Petroleum News



page Montana Bakken oil production up almost 6% to 35,676 barrels a day

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South of Watford City, ND



Tourist: "Is this what they mean by horizontal drilling?"

API: BLM extension on hydraulic fracturing rule warranted

The U.S. Bureau of Land Management's 60-day comment period extension for hydraulic fracturing rules proposed in May for federal and Indian lands will be needed to allow industry to effectively review and comment on various state and federal agency regulatory activities that overlap with much of what BLM is proposing, an American Petroleum Institute, API, official said June 6. (See full story on page 7 of this issue.)

"Many questions remain as this new rule has potential to significantly slow domestic energy production, as well as damage national, state and local economics," said Erik

see FRACTURING RULES page 14

Bullock's vetoes survive override polls

Montana Gov. Steve Bullock vetoed 24 bills during the 2013 Montana legislature, three of which were oil and gasrelated bills, and all 24 vetoes survived veto polls. All members of the legislature were polled on the vetoes between May 2 and June 10. A two-thirds majority of leg- GOV. STEVE BULLOCK islators in each chamber is required to



override a veto in Montana, i.e., 67 votes in the 100-member House and 34 votes in the 50-member Senate. Several bills received more than the 34 necessary veto override votes in the Senate, but no bill received the minimum number of override votes in the House.

see BULLOCK VETOES page 17

Halcon reaches new high for its IP rate from Bakken

The modifications to its drilling and completion design that were announced earlier in the year are paying off for Halcon Resources. On June 10, Halcon said that production from its three most recently completed Bakken wells in the Fort Berthold area had an average initial production, or IP, rate of 2,648 barrels of oil equivalent per day, consisting of 78 percent oil, which is a 38 percent improvement over all of Bakken wells the company drilled and completed in the Fort Berthold area in the first quarter of 2013.

One of those wells came in with an IP rate of 3,060 boepd consisting of 90 percent oil, which Halcon says is the highest IP of any of its company-owned Bakken formation wells to date. This well was the first of two wells drilled on a two-well pad, and while the frack plugs are still being removed from the second well, that well has been flowing back during drill

see HALCON IP RATE page 17

MT BLM draws fire

Industry criticizes management plan, overlapping comment periods

By MIKE ELLERD

For Petroleum News Bakken

n March 2013 three eastern Montana Bureau of Land Management offices released separate draft resource management plans, RMPs, along with the associated draft environmental impact statements, DEISs, starting the clock on three separate 90-day comment periods. The comment period on the Miles City BLM RMP closed on June 5. Comment periods on the HiLine and Billings/Pompeys Pillar National Monument draft RMPs close on June 20 and June 28, respectively. And in neighboring South Dakota, a revised BLM RMP will be issued on June 14.

Not only is there concern as to what BLM is actually proposing in terms of land management changes, but industry groups are criticizing BLM for requiring comments to be submitted on three very large documents addressing public land use under the management of three neighboring BLM offices within a 25-day period.

The revised RPM for the Miles City Field Office, MCFO, would replace two existing RMPs that are currently used to plan and guide development of federal land administered by the MCFO, those being the Big Dry and Powder River RMPs. Those two RMPs were approved in 1996 and 1985, respectively, although both have since been amended to some extent. BLM says conditions have changed since those RMPs were approved, including "new laws, regulations, and policies that supersede previous decisions and changed

see BLM CRITICISM page 18

GOVERNMENT

Sour rejections accepted

Despite protests, FERC rules for Enbridge on 5 ppm H2S level for Berthold crude

By MIKE ELLERD

For Petroleum News Bakken

he Federal Energy Regulatory Commission, FERC, ruled on June 6 in favor of Enbridge Pipelines (North Dakota) LLC on that company's request to lower acceptable hydrogen sulfide levels in crude oil delivered to its Berthold rail loading facility from 10 parts per million down to 5 ppm. FERC also ruled an effective retroactive implementation date of May 9, the effective date that Enbridge had first requested in its initial May 8 filing on the

Under the FERC ruling, Enbridge would automatically accept crude oil at its Berthold terminal with hydrogen sulfide concentrations below 5 ppm. However, Enbridge now has discretion as to whether it accepts or rejects crude shipments with hydrogen sulfide concentrations at or above 5 ppm.

As Petroleum News Bakken reported on May 26, the issue arose after Enbridge measured hydrogen sulfide, a highly toxic gas often found in crude oil, in one of the Berthold facility's storage tanks on May 5 at a concentration of 1,200 ppm. That concentration is nearly two orders of magnitude above the concentration of 20 ppm, the maximum level to which workers can be exposed to hydrogen sulfide during any part of a work day according to the

see **FERC RULING** page 17

FINANCE & ECONOMY

Lthane a point of debate

Prediction ND could feed 200,000 bpd into AB petrochemicals sparks discussion

By GARY PARK

For Petroleum News Bakken

atural gas liquids from Bakken production in North Dakota could be a tempting opportunity for Canada's petrochemical producers, Rusty Braziel, president of RBN Energy, a multifaceted source of energy information, told a Calgary conference in June.

He said the Bakken "could easily" feed 200,000 barrels per day of incremental ethane supplies into Alberta chemical operations, a forecast that was challenged by executives of Nova Chemicals and Aux Sable.

The alternative is to leave the ethane in the gas stream and sell it as methane, which is headed for rapid production growth at "dirt cheap prices,"



Braziel said.

Because of the Bakken's distance from the U.S. Gulf region it would cost 32.4 cents per barrel to deliver ethane to Mont Belvieu, Texas, making the Bakken a significant source of ethane for Alberta's ethylene crackers.

Braziel told the Canadian Energy Research Institute conference that natural gas liquids production in the United States could grow to 3.4 million barrels

per day in 2018 from the current 2.4 million bpd and would be even higher if ethane were not sold as methane because the U.S. petrochemical sector is unable to absorb all of the ethane available in

see ETHANE DEBATE page 16

contents

Petroleum News Bakken

ON THE COVER

MT BLM draws fire

Industry criticizes management plan, overlapping comment periods

Sour rejections accepted

Despite protests, FERC rules for Enbridge on 5 ppm H2S level for Berthold crude

Ethane a point of debate

Prediction ND could feed 200,000 bpd into AB petrochemicals sparks discussion

API: BLM extension on hydraulic fracturing rule warranted

Bullock's vetoes survive override polls

Halcon reaches new high for its IP rate from Bakken

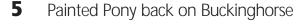
BAKKEN STATS

- **9** Montana Bakken production up; Apache withdraws apps
- **9** MT oil permit activity, May 31-June 6
- **9** Looking for a rig report?
- 10 Montana Bakken oil production by company, April SIDEBAR, Page 10: Top 5 Montana Bakken oil producers
- **10** North Dakota oil permit activity, June 4-10
- 11 IPs for ND Bakken wells, June 4-10 SIDEBAR, Page 11: Top 10 Bakken wells by IP rate
- **12** North Dakota well operator transfers, June 1-7
- **12** Bakken producers' stock prices

COMPANY UPDATE

5 Leadership shuffle

GMX Resources CEO Kenworthy resigns; energy consultant Baggett hired to lead company through bankruptcy process



6 Penn West takes drastic measures

CEO steps down, dividends slashed, 10% layoff scheduled as resource-rich producer tries to climb out of ditch; talk of breakup

13 Cenovus sale propels Surge forecasts

Shaunavon tight oil assets in Saskatchewan sector of Williston Basin sold, but still looking for buyer for Bakken assets

15 Norstra releases reserves estimate

First drill site staked in South Sun River Bakken project in Montana; option signed on more Southern Alberta Bakken acreage

DRILLING & COMPLETION

14 Oasis, Continental top MT well apps

GOVERNMENT

- **7** BLM extends frack rule comment period
- **8** Streamlining Bakken permitting

MERGERS & ACQUISITIONS

3 Korean joint venture falls through

Bellatrix walks from negotiations, unhappy with 'risk adverse philosophy' of Koreans; expects new Cardium play partners shortly

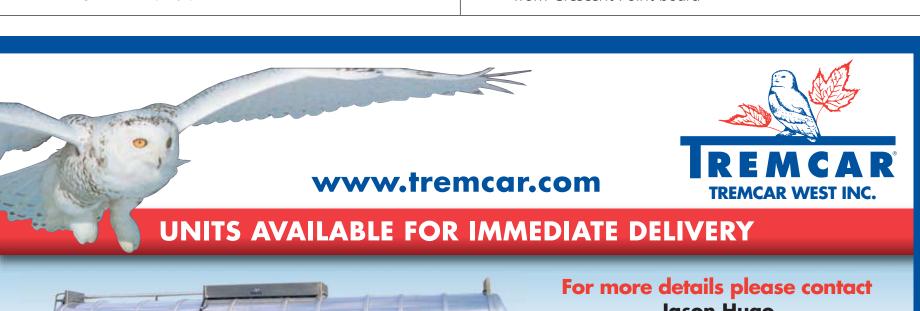
MOVING HYDROCARBONS

7 Sidetracked by crude quality issues

PEOPLE TALK

4 Penn West drafts heavy-hitter as CEO

Seasoned manager will take helm of new ND refinery; co-founder and former CEO steps down from Crescent Point board





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2

• MERGERS & ACQUISITIONS

Korean joint venture falls through

Bellatrix walks from negotiations, unhappy with 'risk adverse philosophy' of Koreans; expects new Cardium play partners shortly

By GARY PARK

For Petroleum News Bakken

ot even the prospect of a foothold in what has been rated as Canada's fastest-emerging light oil play, or a fistful of upbeat reserve assessments could win over a South Korean investor, eying a stake in high-flying Bellatrix Exploration.

The sudden collapse of C\$300 million joint venture between the two entities produced a barely disguised tone of scorn from Bellatrix Chief Executive Officer Ray Smith when he explained to analysts what happened.

He said the prospective partner, only ever publicly identified as a private investment fund, reflected a "risk-adverse philosophy" among Korean investors.

Smith said it is now his impression is that "nobody (in Korea) wants to risk a mistake because that would cost them their job."

"We won't announce any more intentions even though we're told they are 100 percent. The next time we make an announcement it will be closed. And we will be firing the rigs up that day." —Bellutrix Chief Executive Officer Ray Smith

He was plainly still troubled by the turn of events during a week in Korea when he anticipated one of two things: At best, closure of the deal, and at worst, a 30-day extension on a May 31 deadline.

Instead, Bellatrix walked out and has heard nothing from its prospective partner, who has tentatively agreed to contribute C\$150 million to the joint venture to drill 83 wells in the Cardium fairway, which sprawls over 22,000 square miles of west-central Alberta.

The setback mirrors a similar development last fall when an unnamed Korean fund agreed to pay C\$38 million to junior producer Twoco Petroleums for a 70 percent stake in Alberta's Sparky heavy oil property, then walked away two weeks later.

Rival to Saskatchewan's Bakken

The Cardium is the greatest rival to Saskatchewan's Bakken play, with investment bank Peters & Co. estimating that production from horizontal wells has soared to 80,000 barrels per day in only four years from 2,000 bpd.

One of the largest reservoirs in Western Canada, the formation has been drilled with vertical wells for decades, but was viewed as a mature play until the success of multistage fracturing horizontal wells sparked new investment.

More than 2,000 wells have been drilled across the

More than 2,000 wells have been drilled across the Cardium, making the play "one of the most targeted" in the Western Canada Sedimentary Basin, a Peters' report said.

Cardium, making the play "one of the most targeted" in the Western Canada Sedimentary Basin, a Peters' report said.

In the past year, an estimated 40 operators have drilled a combined 450 horizontal wells, led by Lightstream Resources (formerly PetroBakken) at 60, Bonterra Energy (which has acquired Spartan Oil) 53 and Whitecap Resources 41.

Leading operators to license Cardium wells in the past year are Lightstream 93, Bonterra 85 and Vermilion Energy 70

The report said that 1,700 of the 2,000 wells drilled so far are outside the main conventional conglomerate play in the Pembina field, with new areas including Wapiti, Kakwa and Kaybob in the northeast, and Stolberg, Willesden Green, Ferrier and Harmatten East in the southern portion.

Bellatrix at 19,343 boe per day

Bellatrix, established in late 2009, reported overall production from Alberta and Saskatchewan of 19,343 boe per day in the first quarter, up about 3,440 boe per day from a year earlier, is currently averaging 22,500 boe per day and expects to exit 2013 at about 32,000 boe per day. The company attributes most of its growth to the Cardium and Notikewin/Fahler plays in Alberta.

Smith said the company is waiting to bring three more Cardium wells on stream, anticipating output of 1,500-2,000 bpd per well, and, despite loss of the JV, still expects capital spending of about C\$230 million in 2013.

He wasted no time assuring analysts that potential new deals are on the horizon and something could be announced before the end of July.

"But we won't announce any more intentions even though we're told they are 100 percent," he said. "The next time we make an announcement it will be closed. And we will be firing the rigs up that day."

Offering further insights into the breakup, Smith said the state-run Korea Trade Insurance Corp. (or K-Sure) had originally said it would backstop the deal.

But changes the new Korean government has made to the upper echelons at K-Sure, which operates export and import insurance programs, changed the parameters of the deal, raising the risk for the Korean fund.

Bellatrix Executive Vice President Brent Eshleman said the Korean fund in the original deal was told it was welcome to waive their conditions and sign a deal, but "we're not waiting around anymore."

What added to Bellatrix's frustrations was the completion of due diligence and the Korean fund's completion of two independent engineering assessments of the Cardium prospect, with both reports showing "more aggressive (growth) curves" than three separate reports commissioned by Bellatrix.

When the closing conditions were not met by the May 31 deadline, Bellatrix "decided to end the process," and seek deals with other interested parties in Korea and North America, Smith said.

The Cardium is the greatest rival to Saskatchewan's Bakken play, with investment bank Peters & Co. estimating that production from horizontal wells has soared to 80,000 barrels per day in only four years from 2,000 bpd.

Accelerated growth the goal

He said Bellatrix's objective is to accelerate growth of what he described as a 40-year land inventory on terms that match those of the original JV agreement.

Overall, including holdings in northern Alberta's Peace River area, where companies are starting to test waterflood pilots like those being used for tight formations in the Cardium and Saskatchewan Bakken, Bellatrix has about 312,000 gross acres (206,600 acres net).

It is also closely awaiting results from activities by larger operators in Alberta's Duvernay formation, where it owns almost 34,000 gross acres.

"We have a good position in the Duvernay," Smith said in late May. "We think we're in a liquids-rich area, albeit our first well stayed dry because we drilled right on top of a thrust fault. The wells around us have produced a lot of liquids."

But he said the play remains borderline economics because of current natural gas prices, so Bellatrix prefers to let its bigger rivals use their capital to drill up the play and bring down the costs before it is enticed to start a drilling program.

Smith said Bellatrix will not enter a JV unless it the terms are equal to those of the first deal and provide comparable profitability.

"What we're trying to do is accelerate growth for our shareholders. We would not at any time give away substantial value that belongs to our shareholders in an effort to bring that asset forward."

Contact Gary Park through publisher@petroleumnews.com



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PEOPLE TALK

Penn West drafts heavy-hitter as CEO

Seasoned manager will take helm of new ND refinery; co-founder and former CEO steps down from Crescent Point board

By ROSE RAGSDALE

For Petroleum News Bakken

avid E. Roberts Jr., former chief operating officer of Marathon Oil Corp. will become president and chief executive officer of Penn West Petroleum Ltd., effective June 19. (See story on page 6 of this

Roberts will replace Murray Nunns, who is retiring after eight years at the helm of the Canadian energy producer. Concurrent with his departure, Nunn will resign from the Penn West board of direc-

tors.

Penn West Chairman Rick George told reporters after the company's annual meeting in Calgary June 5 that Roberts will provide a "fresh set of eyes" to help the company reduce operating costs and boost

capital efficiencies.

Penn West, in announcing appointment of Roberts June 4, said the veteran oilman brings to the job more than 30 years of operational experience in the upstream oil and gas business, and "his knowledge and successes on such a very large scale make him a welcome addition to the company's senior management team."

