open more export options

Hiland Crude, a pipeline company, has applied to the North Dakota Public Service Commission to allow conversion of a 197-mile gathering pipeline to a crude transmission line. The pipeline would have the capacity to transport 65,000 barrels of oil per day, but the pipeline is unique in its ability to connect to four rail terminals and potentially four export pipelines. The pipeline is located in the heart of the Bakken running across northern McKenzie and southern Williams counties and extending into western Mountrail County where it has the capability to collect oil from some of the Bakken's highest producing wells.

see **EXPORT OPTIONS** *page 16*

Muncrief leaving Continental to chart new WPX Energy course

RICK MUNCRIEF

WPX Energy appointed Richard E. "Rick" Muncrief as the company's next president and chief executive officer. The appointment is effective May 15. He also will join the WPX board following the company's annual meeting of shareholders on May 22.

Muncrief joins WPX six months after former CEO Ralph Hill left the company, following two years of disappointing financial results. WPX lost $1.185 billion in 2013.

James J. Bender, who has served as WPX president, CEO

see **MUNCRIEF JOINS WPX** *page 16*

NDTL May auction averages $908 with four bids as high as of $14,000

At $14,000 per acre, Denver-based non-operator Vitesse Oil came in with the highest bid during the North Dakota Department of Trust Lands Minerals Management Division's quarterly oil and gas lease auction held in Bismarck on May 6. Vitesse Oil paid that price for leases on four Missouri River riverbed tracts in McKenzie County that ranged in size from 23.91 to 159.77 acres. Vitesse Oil also paid $13,700 per acre for two four-acre tracts and one 60-acre tract, also in McKenzie County, and $12,000 per acre for a 40-acre tract in Williams County. Vitesse Oil picked up all of the leases offered in McKenzie County.

The only other five-figure bid was $13,100 per acre that

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COMPANY UPDATE

Beating winter

Oasis Petroleum has strong first quarter as it moves to more slickwater

By MIKE ELLERD

Petroleum News Bakken

THOMAS NUSZ

Oasis Petroleum weathered a North Dakota winter in the first quarter to post a production increase over the fourth quarter 2013 as it closed on the sale of its non-operated Sanish assets and successfully tested new completion techniques, all while lowering well costs.

For the first quarter, the Bakken-focused independent's output was up 5 percent over the fourth quarter 2013 to 42,856 barrels of oil equivalent per day, excluding the sale of its Sanish assets. That increase puts Oasis on track to grow its production to between 43,000 and 46,000 boepd which at the midpoint and adjusted for the sale of its non-operated Sanish assets would represent a quarter-over-quarter production growth of around 8 percent.

Contributing to that output are the successes the company has seen in new completion methods, most importantly a shift to slickwater fracturing in much of its West Williston core area where Chief Executive Officer Thomas Nusz says the company has seen "material uplift" in production resulting from that completion method. Oasis is looking to

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COMPANY UPDATE

Production surge coming

Whiting unveils positive results from 'coiled tube' completion technology tests

By RAY TYSON

For Petroleum News Bakken

JAMES VOLKER

Whiting Petroleum is projecting a huge surge in second quarter production as deployment of new well completion techniques in the Williston Basin begin to bear fruit.

Meanwhile, production test results from the company's latest completion design utilizing coil tubing, unveiled during a May 1 conference call with industry analysts, were even greater than from the heralded and transformational cement liners method now being widely deployed by Whiting in the basin.

Production to jump 9 percent

Whiting is forecasting second quarter 2014 production of up to 108,791 boepd, a nearly 9 percent increase over first quarter 2014 production of 100,065 boepd.

Of the total, 73,325 boepd or about three fourths of production in the first quarter came from the Williston Basin, where Whiting has been busy drilling, testing and deploying new completion techniques, especially cement liners and plug-and-perf technology, and shortening the distance between wells, known as high-density drilling or

see **WHITING SURGE** *page 19*

COMPANY UPDATE

Pushing density limits

Kodiak's Williams County downspacing tests looking at separations of 600-650 feet

By STEVE SUTHERLIN

For Petroleum News Bakken

LYNN PETERSON

Kodiak Oil and Gas is staying the course in its Bakken downspacing pilot programs, and it is looking beyond early well results to the horizon.

In 2014, Kodiak will push its downspacing envelope further at its Polar 2.0 pilot in lower Williams County, North Dakota, drilling 16 wells in a 1,280-acre drilling spacing unit testing 600 foot to 650 foot spacing between wellbores.

The first four-well pad at Polar 2.0 was completed during the first quarter of 2014.

Kodiak reported that its two Polar 2.0 middle Bakken wells produced a 30 day average of 1,040 barrels of oil equivalent per day, and a 60 day average of 790 boepd. Two Three Forks wells produced an average of 792 boepd over 30 days and an average of 606 boepd over 60 days.

Russ Cunningham, Kodiak executive vice president of exploration, told analysts in a May 2 conference call that it is far too early in the pilot to extrapolate meaningful conclusions based on production from the wells to date.

"We have received numerous questions about these wells as people are trying to compare it to our first pilot program and draw immediate conclusions," Cunningham said. "Please keep in mind that these wells were completed during

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ON THE COVER

● MOVING HYDROCARBONS

Keystone XL delays come with a price tag

As the pipeline remains stuck in limbo, TransCanada puts off hiring, looks to cut hundreds of jobs, and will hike cost estimate

By **GARY PARK**

For Petroleum News Bakken

RUSS GIRLING

TransCanada is on the verge of unloading hundreds of employees because of the dithering over Keystone XL, but Chief Executive Officer Russ Girling has downplayed talk that his company is resorting to a challenge under the North American Free Trade Agreement to get the pipeline built.

He told TransCanada's annual meeting and reporters that persistent delays in getting XL approved means there is only a "low probability" that work could start during the peak construction season, despite a push by the U.S. Senate to authorize a bill that would bypass the White House (see story on page 10).

Given the outlook, TransCanada may have to lay off hundreds of employees who were dedicated to the project and stall the hiring of 9,000 construction workers.

Girling also said the delays will force TransCanada to hike its XL cost estimate from US$5.4 billion (so far US$2.3 billion has been invested), resulting in a material impact on the company.

But he said TransCanada hopes to avoid taking a legal route under NAFTA, although that is an option "we would have to look at if we end up in a situation where the pipeline's delayed indefinitely or

see **COST OF DELAYS** page 5

TransCanada dealing with XL's latest holdups

Since first proposing the Keystone XL pipeline some five and a half years ago, TransCanada has successfully dealt with a multitude of delaying obstacles, and now is trying to deal with two more. In late April, the U.S. State Department announced it was allowing more time for eight federal agencies to submit comments on the project, and in Nebraska there is a legal dispute over whether the governor or the Public Service Commission has authority over the pipeline's approval. While the State Department waits on more comments, TransCanada is preparing its response to the 2.5 million comments the State Department has already received on the project. In Nebraska the company is letting the legal system run its course (see related stories on pages 1 and 10).

In an earnings conference call on May 2, Girling expressed his frustration with the State Department's decision to allow more time for the eight federal agencies to submit comments. Girling said TransCanada is in the process of responding to the approximately 2.5 million comments that the State Department received on the propose

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● MOVING HYDROCARBONS

Lighting a fire under rail regulators

New rail car standards submitted to the White House as safety concerns grow following another fiery train derailment in Virginia

By **MAXINE HERR**

For Petroleum News Bakken

Rail freight carriers must now identify the routes being used to transport Bakken crude oil and notify emergency first responders along those routes. The order came May 7 from U.S. Transportation Secretary Anthony Foxx as part of an interim step until a final rule is adopted for new, safer tank cars. He also signed a nonbinding safety alert urging railroads to cease using the older DOT-111 cars to carry crude. Foxx sent a proposed plan to improve tank car standards for trains carrying highly flammable materials to the White House's Office of Management and Budget in early May, but details have not been publicized.

The issue remains in the forefront, especially after a train carrying Bakken crude derailed in Lynchburg, Virginia, on April 30 spilling oil into the James River a short distance from office buildings in the city of 77,000 people.

With other recent fiery train accidents in North Dakota, Alabama and Quebec, residents across both nations are unsettled by railcars full of oil rolling through their communities. The CSX railroad just started shipping crude oil from the Bakken through Virginia in December, and local officials had no knowledge of it.

Lynchburg City Manager Kimball Payne said he didn't know trains were carrying oil through his community, but while right-to-know laws require facilities to disclose what hazardous chemicals are stored and used in town, the laws do not extend to trains. Prior to Foxx's order, railroad and oil companies did not have to disclose freight contents according to federal law.

When an oil train crashed on Dec. 30 near Casselton, North Dakota, the city's mayor was well aware that Bakken crude passed through his town on trains every day because of the red diamond-shaped placard on the car with the number 1267 to designate crude, although that doesn't distinguish which type of crude or source. He had the knowledge only because of a similar concern several years ago about chlorine being shipped by rail, and while training first responders, the city contacted state and federal transportation departments about distinguishing freight on cars.

"Their basic answer was when we have an accident, you'll know what's in the cars by the placard," Casselton Mayor Edward McConnell said. "It would be nice to know more, but I don't think it's something that's going to get much traction."

DOT not satisfied

The U.S. Department of Transportation, DOT, says most crude-by-rail shippers are not cooperating with its effort to gather information to prevent accidents involving crude oil rail cars. The DOT wants oil testing data from large shippers and terminal operators, but has only received it from ExxonMobil, Continental Resources and Savage Cos. Several other companies responded on May 2 that they plan to submit data or had already given it to DOT officials in North Dakota.

"We have shared it with their people in the field, voluntarily," said Hess Corp. spokesman John Roper.

The DOT's Pipeline and Hazardous Materials Safety Administration, PHMSA, recently sent inspectors into the Bakken to determine if companies were properly testing and labeling the crude oil prior to loading it into rail cars.

"They've been out there at least five times fairly recently," said Larry Springer, spokesman for fuel transport company Enbridge, of the PHMSA inspections in the Bakken.

Awaiting findings, new car standards

From February inspections, PHMSA fined three oil companies for wrongly handling Bakken crude, but the $93,000 in penalties against Hess Corp., Marathon Oil Corp. and Whiting Petroleum Corp. have already been modified and may see further reduction. PHMSA has collected more than 80 fuel samples, and the DOT said preliminary findings should be reported soon.

The DOT warned in January that Bakken crude may be more dangerous to haul via rail versus other conventional crude due to its volatile properties, and the department could require tank car upgrades to avoid punctures and explosions.

Lynchburg derailment adds to urgency

The CSX Corp. said 15 cars traveling from Chicago to Virginia derailed, followed by three cars catching on fire and falling down an embankment into the James River. No one was hurt, but hundreds were evacuated. Since the river runs into Chesapeake Bay, containing the spill was of utmost concern. While it's not confirmed how much oil burned off or how much of it spilled into the river, Bill

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● COMPANY UPDATE

Oxy USA ramps up domestic operations

Bakken assets are removed from the chopping block as Oxy USA prefers to take modest production gains over a poor selling price

By MAXINE HERR
For Petroleum News Bakken

Occidental Petroleum strives to lift its total oil and gas production, achieving a year-over-year boost in domestic oil production, but dropping by 18,000 barrels per day worldwide compared to 2013's first quarter.

For the first three months of 2014, Occidental's U.S. operations reported that domestic oil production increased by 10,000 barrels per day, boepd, over the same time last year, but actually dropped 4,000 boepd from the fourth quarter of 2013 due to reduced domestic gas drilling. Overall daily oil and gas production volumes averaged 745,000 boepd, compared with 763,000 boepd in the first quarter of 2013.


STEPHEN CHAZEN

The Los Angeles-based company said its first quarter earnings climbed 2.5 percent due to the higher production, which Chief Executive Stephen Chazen touted as a "strong start" to the year.

In the U.S., Occidental operates as Oxy USA and has sold assets as a way to focus on its more profitable projects like Texas' Permian Basin. Earlier this year the company announced a $1.4 billion sale of its Hugoton Field assets in Texas as well as a reduction of ownership in Plains All-American Pipeline.

As announced in February, Oxy plans to split its California operations, moving its headquarters to Houston and making the California operations a separate publicly traded company. The new California company will employ approximately 8,000 people and become the state's largest natural gas producer. Oxy said the change is expected to occur by early 2015.

Not the time to leave the Bakken

The company holds approximately 333,000 net acres in the Williston Basin in south-central and west-central Dunn County and southeast Burke County. Oxy had considered selling these assets because, as Chazen said, the wells are only producing 20,000 bpd, but added that the market is not favoring a sale.

"If we had a price comparable to the way we trade, that would be one thing. The cash market is simply just not that strong right now," Chazen told analysts in a conference call May 5.

He said Oxy has restarted its development program and thinks it will grow "modestly" over the next year or two.

"We could either grow it or divest it, but cash divest just doesn't get the kind of proceeds that we think are intrinsic to the business," Chazen said. "The scale is below what we want; we probably need a 40- to 50-(thousand) barrels a day business."

But from an operational perspective, Chazen said the Williston Basin assets have performed better over the past year than they have historically.

"Perhaps at some point in the future we may be able to merge it in with someone else," he said. "It may be only doing some modest good, but it's not doing any harm right now."

Doubling up in the Permian

Meanwhile, Oxy is ramping up its rig count in the Permian Basin, and plans to double it from the end of 2014 to 2016, going from 23 to 46. It also expects to double its acreage in the area in the next couple of years. The company spent $55 million on exploration in the first quarter and plans to spend another $80 million in the second quarter.

"The Permian is the cornerstone growth operation of the domestic business," Chazen said. "We have used our knowledge and experience to gradually shift our program toward horizontal drilling in an efficient manner. We have already made significant progress and are on track to execute this shift as planned."

The company said horizontal drilling could increase 15 percent by the end of 2014, and then 20 percent going forward.

Earnings from oil and gas operations in the first quarter ending March 31 hit $2.1 billion, rising from $1.9 billion the same time last year. The current quarter results reflect higher domestic profit, due to higher oil and gas prices in the U.S. and worldwide oil volumes. However, domestic operating costs were higher and international oil prices were lower. The use of carbon dioxide, steam and power, along with well maintenance activity, resulted in higher operating costs. Despite the setbacks, domestic costs were 10 cents per barrel lower than the 2013 average rate.

"We've still got more to do, more costs to be saved, better completion techniques," Chazen said. "Continuous improvement will never end." ●

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RAIL STANDARDS

Hayden, a public information officer with the Virginia Department of Environmental Quality, estimated that 30,000 gallons of crude oil had leaked into the river, creating a 9-mile long sheen. Most of the oil has been contained by booms and drinking water has not been affected, he said.

Officials from the DOT, National Transportation Safety Board, and the Environmental Protection Agency promptly went to the accident site to investigate. The cause of the derailment is still unknown.

"With this event, regulators could try to expedite the process, and they'll likely err on the side of the more costly safety requirements," said Michael Cohen, vice president for research at Barclays in New York. ●

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● COMPANY UPDATE

EOG goes to 700-foot well spacing pattern

Optimizing spacing to speed production, maximizing net present value; downspacing could add years to Bakken drilling inventory

By STEVE SUTHERLIN
For Petroleum News Bakken

Bakken downspacing is paying off in more than one way for EOG Resources Inc.

During the first quarter, EOG achieved economic success with 1,300 feet between wells and now is testing 700-foot spacing patterns to determine the optimal development of the field, the company said.

"Last year we increased the drilling density in the Bakken from two to four wells per spacing unit," Billy Helms, EOG executive vice president of exploration and production, said in a May 6 conference call. "Due to tighter spacing and configuration of leases, the majority of our 2013 drilling in the Core and Antelope Extension was based on 1,300 feet between wells."

Hoping to repeat what EOG achieved in the Eagle Ford, EOG will continually test downspacing to maximize the net present value in the overall play, Helms said.

"We are early in the life of these tests and we will monitor production history to determine optimal spacing for development," he said. "If tighter spacing proves successful, a number of years would be added to our Bakken drilling inventory."

Helms said EOG was pleased with its 1,300-foot spacing test, but the company realized net present value was not maximized in that scenario.

"We'll be testing some various spacing patterns as we try to define how to maximize net present value," he said. "This is a similar approach as we've done in most of our shale plays across the company, and until we really find out what that formula looks like, we're really kind of hesitant to state what the upside might be there," Helms said, adding that EOG will provide more effort on that going forward in the year, "and we're very confident that we're going to have success there."

EOG is willing to risk some communication between closely spaced wells.

Although expected ultimate recovery per well may decline as well spacing patterns close tighter, NPV will rise, said Bill Thomas, EOG chairman and CEO.

"Naturally, as you push wells closer together, you're going to end up having some sharing between wells, that's just inevitable," he said. "Our rate of return is still very, very

see EOG WELL SPACING page 11

● COMPANY UPDATE

Winter stifles Fidelity's Bakken output

Weather holds WB production increase to 3 percent, but MDU subsidiary turns in 14 percent quarter over quarter growth in Q1 2014

By STEVE SUTHERLIN
For Petroleum News Bakken

MDU Resources Denver-based subsidiary Fidelity Exploration & Production Co. reported that it increased its overall oil production 14 percent compared to the first quarter of 2013, including a 3 percent increase in its North Dakota Bakken play despite difficult winter weather.

The Paradox Basin in Utah is Fidelity's fastest growing oil producing area with a production increase of 121 percent compared to the first three months of last year, the company said, adding "Fidelity also benefited from its acquisition in early March of producing oil properties in Wyoming's southern Powder River Basin."

"The oil production increased along with substantially higher realized natural gas prices, resulted in adjusted earnings for the quarter of $25.2 million compared to $24 million back in 2013," Dave Goodin, MDU president and CEO said in a May 1 earnings conference call.

The Powder River "is a key part of our oil and gas portfolio and now represents approximately one-fourth or a quarter of our total oil production, up from 13 percent a year ago," Goodin said.

