# Petroleum News Ken



page NDPC president provides an inside look at industry priorities in 2014

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### Rail scrutiny increasing



As railroads pick up more Williston Basin crude oil export share, Canada tightens rail tank car standards and congressional leaders call for a reevaluation of crude oil transport in the wake of recent explosive derailments (see related stories on this page).

### CN says the time has come to 'phase out' old rail tank cars

Fires are out, evacuated residents are back in their homes and clean-up work is under way at the site of Canada's most recent oil-train derailment, but the New Brunswick event has renewed pressure on railways and governments to "aggressively phase out" older model tank cars.

Canadian National Railway, which operated the train, wants to see more action to introduce safer, stronger cars, Sam Berrada, CN's director general of safety, told an Ottawa forum Jan. 13.

He praised the performance of three post-2011 cars see OLD TANK CARS page 15

### November ND output surges, but **December will be another story**

North Dakota's average daily oil production surged in November, increasing by nearly 28,000 barrels per day over October's production according to preliminary data released on Jan. 14 by the Department of Mineral Resources Oil and Gas Division. However, that surge was a result of very favorable weather in November, weather that did not extend



see NOVEMBER OUTPUT page 14 LYNN HELMS

### Crude-by-rail regains two more WB export market share points

Crude-by-rail exports regained another two percentage points of Williston Basin crude oil exports in November, pushing rail's market share back over the 70 percent mark to 71 percent for the month, up from the 69 percent market share rails held in October, according to data released on Jan. 14 by the North Dakota Pipeline Authority. The November rail increase came at the same time the average monthly price difference between Brent crude and West Texas Intermediate, WTI, continued a four-month widening trend that began in July (see chart).

The average Brent/WTI spread hit a two year high of

see **EXPORT MARKET** page 15

### MOVING HYDROCARBONS

# Raising the bar

Transport Canada proposing tougher standards for DOT-111 rail tank cars

By GARY PARK

For Petroleum News

anada's Transport Minister Lisa ■ Raitt is taking unprecedented steps to introduce stricter safety rules governing the shipment of crude by rail, while narrowing the government's focus on the role played by Bakken crude in a series of train derailments that have **LISA RAITT** caused fires and explosions.

In announcing proposed regulatory amendments to the DOT-111 tank cars, she told reporters Jan. 10 that what has unfolded in the six months since the Lac-Megantic disaster is evidence of "increased volatility" in crude being shipped out

of the Bakken.

"But maybe it isn't the crude. Maybe it's something else that needs classification. Maybe the tanker cars are not acceptable for the type of crude," Raitt said, noting that issue remains under investigation.

For now, she said the new rules that are now subject to 30 days of consultation from Jan. 11 before implementation will require new DOT-111 cars to meet

thicker steel requirements, as well as adding top fittings and head shield protection to the car.

A statement by Transport Canada said the

see TANK CAR RULES page 15

### MOVING HYDROCARBONS

# Rail pressure mounting

Congressional leaders demand a solution to ensure safety of crude oil transport

By MAXINE HERR

For Petroleum News Bakken

n the wake of the .Casselton crude train derailment and explosion, pressure is mounting for improved rail regulations in the U.S. and new rules could be just weeks away.



On Jan. 13, the National Transportation Safety Board, NTSB, released its preliminary report of the Dec. 30 Casselton, N.D., train accident in which a derailment caused a subsequent crash between a train carrying agricultural products and one carrying crude oil, resulting in a fiery explosion. That report came just days



**RON WYDEN** 

after two influential U.S. senators called on the Department Transportation to reevaluate the safety of domestic crude oil transport.

The NTSB report states that 20 of the 21 rail cars on the oil train were carrying crude oil and of those 20, 18 were punctured. Initial esti-

mates indicate that more than 400,000 gallons of crude oil were released. NTSB has repeatedly warned PHMSA, DOT's Pipeline and Hazardous Materials Safety Administration, that the DOT-111 tank car has a serious design flaw due to a rel-

see RAIL PRESSURE page 16

### GOVERMENT

# An untenable position?

Two ND Democrats call for separating duties of state O&G regulator, promoter

By MAXINE HERR

For Petroleum News Bakken

North Dakota Democratic leaders want to see a split in what the Department of Mineral Resources director charged to do in his job, in hopes of restoring public MAC SCHNEIDER trust.



Minority leaders Sen. Mac Schneider, D-Grand Forks, and Rep. Kent Onstad, D-Parshall submitted a letter to the Industrial Commission on Jan. 14 asking that they separate the duties of promotion and regulation under their authority.



Their request stems from what they feel is a conflict of interest for the Department of Mineral Resources director's job duties. The letter says "the public is ill-served by a Director who is charged with regulating the development he is duty-bound to promote."

The state's official policy

is "to promote the development, production, and utilization of natural resources of oil and gas" for the sake of various ends, including providing for

see **DIRECTOR DUTIES** page 13

**Petroleum News Bakken** 

## contents

### **ON THE COVER**

### **Raising the bar**

Transport Canada proposing tougher standards for DOT-111 rail tank cars

# (A)

### **Rail pressure mounting**

Congressional leaders demand a solution to ensure safety of crude oil transport

### An untenable position?

Two ND Democrats call for separating duties of state O&G regulator, promoter'





# CN says the time has come to 'phase out' old rail tank cars

November ND output surges, but December will be another story



**Crude-by-rail regains two more WB export market share points** 

### **BAKKEN STATS**

- **9** Commentary: Top 10 IPs range from 1,448 to 2,275 bpd
- **9** Montana well permits and completions, Jan. 3-9
- **9** Bakken producers' stock prices
- **10** North Dakota oil permit activity, Jan. 7-13
- **10** North Dakota well operator transfers, Jan. 4-10
- 11 IPs for ND Bakken wells, Jan. 7-13
  SIDEBAR, Page 11: Top 10 Bakken wells by IP rate
- **12** North Dakota Pipeline Authority Monthly update, January

### **COMPANY UPDATE**

### **6 GMX** hit with trustee objection

Chapter 11 reorganization plan fails to pass muster because release provisions for nondebtor parties make it unconfirmable

**13** PetroShale picks up interest in an EOG DSU

### INDUSTRY PERSPECTIVE

### **3 Production relies on innovation in 2014**

NDPC president gives inside look at oil producers' priorities in 2014; flaring solutions and technology advancements top the list



### **LAND & LEASING**

7 Emerald acquires McKenzie County acreage

### **LEGAL COLUMN**

### 4 ND River case rehearing petition filed

Upland owners in ND Missouri River case filed Petition for Rehearing; tolls time for filing appeal to the US Supreme Court



### **MISCELLANEOUS**

**3** QEP gives \$1M to housing fund

### MOVING HYDROCARBONS

### 5 Bakken crude finishes 2013 in a slump

West Texas Intermediate actually ended the year in positive territory, although the Brent/WTI spread continued on a widening trend

### **NATURAL GAS**

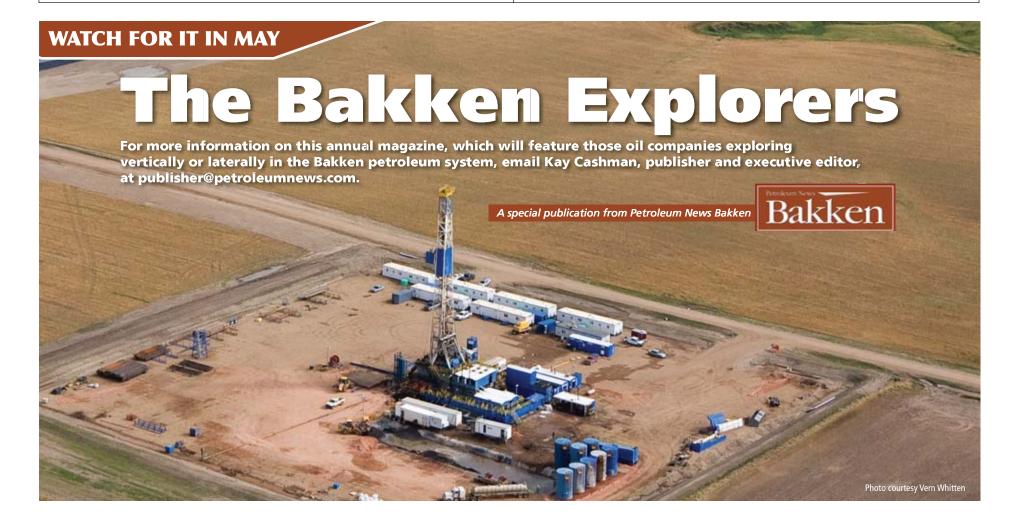
- 4 North Dakota flaring inches back to 30%
- **6** Statoil throws a punch in flare fight

### **PEOPLE TALK**

### 8 Summit Midstream Partners taps new COO

Executive's broad experience gives him unique preparation for managing development and expansion projects in Summit organization





### INDUSTRY PERSPECTIVE

# Production relies on innovation in 2014

NDPC president gives inside look at oil producers' priorities in 2014; flaring solutions and technology advancements top the list

### By MAXINE HERR

For Petroleum News Bakken

014 looks to be a year of stiff competition for oil producers, but it kicks off with unprecedented collaboration.

Ron Ness, president of the North Dakota Petroleum Council, discussed his outlook for the next 12 months with Petroleum News Bakken, and he says his organization has "a lot on its plate."

"There are many topics and challenges," he said. "Obviously we're working really hard on the flaring task force and industry is really attacking this issue. I've not seen us attack something before with such a unified effort, so we're hopeful there will be some positive results."

### Touchdowns don't come easy

Oil exploration and development in the state has been wildly successful, but obstacles like easements for rights of way and new state rules keep the ride a little bumpy.

"We've made a lot of accomplishments, it's just that there are so many hills and buttes between us and the end zones," Ness

The industry will continue its concerted effort to work with landowners for easements, and Ness said pipelines are still the safest, most reliable way to transport any type of fluid or hydrocarbon.

"It's a tremendous challenge," Ness said. "But unless you get those easements, putting out flares, reducing truck traffic, improving road safety and congestion in these communities is a struggle. The long term solution is more pipes."

### The Bakken serves as the testing ground

Determining what to do with all the waste will be a hot topic in 2014, Ness said. But it's just one of the areas the industry will rely on for the introduction of innovative technology.

"I think the technologies that deal with waste, recycling water, and all those fluid movements are going to play a big part," Ness said. "As the Bakken is kind of looked at as the model, we're the testing

ground for all these things."

Ness said production has moved from exploration to development, in what he likes to call "the harvest." But with the shift also come new state rules that he RON NESS said can bring unintended consequences.



"For instance, we are somewhat creating more of a challenge with waste by concentrating it. We have to find more onsite solutions," Ness said. "Waste from a well site itself is not a challenge, but when you concentrate everyone's waste together, then you create challenges. Those are the things that I see new technology and movement on in the next 18 months.'

### Research plays a huge role

The NDPC looks to the University of North Dakota Energy and Environmental Research Center for many of those technology solutions and Ness said he's starting to see some good results.

"New technology is what will reduce the traffic, the congestion and a lot of the chaos in those western communities." Ness said. "We have to focus on those things, but they take time to develop. Those are very exciting opportunities that are really beginning to come to fruition."

Producers also continue to do their part to increase efficiency. Ness said they have a strong focus on well density, and each producer has its own distinct system to take advantage of the Bakken play.

"They're all doing things that are unique to each other," Ness said. "It's not easy. There are so many challenges and risks before every company that's working in the Bakken and nobody knows yet what the right answer is for each of these. It's what makes it exciting and what creates entrepreneurial activities."

### The implications of the million mark

What they can agree on is the steady march toward hitting that 1 million barrels-a-day mark this year.

"When we reach a million barrels of oil a day, that's a big thing," Ness said. "A million is not just big here, but everywhere in the world. It's a monumental milestone, and I think it really puts a stake in the ground as a substantial move toward energy security for our nation, for the longevity of what the Bakken is going to mean."

The NDPC plans to hold a statewide celebration on April 1 to commemorate the milestone. Ness said it's only appropriate to host the event in Tioga where the oil was first discovered. He hopes to even have some representatives from the family who owned the land and mineral rights of that first oil well in attendance.

Though the million mark may bring

celebratory cheers, Ness admits the implication of that kind of oil activity breeds more challenges. He said affordable housing is still the biggest hurdle to jump in the Bakken.

"In terms of a million barrels of oil a day, that's \$50 million a day of economic activity," Ness said. "As we get more wells on the ground, you need to have more people in close proximity to service them. You need affordable housing."

### Production won't slow; wildcatting to continue

The plea from some groups to slow production in order to get infrastructure

see 2014 PRIORITIES page 8\

### **MISCELLANEOUS**

### QEP gives \$1M to housing fund

Denver-based Bakken operator OEP Resources has contributed \$1 million to North Dakota's Housing Incentive Fund. The North Dakota Industrial Commission issued a press release on Jan. 8 indicating that QEP was among five entities that have given at least \$1 million to the fund. The donation from QEP is earmarked for affordable housing developments for essential service workers in Arnegard and Williston. The fund is administered by the North Dakota Housing Finance Agency.

"We sincerely appreciate the support our development program has received," Jolene Kline, NDHFA director said in the Jan. 8 press release. "We look forward to seeing these developments through to their completion, providing the affordable housing North Dakota's communities need for healthy growth and develop-

QEP's northern region Vice President Matt Thompson said QEP welcomed the opportunity to make the contribution to the housing fund and is a committed supporter of local communities. "As we safely and responsibly develop North Dakota's natural resources, we are committed to supporting the growth and development of the state's local communities through programs like the Housing Incentive Fund. In addition, we allocated more than \$800 million of capital investment to our North Dakota operations in 2013, and we look forward to continued investment in the state for years to come," Thompson said in the Jan. 8 press

The other four entities meeting the \$1 million contribution mark are Gate City Bank and U.S. Bank, both of which gave \$3 million each to the fund, and Bell State Bank and Trust and Wells Fargo Bank, which gave \$1 million each. Collectively, the five entities contributed a total of \$9 million, which fully capitalized the fund a year ahead of schedule.



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LEGAL COLUMN

# ND River case rehearing petition filed

Upland owners in ND Missouri River case filed Petition for Rehearing; tolls time for filing appeal to the US Supreme Court

### By JANNELLE STEGER COMBS

For Petroleum News Bakken

petition for rehearing was filed in the Reep v. State North Dakota Supreme Court case on Jan. 9. The rules of the North Dakota Supreme Court allow a petition for rehearing to be filed within 14 days of entry of a judgment from the court. It specifically only allows the petitioner to argue "with particularity each point of law or fact" that was in error in the original opinion. Oral argument is not allowed, and no answer to the petition is allowed unless the Supreme Court indicates otherwise.

The Reep case resolved the issue of who owns the mineral rights between the high and low water mark on a navigable river in North Dakota. Originally it was

two lawsuits consolidated by the Supreme Court to resolve the shore zone issue. One of the actions was commenced by Stanford Reep and other upland owners in a class action suit alleging the state had taken private proper-



ty by claiming the shore zone.