Penn West Chairman Rick George told reporters after the company's annual meeting in Calgary June 5 that Roberts will provide a "fresh set of eyes" to help the company reduce operating costs and boost capital efficiencies.

"You should see vast improvements here in the next six months," George said. "I would expect this company to be in a very different place 12 months from now."

Penn West's directors also indicated that they planned to appoint Roberts to the company's board after he assumes his duties.

Roberts left Marathon Oil Dec. 14 to pursue other interests. He had taken on the newly established role of executive vice president and chief operating officer of Marathon Oil in July 2011 when the company completed its spin-off of Marathon

People Talk

Petroleum Corp., making the former company an upstream independent.

Roberts had served as Marathon Oil's executive vice president upstream for a number of years after joining the company in 2006 as senior vice president business development.

He previously served as executive vice president/managing director for BG Group plc with responsibility for Asia and the Middle East. Prior to joining BG Group, he worked as advisor to the vice chairman of ChevronTexaco Corp. from 2001 to 2003, where he provided strategic and operational advice to executive management regarding the company's upstream operations. Roberts built his early skills with Texaco, where he held a number of key operational and strategic planning roles over an 18-year period.

Seasoned manager will lead new refinery

DAVE PODRATZ HAS BEEN

APPOINTED refinery manager of the Dakota Prairie Refining facility, the first oil refinery to be built in the continental United States in 36 years.

Podratz, a Wausau, Wis., native, has 33 years of experience in the oil refinery business. He will lead organizational development, startup and commissioning of the new refinery, which is on a 318-acre site four miles west of Dickinson, N.D. Construction of the Dakota Prairie refinery is expected to be completed in late 2014.

Podratz will begin his duties as chief of the new diesel topping plant July 1, and will report to the Dakota Prairie Refining Board of Directors.

Podratz is currently refinery manager of Calumet's Superior, Wis., refinery and joined Calumet from Murphy Oil Co. when Calumet acquired the Superior Refinery in 2011. He held the Superior refinery manager position prior to the Calumet acquisition as well as other positions of increasing responsibility with Murphy Oil.

A University of Wisconsin graduate

see **PEOPLE TALK** page 6



COMPANY UPDATE

Leadership shuffle

GMX Resources CEO Kenworthy resigns; energy consultant Baggett hired to lead company through bankruptcy process

By RAY TYSON

Petroleum News Bakken

en Kenworthy Jr. has resigned as chairman and chief executive officer of financially beleaguered GMX Resources, which filed for Chapter 11 bankruptcy protection earlier this year.

Kenworthy, also a GMX co-founder, was replaced by energy consultant David Baggett, appointed by the board of directors to "the lead management position" as the Oklahoma-based E&P independent deals with its liquidity problems, which it blamed on weak natural gas prices.

"Mr. Baggett will act as the company's principal executive officer," according to a GMX 8-K form filed June 3 with the U.S. Security and Exchange Commission, SEC.

Baggett, 51, is the founder and managing partner of financial consulting firm Opportune LLP. GMX will pay Baggett \$585 per hour for his professional services, plus fees ranging from \$240-\$420 per hour for any required "additional personnel," such as managing directors, directors, managers and senior consultants. However, a letter of agreement limits the firm to \$50,000 per month in charges, unless waived by the board.

Under terms of the deal, either party can terminate the Opportune-GMX agreement without cause by giving 30 days written notice to the other party.

Baggett has more than 30 years of business experience, including six years as a partner with Deloitte & Touche and six years as a senior executive in the energy industry. He previously served on the boards of American Plumbing and Mechanical, Genesis Energy Inc. and ERCOT, an independent system operator for electrical markets in Texas.

Baggett also served as a director of Encore Energy Partners GP LLC, the general partner of Encore Energy Partners LP, from September 2010 until its merger with Vanguard Natural Resources LLC in December 2011 and served as chairman of the audit committee and served on the conflicts committee.

Baggett's duties include assisting in the "prudent" management of GMX during the course of the bankruptcy, "with a focus on preserving the value of the core and strategic assets and base for development and growth of the assets. ..."

Purchase price established

Under a separate Asset Purchase Agreement, submitted to the SEC on May 15, a purchase price of \$338 million was established for GMX assets. The agreement essentially represents a baseline offer for the assets, which would be subject to a public auction and receipt of competing, and potentially higher and better offers for GMX creditors.

GMX reported losses for eight consecutive quarters. It had total assets of \$281.1 million and liabilities of \$458.5 million as of Dec. 1, according to court documents. Cash resources declined significantly, dropping from \$107 million in the fourth quarter of 2011 down to \$18 million in the third quarter of 2012. The company's stock price also tumbled, and the company has requested to be "delisted" from the New York Stock Exchange.

On April 1 GMX filed a Chapter 11 reorganization petition with the Bankruptcy Court for the Western District of Oklahoma.

Two of the company's subsidiaries -Diamond Blue Drilling Co. and Endeavor Pipeline Inc. — filed related petitions with the court.

Low oil prices cited

GMX mentioned low gas prices as a primary cause of its financial problems.

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

Though managing to boost its production to about 5,400 barrels of oil equivalent per day, this accounted for only about 11 percent of the company's total net output as of last year's third quarter, the last time GMX submitted a required quarterly financial statement to the SEC.

Until his replacement, Kenworthy, 56, was chairman and chief executive officer of GMX since the company's inception in

Prior to the founding of GMX, in 1982 he founded OEXCO Inc., a privately held oil and gas company, which he managed until 1995 when the company was sold.

From 1995 until he founded GMX, Kenworthy was a private investor. From 1980 to 1984, he was a partner in Hunt-Kenworthy Exploration, which was formed to share drilling and exploration opportunities in various geological regions.

Prior to 1980, he held various geology positions with Lone Star Exploration (also known as Ensearch Exploration), Cities Service Gas Co., Nova Energy and Berry Petroleum Corp.

Kenworthy also served as a director of Nichols Hills Bank, a commercial bank in Oklahoma City for 10 years before it was sold in 1996 to what is now Bank of America.

> Contact Ray Tyson at rtyson@petroleumnews.com

COMPANY UPDATE

Painted Pony back on Buckinghorse

Calgary-based Painted Pony Petroleum, one of the most active junior exploration firms in Saskatchewan's Bakken formation, is reintroducing natural gas to its portfo-

The company said it is reawakening the Buckinghorse shale resource play in northern British Columbia from two years of slumbers, stirred by the prospect of supplying feedstock to West Coast LNG projects.

Company Chief Executive Officer Patrick Ward told the shareholders annual meeting in June that the upward trend in gas prices over the past year has encouraged Painted Pony to complete tests in the play, with the prospect of adding a second gas resource play to its overlying Montney holdings.

He said an operation that was "put to bed first 100,000 barrels per well. for a while," now looks "worth spending capital on again."

The British Columbia government has estimated the Buckinghorse shale has an

At its Flat Lake Bakken

project, the company has

13,700 net acres with an

average working interest of 47

percent and a 2.5 percent

government royalty for the

estimated 60 billion cubic feet of gas-in-place per section, per thickness of 330 feet.

Painted Pony, which holds 96,000 net acres, is planning to fracture two existing wells this year, using the same infrastructure as its Montney project.

Gas prices climbing

Ward said gas prices have recently climbed "above anyone's forecast" to almost US\$4 per million British thermal units on the New York Mercantile Exchange from US\$2.45 a year ago.

He said about 85 percent of his company's C\$145 million capital budget for 2013 will be spent in British Columbia to prove up resources, expand processing capacity and build production, while the rest is tagged for maintaining the Bakken light oil

In Saskatchewan, Painted Pony has 74,200 net acres and produced 1,587 barrels of oil equivalent per day, resulting in a first-quarter operating netback of C\$47.37 per

At its Flat Lake Bakken project, the company has 13,700 net acres with an average working interest of 47 percent and a 2.5 percent government royalty for the first 100,000 barrels per well.

In the North Montney, sweet gas wells are yielding 17 to 60 barrels per million cubic feet of gas.

On the LNG outlook, Ward said Painted Pony was outbid by a gas marketing firm for a chunk of action on the BC LNG Export Cooperative project and otherwise has no LNG commitments.

—GARY PARK





COMPANY UPDATE

Penn West takes drastic measures

CEO steps down, dividends slashed, 10% layoff scheduled as resource-rich producer tries to climb out of ditch; talk of breakup

By GARY PARK

For Petroleum News Bakken

The price of mounting a rescue mission for Penn West, one of the largest land-holders in Alberta's tight oil plays, has climbed to the point where the senior producer has launched a strategic review, which usually means it will consider selling assets, finding a joint-venture partner or unloading the company in whole or in part.

The action is proof that no matter how rich a company's resources, if it doesn't have its cost structure under control these days investors are unforgiving.

Rated as the third worst-performing stock among Canadian oil and gas producers, the company engaged this year in a leadership recruiting effort that matches any seen in the industry's head office town of Calgary.

About 600 glum-faced Penn West employees — with 10 percent of the 2,130 on the payroll facing early layoffs — jammed the annual meeting of shareholders and listened as outgoing Chief Executive Officer Murray Nunns delivered his own corporate obituary.

A few hours earlier, Penn West announced that Nunns would be leaving at the end of June to be replaced by David Roberts, former chief operating officer with Marathon Oil.

Meanwhile, Bill Andrew, who was Penn West's senior executive officer for 20 years, starting in 1992, and former Alberta Deputy Premier Shirley McClellan, both retired from the board of directors.

It was not clear whether Nunns, aged a mere 56, was terminated without cause or as a result of "constructive dismissal," which entitles him to a "retiring allowance" of C\$3.7 million, or if the move was voluntary.

Either way, he did his best to build optimism around exploration and production operations in Alberta, Saskatchewan, Manitoba and British Columbia, plus giving an update on efforts to reduce the company's C\$2.9 billion of debt.

"The ultimate game for all of us has to be to close that gap between the inherent value of Penn West and how it is recognized in the market," Nunns said.

Calling in heavy artillery

Achieving that goal as the value of Penn West shares slumped by two-thirds since 2011 required the board to call in the heavy artillery — two of the Canadian petroleum industry's legends.

Rick George, having retired from a decade of steering oil sands producer Suncor Energy to the heights, was appointed chairman and Allan Markin, one of two people who built Canadian Natural Resources from nothing to something, came in as vice chairman.

They instantly gave Penn West credibility, but it needed bold measures to convince shareholders.

Other than letting Nunns go, they reduced the company's prized dividend from C27 cents a share to C14 cents;

announced the layoff target; and launched the review of "strategic financing alternatives, asset divestments, joint ventures and/or other business combinations."

'Perfect storm'

"It has just been a perfect storm for Penn West," said Laura Lau, senior vice president at Brompton Funds in Toronto. "When the market is going straight up, you don't really have to change that much. But when things are flat or going down, then you have to look at your cost structure and you have to think about how to run your business."

For Brian Kristjansen, an analyst with Dundee Securities, the answer could lie in "the oft-rumored breakup of the company into multiple components."

He said the announced moves are positive, although not enough to change his neutral rating.

What Penn West probably suspects is that cost-controls and development plans alone may not work.

It tried last year, by dismissing four senior executives and unveiling plans to sell C\$1.3 billion of non-core assets, on top of divesting 16,500 barrels a day of oil equivalent for C\$1.8 billion.

First quarter results showed a drop in production to 143,000 boe per day, mostly Western Canada tight oil plays, from 167,000 boe per day a year earlier.

The company said its initial executive shuffle was designed to kick-start underperforming operations and flagging stock prices required greater "engineering strength at the top of the organization" and performance targets for the next three to five years.

Analysts have previously noted that Penn West's dividend yield reached 7.8 percent last year, higher than all but one of its peers, suggesting the company was overleveraged.

Failure to unlock 'complete value'

George told shareholders that Penn West had failed to unlock the "complete value" of its "high-quality assets."

He said Roberts brings a "unique blend of operating field experience, strategic thinking at a very high level as well as knowledge of critical new industry technology."

George said the objectives will include maximizing the use of Penn West mid-

stream assets and improving the netbacks on each barrel produced.

The company said its 2013 guidance to produce 135,000-145,000 boe per day and spend C\$427 million on exploration and development is unchanged.

Rated as its most significant "growth and long-term value" asset, the Cardium tight oil formation covering 22,000 square miles in west-central Alberta is the focus of Penn West plans to test horizontal water-floods.

It also expects to spend C\$200 million-C\$250 million on 90-130 wells in Manitoba's Spearfish play, part of the Williston Basin which spreads over North Dakota, Saskatchewan and Manitoba, and invest C\$100 million on the closely watched Duvernay play in west-central Alberta.

Rival to Saskatchewan Bakken

The Cardium is seen as the greatest rival to Saskatchewan's Bakken play, with investment bank Peters & Co. estimating in a new report that production from horizontal wells has increased to 80,000 bpd in only four years from 2,000 bpd.

One of the largest reservoirs in Western Canada, the formation was exploited with vertical wells for decades, but was viewed as a mature play until the success of multistage fracturing horizontal wells sparked new activity.

More than 2,000 wells have been drilled across the Cardium, making the play "one of the most targeted" in the Western Canada Sedimentary Basin, the Peters' report said.

In the past year, an estimated 40 operators have drilled a combined 450 horizontal wells, led by Lightstream Resources (formerly PetroBakken) at 60, Bonterra Energy (which has acquired Spartan Oil) 53 and Whitecap Resources 41.

Leading operators to license Cardium wells in the past year are Lightstream 93, Bonterra 85 and Vermilion Energy 70.

The report said that 1,700 of the 2,000 wells drilled so far are outside the main conventional conglomerate play in the Pembina field, with new areas including Wapiti, Kakwa and Kaybob in the northeast, and Stolberg, Willesden Green, Ferrier and Harmatten East in the southern portion. ●

Contact Gary Park through publisher@petroleumnews.com



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continued from page 4

PEOPLE TALK

with a degree in chemical engineering, Podratz began his career in the refining industry in 1980 and has managed the Superior refinery for the past 13 years.

Co-founder exits Crescent Point board

CRESCENT POINT ENERGY
CORP. JUNE 6 REPORTED that Paul
Colborne has resigned as a director of
the company to enable him to focus on
new commitments in the oil and gas
industry.

Colborne was a founder of Crescent Point in 2001 and acted as president and CEO of the company until its reorganization into Crescent Point Energy Trust in September 2003.

With co-founder and current

Crescent Point President and CEO Scott Saxberg, Colborne helped to establish the three-part business strategy that has led to Crescent Point's tremendous growth and success.

During Colborne's tenure as president, Crescent Point's average production grew to more than 5,500 barrels of oil equivalent per day in 2003 from about 275 boepd two years earlier. As a member of the company's board, he also oversaw production growth to exceed 117,000 boepd by the first quarter of 2013.

Crescent Point said it also has initiated a search for additional directors to strengthen its board in light of shareholders' approval of a resolution May 30 to increase the maximum number of directors to 11 from seven. ●

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• MOVING HYDROCARBONS

Sidetracked by crude quality issues

By GARY PARK

For Petroleum News Bakken

Railcars are being turned into dumping grounds for a variety of trash, compromising the crude they carry, participants in a Crude Oil Quality Association conference in Seattle on June 9 were told.

The evidence was presented by Gary Weimer, quality assurance and control manager at Irving Oil's refinery in New Brunswick, who offered enlarged pictures that showed a wire brush, rags and a pop bottle and said it was not uncommon to also find rocks and sand.

Peaker Energy Chief Executive Officer Matthew Goitia said sloppiness even extended to greed, with some rail users topping off the cars with water or motor oil.

He said some companies which hook up crude-carrying trucks to railcars pay the price because they don't have the equipment to check for water content, which should not exceed 1 percent.

Goitia's startup company is trying to stifle the problem by forming a sub-committee of the Crude Oil Quality Association, COQA, to delve into crude-by-rail issues.

He said carelessness by untrained workers was at the root of much junk being left inside the railcars.