"Of course, the Bakken is still our largest producing asset accounting for over one-half of our total oil production," Goodin said. "Our production was certainly impacted by the conditions, as we saw minimal oil production growth year-over-year."

MDU projects that 2014 capital spending at Fidelity will reach $670 million, which would be partially offset by planned asset sales of nonstrategic properties later in the year.

"We currently have two rigs running in the Bakken with one each in Mountrail and Stark counties," Goodin said. "We expect to invest approximately $130 million in the Bakken this year, as we continue to develop our acreage and test new completion designs and techniques, which we expect to be finalized later in 2014."

Despite a slow start to the year in the Bakken, Fidelity expects to achieve its revised target of 15 percent to 20 percent oil production growth for 2014, Goodin said. "Our E&P segment is positioned well for continued growth."

Bakken diversification

MDU's pipeline and energy services group WBI Energy boosted earnings to $4.3 million compared to $2.3 million a year ago, reflecting higher earnings from its Pronghorn natural gas and oil midstream assets where transportation volumes were 43 percent higher when compared with the same period a year ago, Goodin said. "Principally related to this were volumes associated with the Bakken natural gas processing facilities."

WBI holds a 50 percent interest in the Pronghorn facilities.

Goodin said the company has an "aggressive goal" to double its capital investment in the pipeline and energy services group in the next five years.

WBI is conducting an open season for a proposed $650 million, 375-mile natural gas pipeline that would stretch from western North Dakota to northwestern Minnesota, boasting an initial capacity of approximately 400 million cubic feet per day, he said. The open season will conclude May 30.

The company will build pipeline to its new refinery, which will open on schedule this year, despite the weather.

"Our jointly owned $350 million Dakota Prairie Refinery is approximately now 55 percent complete," Goodin said. "This project remains on schedule to begin testing later this fall and have in service by the end of the year."

MDU Construction Services Group Inc. struck a new quarterly earnings record of $16.6 million, Goodin said, adding that the company's backlog grew as well.

"We have a combined backlog totaling now at $1.05 billion at March 31, and additional backlog has been secured in just this past month," Goodin said. "The $653 million we have in the backlog at our materials group is the highest first quarter backlog we've seen since 2007."

The backlog includes a $55 million bypass project near Rockford City in the Bakken area, "the largest individual contract in the history of our construction materials company," Goodin said.

"Part of our story here is certainly attributable to the Bakken, as our combined North Dakota backlog is approximately $125 million compared to only $67 million just a year ago," Goodin said.

Goodin said the construction division was seeing stronger prospects in a number of its markets.

"A sound cost structure, good backlogs and continued positive indicators in many of the markets we participate in have us confident in a good year for our construction group as we kick off the construction season," he said.

Growth in the Bakken juiced results for the company's utility division: Electric sales increased 10 percent over the first three months of 2013, but warmer weather in Idaho offset robust gas sales in the Bakken during the quarter.

"Temperatures were no doubt colder in the plain states of our service territory this quarter, but when combined with warmer weather in our Idaho utility service territory, we netted a minimal increase in natural gas sales on a combined basis," Goodin said. "We did achieve record electric retail sales volumes for the second consecutive quarter, thanks in large part to continued economic growth in the Bakken area, whereas we are seeing sustained customer growth.

"Our outlook for our utilities business plans include investing $1.3 billion over the next five years with a projected rate base growth of 9 percent annually," he said.

Goodin said construction of an 88-megawatt natural gas turbine continues on schedule with projected service in third quarter 2014. ●

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COST OF DELAYS

denied."

Girling noted that 600 million barrels of Canadian crude have been delivered to the U.S. on the original Keystone line without fuss or interference.

Derek Burney, a former Canadian ambassador to the United States, said in a speech earlier in May that NAFTA gives Canada "unfettered access to ship to the U.S."

Canada's Natural Resources Minister Greg Rickford ruled out any moves by the federal government to initiate a NAFTA challenge.

"We're hopeful that in the shorter term rather than the medium or longer term that a decision will be taken by the United States to move forward with the Keystone pipeline," he said.

"We've not to this point heard from the Obama administration that this project should, would or could be stopped. We've heard delays," he told the Canadian Press. ●

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LATEST HOLDUPS

pipeline, "but I think our view at this point in time after 17,000 pages, that it's not 2.5 million comments, it's one comment 2.5 million times."

And in Nebraska, TransCanada is waiting to see who the courts decide has the approval authority. "The Nebraska issue is a legal issue, one of jurisdiction as to who has authority to approve the pipeline," Girling said in a press conference following TransCanada's annual meeting in Calgary, also on May 2. "If it's determined that … the governor of Nebraska doesn't have the final authority, then the PSC would have the authority, and we're looking at the options of doing that in parallel with the current legal process."

Girling said the State Department's final environmental impact statement, EIS, clearly indicates the pipeline will be safe. He said that EIS indicated there would be greater greenhouse gas emissions and a greater risk to public safety from rail transport.

"So based on the facts, we should see approval and however that approval mechanism comes around obviously we're going to be happy with. But you know our focus right now is on the regulatory process, the issues that arise in Nebraska, responding to the Department of State questions and their response on the two and a half million that they received during the national interest determination period," Girling said. "Our focus is on getting a pipeline built and doing what is necessary to provide the authorities with the information they need to make a positive decision," Girling said.

—MIKE ELLERD

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● COMPANY UPDATE

XOM's 1Q production dips to 4.2M boepd

By MAXINE HERR

For Petroleum News Bakken

The world's largest publicly traded oil company reported low profits for the first quarter, but its earnings still managed to surprise investors and analysts.

Global oil giant ExxonMobil posted 2014 quarterly income at $9.1 billion compared to $9.5 billion a year ago. Falling production volumes and weak earnings from its international businesses were offset by a boost in natural gas prices in the United States due in large part to an extremely cold winter. Since last year's first quarter, total oil production for the company dropped 5.6 percent to 4.2 million barrels of oil equivalent per day, boepd; however the company also cut costs by 28 percent, particularly in oil and gas exploration, which improved profit numbers.

Combining with XTO's experience

ExxonMobil's subsidiary, XTO Energy is an active oil producer in Williams and McKenzie counties in North Dakota. ExxonMobil's Vice President of Investor Relations David Rosenthal says it is "still delineating, appraising, and experimenting on how we go about drilling and completing wells" in its domestic plays like the Bakken and Permian Basin of Texas.

"It keeps in mind the long term development of these resources and not getting too far out in front and regretting something later," Rosenthal said.

XTO ranked seventh among the top 50 oil producers in North Dakota in February for operated, non-confidential wells with an average daily output of 45,294 barrels.

ExxonMobil said it is making good progress driving costs down in its unconventional oil plays and the trend of reducing costs and improving capital efficiency is expected to continue.

"With the combination of ExxonMobil's technology and XTO's operating experience, we're really starting to see the leverage we get by combining those, particularly as we continue to acquire and attract acreage," Rosenthal said.

E&P profits up

ExxonMobil's profits from exploration and production of oil, versus refining and processing, went up by $746 million from a year ago to $7.8 billion because of higher natural gas prices and the ability to produce higher-profit oil. The company reported a dip in both its chemicals and refining units due to a cut in production in March at its Baytown, Texas, refinery after an oil barge spill caused the closure of the Houston Ship Channel.

Rosenthal said first quarter numbers are always a little lower than the rest of the year, so at this point the year is right on track.

"With a 4 million boepd guidance, as we look at the first quarter and across the rest of the year, those numbers still look good to us," he said. "We've got some additional ramp up to occur across the year … so it looks real strong and maintains our confidence in meeting our full year projections." ●

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● PEOPLE TALK

Whiting's president and COO planning to retire

Denver-based independent also promotes two to SVP positions; Continental Resources promotes Gould and expands Eissenstat's role

By ROSE RAGSDALE

*For Petroleum News Bakken*n

James T. Brown, president and chief operating officer of Whiting Petroleum Corp. is retiring, effective June 17.

Brown joined Whiting in 1995 as a consulting engineer and subsequently served as operations manager, vice president of operations and senior vice president of operations. In January 2011, he was elected president and chief operating officer.

People Talk

"Jim Brown helped build Whiting into one of the premier operators in the Williston and DJ Basins. In addition, Jim's leadership resulted in an exemplary environmental and safety record over his tenure," said Whiting Chairman and CEO James J. Volker. "We thank Jim for his many contributions, and we wish Jim and his family all the best."

Volker will assume the additional position of president, effective June 17.

Also effective June 17, Whiting is promoting Rick Ross to senior vice president, operations, and Pete Hagist to senior vice president, planning. Ross formerly was Whiting's vice president, and Hagist served as vice president, Permian operations.

Ross and Hagist join Senior Vice President, Exploration and Development Mark Williams at the senior vice president level. The three officers will collectively assume responsibility for the duties previously overseen by Brown.

In his new role, Ross' responsibilities will continue to include supervision of all Whiting's operations in the Williston Basin Bakken/Three Forks play and Redtail DJ Basin Niobrara prospect. Ross held various technical and managerial positions with Amoco Production Co. from 1982 through 1999 and with Whiting since 1999. He has more than 30 years of experience in the oil and gas industry, including extensive experience in the Rocky Mountains and Midcontinent. He is a graduate of the South Dakota School of Mines and Technology with a bachelor's degree in mechanical engineering. He is also the past chairman of the North Dakota Petroleum Council, a state trade group representing the North Dakota oil and gas industry.

Williams is responsible for the company's upstream activity and capital budget, overseeing its efforts in identifying, quantifying and developing unconventional oil reservoirs. During his 30 year tenure he has led Whiting's efforts in the discovery and development of the Bakken in North Dakota.

Continental promotes one, expands role of another

Continental Resources Inc. has reported additional changes in leadership within its management team, in concert with news of the departure of Senior Vice President of Operations and Resource Development Richard E. "Rick" Muncrief (see story on page 1).

Gary E. Gould has been promoted to senior vice president of operations and resource development, and Eric S. Eissenstat, senior vice president, general counsel and secretary, had his role has expanded to include chief risk officer.

Gould, 49, previously served Continental as vice president of resource development. He joined Continental in 2013 and has more than 25 years of industry experience with independent and major oil and gas companies. Gould also has

see PEOPLE TALK page 9

COMPANY UPDATE

COP's 1Q output on track for production goal

By RAY TYSON

For Petroleum News Bakken

ConocoPhillips, operating under its subsidiary Burlington Resources, appears to be well on the way to attaining its previously announced goal of doubling Bakken production over the next several years.

The company averaged 43,000 barrels of oil equivalent per day during the 2014 first quarter, an impressive 10 percent increase over the 39,000 boepd the company averaged from the Bakken during the previous quarter.

Bakken output during the first quarter actually peaked at 54,000 boepd, more than 10,000 boe above the daily average, ConocoPhillips also said in a May 1 conference call with industry analysts.

"We're performing pilot tests in the Bakken to optimize our drilling and development programs," noted Matt Fox, ConocoPhillips' executive vice president of exploration and production.

Doubling production planned

The Bakken plan to double production between 2014 and 2017, fueled by about $1 billion per year in investment, is part of larger ConocoPhillips initiative to accelerate growth in unconventional Lower 48 plays, including the company's flagship Eagle Ford field in Texas.

"We delivered on key milestones around our major projects and continued our strong performance on the unconventionals," said Jeff Sheets, ConocoPhillips' chief financial officer.

Eagle Ford and the Bakken combined delivered 183,000 boepd during the 2014 first quarter, a 41 percent increase compared with the first quarter of 2013, the company said, noting that the Eagle Ford alone, which averaged 147,000 boepd during the first quarter, achieved a new peak daily production rate of 163,000 boe.

"We achieved good momentum after … weather problems early in the quarter," Fox said.

"We're going to continue to see increases in unconventional production in the Lower 48 as we go through the year," Sheets added.

Meanwhile, unconventional U.S. drilling and testing continues in the Delaware and Midland basins in the Permian as well as in the Niobrara, the company said.

Worldwide, first-quarter 2014 production from ConocoPhillips' continuing operations, excluding Libya, was 1,530,000 boepd, an increase of 24,000 boepd compared with the same period a year ago. Adjusted for dispositions and downtime, production increased 41,000 boepd, or 3 percent, the company said, noting that this increase was primarily due to new production from development programs and major projects, partially offset by normal field decline.

"We were off to a great start in 2014," Ryan Lance, ConocoPhillips' chairman and chief executive officer, said in a prepared statement. "Production increased due to strong performance in our North American unconventional plays, ongoing growth in our Canadian liquids and major

see CONOCO OUTPUT page 11

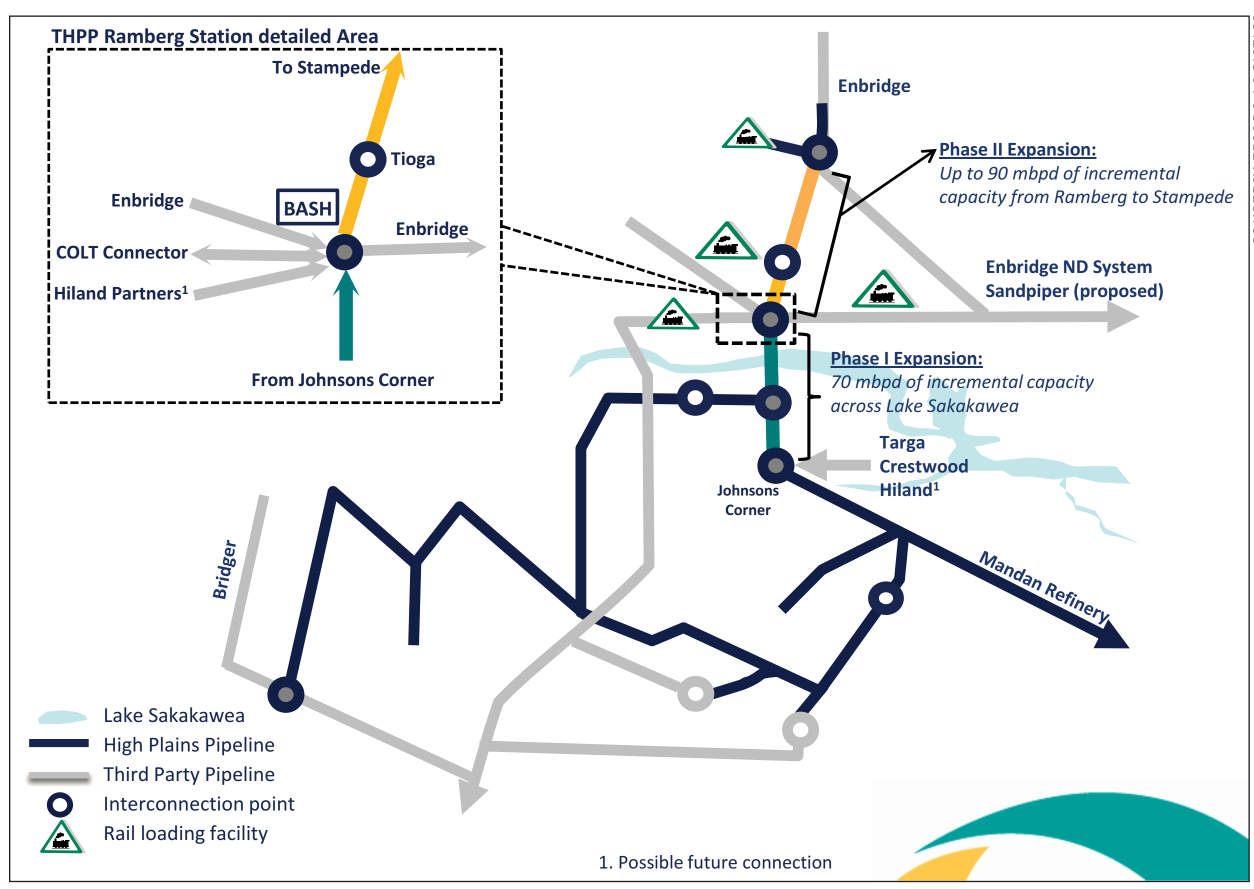
MOVING HYDROCARBONS

Tesoro gaining on ND export expansions

Phase one of High Plains reversal set to begin; open season open on Dunn County gathering system; Vancouver permitting continues

By MIKE ELLERD

Petroleum News Bakken



COURTESY TESORO LOGISTICS

After a successful open season on its proposed High Plains pipeline reversal, Tesoro Logistics says it expects shipments of crude oil across Lake Sakakawea to the Ramberg hub in Williams County, North Dakota, to begin in July and ramp up to the fully committed volume of 70,000 barrels per day through the fourth quarter.

At the same time, Tesoro Logistics anticipates construction to begin on its proposed Dunn County gathering system at some point in the second quarter pending the final outcome of an open season on that project.

And in Washington state, parent company Tesoro Corp. is progressing through the permitting process for its proposed rail terminal at Vancouver with more than 80 percent of the design and engineering now complete.

High Plains reversal

Tesoro Logistics first announced the proposed reversal of a key segment of its High Plains pipeline in May 2013. In the first phase of the reversal, Tesoro Logistics will be able to ship up to 70,000 barrels per day from the Johnson's Corner area in northeast McKenzie County to its Ramberg Station in eastern Williams County (see map). A second phase would provide up to 90,000 bpd shipping capacity from Ramberg Station to connecting pipelines and rail terminals in northwest Burke County.

Tesoro Logistics launched an open season in February which concluded in April, and in a May 1 conference call with industry analysts, Tesoro Corp. Chief Executive Officer Gregory Goff said sufficient commitments were received in that open season to proceed with the first phase of the expansion. "We offered up to 70,000 barrels a day on our open season and received commitments on substantially all of that volume," Goff said. "We are currently working with the FERC (Federal Energy Regulatory Commission) to finalize the open season process and secure final commitment."