The second case was an interpleader action where Brigham Oil & Gas L.P. now known as Statoil Oil & Gas L.P. named the state of North Dakota and adjacent upland owners in one of their spacing units to determine the issue of who owns the minerals between the high and low

water mark. The North Dakota Supreme Court found Dec. 26, 2013, that the state of North Dakota owned to the high water mark; however, that interest could be deeded to riparian owners by the state of North Dakota in specific instances.

The petition was filed by the Reep plaintiffs and some of the defendants in the Brigham case. All who signed the petition were parties who lost at the District Court and the North Dakota Supreme Court levels.

The petition argues that the court found that the state of North Dakota now owns absolute title in the riparian zone instead of sharing correlative rights in that area under prior case law. The parties further argue that since prior case law found that the riparian owners shared in the shore zone, the minerals interests are

properly within the rights to be shared. It argues then that the Supreme Court should reverse its opinion as well as the order of the district court that was appealed.

Typically petitions for rehearing do not involve any further hearings and are resolved by a one page order. Petitions for rehearing are rarely granted by any appellate court in the United States. The time to apply for review by the United States Supreme Court will begin once the North Dakota Supreme Court grants or denies this petition for rehearing. The parties will then have 90 days to petition to the United States Supreme Court or the decision will be final.

> Contact Jannelle Steger Combs through mellerd@bresnan.net

NATURAL GAS

# North Dakota flaring inches back to 30%

### By MIKE ELLERD

Petroleum News Bakken

he percentage of produced natural gas that is flared at wellheads in North Dakota increased two percentage points in November, pushing flaring back up to the 30 percent mark. In October, flaring in the state stood at 28 percent.

That 2 percent increase, according to Department of Mineral Resources Director Lynn Helms, was primarily due to Hess Corp.'s Tioga gas plant being out of commission while the plant's capacity is being expanded from 110 million cubic feet per day to 250 million. Adverse weather has

Several of the individuals

listed above are

independent contractors

slowed the process down, and the plant is still out of service. Hess shut the plant down for the upgrades on Thanksgiving Day and it could be early February before the plant is back up and operational. "So we're going to see some pretty tough flaring numbers in December and January," Helms said in a Jan. 14 monthly press conference.

However, Helms added that Hess Corp. has made every effort to ease the burden caused by the shutdown of the Tioga plant. "Now I do have to commend that operator for finding as many alternative processing situations as they could. They tied gas into lots of other processors as much as they could; they shut wells in, and they're trying to keep flaring to a minimum," Helms said. "But we're going to see a pretty significant bump in numbers as a result of that plant going down (on) Thanksgiving and then not coming up until probably early February."

Justin Kringstad, director of the North Dakota Pipeline Authority, closely follows flaring in the state, although his flaring data do not include data from wells on confidential status, whereas Department of Mineral Resources data do include confidential wells. Kringstad's data put November flaring at 29 percent, up 2 percent from his October flaring stat of 27 percent. Kringstad also notes the Tioga plant as contributing to the increase in flaring.

Of the 29 percent flaring that Kringstad's data indicate, 11 percent is from wells that are not connected to any gas infrastructure but 18 percent is from wells that are connected to infrastructure but that infrastructure does not have sufficient capacity for both the existing wells and new wells that come online.

Kringstad's data indicate that 193 new wells went on production in November and of those, 179 were connected to gas sales, which is a 93 percent connection rate. However, with winter settling in on North Dakota, Kringstad believes those connections will slow down in coming months.

"One thing going forward, as we all experienced in December ... the tough weather. I've been hearing from some of the pipeline folks that just like any outside job during those times of extreme cold very difficult to maintain and keep crews out in the field — and so we will likely see a bit of a slowdown in the gathering pace when we take a look back at months like December or any months going forward when we have some of these extreme cold conditions out there."

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### • MOVING HYDROCARBONS

# Bakken crude finishes 2013 in a slump

West Texas Intermediate actually ended the year in positive territory, although the Brent/WTI spread continued on a widening trend

### By MIKE ELLERD

Petroleum News Bakken

hile North Dakota Light Sweet crude has historically traded at a discount relative to Brent, West Texas Intermediate, WTI, and Alaska North Slope crudes, it has generally followed parallel price fluctuations. That was, however, until early November 2013 when the price for North Dakota Light on the Flint Hills Resources market fell nearly \$9 in one day and did not gain that ground back (see chart). It finished the year trading \$12.50 below where it started the year (see table).

After reaching a 2013 high of \$99 per barrel on July 18, the price for North Dakota Light followed the same declining trend felt by the other three benchmark crudes. Those other three crudes, however, began recovering in November whereas the North Dakota Light price fell even more reaching a low for the year of \$69.25 on Dec.2 (see chart). North Dakota Light began the year trading at \$86.50 per barrel on Jan. 2 and finished the year at \$74 per barrel on Dec. 3 (see table).

At the beginning of 2013, North Dakota Light was trading at a \$6.62 discount relative to WTI; by the end of the year that spread had widened to \$24.42.

### **Premium coastal markets**

Even though WTI is trading considerably higher than North Dakota Light, WTI has still been selling at a discount relative to Brent. That continues to drive Bakken crude oil to the East and West coasts instead of to the Midcontinent markets. On Jan. 2, 2013, the Brent/WTI spread began 2013 at \$20 per barrel and finished the year at \$12.38 per barrel. While rail transport has a higher cost per barrel than pipeline transport, the higher price that North Dakota operators get for their crude on the East and West coasts more than offsets higher transport cost.

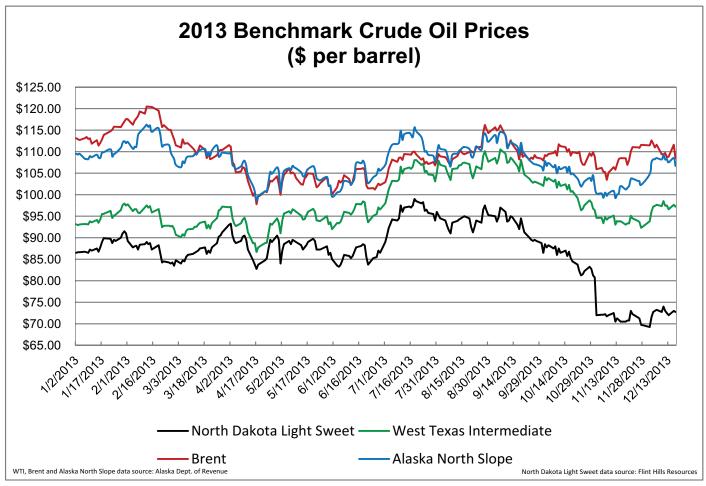
Bakken crude oil generally trades higher at the Clearbrook, Minn., hub. Bloomberg compiles crude oil prices at the Clearbrook terminal, but those data are not publically available. That leaves the Flint Hills market as the one readily available Midcontinent index for Bakken petroleum system crude oil index.

### A Midcon oil glut

Eugene Graner of Heartland Investors in Bismarck told Petroleum News Bakken that he doesn't follow Bakken crude oil pricing but instead follows WTI and its relation to Brent. He does say that the lower price for North Dakota Light reflects a glut of oil at the market. Bakken prices, he said, are pushed down by marketers because they simply don't have the capacity to take on any more. "Somebody's got to push back at

2013 Benchmark Crude Oil Price Summaries (\$ per barrel)

Benchmark Crude	Year Start and Finish			Year High and Low				
Delicilliark Crude	Jan. 2	Dec. 31	Difference	High	High Date	Low	Low Date	Difference
North Dakota Light Sweet	\$86.50	\$74.00	<b>-</b> \$12.50	\$99.00	July 18	\$69.25	Dec. 2	\$29.75
West Texas Intermediate	\$93.12	\$98.42	\$5.30	\$110.53	Sep. 6	\$86.68	April 17	\$23.85
Brent	\$113.12	\$110.80	-\$2.32	\$120.49	Feb. 12	\$97.77	April 17	\$22.72
Alaska North Slope	\$109.52	\$107.95	<b>-</b> \$1.57	\$116.26	Feb. 12	\$98.68	April 17	\$17.58
Brent/WTI Spread	\$20.00	\$12.38	<b>-</b> \$7.62	\$24.53	Feb. 15	\$1.24	July 22	\$23.29



the producers to not bring me oil," Graner said of the marketers. "And so they're pushing the price back down again to not bring oil because they're getting backed up on being able to load the oil out."

If there were no transportation bottlenecks and marketers could keep supplies moving, Midcontinent crude prices would be higher, Graner said. "If everything was free flowing, it's great — bring on the supply and we'll move it for you. But if the supply can't move free-flowingly ... that causes the price to quickly collapse to slow down any increased production."

The reason Graner doesn't track day-today Bakken crude pricing is because North Dakota producers haven't needed to hedge their crude prices and thus haven't needed his services. But Graner said all other domestic crude prices are essentially a function of the two larger-scope benchmarks, Brent and WTI, and he tracks those in order to advise his clients on managing crude oil investments

"When we drop considerably domestically in price, then our exports pick up. When our price rises and closes the spread between us and Brent, exports slow down. Well right now we've dropped away from Brent, so now I'd look for things down at Cushing to start picking up and we're going to start exporting more."

Even though the U.S. has banned the export of crude oil since the oil embargo in 1975, Graner said the U.S. does export refined petroleum products as well as natural gas and other forms of potential energy. "Our largest export from the United States

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is not grain, it's not software, it's energy—we export collectively more gasoline, diesel fuel and natural gas than any other thing out of the United States, and people are blown away to find that out."

### Other benchmarks

The \$12.50 drop that North Dakota Light experienced between the opening and closing of 2013 was the largest differential of the four benchmark crudes that Petroleum News Bakken tracked throughout the year. Brent and Alaska North Slope

 $see \ \textbf{CRUDE PRICING} \ page \ 7$ 





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# GMX hit with trustee objection

Chapter 11 reorganization plan fails to pass muster because release provisions for nondebtor parties make it unconfirmable

### By STEVE SUTHERLIN

For Petroleum News Bakken

Bankrupt Bakken producer GMX Resources Inc. hit a snag in its Chapter 11 reorganization when the U.S trustee objected to the company's proposed reorganization plan.

U.S. Trustee Richard A. Wieland said the GMX reorganization proposal contains releases that make the plan unconfirmable.

"There is strong body of authority that a bankruptcy court lacks the power to confirm a plan containing non-debtor release provisions," Wieland said in an objection filed Jan. 10 in the U.S. Bankruptcy Court for the Western District of Oklahoma.

Wieland said that the "First Amended Joint Plan of Reorganization Of GMX Resources Inc. and Its Debtor Subsidiaries Under Chapter 11 of the Bankruptcy Code" cannot be confirmed as it violates the Bankruptcy Code by including releases for nondebtor parties.

### Not truly reorganized

The release provisions, as they pertain to nondebtors in the proposed plan are in violation of the code because the debtor estates are not truly reorganized under the plan, the objection said, adding that GMX's plan calls for transferring a majority its assets to a group of secured creditors.

"The proposed joint plan provides for transfer of the bulk of the debtor estates to certain secured bondholders," the objection said.

The company and its debtor subsidiaries filed a first amended joint plan of reorganization Dec. 5.

On Jan. 7, the company filed a notice of debtors' initial plan supplement.

The court has set a Jan. 21 hearing on the confirmation of the plan, and to consider any objections to the plan.

### Companies filed in April

GMX and its affiliated companies Diamond Blue Drilling Co. and Endeavor Pipeline Inc. first filed for protection under Chapter 11 in April. In its filing GMX listed

assets of \$281.1 million and debt of \$458.5 million as of Dec. 1

GMX said in an April 1 release announcing its initial filing that it had obtained a commitment for debtor-inpossession financing from its principal senior secured note holders to provide up to \$50 million of additional financing to fund the company's operating expenses.

GMX told the court that it was not able to raise enough capital elsewhere to continue operating and had been hammered by the decline in natural gas prices.

"The debtors have been unable to raise sufficient capital to continue operating and developing their assets because of the debtors' current capital structure and the decline in the price of natural gas," GMX said.

A group of senior secured note holders entered a \$338 million stalking horse bid for the company's assets prior to an auction held Aug. 28 — where, according to court documents, the creditor group prevailed over one other party.

Contact Steve Sutherlin at stevepna@hotmail.com

• NATURAL GAS

# Statoil throws a punch in flare fight

Statoil teams with technology giant General Electric to explore ways to utilize natural gas on well sites and reduce flaring

### By MAXINE HERR

For Petroleum News Bakken

ov. Jack Dalrymple asked the North Dakota Petroleum Council, NDPC, flaring task force at the Oct. 22 Industrial Commission meeting if perhaps "a large GE-type company" could come in and make a greater impact to reduce flaring in

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North Dakota.

Perhaps he has his answer.

General Electric, GE, has recently teamed with Statoil to produce and use a device it calls, "CNG In A Box." The compressed natural gas, CNG, box was announced originally in 2012 by GE as a mobile natural gas station for filling automobiles, but Statoil's pilot project hopes its function can transfer to fueling well site equipment. It would utilize converted rig systems to replace a percentage of the diesel they burn with natural gas — providing a beneficial use for the gas that would otherwise burn off in a flare.

### From buses to oil rigs

In its traditional use, the CNG In A Box system compresses natural gas from a pipeline into a box on-site at a traditional automotive fueling station or industrial location, which then allows CNG-powered vehicles such as taxis, buses, trucks and cars to refill their tanks using a dispenser that has the same look and feel of a traditional diesel or gasoline dispenser.

With the pilot project, Statoil will use the system by first stripping out the valuable natural gas liquids like butane and propane, which can be used for petrochemical production. Those liquids would be pressurized in tanks and sent to processing plants by truck. The rest of the gas would be compressed and stored in the CNG boxes.

The New York Times reports that Statoil's calculations indicate if all the rigs in the Bakken were converted to run even partly on natural gas, more than 60 million cubic feet of natural gas could be saved every day. That is equivalent to a fifth of the gas now being flared.

Although NDPC President Ron Ness sees the compression box concept working well with fueling rigs, he's not convinced the reduction of flaring will be as substantial as Statoil and GE claim.

"I think those things have a smaller percentage of reduction in flaring than that, but they can be used strategically," he says. "The one big concern has been scalability, and certainly GE brings players to the game to scale these. They also have good partners already involved in well site operations."

### Introducing more technology giants in 2014

When asked in December 2013 about reaching out to large companies like GE, flaring task force chairman Eric Dille told Petroleum News Bakken (see related story published in the Dec. 15 issue) that those companies "are out there and aware of the situation."

Ness says there are other major projects being reviewed by venture capital companies for beneficial use of the gas.

"We are seeing more of those technol-

ogy partnerships evolve," Ness says. "Those are all things the flaring task force will be reporting on later this month."

The eventual hope for GE's low-cost prototype could allow gas that is currently flared to instead be gathered for heating homes and running appliances, among other uses.