Goitia said he has heard stories about entire railcars

full of water being delivered to refineries.

The process is called "crude watering" and can often happen when a hatch is mistakenly left open and rainwater enters the car.

Irving to sample crude quality

Irving Oil, which operates Canada's largest refinery, with capacity of 300,000 barrels per day, started using rail shipments in 2012.

The company now plans to sample crude quality at the onloading point, rather than the traditional method of waiting until delivery.

Weimer said the most reliable loading occurs when the crude is delivered by pipeline, put in a storage tank, then loaded into a railcar, as opposed to the truck-to-railcar method via a transloader.

Enbridge Energy issued a warning in May in a filing that it might have to close its 80,000 bpd Berthold Station in North Dakota if hydrogen sulphide levels in delivered crude were not reduced.

One test disclosed "extremely high levels of hydrogen sulphide vapors," which are both highly toxic and flammable

COQA Executive Director Harry Giles told Platts that Bakken crude in North Dakota is often loaded straight into trucks from multiple wellheads that are spread across a large geographical area, meaning that specifications can vary slightly and result in unpredictable refined product yield.

Valero not seeing problems

A Valero Energy spokesman said he had not heard of quality problems with Bakken crude that was shipped by rail and eventually found its way to the company's Memphis refinery.

He said Valero has a strict quality control program that "ensures the type, grade and quality of the crude that we order is what shows up at our refineries."

Giles said some companies are considering ways to minimize railcar specification issues, including blending crudes at unloading terminals.

James Cairns, Canadian National Railway's vice president of petroleum and chemicals, told Platts that crude transported by railcars is more consistent than what is delivered off a pipeline.

He noted that crude loaded into a railcar is exactly what is delivered, whereas crude carried by pipeline "picks up all sorts of impurities."

Contact Gary Park through publisher@petroleumnews.com

• GOVERNMENT

BLM extends frack rule comment period

By MIKE ELLERD

For Petroleum News Bakken

idway through the 30-day comment period on the Bureau of Land Management's revised draft rule to regulate hydraulic fracturing on federal and Indian trust lands, Secretary of the Interior Sally Jewell told the Senate Energy and Natural Resources Committee that the comment period will be extended an additional 60 days.

Jewell told the committee June 4 that BLM received more than 177,000 comments on the initial draft rule, and that the rule has since been changed significantly. "One of the consistent things I've heard is a request for more time, and so I'm announcing right now that we're going to give an extra 60 days to that comment period on the hydraulic fracturing rule," Jewell said. "So rather than expiring here in a week or two, it will have another 60 days on top of that, and I think that will give ample time for people to express their views on it. But we do need to get on with this regulation that's been over 30 years in place, and the technology has moved forward."

The revised draft rule was published in the Federal Register on May 24, and with only a 30-day comment period, the last day to submit comments would have been June 24. But now with the 60-day extension, BLM will accept comments on the revised draft rule until Aug. 23.

The day following Jewell's testimony, BLM issued a press release formally announcing the extension of the comment period. In that press release, BLM said that hydraulic fracturing rule is the first update to federal oil and gas regulations since the 1980s, and a "high level of interest in the rule," prompted BLM to extend the comment period.

"Extending the comment period ensures that we'll have greater input from the public and from key stakeholders, including industry and environmental groups, Indian tribes, as well as other people who have hydraulic fracturing operations in their communities," said Neil Kornze, BLM principal deputy director. "This rulemaking process has been open at every step, and today's announcement underscores that fact."

In the June 7 press release BLM said the revised draft "includes important safety standards, improves integration

with existing state and tribal standards, and increases flexibility for oil and gas developers." BLM added that the three primary components of the initial proposed rule are maintained in the revised draft rule. Those three primary components are a requirement that operators disclose the chemicals used in their hydraulic fracturing operations, verification that fluids used during fracturing operations are not contaminating groundwater through improvement in the assurances of well-bore integrity, and confirmation that operators have a water management plan in place for handling flowback fluids.

BLM said hydraulic fracturing is used in approximately 90 percent of wells drilled on federal and Indian trust lands, but added that the agency's current regulations governing hydraulic fracturing operations, which have been in place since 1983, were not written to address modern hydraulic fracturing activities. The agency said the revised proposed rule will modernize its management of hydraulic fracturing operations, as well as help establish baseline environmental safeguards for these operations.

Contact Mike Ellerd at mellerd@bresnan.net



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GOVERNMENT

Streamlining Bakken permitting

Bakken Federal Executive Group's efforts to facilitate oil development continue

By MIKE ELLERD

For Petroleum News Bakken

he federal government's interagency Bakken Federal Executive Group, an advisory group representing 12 federal agencies involved in the federal oil and gas permit review process in the Bakken, met in Billings, Mont., on June 5 where, according to a June 6 Department of the Interior press release, the group "contin-

ued the dialogue on ways to facilitate the development of oil and gas resources in the booming Bakken Formation."

The advisory group was formed in 2012 as part of an effort to collaboratively address the SALLY JEWELL obstacles facing



energy growth in the Bakken. It first met in April 2012, and since then the group has held several teleconferences. The May 5 meeting was the group's second inperson meeting. The 12 federal agencies participating in the group are: Bureau of Land Management, Bureau of Indian Affairs Reclamation, Fish and Wildlife Service, Forest Service, National Park Service, Geological Survey, Agency, Environmental Protection Natural Resources Conservation Service, Office of Natural Resources Revenue and Office of Special Trustee.

The group's focus

The June 6 press release noted that

"I know the team is working hard on reducing the time for permitting and approval of new projects. That will be facilitated through automation. Sequestration has impacted that a bit, but we're still committed to getting that done." — Interior Secretary Sally Jewell

over the last five years, oil and gas development in the Bakken has been growing rapidly, and that growth has created a number of federal workforce and regulatory issues. "The booming economy in the region has driven up wages and the cost of housing, making it difficult for federal agencies to staff up to the levels needed to address the increasing workload. Federal applications for permit to drill (APD) have increased by more than 500 percent over this period. Rapid development has generated environmental challenges and challenges to intergovernmental permitting and coordination."

The Bakken federal advisory group was formed to specifically address these issues. On a number of these issues, the group has already made progress, according to the June 6 press release, including addressing federal employee housing, improving sharing of environmental data and best practices and improving industry coordination. The group is also looking at the use of online submittals of APDs.

In addition, the advisory group wants to improve federal, tribal and state coordination in order to reduce duplication and facilitate timely responses in the permitting process. It has set coordination and consultation with Indian tribes as a priority. The group is also exploring ways that the federal government can collaboratively work with industry and state agencies to reduce the amount of natural gas flaring in the play.

"By coordinating across the many federal agencies involved in the Bakken region — as well as with state, tribal, and local governments and with stakeholders — we are able to offer a better process for industry while also arriving at better outcomes for communities and the environment," said David J. Hayes, deputy secretary of the Department of the Interior in the June 6 press release.

BLM's ND responsibilities

BLM said in the release that it approved 664 drilling permits in the Bakken last year, 418 of which were for drilling on Indian mineral resources and the remaining 246 for drilling on federal mineral leases. BLM said it expects approximately 900 APDs to be submitted throughout 2013.

In addition to permitting, BLM is also responsible for site inspections as well as the enforcement and accountability of royalty collection. In fiscal year 2012, federal royalties totaled approximately \$138 million, and from 2008 to 2012, royalties paid on Indian lands increased from \$1 million to more than \$257 million. In North Dakota, BLM is responsible for oil and gas management on some 1.4 million subsurface acres of federal land and 568,000 subsurface Indian acres. According to BLM Principal Deputy Director Neil Kornze, BLM is "Working closely with all of these agencies, we're responsible for leasing, permitting and compliance, production accountability and the development of Indian Trust minerals. The BLM wants to get this right."

Jewell also told Congress that onshore oil production on public lands is now at the highest level it has been in more than a decade, and that the amount of oil and gas producing acreage in the U.S. continues to increase.

Sec. Jewell's comments to congress

In testimony before the Senate Energy and Natural Resources Committee on June 6, Secretary of the Interior Sally Jewell said BLM is making progress on streamlining the federal oil and gas leasing and permitting processes. "I have looked at the leasing reforms that the BLM has put in place. They changed them in 2010. We've actually had the lowest number of protests on lease sales on BLM land in 10 years, so we're making progress there. I know the team is working hard on reducing the time for permitting and approval of new projects. That will be facilitated through automation. Sequestration has impacted that a bit, but we're still committed to getting that done."

Jewell also told Congress that onshore oil production on public lands is now at the highest level it has been in more than a decade, and that the amount of oil and gas producing acreage in the U.S. continues to increase.



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Bakken BAKKEN Stats

MT oil permit activity, May 31-June 6, 2013

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

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

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

And public land survey system abbreviations:

FNL = from north line | FEL = from east line | FSL = from south line | FWL = from west line

In Pondera County, Primary

Petroleum Company USA Inc. has

been approved to drill the Benton

Bench 16-5-28-4 at SE SE 5-28N-

4W (380 FSL/660 FEL). The well

has a PD of 5,000 feet and will aim

for the Duperow formation.

COMPILED BY DARRYL L. FLOWERS

For Petroleum News Bakken

New locations — horizontal wells

In Fallon County's Pennel field, Denbury Onshore LLC was approved to drill the Unit 22X-36R. Located at SE NW 36-8N-59E (2144 FNL/1986 FWL) and with a PD of 9,200 feet, the well is aiming for the Red River formation.

In Richland County, three new horizontal wells were approved during the reporting period, all targeting the Bakken.

Two approvals were issued to C on tinental Resources Inc. The Joyce HSL has a SHL at NE NE 18-24N-54E (230 FNL/300 FEL) and a PBHL of 16,762 feet at EL NE 6-24N-54E (200

FNL/0 FEL. The Toni HSL has an SHL at NE NE 18-24N-54E (230 FNL/345 FEL) and a PBHL of 19,717 feet at EL SE 19-24N-54E (200 FSL/0 FEL).

XTO Energy was green lighted to drill the Headington Federal 43X-23A, with an SHL at NE SE 23-26N-52E (2393 FSL/301 FEL) and a PBHL of 19,178 feet at SW SW 22-26N-52E (660 FSL/250 FWL).

In Roosevelt County, Oasis Petroleum North America LLC was green lighted for three Bakken formation wells: the Susie 2 2759 42-10B, with an SHL at SE SW 10-27N-58E (230 FSL/2280 FWL) and with a PBHL of 20,547 feet at SE SW 22-27N-58E (200 FSL/2600 FWL); the Susie 3 2758 42-10B at SE SW 10-27N-58E (460 FSL/1330 FWL) and with a PBHL of 20,906 feet at SW SW 22-27N-58E (250 FSL/600 FWL); and the Susie 4 2758 42-10B with an SHL at SE SW 10-27N-58E (460 FSL/1430 FWL) and a PBHL of 20,740 feet at SE SW 22-27N-58E (240 FSL/1600 FWL).

Re-issued locations

In Pondera County, Primary Petroleum Company USA Inc. has been approved to drill the Benton Bench 16-5-28-4 at SE SE 5-28N-4W (380 FSL/660 FEL). The well has a PD of 5,000 feet and will aim for the Duperow formation.

In Richland County, Oasis Petroleum North America LLC was approved for two re-issued permits, both for Bakken formation wells. The Freesia Federal 2658 13-11H has an SHL at NW NE 11-26N-58E (460 FNL/1780 FEL) and a PBHL of 20,949 feet at NW NE 35-27N-58E (210 FNL/2300 FEL); the Bouvardia Federal 2658 12-12H, with an SHL at NE NW 12-26N-58E (670 FNL/2099 FWL) and a PBHL of 20,985 feet at NE NW 36-27N-58E (250 FNL/2000 FWL).

Permit modifications/corrections

A modification/correction was issued for the Unit 11X-03 in Fallon County's Cabin Creek field. Operated by Denbury Onshore LLC, the well has an SHL at NW NW 3-9N-58E (304 FNL/528 FWL) and

targets the Red River formation.

Completions

There were two Bakken formation wells completed in Richland County for the reporting period.

Continental Resources Inc. filed a completion report for the Lewis 1-13H, with an SHL at NW NE 13-26N-56E (215 FNL/2030 FEL), and with four laterals having BHLs at: 16,524 feet at SE NE 24-26N-56E (1560 FNL/1975 FEL); 16,931 feet at SW NE 24-26N-56E (1966 FNL/2008 FEL); 18,112 feet at NW SE 24-26N-56E (2136 FSL/1993 FEL); and 19,613 feet at SW SE 24-26N-56E (639 FSL/1982 FEL). The Lewis reported an IP of 326 BOPD, 276 MCFPD and 307 BWPD.

Fidelity Exploration & Production Co. reported the completion of the Klette 24-13H, with an SHL at SW SE 24-22N-56E (260 FSL/2152 FEL) and a (BHL) of 14,854 feet at NW NE 24-22N-56E (273 FNL/2167 FEL). The Klette turned in an IP of 47 BOPD, 9 MCFPD and 508 BWPD.

In Sheridan County, TAQA North USA Inc. filed a completion report for the Hellegaard 10-9H, with an SHL at NE SE 10-37N-57E (1980 FSL/250 FEL) and a BHL of 11,750 feet at NW SW 10-37N-57E (1963 FSL/806 FWL). The Bakken formation well reported an IP of 55 BOPD, 9 MCFPD and 349 BWPD.

In Teton County, Primary Petroleum Company USA Inc. reported the completion of the Spring Hill 14-34-27-6HZ, with an SHL at SE SW 34-27N-6W (331 FSL/1980 FWL) and a BHL of 8,100 feet at NE NW 34-27N-6W (339 FNL/1790 FWL). The Spring Hill, which taps the Lodgepole formation, turned in an IP of 10 BOPD, 30 MCFPD and 100 BWPD. ●

Montana Bakken production up; Apache withdraws applications

As this issue goes to press, North Dakota is releasing its latest (April) production numbers, which will appear, by company, in the next edition of Petroleum News Bakken. Montana's Bakken oil production for April is in, with the exception of three Whiting areas where March amounts are substituted — see page 10. The average daily Montana oil output from the Bakken petroleum system in April was 35,676 barrels of oil per day, up almost 6 percent from 33,771 bpd in March.

Apache Western Exploration is again absent from the Montana permitting activity report on this page, its last permit application received by the Montana Board of Oil and Gas Conservation the week of Nov. 30 when it was granted permission to drill two Wescoe wells targeting the Bakken.

But on page 14 of this issue, in a story titled "Oasis, Continental top MT well apps," this update appears, giving credence to the rumor Apache is pulling out of the Bakken, selling its net interest in 300,000 acres on the fringe of the play: "In Daniels County, continued from December and April respectively, Apache ... asked the board (Montana Board of Oil and Gas Conservation) to create a temporary 1,280-acre spacing unit where it wants to drill one horizontal Bakken/Three Forks well. Apache also asked the board to make permanent a 640-acre spacing unit in Daniels County where it now has a producing Bakken/Three Forks well. Those applications were withdrawn and no production or other information was provided on the well. In a May 28 comment, the agency said, apparently citing Apache: 'Temporarily abandoned while evaluating plans.'"

Other highlights in this week's Bakken Stats include:

- A Top 5 list of Bakken oil producers in Montana on page 10, which includes, from top to bottom: Continental, Enerplus, XTO Energy, Slawson and Whiting.
- On page 9, Primary Petroleum, a player in the still-being-evaluated Southern Alberta Bakken fairway in northwestern/west-central Montana, has been approved to drill a well targeting the Duperow formation in Pondera County, which is in the fairway. The company has also completed a Lodgepole formation well in Teton County, also in the fairway. The Spring Hill well had an initial production of 10 barrels of oil in its first 24 hours.
- On page 12, operatorship of Three Fort Berthold wells were recorded as transferred June 7 from Petro-Hunt to G3 Operating, a wholly owned subsidiary of GeoResources Inc. which was acquired by Halcon Resources in 2012.

—KAY CASHMAN



Looking for a rig report?

