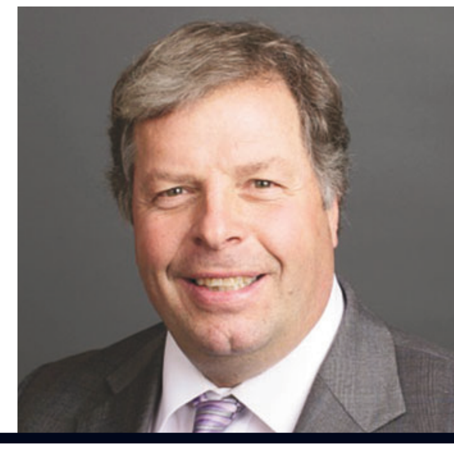
Petroleum news BAKKEN



page 3 Kempenich advocates for western North Dakota counties

Vol. 3, No. 46 • www.PetroleumNewsBakken.com

Publication of record for the Bakken oil and gas industry

Week of March 1, 2015 • $2.50

$1.1 billion – with a 'b'

MAXINE HERR

North Dakota Gov. Jack Dalrymple signs Senate Bill 2103, the surge funding bill, on Feb. 24. The bill will send $1.1 billion in immediate infrastructure funding primarily to oil-impacted communities. See story on page 5.

DMR clarifies spill data policy

MAXINE HERR

LYNN HELMS

North Dakota Department of Mineral Resources Director Lynn Helms recently came under fire in a press report that questioned the accuracy of statements he made before a 2013 legislative committee regarding oilfield spills in the state. The story claimed Helm's testimony "minimized the extent of the state's spill problem."

In an interview with Petroleum News Bakken, Helms and his department refuted that claim.

The article said Helms told the House Energy and Natural Resources Committee in January 2013 that the number of oilfield spills in the state was up at the time, but the rate of spills, i.e., the number of spills relative to the total number of wells in the state, was "way, way down."

see **SPILL DATA** *page 14*

Obama thwarts XL fast-tracking

President Barack Obama delivered on a promise Feb. 24 by rejecting a congressional effort to take control of the drawn out Keystone XL approval process, further entrenching hard-line positions on the project.

Wielding a veto pen for only the third time in his six years as president, Obama accused Congress of attempting to "circumvent long-standing and proven processes for determining whether or not building and operating a cross-border pipeline serves the national interest" and cutting short "thorough" consideration of security, safety and environmental issues.

Republicans and XL's Democratic allies in Congress immediately vowed to fight on, even though few observers think they can muster the 18 more votes from Democrats in the House of Representatives and four more in the Senate to achieve two-thirds majorities and override Obama's veto.

Congressional leaders speak out

Senate Majority Leader Mitch McConnell and House

see **XL VETO** *page 15*

COMPANY UPDATE

Slashing costs

Continental looking to cut service costs as much as 25% by year end

By KAY CASHMAN

Petroleum News Bakken

HAROLD HAMM

Continental Resources Inc. expects to exit 2014 with a 20-25 percent drop in oilfield service costs, company executives told analysts during a fourth quarter and full-year earnings conference call Feb.25.

The low oil and gas price environment has already given Continental the muscle it needs to force its vendor charges down 10 percent, company officials said during the conference call.

When asked how much oil prices would have to increase to justify an increase in well completions, they said $70 West Texas Intermediate, but the company doesn't plan an increase in drilling or completions above what it has already announced for this year. Rather, executives said it will focus on cost-cutting and increasing efficiencies this year.

In fact two-thirds of the reduced capex will be spent in the first half of the year and one-third of the budget will be spent in the last half of the year.

For example, Continental entered 2015 with 10 stimulation crews in the Bakken and expects to be

see **CONTINENTAL CUTS** *page 13*

COMPANY UPDATE

Mothballing projects

Oneok puts three gas plants on hold amid lower pricing, slower drilling

By MIKE ELLERD

Petroleum News Bakken

TERRY SPENCER

In response to lower commodity prices coupled with a slowdown in drilling and an anticipated corresponding reduction in natural gas growth, Oneok Partners is mothballing three major projects it has in the works, one of which is the Tulsa-based midstream's 200 million cubic feet per day Demicks Lake gas processing plant south of Watford City in McKenzie County, North Dakota.

The other two growth projects Oneok Partners is putting on hold are gas processing plants in the Powder River Basin of Wyoming and the South Central Oklahoma Oil Province in Oklahoma.

"Our track record of disciplined growth continues and we are adjusting capital spending to reflect our customers' needs and their reduced volume growth expectation," Chief Executive Officer Terry Spencer said in a Feb. 24 conference call with industry analysts. "We expect no more spending on these capital growth projects until market conditions improve, and when they do, we will quickly reestablish completion dates." All three projects

see **ONEOK PROJECTS** *page 15*

MOVING HYDROCARBONS

Squeezed by economics

Crude-by-rail reeling from prospects of tougher regulations, rising costs

By GARY PARK

For Petroleum News Bakken

In the words of one West Virginia resident, when the CSX crude train derailed in February it "was like an atomic bomb went off."

Certainly, a hyperbolic observation, but nevertheless the reverberations might have been felt in the offices of North America's big railroads where there is already considerable anxiety over how far the U.S. and Canadian governments might go in tightening regulations.

That prospect is accompanied by a current narrowing of crude price spreads that is undermining the business model for crude-by-rail.

see **RAIL ANXIETY** *page 16*

Canada creates rail compensation fund

The cost of shipping crude by rail in Canada faces a sharp increase under federal government legislation that will impose a levy equivalent to C23 cents a barrel to create a fund to pay for derailment costs.

Transport Minister Lisa Raitt said Feb. 20 the new regulations are in response to the Lac-Megantic, Quebec, disaster in mid-2013 when 47 people were killed after a train load of Bakken crude derailed and exploded in

see **DERAILMENT FUND** *page 16*