

Petroleum

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BAKKEN



page 3 As predicted, Occidental Petroleum looking like a different company

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Watford City relief



VERN WHITTEN PHOTOGRAPHY

The junction splitting Watford City's new east and west bypasses about a mile south of the town as construction neared completion in late September. The \$200 million project was opened on Oct. 28 in a ceremony that included Gov. Jack Dalrymple and North Dakota Department of Transportation Director Levi Grant.

One-month open season launched on Northern Border gas lateral

Northern Border Pipeline Co. has launched a one-month open season to evaluate shipper interest for its Bakken Header Supply lateral pipeline, a proposed 64-mile, 16-inch pipeline with a maximum capacity of 295 million cubic feet per day intended to gather natural gas from the Hess Corp. Tioga gas plant, as well as growing production downstream of the Hess Plant.

The Hess plant is connected to the Northern Border mainline near Watford City via Hess Corp.'s Cherry Creek pipeline. The proposed Bakken Header will interconnect with the Hess Tioga gas plant and then run west and south where it will have potential interconnects with other processing facilities over its

see **GAS LATERAL** page 15

NDIC to release new safety rules

The North Dakota Industrial Commission, NDIC, is likely to issue new oil conditioning rules at its Nov. 13 meeting in hopes of allowing enough time for operators to implement them before the onset of winter.

On Oct. 27, Department of Mineral Resources Director Lynn Helms said he had completed his review of the testimonies and materials submitted as part of a Sept. 23 hearing to address the transportation safety and marketability of crude oil. NDIC chose to consider oil conditioning in response to recent train explosions

see **SAFETY RULES** page 14

Wood Mackenzie finds US energy independence possible by 2025

A goal that has been on the agenda of U.S. presidents for 40 years and eluded all of them will be achieved by 2025 when energy exports outnumber imports for the first time since 1952, forecasts the international consulting firm Wood Mackenzie.

The drive to independence has turned from a pipedream to a reality over the past seven years as U.S. production has climbed by 3 million barrels per day of light oil and 27.5 billion cubic feet per day of natural gas — a combined output rise of 42 percent, the consulting firm said in a report by its research teams.

The firm suggested that because of the opportunities to apply new production techniques, such as enhanced oil recovery and refracturing technology, production could rise by 3 million bpd

see **ENERGY INDEPENDENCE** page 14



LYNN HELMS

MAXINE HERR

COMPANY UPDATE

Well positioned

Hess benefiting from portfolio, balance sheet and Bakken infrastructure

By **MIKE ELLERD**

Petroleum News Bakken

At a time when global crude oil prices are giving many in the industry serious jitters, and as new flaring rules in North Dakota appear to be slowing oil production growth in the state, Hess Corp. is in an enviable position on both fronts.

With a focused and balanced portfolio along with a strong balance sheet, CEO John Hess told analysts in a third quarter earnings call on Oct. 29



JOHN HESS



GREG HILL

that the corporation is "well positioned in the current price environment to drive cash-generative growth and sustainable returns for our shareholders."

But even with its strong position, Hess said the corporation is looking at plans that were based on a Brent price of \$100 per barrel.

"However, with Brent now at approximately \$87 per barrel, we are reviewing our plans and actions

see **HESS OUTLOOK** page 15

TRANSPORTATION

Chokepoint logistics

US rail hub congestion having different effects on Canada's two major railways

By **GARY PARK**

For Petroleum News Bakken

Surging crude shipments are setting the stage for what could be blockbuster mergers among North American railroads to relieve chokepoints that are especially bad and getting worse in Chicago and Minneapolis.

But the top executives of Canada's two dominant rail companies have two different perspectives, with one enviously peering over the fence



HUNTER HARRISON



CLAUDE MONGEAU

and the other happily tending to its pasture.

Canadian Pacific CEO Hunter Harrison said the threat of gridlock is at the point where he wouldn't even rule out CP as a takeover candidate, although for now the company has its sights on mergers after discovering Jacksonville, Florida-based CSX Corp. was unwilling to participate in merger or takeover negotiations.

If a deal had been worked out with CSX it

see **RAIL CONGESTION** page 16

MOVING HYDROCARBONS

Loopholes and standards

Gathering to transmission pipeline conversions raise questions with ND regulators

By **MAXINE HERR**

For Petroleum News Bakken

The North Dakota Public Service Commission, PSC, is sending a message to pipeline companies that they can convert pipelines, but "don't stomp on state law and private property owners to do it," one commissioner said.

In an Oct. 8 case the PSC granted a siting permit for Hiland Crude LLC to convert an existing 197-mile long gathering line into a transmission line. However, Hiland submitted only 15 of the 20 necessary landowner waivers and the PSC is requiring those additional five waivers before allowing Hiland to proceed. Commissioner Julie Fedorchak told Petroleum



JULIE FEDORCHAK

News Bakken that including the requirement for the waivers in a permit is a first for the PSC.

"I felt it was pretty important especially in this environment where we're seeing more of these," Fedorchak said. "If you're going to come in and build it as a gathering line and you even have an inkling that you're going to convert this down the road, you better be making sure you meet the standards."

As oil and gas volumes increase in the Williston Basin, more and more pipeline companies are choosing to convert gathering pipelines to transmission lines.

The state statute definition that differentiates

see **LINE CONVERSIONS** page 16