Montana

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

North Dakota

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

Saskatchewan

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

Manitoba

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





Bakken oil production by company

April 2013

The information below is derived from State of Montana production reports and separated out by company. Note this is oil produced by wells operated by these companies; it does not identify the percentage of Bakken petroleum system oil, including the Three Forks formation, that is actually owned by the company, so it might differ from what each company reports. It also does not include oil production from wells operated by others, in which these companies might hold an interest. The daily average was derived from dividing the total production by the number of days in April. Note: Whiting Oil & Gas Corp. has not yet filed all of its April production information, so part

LEGEND

Company

Field — pool — county — barrels of oil per month Daily average in barrels of oil

of its out is from March, as marked. The operator names used in this report are as they appear in State of Montana records, even though some of the companies or their Bakken assets might have been purchased by other companies. When that is the case, the current owner's name is in parenthesis behind the owner of record. If any current owners are missing, please contact Kay Cashman at publisher@petroleumnewsbakken.com

Top 5 Montana Bakken oil producers April 2013

Continental Resources	13,358
Enerplus Resources	6,265.1
XTO Energy (ExxonMobil)	5,739.1
Slawson Exploration	2,701.4
Whiting Oil and Gas	2,434.6

Average daily Montana Bakken petroleum system production in April: approximately 35,676.3 barrels of oil per day, up from 33,771.3 in March.

Burlington Resources Oil & Gas Company LP (ConocoPhillips)

Elm Coulee — Bakken — Richland	36,977

Daily average: 1,232.6

Charger Resources, LLC

1,971 Elm Coulee — Bakken — Richland

Daily average: 65.7

Continental Resources Inc

Elm Coulee – Bakken – Richland	387,390
Elm Coulee, Northeast – Bakken – Richland	12,925
Elm Coulee – Three Forks – Richland	420
Elm Coulee, Northeast – Three Forks – Richland	0
Wildcat Richland – Bakken – Richland	0

Daily average: 13,358

Earthstone Energy

Spring Lake, West - Bakken - Richland 87 Vaux - Madison/Bakken - Richland 381 Daily average: 15.6

Enerplus Resources USA Corporation

Charlie Creek – Bakken – Richland	173
Elm Coulee – Bakken – Richland	186,836
Epworth – Bakken – Richland	170
Girard – Bakken – Richland	0
Mustang – Bakken – Richland	288
Putnam – Bakken – Richland	13
Spring Lake – Bakken – Richland	329
Three Buttes – Bakken – Richland	143

Daily average: 6,265.1

EOG Resources, Inc.

Elm Coulee — Bakken — Richland	25,356
Wildcat Richland — Bakken — Richland	(

Daily average: 845.2

Fidelity Exploration & Production Co. (MDU)

Elm Coulee – Bakken – Richland	4,921
Elm Coulee – Three Forks – Richland	396

Daily average: 177.2

Newfield Production Company

Elm Coulee – Bakken – Richland	20,961

Daily average: 698.7

Oasis Petroleum North America LLC

Elm Coulee – Bakken – Richland	10,3/1
Elm Coulee, Northeast – Bakken – Richland	29,438

Daily average: 1,327

Sinclair Oil & Gas Company

Elm Coulee – Bakken – Richland 1,890 Elm Coulee, Northeast - Bakken - Sheridan

Daily average: 79.9

Slawson Exploration Company Inc

Elm Coulee - Bakken - Richland 81,041

Daily average: 2,701.4

5M Energy Company	
Brorson – Mission Canyon, Bakken – Richland	375
Brorson, South – Bakken – Richland	0
Brorson, South – Mission Canyon, Bakken – Richland	323
Elm Coulee – Bakken – Richland 2	0,727
Mustang – Bakken – Richland	107
Putnam – Mission Canyon, Bakken – Richland	133
Vaux – Mission Canyon, Bakken – Richland	421

Daily average: 736.2

Whiting Oil and Gas Corp.

Elm Coulee – Bakken – Richland 152 (March) Elm Coulee, Northeast - Bakken - Richland 67,689 (March) Elm Coulee, Northeast - Three Forks - Richland 4,082 (March) Elm Coulee, Northeast - Three Forks - Sheridan

1,116 (April)

Daily average: 2,434.6

XTO Energy Inc. (ExxonMobil)

Elm Coulee - Bakken - Richland 172,174

Daily average: 5,739.1

—Compiled by Joshua Borough

Contact Joshua Borough at jborough@petroleumnews.com



North Dakota oil permit activity

June 4 — June 10, 2013

LEGEND

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

Abbreviations

Following are the abbreviations used in the report and what they

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

Billings Co.

Permits cancelled Whiting Oil and Gas

BSMU 1706; SESW 17-142N-100W; 611'FSL and 1,404'FWL; Big Stick; on confidential status; 2,517' ground; 21127; 33-007-01686; 6/4/2013 BSMU 2005; SESW 20-142N-100W; 650'FSL and 1,850'FWL; Big Stick; on confidential status; 2,704' ground; 21074; 33-007-01682; 6/5/2013

Bottineau Co.

Permits issued

Legacy Oil and Gas

Legacy ET AL Bernstein 13-7 2H; SWSW 7-163N-76W; 618'FSL and 217'FWL; Red Rock; on confidential status; 1,714' ground; 25752; 33-009-

Legacy ET AL Shillander 5-18H; SWNW 18-163N-76W; 2,035'FNL and 233'FWL; Red Rock; on confidential status; 1,696' ground; 25750; 33-009-

Legacy ET AL Shillander 5-18 2H; SWNW 18-163N-76W; 2,134'FNL and 233'FWL; Red Rock; on confidential status; 1,692' ground; 25751; 33-009-02323; 6/6/2013

Permits renewed

Enduro Operating

Antler Midale Unit 24-43; NESE 24-163N-82W; 1,460'FSL and 187'FEL; Antler; on confidential status; 1,513' ground; 19322; 33-009-02214;

Burke Co.

Permits issued Oasis Petroleum

Bennett 6093 12-26T; NENW 26-160N-93W; 215'FNL and 2,210'FWL; Gros Ventre; horizontal; 2,384' ground; 25741; 33-013-01720; 6/4/2013 Fairfax 6093 12-26B; NENW 26-160N-93W; 215'FNL and 2,260'FWL; Gros Ventre; horizontal; 2,385' ground; 25740; 33-013-01719; 6/4/2013 Jolly 6093 12-26T; NENW 26-160N-93W; 215'FNL and 2,310'FWL; Gros Ventre; horizontal; 2,379' ground; 25739; 33-013-01718; 6/4/2013 W.E. Isley 6093 12-26B; NENW 26-160N-93W; 215'FNL and 2,160'FWL; Gros Ventre; horizontal; 2,386' ground; 25742; 33-013-01721; 6/4/2013

Location resurveyed

Fredrickson 160-94-33D-28-4H; SWSE 33-160N-94W; 250'FSL and 1,675'FEL; North Tioga; on confidential status; 2,374' ground; 22111; 33-013-01638; 6/4/2013

L. Hoiby 159-94-19A-30-4H; NENE 19-159N-94W; 250'FNL and 1,225'FEL; North Tioga; on confidential status; 2,212' ground; 25014; 33-

L. Hoiby 159-94-19A-30-5H; NENE 19-159N-94W; 250'FNL and 1,125'FEL; North Tioga; on confidential status; 2,214' ground; 25015; 33-

Producers Corp 159-94-8A-17-5H; NWNE 8-159N-94W; 275'FNL and 1,586'FEL; North Tioga; on confidential status; 2,357' ground; 21999; 33-013-01615; 6/10/2013

Divide Co.

Permits issued

Continental Resources

Sommerheilm 1-10H; SESW 10-161N-96W; 270'FSL and 1,980'FWL; Upland; on confidential status; 2,383' ground; 25762; 33-023-01057; 6/7/2013

North Plains Energy

Smoky Butte 2WD; NWNW 4-160N-100W; 505'FNL and 500'FWL; Wildcat; on confidential status; 2,179' ground; 10842; 33-023-00289;

Permits renewed

Oxy USA (Occidental Petroleum Corp.)

State Andrew Schmidt 2-3-10H-143-97: LOT3 3-143N-97W: 378'FNL and 1,853'FWL; Crooked Creek; horizontal; 2,462' ground; 23140; 33-025-

State Andrew Schmidt 3-3-10H-143-97; LOT3 3-143N-97W; 378'FNL and 1,903'FWL; Crooked Creek; horizontal; 2,464' ground; 23141; 33-025-State Jaeger B 2-34-27H-144-97; LOT3 3-143N-97W; 379'FNL and

1,753'FWL; Cabernet; horizontal; 2,459' ground; 23138; 33-025-01767; State Jaeger B 3-34-27H-144-97; LOT3 3-143N-97W; 379'FNL and 1,803FWL; Cabernet; horizontal; 2,461' ground; 23139; 33-025-01768;

SM Energy

Johnson 3-6HS; LOT3 6-16N-99W; 220'FNL and 1,360'FWL; Musta; on confidential status; 2,285' ground; 23103; 33-023-00846; 6/4/2013

Dunn Co.

Permits issued

Enerplus Resources

Rain 149-93-07A-12H TH; SENE 7-149N-93W; 1,987'FNL and 902'FEL; Mandaree; horizontal; 2,266' ground; 25735; 33-025-02177; 6/4/2013 Snow 149-93-07A-12H; SENE 7-149N-93W; 1,933'FNL and 818'FEL; Mandaree; horizontal; 2,271' ground; 25736; 33-025-02178; 6/4/2013 Sun 149-93-07D-12H; SESE 7-149N-93W; 1,314'FSL and 668'FEL; Moccasin Creek; horizontal; 2,304' ground; 25738; 33-025-02180;

Wind 149-93-07D-12H TF; SESE 7-149N-93W; 1,214'FSL and 668'FEL; Mandaree; horizontal; 2,303' ground; 25737; 33-025-02179; 6/4/2013

Kathryn Kukla 14-34H; SESW 34-145N-96W; 300'FSL and 1,790'FWL; Murphy Creek; on confidential status; 2,410' ground; 25761; 33-025-02182; 6/7/2013

William Kukla 24-34H; SESW 34-154N-96W; 300'FSL and 1,840'FWL; Murphy Creek; on confidential status; 2,412' ground; 25760; 33-025-02181; 6/7/2013

Location resurveyed

Hess

see **ND PERMIT** page 11



IPs for ND Bakken wells

June 4 - June 10, 2013

This chart contains initial production rates, or IPs, for active wells that were filed as completed with the state of North Dakota from June 4 to June 10, 2013 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) either 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, June 4 to June 10. 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 owners' 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; 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

23220; Rennerfeld 3-30H; Brooklyn; LOT4 19-155N-98W; 4SEC; Williams; horizontal; 21,602; 5/10/2013; 475 bbl

23573; AN-Bohmbach 153-94-2734H-5; Antelope; NWNE 27-153N-94W; 2SEC; McKenzie; horizontal; 21,288; 5/16/2013; 1,065 bbl

23825; EN-State D 154-93-2635H-4; Robinson Lake; NWNE 26-154N-93W; 2SEC; Mountrail; horizontal; 20,172; 5/14/2013: 1.008 bbl

23131; SC-Norman 154-98-3130H-5; Truax; SESW 31-154N-98W; 2SEC; Williams; horizontal; 21,255; 5/16/2013;

Oxy USA (Occidental Petroleum Corp.)

24705; Stag 1-35-23H-142-96; Russian Creek; SESW 35-142N-96W; ICO; Dunn; horizontal; 25,437; 5/20/2013;

Samson Resources (KKR & Co.)

23720; Montclair 0112-2TFH; Ambrose; LOT4 1-163N-99W; 4SEC; Divide; horizontal; 17,710; 5/19/2013; 318 bbl

24211; Jeglum 3-29HNA; Colgan; NENW 29-163N-100W; 2SEC; Divide; horizontal; 18,536; 4/3/2013; 219 bbl 24212; Jeglum 3-29HNB; Colgan; NENW 29-163N-100W; 2SEC; Divide; horizontal; 18,608; 4/8/2013; 333 bbl

23741; Jerome Anderson 15-10 7TFH; Alger; SWSE 15-155N-92W; 2SEC; Mountrail; horizontal; 19,901; 4/30/2013; 1,794 bbl

22585; Lonnie 15-22 4TFH; Ragged Butte; NWNW 15-151N-101W; 2SEC; McKenzie; horizontal; 20,545; 4/13/2013; 1,429 bbl

22915; Roger Sorenson 8-5 2TFH; Alger; SWSW 8-155N-92W; 2SEC; Mountrail; horizontal; 19,958; 4/19/2013;

22916; Roger Sorenson 8-5 3H; Alger; SWSW 8-155N-92W; 2SEC; Mountrail; horizontal; 19,799; 4/14/2013; 1,972

23423; Roger Sorenson 8-5 6TFH; Alger; SWSW 8-155N-92W; 2SEC; Mountrail; horizontal; 20,048; 4/9/2013;

WPX Energy

23305; Blackhawk 1-12HB; Moccasin Creek; SWSE 36-148N-93W; 2SEC; Dunn; horizontal; 20,882; 5/3/2013; 1.480 bbl

XTO Energy (ExxonMobil)

24385; Carter 14X-12D; Grinnell; SWSW 12-154N-96W; 2SEC; Williams; horizontal; 19,934; 5/3/2013; 1,818 bbl 24384; Carter 14X-12H; Grinnell; SWSW 12-154N-96W; 2SEC; Williams; horizontal; 20,457; 5/8/2013; 1,677 bbl

IPs for ND wells released from confidential status

Armstrong Operating

24017; Zurcher 1; Wildcat; NWNW 25-161N-81W; N/A; Bottineau; vertical; 4,120; N/A; N/A

23410; Burton Olson 21-16-162-98H 1PB; Blooming Prairie; SWSE 21-162N-98W; 2SEC; Divide; horizontal; 18.217; 12/23/2012; 644 bbl

see ND IPS page 12

continued from page 10

ND PERMIT

LK-Summerfield 147-96-15H-2; SWSE 15-147N-96W; 233'FSL and 1,493'FEL; Bear Creek; on confidential status; 2,494' ground; 24515; 33-025-02014; 6/4/2013

LK-Summerfield 147-96-15H-3; SWSE 15-147N-96W; 233'FSL and 1,543'FEL; Bear Creek; on confidential status; 2,494' ground; 24516; 33-025-02015; 6/4/2013

LK-Summerfield 147-96-15H-4; SWSE 15-147N-96W; 233'FSL and 1,593'FEL; Bear Creek; on confidential status; 2,493' ground; 24517; 33-025-02016; 6/4/2013

McKenzie Co.