The compression box costs about \$1.1 million, and the mobile processor costs about \$500,000, according to Statoil executives. The company told Petroleum News Bakken it hopes to get the system up and running by the end of January and will provide further comment on its potential success at that time. Their goal is to have up to eight compression units running by the end of 2014.

"If we can show a successful pathway to adopting natural gas in high-horsepower applications — rigs, frack crews, heavy duty trucking, railways — that will increase demand," John Westerheide, the strategic marketing leader for unconventional resources at GE Oil and Gas told the New York Times.

Any increased demand could potentially send prices higher and increase incentives to capture it. GE said it hopes to quickly "work out the kinks" in its venture with Statoil and expand the technology globally. •

Contact Maxine Herr at maxine606@msn.com



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### • LAND & LEASING

# Emerald acquires McKenzie County acreage

### By STEVE SUTHERLIN

For Petroleum News Bakken

merald Oil Inc. has bought a sizable acreage position in the Bakken from Kodiak Oil and Gas Inc., it was revealed in a Jan. 10 form 8-K filing with the Securities and Exchange Commission. The Kodiak deal represented the lion's share of a \$74.6 million acquisition package Emerald announced Jan 10.

Emerald said it is acquiring approximately 20,800 net acres — in purchase and sale agreements with two unrelated sellers — increasing Emerald's total Williston Basin leasehold to approximately 85,000 net acres.

"The two acquisitions follow Emerald's strategy of identifying and acquiring contiguous leasehold in our immediate operating areas," McAndrew Rudisill, Emerald CEO, said. "This additional acreage expands Emerald's presence in our Low Rider and Lewis & Clark focus areas of McKenzie County, where we have seen strong production growth as a result of our successful operated well program."

### Kodiak deal

Emerald will pay Kodiak \$68.3 million see EMERALD ACREAGE page 8

continued from page 5

### **CRUDE PRICING**

finished the year \$2.32 and \$1.57 lower than they started the year, and WTI actually ended the year in positive territory finishing \$5.30 above where it entered the year (see table).

North Dakota Light also experienced the largest high-low spread for the year of \$27.75 per barrel difference between the high and low of \$99 and \$69.25. Alaska North Slope had the lowest high-low spread of \$17.58 followed by Brent at \$22.72 and WTI at \$23.85.

The Brent/WTI spread finished the year at \$12.38 per barrel, just about midway between the high of \$24.53 and the low of \$1.24.

### Early 2014 prices

Since the first of the year, the prices of all four benchmark crudes have softened some, but the WTI price has fallen more than Brent, widening the Brent/WTI spread slightly to \$12.96 as of Jan. 15 with Brent closing at \$107.13 per barrel and WTI closing at \$94.17. On Jan. 2, Brent and WTI began the year trading at \$107.78 and \$95.44 per barrel, respectively

North Dakota Light settled at \$73.75 on Jan. 15, down from its Jan. 2 year opening settlement of \$75. Alaska North Slope settled at \$101.71 on Jan. 13, down from its Jan. 2 settlement of \$104.98. ●

Contact Mike Ellerd at mellerd@bresnan.net

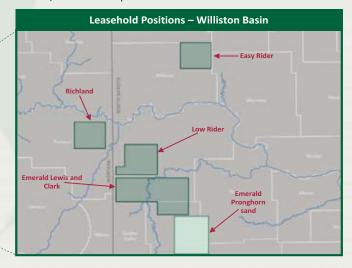
### **EOX Overview**

- Independent E&P company focused on Williston Basin and headquartered in Denver, Colorado
- ~85,000 net acre position in the core of the Williston Basin
- Identified ~435 net potential drilling locations on this acreage prospective for oil in the Bakken, Three Forks and Pronghorn sand formations
- Plans to add a third rig in Williston Basin in 2014; plans to drill 18.2 net operated wells by end of 2014
- Increasing working interest in operated focus areas to ramp up production and cash flow

# Acreage Overview – Williston Basin

### Key Highlights

- Average daily production for 3Q'13: 1,877 boe/d
- 2013 average production guidance: 1,590 boe/d<sup>(1)</sup>
- 2014 average production guidance: 3,300 boe/d<sup>(1)</sup>
- Realized \$113 million in proceeds from September 2013 sale of 26,992 net non-operated acres in the Williston Basin



(1) 2013 and 2014 production guidance is subject to numerous assumptions and risks, including assumptions with respect to the number of wells that will be drilled and completed and that production from new wells will be consistent with our historical results. For more information on the risks associated with our production guidance, see disclaimer on slide 1 of this presentation.

4

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### PEOPLE TALK

# Summit Midstream Partners taps new COO

Executive's broad experience gives him unique preparation for managing development and expansion projects in Summit organization

### By ROSE RAGSDALE

For Petroleum News Bakken

Summit Midstream Partners LP, a growth-oriented limited partnership with gas gathering operations in the Williston Basin, has appointed Rene L. Casadaban as senior vice president and chief operating officer of Summit Midstream GP LLC, the general partner that manages and operates the limited partnership.



RENE L. CASADABAN

Casadaban, 45, will report to
Steve Newby, president and CEO of the general partner.
"Rene's broad experience across our platform and deep industry background in crude oil, natural gas and project management make him uniquely qualified to execute and manage the significant development and expansion projects that we have across the entire

### People Talk

Summit enterprise in crude oil, water transportation, and gas gathering and processing," Newby said. "We believe that this change in organizational structure positions Summit for continued success and improved operations as we expand our service offerings and geographic footprint."

Prior to his appointment as the principal operating officer of Summit Midstream, Casadaban served as senior vice president of engineering, construction, and operations of the general partnership since May 2012. Prior to joining the general partnership, Casadaban was the senior vice president of engineering, construction and operations of Summit Midstream Partners LLC, the overall owner of the general partnership, from February 2011 until April 2012, and prior to that he served as a vice president from the time he joined Summit Investments in November 2010. Casadaban brings 23 years of onshore, offshore and deepwater pipeline sys-

tems experience to his new role.

Prior to joining Summit Investments, Casadaban worked for Enterprise Products Partners L.P. from 2006 to 2010 as the director for deepwater development of floating production platforms and offshore pipelines. Casadaban also has served as an independent consultant to ExxonMobil and GulfTerra for Gulf of Mexico and international pipeline projects. At Land & Marine, Casadaban was responsible for managing domestic and international pipeline river crossings and beach approaches by horizontal directional drilling. Casadaban holds a bachelor's degree in building construction from Auburn University.

Operating in the Williston Basin as Bison Midstream LLC, Summit has gas gathering infrastructure in Mountrail and Burke counties and delivers natural gas to Aux Sable's Palermo gas plant in northeast Mountrail County.

 $Contact\ Rose\ Ragsdale\ at\ roseragsdale @gmail.com$ 

continued from page 7

### **EMERALD ACREAGE**

for oil and gas properties and assets located in Williams County and McKenzie County, N.D.

Emerald said the Kodiak package includes operated working interests in approximately 19,500 net acres in the Williston Basin, which "are highly contiguous to Emerald's Low Rider operating area in McKenzie County."

Net daily production from the acreage is approximately 350 barrels of oil equiv-

alent per day as of Dec. 1, the company

Emerald said it would gain "19 operated drilling spacing units; 17 DSUs in Low Rider and two DSUs in Easy Rider."

Approximately 62 percent of the acreage is held by production, Emerald

The effective date of the transaction is Jan. 1; Emerald expects to close the acquisition on or about Feb. 13, it said in the filing, adding that the purchase price is subject to customary adjustments and closing conditions.

### **Acquisition trail**

Emerald has been on a roll with land acquisitions in the Bakken.

In November, Rudisill said the company's land team had recently completed a long-term leasing effort that added 34,000 net acres

"These newly leased acres further expanded Emerald's core Low Rider area and added three new operated focus areas: Easy Rider in the West Nesson Area in Williams County, North Dakota, Emerald Pronghorn in Stark and Billings Counties, North Dakota and Emerald Lewis & Clark in McKenzie County, North Dakota, south of Low Rider," Rudisill said.

"Emerald's average working interest in its Low Rider area is now approximately 68 percent, and the company continues to work toward increasing the average well working interest," Rudisill said. "On a pro forma basis to reflect closed and pending acquisitions, the company has approximately 66,000 net acres in the Williston Basin, of which approximately 50,000 net acres are operable in McKenzie, Williams, Billings and Stark County, North Dakota, and 10,000 net acres are operable in Richland County, Montana."

Rudisill said Emerald's capital spending program would proceed as planned in 2014.

"Emerald remains well positioned to execute on our previously announced 2014 capital spending program and will be giving updated guidance upon close," Rudisill said.

Emerald grappled with extreme weath-

er in the Bakken at the end of 2013 but the company will stand by its production guidance.

"Although the Williston Basin experienced extreme cold during December 2013, Emerald is comfortable with its previously announced Q4 2013 average daily production guidance of 2,300 boepd and exit rate of 2,400 boepd," Rudisill said.

### **Holdings trimmed**

For Kodiak, the divestiture will cut its Bakken lease holdings by 10 percent, to 172,500 net acres.

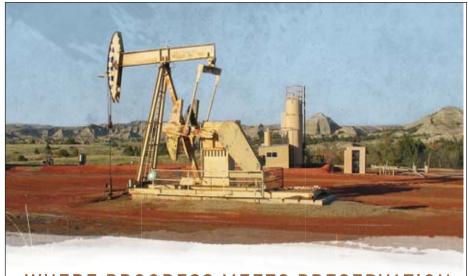
In December, Kodiak said it held approximately 192,000 net acres in the Williston Basin, and that the company was moving into full development mode in its core areas in Williams, McKenzie and Dunn counties, N.D.

Kodiak said it had approved a \$940 million 2014 capex budget allocated solely to Williston Basin oil and gas activities.

"The 2014 capital program is expected to drive an approximate 45 percent increase in year over year production volumes," the company said. "The 2014 capital budget compares to Kodiak's 2013 capital expenditures of approximately\$1.0 billion."

Kodiak said it would drill the same number of wells in 2014 as it did in 2013, but it would spend less to do the same work, due to cost and efficiency savings. ●

Contact Steve Sutherlin at stevepna@hotmail.com



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continued from page 3

### **2014 PRIORITIES**

and safety measures on pace with the flow of oil is not something Ness feels is feasible, and he said he has yet to hear anyone define "slow down."

"If you slow down the producers, what's going to happen? The people that are going to build apartments and single family housing are going to run. Which first 5,000 employees do we tell, 'You don't have a job tomorrow," Ness said to illustrate his point, "Production is going to continue, because otherwise all you're doing is sending negative economic indicators to the market, and those are the people we need to keep investing in for restau-

rants, housing, retail, all those things."

In fact, Ness expects producers to veer off the Bakken at times to attempt possible production in other plays in North Dakota this year.

"Over history, there have been oil or gas wells drilled in every county in North Dakota except Traill County, so the ability to explore for oil and gas is something that's in the entrepreneurial spirit of wildcatters," Ness said. "But people have to understand that if you're looking for something in Emmons County, for example, that is not world-class Bakken. There is such a defined understanding of that resource versus the other plays."

Contact Maxine Herr at maxine606@msn.com

# **Bakken BAKKEN Stats**

# Montana well permits and completions

January 3—9, 2014

### **Abbreviations & parameters**

With a few exceptions, the Montana weekly oil activity report includes horizontal well activity in the Bakken petroleum system in the eastern/northeastern part of the state within the Williston Basin. It also includes the Heath play and what is referred to as the South Alberta Bakken fairway in northwest-ern/west-central Montana, which is at least 175 miles long (north-south) and 50 miles wide (east-west), extending from southern Alberta, where the formation is generally referred to as the Exshaw, 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

### **COMPILED BY DARRYL L. FLOWERS**

For Petroleum News Bakken

### **Re-issued locations**

In Roosevelt County, a permit was reissued to Statoil Oil & Gas LP for the Snyder 1-12 1H. The Snyder has an SHL at NW 1-28N-57E (300 FNL/1320 FWL) and a PBHL of 19,976 feet at SE SW 12-28N-57E (250 FSL/1740 FWL) and will target the Bakken formation. A permit modification was also approved for the well.

### Completions

In Richland County, Continental Resources Inc. reported the completion of four Bakken formation wells.

The Constance-Linnea HSU has an SHL at SE SE 13-23N-55E (250 FSL/298 FEL) and a BHL of 20,195 feet at NE NE 12-23N-55E (242 FNL/55 FEL). The IP was 240 BOPD, 89 MCFPD of natural gas and 103 BWPD.

The Earl-Rita HSU has an SHL at SE SE 13-23N-55E (250 FSL/253 FEL) and a BHL of 20,620 feet at SE SE 25-23N-55E (237 FSL/21 FEL). The IP was 177 BOPD, 59 MCFPD of natural gas and 185 BWPD.

The Larry 1-28H has an SHL at NW NE 28-23N-53E (305 FNL/1910 FEL) and a BHL of 13,928 feet at SW SE 28-23N-53E (231 FSL/2018 FEL). The IP was 474 BOPD, 48 MCFPD of natural gas and 546 BWPD.

The Lucille 3-27H has an SHL at SE SW 27-23N-55E (310 FSL/2350 FWL) and three laterals with BHLs of 11,759 feet at NE SW 27-23N-55E (2081 FSL/2031 FWL); 15,392 feet at SE SW 22-23N-55E (430 FSL/1986 FWL) and 20,028 feet at NE NW 22-23N-55E (220 FNL/1992 FWL).

### **Expired permits**

In Richland County, the permits for three Slawson Exploration Company Inc. wells expired: the Hornet 1-25H at NE NE 36-23N-54E (270 FNL/775 FEL); the Savage 1-32H at NE NE 32-24N-52E (350 FNL/668 FEL) and the Drifter 1-10H at SE SE 10-23N-52E (190 FSL/900 FEL). All of the Slawson wells were permitted to the Bakken formation.

### **Abandoned wells**

In Fergus County, final abandonment was approved for the Padre 1A, operated by Petroshale Energy LLC. The Padre was at SW NW 4-14N-17E (1881 FNL/950 FWL) and was permitted to the Heath formation. ●

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

# Bakken

### **Looking for a rig report?**

### North Dakota

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

### Saskatchewan

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

### Manitoba

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



### **BAKKEN STATS COMMENTARY**

### Top 10 IPs range from 1,448 to 2,275 bpd

Marathon Oil came in with the week's top North Dakota IP well with a Murphy Creek field well in Dunn County at 2,275 barrels of oil per day (see list on page 11). At a close second was Halcon Resources subsidiary HRC Operating with an Antelope field well in McKenzie County at 2,265 bpd. Oasis Petroleum had a Robinson Lake field in Mountrail County in third place with a 24-hour IP of 2,143 bpd.

All of the remaining seven wells on the list had IPs below 2,000 bpd and ranged from 1,448 to 1,941 bpd. Operators of those seven wells are Oasis (7th) Whiting Petroleum (4th, 5th and 10th), Petro-Hunt (6th) and XTO Energy (8th and 9th). The seven wells are spread across McKenzie, Mountrail, Stark and Williams counties.