Dunn County gathering system

In early April, Tesoro Logistics announced the launching of an open season on its Dunn Center gathering system, a proposed system to gather crude oil from various points in southern Dunn County and deliver to the existing Connolly station on the High Plains system. The open season was launched on April 9 and closes at 12 p.m. Central Daylight Time on May 12.

"Pending the final outcome of that process, we anticipate beginning that work late in the second quarter, with the targeted completion by the end of 2015," Goff said in the May 1 conference call. "We expect the system to deliver an additional 40,000 to 60,000 barrels per day into the High Plains Pipeline, with an estimated capital investment of $140 million to $160 million.

However, Tesoro Logistics did not receive sufficient commitment to also proceed with the second phase of the project at the present time. "The phase two portion of the offering did not get any initial commitments," Goff said, but added that there was enough commercial interest for the company to continue pursuing the second phase extending to Stampede near Columbus in northern Burke County where there are connections to other pipelines as well as one of Global Energy's Basin Transload rail terminals. "We will work more directly with a couple of the interested parties there to get that project scoped out and moved forward. But initially, the people weren't just ready to commit right this minute. We'll work through that, and I expect we'll see that as part of our 2015 business plan."

Vancouver terminal

In April 2013, Tesoro Corp. announced a joint venture with energy supply chain logistics firm Savage to build and operate a 360,000 bpd rail offloading and marine loading terminal at Vancouver in southwest Washington state. "We are progressing to Port of Vancouver's permit process with Washington State Energy Facility Site Evaluation Committee or EFSEC," Goff told analysts in the May 1 conference call. "The joint venture has now completed in excess of 80 percent of the design and engineering work required for the facility."

Although the permitting process is taking longer than Tesoro Corp. and Savage had initially anticipated, Goff said the joint venture is optimistic that construction on the terminal will begin either late this year or early in 2015 with service to begin in 2015. "We expect initial volumes to begin moving to its facilities by mid-2015, and expect the full project to be completed about 12 months after construction begins."

The Vancouver terminal will provide another West Coast destination for Tesoro in addition to its refinery at Anacortes in northwest Washington.

Bakken Area Storage Hub

As Petroleum News Bakken reported in March, Tesoro Logistics is proposing an expansion of its Bakken Area Storage Hub, BASH, near Ramberg Station. That storage hub is expected to have an initial storage capacity of at least 1 million barrels, but Tesoro said it owns or has rights to enough land to eventually expand the capacity as high as 2.5 million barrels.

The BASH facility at Ramberg will provide shippers with multiple export options including: Enbridge's existing North Dakota pipeline system as well as its Sandpiper pipeline proposed to run from Beaver Lodge to Clearbrook, Minnesota; Crestwood Midstream's COLT rail hub via the COLT Connector pipeline; and Hiland Partners' crude gathering system. ●

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COMPANY UPDATE

WPX builds momentum with changes ahead

Tulsa-based WPX Energy begins 2014 with unique transaction to allow investment in its growth areas including the Williston Basin

By MAXINE HERR
For Petroleum News Bakken

	Net Acreage (YE2013)	2014 Average Rig Count (Op)	2013 Production (MMcfe/d)	Oil/NGL Focused	Drillable Locations[4]	Proved Reserves (YE2013 Bcfe)	3P Reserves (YE2013 Bcfe)
Primary Areas of Focus							
Piceance[1]	221,186	9	727	X	12,475	3,019	11,878
Williston	80,736	5	14.8 Mboe/d	X	453	105.5 MMboe	176 MMboe
San Juan[2]	160,825	2	123	X	2,966	517	1,645
Appalachia	87,994	0	83		618	328	1,555
Total	**550,741**	**16**	**1,022**		**16,512**	**4,497**	**16,133**
Exploration							
Exploration				X			
Other							
Powder River	360,002	0	174		2,872	245	657
Apco[3]	385,796	0	9.0 Mboe/d	X	664	22 MMboe	58 MMboe
Other	258,096	0	8.0		2,820	20	72

[1] Piceance includes Niobrara acreage, which underlies existing leasehold acreage.
[2] San Juan Legacy includes both shallow and deep rights.
[3] Reflects WPX's 69% ownership, except 3P drilling locations, which are gross.
[4] Includes operated and non-operated gross locations.

Chart numbers affected by rounding.

COURTESY WPX ENERGY

A new alliance, better natural gas markets and a healthy increase in oil production gave WPX Energy one of its best quarters since its spinoff from Williams Cos. in 2012.

The company exceeded its own production goals, and in an effort to find ways to improve costs, WPX recently announced a transaction with Legacy Reserves to sell a graduating working interest in WPX's wells drilled prior to 2009 in Colorado's Piceance Basin for $355 million. Legacy is attracted to shallow decline curves to keep maintenance capital low, according to a company statement. The acquisition is expected to close in June. WPX will continue to operate the 2,730 natural gas wells producing primarily from the Williams Fork formation spanning three fields, and Legacy will hold an escalating working interest beginning at 30 percent at closing, increasing to just over 37 percent on Jan. 1, 2015, and rising to 42 percent a year later. These wells have a five-year average future production of 71 million cubic feet equivalent per day.

The Legacy deal will allow WPX to close its funding gap for its 2014 capital program while monetizing a gas asset and maintaining control without the operating costs and growth pressures had they chosen to develop their own master limited partnership.

"It gives us no obligation to do future transactions, but it does allow us the incentive to partner with Legacy on future acquisitions," said WPX Chief Executive Officer Jim Bender in a conference call with analysts on May 7. "Although we have nothing else contemplated other than that we have this structure set up, but obviously with Rick coming in … that's something he'll look at as part of the company strategy."

WPX recently announced a shift in leadership with the hiring of Rick Muncrief as CEO, who joins WPX in May from his prior position as senior vice president of operations and resource development at Continental Resources (see story on page 1).

WPX evaluates well spacing in the Bakken

Despite severe winter weather, oil production in the Williston Basin was up 36 percent in the first quarter to 15,600 barrels of oil equivalent per day, boepd, from the same period in 2013. The company experienced limited weather interruptions due to the winterization efforts WPX implemented last year.

"We performed really well in a hostile environment," said Bryan Guderian, senior vice president of operations.

The hike in production rates is attributed in part to bringing on a fifth rig, and WPX is now designing all drilling and spacing units with seven to 11 wells.

"The actual well counts will vary based on optimal spacing in each area and that analysis is ongoing," Guderian said.

He said where the reservoir quality is outstanding and north of Lake Sakakawea the company will likely use seven laterals, with well counts split between the middle Bakken and Three Forks. On the south side of the lake, Guderian said the rocks are tighter and will need 11 wells divided fairly evenly between the pools. Though production data are limited on these tighter density patterns, he said early results are quite good. The company's three completed wells on the Alfred Old Dog units in Reunion Bay field west of the lake averaged a 30-day initial production of 1,356 boepd in the first quarter. WPX completed 11 wells in the first quarter.

"The Three Forks' performance was strong which was a nice surprise for us," Guderian said.

The company calls the well count determinations a "tedious job" given the development activity, regulatory considerations, and orientation of the wells drilled early in the play.

"It's quite an undertaking," said Guderian. "By midyear, we'll have a feel for incremental locations and reserve impacts. It's going to be significant, but we're reluctant to commit to absolute numbers at this time."

Stimulation boost will add significant cost

He said WPX is finding operating efficiencies as it gains experience with pad development and improved drilling times.

Its Ruby wells in the Antelope field of McKenzie County took less than 20 days from spud to rig release which is a new best for WPX. In addition to tighter spacing, the company is increasing well stimulation by 20 percent based on results from its pilot work.

"We have eight months of production history from the Bakken and Three Forks wells that support our change in methodology," Guderian said. "It will add $300,000 to our completion costs, but it will give a nice boost to our return."

The company estimated incremental recoveries in the 8 to 10 percent range.

WPX is monitoring its completion methods and though slickwater fracturing has gained some attention, Guderian said the company is happy with its results so they are reluctant to change significantly.

"If results of these alternative methods prove out over time, we'll be open to that. But right now, we'll increase the size of our stimulations and stay with our current methods," he said.

What a difference a year makes

WPX's domestic oil production climbed 40 percent from a year ago to more than 19,000 bpd, which is consistent with the company's plan to increase oil volumes from the Williston and San Juan basins. This rise, in addition to better natural gas prices, helped WPX reach a net income of $18 million in the first quarter, compared to a net loss of $116 million from the same period a year ago. The company saw a 44 percent hike in domestic natural gas revenue and a 24 percent increase in domestic oil revenue. WPX expects to invest approximately $1.47 billion in its business during 2014, with about 85 percent of its spending allocated to Williston, Piceance and San

see WPX MOVES page 11

● LEGAL COLUMN

Not everyone can get worker's comp

North Dakota Supreme Court finds welder to be independent contractor; ruling could affect benefits, IRS in workplace agreements

By JANNELLE STEGER COMBS

For Petroleum News Bakken

On April 29 the North Dakota Supreme Court issued an opinion relating to workman's compensation in North Dakota that has implications for oilfield service providers throughout the state. In the case of WSI v. Larry's On Site Welding, the court determined that a welder's injuries were not covered by workman's compensation, because he was an independent contractor and not an employee.

JANNELLE STEGER COMBS

In October 2010, William Snook was injured when he fell off a ladder while working on an oil rig platform. Snook worked as a contractor with Larry's On Site Welding, which is owned by Larry Bumpous. The claim of contractor status is independently reviewed by Workforce Safety and Insurance when a claim is filed. If an individual has contractor status, the company has no obligation to pay premiums for workman's compensation for that individual nor is the injury compensable through WSI's system.

Initially, WSI's investigation found that Snook was an employee of Larry's when he was injured. Larry's then filed a demand for a formal hearing. Following the hearing, the administrative law judge assigned for the matter reversed WSI's order and found that Snook was a contractor.

At the formal hearing, the judge found that Larry's provided on location welding services on rigs in North Dakota by Bumpous or other welders. There were no written contracts between Larry's and the other welders. Each welder's amount and type of work is dictated by the oil rig foreman when they arrive onsite. Larry's signed master service agreements for each job, which included a requirement that Larry's provide insurance for the jobs executed by Bumpous or by the other welders.

Larry's paid each welder an hourly rate. Time sheets that were submitted at the hearing showed that the work was often sporadic. The welders were typically paid the week after they submitted their time sheets and paid $30 less per hour than what Larry's would bill the rigs. The advantage for the welders was that they would get paid much more quickly than if they contracted directly with rigs where they may have to wait up to 120 days to be paid. Safety meetings were not conducted or required by Larry's. Welders paid for their own travel costs, lodging and equipment.

Snook only worked for Larry's about 30.5 hours during the entire year, in two different stints with months between the two jobs. Additionally, Snook had W-2s for various other jobs in 2010, for which he earned more money. Ultimately the North Dakota Supreme Court agreed with the administrative law judge.

IRS issues

Many relationships between vendors in the Williston Basin are structured as contractor relationships for various reasons, including those mentioned in this case. This ruling strengthens the argument that the status is correct. Nonetheless, it does mean the Internal Revenue Service agrees with that interpretation.

If a worker is an employee, then the company is liable for payroll taxes and unemployment insurance tax on that person. If a worker is a contractor, then the individual is responsible for self-employment tax. Last summer, the IRS stated in a Treasury Department report that it was cracking down on the misclassification of "independent contractors" because this misclassification could mean a loss of as much as $1.2 billion in annual tax revenue.

Contractors and those who engage them should ensure that they keep the relationship as far from a traditional employee relationship as possible. Incorporating the contractor as a limited liability company, having multiple clients, getting paid per job rather than hourly and job sites not providing equipment are just some of the ways to help strengthen the argument for contractor status. ●

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COMPANY UPDATE

Statoil's enhanced efficiency efforts pay off

In the first assessment of its "comprehensive program to deal with efficiency" since that program was announced in February, Statoil reported first quarter net income was up 60 percent over the fourth quarter 2013, while exploration expenditures were down nearly 18 percent compared to the fourth quarter. In addition, Statoil saw a global production increase of nearly 2 percent over the fourth quarter 2013 with an output of approximately 1.98 million barrels of oil equivalent per day.

The Norwegian-based multinational's net income in the first quarter was approximately $3.95 billion (23.7 billion Norwegian kroner, NOK, based on quarter-end exchange rates), compared to approximately $2.44 billion in the fourth quarter 2013. Additionally, the first quarter net income was an increase of more than three-fold from first quarter 2013 income of approximately $1.1 billion. Concurrently, exploration expenditures in the first quarter totaled approximately $783 million compared to $941 million in the fourth quarter 2013 and approximately $873 million in the first quarter 2013.

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HELGE LUND

As Petroleum News Bakken reported in February, Statoil had determined that its costs were too high and that it could continue to grow but at a slower pace with less spend. At that time, Statoil announced plans to revise downward by 8 percent its 2014-2016 capital expenditures and as it also stepped back from its previously announced output guidance of achieving 2.5 million boepd by 2020. But, concurrent with those changes, Statoil set a target compound annual growth rate of 3 percent over that same period.

"To meet the industry cost and capital intensity challenge we have initiated new, comprehensive measures in the quarter to further strengthen our efficiency and cost competitiveness, while we reached important milestones in the ongoing process of reducing our cost base," Statoil President and Chief Executive Officer Helge Lund said in an April 29 press release. "We are on track, executing on our plan to deliver high value growth."

North America and North Dakota

In North America, Statoil operates both in the U.S. and in Canada, and its total North American production averaged 253,100 boepd in the first quarter, an increase of 6 percent over the 237,800 boepd North American output the company averaged in the fourth quarter 2013.

In the Bakken, Statoil operates in both North Dakota and Montana. Its first quarter Bakken production averaged 49,400 boepd day in the first quarter, a slight decrease of 1 percent from the 49,900 average fourth quarter 2013 Bakken output. Statoil's two other major North American operations are in the Marcellus and Eagle Ford plays.

In the Bakken, Statoil operates in both North Dakota and Montana. Its first quarter Bakken production averaged 49,400 boepd day in the first quarter, a slight decrease of 1 percent from the 49,900 average fourth quarter 2013 Bakken output. Statoil's two other major North American operations are in the Marcellus and Eagle Ford plays. Statoil's first quarter Marcellus output was up 11 percent to 129,300 boepd, which was 92 percent gas. Higher natural gas prices in the first quarter contributed to the increase in Statoil's first quarter income.

In the Eagle Ford, Statoil's first quarter output was down 2 percent to 31,000 boepd, which consisted of 58 percent liquids and 42 percent gas. In contrast, Statoil's first quarter Bakken output was 91 percent liquids and 9 percent gas. Statoil's overall first quarter North American production was 45 percent liquids and 55 percent gas.

As of February, the latest month for which production data are available from the Oil and Gas Division of the North Dakota Department of Mineral Resources, Statoil ranked as the sixth largest oil producer in the state averaging 45,620 barrels of oil per day for operated, non-confidential wells.

—MIKE ELLERD

continued from page 6

PEOPLE TALK

hands-on experience in more than 10 different unconventional oil and gas plays managing resource development, operations, completions, production engineering and drilling. Prior to joining Continental, he held numerous management and technical positions at Chesapeake Energy and Burlington Resources, following his first 10 years with Exxon. Gould holds a bachelor's degree and a master's degree in petroleum engineering from the University of Kansas.

Continental Chairman and Chief Executive Officer Harold G. Hamm said, "Gary has established himself as an impactful leader here at Continental, and his broad energy experience makes him exceptionally well suited for this expanded role. Under Gary's leadership, we expect ongoing operational excellence as we implement our five-year plan to triple the size of the company. We have exceptional depth in our management team."

Eissenstat, 56, has acquired new duties in his expanded role as chief risk officer in recognition of his continual efforts in this area, he will help provide strategic direction to the company's ongoing enterprise risk management.

Prior to joining Continental, Eissenstat served as a director with Fellers, Snider, Blankenship, Bailey & Tippens PC in Oklahoma City. Eissenstat earned his bachelor's degree with honors in political science from Oklahoma State University and his Juris Doctor degree with honors from the University of Oklahoma. ●

● GOVERNMENT

Senators try to fast track Keystone XL

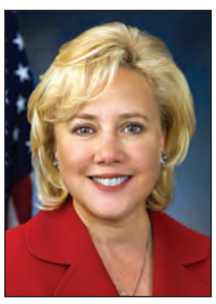
Hoeven and Landrieu building bipartisan support for legislation that would circumvent Obama administration decision on pipeline

By MIKE ELLERD

Petroleum News Bakken

The U.S. Senate is considering a bill introduced on May 1 by North Dakota Senator John Hoeven and Louisiana Senator Mary Landrieu and supported by a non-partisan group of 54 other senators that would allow TransCanada to proceed with construction of the Keystone XL pipeline without Obama administration approval.

JOHN HOEVEN



MARY LANDRIEU

Senate Bill 2280 is a short, three page piece of legislation which simply states that "TransCanada Keystone Pipeline, L.P. may construct, connect, operate, and maintain the pipeline and cross border facilities described in the application files on May 4, 2012, by TransCanada Corporation to the Department of State (including any subsequent revision to the pipeline route within the State of Nebraska required or authorized by the State of Nebraska)."

While the bill lists 54 sponsors, Hoeven's office said the bill has the support of 57 senators as of May 7, although that is three short of the 60 needed to pass the Senate. Landrieu, a Democrat who chairs the Senate Energy and Natural Resources committee, is trying to garner support from enough Democratic senators to get the bill through the Senate.

Four key issues

The bill addresses four key issues associated with the project. First, it considers all aspects of the environmental impact statement that was issued in January by the secretary of State to be fully satisfied. Second, all permits issued prior to the date of enactment of the bill would remain in effect. Third, any legal challenges to federal action regarding the pipeline will be limited to the District of Columbia Circuit of the U.S. Court of Appeals. And fourth, the bill, if passed and signed into law, would not alter any federal, state or local processes or conditions "necessary to secure access from an owner of private property to construct the pipeline and cross-border facilities."