Permits issued

Newfield Production

Johnsrud 151-98-31-30-2H; LOT4 6-150N-98W; 325'FNL and 815'FWL; Siverston; on confidential status; 2,149' ground; 25743; 33-053-05034;

Johnsrud 151-98-31-30-3H; LOT4 6-150N-98W; 325'FNL and 860'FWL; Siverston; on confidential status; 2,149' ground; 25744; 33-053-05035; 6/4/2013

Otis 3-33-28TH; SWSW 33-150N-95W; 263'FSL and 602'FWL; Grail; on confidential status; 2,233' ground; 25754; 33-053-05037; 6/6/2013 Otis 4-33-28BH; SWSW 33-150N-95W; 263'FSL and 574'FWL; Grail; on confidential status; 2,237' ground; 25755; 33-053-05038; 6/6/2013 Otis 29-32-28-33LL; SWSW 33-150N-95W; 263'FSL and 456'FWL; Grail; on confidential status; 2,241' ground; 25756; 33-053-05039; 6/6/2013

Statoil Oil and Gas

Margaret 5-8 #8TFH; SESE 35-151N-100W; 311'FSL and 934'FEL; Spring Creek; on confidential status; 2,150' ground; 25753; 33-053-05036;

XTO Energy (ExxonMobil)

Serrahn Federal 4X-6G; LOT1 6-150N-97W; 275'FNL and 895'FEL; Siverston; on confidential status; 2,154' ground; 25773; 33-053-05040; 6/10/2013

Permits renewed

Enerplus Resources

Prairie Dog 150-94-04A-09H; SWSE 33-151N-94W; 410'FSL and 1,849'FEL; Spotted Horn; on confidential status; 2,279' ground; 23178; 33-

Marathon Oil

Tat USA 12-23H; SENE 22-151N-94W; 1,563'FNL and 475'FEL; Reunion Bay; on confidential status; 2,134' ground; 21172; 33-053-03677;

Wesco Operating

Federal 42-1; SENE 1-145N-104W; 1,595'FNL and 580'FEL; Bicentennial; on confidential status; 2,474' ground; 19217; 33-053-03190; 6/4/2013

Permits cancelled

Triangle USA Petroleum

Arnegard 150-100-14-23-4H; NENW 14-150N-100W; 250'FNL and 1,770'FWL; Timber Creek; horizontal; 2,268' ground; 25733; 33-053-05032; 6/10/2013

Whiting Oil and Gas

Gorrell 11-34TFH; NWNW 34-145N-104W; 325'FNL and 500'FWL; Bicentennial; horizontal; 2,343' ground; 19330; 33-053-03219; 6/5/2013

Location resurveyed

Oasis Petroleum

Innoko 5301 41-12T; SWSE 12-153N-101W; 250'FSL and 2,350'FEL; Baker; horizontal; 2,093' ground; 22221; 33-053-03937; 6/7/2013 Yukon 5301 41-12T; SWSW 12-153N-101W; 255'FSL and 710'FWL; Baker; horizontal; 2,091' ground; 22099; 33-053-03911; 6/7/2013

Statoil Oil and Gas

Bill 14-23 3H; NWNE 14-151N-101W; 625'FNL and 1,922'FEL; Alexander; on confidential status; 2,145' ground; 25091; 33-053-04833; 6/10/2013 Bill 14-23 4TFH; NWNE 14-151N-101W; 625'FNL and 1,892'FEL; Alexander; on confidential status; 2,142' ground; 25645; 33-053-05001;

Bill 14-23 5TFH; NWNE 14-151N-101W; 625'FNL and 1,952'FEL; Alexander; on confidential status; 2,146' ground; 25092; 33-053-04834;

Bill 14-23 6H; NWNE 14-151N-101W; 625'FNL and 1,862'FEL; Alexander; on confidential status; 2,141' ground; 25644; 33-053-05000; 6/10/2013 Edna 11-2 3H; NWNE 14-151N-101W; 625'FNL and 1,8702'FEL; Camp; on confidential status; 2,141' ground; 25089; 33-053-04831; 6/10/2013 Edna 11-2 4TFH; NWNE 14-151N-101W; 625'FNL and 1,772'FEL; Camp; on confidential status; 2,142' ground; 25088; 33-053-04830; 6/10/2013 Edna 11-2 5TFH; NWNE 14-151N-101W; 625'FNL and 1,832'FEL; Camp; on confidential status; 2,140' ground; 25090; 33-053-04832; 6/10/2013 Edna 11-2 6H; NWNE 14-151N-101W; 625'FNL and 1,742'FEL; Camp; on confidential status; 2,152' ground; 25087; 33-053-04829; 6/10/2013

Mountrail Co.

Permits issued

EOG Resources

Wayzetta 28-1424H; NWNE 14-153N-90W; 305'FNL and 2,270'FEL; Parshall; horizontal; 2,155' ground; 25749; 33-061-02598; 6/6/2013 Wayzetta 29-1424H; NWNE 14-153N-90W; 305'FNL and 2,200'FEL; Parshall; horizontal; 2,156' ground; 25747; 33-061-02596; 6/6/2013 Wayzetta 35-1920H; NENW 19-153N-90W; 185'FNL and 1,560'FWL; Parshall; horizontal; 2,170' ground; 25757; 33-061-02599; 6/7/2013 Wayzetta 38-1424H; NWNE 14-153N-90W; 305'FNL and 2,235'FEL; Parshall; horizontal; 2,156' ground; 25748; 33-061-02597; 6/6/2013

Whiting Oil and Gas

Elmer Bartleson 14-29TFX; SWSW 29-153N-92W; 589'FSL and 736'FWL; Sanish; horizontal; 2,070' ground; 25745; 33-061-02595; 6/5/2013 Littlefield 14-13-2XH; SWSW 13-153N-91W; 275'FSL and 895'FWL; Sanish; horizontal; 2,155' ground; 25771; 33-061-02600; 6/10/2013 Littlefield 14-13XH; SWSW 13-153N-91W; 275'FSL and 805'FWL; Sanish; horizontal; 2,153' ground; 25772; 33-061-02601; 6/10/2013

Permits renewed

Oasis Petroleum

Kaitlin Federal 5693 41-28B; SWSW 28-156N-93W; 280'FSL and 500'FWL; Alger; horizontal; 2,420' ground; 23203; 33-061-02172;

Slawson Exploration

Fox 4-28H; SWSE 21-152N-92W; 270'FSL and 1,800'FEL; Van Hook; on confidential status; 1,894' ground; 23200; 33-061-02171; 6/4/2013 Zulu 3-21H; SWSE 21-152N-92W; 370'FSL and 1,775'FEL; Van Hook; on confidential status; 1,890' ground; 23197; 33-061-02168; 6/4/2013 Zulu 4-21H; SWSE 21-152N-92W; 370'FSL and 1.750'FEL; Van Hook; on confidential status; 1,889' ground; 23198; 33-061-02169; 6/4/2013

Stark Co.

Permits issued Whiting Oil and Gas

Marsh 14-18PH; SWSE 18-140N-97W; 210'FSL and 2,125'FEL; Dutch

Henry Butte; horizontal; 2,589' ground; 25758; 33-089-00793; 6/7/2013 Marsh 44-18PH; SWSE 18-140N-97W; 210'FSL and 2,035'FEL; Dutch Henry Butte; horizontal; 2,590' ground; 25759; 33-089-00794; 6/7/2013

Permits cancelled

Whiting Oil and Gas

Tomchuk 21-17PH; NENW 17-140N-98W; 300'FNL and 1,980'FWL; North Creek; horizontal; 2,602' ground; 23186; 33-089-00710; 6/5/2013

Williams Co.

Permits issued

Continental Resources

Christine 1-30 H1; NENW 30-159N-96W; 395'FNL and 2,205'FWL; Hanson; on confidential status; 2,309' ground; 25746; 33-105-03098; 6/6/2013 Madison 4-28H1; SWNE 28-155N-97W; 1,992'FNL and 2,283"FEL; Dollar

Joe; on confidential status; 2,351' ground; 25766; 33-105-03102; 6/10/2013 Madison 5-28H; SWNE 28-155N-97W; 2,037'FNL and 2,283'FEL; Dollar

Joe; on confidential status; 2,353' ground; 25765; 33-105-03101; 6/10/2013 Pierre 4-21H1; SWNE 28-155N-97W; 1,902'FNL and 2,281'FEL; Dollar

Joe; on confidential status; 2,345' ground; 25768; 33-105-03104; 6/10/2013 Pierre 5-21H; SWNE 28-155N-97W; 1,947'FNL and 2,281'FEL; Dollar Joe;

on confidential status; 2,348' ground; 25767; 33-105-03103; 6/10/2013

Hannah Kaydence 5501 12-1T; LOT3 1-155N-101W; 270'FNL and 2,305'FWL; Cow Creek; horizontal; 1,981' ground; 25764; 33-105-03100;

Nadine Bob 5501 11-1T; LOT4 1-155N-101W; 270'FNL and 950'FWL; Cow Creek; horizontal; 1,965' ground; 25770; 33-105-03106; 6/10/2013 Vaughn Becky 5501 11-1B; LOT4 1-155N-101W; 270'FNL and 900'FWL; Cow Creek; horizontal; 1,966' ground; 25769; 33-105-03105; 6/10/2013

Permits renewed

Fidelity Exploration and Production (MDU) **Ehrmantraut 4-6H**: SESW 7-140N-96W: 250'FSL and 1,981'FWL:

Dickinson; horizontal; 2,519' ground; 23185; 33-089-00709; 6/10/2013

Oxy USA (Occidental Petroleum Corp.) Tomahawk 1-28-33H-141-93; NWNE 28-141N-93W; 350'FNL and

1,320'FEL; Wildcat; horizontal; 2,150' ground; 23171; 33-089-00706; 6/10/2013

Texakota

H. Borstad 3; SESE 3-157N-95W; 600'FSL and 700'FEL; West Tioga; on confidential status; 2,436' ground; 18185; 33-105-01742; 6/6/2013 H. Borstad 3-7; SENE 3-157N-95W; 2,050'FNL and 600'FEL; West Tioga; on confidential status; 2,455' ground; 18186; 33-105-01743; 6/6/2013 H. Borstad 4-6; NWNE 4-157N-95W; 600'FNL and 2,038'FEL; West Tioga; on confidential status; 2,433' ground; 18174; 33-105-01739; 6/6/2013 H. Borstad 34-3; NESE 34-158N-95W; 1,690'FSL and 600'FEL; West Tioga; on confidential status; 2,423' ground; 18179; 33-105-01741;

Location resurveyed

Statoil Oil and Gas

Jake 2-11 4H; LOT2 2-153N-100W; 375'FNL and 1,559'FEL; Last Chance; on confidential status; 2,254' ground; 23547; 33-105-02756; 6/6/2013

-Compiled by Ashley Lindly

Contact Ashley Lindly at alindly@petroleumnewsbakken.com

ND IPS

Burlington Resources Oil and Gas (ConocoPhillips)

24120; Blegen 34-24MBH; Blue Buttes; SWSE 24-151N-96W; N/A; McKenzie; horizontal; N/A; N/A; N/A 24119; Blegen 34-24TFH; Blue Buttes; SWSE 24-151N-96W; N/A; McKenzie; horizontal; N/A; N/A; N/A 23721; Inga 14-12H; Haystack Butte; SESW 12-148N-98W; 2SEC; McKenzie; horizontal; 21,390; 2/22/2013; 2,880

23666; Kummer 21-30MBH; Blue Buttes; NENW 30-150N-95W; 2SEC; McKenzie; horizontal; 20,916; 3/20/2013; 2.806 bbl

Continental Resources

24061; Colter 4-14H-4; Bear Creek; SWSE 14-147N-96W; N/A; Dunn; horizontal; N/A; N/A; N/A

24317; Dorothy Ann 1-11H; Wildrose; SESW 11-160N-97W; 2SEC; Divide; horizontal; 18,990; 3/25/2013; 461 bbl 23614; Lester 1-1H; New Home; LOT3 1-158N-97W; 2SEC; Williams; horizontal; 19,715; 2/27/2013; 312 bbl

24437; Mowinckel 1-27H; Corinth; NENW 27-159N-97W; 2SEC; Williams; horizontal; 19,600; 4/1/2013; 330 bbl 23493; Simmental Federal 4-16H; Elm Tree; NWNE 16-153N-94W; N/A; McKenzie; horizontal; N/A; N/A; N/A

Crescent Point Energy

24330; Cpeusc Sylven 11-2-158N-100W; Wildcat; NWNE 14-158N-100W; N/A; Williams; horizontal; N/A; N/A; N/A

Enduro Operating

24252; MRPSU 19-31; Mouse River Park; NWNE 19-162N-85W; U; Renville; vertical; 5,060; 2/12/2013; 75 bbl

Fidelity Exploration and Production (MDU)

22710; Niemitalo 24-13H; Sanish; SWSE 24-154N-91W; 2SEC; Mountrail; horizontal; 18,757; 1/16/2013; 615 bbl

23455; BB-Budahn A-150-95-0403H-3; Blue Buttes; SENE 5-150N-95W; N/A; McKenzie; horizontal; N/A; N/A; N/A 24409; BB-Budahn A 150-95-0403H-4; Blue Buttes; SENE 5-150N-95W; N/A; McKenzie; horizontal; N/A; N/A; N/A 23956; EN-D Cvancara S-154-93-0904H-4; Robinson Lake; SESW 9-154N-93W; N/A; Mountrail; horizontal; N/A;

23957; EN-D Cvancara S-154-93-0904H-5; Robinson Lake; SESW 9-154N-93W; N/A; Mountrail; horizontal; N/A; N/A;N/A

Kodiak Oil and Gas

23174; Grizzly 147-103-14-22-15-4H3; Mondak; SESW 22-147N-103W; 2SEC; McKenzie; horizontal; 20,250; 2/25/2013: 356 bbl

Marathon Oil

24429; Fredericks USA 43-26H; Wolf Bay; NESE 26-147N-92W; 2SEC; Dunn; horizontal; 19,960;1/29/2013; 1,170

Newfield Production Company

22581; Berg Federal 149-97-30-31-1H; Haystack Butte; NENW 30-149N-97W; 2SEC; McKenzie; horizontal; 20.700: 4/7/2013: 1.482 bbl

22583; Berg Federal 149-97-30-31-3H; Haystack Butte; NENW 30-149N-97W; 2SEC; McKenzie; horizontal; 21.145: 4/6/2013: 1.010 bbl

23528; Bui Federal 5693 44-27B; Alger; SESE 27-156N-93W; 2SEC; Mountrail; horizontal; 19,922; 12/18/2012; 1.874 bbl

23343; Desmond Federal 5792 13-12H; Cottonwood; NWNE 12-157N-92W; 2SEC; Mountrail; horizontal; 19,352; 12/7/2012: 590 bbl

22643; Emie Federal 5792 24-9H; Cottonwood; SENE 9-157N-92W; 2SEC; Mountrail; horizontal; 19,452; 1/10/2013; 1,371 bbl

23530; Ginny G 5693 41-35T; Alger; SWSW 35-156N-93W; 2SEC; Mountrail; horizontal; 20,238; 12/13/2012; 978

23914; Klevenberg 6093 11-2H; Gros Ventre; LOT4 2-160N-93W; 2SEC; Burke; horizontal; 18,833; 1/16/2013;

23480; Leanne 5201 41-24B; Camp; SWSW 24-152N-101W; 2SEC; McKenzie; horizontal; 20,420; 1/6/2013; 1,174

23498; Marlee 5502 41-7B; Squires; LOT4 7-155N-102W; 2SEC; Williams; horizontal; 20,930; 12/18/2012; 1,058 bbl

23497; Mercedes 5502 41-7T; Squires; LOT4 7-155N-102W; 2SEC; Williams; horizontal; 20,512; 1/19/2013; 1,043

23765; Nevis 6092 12-18H; Lucy; NENW 18-160N-92W; 2SEC; Burke; horizontal; 19,194; 12/6/2012; 615 bbl 23527; Nguyen Federal 5693 44-27T; Alger; SESE 27-156N-93W; 2SEC; Mountrail; horizontal; 20,050; 12/14/2012; 1,365 bbl

Petro-Hunt

23800; Moody 159-94-15A-22-1H; North Tioga; NWNE 15-159N-94W; 2SEC; Burke; horizontal; 19,335; 5/9/2013;

North Dakota well operator transfers

LEGEND

Date of well operator transfer

Well(s) transferred from

Well(s) transferred to

NDIC well file number — well name — well type — pool — field — IP (initial production) test date — IP oil rate in barrels — location — county

June 7, 2013

From: Petro-Hunt LLC

To: G3 Operating LLC (Halcon Resources Corp.)

#24270 - Fort Berthold 147-94-3B-10-5H; on confidential status; N/A; McGregory Buttes; N/A; N/A; NENW 3-147N-94W: Dunn Co.

#24271 - Fort Berthold 147-94-3B-10-4H; on confidential status; N/A; McGregory Buttes; N/A; N/A; NENW 3-147N-94W: Dunn Co.

#24272 - Fort Berthold 147-94-3B-10-3H; on confidential status; N/A; McGregory Buttes; N/A; N/A; N/ENW 3-147N-94W: Dunn Co.

Note: The information in this chart was compiled by Petroleum News Bakken from the online daily activity reports of the North Dakota Industrial Commission, or NDIC. The operator names in this report are as they appear in State of North Dakota records. In almost all cases a lease is transferred with a well.

