

Petroleum

n e w s

BAKKEN



page 3 MT's speaker brings unique outlook from heart of oil country

Vol. 3, No. 45 • www.PetroleumNewsBakken.com

Publication of record for the Bakken oil and gas industry

Week of February 22, 2015 • \$2.50

In just six months



VERN WHITTEN PHOTOGRAPHY

In early May 2014, construction had just begun on the Watford City bypass in McKenzie County, North Dakota, and by the following October the bypass was in full service. By the time the bypass was complete, construction had begun on a pipeline along the right-of-way corridor.



TransCanada confirms plans for its Bakken crude export pipeline

TransCanada is dangling a fresh option for moving Bakken crude from North Dakota and Montana to central and eastern Canadian refineries, setting up a possible new skirmish with the United States government in the process.

It has confirmed plans announced with little fanfare last year to build the Upland system — a 285-mile, US\$600 million pipeline to deliver up to 70,000 barrels per day — not 300,000 bpd as reported by some sources — from the Bakken to TransCanada's proposed 1.1



RUSS GIRLING

see TC PLANS page 20

North Dakota DSU apps jump 29 percent in February

The number of drill spacing units that Williston Basin operators are seeking from the North Dakota Industrial Commission jumped to 81 in February, up 18 from January, up five from December and up 33 from November.

Most of the DSUs operators are asking the commission to create are for Bakken pool development in Burke, Dunn, McKenzie, Mountrail and Williams counties, although one application is for legacy pool development in Bottineau County.

Of the 11 operators filing DSU applications that the commission will consider in hearings on Feb. 25 and 26, XTO is seeking the most at 29, spread across 10 fields in McKenzie, Mountrail and Williams counties (see table). Most are overlapping 2,560s but a few are overlapping 1,280s where XTO wants to drill one to two wells. Two are new units, one at 1,920 acres

see DSU APPS page 18

PRODUCTION & RECOVERY

Positive finish

ND ends 2014 on a high note with output rising 3.3 percent in December

By MIKE ELLERD

Petroleum News Bakken

Following two months of lackluster and even negative production growth, North Dakota's oil production finished 2014 on a high note posting a nearly 40,000 barrel per day increase in December according to preliminary data released by the Department of Mineral Resources on Feb. 13.

The December production is a sharp rise over November which had a tepid production increase and October when production actually decreased, and is a stark contrast to December 2013 when the state's oil production fell by nearly 50,000 bpd



LYNN HELMS

from the previous November, which still stands as the largest production decline in the state's history (see chart).

At first glance, the large production increase was not intuitively obvious because it occurred during a period when oil prices were steadily falling and rigs were being laid down across the Bakken. However, what did increase in December was the number of well completions in the state, rising to 173, an increase of 125 over the 48 wells that were completed in November. But the question is why did the number of completions rise over three-fold

see POSITIVE FINISH page 20

MOVING HYDROCARBONS

More rail troubles

Two fiery crude-by-rail incidents in three days again draw attention to risks

By GARY PARK

For Petroleum News Bakken

Two North American derailments in three days have again put the spotlight on the dangers of using rail to haul crude oil, especially given that the Feb. 16 explosion and fire in West Virginia involved the use of newer version tank cars.

That incident occurred in a residential area 33 miles southeast of Charleston and where 26 cars of a CSX Corp. train left the tracks with as many as 19 erupting, shooting flames 100 yards into the sky.

No deaths or injuries were reported, although a mile-wide area was evacuated under a West

The train in the latest CSX accident was pulling 109 of the new CPC-1232 cars which are rated as tougher than the DOT-111 cars which safety investigators say are prone to puncture and are being phased out.

Virginia state of emergency.

The train was carrying Bakken crude from North Dakota to a Plains All American Pipeline's oil depot at Yorktown, Virginia.

The U.S. Department of Transportation and the

see RAIL TROUBLES page 18

COMPANY UPDATE

Costs down, output up

Halcon again cuts capex, but this time due to help from service providers

By MAXINE HERR

For Petroleum News Bakken

Halcon Resources is further reducing its 2015 drilling and completion budget by \$25 million, but this time it's the result of lower service costs and enhanced efficiencies, bringing the budget to \$350-\$400 million.

In January, the company announced it was cutting its original budget of \$750-\$800 million nearly in half. At that time, Halcon felt service costs were too high and it was expecting adjustments. Those adjustments came through negotiating better prices from service providers along with modifying operating techniques. The company



expects to further improve oil recoveries and reduce costs.

In a Feb. 17 statement, the company said its completed well costs have come down more than 20 percent compared to the fourth quarter 2014 average and anticipates well costs to drop another 10 percent within the Williston Basin by mid-year 2015. Its average well cost on the Fort Berthold Indian Reservation is \$8.5 million and the company plans to focus its efforts in this high-return area spending 65 percent of its total drilling and completions budget on these wells.

And by modifying its drilling and completion techniques, Halcon improved well results by 57

see HALCON MOVES page 19