### Other ND activity

Most of the new well permits during the week were issued in Dunn County where 19 permits were issued to Halcon Resources, Oxy USA and XTO Energy. In McKenzie County, 16 permits were issued to Continental Resources, Kodiak Oil and Gas, Petro-Hunt and Whiting Oil and Gas. In Mountrail County, 11 permits were issued to EOG Resources and WPX Energy. New well permits were also issued in Billings, Divide, Golden Valley, Stark and Williams counties.

In McKenzie County, 29 wells were transferred from Petro-Hunt to Whiting Oil and gas, 13 wells were transferred from Merit Energy to Emerald Oil, and five wells were transferred from Kodiak Oil and Gas to Triangle Petroleum. Hess Corp. transferred eight Bottineau County wells to Enduro Operating, and three wells in Williams County were transferred from Bowers Oil and Gas to Versa Operating.

### Montana activity

In Montana, Continental Resources completed three wells in Richland County. IPs were reported for three of the four wells and ranged from 177 to 474 bpd.

Statoil had a permit reissued for a well in Roosevelt County. Slawson Exploration had three well permits expire in Richland County. In central Montana, the final abandonment was approved for a Billings-based Petroshale Energy Heath formation well in Fergus County.

—MIKE ELLERD

# Bakken

XTO Energy, Inc. (ExxonMobil)

### Bakken producers' stock prices

\$98.78

\$100.74

Closing prices as of Jan. 15, along with those from previous Wednesday

Company	Exchange	Symbol	Closing price	Previous Wed.
Abraxas Petroleum Corporation	NASDAQ	AXAS	\$3.11	\$3.13
American Eagle Energy Corporation	OTC	AMZG	\$1.78	\$2.02
Arsenal Energy USA, Inc.	TSE	AEI	\$5.13	\$4.82
Baytex Energy USA Ltd	NYSE	BTE	\$36.59	\$38.01
Burlington Resources Co., LP (ConocoPhillips)	) NYSE	COP	\$68.08	\$69.69
Continental Resources, Inc.	NYSE	CLR	\$108.56	\$107.62
Crescent Point Energy US Corporation	TSE	CPG	\$39.39	\$40.00
Denbury Onshore, LLC	NYSE	DNR	\$16.49	\$16.66
Emerald Oil, Inc.	NYSEMKT	EOX	\$7.46	\$7.25
Enerplus Resources USA Corporation	NYSE	ERF	\$17.76	\$17.55
EOG Resources, Inc.	NYSE	EOG	\$170.36	\$166.78
Fidelity Exploration & Production (MDU)	NYSE	MDU	\$30.58	\$30.14
GMX Resources, Inc.	PINK	GMXRQ	\$0.10	\$0.11
Halcon Resources	NYSE	HK	\$3.34	\$3.39
Hess Corporation	NYSE	HES	\$77.67	\$81.69
Kodiak Oil and Gas (USA), Inc.	NYSE	KOG	\$10.83	\$10.81
Legacy Reserves Operating LP	NASDAQ	LGCY	\$28.11	\$28.30
Marathon Oil Company	NYSE	MRO	\$34.01	\$34.40
Mountain Divide, LLC (Mountainview Energy)	) CVE	MVW.V	\$0.52	\$0.55
Newfield Production Company	NYSE	NFX	\$25.28	\$24.25
Northern Oil and Gas	NYSE	NOG	\$14.03	\$14.44
Oasis Petroleum North America	NYSE	OAS	\$43.75	\$43.23
Oxy USA, Inc. (Occidental Petroleum)	NYSE	OXY	\$91.46	\$94.79
PetroShale Inc.	CVE	PSH	\$1.34	\$1.37
QEP Energy Company	NYSE	QEP	\$29.70	\$29.72
Resolute Natural Resources Company, LLC	NYSE	REN	\$8.43	\$8.63
Samson Resources Company (KKR & Co)	NYSE	KKR	\$25.75	\$25.78
SM Energy Company	NYSE	SM	\$84.87	\$81.58
Statoil Oil and Gas LP	NYSE	STO	\$24.94	\$23.89
Triangle USA Petroleum Corporation	NYSE	TPLM	\$8.13	\$8.23
Whiting Oil and Gas Corporation	NYSE	WILL	\$59.73	\$59.09
WPX Energy Williston, LLC	NYSE	WPX	\$19.01	\$19.21



# North Dakota oil permit activity

January 7—13, 2014

### **LEGEND**

10

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

### **Abbreviations**

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

 $\mathsf{FNL} = \mathsf{From} \; \mathsf{North} \; \mathsf{Line} \; | \; \mathsf{FEL} = \mathsf{From} \; \mathsf{East} \; \mathsf{Line}$ FSL = From South Line | FWL = From West Line

### Billings Co.

**Permits renewed** 

**Slawson Exploration** 

Federal 2-7; SWNE 7-140N-100W; 1,930'FNL and 1,960'FEL; Whiskey Joe; Madison; vertical; 2,540' ground; 16077; 33-007-01545; 1/9/2014

### Divide Co.

**Permits issued** 

**American Eagle Energy** 

Rick 13-31-164-101; LOT4 31-164N-101W; 250'FSL and 810'FWL; Colgan; N/A\*; on confidential status; 2.253' ground; 27425; 33-023-01156; 1/10/2014

### **Permits cancelled**

### **Newfield Production**

Christensen 160-102-17-20-1H; NENW 17-160N-102W; 275'FNL and 2,400'FWL; Fertile Valley; Bakken; horizontal; 2,076' ground; 20247; 33-023-00678; 1/10/2014

Erickson 160-102-18-19-1H; NWNE 18-160N-102W; 275'FNL and 1,800'FEL; Fertile Valley; Bakken; horizontal; 2,077' ground; 20356; 33-023-00686; 1/10/2014

### Dunn Co.

**Permits issued** 

**HRC Operating (Halcon Resources)** 

Fort Berthold 148-95-25B-36-3H; SWSW 24-148N-95W; 1,025'FSL and 1,227'FWL; Eagle Nest; Bakken; horizontal; 2,441' ground; 27417; 33-025-02424;

1/8/2014

Fort Berthold 148-95-25B-36-4H; SWSW 24-148N-95W; 1,012'FSL and 1,255'FWL; Eagle Nest; Bakken; horizontal; 2,443' ground; 27416; 33-025-02423; 1/8/2014

Fort Berthold 148-95-25B-36-5H; SWSW 24-148N-95W; 999'FSL and 1,282'FWL; Eagle Nest; Bakken; horizontal; 2,447' ground; 27415; 33-025-02422;

Fort Berthold 148-95-25B-36-6H; SWSW 24-148N-95W; 987'FSL and 1,309'FWL; Eagle Nest; Bakken; horizontal; 2,453' ground; 27414; 33-025-02421;

Fort Berthold 148-95-25B-36-7H: SWSW 24-148N-95W; 974'FSL and 1,336'FWL; Eagle Nest; Bakken; horizontal; 2,457' ground; 27412; 33-025-02420; 1/8/2014

Fort Berthold 148-95-23C-14-3H; NENW 26-148N-95W; 178'FNL and 2,010'FWL; Eagle Nest; Bakken; horizontal; 2,444' ground; 27431; 33-025-02425; 1/10/2014

Fort Berthold 148-95-23C-14-4H; NENW 26-148N-95W; 147'FNL and 2,061'FWL; Eagle Nest; Bakken; horizontal; 2,443' ground; 27433; 33-025-02427;

Fort Berthold 148-95-23C-14-5H; NENW 26-148N-95W; 116'FNL and 2,113'FWL; Eagle Nest; Bakken; horizontal; 2,445' ground; 27435; 33-025-02429; 1/10/2014

Fort Berthold 148-95-23C-14-8TFH; NENW 26-148N-95W; 162'FNL and 2,036'FWL; Eagle Nest; Bakken; horizontal; 2,444' ground; 27432; 33-025-02426: 1/10/2014

Fort Berthold 148-95-23C-14-9TFH; NENW 26-148N-95W: 132'FNL and 2.087'FWL: Eagle Nest: Bakken; horizontal; 2,444' ground; 27433; 33-025-02428; 1/10/2014

### Oxy USA (Occidental Petroleum)

Shuck 4-28-33H-144-97; NENW 28-144N-97W; 695'FNL and 2,634'FWL; Little Knife; Bakken; horizontal; 2,370' ground; 27395; 33-025-02414; 1/7/2014 **Shuck 5-28-33H-144-97**; NENW 28-144N-97W; 664'FNL and 2,608'FWL; Little Knife; Bakken; horizontal; 2,371' ground; 27396; 33-025-02415; 1/7/2014 State Knopik 2-21-16H-144-97; NENW 28-144N-97W; 604'FNL and 2,555'FWL; Little Knife; Bakken; horizontal; 2,372' ground; 27398; 33-025-02417;

State Knopik 3-21-16H-144-97; NENW 28-144N-97W; 634'FNL and 2,581'FWL; Little Knife; Bakken; horizontal; 2,372' ground; 27397; 33-025-02416; 1/7/2014

### XTO Energy (ExxonMobil)

FBIR Guyblackhawk 24X-27ER; SESW 27-149N-92W; 647'FSL and 2,471'FWL; Heart Butte; N/A\*; on confidential status; 2,297' ground; 27443; 33-025-02430; 1/13/2014

Tuckerman Federal 11X-11A; NWNW 11-148N-96W; 882'FNL and 498'FWL; Lost Bridge; N/A\*; on confidential status; 2,101' ground; 27449; 33-025-02432; 1/13/2014

Tuckerman Federal 11X-11F; NWNW 11-148N-96W; 866'FNL and 523'FWL; Lost Bridge; N/A\*; on confidential status; 2,101' ground; 27448; 33-025-02431;

William Federal 41X-6C; NENE 6-148N-96W; 429'FNL and 151'FEL; Bear Den; N/A\*; on confidential status; 1,991' ground; 27402; 33-025-02418; 1/7/2014 William Federal 41X-6H; LOT1 6-148N-96W; 403'FNL and 166'FEL; Bear Den; N/A\*; on confidential status; 1,991' ground; 27402; 33-025-02418; 1/7/2014

### Location resurveyed

### **HRC Operating (Halcon Resources)**

Fort Berthold 148-94-33C-28-3H; SWSW 33-148N-94W; 293'FSL and 563'FWL; McGregory Buttes; N/A\*; on confidential status; 2,377' ground; 25534; 33-025-02154; 1/10/2014

### **Golden Valley Co.**

**Permits issued** 

Whiting Oil and Gas

Peterson 13-14; NWSW 14-143N-105W; 2,450'FSL and 1,300'FEL; Wildcat; N/A; on confidential status; 2,413' ground; 27404; 33-033-00349; 1/7/2014 Peterson 33-27; SWSE 27-143N-105W; 1,610'FSL and 1,870'FEL; Wildcat; N/A; on confidential status; 2,376' ground; 27439; 33-033-00350; 1/10/2014

### McKenzie Co.

**Permits issued** 

**Continental Resources** 

Garfield 4-5H; SWSW 5-152N-99W; 25'FSL and 532'FWL; Banks; N/A\*; on confidential status; 2,055' Garfield Federal 5-5H1; SWSW 5-152N-99W; 25'FSL and 577'FWL; Banks; N/A\*; on confidential status; 2,056' ground; 27420; 33-053-05598; 1/8/2014 Garfield Federal 6-5H; SWSW 5-152N-99W; 25'FSL and 622'FWL; Banks; N/A\*; on confidential status; 2,060' ground; 27419; 33-053-05597; 1/8/2014 Garfield Federal 7-5H1; SWSW 5-152N-99W; 25'FSL and 667'FWL; Banks; N/A\*; on confidential status; 2,067' ground; 27418; 33-053-05596; 1/8/2014

ground; 27421; 33-053-05599; 1/8/2014\

### **Kodiak Oil and Gas**

Koala 4-4-6-4H; LOT4 4-151N-99W; 935'FNL and 1,116'FWL; Poe; Bakken; horizontal; 2,362' ground; 27405; 33-053-05589; 1/7/2014

Koala 4-4-6-4H3; LOT4 4-151N-99W; 905'FNL and 1,116'FWL; Poe; Bakken; horizontal; 2,362' ground; 27406: 33-053-05590: 1/7/2014

Koala 4-4-28-3H3; LOT4 4-151N-99W; 650'FNL and 900'FWL; Poe; Bakken; horizontal; 2,357' ground; 27410; 33-053-05594; 1/7/2014

Koala 4-4-28-4H; LOT4 4-151N-99W; 650'FNL and 870'FWL; Poe; Bakken; horizontal; 2,357' ground; 27409; 33-053-05593; 1/7/2014

Koala 4-4-29-1H; LOT4 4-151N-99W; 650'FNL and 810'FWL; Poe; Bakken; horizontal; 2,357' ground; 27408; 33-053-05592; 1/7/2014

Koala 4-4-31-13H; LOT4 4-151N-99W; 875'FNL and 1,116'FWL; Poe; Bakken; horizontal; 2,362' ground; 27407; 33-053-05591; 1/7/2014

Smokey 4-29-32-13H; NWNW 29-149N-98W; 250'FNL and 900'FWL; Pembroke; N/A\*; on confidential status; 2,306' ground; 27446; 33-053-05601;

Smokey 4-29-32-13H3; NWNW 29-149N-98W; 250'FNL and 840'FWL; Pembroke; N/A\*; on confidential status; 2,306' ground; 27447l 33-053-05602; 1/13/2014

State 154-94-31C-32-1HS; LOT7 31-154N-94W; 4,931 FNL and 250 FWL; Charlson; N/A\*; on confidential status; 2,034' ground; 27436; 33-053-05600; 1/10/2014

### **Whiting Oil and Gas**

Tarpon Federal 44-19TFHU; SESE 19-153N-96W;

see ND PERMIT page 11



# Bakken North Dakota well operator transfers

January 4-10, 2014

### **LEGEND**

Date of well operator transfer Well(s) transferred from

Well(s) transferred to

NDIC well file number — well name —

well type — geological target — field —

IP (initial production) test date —

IP oil rate in barrels — location — county

### January 6, 2014

From: Bowers Oil and Gas, Inc. To: Versa Operating LLC

#11996 - Nelson 44-25; vertical; Madison; East Fork; 11/5/1986; 221 bbl; SESE 25-156N-100W; Williams Co. #12096 - Nelson 32-25; vertical: Madison; East Fork; 4/7/1987; 176 bbl; SWNE 25-156N-100W; Williams Co. #12060 - Nelson 11-25: vertical: Madison: East Fork: 12/20/1986; 198 bbl; NWNW 25-156N-100W; Williams

### From: Hess Corporation

To: Enduro Operating, LLC #01958 - Newburg-Spearfish-Charles Unit G-723; vertical; Spearfish/Charles; Newburg; 10/21/1958; 28 bbl; NWSE 31-162N-79W; Bottineau Co.

#02003 - Newburg-Spearfish-Charles Unit V-710; vertical; Spearfish/Charles; Newburg; 10/6/1958; 45 bbl; SESW 14-161N-79W; Bottineau Co.