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Top 10 Bakken wells by IP rate

Burlington Resources Oil and Gas (ConocoPhillips)

23721; Inga 14-12H; McKenzie; 2,880 bbl 23666; Kummer 21-30MBH; McKenzie; 2,806 bbl

Whiting Oil and Gas

24031; Marsh 34-18PH; Stark; 2,181 bbl

Statoil Oil and gas

22916; Roger Sorenson 8-5 3H; Mountrail; 1,972 bbl

Oasis Petroleum 23528; Bui Federal 5693 44-27B; Mountrail; 1,874 bbl

XTO Energy (ExxonMobil) 24385; Carter 14X-12D; Williams; 1,818 bbl

Statoil Oil and Gas

23741; Jerome Anderson 15-10 7TFH; Mountrail; 1,794 bbl

XTO Energy (ExxonMobil)

24384; Carter 14X-12H; Williams; 1,677 bbl

Oasis Petroleum

23914; Klevenberg 6093 11-2H; Burke; 1,554 bbl

Newfield Production Company

22581; Berg Federal 149-97-30-31-1H; McKenzie; 1,482 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 June 4 to June 10, 2013 in the Bakken petroleum system, as well as active wells that were released from tight-hole status during the same period. The well operator's name is on the upper line, followed by individual wells; the NDIC file number; well name; county and IP oil flow rate in barrels of oil.

22719; Syverson 156-99-30A-31-1H; East Fork; NWNE 30-156N-99W; 2SEC; Williams; horizontal; 20,587; 3/1/2013; 632 bbl

QEP Energy

24401; MHA 4-04-33H-150-92; Heart Butte; SWNE 9-149N-92W; N/A; Dunn; horizontal; N/A; N/A; N/A

Statoil Oil and Gas

23119; Cora 20-17 5H; Poe; SWSE 20-151N-100W; N/A; McKenzie; horizontal; N/A; N/A; N/A 23860; Hovde 33-4 2H; Sandrocks; NWNE 33-151N-100W; N/A; McKenzie; horizontal; N/A; N/A; N/A 23982; Samson 29-32 2TFH; Banks; SESE 20-153N-97W; N/A; McKenzie; horizontal; N/A; N/A; N/A

Whiting Oil and Gas

23467; Buckman 14-9PH; Bell; NWNW 16-140N-99W; 2SEC; Stark; horizontal; 22,005; 12/10/2012; 1,132 bbl 24031; Marsh 34-18PH; Dutch Henry Butte; SWSE 18-140N-97W; 2SEC; Stark; horizontal; 20,430; 12/9/2012; 2,181 bbl

23468; Obrigewitch 11-16PH; Bell; NWNW 16-140N-99W; 2SEC; Stark; horizontal; 20,450; 12/9/2012; 1,244 bbl

23778; Howling Wolf 28-33HC; Wolf Bay; SESE 21-147N-92W; 2SEC; Dunn; horizontal; 20,877; 2/26/2013; 1,211

XTO Energy (ExxonMobil)

23881; Fbir Bird 31X-19G; Heart Butte; NWNE 19-149N-91W; N/A; Dunn; horizontal; N/A; N/A; N/A 23767; Mendenhall 12X-18C; Grinnell; LOT2 18-154N-95W; 2SEC; Williams; horizontal; 19,328; 5/5/2013; 1,405

—Compiled by Ashley Lindly

Contact Ashley Lindly at alindly@petroleumnewsbakken.com



Bakken producers' stock prices

Company	Exchange	Symbol	Closing price	Previous Wed.
Abraxas Petroleum Corp.	NASDAQ	AXAS	\$2.14	\$2.32
American Eagle Energy Corp.	AMZG	OTC	\$1.70	\$1.70
Arsenal Energy USA, Inc.	TSE	AEI	\$0.44	\$0.40
Baytex Energy Corp.	NYSE	BTE	\$36.44	\$37.28
Burlington Resources Co. (ConocoPhillips)	NYSE	COP	\$60.88	\$61.62
Continental Resources, Inc.	NYSE	CLR	\$85.58	\$81.01
Crescent Point Energy Corp.	TSE	CPG	\$35.65	\$35.92
Enerplus Resources USA Corp.	NYSE	ERF	\$14.81	\$14.90
EOG Resources, Inc.	NYSE	EOG	\$129.63	\$128.52
Fidelity Exploration and Production (MDU)	NYSE	MDU	\$25.02	\$25.13
G3 Operating, LLC (Halcon Resources Corp.)	NYSE	HK	\$5.13	\$5.23
GMX Resources, Inc.	PINK	GMXRQ	\$0.21	\$0.21
Hess Corp.	NYSE	HES	\$66.82	\$66.76
Kodiak Oil and Gas (USA), Inc.	NYSE	KOG	\$8.80	\$8.56
Legacy Reserves Operating LP	NASDAQ	LGCY	\$26.45	\$26.65
Liberty Resources, LLC	LBY	ASX	\$0.03	\$0.03
Marathon Oil Co.	NYSE	MRO	\$33.40	\$34.05
Newfield Production Co.	NYSE	NFX	\$22.37	\$23.29
Oasis Petroleum, Inc.	NYSE	OAS	\$40.65	\$38.03
OXY USA (Occidental Petroleum Corp.)	NYSE	OXY	\$90.95	\$93.38
QEP Energy Co.	NYSE	QEP	\$29.02	\$29.56
Resolute (Resolute Energy Corp.)	NYSE	REN	\$7.88	\$8.07
Samson Resources Co. (KKR & Co.)	NYSE	KKR	\$19.35	\$18.30
SM Energy Co.	NYSE	SM	\$61.61	\$61.20
Statoil Oil and Gas LP	NYSE	STO	\$21.91	\$22.52
Sundance Energy, Inc.	SEA	ASX	\$0.87	\$0.92
Triangle USA Petroleum Corp.	NYSE	TPLM	\$6.61	\$5.72
Whiting Oil and Gas Corp.	NYSE	WLL	\$47.58	\$45.54
WPX Energy, Inc.	NYSE	WPX	\$18.91	\$19.21
XTO Energy, Inc. (ExxonMobil)	NYSE	XOM	\$89.74	\$89.65

• COMPANY UPDATE

Cenovus sale propels Surge forecasts

Shaunavon tight oil assets in Saskatchewan sector of Williston Basin sold, but still looking for buyer for Bakken assets

By GARY PARK

For Petroleum News Bakken

enovus Energy has finally landed a buyer for tight oil assets in the Saskatchewan sector of the Williston Basin, but left behind questions about why deals in the area are so slow-moving.

It took four months for Cenovus, better known for its thermal oil sands production, to strike a C\$240 million deal with junior producer Surge Energy for almost 35,000 acres in the Shaunavon play that is delivering 3,600 barrels per day

The company is still seeking a buyer for assets producing 700 bpd in the Saskatchewan Bakken that were put on the block in February.

A spokeswoman for Cenovus said the Shaunavon assets, although "quality" property, were identified as sales candidates after a corporate portfolio review.

"We didn't feel we would be able to scale them up to size that would be material," she said.

Surge estimates there is more than 230 million barrels of original oil in place in the Lower Shaunavon formation on the acquired land, with only 1.5 percent recovered to date.

Surge pinpointed in May

Analysts had pinpointed Surge as a prospective buyer after Paul Colborne added the title of chief executive officer to that of chairman in May after founding Crescent Point Energy and establishing that company as a key Bakken performer

Surge said it will raise funds for the Cenovus purchase through a C\$225 million bought deal sale of shares with a syndicate of underwriters.

Surge also announced that its board had authorized transformation to a moderate growth, dividend-paying entity that will start paying 40 cents a share in August.

To that end, it is targeting growth of 3 percent to 5 percent a year on a reserves, production and cash flow per share basis

The company equated the value of the Shaunavon deal at C\$22.59 per barrel of reserves, estimated at 10.62 million barrels, and C\$67,000 per flowing barrel, adding it expects to book additional reserves on the land through exploration and waterflood enhanced oil recovery. Netbacks are estimated at more than C\$50 per barrel based on current pricing.

Surge estimates there is more than 230 million barrels of original oil in place in the Lower Shaunavon formation on the acquired land, with only 1.5 percent recovered to date.

As well its mapping has pointed to an additional 20 million to 30 million barrels or original oil in place in the Upper Shaunavon formation.

It revised overall company production to 12,000 bpd in the first quarter of 2014, 78 percent oil and liquids, up from previous estimates of 8,400 bpd, 71 percent liquids.

Some non-core assets sold

Surge reported in May that it had sold some non-core, non-operated assets producing 650 bpd, along with reserves of 2.2 million barrels, in North Dakota for about US\$42.75 million.

Colborne said Surge has "high-quality, large internally estimated DPIIP (the quantity of hydrocarbons estimated to be in place within a known accumulation area before production) reserves, with low recovery factors to date, and is strategically focused in just three key operating areas. These high-quality, operated light and medium gravity crude oil assets have significant, low risk upside with numerous infill and step-out drilling locations and waterflood opportunities"

Colborne, who is subscribing for up to C\$2.5 million of

Surge reported in May that it had sold some non-core, non-operated assets producing 650 bpd, along with reserves of 2.2 million barrels, in North Dakota for about US\$42.75 million.

Surge units, will not be taking a salary for his employment as president and chief executive, but will participate in shortterm and long-term incentive plans.

Drilling program

Through the first quarter Surge reported a drilling program that included:

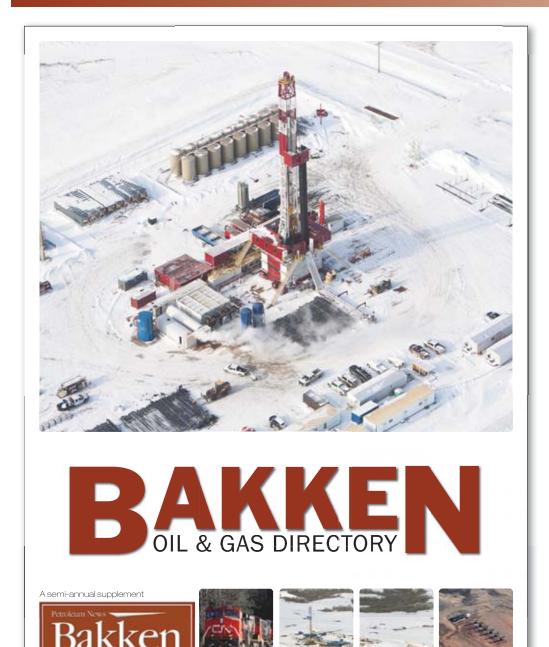
- •A significant new light oil pool discovery on the southern portion of the company's core properties at Nipsi in western Alberta (internally estimated DPIIP of about 30 million barrels in the Slave Point light oil formation) with numerous follow up locations.
- •A light oil northern extension of the company's core property at Valhalla in western Alberta (confirming estimated DPIIP in the Doig light oil pool of more than 150 million barrels).
- •A large medium gravity crude oil new pool discovery at the company's core property in the Silver area of southeast Alberta (estimated DPIIP of more than 47 million barrels).

However, Surge said that despite is growth over the past three years, its true value is not recognized in the market, reinforcing the belief of Surge's board and management that it needs to change its business plan and operating strategy to succeed in "the current, challenging business environment."

The company said 90 percent of its assets are in the Valhalla, Silver and Nipsi areas of Alberta.

Surge said it is open to selling minor, non-core assets, such as the North Dakota transaction to maximize share-holder value. •

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DRILLING & COMPLETION

Oasis, Continental top MT well apps

Focus on eastern counties; in December and April Apache files for spacing units for Bakken system wells then in May withdraws

By MIKE ELLERD

For Petroleum News Bakken

/ith applications to drill up to 40 horizontal Bakken/Three Forks wells, Oasis Petroleum led in requests for drilling additional wells on existing spacing units that were heard by the Montana Board of Oil and Gas Conservation during its bimonthly hearings in Billings on June 5 and 6. The board heard requests from multiple operators to not only install additional wells on existing spacing units, but also to establish numerous new spacing units, and to make permanent numerous temporary spacing units in which wells have already gone on production. At the end of the two days of bimonthly hearings, the board approved all such requests.

In Roosevelt County, Oasis asked the board to authorize the drilling of up to four additional horizontal Bakken/Three Forks wells on each of seven permanent 1,280-acre spacing units, and on each of

three 1,280-acre units in Richland County, for a total of 40 new horizontal Bakken/Three Forks wells.

Oasis also asked that the board create 10 permanent spacing units from 10 existing 1,280-acre temporary units where the company has one producing well on each. Seven of those 1,280-acre units are in Roosevelt County, and the other three are in Richland County.

Continental Resources requested permission from the board to drill three additional horizontal Bakken/Three Forks wells on each of six existing 1,280-acre spacing units and one existing 640-acree unit in Richland County, and on one 1,280-acre unit in Roosevelt County for a total of 21 new wells.

Continental also asked the board to make permanent nine temporary spacing units, on each of which the company has had a well go on production. Montana regulations require that status of a spacing unit be formally changed from temporary to permanent within 90 days of a

well going on production in the spacing unit. The nine spacing units consist of seven 1,280-acre units and one 640-acre unit in Richland County, and another 1,280-acre unit in Roosevelt County.

Also in Richland County, Continental asked that the board reduce heel/toe set-backs so it can drill a horizontal within 200 feet of spacing unit boundaries in 12 spacing units. Those spacing units range in size from 1,920 acres to 640 acres.

Other eastern Montana applications

Slawson Exploration asked that the board create 13 new spacing units in Richland and Fallon counties. In Richland County, Slawson asked for eight new 1,280-acre units, two new 640-acre units, and one new 1,920 acre unit. In Fallon County, Slawson asked the board create two new 640-acre units. Back in Richland County, Slawson asked the board to create one permanent spacing unit from an existing 640-acre temporary unit where it has one well producing.

Also in Richland County, Whiting Oil and Gas asked for permission to drill three additional horizontal Bakken/Three Forks wells on each of three existing 1,280-acre units for a total of nine new wells. Whiting also asked the board to make permanent three temporary 1,280-acre spacing units, also in Richland County, where the company now has a producing well on each unit.

EOG Resources requested permission to drill one additional horizontal Bakken/Three Forks well on each of two 1,280-acre spacing units in Roosevelt County. EOG also asked the board to make permanent three 1,280-acre units and one 640-acre units, also in Roosevelt County, where the company has one producing well on each.

Statoil asked the board to make permanent two separate 1,280-acre units in Roosevelt County where it has one producing well on each. Statoil asked permission to drill up to four additional horizontal Bakken/Three Forks wells on an

existing permanent spacing unit, also in Roosevelt County.

Halcon Resources, filing as G3 Operating LLC, asked the board to make permanent five 1,280-acre spacing units in Roosevelt County where the company has one producing well on each.

In Daniels County, continued from December and April respectively, Apache Western Exploration asked the board to create a temporary 1,280-acre spacing unit where it wants to drill one horizontal Bakken/Three Forks well. Apache also asked the board to make permanent a 640-acre spacing unit in Daniels County where it now has a producing Bakken/Three Forks well. Those applications were withdrawn and no production or other information was provided on the well. In a May 28 comment, the agency said per Apache: "Temporarily abandoned while evaluating plans."

Denbury Resources asked the board to make permanent a 240-acre spacing unit in Dawson County where the company has a well producing from the Red River Formation.

Elsewhere in Montana

In central Montana, Onshore Holdings LLC asked the board to create a 640-acre spacing unit in Musselshell County where the company wants to drill one horizontal well in the Heath and/or the Bear Gulch members of the Tyler formation.

In Carbon County in south-central Montana, Baldwin Lynch Energy Corp. asked the board to create two new temporary 40-acre spacing units in order to drill test wells into the Lakota formation.

MRC LLC asked the board's approval for a waterflood injection enhanced recovery program for application in the Whitewash field in Liberty and Toole counties in far north-central Montana. The company plans to inject at a depth of approximately 2,700 feet into the Swift and Sunburst formations.