> *"Congress needs to make a decision because the administration has delayed making its decision indefinitely."*
> **—North Dakota Senator John Hoeven**

"The Keystone XL pipeline is a vital energy infrastructure project that the American people clearly favor," Hoeven said in a May 1 press release. "Congress needs to make a decision because the administration has delayed making its decision indefinitely. Our legislation acknowledges the vital national interest this project represents on many levels."

Landrieu said the project has been thoroughly reviewed and the time has come to move forward. "The five studies that have been conducted as required by law are complete," she said in the May 1 press release. "It is time to stop studying and start building."

Getting the bill to a vote

A looming question, however, is whether or not Senate Majority Leader Harry Reid will allow a vote on the bill. As of late afternoon Eastern Time on May 7, a vote had not been scheduled and the future of the bill remained uncertain amid efforts to include the bill as an amendment to an energy efficiency bill commonly known as Shaheen-Portman bill in reference to its two primary sponsors Sens. Jeanne Shaheen, D-New Hampshire, and Rob Portman, R-Ohio. But even if the bill were to receive the 60 votes necessary to pass the Senate, it is unclear if the bill could garnish the 67 votes necessary to override a possible presidential veto, although one senior Senate aide told Petroleum News Bakken that a veto was considered less likely were the bill included as an amendment to Shaheen-Portman.

SB 2280 is just the latest effort by Hoeven and Landrieu to get the Keystone XL project approved. Aside from a multitude of letters to the president supporting and urging approval of the project to which the two senators have been signatories, Hoeven and Landrieu have introduced or cosponsored numerous bills in the Senate promoting approval of the project, including a bill similar to the one now in the Senate hopper that failed in March 2013 but was only four votes short of the 60 necessary to get past a filibuster. In a largely symbolic vote, an amendment by Hoeven and backed by Landrieu approving the project, did pass the Senate with 62 yes votes in March 2013. And later in 2013 Hoeven and Landrieu introduced a joint resolution stating Congress believes that the Keystone XL is in the national interest.

TransCanada staying out

In a May 2 press conference, TransCanada Chief Executive Officer Russ Girling was asked if his company might get involved with Hoeven's and Landrieu's bill. Girling said TransCanada will stay out of that process. "Our job isn't to get involved in United States politics," he said. "Obviously, as we've said before, we support all efforts to bring the Keystone XL approval process to conclusion." ●

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● COMPANY UPDATE

Emerald ups downspacing in Low Rider

Emerald boosts downspacing assumptions at Low Rider to 12 wells per DSU; first quarter production rises 136 percent over Q1 2013

By STEVE SUTHERLIN

For Petroleum News Bakken

Emerald Oil Inc. reported a first quarter 2014 production rise of 136 percent over first quarter 2013. At 225,905 barrels of oil equivalent, production increased 3 percent compared to the first quarter of 2013.

Emerald increased its production guidance for the remainder of the year to an average of 3,700 boe per day, and an exit rate of 4,900 boepd, up from 3,550 boepd and 4,250 boepd, respectively.

The production uptick was due to better well performance in the company's Low Rider area, increased drilling efficiencies and the recent addition of a second frack spread, Emerald President and CEO McAndrew Rudisill told analysts in a May 6 earnings call.

Emerald also has increased its Low Rider operating area downspacing assumptions.

"We increased our downspacing assumptions at Low Rider to 12 wells per drilling spacing unit: eight middle Bakken wells and four Three Forks wells," Rudisill said. "We also increased both the type curve estimates for Easy Rider to 550 mboe and increased the downspacing assumptions to eight wells per drilling spacing unit: five middle Bakken and Three Forks wells."

Emerald increased both its type curve estimates for the Low Rider area to 600,000 barrels of oil equivalent while cutting its well cost assumptions to $9.5 million per well, Rudisill said.

Rudisill said Emerald had confidence in its plan to boost downspacing at Low Rider, having fully downspaced two DSUs; now in the process of downspacing another three.

"Caper has been downspaced with six wells, as well as the Excalibur units, and we've seen little to no communication on the wells; most of them are spaced at 700-foot spacing," he said. "Some of the most recent wells that we've drilled on both the Caper and the Excalibur locations have actually ended up being some of the best wells that we've ever drilled; that's probably a result of both just the experience that we've generated from drilling all these wells in Low Rider, as well as making gradual modifications to our frack design.

The production uptick was due to better well performance in the company's Low Rider area, increased drilling efficiencies and the recent addition of a second frack spread, Emerald President and CEO McAndrew Rudisill told analysts in a May 6 earnings call.

"I think what the most encouraging point is that we've noted from looking at all the data is that you're seeing very little communication; we think that the downspacing can definitely be increased, both on middle Bakken density and on upper Three Forks density in those units."

Going forward, Emerald plans to drill three or four wells in Low Rider, then increase the density of the DSUs that are already producing in the area.

Slick operator

Slickwater fracking is working well for Emerald, Rudisill said.

"I think you're starting to see other people around us in the basin migrate towards slickwater fracks, so we're going to stick with slickwater," he said.

Emerald is evaluating whether or not it should be using cemented liners.

"I think the jury is still out, we need some more data to analyze that and to make the decision," Rudisill said. "It's not a very big cost decision and technically it's not very difficult to do, but we're getting good well results with what we're doing already and I'm reluctant to change what's working until we see a lot more data on the cemented liner, which I think will have here over the course of the next couple of months."

Springing forward

As winter subsides, Emerald is stepping up its pace.

"Operating conditions during the second quarter have been good and allowed us to continue operating at a rapid pace in McKenzie and Williams counties in North Dakota," Rudisill said. "Despite extreme weather during the first quarter of 2014, our operations team delivered strong production growth while significantly reducing per unit operating costs quarter over quarter."

The recent addition of a third drilling rig and second frack spread allowed Emerald to both initiate drilling operations in Easy Rider and to work through the backlog of wells waiting on completion in Low Rider, he said, adding that a fourth drilling rig will be added the company's operated program late in the third quarter of 2014.

Correspondingly, Emerald has boosted its 2014 drilling and completion capex guidance $68 million to a total of $250 million, Rudisill said. In 2015, Emerald plans to spend approximately $350 million to $375 million on drilling and completion capex, which will result in the drilling of approximately 38 net wells.

The fourth rig will likely drill one net well in 2014, but the timing of the completion would probably either be in late December or in early 2015, Rudisill said.

"I think to be conservative let's think about it starting in the late third quarter," he said. "If we receive some permits earlier, then obviously we'll start it whenever we get those permits."

Rudisill said the fourth rig will focus primarily on Richland County, Montana; then it will move south to Emerald's Low Rider acreage in McKenzie County, North Dakota, to accelerate drilling in order to hold leases by production.

"We anticipate running the fourth rig over the entirety of next year," Rudisill said.

Dialing down costs

Emerald is turning to the electric grid and natural gas to trim its energy costs in its Bakken operations.

see **EMERALD UPTICK** *page 19*

continued from page 8

WPX MOVES

Juan Gallup development.

"Our first quarter reflects the quality of growth with the ability to make 2014 a real turnaround year for the company as we strengthen our balance sheet and reinvest in our growth areas," said Chief Financial Officer Kevin Vann.

WPX also sees growth in other plays

Oil production in the San Juan Basin's Gallup play climbed 13 percent over the previous quarter, and WPX expects to speed its pace of oil volume growth in the play after transitioning to pad development and zipper fracturing completions during the first quarter. WPX completed its first multiwell pad in the area in March with an average of 420 bpd over 30 days. The best well in this inventory was drilled in under 13 days compared to the average cycle time last year of 20 days. In the Piceance Basin, WPX spud 68 wells in the first quarter and will average nine rigs and drill 10 wells in 2014. Guderian said the basin provides the right return with improving gas prices to accelerate activity, setting WPX up to finish the year with a 6 percent exit growth.

"We're continuing into 2014 with the momentum that's been building over the last few quarters," Guderian said. "We're committed to operating results and reducing our cost structure." ●

Contact Maxine Herr at maxine606@msn.com

continued from page 7

CONOCO OUTPUT

project ramp ups in the Europe segment."

Looking ahead, second-quarter 2014 production from continuing operations, excluding Libya, is expected to be 1,490,000-1,540,000 boepd, reflecting planned downtime and turnaround activity. The company's full-year production outlook is unchanged at about 1,510,000-1,550,000 boepd, the company said.

The company reported first-quarter 2014 earnings of $2.1 billion, compared with first-quarter 2013 earnings of $2.1 billion. However, when excluding special items, first quarter 2014 adjusted earnings were $2.3 billion, compared with first-quarter 2013 adjusted earnings of $1.8 billion.

Special items for the first quarter of 2014 primarily related to unfavorable impacts from transportation and storage capacity agreements, and pending claims in the Lower 48 and Latin America segment, the company reported. ●

Contact Ray Tyson at rtyson@petroleumnews.com

continued from page 5

EOG WELL SPACING

high, but what we end up doing is adding a lot more recoverable reserves, and thus a lot more net present value to each spacing unit that we drill. And we're still early on in the space," he added.

The majority of EOG's 2014 development program is in its core area, Helms said, where pad drilling and completion infrastructure is in place.

"We are currently operating six rigs in the Williston Basin with plans to add a seventh this summer," he said.

During the first quarter, EOG completed a number of wells on its core acreage, Helms said.

"The Wayzetta 28-1424H, 29-1424H and 38-1424H were completed at initial oil rates of 1,060, 1,295 and 1,000 barrels of oil per day with 105, 125 and 100 barrels per day of NGLs, respectively; these wells were drilled off the same pad," he said. "Less than 2,000 feet from these wells, the Wayzetta 39-1424H and 40-1424H were completed at 1,760 and 2,220 barrels of oil per day with 170 and 215 barrels per day of NGLs respectively."

The Bakken ranks second for rate of return out of EOG's operating areas.

"Certainly the Eagle Ford is the highest rate of return play we have, and the biggest amount of capital will go to that," Thomas said. "The Bakken Three Forks next, the Leonard, the Delaware Basin, and now we have opportunities to reinvest at high returns in the DJ Codell, the Parkman and Turner play."

EOG lifted its overall oil production growth target for the year from 27 percent to 29 percent.

"We've said all along that EOG has the best horizontal crude oil assets in the U.S. and they continue to deliver," Thomas said.

EOG upped production growth quarter over quarter.

In the first quarter 2014, EOG increased its total crude oil and condensate production by 42 percent, compared to the same prior year period, while U.S. crude oil and condensate production rose 45 percent, the company said. Overall total company production increased 18 percent, led by a 37 percent increase in total company liquids production — crude oil, condensate and natural gas liquids.

Costs have risen in the oil patch, for example, drilling rigs rates have gone up in some areas as much as 5 percent, Thomas said, but EOG is largely insulated from the hikes.

"EOG has got so much of our services locked in and self-sourced that we're not seeing any pressure otherwise," he said. "There is a little bit on just trucking but that's why we're putting in our gathering system, etc. — just because these are going to be so long-lived properties, to hold future costs down."

EOG is bullish on oil prices going forward, Thomas said.

"Certainly as we talked about from the macro view, we continue to see a tight supply worldwide and we do not see any pending crisis on overloading

see **EOG WELL SPACING** *page 17*

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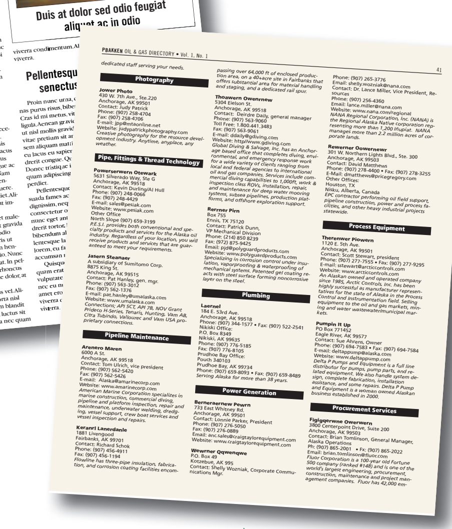

LISTINGS SECTION

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Bakken BAKKEN Stats

● BAKKEN COMMENTARY

Statoil tops IPs in North Dakota and Montana

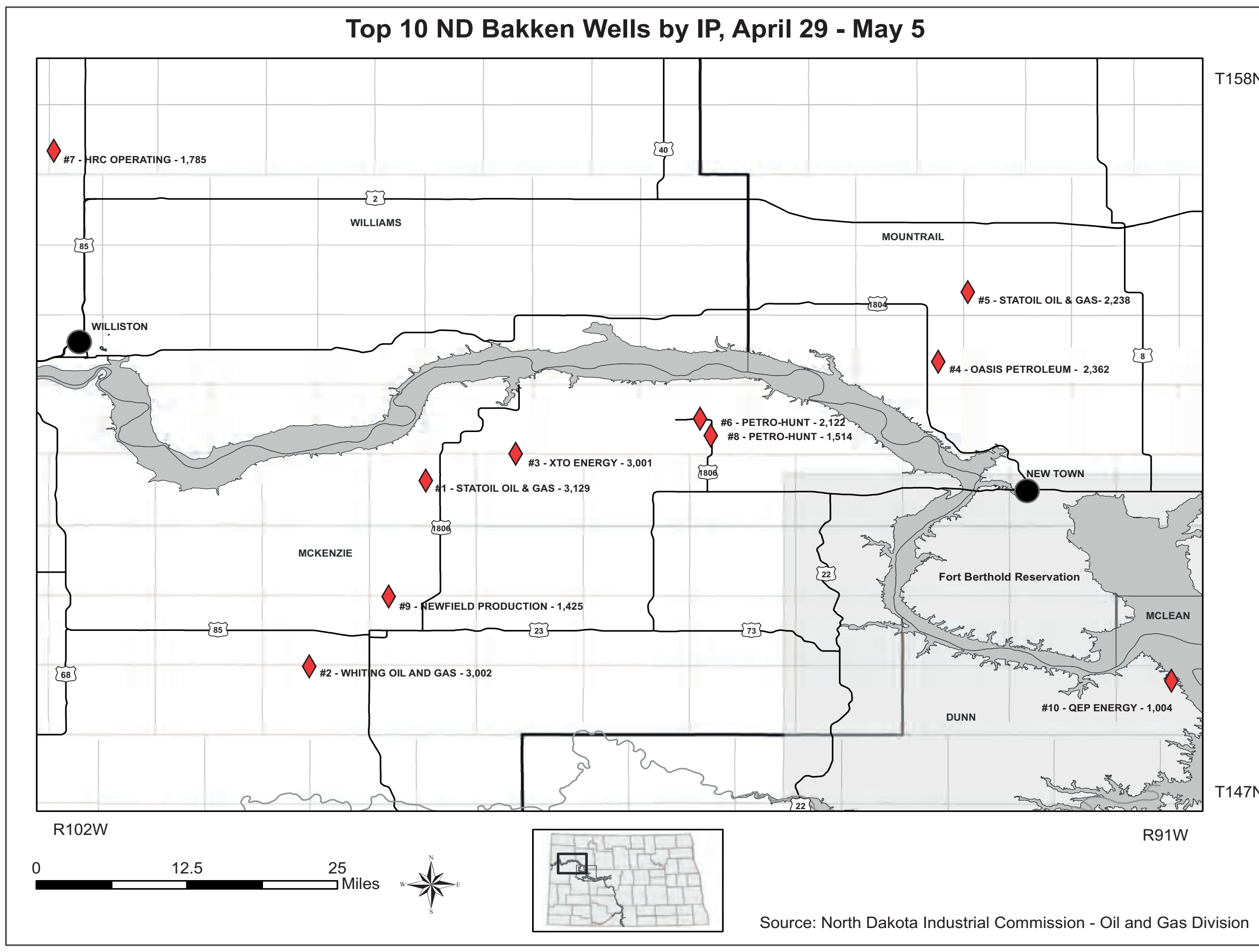
MIKE ELLERD

Petroleum News Bakken

Three of this week's top three 24-hour initial production, IP, wells broke the 3,000 barrel mark, with one of Statoil's wells in the Banks field in northern McKenzie County topping the list at 3,129 barrels (see map). To the south, a Whiting well in the Pleasant Hill field in central McKenzie County had the No. 2 IP at 3,002. And behind by one barrel is an XTO well in the Sand Creek field, which borders the Banks field where Statoil has its No. 1 well, with an IP of 3, 001 barrels.

The wells in fourth and fifth positions are both in Mountrail County. An Oasis well in the Robinson Lake field in western Mountrail County is fourth at 2.363 barrels, and the No. 5 spot also went to Statoil with a well in the Alger field which borders the Robinson Lake field on the north, which had an IP of 2,238 barrels.

In the No. 6 spot and also breaking the 2,000 barrel mark was a Petro-Hunt well in Charlson field in northeast McKenzie County with an IP of 2,122 barrels. Petro-Hunt also had the No. 8 well on the week's IP list with another Charlson field well that had an IP of 1,514 barrels. Halcon, Newfield and QEP Energy filled the Nos. 7, 9 and 10 spots on the IP list with wells in Williams, McKenzie and Dunn counties (page 14).



ND permitting

McKenzie County saw the most permitting activity with 30 new well permits issued between April 29 and May 5 (page 15). Right behind was Dunn County where 10 permits were issued. Permits were also issued in Mountrail (6), Stark (4), Bowman (1) and Renville (1) counties.

Montana activity

Between April 11 and May 1, five well completions were reported in Montana (page 14). Statoil reported completing one wildcat Bakken well in Roosevelt County with an IP of 1,004 barrels. Continental reported completions of three wildcat Bakken wells in Richland County with IPs of between 255 and 488 barrels. Kraken Operating reported completion of a wildcat Bakken well, also in Richland County, with an IP of 470 barrels.