#02041 - Newburg-Spearfish-Charles Unit S-707; vertical; Spearfish/Charles; Newburg; 10/13/1958; 50 bbl; NWSE 22-161N-79W; Bottineau Co. #02168 - Newburg-Spearfish-Charles Unit N-704D;

vertical; Spearfish/Charles; Newburg; 2/18/1959; 18 bbl; SENW 28-161N-79W; Bottineau Co.

#02195 - Newburg-Spearfish-Charles Unit E-725; vertical; Spearfish/Charles; Newburg; 3/6/1959; 67 bbl; NWNW 31-162N-79W: Bottineau Co.

#02302 - Newburg-Spearfish-Charles Unit J-714; vertical; Spearfish/Charles; Newburg; 5/15/1959; 81 bbl; SESW 8-161N-79W; Bottineau Co.

#03233 - Newburg-Spearfish-Charles Unit G-713; vertical; Spearfish/Charles; Newburg; 9/16/1962; 31 bbl; NWNE 18-161N-79W; Bottineau Co.

#07729 - Newburg-Spearfish-Charles Unit N-713; vertical; Spearfish/Charles; Newburg; 11/16/1980; 3 bbl; NENW 16-161N-79W; Bottineau Co.

From: Kodiak Oil and Gas (USA) Inc.

To: Triangle USA Petroleum Corporation #21421 - Fritz 150-101-32-29-1H; horizontal; Bakken; Pronghorn; 5/18/2012; 648 bbl; SESW 32-150N-101W;

#21680 - Nygaard 150-101-28-33-1H; horizontal; Bakken; Pronghorn; 9/4/2012; 800 bbl; NWNE 28-

150N-101W; McKenzie Co. #23651 - Helling 150-101-7-6-1H; horizontal; Bakken; Pronghorn; 3/7/2013; 820 bbl; SWSE 7-150N-101W; McKenzie Co.

#23534 - J. Garvin Jacobson 150-101-8-5-1H; horizontal; Bakken; Pronghorn; 2/12/2013; 589 bbl; SESW 8-150N-101W; McKenzie Co.

#23535 - J. Garvin Jacobson 150-101-17-20-1H; horizontal; Bakken; Pronghorn; 2/7/2013; 574 bbl; SESW 8-150N-101W: McKenzie Co.

### From: Merit Energy Company To: Emerald Oil, Inc.

#05748 - J. W. Law 1; vertical; Birdbear; Boxcar Butte; 3/17/2004; 32 bbl; SESW 9-148N-102W; McKenzie Co. #13202 - N. D. State 4; vertical; Birdbear; Boxcar Butte: 3/15/1992; 35 bbl; CSE 16-148N-102W; McKenzie Co.

#13203 - J. W. Law 2; vertical; Birdbear; Boxcar Butte; 12/21/2001; 127 bbl; SWSE 9-148N-102W; McKenzie #13262 - Haugen Coates 2; vertical; Birdbear; Boxcar

Butte; 3/20/2004; 181 bbl; SESE 5-148N-102W; McKenzie Co. #15013 - Haugen 3-9; vertical; Birdbear; Boxcar Butte;

11/30/2003; 78 bbl; SENW 9-148N-102W; McKenzie #12107 - Sheep Federal 1A; vertical; Birdbear; Boxcar

Butte; 4/19/2004; 108 bbl; NWSW 15-148N-102W; McKenzie Co. #14933 - ND State 6-16; directional; Birdbear; Boxcar Butte: 10/2/2003: 47 bbl: SENE 16-148N-102W:

McKenzie Co. #14942 - ND State 5-16; vertical; Birdbear; Boxcar Butte; 9/27/2004; 2 bbl; SENW 16-148N-102W; McKenzie Co.

#14861 - Federal 12-15; vertical; Birdbear; Boxcar Butte; 7/29/2001; 147 bbl; SWNW 15-148N-102W; McKenzie Co. #07511 - North Dakota State 3: vertical; Red River;

Boxcar Butte; 6/20/1980; 331 bbl; SWNE 16-148N-102W; McKenzie Co. #12644 - Haugen 2; vertical; Birdbear; Boxcar Butte;

11/30/2002; 160 bbl; NWNW 9-148N-102W; McKenzie

#15487 - Haugen Coates 2-4; vertical; Birdbear; Boxcar Butte; 2/21/2004; 65 bbl; SESW 4-148N-102W; McKenzie Co.

#07580 - Haugen Coates 1; vertical; Duperow; Boxcar Butte; 12/20/2005; 22 bbl; NWNW 4-148N-102W; McKenzie Co.

### January 9, 2014

From: Petro Hunt, LLC
To: Whiting Oil and Gas Corporation

#08530 - Alexander 3-7; vertical; Madison; Nameless; 11/14/1981; 8 bbl; SWNE 3-150N-102W; McKenzie Co. #09995 - Dore 3-10X; vertical; Duperow; Nelson Bridge; 10/18/1996; 101 bbl; NWSE 3-150N-104W;

McKenzie Co. #14432 - Link 3-1; horizontal re-entry; Madison; Nameless; 1/24/1997; 57 bbl; NENW 3-150N-102W; McKenzie Co.

#15759 - Romo 3C-2-1H; horizontal; Madison; Nameless; 11/15/2005; 115 bbl; NWSW 3-150N-102W; McKenzie Co.

#15931 - USA 6B-2-1H; horizontal; Madison; Foreman Butte: 1/3/2006: 515 bbl: NWNW 6-150N-102W: McKenzie Co

#17339 - Arnegard 22A-2-1: vertical: Red River: Arnegard; 11/8/2008; 97 bbl; NWNE 22-150N-100W; McKenzie Co. #17743 - Focht 3D-4-1H; horizontal; Bakken;

Nameless; 8/26/2010; 533 bbl; SESE 3-150N-102W; McKenzie Co. #19689 - Pesek 151-102-26B-35-1H; horizontal; Bakken; Wildcat; 7/10/2011; 399 bbl; NENW 26-151N-

102W: McKenzie Co. #20011 - Sovig 150-100-22C-15-1H; horizontal; Bakken; Arnegard; 6/28/2011; 949 bbl; SESW 22-150N-

100W; McKenzie Co. #20144 - Klose 151-103-26B-35-1H; horizontal; Bakken; Glass Bluff; 3/8/2012; 751 bbl; SESW 23-151N-103W: McKenzie Co.

Bakken; Glass Bluff; 4/13/2012; 607 bbl; NENW 29-151N-103W; McKenzie Co. #20201 - Klose 151-103-27B-34-1H; horizontal; Bakken; Glass Bluff; 8/13/2011; 302 bbl; NENW 27-

#**20185** - Oakland 151-103-29B-32-1H; horizontal:

151N-103W; McKenzie Co. #20270 - Skedsvold 150-101-4B-9-1H; horizontal: Bakken; Pronghorn; 8/29/2011; 732 bbl; LOT 3 4-150N-101W; McKenzie Co.

#21515 - Good Shepherd Home 150-101-15B-22-1H; horizontal; Bakken; Rawson; 10/7/2013; 853 bbl; NWNE 15-150N-101W; McKenzie Co. #21725 - USA 150-102-6A-7-1H; horizontal; Bakken;

Foreman Butte; 7/9/2013; 230 bbl; LOT1 6-150N-102W: McKenzie Co. **#21880** - USA 150-104-24C-13-1H; horizontal;

Bakken; Cartwright; N/A; N/A: LOT3 24-150N-104W; McKenzie Co. #22218 - Roen 152-102-10D-3-1H; horizontal; Bakken; Elk; 7/13/2012; 804 bbl; SWSE 10-152N-

102W; McKenzie Co. #22836 - Gunder T. 151-101-30A-31-1H; horizontal: Bakken; Lonesome; 10/31/2012; 539 bbl; NWNE 30-151N-101W; McKenzie Co.

#22837 - Gunder T. 151-101-30A-31-2H; on confidential status; N/A; Lonesome; N/A; N/A; NWNE 30-151N-101W; McKenzie Co.

#23023 - Pesek Trust 151-102-35D-26-4H; on confi-

dential status; N/A; Nameless; N/A; N/A; SWSE 35-151N-102W: McKenzie Co. #23024 - Pesek Trust 151-102-35D-26-3H; on confidential status; N/A; Nameless; N/A; N/A; SWSE 35-

151N-102W; McKenzie Co. #23025 - Pesek Trust 151-102-35D-26-2H; horizontal Bakken; Nameless; 4/8/2013; 228 bbl; SWSE 35-151N-

102W: McKenzie Co. #24502 - State 150-104-3A-10-1H; horizontal: Bakken; Nelson Bridge; 2/23/2013; 559 bbl; NWNE 3-150N-104W; McKenzie Co.

#24911 - Roen 152-102-10C-3-4H; on confidential status; N/A; Elk; N/A; N/A; SESW 10-152N-102W; McKenzie Co.

#24912 - Roen 152-102-10C-3-3H; on confidential status; N/A; Elk; N/A; N/A; SESW 10-152N-102W; McKenzie Co. #24913 - Roen 152-102-10C-3-2H; on confidential

status; N/A; Elk; N/A; N/A; SESW 10-152N-102W; McKenzie Co. #25084 - State 150-104-3A-10-2H; on confidential status; N/A; Elk; N/A; N/A; LOT1 3-150N-104W;

McKenzie Co. #25085 - State 150-104-3A-10-3H: on confidential status; N/A; Elk; N/A; N/A; LOT1 3-150N-104W;

McKenzie Co. #25086 - State 150-104-3A-10-4H; on confidential status; N/A; Elk; N/A; N/A; LOT1 3-150N-104W;

McKenzie Co.

—Compiled by Ashley Lindly

Contact Ashley Lindly at alindly@petroleumnewsbakken.com



# IPs for ND Bakken wells

January 7—13, 2014

This chart contains initial production rates, or IPs, for active wells that were filed as completed with the state of North Dakota from Jan. 7-13, 2014 in the Bakken petroleum system, which includes formations such as the Bakken and Three Forks. The completed wells that did not have an available IP rate (N/A) likely haven't been tested or were awarded confidential (tight-hole) status by the North Dakota Industrial Commission's Department of Minerals. This chart also contains a section with active wells that were released from confidential status during the same period, Jan. 7-13. Again, some IP rates were not available (N/A). The information was assembled by Petroleum News Bakken from NDIC daily activity reports and other sources. The name of the well operator is as it appears in state records, with the loss of an occasional Inc., LLC or Corporation because of space limitations. Some of the companies, or their Bakken petroleum system assets, have been acquired by others. In some of those cases, the current owner's name is in parenthesis behind the owner of record, such as ExxonMobil in parenthesis behind XTO Energy. If the chart is missing current owner's names, please contact Ashley Lindly at alindly@petroleumnewsbakken.com

### **LEGEND**

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

### **IPs for completed North Dakota wells**

### **Baytex Energy**

**25016**; Marcella 1-12-161-98H 2DM; Whiteaker; LOT4 1-161N-98W; 2SEC; Divide; Bakken; horizontal; 18,810; 7/30/2013; 420 bbl

### **Burlington Resources Oil and Gas** (ConocoPhillips)

25960; Archer 44-25TFH; Charlson; SESE 25-153N-95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A;

25886; Blue Ridge 34-31TFH; Keene; SWSE 31-153N-95W; N/A; McKenzie; Bakken/Three Forks; horizontal; N/A; N/A; N/A

25891; Blue Ridge 44-31MBH; Keene; SWSE 31-153N-95W; N/A; McKenzie; Bakken/Three Forks; horizontal; N/A: N/A: N/

25951; Capitol 44-7MBH ULW; Westberg; SESE 7-152N-96W; N/A; McKenzie; Bakken; horizontal; N/A;

25952; Capitol 44-7TFH ULW; Westberg; SESE 7-152N-96W; N/A; McKenzie; Bakken; horizontal; N/A; N/A;

25863; Rising Sun 31-1TFH-6NH; Clear Creek; LOT2 1-151N-96W; N/A; McKenzie; Bakken; horizontal; N/A;

25682; Rising Sun 31-1TFH-7NH; Clear Creek; LOT2 1-151N-96W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

25684; Sunline 31-1TFH-6SH; Clear Creek; LOT2 1-151N-96W; N/A; McKenzie; Bakken; horizontal; N/A; N/A: N/A

25681; Sunline 31-1TFH-7SH; Clear Creek; LOT2 1-151N-96W; N/A; McKenzie; Bakken; horizontal; N/A; N/A: N/A

### **Continental Resources**

25160; Columbus Federal 3-16H; Baker; SENE 16-153N-101W; N/A; McKenzie; Bakken; horizontal; N/A;

25766; Madison 4-28H1; Dollar Joe; SWNE 28-155N-97W; N/A; Williams; Bakken; horizontal; N/A; N/A; N/A 25765; Madison 5-28H; Dollar Joe; SWNE 28-155N-97W; N/A; Williams; Bakken; horizontal; N/A; N/A; N/A 25461; Marcella 1-5H; South Meadow; LOT2 5-158N-96W; 2SEC; Williams; Bakken; horizontal; 19,730; 10/4/2013; 254 bbl

25815; Salers 2-2H; Antelope; NWNE 27-152N-94W; N/A; McKenzie; Sanish; horizontal; N/A; N/A; N/A 23069; Victoria 1-20H; Ukraina; SESW 20-141N-98W; 2SEC; Billings; Bakken; horizontal; 20,586; 9/30/2013;

24804; Wahpeton 14-16H2; Banks; NWNE 16-152N-99W; N/A; McKenzie; Bakken; horizontal; N/A; N/A;

25196; Weisz 1-2H; Pleasant Valley; LOT3 2-156N-95W; 2SEC; Williams; Bakken; horizontal; 20,185; 10/11/2013; 677 bbl

### Fidelity Exploration and Production (MDU)

**24563**; Carrie 3-34-33H; Sanish; SENE 3-153N-92W; 4SEC; Mountrail; Bakken; horizontal; 18,830; 7/26/2013: 821 bbl

24565; Mallory 3-34-33H; Sanish; SENE 3-153N-92W; 4SEC; Mountrail; Bakken; horizontal; 20,944; 7/27/2013; 1,010 bbl

25021; Rudy 5-8H; Heart River; LOT1 5-139N-97W; 2SEC; Stark; Bakken; horizontal; 19,720; 7/15/2013;

24408; BB-Budahn 150-95-0506H-4; Blue Buttes; SENE 5-150N-95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

22357; EN-Engebretson 157-94-1003H-1; White Earth;

### Top 10 Bakken wells by IP rate

25329; LBM Tuhy USA 41-4H; Murphy Creek; Dunn; 2,275 bbl

### **HRC Operating (Halcon Resources)** 25494; Fort Berthold 152-94-15B-22-4H;

Antelope; McKenzie; 2,265 bbl

### Oasis Petroleum North America

25398; Sylvia 5493 44-23T; Robinson Lake; Mountrail; 2,143 bbl

### **Whiting Oil and Gas**

24589; Olson 41-18-2H; Pleasant Hill; McKenzie; 24860; Dietz 14-7PH; Gaylord; Stark; 1,679 bbl