Natural gas activity

Summit Resources Inc. filed applications with the board asking for approval for a plan of development to explore and develop coalbed natural gas in the Bear Creek unit in Big Horn and Powder River counties. Summit is asking for gas well densities greater than Montana's standard one well per 640-acres.

include Summit's applications requests that the board delineate acreages in the two counties for production of coalbed natural gas from all coalbed zones down to the base of the Fort Union formation. The company asked that field rules be established that waive spacing within field boundaries, provide setbacks of 220 feet from the field boundaries, and authorize commingling of methane produced from the different beds. The applications covered a total of 99 full sections and portions of 29 other sections in the two counties.

In Phillips County in north-central Montana, Decker Operating Co. asked for authorization to drill two additional natural gas wells within an existing temporary spacing unit. The company also asked for permission to commingle production from multiple zones, formations or horizons from those wells.

 $continued\ from\ page\ 1$

FRACTURING RULES

Milito, API director of upstream and industry operations, in a statement. "An additional layer of regulation must be carefully scrutinized, and the last thing we need are rules that create confusion in the regulatory process."

Interior Secretary Sally Jewell told the U.S. Senate Energy and Natural Resources Committee June 6 that a 60day comment period will be allowed for the latest version of proposed hydraulic fracturing regulations for federal and Indian lands.

"These are common sense updates to 30-year old regulations that will increase safety in oil and gas production on public lands while, at the same time, provide flexibility and foster coordination with states and tribes,"

Jewell told the committee in a written statement.

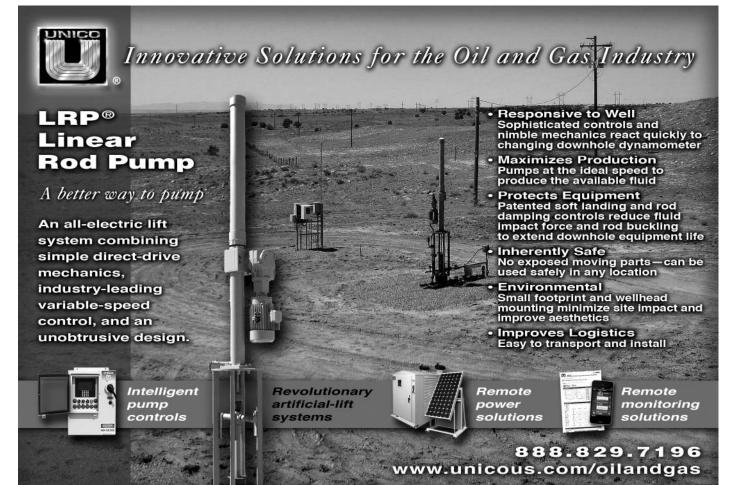
In May, BLM made available a revised hydraulic fracturing rule to take into account the more than 177,000 comments received during the 120-day comment period last year for the initially proposed rule.

Industry associations had criticized the initial rule, saying that hydraulic fracturing regulations by BLM would overlap with existing state regulations and potentially hinder new oil and natural gas production and economic growth.

"States have led the way in regulating hydraulic fracturing operations while protecting communities and the environment for decades," Milito noted.

—RAY TYSON

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• COMPANY UPDATE

Norstra releases reserves estimate

First drill site staked in South Sun River Bakken project in Montana; option signed on more Southern Alberta Bakken acreage

By MIKE ELLERD

For Petroleum News Bakken

orstra Energy Inc., a Texas-based company looking to explore Montana's Southern Alberta Bakken, released a report on June 3 with an estimate of reserves on the company's South Sun River Bakken project. Norstra estimates original oil in place, OOIP, of between 9.5 million and 16.7 million barrels of oil per section across approximately 19 sections in the project west of Great Falls in northern Lewis and Clark County.

The report was prepared by Dr. David A. Lopez, a senior research geologist at Montana Tech of the University of Montana in Butte. Lopez made his OOIP estimate using vitrinite reflectance data from wells in the area, along with petrophysical data from earlier wells drilled nearest to Norstra's acreage. In his report, Lopez says the vitrinite reflectance in the area ranges from 0.65 percent to 1.3 percent, which places the project area in a mature oil producing window. "High resistivity values in the range of several hundred ohms on wells in the vicinity of the project confirm the maturity of the Bakken organic-rich shales."

Using geophysical logs from two dry oil wells drilled nearest the Norstra acreage, those being Shell's Krone 31-32, a 1962 well, and Atlantic Richfield's Steinbach 1 well, a 1984 well, Lopez estimated thickness and porosity of the Middle Bakken reservoir in the area at 12 percent, and thicknesses of 28 feet and 16 feet. With unit area of 620 acres, he estimates each acrefoot of reservoir contains 7,758 barrels of oil. With high and low reservoir volumes of 2,150 and 1,229 acre-feet, Lopez calculated OOIP ranging from 16,680,495 to 9,535,036 barrels of oil per section, for an average of 13,680,765 barrels per section.

Lopez says the project is in the leading edge of the Rocky Mountain Overthrust Belt. The Bakken formation in the area is a southern continuation of the "Canadian Bakken" that continues on into southwest Montana where it is known as the Sappington Formation. According to Norstra, the Bakken formation lies at depths of between 4,000 and 15,500 feet in northwest Montana.

Norstra optimistic

In a June 3 statement, Norstra said the total oil content in the Alberta Bakken Fairway is normally greater than 10 percent, and added that its South Sun River Bakken prospect "lays in a prime area of published reserve potential based on thermal maturity and total oil content readings."

Norstra says the "crucial keys" to the Lopez reserve potential of oil in place are the reservoir thickness of between 16 and 24 feet, organic content greater than 7 percent, and bottom hole temperature which could exceed 140 degrees. "If these parameters hold up during the exploration program, this could potentially result in a world class development of the Bakken shale in this underdeveloped region."

Adding to land position

On June 10, Norstra said that it had entered into an agreement with its operator, Summit West Oil LLC, that gives Norstra the option to earn an additional 17,988,280 gross acres in the South Sun River prospect, an option that will remain open until Dec. 31. Norstra said the total land position available for the company is now close to 30,000 acres with an option to purchase a 100 per-

"We are very pleased with the corporate development of Norstra
— the advantage of being a smaller company like us is the fast pace of execution." —Glen Landry,
Norstra president and CEO

cent interest in 60 percent of the optioned land without any drilling obligations.

"We are very pleased not only to have added significant land to our lease position, but to have done so on terms which will enable us to use the majority of our optioned land for potential finance opportunities," said Glen Landry, Norstra president and chief executive officer. "We have been eying this property for a long time, and as soon as it was made available to us we jumped on it. During previous due diligence our geological and geophysical teams had already identified a very good drill location

from the seismic on the first acreage block."

The new option agreement increases Norstra's land holdings in the area by 125 percent. "The consistency of the thickness of the Bakken in the region suggests the company may have doubled its reserve potential as well," Landry said. "Seismic information on the new leases places the Bakken at 8,800 feet, which is more than adequate for pressure to produce the oil and generate hydrocarbons from the source rock."

Planning for the first well

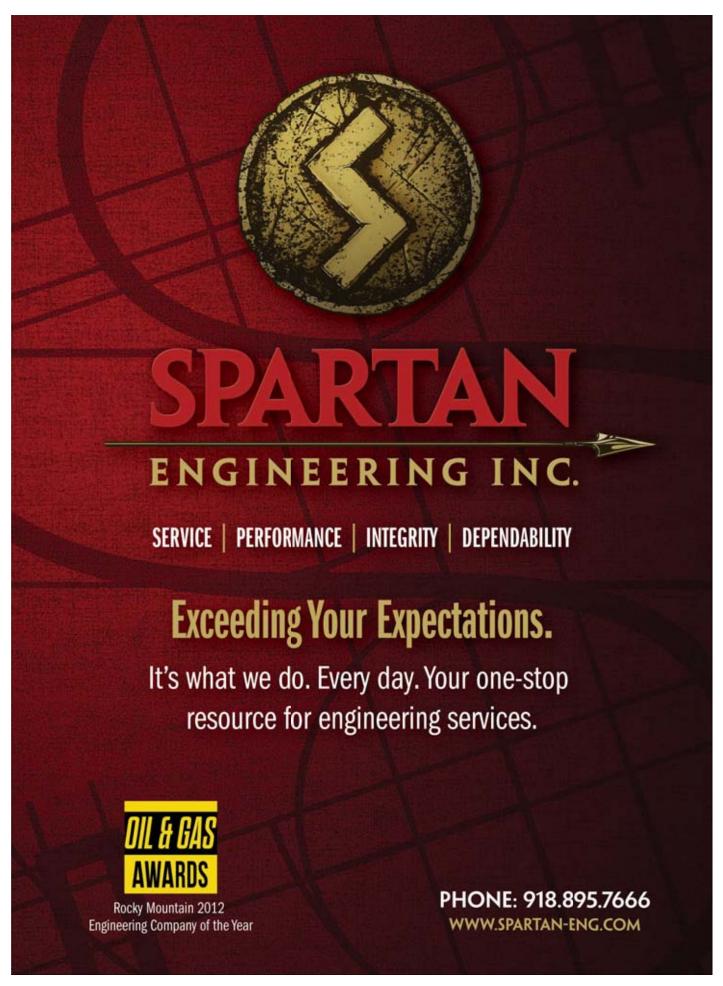
Norstra is planning to drill its first well on that newly acquired acreage. On May 28, Norstra released a statement indicating that the company's geology team had identified the location of the first drilling site in the prospect. In the June 10 release, Norstra said its surveyor has been deployed to the drill site, and the initial stake has been set. The planned depth of the well is 8,800 feet

with a lateral extending 5,400 feet. Norstra said it will be submitting a drilling permit application with the Montana Board of Oil and Gas Conservation within a matter of days.

"This is a major step towards drilling the first well on the South Sun River project," Landry said in the May 28 press release. He added that the selection of the drill location is a "major milestone" for the company and puts it on track for fulfilling its farm out obligation which requires the company to drill and complete a well by Dec. 31.

"We are very pleased with the corporate development of Norstra — the advantage of being a smaller company like us is the fast pace of execution," Landry said. "We are still on schedule to set surface casing at the end of June or early July based on availability of a rig." ●

Contact Mike Ellerd at mellerd@bresnan.net



ETHANE DEBATE

He forecast that the northeast U.S. will replace Conway, Kan., as the No. 2 trading hub for NGLs in the U.S. by 2018 at 600,000 bpd, trailing only Mont Belvieu.

Volumes crushing prices

But he said the rising volumes of ethane available on the market have "crushed" prices from four times the price of natural gas a year ago to roughly on a par with gas today, thus making "more

sense to reject it and sell it in a lot of locations."

The upshot is that ethane production in the U.S. Rockies was cut in half in May to 100,000 bpd and supplies have remained flat because stocks are so high, Braziel

He said that producers in the Marcellus and the Rockies have a problem because of their distance from the Gulf Coast.

Braziel also noted that liquids-rich plays in the Marcellus, Williston Basin, Eagle Ford and Granite Wash also need more plants and fractionators.

He estimated that 14 billion cubic feet per day of new processing capacity at 74 plants is under construction, with 5 bcf per day in the Marcellus/Utica, and most of its scheduled to come on stream within two years. Another 1.4 million bpd of fractionation capacity is due to be added at 28 facilities.

Nova questions predictions

Some of Braziel's predictions were questioned by Graeme Flint, vice president of Nova Chemicals' olefin business unit, who said he understood that while the Bakken might make 200,000 bpd of ethane available, some has already been earmarked for Gulf Coast markets, regardless of the economics.

He said Nova has a long-term deal to acquire ethane produced at Hess Corp.'s gas plant in Tioga, N.D.

Flint said plans by Vantage Pipeline Canada to deliver ethane to Empress, Alberta, will have startup capacity of 45,000 bpd, capable of reaching about 65,000 bpd with the addition of more compression.

Aux Sable: No more needed

Tim Stauft, president of Aux Sable Canada, which uses liquids from the Alliance gas pipeline from northern British Columbia to the Chicago area, said ample ethane and propane is available in Alberta, warning that any moves to "back up more NGLs" into the province could lower netbacks for producers, causing them to stop drilling and spreading losses through the entire value chain.

He said that Alliance pipeline and Aux Sable allow producers to access the market value of natural gas, provide access to the Gulf Coast NGL markets and, if they are processing as they should, "take out all their condensate in Alberta."

Stauft said his company believes Alberta receives the best price for its resources without all of the ethane, propane and butane ending up with Alliance and Aux Sable.

As well he said gas producers can decide which NGLs are removed in Alberta to supply fractionators and could sell their gas into the West Coast LNG market.

He told the conference that Alberta's ethane supplies have remained about 225,000-230,000 bpd, with supplies spread fairly evenly among straddle plants at Fort Saskatchewan and Cochrane and a fractionator at Fort Saskatchewan.

Stauft said Aux Sable estimates that Alberta's ethane capacity will be full within five years, largely because of fractionator additions.

He said that with ethane used as feedstock, the cost of its production in North America is less than 10 cents a pound, against a global average of 50 cents, creating a "huge margin" for expansion of the petrochemical industry in the Gulf Coast and Alberta.

> Contact Gary Park through publisher@petroleumnews.com



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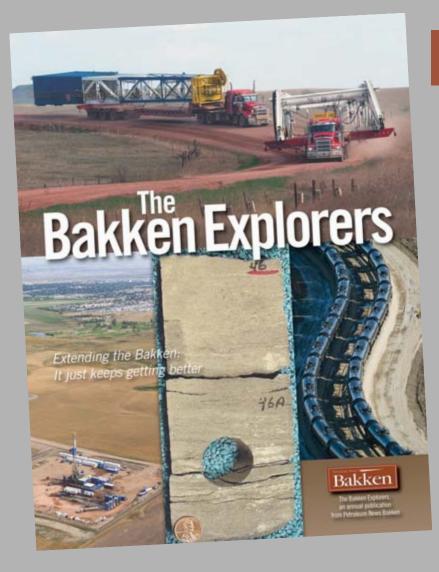
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FERC RULING

Occupational Health and Safety Administration.

Protest by Plains Marketing

The ruling comes as a defeat for several of Enbridge's shippers who protested the request based on several arguments. As previously reported in an initial May 10 filing, Plains Marketing LP filed a protest arguing that the lower hydrogen sulfide level was inconsistent with other pipelines operating in North Dakota, which it said adhere to a 10 ppm acceptable level. Plains also argued that Enbridge's initial request for the new standard to be imposed with only a one-day

notice did not allow shippers any time to adjust operations. Plains also initially argued in its May 10 filing that Enbridge had provided no justification as to why the lower standard of 5 ppm is necessary or appropriate to address workers' health and safety, and asked that FERC reject the new, lower standard.

But in a subsequent filing on May 29, Plains withdrew its motion asking that FERC reject the lower standard of 5 ppm. However, Plains did ask FERC to delay any implementation of the new standard until May 18 rather than May 9 as Enbridge had requested. Plains also asked FERC to set up a technical conference with Enbridge and its shippers so that Enbridge could discuss the procedures that it would employ if it receives notification of a crude shipment

exceeding the new 5 ppm standard. Plains further asked that FERC require Enbridge to maintain a record of its decisions on all notifications that crude shipments exceed 5 ppm.

Other protests

Plains was not the only Enbridge shipper that protested the lower hydrogen sulfide level. Between May 15 and May 23, Hess Corp., Murex Petroleum and Marathon Petroleum all filed motions with FERC to intervene in the matter.

As previously reported, Hess filed a motion to intervene on May 15, although Hess did not provide arguments in its filing.

Murex argued that FERC should reject Enbridge's lower sulfide level because Enbridge had not justified the short notice filing, had not justified the lower level of 5 ppm, and had not provided sufficient detail regarding the testing of hydrogen sulfide and acceptance for transportation.

In its motion to intervene, Marathon said that, as the owner of refineries as well as a consumer and shipper of crude oil transported on Enbridge's system, it has a substantial economic interest in the outcome of the matter. Marathon said that the lower sulfide level could adversely impact its suppliers as well as the company's relationship with its suppliers.