Continental also had four new locations permitted in Montana, all Bakken system wells in Richland County. ●

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

Bakken producers' stock prices

Closing prices as of May 7 along with those from previous Wednesday

Company	Exchange	Symbol	Closing price	Previous Wed.
Abraxas Petroleum Corporation	NASDAQ	AXAS	$5.49	$5.46
American Eagle Energy Corporation	NYSE	AMZG	$6.68	$6.90
Arsenal Energy USA, Inc.	TSE	AEI	$7.36	$6.70
Baytex Energy USA Ltd	NYSE	BTE	$42.50	$41.60
Burlington Resources Co., LP (ConocoPhillips)	NYSE	COP	$78.11	$74.31
Continental Resources, Inc.	NYSE	CLR	$136.90	$138.52
Crescent Point Energy US Corporation	TSE	CPG	$44.49	$44.59
Denbury Onshore, LLC	NYSE	DNR	$17.30	$16.82
Emerald Oil, Inc.	NYSEMKT	EOX	$7.24	$7.07
Enerplus Resources USA Corporation	NYSE	ERF	$22.48	$22.21
EOG Resources, Inc.	NYSE	EOG	$104.79	$98.00
Fidelity Exploration & Production (MDU)	NYSE	MDU	$35.77	$35.42
Halcon Resources	NYSE	HK	$5.29	$5.52
Hess Corporation	NYSE	HES	$88.93	$89.16
Kodiak Oil and Gas (USA), Inc.	NYSE	KOG	$12.24	$12.71
Legacy Reserves Operating LP	NASDAQ	LGCY	$26.55	$24.76
Marathon Oil Company	NYSE	MRO	$35.77	$36.15
Mountain Divide, LLC (Mountainview Energy)	CVE	MVW.V	$0.49	$0.50
Newfield Production Company	NYSE	NFX	$34.57	$33.85
Northern Oil and Gas	NYSE	NOG	$15.14	$15.43
Oasis Petroleum North America	NYSE	OAS	$48.47	$46.51
Oxy USA, Inc. (Occidental Petroleum)	NYSE	OXY	$96.23	$95.75
PetroShale Inc.	CVE	PSH	$1.42	$1.38
QEP Energy Company	NYSE	QEP	$30.86	$30.69
Resolute Natural Resources Company, LLC	NYSE	REN	$7.37	$7.50
Samson Resources Company (KKR & Co)	NYSE	KKR	$22.03	$22.71
SM Energy Company	NYSE	SM	$76.08	$74.13
Statoil Oil and Gas LP	NYSE	STO	$31.42	$30.47
Triangle USA Petroleum Corporation	NYSE	TPLM	$9.41	$9.62
Whiting Oil and Gas Corporation	NYSE	WILL	$71.42	$73.72
WPX Energy Williston, LLC	NYSE	WPX	$21.95	$21.28
XTO Energy, Inc. (ExxonMobil)	NYSE	XOM	$103.11	$102.41

Montana well permits and completions

April 11—May 1, 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 northwestern/west-central Montana, which is at least 175 miles long (north-south) and 50 miles wide (east-west), extending from southern Alberta, where the formation is generally referred to as the Exshaw, southwards through Montana's Glacier, Toole, Pondera, Teton and Lewis & Clark counties. The Southern Alberta Bakken, under evaluation by several oil companies, is not part of the Williston Basin.

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

BHL: bottomhole location | **BOPD**: barrels of oil per day
IP: initial production | **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

LEGEND

Well name; field; SHL location; SHL footages; PD; PBHL location; PBHL footages; PBHL depth; BHL location; BHL footages; BHL depth; pool; county; date approved; IP date; BOPD

New locations

Continental Resources
Karen 2-10H; Wildcat; NENE 10-23N-54E; 300'FNL and 1,298'FEL; N/A; SESE 10-23N-54E; 200'FSL and 660'FEL; 14,730'; N/A; N/A; N/A; Bakken; Richland; 4/17/2014; N/A; N/A
Karen 2-10H; Wildcat; NWNE 10-23N-54E; 300'FNL and 1,343'FEL; N/A; SWSE 10-23N-54E; 200'FSL and 1,980'FEL; 14,749'; N/A; N/A; N/A; Bakken; Richland; 4/17/2014; N/A; N/A
Klasna 4-18H; Wildcat; NENW 18-24N-54E; 340'FNL and 1,890'FWL; N/A; SESW 19-24N-54E; 200'FSL and 1,560'FWL; 19,540'; N/A; N/A; N/A; Bakken; Richland; 4/16/2014; N/A; N/A
Klasna 5-18H; Wildcat; NENW 18-24N-54E; 340'FNL and 1,935'FWL; N/A; SESW 19-24N-54E; 200'FSL and 2,220'FWL; 19,528'; N/A; N/A; N/A; Bakken; Richland; 4/16/2014; N/A; N/A

Whiting Oil and Gas
Asbeck 12-31-1H; Wildcat; SWNW 31-24N-60E; 2,320'FNL and 260'FWL; N/A; NE 32-24N-60E; 660'FNL and 240'FEL; 19,196'; N/A; N/A; N/A; Bakken; Richland; 4/28/2014; N/A; N/A
Buxbaum 21-5-1H; Wildcat; 5-24N-60E; 260'FNL and 1,685'FWL; N/A; SWSW 17-24N-60E; 240'FSL and 660'FWL; 22,000'; N/A; N/A; N/A; Bakken; Richland; 4/28/2014; N/A; N/A
Prewitt 21-25-4H; Wildcat; NENW 25-25N-58E; 250'FNL and 2,590'FWL; N/A; SESE 36-25N-58E; 250'FSL and 660'FEL; 21,048'; Bakken; Richland; 4/28/2014; N/A; N/A

Completions

Continental Resources
McHenry 2-35H; Wildcat; NENW 35-24N-52E; 295'FNL and 1,598'FWL; N/A; N/A; N/A; N/A; SESW 35-24N-52E; 237'FSL and 1,994'FWL; 13,830'; Bakken; Richland; 10/30/2013; 504 bbl; 488 BOPD
Odair 1-24H; Wildcat; NWNE 24-23N-53E; 310'FNL and 1,980'FEL; N/A; N/A; N/A; N/A; SWSE 24-23N-53E; 229'FSL and 1,968'FEL; 14,227'; Bakken; Richland; 10/29/2013; 642 bbl; 275 BOPD
Parsons Federal 1-6H; Wildcat; NENW 6-26N-53E; 359'FNL and 2,098'FWL; N/A; N/A; N/A; N/A; SESW 7-26N-53E; 236'FSL and 1,964'FWL; 18,470'; Bakken; Richland; 11/6/2013; 719 bbl; 255 BOPD

Kraken Operating
Clyde & Alma 24 1H; Wildcat; NENW 24-26N-51E; 220'FNL and 2,338'FWL; N/A; N/A; N/A; N/A; SESW 24-26N-51E; 666'FSL and 2,368'FWL; 12,235'; Bakken; Richland; 9/25/2013; 539 bbl; 470 BOPD

Statoil Oil and Gas
Nelson 27-22 1H; Wildcat; SWSW 27-28N-57E; 325'FSL and 995'FWL; N/A; N/A; N/A; N/A; NENW 22-28N-57E; 279'FNL and 1,716'FWL; 19,872; Bakken; Roosevelt; 11/1/2013; 1,190 bbl; 1,004 BOPD

Expired permits

Continental Resources
Custer 1-7H; Wildcat; NENW 18-27N-54E; 508'FNL and 2,125'FWL; N/A; N/A; N/A; N/A; N/A; N/A; N/A; N/A; Richland; 4/28/2014; N/A; N/A
Washburn 1-18H; Wildcat; NENW 18-27N-54E; 547'FNL and 2,096'FWL; N/A; N/A; N/A; N/A; N/A; N/A; N/A; N/A; N/A; Richland; 4/28/2014; N/A; N/A

—Compiled by Ashley Lindly

Contact Ashley Lindly at alindly@petroleumnewsbakken.com

IPs for ND Bakken wells

April 29—May 5, 2014

This chart contains initial production rates, or IPs, for active wells that were filed as completed with the state of North Dakota from Apr 29-May 5, 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, Apr 29-May 5. 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
26128; Perch 1-30H1; Park; NWNE 30-141N-99W; 2SEC; Billings; Bakken; horizontal; 20,710; 3/18/2014; 413 bbl

Marathon Oil
26463; Reed 24-35TFH; Reunion Bay; LOT3 2-150N-93W; 2SEC; Mountrail; Bakken; horizontal; 20,880; 3/29/2014; 1,169 bbl

Oxy USA (Occidental Petroleum)
26893; Leiss 4-26-23H-143-96; Fayette; SESE 26-143N-96W; N/A; Dunn; N/A; on confidential status; N/A; N/A; N/A
23844; Nels Wold 1-36-25H-141-97; St. Anthony; SWSW 36-141N-97W; N/A; Dunn; N/A; on confidential status; N/A; N/A; N/A
26894; Robert Sadowsky 2-35-2H-143-96; Manning; SESE 26-143N-96W; N/A; Dunn; N/A; on confidential status; N/A; N/A; N/A

Petro-Hunt
25722; MM Wold 160-94-31A-6-7H; North Tioga; NENE 31-160N-94W; 2SEC; Burke; Bakken; horizontal; 19,046; 4/13/2014; 657 bbl

Samson Resources (KKR & Co.)
26050; Almos Farms 0112-5TFH; Ambrose; LOT3 1-162N-99W; 2SEc; Divide; Bakken; horizontal; 18,176; 4/13/2014; 72 bbl

Statoil Oil and Gas
24983; Jack Cvancara 19-18 5TFH; Alger; SESW 19-155N-92W; 2SEC; Mountrail; Bakken; horizontal; 20,340; 4/11/2014; 2,238 bbl
22577; Gunderson 15-22 4TFH; Banks; NWNW 15-152N-98W; 2SEC; McKenzie; Bakken; horizontal; 20,877; 4/11/2014; 3,129 bbl

Whiting Oil and Gas
26434; Littlefield 41-12-2XH; Sanish; NENE 12-153N-91W; ICO; Mountrail; Bakken; horizontal; 19,853; 4/23/2014; 412 bbl

XTO Energy (ExxonMobil)
25417; Rolfsrud State 14X-36F; Sand Creek; SWSW 36-153N-97W; 2SEC; McKenzie; Bakken; horizontal; 21,591; 3/20/2014; 3,001 bbl

Top 10 Bakken wells by IP rate

Statoil Oil and Gas
22577; Gunderson 15-22 4TFH; Banks; McKenzie; 3,129 bbl

Whiting Oil and Gas
26039; Johnson 31-4-2H; Pleasant Hill; McKenzie; 3,002 bbl

XTO Energy (ExxonMobil)
25417; Rolfsrud State 14X-36F; Sand Creek; McKenzie; 3,001 bbl

Oasis Petroleum North America
25639; Feathertop 5493 43-23B; Robinson Lake; Mountrail; 2,362 bbl

Statoil Oil and Gas
24983; Jack Cvancara 19-18 5TFH; Alger; Mountrail; 2,238 bbl

Petro-Hunt
26214; USA 153-95-22C-15-3H; Charlson; McKenzie; 2,122 bbl

HRC Operating (Halcon Resources)
26116; Grev 157-100-30B-31-3H; Marmon; Williams; 1,785 bbl

Petro-Hunt
26205; Sherven Trust 153-95-27B-3H; Charlson; McKenzie; 1,514 bbl

Newfield Production
25864; Holm 150-98-5-8-3H; Siverston; McKenzie; 1,425 bbl

QEP Energy
25403; MHA 4-10-11H-149-91; Heart Butte; Dunn; 1,004 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 Apr 29-May 5, 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.

IPs for ND wells released from confidential status

Burlington Resources Oil and Gas (ConocoPhillips)
27716; Bullrush 14-10TFH; Elidah; SWSW 10-151N-97W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
26600; Sequoia 24-9TFH; Hawkeye; SESW 9-152N-95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
27715; Siverston Rush 14-10MBH ULW; Elidah; SWSW 10-151N-97W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

Continental Resources
26691; Marlene 4-3H1; Stoneview; LOT4 3-159N-95W; N/A; Williams; Bakken; horizontal; N/A; N/A; N/A
26688; Schroeder 2-34H; Stoneview; LOT4 3-159N-95W; N/A; Williams; Bakken; horizontal; N/A; N/A; N/A
26689; Schroeder 3-34H1; Stoneview; LOT4 3-159N-95W; N/A; Williams; Bakken; horizontal; N/A; N/A; N/A
26444; Vachal 5-27H1; Alkali Creek; SWSE 22-154N-94W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A

EOG Resources
25840; Austin 34-0631H; Parshall; SESE 6-154N-90W; 2SEC; Mountrail; Bakken; horizontal; 16,211; 12/13/2013; 916 bbl
25839; Austin 131-0631H; Parshall; SESE 6-154N-90W; 2SEC; Mountrail; Bakken; horizontal; 17,541; 12/13/2013; 942 bbl
25647; Wayzetta 31-3230H; Parshall; SWSE 32-153N-90W; ICO; Mountrail; Bakken; horizontal; 20,587; 10/23/2013; 110 bbl
26028; Wayzetta 41-2117H; Parshall; SESW 21-153N-90W; ICO; Mountrail; Bakken; horizontal; 19,300; 12/17/2013; 1,142 bbl

Hess Bakken Investments II
26672; BW-Sharon- 2560-150-100-2536-3031H-1; South Tobacco Garden; NWNE 25-150N-100W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
25987; EN-Frandson- 154-93-2116H-6; Robinson Lake; SWSE 21-154N-93W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A
25295; EN-Weyrauch 154-93-1918H-7; Robinson Lake; SWSE 19-154N-93W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A

HRC Operating (Halcon Resources)
22708; Fort Berthold 151-94-26B-35-2H; Antelope; NWNW 26-151N-94W; N/A; McKenzie; Sanish; horizontal; N/A; N/A; N/A
22707; Fort Berthold 151-94-26B-35-3H; Antelope; NWNW 26-151N-94W; N/A; McKenzie; Sanish; horizontal; N/A; N/A; N/A
26116; Grev 157-100-30B-31-3H; Marmon; SESW 19-157N-100W; 2SEC; Williams; Bakken; horizontal; 20,545; 3/20/2014; 1,785 bbl
26119; Pasternak Trust 157-100-19C-18-2H; Marmon; SESW 19-157N-100W; 2SEC; Williams; Bakken; horizontal; 19,948; 3/20/2014; 901 bbl

Hunt Oil
26259; Alexandria 161-100-23-14H-1; Alexandria; NENW 26-161N-100W; 2SEC; Divide; Bakken; horizontal; 19,215; 12/15/2013; 63 bbl
26637; Bear Butte 1-12-1H; Bear Butte; NENW 13-148N-101W; 2SEC; McKenzie; Bakken; horizontal; 21,086; 1/29/2014; 354 bbl

Marathon Oil
26726; Edwards 44-34TFH; Killdeer; SWSW 35-146N-95W; N/A; Dunn; Bakken; horizontal; N/A; N/A; N/A

Newfield Production
25864; Holm 150-98-5-8-3H; Siverston; LOT4 5-150N-98W; 2SEC; McKenzie; Bakken; horizontal; 20,742; 3/12/2014; 1,425 bbl

Oasis Petroleum North America
25741; Bennett 6093 12-26T; Gros Ventre; NENW 26-160N-93W; 2SEC; Burke; Bakken; horizontal; 19,345; 12/6/2013; 618 bbl
25639; Feathertop 5493 43-23B; Robinson Lake; SWSE 23-154N-93W; 2SEC; Mountrail; Bakken; horizontal; 20,370; 11/26/2013; 2,362 bbl

see **ND IP** *page 15*

Petroleum News Bakken

North Dakota oil permit activity

April 29—May 5, 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

Bowman Co.

Permits issued

Denbury Onshore
CHSU 24-23NH 15; SESW 23-131N-105W; 380'FSL and 1,690'FWL; Cedar Hills; N/A**; on confidential status; 2,982' ground; 28264; 33-011-01526; 4/30/2014

Dunn Co.