### Petro-Hunt

22490; Jonsrud 151-96-3A-10-7H; Clear Creek; McKenzie; 1,594 bbl

### **Oasis Petroleum North America**

25052; Zutz 5693 44-12T; Alger; Mountrail;

### XTO Energy (ExxonMobil)

25358; Lundeen 31X-9C; Garden; McKenzie; 1,519 bbl

25851; Wallace 21X-2A; West Capa; Williams; 1,501 bbl

### Whiting Oil and Gas

24459; Olson 41-18H; Pleasant Hill; McKenzie; 1,448 bbl

Note: This chart contains initial production rates, or IPs, from the adjacent IP chart for active wells that were filed as completed with the state of North Dakota from Jan 7–13, 2014 in the Bakken petroleum system, as well as active wells that were released from tight- hole (confidential) status during the same period. The well operator's name is on the upper line, followed by individual wells; the NDIC file number; well name; field; county; IP oil flow rate in barrels of oil

SWSW 10-157N-94W; 2SEC; Mountrail; Bakken; horizontal; 19,840; 11/8/2013; 320 bbl

25428; EN-Nelson 155-94-3328H-5; Alkali Creek; SESW 33-155N-94W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A

25574; EN-Riersgard 156-93-1718H-4; Alger; NWSW 16-156N-93W; N/A; Mountrail; Bakken; horizontal; N/A: N/A: N/A

25575; EN- Riersgard 156-93-1718H-5; Alger; NWSW 16-156N-93W; 4SEC; Mountrail; Bakken; horizontal; 20,335; 11/25/2013; 493 bbl

23642; SC-Mari-153-98- 2223H-1; Truax; NWNW 22-153N-98W; N/A; Williams; Bakken; horizontal; N/A;

23643; SC-Mari-153-98- 2223H-2; Truax; NWNW 22-153N-98W; N/A; Williams; Bakken; horizontal; N/A;

### **HRC Operating (Halcon Resources)**

24253; Fort Berthold 152-93-7D-6-4H; Four Bears; NWNE 18-152N-93W; N/A; McKenzie; Bakken; horizontal: N/A: N/A: N/A

**25494**: Fort Berthold 152-94-15B-22-4H: Antelope:

NWNW 15-152N-94W; 2SEC; McKenzie; Bakken; horizontal; 18,545; 10/12/2013; 2,265 bbl 25793; NJOS 157-100-28B-33-2H; Marmon; NWNW 28-157N-100W; 2SEC; Williams; Bakken; horizontal; 19,990; 8/31/2013; 1,119 bbl

### **Hunt Oil**

25652; Antelope 1-17-20H; Sather Lake; NWNE 17-149N-101W; 2SEC; McKenzie; Bakken; horizontal; 20,749; 11/19/2013; 160 bbl

### **Kodiak Oil and Gas**

25290; Charging Eagle 14-14-24-16H3; Twin Buttes; SESW 14-147N-92W; N/A; Dunn; Bakken; horizontal; N/A; N/A; N/A

23673; Koala 2-2-11-14H3; Poe; NWNE 2-151N-100W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A 23672; Koala 2-2-11-15H; Poe; NWNE 2-151N-100W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A 23671; Koala 2-2-11-15H3; Poe; NWNE 2-151N-100W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

### **Marathon Oil**

**25329**; LBM Tuhy USA 41-4H; Murphy Creek; LOT2 4-144N-96W; 2SEC; Dunn; Bakken; horizontal; 20,343; 9/17/2013: 2.275 bbl

### Mountain Divide (Mountainview Energy)

25668; Olson 2-11S-1H; Fortuna; SESE 35-163N 101W; N/A; Divide; Bakken; horizontal; N/A; N/A; N/A

### **Murex Petroleum**

25614; Trina Diane 15-22H; Fortuna; NWNE 15-162N-101W; 2SEC; Divide; Bakken; horizontal; 18,335; 8/1/2013; 73 bbl

### **Newfield Production**

20356; Erickson 160-102-18-19-1H; Fertile Valley; NWNE 18-160N-102W; N/A; Divide; Bakken; horizontal; N/A; N/A; N/A

### **Oasis Petroleum North America**

25397; Al 5493 41-23B; Robinson Lake; SESE 23-154N-93W; 2SEC; Mountrail; Bakken; horizontal; 20,400; 11/15/2013; 782 bbl

25341; Joseph 5502 44-7B; Squires; SESE 7-155N-102W; 2SEC; Williams; Bakken; horizontal; 20,225; 11/3/2013; 1,097 bbl

25398; Sylvia 5493 44-23T; Robinson Lake; SESE 23-154N-93W; 2SEC; Mountrail; Bakken; horizontal; 20,580; 11/14/2013; 2,143 bbl

25052; Zutz 5693 44-12T; Alger; SESE 12-156N-93W; 2SEC; Mountrail; Bakken; horizontal; 20,463; 9/18/2013; 1,558 bbl

### Oxy USA (Occidental Petroleum)

24693; Henry Kovash 7-6-7H-142-95; Manning; SESW 31-143N-95W; 2SEC; Dunn; Bakken; horizontal; 20,847; 12/3/2013; 489 bbl

22490; Jonsrud 151-96-3A-10-7H; Clear Creek; LOT2 3-151N-96W; 2SEC; McKenzie; Bakken; horizontal; 20,653; 10/12/2013; 1,594 bbl

21999; Producers Corp 159-94-8A-17-5H; North Tioga; NWNE 8-159N-94W; 2SEC; Burke; Bakken; horizontal; 19,448; 11/12/2013; 433 bbl

### **QEP Energy**

25306; Paul 1-26-35BH; Grail; NENE 26-150N-95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A 23278; Paul 1-26/35H; Grail; NENE 26-150N-95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

### Samson Resources (KKR & Co.)

25634; Bel Air 2314-1H; Ambrose; NWNW 26-163N-99W; 4SEC; Divide; Bakken; horizontal; 18,432; 11/20/2013; 723 bbl

25632; Bel Air 2314-3H; Ambrose; NWNW 26-163N-99W; N/A; Divide; Bakken; horizontal; N/A; N/A; N/A 25635; Comet 2635-1H; Ambrose; NWNW 26-163N-99W; 4SEC; Divide; Bakken; horizontal; 17,909; 12/11/2013; 82 bbl

25633; Comet 2635-3H; Ambrose; NWNW 26-163N-99W; N/A; Divide; Bakken; horizontal; N/A; N/A; N/A

### Slawson Exploration

25811; Jugard (Federal) 2-26-35H; Big Bend; SESE 23-152N-93W; N/A; Mountrail; Bakken; horizontal; N/A;

### Statoil Oil and Gas

24983; Jack Cvancara 19-18 5TFH; Alger; SESW 19-155N-92W; N/A; Mountrail; Bakken; horizontal; N/A;

24984; Jack Cvancara 19-18 6H; Alger; SESW 19-155N-92W; N/A; Mountrail; Bakken; horizontal; N/A; N/A: N/A

### Whiting Oil and Gas

**22954**; Dietz 11-18PH; Gaylord; LOT1 18-139N-99W; 2SEC; Stark; Bakken; horizontal; 20,211; 7/15/2013; 622 bbl

24860; Dietz 14-7PH; Gaylord; LOT1 18-139N-99W; 2SEC; Stark; Bakken; horizontal; 19,978; 7/14/2013;

24859; Dietz 34-7PH; Bell; LOT1 18-139N-99W; 2SEC; Stark; Bakken; horizontal; 20,230; 7/21/2013; 1,210

24459; Olson 41-18H; Pleasant Hill; NENE 18-149N-99W; 2SEC; McKenzie; Bakken; horizontal; 20,811; 7/11/2013; 1,448 bbl 24589; Olson 41-18-2H; Pleasant Hill; NENE 18-149N-

99W; 2SEC; McKenzie; Bakken; horizontal; 21,248; 7/11/2013; 1,941 bbl 25148; Timber Creek 21-27-2H; Arnegard; NENW 27-

150N-100W; 2SEC; McKenzie; Bakken; horizontal; 20,922; 7/14/2013; 924 bbl

### XTO Energy (ExxonMobil)

25262; Bully Federal 44X-20B; Bear Den; SESE 20-149N-96W; N/A; McKenzie; Bakken; horizontal; N/A; 25358; Lundeen 31X-9C; Garden; NWNE 9-151N-98W;

SEC; McKenzie; Bakken; horizontal; 15,631; 10/14/2013; 1,519 bbl 25550; Marlene 42X-20D; Blue Buttes; SENE 20-150N-

95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; 25549; Marlene 42X-20G; Blue Buttes; SENE 20-

150N-95W; N/A; McKenzie; Bakken; horizontal; N/A; N/A: N/A 25851; Wallace 21X-2A; West Capa; NENW 2-154N-

97W; 2SEC; Williams; Bakken; horizontal; 20,572; 12/6/2013; 1,501 bbl 25850; Wallace 21X-2E; West Capa; LOT3 2-154N-97W; N/A; Williams; Bakken; horizontal; N/A; N/A; N/A 25149; Wallace 21X-2F; West Capa; LOT3 2-154N-

97W; 2SEC; Williams; Bakken; horizontal; 20,039;

### Zavanna

12/20/2013; 539 bbl

22958; NSI 23-24H; Stockyard Creek; SWSE 14-154N-99W; 2SEC; Williams; Bakken; horizontal; 18,200; 7/29/2013; 972 bbl

—Compiled by Ashley Lindly

Contact Ashley Lindly at alindly@petroleumnewsbakken.com

continued from page 10

### **ND PERMIT**

490'FSL and 345'FEL: Sand Creek: Bakken: horizontal: 2,175' ground; 27413; 33-053-05595; 1/8/2014

### **Permit renewal EOG Resources**

### Mandaree 105-0910H; NWNW 9-149N-94W;

408'FNL and 762'FWL; Squaw Creek; Bakken; horizontal: 2.356' ground: 22232: 33-053-03938: 1/10/2014 Mandaree 107-09H; NWNW 9-149N-94W; 458'FNL and 762'FWL: Squaw Creek: Bakken: horizontal: 2.356' ground; 22233; 33-053-03939; 1/10/2014

### **Location resurveyed**

### **Continental Resources**

Norfolk 4-1H; LOT3 1-151N-99W; 410'FNL and 1.713'FWL: North Tobacco Garden: N/A\*: on confidential status; 2,371' ground; 24508; 33-053-04634; 1/8/2014

Norfolk 5-1H; LOT3 1-151N-99W; 410'FNL and 1.758'FWL: North Tobacco Garden: N/A\*: on confidential status; 2,374' ground; 24507; 33-053-04633;

### **Triangle USA Petroleum**

Monson 152-102-35-26-2H; SESW 35-152N-102W; 425'FSL and 1,450'FWL; Elk; Bakken; horizontal; 2,219' ground; 27379; 33-053-05581; 1/9/2014 Monson 152-102-35-26-3H; SESW 35-152N-102W; 425'FSL and 1,400'FWL; Elk; Bakken; horizontal; 2,221' ground; 27378; 33-053-05580; 1/9/2014 Monson 152-102-35-26-4H; SWSW 35-152N-102W; 425'FSL and 1,375'FWL; Elk; Bakken; horizontal; 2,222' ground; 27377; 33-053-05579; 1/9/2014

### Mountrail Co.

### **Permits issued**

### **EOG Resources**

Parshall 63-16H: NWNW 16-152N-90W: 350'FNL and 600'FWL; Parshall; Bakken; horizontal; 1,968' ground; 27437; 33-061-02919; 1/10/2014

Parshall 64-16H; NWNW 16-152N-90W; 400'FNL and 600'FWL; Parshall; Bakken; horizontal; 1,968' ground; 27438; 33-061-02919; 1/10/2014

Parshall 65-14H; NWNW 14-152N-90W; 755'FNL and 650'FWL; Parshall; Bakken; horizontal; 2,073' ground; 27441; 33-061-02921; 1/13/2014

Parshall 66-14H; NWNW 14-152N-90W; 755'FNL and 600'FWL; Parshall; Bakken; horizontal; 2,073' ground; 27442; 33-061-02922; 1/13/2014 Parshall 68-1820H; NWNW 18-152N-90W; 980'FNL

and 350'FWL: Parshall: Bakken: horizontal: 1.910' ground; 27391; 33-061-02915; 1/7/2014 Parshall 69-1820H; NWNW 18-152N-90W; 980'FNL and 450'FWL; Parshall; Bakken; horizontal; 1,909' ground; 27390; 33-061-02914; 1/7/2014 Parshall 78-20H; SESE 20-152N-90W; 300'FNL and 1,650'FWL; Parshall; Bakken; horizontal; 1,901' ground; 27444; 33-061-02923; 1/13/2014 Parshall 158-20H; SESE 20-152N-90W; 250'FNL and

1,065'FWL; Parshall; Bakken; horizontal; 1,901' ground; 27445; 33-061-02924; 1/13/2014

### **WPX Energy**

Roggenbuck 4-9HA: SWSW 33-151N-92W: 274'FSL and 393'FWL; Van Hook; N/A\*; on confidential status; 2,032' ground; 27429; 33-061-02917; 1/10/2014 Roggenbuck 4-9HW: SWSW 33-151N-92W: 197'FSL and 394'FWL; Van Hook; N/A\*; on confidential status; 2,032' ground; 27430; 33-061-02918; 1/10/2014 Roggenbuck 4-9HX: SWSW 33-151N-92W: 297'FSL and 392'FWL; Van Hook; N/A\*; on confidential status; 2,032' ground; 27428; 33-061-02916; 1/10/2014

### Stark Co.

**Permits issued** 

Fidelity Exploration and Production (MDU) Barnhart1 20-17H; SESE 20-139N-97W; 390'FSL and 608'FEL; Heart River; Bakken; horizontal; 2,534' ground; 27394; 33-089-00819; 1/7/2014 Barnhart2 20-17H; SESE 20-139N-97W; 389'FSL and 558'FEL; Heart River; Bakken; horizontal; 2,535' ground; 27393; 33-089-00818; 1/7/2014 Barnhart3 20-17H; SESE 20-139N-97W; 389'FSL and

see ND PERMIT page 12

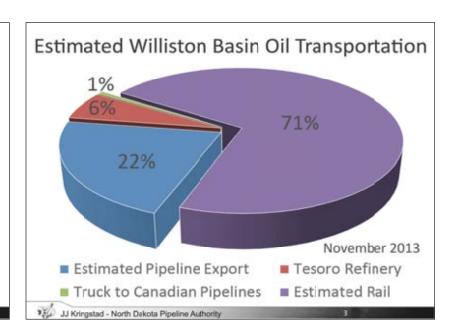


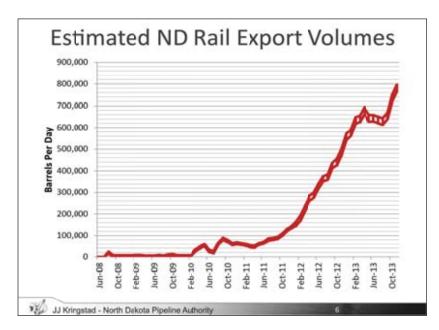
# North Dakota Pipeline Authority

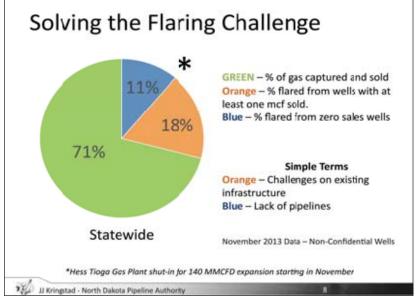
Monthly update January 2014

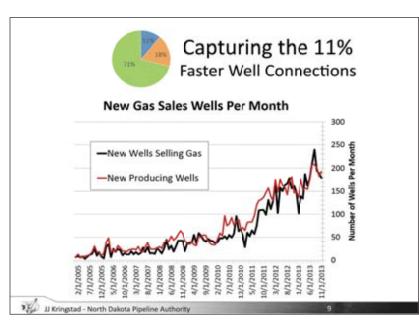
### US Williston Basin Oil Production - 2013