Enbridge responses

Enbridge submitted responses to all of the protests in separate filings to FERC on May 14, 17 and 28. Enbridge pointed out

see **FERC RULING** page 19

continued from page 1

HALCON IP RATE

out, and with only 67 percent of the lateral cleaned out, the well is currently producing 2,732 boepd, 86 percent of which is oil

Furthermore, Halcon said that the last four of its Three Forks formation wells drilled and completed in the Fort Berthold area have an average IP rate of 2,094, 86 percent of which is oil. That average IP rate is an improvement of 77 percent over all of its company-completed wells drilled in the Fort Berthold area in the first quarter of the year.

The two most recently completed wells in the company's Marmon area have come in with an average IP rate that is 91 percent above the average IP rate for all of its company-operated wells in the that area.

Modification of completion credited

Halcon said that the improvement in the company's Bakken IP rates is the result of its modified well completion design, which it says "appears to be a game changer in this area of the Williston Basin." The company put the average estimated ultimate recovery for these two Marmon area wells at 462,000 barrels of oil equivalent, which it says is more than Sheridan

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40 percent above the average EUR of company-operated wells in the area that were drilled with previously employed completion techniques.

Through pad drilling efficiencies, the use of centralized production facilities and continued optimization techniques, Halcon expects average Fort Bertholdarea well costs to decline by approximate-

ly 10 percent by the end of the year to about \$9 million per well. Likewise, in the Marmon area it expects well costs to decrease from \$9.5 million to \$9 million by the end of the year. Halcon expects additional improvements in well costs in 2014 as its transition to pad drilling is fully implemented.

In the Williston Basin, Halcon current-

Halcon said that the improvement in the company's Bakken IP rates is the result of its modified well completion design, which it says "appears to be a game changer in this area of the Williston Basin."

ly has 105 producing Bakken wells and 32 producing Three Forks wells. It has nine more Bakken and five more Three Forks wells either being completed or awaiting completion. Additionally, seven Bakken and one Three Forks wells are being drilled on company-operated acreage.

As Petroleum News Bakken reported in early May, Halcon President and Chief Executive Officer Floyd C. Wilson said at the time that the company was in the process of transitioning to a rig fleet to achieve batch drilling efficiencies. He also said the company was optimizing motor bit configuration, drilling with back pressure to improve penetration in the curve and lateral, and using dedicated spud rigs to preset surface casing.

-MIKE ELLERD

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 $continued\ from\ page\ 1$

BULLOCK VETOES

House Bill 218 would have provided \$15 million in relief to oil-impacted counties in the current fiscal year, and \$10 million until 2020 from federal mineral royalties. The bill included a definition of an impact area listed the various types of projects that could have been

addressed by grants funded by the bill. HB 218 was the only impact relief bill to pass the 2013 legislature. HB 218 received sufficient votes in the Senate to override the veto with 38 votes to override, but fell short in the House with only 61 of the 67 necessary votes.

Pollution control taxes

Both HB 408 and Senate Bill 240 dealt with taxes on pollution control

equipment. HB 408 would have started a five-year reduction phase in the pollution control equipment tax from its current rate of 3 percent down to1 percent. SB 240 would have eliminated the tax on all pollution control equipment that went into service after Jan. 1, 2012. SB 240 received 60 override votes in the House and 33 override votes in the Senate. HB 408 also received 60 override votes in the House, and in the Senate it received

28 override votes.

The other bill that received enough override votes in the Senate was HB 12, which appropriated funds for one-time health care provider rate payments. While receiving 38 override votes in the Senate, it received only 59 in the House.

-MIKE ELLERD

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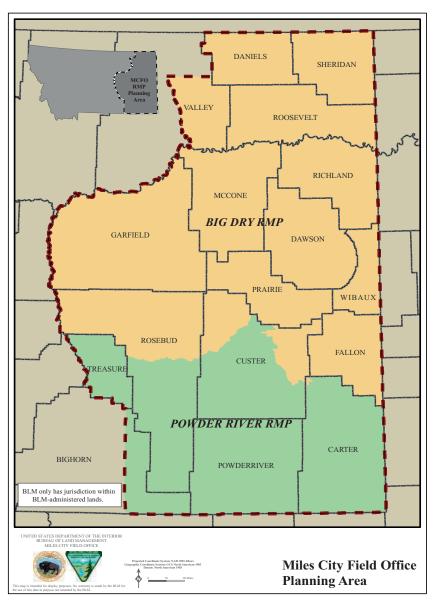
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BLM CRITICISM

ecological, socioeconomic, institutional, and regulatory conditions; and user demands and activities."

The planning area covered under the draft Miles City RMP includes all of Carter, Custer, Daniels, Dawson, Fallon, Garfield, McCone, Powder River, Prairie, Richland, Roosevelt, Rosebud, Sheridan, Treasure and Wibaux counties and portions of Big Horn and Valley counties (see map).

RMP alternatives

BLM identifies five alternatives in the Miles City draft RMP that address future management of the approximately 2.8 million federal surface acres and 11.0 million federal mineral acres administered by the MCFO.

The first alternative, Alternative A, is a no-action proposal where land management would continue under the two existing RMPs as they are currently amended. Alternative B provides for the lowest level of development and puts more emphasis on protecting physical, biological and cultural resources. Alternative C still protects physical, biological and heritage resources but emphasizes resource development. Alternative D provides for maximum economic and revenue opportunities from natural resource development but also meets legal, environmental, and cultural requirements.

Alternative E is BLM's preferred alternative, and according to BLM that alternative "represents a mix and variety of actions that would resolve the issues and management concerns in consideration of all values and programs. Restrictions to protect resources would be implemented and monitoring and consultation with state agencies would be used to adjust restrictions for surface-disturbing activities." Among the provisions of Alternative E is enhanced protection of sage grouse habitat.

A PSC commissioner's view

In a June 4 op-ed piece in the Sidney Herald, Montana Public Service Commissioner Travis Kavulla, whose district includes about half of the area covered by the draft Miles City RMP, said the draft RMP contains some "bright points," but mostly it "dampens the prospects" for development of oil and gas resources on BLM-administered land.

Kavulla says that considerably more federal land could be excluded from oil and gas development under Alternative E. "For oil and gas leasing, the amount of land off-limits to surface occupancy, making drilling difficult or impossible, more that quadruples, from around 300,000 acres under the current management practice to more than 1.3 million acres under the preferred alternative."

In regard to sage grouse habitat, Kavulla says the alternative would not allow any oil or

see BLM CRITICISM page 19

PAGE AD APPEARS



Oil Patch Bits



Larson offers new hazardous location LED light

Larson Electronics said June 5 that it has released a new hazardous location LED designed to provide the same functionality and mounting as traditional fluorescent fixtures but with

improved performance and reliability. Featuring improved LED tube lamps and built-in emergency battery backup, the EPL-EMG-48-4L-LED-G2 is ideal for operators who need powerful illumination and the ability to maintain lighting in the event of power failures.

ADVERTISER



The EPL-EMG-48-4L-LED-G2 explosion proof emergency LED light is an ideal lighting solution for operators who want an improved source of hazardous location compliant lighting capable of providing emergency operation during conditions where power may be abruptly interrupted. This LED light fixture is U.S. and Canada U.L. approved Class 1 Division 1 & 2 and Class 2 Division 1 & 2 for use in areas where flammable chemical and petrochemical vapors are present and carries paint spray booth light certification with a T6 temperature rating as well. The housing is formed from copper free aluminum for light weight and high strength and features heavy gauge aluminum reflectors with a high gloss finish for durability and excellent light dispersal. Since these fixtures utilize LED tube lamps rather than standard fluorescent tubes there is no ballast, and instead a battery backup system has been installed to provide

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greater functionality. For more information visit www.Larsoneletronics.com.

Arrow Truck Sales sponsors recruiting ad contest

As reported by TheTrucker.com June 10 a driver shortage is prompting carriers to look for ways to attract professional drivers to their companies. The Women In Trucking Association is launching its "Recruiting Ad Contest" sponsored by Arrow Truck Sales. The contest will honor carriers whose advertisements focus on attracting women to their companies.

"Women look for different information in a recruiting ad than men," said Ellen Voie, WIT's president and CEO. Research conducted by University of Wisconsin-Stout graduate students found that women value home time and benefits above other incentives.

"We are proud to support this initiative," said Lane Bartram, Arrow Truck Sales marketing manager. "As a supplier of pre-owned trucks, we are sensitive to the buying power women have in the trucking industry and we believe the recruiting ads should reflect these changing demographics."

Any carrier or their advertising agency can submit their best print recruiting ads for this award. The ads must have been created and printed between Jan. 1 and Dec. 31 and submissions must include the name and date of publication. Deadline for submission is Dec. 31 and can be sent to recruitingcontest@womenintrucking.org.

For more information visit www.WomenInTrucking.org.

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Bakken Players

		n. I. w. n.II
Abrasives17	Futaris	Petroleum News Bakken16
Alaska Textiles	Gray Wireline	Pierce Leasing7
Allstate Peterbilt Group	Guard-All	Plainsman Mfg. Inc.
American Association of Railroads (AAR)	Halcon Resources	Polyguard Products3
Ameritest Inc20	Haws Integrated	Premier Community Homes Ltd.
Anvil Corporation	HMG Automation, Inc.	Quality Mat
Arctic Catering	Iseman Homes	Reef Oil & Gas
Arrow Truck Sales	Kilo Technologies Ltd.	Rigid Global Buildings
Bakken Solids Control Services7	Larson Electronics LLC	Ritchie Bros. Auctioneers
Beaver Creek Archaeology19	Lister Industries	Solsten Electric & Telecom
BTL Liners	LT Environmental	Solsten Hotel
CESI Chemical8	Lynden	Spartan Engineering
City of Grand Forks, ND8	Midwest Industrial Supply16	TenCate
ClearSpan Fabric Structures	Miller Insulation Co.	Tremcar Inc2
Cruz Energy Services LLC (A CIRI Co.)	MT Housing	Trinity Health Occupational Medicine
CST Storage19	MT Rigmat LLC4	Umiaq
DAWA Solutions Group	Netzsch Pumps North America	Unconventional Resources Technology
E3 Energy and Environmental Experts	North Dakota Petroleum Council	UNICO Inc14
Ebeltoft Sickler	North Slope Telecom (NSTI)	Wanzek Construction
Elite Tank	Northern Oilfield Services, Inc5	Watford Ranch
Four Seasons Equipment	OFS Energy Fund17	

FERC RULING

and reiterated the dangers associated with hydrogen sulfide, especially at the concentration that it was measured in an Enbridge storage tank at the Berthold facility. In addition, Enbridge said that high concentrations of hydrogen sulfide in crude oil could jeopardize downstream shipping on other carriers' systems.

However, in its filings Enbridge did say it would not necessarily reject crude oil with hydrogen sulfide concentrations exceeding 5 ppm, but instead would look at each shipment on an individual basis to determine if the crude oil could be transported without posing a health and safety hazard to its employees.

FERC sides with Enbridge

In the end, FERC sided completely with Enbridge and rejected all of the arguments presented in the motions to intervene. In its June 6 the ruling, FERC said that it recognized the dangers posed by exposure to hydrogen sulfide, and felt that Enbridge was justified in seeking the lower acceptable level.

FERC said in its June 6 ruling that "Exposure to hydrogen sulfide at levels of 100 ppm can cause death; however, OSHA states exposure to hydrogen sulfide levels of 700-1000 ppm causes rapid unconsciousness, or immediate collapse within 1 to 2 breaths and death within minutes. Exposure to levels over 1000 ppm can cause nearly instant death."

"The test at the Berthold facility revealed levels in one holding tank at 1200 ppm," the FERC ruling continued. "It would appear that this level is far above anything considered 'safe.' Based on these exposure dangers and the results from Enbridge's test at the Berthold facility, the Commission concludes that there is sufficient justification to allow Enbridge to implement its proposed hydrogen sulfide standard to ensure safe operation of its system and the health and safety of its employees."

Furthermore, FERC said it would not impose any additional restrictions on Enbridge nor would it require a technical conference between Enbridge and its shippers as requested by Plains. "The Commission finds Enbridge's representations to work with shippers to permit transporting crude above the 5 ppm limit reasonable. If shippers believe that Enbridge's procedures to accept nonconforming crude are insufficient or are operating in a discriminatory manner, they may file a complaint."

Finally, FERC granted Enbridge's request for an implementation date retroactive to May 9. "The Commission recognizes that placing this tariff into effect on one day's notice may have caused some difficulties for shippers who may have had crude that did not meet the new 5 ppm hydrogen sulfide standard. However, in the situation presented here the Commission must place health and safety concerns above commercial matters."

The FERC ruling concluded by saying that Enbridge clearly stated that it will work with shippers to enable shipments of crude with hydrogen sulfide concentrations exceeding 5 ppm, and the commission "expects that Enbridge will live up to its representations." ●

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BLM CRITICISM

gas development with two miles of mating nests. "Only 809,100 acres, or 15 percent of federally owned minerals, would be open to drilling activity under business-as-usual leasing practices."

Industry comments

On June 4, the Montana Petroleum Association, Public Lands Advocacy and the Western Energy Alliance issued a joint, 52-page letter to the Miles City BLM office that first takes BLM to task for issuing three large management plans in such a short period of time.

"We preface these comments with frank criticism regarding BLM's lack of consideration for the public in this planning process. We ask how BLM believes interested parties have been afforded the ability to fully digest and provide coherent and substantive comments within a 90-day window on three major draft RMPs issued in Montana with a three week period. BLM's justification that it is under a strict schedule is wholly inadequate," the letter says. "We object to the limited public involvement opportunities provided in this process," the letter continues. "It is unrealistic for BLM to expect the heavily affected oil and gas industry, not to mention the general public, to have the ability to conduct a complete review when they have been provided a very narrow window in which to review these three enormous documents. We are concerned BLM is making a rush to judgment without appropriate and accurate consideration of the impacts associated with the management considerations contained in the DEIS."

The letter goes on to provide scores of detailed comments on the various issues addressed in the draft RMP/ DEIS, includ-

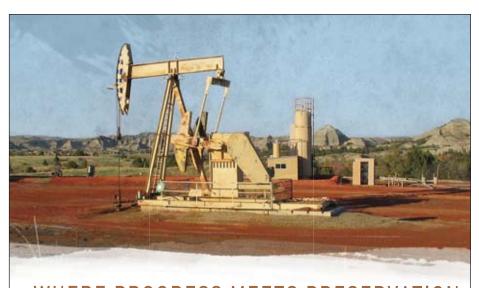
ing sage grouse habitat. The letter contends BLM's MCFO has not met the of requirements the National Environmental Policy Act, the act that guides development on federal lands, and that the agency placed too much emphasis on sage grouse issue. "In addition to failing to meet the requirements of NEPA, BLM has used Greater Sage grouse data to develop its plan alternatives that is both not applicable to the MCFO and at such a scale that makes it impossible to make accurate and reasonable land use decisions."

Access to public comments

Petroleum News Bakken contacted BLM to get access to all comments that were submitted on the draft RMP in order get other stakeholder perspectives, but a BLM spokesperson said that public comments would not be posted on line at the present time. Instead, any member of the public may contact the MCFO and make arrangements to view the comments in that office, except those where privacy has been requested by the individual or group providing the comment. BLM has not yet determined if it will issue the public comments along with the final RMP/EIS, which is expected to be released in 2014.

However, BLM did tell Petroleum News Bakken that "the planning team for the Miles City Field Office RMP has received comments from a diverse representation of our stakeholders in that area. As the comment periods close for each of our four Resource Management Plans/Environmental Impact Statements, comment analysis begins keeping in mind all substantive comments received after the 90-day draft comment period closes will be considered to the extent feasible." ●

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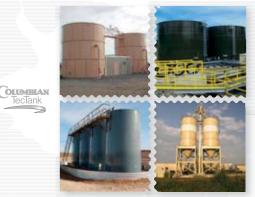
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