Permits issued

Hess Bakken Investments II
LK-Hay Draw- 148-97-3427H-8; LOT3 34-148N-97W; 790'FSL and 2,537'FEL; Little Knife; N/A*; on confidential status; 2,192' ground; 28293; 33-025-02529; 5/2/2014
LK-Hay Draw- 148-97-3427H-9; LOT3 34-148N-97W; 798'FSL and 2,569'FEL; Little Knife; N/A*; on confidential status; 2,201' ground; 28294; 33-025-02530; 5/2/2014
LK-Summerfield- LW- 147-96-15H-1; SWSW 15-147N-96W; 275'FSL and 591'FEL; Bear Creek; N/A*; on confidential status; 2,584' ground; 28295; 33-025-02531; 5/2/2014

HRC Operating (Halcon Resources)
Fort Berthold 148-94-17C-8-6H; SESW 17-148N-94W; 405'FSL and 1,387'FWL; Eagle Nest; Bakken; horizontal; 2,353' ground; 28280; 33-025-02524; 5/1/2014
Fort Berthold 148-94-17C-8-7H; SESW 17-148N-94W; 390'FSL and 1,361'FWL; Eagle Nest; Bakken; horizontal; 2,354' ground; 28281; 33-025-02525; 5/1/2014

Marathon Oil
Morean USA 34-12H; SWSE 12-148N-96W; 1,177'FSL and 1,496'FEL; Lost Bridge; N/A*; on confidential status; 2,499' ground; 28263; 33-025-02523; 4/30/2014
Piper 34-12H; SWSE 12-148N-96W; 1,093'FSL and 1,621'FEL; Lost Bridge; N/A*; on confidential status; 2,493' ground; 28262; 33-025-02522; 4/30/2014

XTO Energy (ExxonMobil)
Carus 24X-36C; LOT2 36-148N-97W; 629'FSL and 2,364'FWL; Lost Bridge; N/A*; on confidential status; 2,128' ground; 28286; 33-025-02528; 5/1/2014
Carus 24X-36D; LOT2 36-148N-97W; 629'FSL and 2,424'FWL; Lost Bridge; N/A*; on confidential status; 2,128' ground; 28284; 33-025-02526; 5/1/2014
Carus 24X-36H; SESW 36-148N-97W; 629'FSL and 2,394'FWL; Lost Bridge; N/A*; on confidential status; 2,128' ground; 28285; 33-025-02527; 5/1/2014

Permits renewed

HRC Operating (Halcon Resources)
Fort Berthold 148-95-25A-36-3H; SENE 25-148N-95W; 1,990'FNL and 1,047'FEL; Eagle Nest; N/A*; on confidential status; 2,410' ground; 25506; 33-025-02149; 4/30/2014
Fort Berthold 148-95-25A-36-4H; SENE 25-148N-95W; 1,990'FNL and 1,096'FEL; Eagle Nest; N/A*; on confidential status; 2,411' ground; 25505; 33-025-02148; 4/30/2014
Fort Berthold 148-95-25A-36-5H; SENE 25-148N-95W; 2,009'FNL and 1,145'FEL; Eagle Nest; N/A*; on confidential status; 2,412' ground; 25504; 33-025-02147; 4/30/2014

Location resurveyed

QEP Energy
MHA 1-27-34H-148-92; SWSE 22-148N-92W; 572'FSL and 2,373'FEL; Heart Butte; N/A*; on confidential status; 1,988' ground; 26703; 33-025-02314; 5/5/2014
MHA 3-27-34H-148-92; SWSE 22-148N-92W; 565'FSL and 2,397'FEL; Heart Butte; N/A*; on confidential status; 1,990' ground; 26702; 33-025-02313; 5/5/2014
MHA 4-27-34H-148-92; SWSE 22-148N-92W; 590'FSL and 2,300'FEL; Heart Butte; N/A*; on confidential status; 1,983' ground; 26706; 33-025-02317; 5/5/2014
MHA 5-27-34H-148-92; SWSE 22-148N-92W; 584'FSL and 2,324'FEL; Heart Butte; N/A*; on confidential status; 1,985' ground; 26705; 33-025-02316; 5/5/2014

McKenzie Co.

Permits issued

Burlington Resources Oil and Gas (ConocoPhillips)
Copper Draw 11-27MBH; NWNW 27-150N-96W; 280'FNL and 320'FWL; Johnson Corner; N/A*; on confidential status; 2,318' ground; 28273; 33-053-05889; 4/30/2014
Copper Draw 11-27TFH ULW; NWNW 27-150N-96W; 280'FNL and 275'FWL; Johnson Corner; N/A*; on confidential status; 2,320' ground; 28272; 33-053-05888; 4/30/2014
Lillibridge 11-27MBH NH; NWNW 27-150N-96W; 280'FNL and 365'FWL; Johnson Corner; N/A*; on confidential status; 2,318' ground; 28274; 33-053-05890; 4/30/2014
Shenandoah 24-36MBH; SESW 36-153N-96W; 370'FSL and 1,665'FWL; Keene; N/A*; on confidential status; 2,397' ground; 28287; 33-053-05895; 5/2/2014
Shenandoah 24-36TFH; SESW 36-153N-96W; 370'FSL and 1,710'FWL; Keene; N/A*; on confidential status; 2,397' ground; 28288; 33-053-05896; 5/2/2014
Shenandoah 34-36MBH; SESW 36-153N-96W; 370'FSL and 1,755'FWL; Keene; N/A*; on confidential status; 2,396' ground; 28289; 33-053-05897; 5/2/2014

Continental Resources
Olson 3-8H; SWSE 8-151N-96W; 605'FSL and 2,267'FEL; Edge; N/A*; on confidential status; 2,312' ground; 28278; 33-053-05891; 5/1/2014
Olson 4-8H1; SWSE 8-151N-96W; 610'FSL and 2,312'FEL; Edge; N/A*; on confidential status; 2,311' ground; 28279; 33-053-05892; 5/1/2014

Hess Bakken Investments II
BW-Hedstrom- 149-100-1201H-2; SESE 12-149N-100W; 533'FSL and 970'FEL; Ellsworth; N/A*; on confidential status; 2,238' ground; 28282; 33-053-05893; 5/1/2014
BW-Hedstrom- 149-100-1201H-3; SESE 12-149N-100W; 533'FSL and 937'FEL; Ellsworth; N/A*; on confidential status; 2,240' ground; 28283; 33-053-05894; 5/1/2014

HRC Operating (Halcon Resources)
Fort Berthold 152-93-19D-18-10H; SESE 19-152N-93W; 280'FSL and 1,002'FEL; Four Bears; Bakken; horizontal; 2,027' ground; 28296; 33-053-05899; 5/2/2014
Fort Berthold 152-93-19D-18-11H; SESE 19-152N-93W; 280'FSL and 972'FEL; Four Bears; Bakken; horizontal; 2,028' ground; 28297; 33-053-05900; 5/2/2014
Fort Berthold 152-93-19D-18-14H; SESE 19-152N-93W; 280'FSL and 942'FEL; Four Bears; Bakken; horizontal; 2,028' ground; 28298; 33-053-05901; 5/2/2014

Oasis Petroleum North America
Wade Federal 5300 31-30 10T2; LOT3 30-153N-100W; 1,988'FSL and 313'FWL; Baker; Bakken; horizontal; 2,033' ground; 28304; 33-053-05907; 5/5/2014
Wade Federal 5300 31-30 11T; LOT3 30-153N-100W; 1,955'FSL and 350'FWL; Baker; Bakken; horizontal; 2,035' ground; 28303; 33-053-05906; 5/5/2014

QEP Energy
Kirkland 14-23-13-24LL; SWSE 23-149N-95W; 243'FSL and 1,510'FEL; Grail; Bakken; horizontal; 2,324; 28265; 33-053-0585; 4/30/2014
Linseth 3-22-15BH; NENW 15-149N-95W; 275'FNL and 1,382'FWL; Grail; Bakken; horizontal; 2,355' ground; 28258; 33-053-05881; 4/29/2014
Linseth 3-22-15TFH; NENW 15-149N-95W; 274'FNL and 1,357'FWL; Grail; Bakken; horizontal; 2,354' ground; 28259; 33-053-05882; 4/29/2014
Linseth 4-22-15BH; NENW 15-149N-95W; 273'FNL and 1,332'FWL; Grail; Bakken; horizontal; 2,352' ground; 28260; 33-053-05883; 4/29/2014
Linseth 16-21-15-22LL; NWNW 15-149N-95W; 272'FNL and 1,307'FWL; Grail; Bakken; horizontal; 2,350' ground; 28261; 33-053-05884; 4/29/2014

Whiting Oil and Gas
Gunder T. 31-30-2H; NWNE 30-151N-101W; 347'FNL and 2,100'FEL; Lonesome; Bakken; horizontal; 2,216' ground; 28266; 33-053-05886; 4/30/2014
Gunder T. 31-30-3H; NWNE 30-151N-101W; 392'FNL and 2,100'FEL; Lonesome; Bakken; horizontal; 2,216' ground; 28267; 33-053-05887; 4/30/2014

XTO Energy (ExxonMobil)
Nelson Federal 41X-5C; NENE 5-152N-94W; 365'FNL and 1,350'FEL; Antelope; N/A**; on confidential status; 2,156' ground; 28255; 33-053-05878; 4/29/2014
Nelson Federal 41X-5D; NENE 5-152N-94W; 365'FNL and 1,260'FEL; Antelope; N/A**; on confidential status; 2,158' ground; 28257; 33-053-05880; 4/29/2014
Nelson Federal 41X-5H; NENE 5-152N-94W; 365'FNL and 1,290'FEL; Antelope; N/A**; on confidential status; 2,156' ground; 28256; 33-053-05879; 4/29/2014
Omlid 41X-13C; NENE 13-151N-98W; 350'FNL and 850'FEL; Siverston; N/A*; on confidential status; 2,105' ground; 28302; 33-053-05905; 5/5/2014
Omlid 41X-13D; NENE 13-151N-98W; 349'FNL and 790'FEL; Siverston; N/A*; on confidential status; 2,106' ground; 28300; 33-053-05903; 5/5/2014
Omlid 41X-13G; NENE 13-151N-98W; 349'FNL and 820'FEL; Siverston; N/A*; on confidential status; 2,105' ground; 28301; 33-053-05904; 5/5/2014
Omlid 41X-13H; NENE 13-151N-98W; 349'FNL and 760'FEL; Siverston; N/A*; on confidential status; 2,105' ground; 28299; 33-053-05902; 5/5/2014
Rieckhoff 21X-3A; LOT3 3-151N-99W; 325'FNL and 1,700'FWL; North Tobacco Garden; N/A*: on confidential status; 2,344' ground; 28290; 5/2/2014

Permits cancelled

Burlington Resources Oil and Gas (ConocoPhillips)
Bullrush 14-10TFH; SWSW 10-151N-97W; 239'FSL and 802'FWL; Elidah; Bakken; horizontal; 2,373' ground; 27716; 33-053-05701; 5/1/2014
Siverston Rush 14-10MBH ULW; SWSW 10-151N-97W; 239'FSL and 757'FWL; Elidah; Bakken; horizontal; 2,372' ground; 27715; 33-053-05700; 5/1/2014

Whiting Oil and Gas
Pesek Trust 151-102-35D-26-3H; SWSE 35-151N-102W; 250'FSL and 1,950'FEL; Nameless; Bakken; horizontal; 2,151' ground; 23024; 33-0530-4161; 5/5/2014
Pesek Trust 151-102-35D-26-4H; SWSE 35-151N-102W; 250'FSL and 1,875'FEL; Nameless; Bakken; horizontal; 2,150' ground; 23023; 33-0530-4160; 5/5/2014

Mountrail Co.

Permits issued

EOG Resources
Parshall 70-19H; SWSE 19-152N-90W; 515'FSL and 1,392'FEL; Parshall; Bakken; horizontal; 1,874' ground; 28306; 33-061-03097; 5/5/2014

Marathon Oil
Dickey 11-30TFH; NENE 25-151N-93W; 274'FNL and 996'FEL; Reunion Bay; N/A*; on confidential status; 1,934' ground; 28268; 33-061-03092; 4/30/2014
Elwood 31-25TFH; NENE 25-151N-93W; 223'FNL and 1,346'FEL; Reunion Bay; N/A*; on confidential status; 1,927' ground; 28271; 33-061-03095; 4/30/2014
Moritz 41-25H; NENE 25-151N-93W; 273'FNL and 1,046'FEL; Reunion Bay; N/A*; on confidential status; 1,933' ground; 28269; 33-061-03093; 4/30/2014
Zook 41-25TFH; NENE 25-151N-93W; 273'FNL and 1,096'FEL; Reunion Bay; N/A*; on confidential status; 1,935' ground; 28270; 33-061-03094; 4/30/2014

Whiting Oil and Gas
Lee Federal 12-27TFH; SWNW 27-153N-92W; 1,700'FNL and 325'FWL; Sanish; Bakken; horizontal; 2,172' ground; 28305; 33-061-03096; 5/5/2014

Renville Co.

Permits issued

Enduro Operating
GCMU 6-31-H1; NWNE 6-158N-81W; 720'FNL and 2,225'FEL; Glenburn; N/A**; on confidential status; 1,547' ground; 28275; 33-075-01460; 4/30/2014

Stark Co.

Permits issued

Emerald Oil
Lloyd Christmas 3-4-9H; LOT3 4-139N-97W; 455'FNL and 2,319'FWL; Heart River; Bakken; horizontal; 2,605' ground; 28276; 33-089-00834; 5/1/2014
Lloyd Christmas 4-4-9H; LOT3 4-139N-97W; 455'FNL and 2,369'FWL; Heart River; Bakken; horizontal; 2,608' ground; 28277; 33-089-00835; 5/1/2014

Whiting Oil and Gas
Kostelecky 11-29PH; NENE 29-140N-97W; 300'FNL and 794'FEL; South Heart; Bakken; horizontal; 2,541' ground; 28291; 33-089-00836; 5/2/2014
Kostelecky 41-29PH; NENE 29-140N-97W; 300'FNL and 749'FEL; South Heart; Bakken; horizontal; 2,541' ground; 28292; 33-089-00837; 5/2/2014

**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; Bear Creek, Eagle Nest, Edge, Ellsworth, Heart Butte, Johnson Corner, Little Knife, Lost Bridge, North Tobacco Garden, Reunion Bay, and Siverston.*

***Note - The geologic target for these wells was not listed in their well file because they are a tight (confidential) hole, but the Antelope field produces from the Sanish pool, Cedar Hills field produces from the North Red River B pool, the Glenburn field produces from the Madison pool and the Keene field produces from the Bakken/Three Forks field.*

—Compiled by Ashley Lindly

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ND IP

26001; Kelter 7-6HTF2; Eightmile; NWSE 7-152N-102W; 4SEC; McKenzie; Bakken; horizontal; 19,750; 3/3/2014; 992 bbl

QEP Energy
25403; MHA 4-10-11H-149-91; Heart Butte; SWNW 10-149N-91W; 4SEC; Dunn; Bakken; horizontal; 19,605; 2/27/2014; 1,004 bbl

Petro-Hunt
26205; Sherven Trust 153-95-27B-3H; Charlson; NENE 28-153N-95W; ICO; McKenzie; Bakken; horizontal; 16,331; 2/2/2014; 1,514 bbl
26214; USA 153-95-22C-15-3H; Charlson; SESW 22-153N-95W; 2SEC; McKenzie; Bakken; horizontal; 20,408; 1/16/2014; 2,122 bbl

Samson Resources (KKR & Co.)
25879; Comet 2635-7H; Ambrose; NENE 26-163N-99W; N/A; Divide; Bakken; horizontal; N/A; N/A; N/A

Sinclair Oil and Gas
25023; Martens 4-4TFH; Sanish; SESE 4-154N-92W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A

Slawson Exploration
26604; MacCougar 3-30-19H; Big Bend; SWSE 30-152N-92W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A

SM Energy
26752; Marvin 14-34HS; Alexandria; SESW 34-162N-100W; 2SEC; Divide; Bakken; horizontal; 19,048; 2/26/2014; 337 bbl
26247; Orlynne 2-3H; West Ambrose; LOT 2 3-162N-100W; N/A; Divide; Bakken; horizontal; N/A; N/A; N/A
26592; Paul 3-4HS; Alexandria; LOT3 4-161N-100W; N/A; Divide; Bakken; horizontal; N/A; N/A; N/A

Statoil Oil and Gas
26345; Cvancara 20-17 #6TFH; Alger; SWSW 20-155N-92W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A
26346; Cvancara 20-17 #7H; Alger; SWSW 20-155N-92W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A

Whiting Oil and Gas
26039; Johnson 31-4-2H; Pleasant Hill; LOT2 4-149N-99W; 2SEC; McKenzie; Bakken; horizontal; 21,111; 11/7/2013; 3,002 bbl
25590; Kostelecky 41-28PH; South Heart; SESW 21-140N-97W; 2SEC; Stark; Bakken; horizontal; 21,060; 10/31/2013; 779 bbl
23024; Pesek Trust 151-102-35D-26-3H; Nameless; SWSE 35-151N-102W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A
23023; Pesek Trust 151-102-35D-26-4H; Nameless; SWSE 35-151N-102W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

—Compiled by Ashley Lindly

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May 2014 North Dakota Trust Lands
Oil and Gas Lease Auction Results by County

County	Tracts	Net Mineral Acres	Total Bonus Bid	Average Price per Acre
Billings	12	888.08	$183,212.00	$206.30
Bowman	54	4624.41	$179,728.37	$38.87
Burke	24	2068.58	$551,634.80	$266.67
Divide	4	280	$146,400.00	$522.86
Dunn	14	1069.2	$1,152,850.92	$1,078.24
Golden Valley	15	1841.76	$14,321.76	$7.78
McKenzie	7	549.46	$7,672,040.00	$13,962.87
Mercer	4	320	$3,520.00	$11.00
Mountrail	1	50.51	$8,586.70	$170.00
Renville	16	1074.22	$29,857.92	$27.79
Stark	12	821.87	$165,253.50	$201.07
Ward	43	3015.03	$81,580.60	$27.06
Williams	15	1637.05	$6,376,417.00	$3,895.07
Total/Average	**221**	**18,240.17**	**$16,565,403.57**	**$908.18**

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MAY AUCTION

Wildcat Oil and Gas paid for an 80-acre tract in Dunn County. Bids on the remaining tracts ranged from $6,200 per acre that Intervention Energy paid for an 80-acre Williams County tract to $1 per acre which several successful bidders paid for tracts of varying size in Bowman, Dunn, Golden Valley and Renville counties.

Trust Lands leased a total of 18,240 acres in 221 tracts across 13 western counties during the May auction, bringing in more than $16 million with an average price per acre of $908 (see chart). Both the number of acres and the average price were up from the February auction when 2,552 acres were leased for an average of $332 per acre. The acres leased in the February auction marked the lowest acreage offered in any Trust Lands auction over the last six years. The $908 average price per acre is slightly below the six-year average of $1,034, and the 18,240 acres leased is also below the six-year average of 28,261 acres.

As with recent Trust Lands oil and lease auctions, most of the acres offered and leased are either on the fringe or outside of the Bakken petroleum system with only 19 percent in the traditional Bakken petroleum system counties of Divide, Dunn, McKenzie, Mountrail and Williams. The remaining 81 percent are either on the fringe or outside of the Bakken petroleum system (see map). The 18,240 acres leased are in Billings (888), Bowman (4,624), Burke (2,068), Divide (280), Dunn (1,069) Golden Valley (1,842), McKenzie (549), Mercer (320), Mountrail (51), Renville (1,074), Stark (822), Ward (3,015) and Williams (1,637) counties.