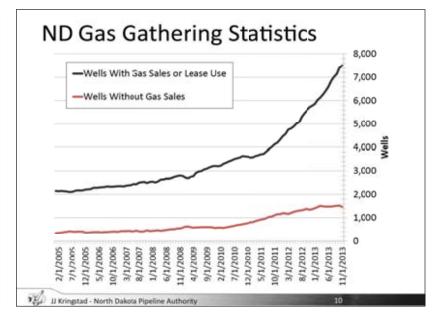
MONTH	ND	Eastern MT*	SD	TOTAL
January	739,072	70,598	4,617	814,287
February	781,327	71,861	4,891	858,079
March	786,360	73,406	5,111	864,877
April	793,753	76,027	5,131	874,911
May	811,798	75,058	4,800	891,656
June	823,721	73,547	4,781	902,049
July	874,202	75,881	4,678	954,761
August	912,528	75,817	4,877	993,222
September	933,191	72,982	5,017	1,011,190
October	945,182		4,643	
November	973,045		5,026	
December				











continued from page 11

### **ND PERMIT**

508'FEL; Heart River; Bakken; horizontal; 2,536' ground; 27392; 33-089-00817; 1/7/2014

**Horse Fence 1-12H**; LOT4 1-140N-98W; 531'FNL and 1,110'FWL; New Hradec; Bakken; horizontal; 2,571' ground; 27401; 33-089-00822; 1/7/2014

Mike 1-12H; LOT4 1-140N-98W; 495'FNL and 1,145'FWL; New Hradec; Bakken; horizontal; 2,571' ground; 27400; 33-089-00821; 1/7/2014

Wallace 1-12H; LOT4 1-140N-98W; 459'FNL and 1,180'FWL; New Hradec; Bakken; horizontal; 2,571' ground; 27399; 33-089-00820; 1/7/2014

### Whiting Oil and Gas

**Talkington Federal 41-25PH**; LOT1 30-140N-99W; 485'FNL and 800'FWL; Park; Bakken; horizontal; 2,623' ground; 27424; 33-089-00823; 1/9/2014

**Pavlish 11-30PH**; NENW 30-140N-97W; 355'FNL and 1,865'FWL; South Heart; Bakken; horizontal; 2,575' ground; 27426; 33-089-00824; 1/10/2014

Pavlish 41-30PH; NENW 30-140N-97W; 310'FNL and 1,865'FWL; South Heart; Bakken; horizontal; 2,575' ground; 27427; 33-089-00825; 1/10/2014

### Williams Co.

Permits issued Hess

**GN-Champ- 159-98-3229H-1**; LOT1 6-158N-98W; 343'FNL and 283'FEL; Big Stone; N/A\*; on confidential status; 2,220' ground 27440; 33-105-03386; 1/13/2014

### Whiting Oil and Gas

Helling 21-6H; NENW 6-156N-96W; 375'FNL and 2,470'FWL; Ray; Bakken; horizontal; 2,344' ground; 27411; 33-105-03383; 1/8/2014

### XTO Energy (ExxonMobil)

**Lyla 24X-10A**; SESW 10-158N-95W; 254'FSL and 2,091'FWL; Lindahl; N/A\*; on confidential status; 2,451' ground; 27423; 33-105-03385;

**Lyla 24X-10E**; SESW 10-158N-95W; 254'FSL and 2,061'FWL; Lindahl; N/A\*; on confidential status; 2,451' ground; 27422; 33-105-03384; 1/9/2014

### **Permits renewed**

### Oasis Petroleum

**Mad Dublin 1-3H**; LOT1 3-157N-100W; 535'FNL and 250'FEL; Dublin; Madison; horizontal; 2,117' ground; 21748; 33-105-02423; 1/10/2014

### Location resurveyed

### Statoil Oil and Gas

**Syverson 1-12 3TFH**; LOT1 1-155N-100W; 320'FNL and 440'FEL; Stony Creek; N/A\*; on confidential status; 2,271' ground; 24001; 33-105-02831; 1/7/2014

**Syverson 1-12 4H**; LOT1 1-155N-100W; 320'FNL and 410'FEL; Stony Creek; N/A\*; on confidential status; 2,271' ground; 24002; 33-105-02832; 1/7/2014

\*Note - The geologic target for these wells was not listed in its well file because they are a tight (confidential) hole, but the following fields produce from the Bakken pool; Banks, Bear Den, Big Stone, Charlson, Colgan, Heart Butte, Lindahl, Lost Bridge; McGregory Buttes, North Tobacco Garden, Pembroke, Stoney Creek, and Van Hook.

—Compiled by Ashley Lindly

Contact Ashley Lindly at alindly@petroleumnewsbakken.com

### **DIRECTOR DUTIES**

"a greater ultimate recovery" of these resources.

The Democrats contend that since the Industrial Commission is responsible for operations of oil and gas production, and the director of Mineral Resources is tasked with those duties, that the position requires "promoting oil development while simultaneously regulating it."

### Democrats want the director to shed a hat

The two legislative leaders believe the roles of regulator and promoter should be separated, and they would like to see the promotion role in a separate department. They are in favor of resurrecting the concept that Gov. Jack Dalrymple introduced at the start of the 2013 legislative session to create a new division within the state's Department of Commerce that would have the sole focus of promotion.

"If you have a promotion role in a completely different agency, that would make sense," Schneider told Petroleum News Bakken following the submission of the Jan. 14 letter. "That person can do the public speaking and the promotion end of things. Whereas, the regulator can focus exclusively on siting waste pits, on ensuring that we're able to transport this valuable natural resource safely. I just think it's a matter of focus."

According to legislative records, the original state policy passed in 1953. At that time, the state geologist was responsible for these activities and served under the Board of Higher Education. The Geological Survey staff that carried out the regulatory duties were moved in 1981 into a newly created Oil and Gas Division which came under Industrial Commission's authority. Then in 1989, the survey was shifted from the Board of Higher Education's authority to the Industrial Commission. In 2005, the Geological Survey and Oil and Gas Division merged, resulting in the Department of Mineral Resources and giving the Commission authority to name a director to take on both promotion and regulation of the industry.

Schneider and Onstad feel that due to the increase in oil activity in the state, the Industrial Commission has put too much on the director's plate.

"When wearing these two hats, especially as busy as that position has been the last couple of years, there's always going to be the chance for human error. And that happens. But structurally how do we diminish that human error? I think you can do that meaningfully to have one person focus on the promotion role, and one person on regulation," Schneider said. "We didn't write that letter to take a shot at Mr. Helms. This is about policy of the Industrial Commission. In a lot of ways they have put Mr. Helms in an untenable position, with broad delegation of their authority. There are two jobs there for two different people."

Onstad told Petroleum News Bakken they want to "put the impetus on the Industrial Commission" to make a decision immediately.

"The Industrial Commission can make

### Petroleum News Bakken seeking ad sales rep

Looking for experienced salesperson to work from home in North Dakota. Contact Kay Cashman at publisher@petroleumnews.com or 907.561.7517 "In a lot of ways they have put Mr. Helms in an untenable position, with broad delegation of their authority. There are two jobs there for two different people."

- N.D. Sen. Mac Schneider

the change," Onstad said. "We encourage that."

### Helms doesn't see himself as a promoter

Helms told reporters on Jan. 14 in response to the letter that when he took the director position in 2005, the two roles were joined with the hope that synergies would be created by having a promotional and investigative agency in close proximity regulating the industry that geologists were promoting.

"I think the results speak for themselves because production is up 10 times what it was in 2005," Helms said.

Despite how policy reads, Helms said he sees himself as a regulator, not as a promoter

"Promotional? When I think of promotional, that's someone who appears in ads, that sort of thing, and that doesn't happen," he said. "Sometimes I am asked to make predictions on the basis of my industry experience, or my knowledge from what geologists are finding, and I'm asked to help with projections by legislators. People may get the impression that those are promotional activities, and maybe they are, but they are from requests from people who want to know the answers."

### Industrial Commission should take the heat

In their Jan. 14 letter, the two Democratic leaders cite examples of when they found the director's two hats to be problematic. They mention the September 2013 oil spill near Tioga when legislators felt they were "kept in the dark" regarding the incident. The letter also refers to comments Helms made in December 2013 about a potential oil content study that would try "to dispel this myth that (Bakken oil) is somehow an explosive, really dangerous thing to have traveling up and down your rail lines." Just weeks later, a train derailment and explosion near Casselton caused the legislators to question Helms about those comments, but Helms told reporters on Jan. 14 that his words were misconstrued.

"Maybe what got to people was the word 'myth," Helms said. "Sometimes they are proven true or false. There wasn't any intent to characterize that this would come out false ... because what we need to do is do the science, collect the facts, and see where that takes us."

The letter also makes note of an error in which Helms' department allowed the permitting of an oil waste site within a water supply zone in Mountrail County.

"While we understand Director Helms has pled human error with regard to the siting of these waste pits, we believe the chances for such human error would be meaningfully diminished if the role of promoting oil development were separated from the regulation of such development," the letter states.

Onstad noted that though the examples were specific to Lynn Helms, the buck stops with the Industrial Commission.

The Democrats contend that since the Industrial Commission is responsible for operations of oil and gas production, and the director of Mineral Resources is tasked with those duties, that the position requires "promoting oil development while simultaneously regulating it."

"If Lynn Helms is going to take the heat for something, the Industrial Commission really should share that because they are the overseers of the oil and gas division," Onstad told Petroleum News Bakken. "It isn't Lynn Helms that needs to defend his position; we're just saying it's a conflict of interest."

Contact Maxine Herr at maxine606@msn.com

### **COMPANY UPDATE**

### PetroShale picks up interest in an EOG DSU

Calgary-based Bakken non-operator PetroShale Inc. has finalized an agreement to acquire an 18.75 percent working interest in a proposed drill spacing unit, DSU, operated by EOG Resources in McKenzie County, N.D. The purchase price for the acquisition is reported at \$3.25 million, which includes 200,000 shares of common stock issued at \$1.34 per share.

PetroShale said in a Jan. 15 press release that the DSU is spaced for eight wells, and reported that four of the eight locations have proved reserves of 474,800 barrels of oil equivalent and 697,700 boe of proved plus probable reserves.

"This transaction is a continuation of PetroShale's strategy to selectively acquire acreage that offers highly economic upside potential, and is operated by a leading Basin operator," PetroShale said in the Jan. 15 press release.

In the same Jan. 15 press release, PetroShale announced that it has retained the Calgary-based capital markets communications firm 5 Quarters Investor Relations Inc. for investor relations services "providing strategic counsel on financial communications, continuous disclosure compliance and proactive corporate outreach programs for public and private companies."

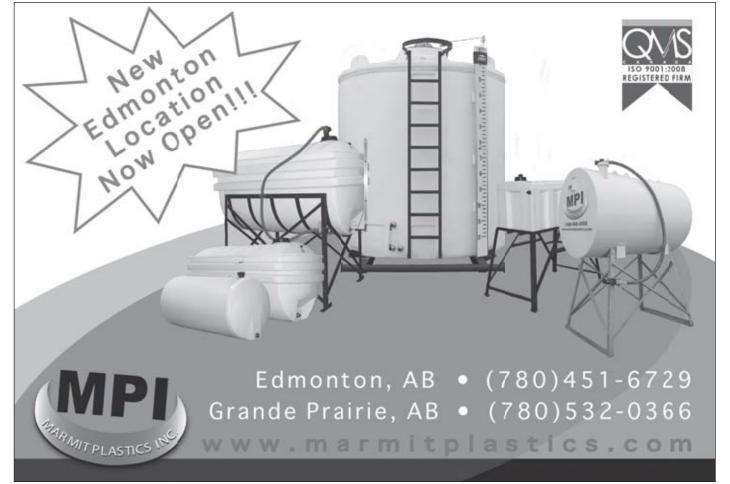
5 Quarters Investor relations will act at arm's length to PetroShale and does not have any interest, directly or indirectly, in the company.

### **Previous acquisitions**

In May 2013, PetroShale picked up a working interest in 11 wells operated by Continental Resources in the Alkali Creek and Elm Tree fields in McKenzie and Mountrail counties. Later in August 2013, PetroShale entered into a joint venture with Slawson Exploration and acquired half of Australia-based Samson Oil and Gas's equity position in two overlapping 1,280-acre units in the Stockyard Creek field in Williams County. Slawson is the operator in that project.

PetroShale also has interests in wells operated by Slawson and MDU Resources subsidiary Fidelity Exploration in the upper Bakken Shale in the Mondak play of eastern Montana.

—MIKE ELLERD



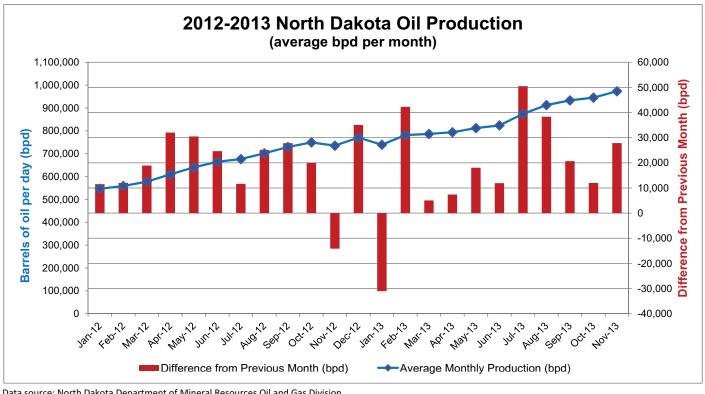
### **NOVEMBER OUTPUT**

into December, and Department of Mineral Resources Director Lynn Helms said in a Jan. 14 press conference that he is not expecting to see a similar surge when the December production data come out in February. In fact, Helms believes production may be doing well to simply hold steady in December.

"If you recall, we've been talking about the fact that November was a very nice month — we had nice warm weather, dry weather — and we expected a significant surge in production, and we got it after having a fairly low production increase in October," Helms said in the press conference.