Other high bidders at the May auction were: Nancy Bohl; Cody Exploration LLC; Copperhead Corp.; Diamond Resources Co.; Interwest Petroleum Corp.; Irish Oil and Gas Inc.; Kalle Oil and Gas Inc.; KDM Petro Management LLC; Legacy Resources Inc.; Liberty Resources; M Energy LLC; Dyer McCabe Professional Landman LLC; Austin Menke; Northern Energy Corp.; Northern Oil and Gas Inc.; Gerald Charles Miller; Paladin Resources Inc.; Petro-Sentinel LLC; Restoration Properties; Trinity Western; Twin City Technical LLC; White Butte Resources; and Wildcat Oil and Gas LLC.

A complete list of auction results is available on the Trust Lands' Minerals Management Division website at www.land.nd.gov/minerals/oilandgasleasing.

—MIKE ELLERD

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MUNCRIEF JOINS WPX

and board member on an interim basis since December 2013, plans to retire upon completing the transition of his duties to Muncrief.

WPX Energy was spun off of Williams Cos. at the end of 2011 to concentrate on exploration and production, while Williams focused on transportation and processing.

Bender previously was general counsel and senior vice president at WPX following its spinoff from Williams.

Muncrief's history

Muncrief, 55, is a petroleum engineer who has more than 30 years of upstream and midstream energy experience, most recently as senior vice president of operations and resource development at Continental Resources Inc. where he oversaw corporate engineering, reservoir development, drilling, production operations and supply chain management.

Muncrief worked for Continental since June 2009 as the senior vice president of operations and resource development. He is credited with helping Continental increase reserves, production and share price by more than four-fold, while lowering production expense by more than 15 percent.

Born in Ardmore, Oklahoma, Muncrief earned a bachelor's degree in petroleum engineering technology from Oklahoma State University in 1980.

Muncrief has worked in different-size organizations, ranging from independents to a large super-major, notably 27 years with ConocoPhillips, Burlington Resources and their predecessor companies in various technical and leadership capacities. His career has taken him to many regions of the West where WPX is focused, including the San Juan Basin in New Mexico, and Montana's Bakken region in the 1980s. He also lived in Denver for five years.

The chairman's take

"Rick has an accomplished record of sizing things up and driving plans that produce exceptional results, profitable growth and lower costs," said WPX Chairman William G. Lowrie. "He has prior experience in our growth areas, particularly the Williston and San Juan basins, and is ready to hit the ground running.

"Our board believes that Rick is going to connect very well with investors and employees alike as he charts a strategic course for WPX. His technical acumen, driven nature, operations experience and character are a great fit for shaping the future of the company," Lowrie added.

Continental Chairman and CEO Harold G. Hamm said Muncrief "is an outstanding individual who has contributed significantly to Continental's achievements in the past five years."

"We wish Rick the absolute best and are confident he will be as successful in his new role as he has been at Continental," Hamm added.

Muncrief also commented: "There's an innovative spirit at WPX. I expect WPX to succeed, and I'm eager to become part of the company. We have much to leverage from WPX's assets and the contributions of those who helped forge the company into a leading independent producer."

—ROSE RAGSDALE

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EXPORT OPTIONS

"It's not a huge capacity, but I think it's interesting because of all the markets it connects to and the location right through the sweet spot of the Bakken gathering oil from a lot of different areas," Public Service Commissioner Julie Fedorchak told Petroleum News Bakken.

Since the pipeline connects to numerous outlets, the oil can quickly reach markets throughout the country. The pipeline was initially constructed about three years ago in six segments to act as crude gathering lines. Due to the increase in crude volumes, Hiland deems it necessary to convert the lines to transmission uses by installing storage tanks and pumping stations along the existing pipelines. Future construction consists of installing only these components and any related aboveground facilities. No construction of new underground pipeline is anticipated, and costs of the project are estimated at $55.3 million.

"Those are the two criteria, but the biggest concern is the pressure," Fedorchak said. "They need to make sure the line is built to the capacity to handle the pressures they are looking at using."

The project would transport crude oil via several connections including: Enbridge's pipeline at Beaver Lodge; COLT Rail Hub near Epping; Plains' origin at Trenton; Savage Rail and Enbridge Trenton stations near Trenton; Musket Rail using a loading station near Dore with a potential connection to Hiland's proposed Double H pipeline at this location; and Bridger's Four Bears pipeline near Johnson's Corner.

"The purpose of the project is to provide midstream transportation alternatives for the expanding volumes of crude oil produced in North Dakota," Hiland said in its application. "This will help bring North Dakota sweet crude to more markets in the United States, therefore allowing for a more competitive price."

A public hearing to discuss the project is set for June 17 at 10 a.m. CDT at Williston City Hall. Hiland hopes to utilize the pipeline later this summer.

—MAXINE HERR

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● NATURAL GAS

New LNG plant adds value to energy industry

By MAXINE HERR

For Petroleum News Bakken

A liquefied natural gas, LNG, production facility will soon begin operations that will be the first of its kind in North Dakota.

Officials of North Dakota LNG, NDLNG, the newest subsidiary of Watford City-based Prairie Cos., joined Gov. Jack Dalrymple at the state capitol on May 7 to announce that the plant will open near Tioga this summer. The facility will pull the LNG from Hess Corp.'s Tioga natural gas processing plant and then tank and deliver it to well sites to power drilling rigs and hydraulic fracturing operations. NDLNG Chief Executive Officer Pat Hughes said operators can supplement diesel with 1,000 gallons a day of LNG on a drill rig and 3,000 to 5,000 gallons a day on a fracturing operation. He said a typical rig can use 1,000 to 2,500 gallons of diesel fuel each day.

The goal is to grab additional value from the natural gas resource, much like the state has done within the agriculture industry by converting durum into pasta and corn into ethanol.

"In North Dakota, we're very successful at taking our raw commodities and turning them into products that are value-added," Gov. Jack Dalrymple said. "Our mission is to do the same in the energy industry."

The process to create LNG involves extracting the methane stream from the natural gas and cooling it to minus 260 degrees Fahrenheit where it condenses into a liquid fuel. The liquefaction plant will be located near the Hess gas plant and will have an initial production of 10,000 gallons of LNG, but Hughes said NDLNG will add to the facility with an additional 66,000 gallons in the fourth quarter of the year. He said 76,000 gallons of LNG is comparable to 44,000 gallons of diesel fuel used on a daily basis. Slawson Exploration will be the first to utilize the service to fuel its six operated rigs in the Williston Basin. NDLNG provides end-to-end service by producing the fuel, trucking it to locations and providing the components and staff to utilize it. LNG has an advantage over diesel fuel as it is a stable fuel and won't pool, so if it is spilled, the molecules will simply dissipate into the air.

"This begins a tremendous opportunity for us to expand our usage of LNG and begin to supply fuel to grain elevators, supply fuel to small cities, all the way down to home heating fuel," Dalrymple said. "These are supplies that can compete effectively with other petroleum materials."

Prairie Cos. currently employs 150 people, and Hughes said the new plant will require another 25 to 30 by the end of year. In addition to NDLNG, Prairie Cos. includes a housing facility, a trucking and logistics service and a saltwater and fracturing fluid disposal service. ●

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EOG WELL SPACING

the U.S. refinery system to be able to process all that oil," he said.

"Our focus is going to be to reinvest back into the highest return plays, and the highest return plays — we fully believe — in the next few years will be our oil plays," he said. "As they prove up and continue to give us high rate returns, we will continue to add capital back into those."

The company remains oil-focused.

"Of course, the focus will be Eagle Ford; Bakken, but now we have a good set of plays that we have a lot of opportunity to reinvest in," Thomas said. "Our focus is going to be oil for quite some time."

It would be difficult to find another Eagle Ford or Bakken, Thomas said. "We do believe that there will be additional plays that we can capture sweet spots on that will be additive to EOG's inventory and that will be significant enough for us to focus on." ●

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BEATING WINTER

complete approximately 20 percent of its wells using slickwater in the second half of 2014.

While slickwater completions are generally more expensive than gel fracturing methods, Oasis finished the first quarter with an average well cost of $7.2 million, down from $7.5 million in the fourth quarter 2013, due in large part to its wholly owned completion subsidiary Oasis Well Services, OWS, coupled with the cost benefit of pad drilling. The company said OWS saved approximately $400,000 per net well in 2013. Oasis is putting on a second OWS fracturing spread that should have full capacity by summer.

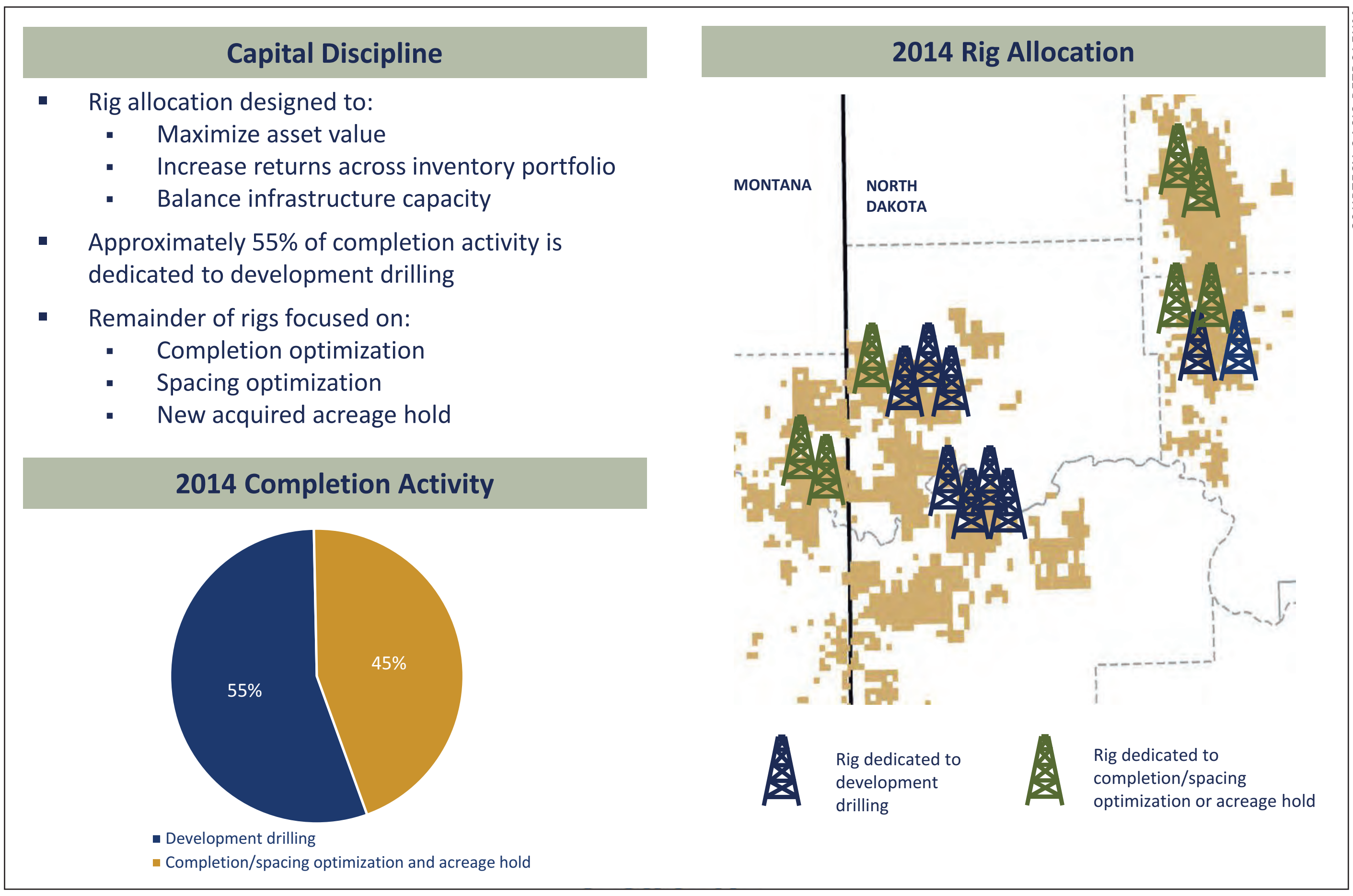
Going forward, Oasis plans to continue its transition to full resource development, while at the same time continuing testing completion methods, as well as experimenting with downspacing and exploring into the lower benches of the Three Forks.

TAYLOR REID

"With approximately 80 percent of our wells on pads of two or more wells, we were able to maintain our drilling and completion efficiencies during a tough winter operating condition," Nusz said in a May 6 conference call with industry analysts. "As we look to the rest of the year," he continued, "we will allocate approximately 55 percent of our drilling and completion capital to the deeper areas of the basin where we're moving towards full DSU (drill spacing unit) development. The remaining 45 percent of our capital will be spent on continuing to test alternative completion techniques, downspacing initiatives and holding recently acquired acreage."

Shift to slickwater

In the Indian Hills area of its West Williston core area in central McKenzie County, Oasis has seen production increases in slickwater-completed wells in the 25 percent range over base wells through 90 days of production. Oasis President and Chief Operating Officer Taylor Reid said that uplift "is very impressive" considering the company's average Indian Hills well already produces above the 750,000 boe type curve.



COURTESY OASIS PETROLEUM

In two other regions of the West Williston core area, Oasis has seen output increases exceeding 30 percent over 12 months of production from slickwater-completed wells compared to base wells in those areas. And with those successes, Oasis is now planning to test slickwater completions in its East Nesson core area in western Mountrail County as well as in eastern Montana. "Based on the results in these areas," Reid said, "we think that slickwater currently has application on over 100,000 acres of our land and we will be testing at new areas, as well, including South Cottonwood and Montana in the second half of the year."

In addition, Reid said Oasis is going to conduct slickwater tests down as far as the third bench of the Three Forks on a partial DSU in its Indian Hills area. All together, the company is planning on 32 slickwater completions across its entire Bakken position in 2014.

Other experiments

While Oasis has seen positive results from its slickwater tests, slickwater isn't the only alternative completion method the company has been experimenting with. "At the well level, we have done a lot of work, varying completion techniques to custom fit the completion style to our project areas," Reid said. Those varying completion techniques include proppant concentration and mix, as well as completions using coil tubing and cement liners.

Reid believes coil tubing fracturing may allow for more in-zone fracturing in certain areas where the company's wells have larger water cuts, thus cutting down on produced water.

Three Forks tests

Oasis has been testing wells in the second and third benches of the Three Forks, and brought four lower Three Forks wells on production in the quarter, boosting its total number of Three Forks wells to nine. "Results have been encouraging from these wells as they continue to expand our comfort to the lower benches throughout our position," Reid said.

Five of those Three Forks wells have been on production in excess of 30 days, and four of those five are producing within or above the company's type curve range. Two are second bench and two are third bench wells.

The company's other four Three Forks wells have been on production less than 30 days. One completed in the second bench produced 780 boepd through the first seven days on production, and another completed in the third bench produced 530 boepd over its first seven days.

Oasis plans to complete approximately 30 second and third bench wells in 2014. "With this improved understanding of the Three Forks and our knowledge of infill spacing, we are moving to full DSU development on about 20 percent of our acreage," Reid said. ●

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DENSITY LIMITS

some intense cold weather, while the first pilot wells were completed in August and as a result, different procedures were used to clean up the wells.

"Probably most importantly, this is an extremely small sample and we need to get the remaining wells drilled and allow these wells to produce for several months," he said. "When we evaluate production along with pressure work being completed in the field, we feel good about the early numbers but again caution against extrapolating too quickly."

Cunningham said well variability is to be expected, especially in the Three Forks.

"If you look at our initial pilot program, we have one well specifically that's a really dandy well and we have one adjacent to it that isn't nearly as good," he said. "It's a natural variability within the Three Forks."

Cunningham said the company's downspacing program is still in its infancy, but only time will tell the complete story.