After seeing a record production increase of 50,481 bpd in July, the rate of production increase in North Dakota steadily slowed through October when production increased by only 11,991 bpd over September's production (see chart). But that trend shifted significantly with November's nearly three-fold production increase over October.

In only two of the last 23 months has average daily production decreased, so nearly every month has seen a new production record. But the rate at which average daily production increases has fluctuated widely over 23 months, especially since March 2013 when the state's output increased by only 5,033 bpd over February (see chart). Winter's hard hit in December has Helms bracing for a softening in the state's oil output.



Data source: North Dakota Department of Mineral Resources Oil and Gas Division

### Completions hampered

"December isn't going to be so nice. Talking anecdotally with a couple of companies, hydraulic fracturing has been an enormous problem through the month of December," Helms said. "And certainly the weather is going to impact production in December - don't know how much, but I would not at all expect another 28,000 barrel a day production increase in the month of December. If fact, we may struggle to hold even."

Helms explained that it is very diffi-

cult to move and heat frack water in freezing temperatures. Yet another problem operators are having with fracking operations, according to Helms, is finding sufficient trucks to transport frack water because the size of the truck fleet in the Bakken has declined over the last year. January, according to Helms, is going to be a difficult time for operators in North Dakota.

Other information released by the Oil and Gas Division on Jan. 14 indicates that 138 wells were completed in the state in November, down from 166 in October. In September, more than 200 wells were completed.

By the end of November, the number of wells awaiting completion had increased by 50 to approximately 510. In September, the backlog was 520, which was an increase of 90 over the 420 wells that were awaiting completion at the end of August.

### The November numbers

The state's daily production averaged 973,045 barrels per day in November, another record high output and a net increase of 27,863 bpd over October's output.

Natural gas production also reached another record high of 1.086 billion cubic feet, bcf, per day, an increase of 14 million cubic feet per day over the October gas production of 1.072 bcf per

For the first time, the number of producing wells in North Dakota broke the 10,000 mark with a total of 10,023 wells producing in the state in November, up 100 wells from October. Sixty-six percent of those producing wells are completed in the Bakken and Three Forks formations with the other 34 percent targeting "legacy" conventional petroleum pools.

Ninety-three percent of the 973,045 bpd November output was from the Bakken and Three Forks formations with the remaining 7 percent from "legacy" conventional wells. Consequently, two thirds of North Dakota's oil wells account for 93 percent of the state's total output.

At the time of the press conference on the afternoon of Jan. 14, the drilling rig count in the state stood at 188, holding firm with the October and November rig counts of 183, and 184. The Bakken and Three Forks formations are the target of more than 95 percent of the state's drilling activity.

-MIKE ELLERD

Contact Mike Ellerd at mellerd@bresnan.net



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### **EXPORT MARKET**

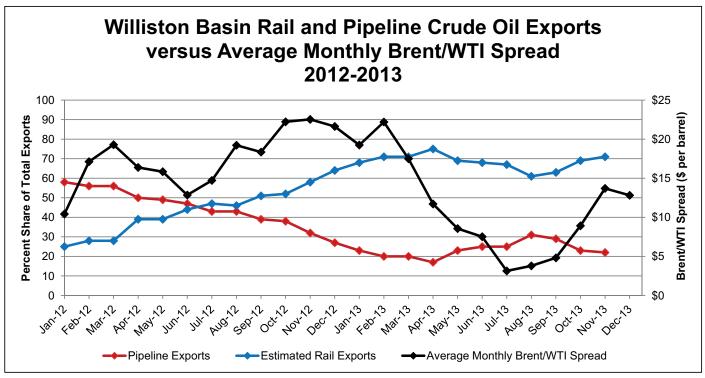
\$22.90 per barrel in February and two months later, rail hit its record high export share of 75 percent. But in March, the Brent/WTI spread began a five-month decline hitting a two-year monthly average low of \$3.14 by July. Rail's export market share followed suit with a fourmonth decline (see chart).

However, in August the Brent/WTI spread began widening and by October had expanded to \$8.92 per barrel. In November, the spread widened even further to \$13.70 per barrel. Concurrent with that widening trend has been a progressive increase in rail's share of crude export market and a corresponding decrease in pipeline's share of the market. The difference reflects the higher crude oil prices on the East and West coasts where pricing more closely follows the Brent benchmark compared to Midcontinent markets where WTI is the pricing benchmark.

### Williston Basin export volumes

In November, pipelines accounted for 22 percent of Williston Basin crude exports, and when combined, rail and pipe accounted for 93 percent of all of the crude produced in the basin. Of the remaining 7 percent, 6 percent went to Tesoro's refinery in Mandan, and the remaining 1 percent was trucked across the border then put into Canadian pipelines.

The Pipeline Authority does not yet have November oil production data for eastern Montana, but the November output data are available for North and South



Crude oil export data source: North Dakota Pipeline Authority Brent/WTI spread data source: EIA for 2012, Alaska Dept. of Revenue for 2013

Dakota. In North Dakota, production in November averaged approximately 973,000 barrels per day (see related story on page 1), and in South Dakota it averaged approximately 5,000 bpd.

The latest month for which Eastern Montana production data are available is September when nearly 73,000 bpd were produced. Using that Montana output and combining it with the average November daily production volumes for the Dakotas provides for an estimate of total November Williston Basin production of approximately 1,051,000 bpd. At a 71 percent

export market share, railroads moved some 746,000 barrels of oil out of the basin per day in November, and at 22 percent market share, pipelines moved 231,000 bpd.

### The current spread

In December, the Brent/WTI spread softened, narrowing to an average of \$12.82 for the month, down 88 cents from the November average of \$13.70. What affect that slight decline may have on Williston Basin crude exports remains to be seen, as does the recent explosive

derailment in Casselton, N.D., on Dec. 30 and the increasing scrutiny on crude-by-rail, both in the U.S. and Canada (see related stories on page 1).

However, the Brent/WTI spread has widened a bit more in the first two weeks of January standing at \$13.80 based on New York Mercantile Exchange Jan. 14 settlements (see story on crude prices on page 5)

-MIKE ELLERD

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continued from page 1

### **OLD TANK CARS**

involved in the accident, but CN confirmed that the other two involved in the fires and explosions were older DOT-111 models based on information from the Association of American Railroads.

CN spokesman Mark Hallman said the three newer cars comply with higher U.S. safety standards ordered after October 2011.

He said CN and the Transportation Safety Board of Canada are still investigating the nature of the damage to the tank cars and the volume of product affected.

### Not from North Dakota

Unlike other incidents, the shipment apparently did not originate in the North Dakota Bakken, with officials reporting that the crude came from Western Canada, without disclosing whether it might have been sourced in the Saskatchewan Bakken.

Bob Ballantyne, who works for the Freight Management Association of Canada, told the overflow Ottawa gathering of industry representatives, regulators, lobbyists and first responders, that you "can't just snap your fingers and change

the fleet overnight."

He said railroads collectively own fewer than 700 tanks cars (CN has just 20), while eight leasing companies own more than 243,000 and shippers another 79,000.

Retrofitting older cars could cost more than C\$70,000 each, while the bill for newer cars would be well over C\$100,000, the forum heard.

"It is inevitable that safety will be enhanced and there will be increased costs for consignors, consignees, carriers, governments and the general public," Ballantyne said. "How these increased costs will be allocated across the chain remains to be seen."

Malcolm Cairns, past president of the Canadian Transportation Research Forum, said government intervention is unavoidable to get full participation in the makeover of the North American car fleet.

A spokesman for Canada's Transport Minister Lisa Raitt said the government's proposed tougher new standards for DOT-111 cars are just "part of our commitment to making the rail sector safer."

—GARY PARK

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continued from page 1

### **TANK CAR RULES**

industry is "already building new cars to this standard," but the proposed amendment will turn previously agreed-to tank car standard requirements into regulations that will carry fines and terms of imprisonment.

Raitt also emphasized that Transport Canada is working closely with United States regulators because "whatever measures are taken do have to be standardized" between the two countries because of the cars that cross the international border.

She said the challenge facing governments is how far they can go toward retiring or retrofitting the existing fleet of more than 100,000 DOT-111 cars, given the demand for that equipment.

In addition to tackling the tank cars, Transport Canada will also require an enhanced classification regime for the transport of dangerous goods, including a record of goods classified as dangerous and a record of the sampling method for crude.

That is seen as addressing allegations that crude shippers from the Bakken region in North Dakota, Montana, Saskatchewan and Manitoba have not been testing their products before shipping them by rail.

### Crude to be reclassified

The Canadian government said in December that it would reclassify crude oil as a highly hazardous material, upgrading its classification from flammable and nonexplosive.

U.S. transport officials indicated earlier in January that oil shale extract from the Bakken is probably more flammable than traditional crude.

Even before Canada rolled out its proposed regulations, the Association of American Railroads introduced voluntary standards for cars built after Oct. 1, 2011, requiring protection for pressure relief valves that reclose after being activated and a minimum thickness for the steel shells and head shields of the cars.

The U.S. Pipeline and Hazardous Materials Safety Administration is still pondering whether to make those standards mandatory and whether to require all existing cars to be retrofitted.

Justin Long, an analyst with Stephens, a financial services investment firm, predicted final rules are not likely until the second half of 2014 and, if retrofitting is ordered, could cost \$2 billion for shippers who own or lease tank cars.

But Stifel analyst Michael Baudendistel noted that it could take several years to retrofit all of the cars, while John Auers, a senior analyst with Turner, Mason & Co., suggested that introduction of the railcar regulations could be modeled after the gradual implementation of double-hull tankers after the Exxon Valdez spill in 1989.

Brian Ector, vice president of investor relations with Calgary-based Baytex Energy, said Canadian producers of Bakken crude are more likely to be impacted by train derailments than those that carry diluted and undiluted bitumen.

He said the Bakken crude is more volatile and flows more easily than bitumen, making it more flammable. ●

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### **RAIL PRESSURE**

atively thin metal skin that has a high incidence of rupturing when involved in accidents and derailments.

Bakken crude is currently hauled using DOT-111 tank cars. The Association of American Railroads developed standards that exceed federal requirements and has been urging PHMSA to adopt those standards since March 2011.

Additionally, PHMSA issued a safety alert on Jan. 2 warning that crude oil from the Bakken may be more flammable than other crudes, and that they will conduct further studies.

### Helms: crude samples taken

North Dakota Department of Mineral Resources Director Lynn Helms told reporters on Jan. 14 at his monthly production press conference that PHMSA and the Federal Railroad Association are taking crude oil samples and making comparisons to further study its volatility. Helms says DMR has data samples from oil fields in North Dakota and his office is willing to provide it to PHMSA if they ask for it.

"They have not asked us for our data

yet, but Canada did and we provided all the data we had. We don't know if they're sharing," he said.

Helms said he hopes the study will determine how to properly handle and move Bakken crude oil by rail safely. When asked if he thought it wasn't being done safely presently, he replied, "I think the incidents speak for themselves. ... But I don't think it's fair to blame the product, or the rail, or the cars because maybe it's a bit of all of it there."

The uncertainty as to what new regulations and specifications would be and when they would be released, however, has kept many manufacturers from making investments in the construction of new railcars. Whatever measures are taken, they need to match across the border. Canada has announced its plans to require new DOT-111 cars to meet stricter requirements (see story on page 1).

"The PHMSA has sat on the enhanced safety standards for more than two years," said Ron Ness, president of the North Dakota Petroleum Council in a Jan. 9 press release. "We are pleased to find out these standards may finally be closer to being released so manufacturers can begin production of better, more secure rail cars."

Ness told Petroleum News Bakken Jan. 14 that oil producers are waiting for the standards to be set by PHMSA, but many have already moved to using safer cars.

"There needs to be some type of phase in because you can't convert a fleet that fast," Ness said, "But a fair number of companies I've talked to already have those tank cars with extra safety precautions on them."

Ness applauded U.S. Sens. John Hoeven and Heidi Heitkamp for "putting pressure on regulators" to approve the regulation standards. The two met with Transportation Secretary Anthony Foxx and PHMSA Administrator Cynthia Quarterman Jan. 9 to push for new regulations while still protecting the state's energy industry.

The Associated Press reports that Foxx told Hoeven at the meeting that he had already been calling railroad executives and oil industry shippers to gather information and has been "very active on this issue."

### A demand for increased vigilance

Meanwhile, two U.S. Senate committee chairmen also asked Foxx and U.S. Secretary of Energy Ernest G. Moniz to

properly evaluate crude oil transportation. In a Jan. 9 letter, Jay Rockefeller, chairman of the Senate Committee on Commerce, Science and Transportation, along with Ron Wyden, chairman of the Senate Committee on Energy and Natural Resources, outlined some of the steps taken in the past six months to improve rail safety.

"We asked the Government Accountability Office to examine the impact of shale oil and gas development on transportation infrastructure and safety, including the potential impacts on safety," the letter states.

They referred to PHMSA's safety alert, highlighting the importance of properly classifying hazardous materials being shipped by rail. The chairmen also referenced the launch of PHMSA's "Bakken Blitz," a series of unannounced inspections on oil train facilities and tests in the region. PHMSA announced in its report that the preliminary results of its "Bakken Blitz" inspection have shown that further testing is necessary.

The letter also urges finalization of a Department of Transportation rail risk reduction program that was signed into law six years ago.

"The recent derailments and accidents involving crude oil are alarming and demand increased vigilance," Wyden and Rockefeller stated in the letter. "We urge you to work together to quickly resolve issues with the transportation of crude oil in order to protect our communities, and prevent any further disasters."

Foxx has responded to these pleas by saying new transportation rules are "weeks, not months" away. Foxx also promised to travel to North Dakota in coming weeks to observe the state's energy infrastructure and meet with local government officials and related industry leaders.

### Future pipeline plans wouldn't help much

The North Dakota Pipeline Authority projects that railroad oil-shipping capacity from the state would exceed 2.5 million barrels per day by 2016, nearly double that of pipelines. Concerns about crude oil transportation continue to grow as more is shipped by rail due to a lack of pipeline options between the Bakken and East Coast refineries.

"Proposed pipelines such as TransCanada's Keystone XL and Enbridge's Sandpiper would carry — or divert — a fraction of the crude being carried on railroads, even if those projects are built and operated at full capacity," Wyden and Rockefeller stated in their letter

Several derailments of trains carrying Bakken crude in the past year have created a sense of urgency to create new rules for rail cars and testing, and to accelerate their implementation. The derailed train carrying soybeans that crashed with an oil train near Casselton resulted in an explosion that forced the evacuation of the city's people but caused no injuries. It was a stark reminder of the July 6, 2013, explosion in Lac-Megantic near Quebec in Canada which killed 47 people and caused extensive property damage. Most recently, another train carrying propane and crude oil derailed and caught fire on Jan. 9 in northwest New Brunswick, Canada. This string of train accidents has the industry under heavy scrutiny.

"The industry always has and always will hold safety as a top priority," Ness said. "And this regulatory certainty is needed to begin making safety upgrades without further delays." ●