"We posted 210-day production numbers for the wells at our Polar pilot 1.0 where we drilled six wells in the middle Bakken and six wells in the Three Forks

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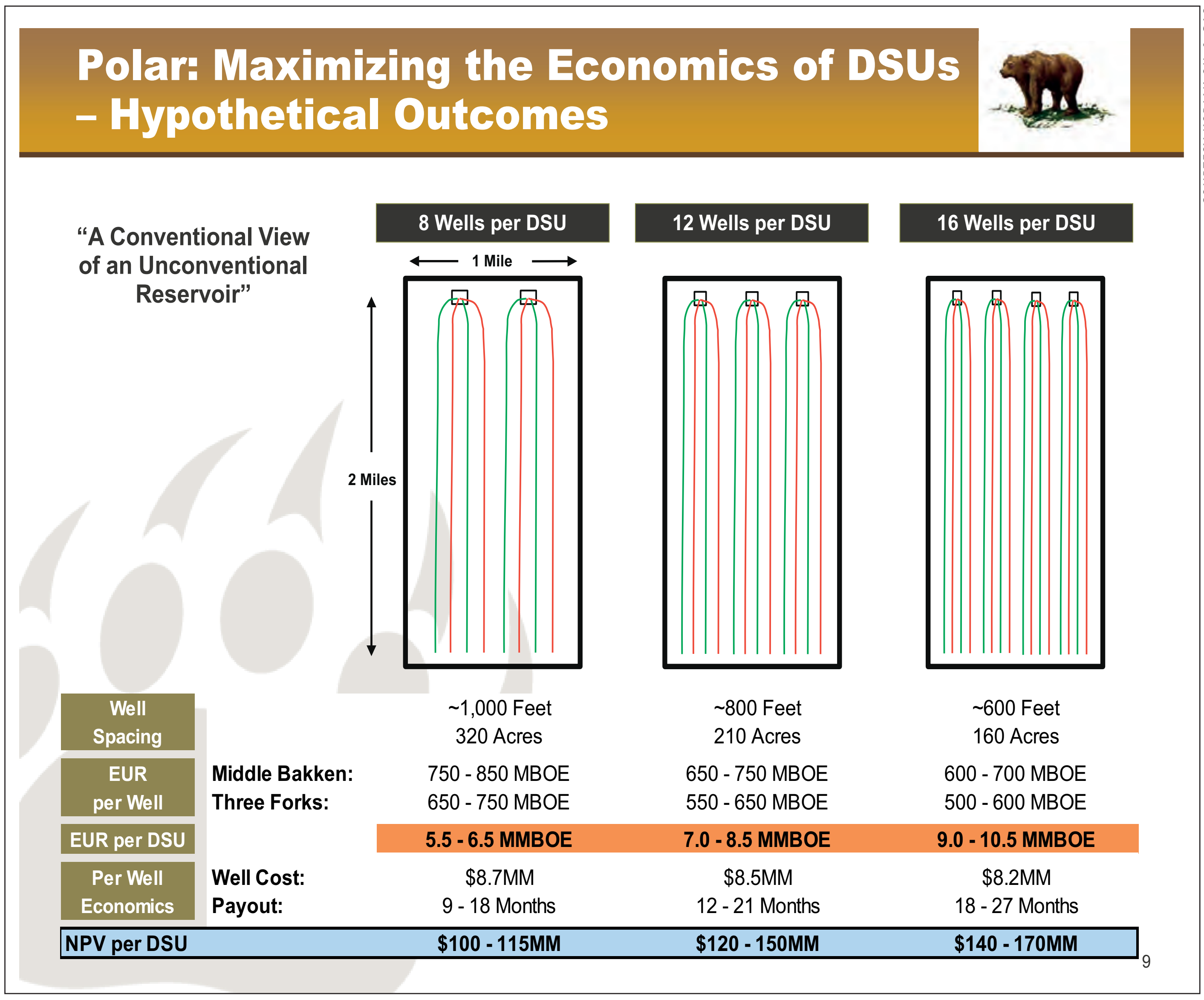

COURTESY KODIAK OIL & GAS

Petroleum News Bakken Oil Patch Bits

Fortis Energy Services expands safety program

Fortis Energy Services, a leading national oil and gas service company providing oil and gas well services from completions throughout the production life cycle, announced the expansion of its corporate safety program with the appointment of Jeffrey Painter, CSHO as the new HSE director.

"The appointment of Jeffrey Painter as our new HSE Director demonstrates our company's commitment to maintaining a safe and healthy work environment. There is no greater priority at Fortis than safety. This is true at all levels of our operations. Safety is our core value and we pursue it without compromise," said Nathan Conway, CEO of Fortis.

Painter brings to Fortis Energy Services scores of the industry's most recognized safety certifications. He is part of an elite group, fewer than 100 worldwide, to hold status as a certified hydrogen sulfide master trainer. Additionally, Painter was accepted into the ANSI Z-390 review committee, accepted practices for hydrogen sulfide training programs

Based in Michigan, Fortis Energy Services has been in operation for more than 10 years and has more than 90 employees who serve customers in the most active oil and shale plays in the United States. The company prides itself on its unceasing commitment to safety. The company recently was named to the Inc. 5000 list of the nation's fastest-growing companies and listed as one of the Top 100 Energy Companies in the nation.

Bakken Players

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WHITING SURGE

downspacing.

The company noted in March during its fourth-quarter 2013 operations and earnings call that in tests at its Missouri Breaks, Pronghorn and Hidden Bench fields, the new completion method had delivered 50 to 75 percent productivity increases in 30, 60 and 90 day well production rates.

Increasing well yields

New technologies have actually served to increase Whiting's estimated average lifetime yield for a Bakken well to the upper end of its original 400,000-600,000 boe production curve.

"It varies by area … but it looks like you're seeing that kind of an increase across the board in each area," James J. Volker, Whiting's chairman and chief executive officer, said during the recent call to discuss company operations and earnings for the 2014 first quarter.

Whiting had hoped to enter 2014 with a bigger production bang, but instead continued to face delays as it, along with other area operators, battled one of the worst winters on record. Still, the new completion technologies helped to keep Whiting's first quarter 2014 production of 100,065 boepd at least relatively flat with fourth quarter 2013 output of 100,965 boepd, the company indicated.

Moreover, Whiting delivered impressive production numbers when compared to last year's first quarter. Overall production of 100,065 boepd was up 12 percent from 89,135 boepd in 2013 first quarter, while Williston Basin output of 73,325 boepd was up a whopping 27 percent from 57,785 boepd in last year's first quarter.

Successful test results

Known as "coiled tubing conveyed fracturing," Whiting's latest completion design and successful test results generated a lot of interest among analysts on the May 1 call.

"How many more of these do you have planned?" said John Freeman, an analyst with Raymond James & Associates Inc. "And how many would you need to see before you'd be convinced that this is the way to go?"

Coiled tubing conveyed fracturing was tested at the company's Skov 31-28 unit in early April at the Missouri Breaks field of North Dakota and Montana, and "delivered very strong initial results," Volker said.

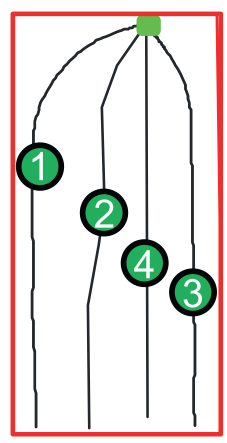
He said Whiting drilled three new Bakken wells in order to compare three separate completion designs. The original well in the unit, the Skov 31-28-1H, was completed using the older sleeve technology in May 2013, and flowed at 927 barrels of oil equivalent per day.

Early in April Whiting completed two new wells in the unit using cement liners with an increased number of entry points. These wells, the Skov 31-28-2H and the Skov 31-28-4H, flowed at increased IP rates of 1,072 boepd and 1,219 boepd, respectively.

Evolution of Completion Design

Skov 31-28 Unit(1) at Missouri Breaks

Well	Annulus	Completion Method	Stages	Entry Points	Cost ($MM)	Incr.	IP (BOEPD)	Incr.
1 Skov 31-28-1H	Open	Sliding Sleeve	30	30	7.90	-	927	-
2 Skov 31-28-2H	Cemented	P&P - 3 clusters/stage	30	90	8.10	3%	1,072	16%
3 Skov 31-28-4H	Cemented	P&P - 5 clusters/stage	30	150	8.10	3%	1,219	31%
4 Skov 31-28-3H	Cemented	CT - Multistage+(P&P - 5)	60+5X5	85	8.80	11%	1,607	73%



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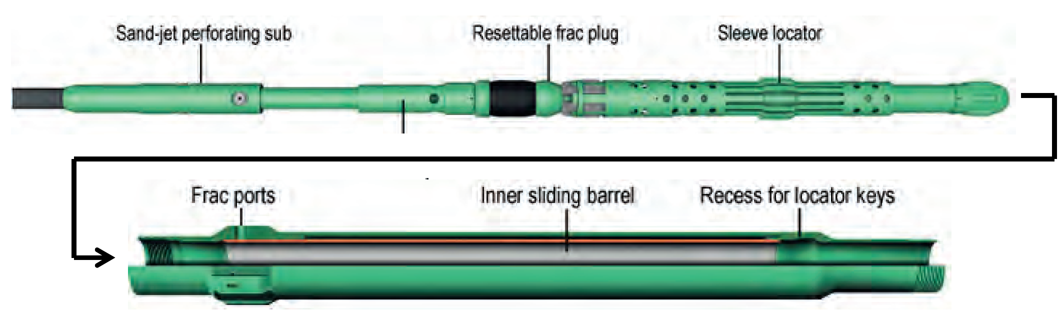

(1) Skov 31-28-1H was completed on 5/31/2013. Skov 31-28-2H and Skov 31-28-4H were completed on 4/2/2014. Skov 31-28-3H was completed on 4/1/2014.

COURTESY WHITING

Completion ups output 73 percent

In early April, the company also completed the Skov 31-28-3H, with the new coiled tubing fracture stimulation method. This well flowed at 1,607 boepd, 73 percent higher than the initial well in the unit and 40 percent higher than the two cement liner wells (see slide).

"This new completion design better isolates the perforations to more effectively fracture the reservoir," Volker explained, adding that costs are comparable "because there are no plugs to drill out."

Though still an experiment with "a couple of kinks we've got to work out," he added, coiled tubing conveyed fracturing "is still a big step forward for us."

"I really can't see any reason why this wouldn't be very widely applicable," he said. "It really allows us to get more entry points in all these tight rocks. I think the main thing here is we've been on the hunt to find technologies that can get us more entry points — more reliable entry points."

More coiled tubing wells planned

Volker said more coiled tubing conveyed frack wells are planned for the Williston Basin, as well as for the company's emerging Niobrara Redtail play in Colorado. He referred to the Niobrara as "a Whiting within Whiting," to highlight the play's increasing significance to the company compared to the Bakken petroleum system, where Whiting is a major producer.

In a keynote address in April to the Independent Petroleum Association of America, Volker raised eyebrows when he declared that Whiting's Redtail prospect near Denver contained more than twice the in-place oil per drilling spacing unit as North Dakota's Bakken system.

Production from the Redtail field averaged 4,550 boepd in the first quarter of 2014, a 41 percent increase over the fourth quarter of 2013. The company is expected to dramatically increase Redtail production by the end of this year. Three rigs are currently working in the field, and the company plans to add another rig during the second half of the year.

Whiting changes Sanish plan

Back in the Williston Basin, Whiting said that based on strong initial results from high density pilot programs in its flagship Sanish field, Mountrail County, North Dakota, the company decided to launch a development drilling program on a nine-well per unit pattern in the Middle Bakken formation, versus its original plan of three to four wells per 1,280-acre spacing unit.

In the Hidden Bench field, McKenzie County, North Dakota, Whiting said its cemented liner completion method produced strong results during this year's first quarter. The 15 wells completed using this method had an average IP rate of 2,643 boepd, the company said.

In the Cassandra field, Williams County, North Dakota, Whiting said it used cemented liner completions on three wells. The Kaldahl 11-3H was completed in the Middle Bakken on April 1, flowing 1,930 boepd, 104 percent higher than the 10 prior wells completed in the Middle Bakken. The Olson 14-31TFH was completed in the Three Forks formation on March 14, flowing 1,375 boepd. The Sheldon 11-6 TFH was completed in the Three Forks on March 15, flowing 1,243 boepd. These wells produced at average IP rates 38 percent higher than the 10 prior wells completed in the Middle Bakken, the company said.

Company revenues jump

Meanwhile, Whiting reported 2014 first quarter net income of $109.07 million on revenues of $740.25 million, compared to net income of $86.24 million on revenues of $613.37 million for the first quarter of 2013. ●

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EMERALD UPTICK

"We just recently connected a couple of our drilling spacing units to electricity and took them off natural gas fire power," said Ryan Smith, Emerald vice president of capital markets and strategy, adding that Emerald will electrify the balance of Low Rider as it expands.

"We've completed most of the switch from diesel to natural gas. And the next phase of this is going to be moving from natural gas fired generation to just straight electrical power at each of the wells," he said.

Smith said Emerald is starting construction on a centralized gas compression plant.

"Once that's in place and we're able to centrally distribute the gas to re-circulate into all the wells, it's going to further drop the LOE, rather than having a piece of compression equipment in each of the well sites," Smith said.

Emerald is working to sweeten its position in the Bakken.

Accounting for closed acquisitions, Emerald now has approximately 91,000 net acres in the Williston Basin, with approximately 68,000 net acres or 75 percent being operable. Rudisill said.

"Our plan is simple," he said. "Focus on drilling, production growth and cost control for the remainder of 2014." ●

MERGERS & ACQUISITIONS

QEP selling non-core Bakken, Midcon assets

Denver-based QEP Resources announced on May 6 that its subsidiary QEP Energy has entered into an agreement to sell its non-core assets in the western Williston Basin to an undisclosed buyer for $35 million. Those assets, known as the company's Fat Cat acreage, are in western Williams County. QEP Energy's core Bakken assets are its South Antelope acreage in far eastern McKenzie County and its Fort Berthold acreage in northeast Dunn and northwest McLean counties. The deal is expected to close in June.

In two other agreements, QEP is selling non-core acreage in Cana-Woodford and Granite Wash plays in the western Anadarko Basin in Texas and Oklahoma for a total of $772 million.

The company said the deals are structured as "reverse like-kind exchange" where the tax basis of the assets is "exchanged into" QEP Energy's recently acquired Permian Basin assets.

QEP Energy is also marketing its SCOOP assets in Oklahoma as well as other Arkoma and Anadarko assets.

—MIKE ELLERD

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DENSITY LIMITS

formation," he said. "While the numbers are encouraging and represent nearly 100,000 boe per well produced to date, this timeframe represents less than 2 percent of the expected lifetime of the wells."

In its Polar 1.0 pilot, Kodiak completed 12 wells per 1,280-acre drilling spacing unit, testing 800 foot spacing between wellbores.

"We have taken the downspacing one step further with our Polar Pilot 2.0 drilling spacing unit, where we will ultimately drill eight wells in the middle Bakken and eight wells in the Three Forks staggered throughout the first three intervals," he said.

Smokey pilot

Also in 2013, at its Smokey pilot project in McKenzie County, Kodiak completed 12 wells per 1,280-acre drilling spacing unit, testing 800 foot spacing between wellbores.

Lynn Peterson, Kodiak chairman and CEO, said that while Kodiak sees the Polar area as being its top property, Smokey, despite lower reserves, shows promise.

"I think we're actually very pleased with the middle Bakken," he said, adding that the Three Forks is less consistent.

Kodiak has observed variability at Smokey, and it is just starting to understand what the implications are, Cunningham said, adding that variability is more an issue in the Three Forks than the Bakken.

"There are two conditions that exist down there in Smokey and they are kind of transitional," Cunningham said. "One is that the lower shale, which is one of the principal source rocks, thins rapidly from northeast to southwest across the block; additionally, there is another stratigraphic unit that presents some challenges to the migration of hydrocarbons."

Dunn downspacing

Kodiak is also downspacing at its Dunn County acreage, and it has some very good wells there, Peterson said.

"We've actually continued to do some downspacing work over there, we just haven't drilled the entire DSUs up all at once," he said. "But the wells that we are working on over there are going to tighter spacing."

Lack of infrastructure is a current limiting factor for drilling in Dunn County, Peterson said.

"Some of our drilling activity is going to be a function of where we can get our infrastructure built out," he said, adding that the company is "very sincere" about improving its gas capture.

"If we get pipe built into an area, get compression established and are able to capture higher volumes of our product, those are the areas we are probably going to focus our drilling activity," Peterson said. "I think really our activity is going to be driven as much by results but also very much aligned to where we can sell our gas and capture all of our product here."

Dynamic ceramic

Kodiak continues to use 100 percent ceramic proppants in its wells.

Peterson said ceramic proppant use has insulated Kodiak from sand supply bottlenecks as other operators clamor for white sand and experiment with larger sand volumes per well, however the reason Kodiak uses ceramic proppant is due to its performance.

"I think we continue to use ceramics not because of that reason but because we think that it's holding the fracture system open and the depth that we are drilling these wells at and the pressures that we see, we believe it will crush the sand," Peterson said, adding that most wells in the company's area are fracked with some portion of ceramic proppant.

"I'm not aware of too many wells that are just packed full of 100 percent sand in the deeper part of the basin, so I think it's real," he said. "And I think from our standpoint on the use of ceramics, we're going to continue; it works both ways in our regard."

Kodiak estimates that its completed and equipped well costs using 100 percent ceramic proppants are approximately $8.5 million to $9 million, a number it said is falling due to shortening intervals from spud to rig release.

Grip of winter

Cold temperatures from November through February hampered completion and workover activities on both operated and non-operated properties, resulting in lower than expected first quarter production, Peterson said. Due to winter's effect, Kodiak revised its average 2014 full year production guidance to a range of 39,000 to 42,000 boepd, down from 42,000 to 44,000 boepd.

In the balance of 2014, Kodiak will be free to focus on its most promising areas.

"During the first quarter of 2014, nearly a third of our completed wells were drilled in our Wildrose area of northern Williams County to hold acreage; this is an area with a thinner reservoir section and less source rock that results in lower reservoir pressures and less gas, and corresponding lower production rates and reserves," he said. "Wells in this area also have to be put on pump soon after completion, which was delayed because of weather.

"We are excited about the remainder of the year as our activity is all concentrated in the heart of our core leasehold in southern Williams, McKenzie and Dunn Counties, where we continue to deliver consistent well results."

During the first quarter of 2014, Kodiak completed 20 gross (15.2 net) operated wells and participated in the completion of 26 gross (3.8 net) non-operated wells, he said.

"As we look at the next three quarters, we should complete approximately 22 to 25 net operated wells per quarter over each of the remaining three quarters," Peterson said.

During the first quarter of 2014, Kodiak spent approximately $208.6 million of its $940 million 2014 capital expenditure budget for oilfield operations and leasehold acquisitions.

Kodiak has seven operated rigs in the Bakken which it will maintain throughout 2014, it said, along with continuing participation in non-operated activities.

In first quarter 2014, Kodiak reported oil and gas sales of $257.0 million, as compared to $165.1 million during the period in 2013 -- an increase of 56 percent.

Kodiak also recorded an overall 57 percent increase in quarter-over-quarter equivalent sales volumes with 3.1 million barrels of oil equivalent sold during the first quarter of 2014, as compared to 2 million boe in first quarter 2013, the company said. Crude oil revenue accounted for approximately 92 percent of oil and gas sales during first quarter 2014. ●

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