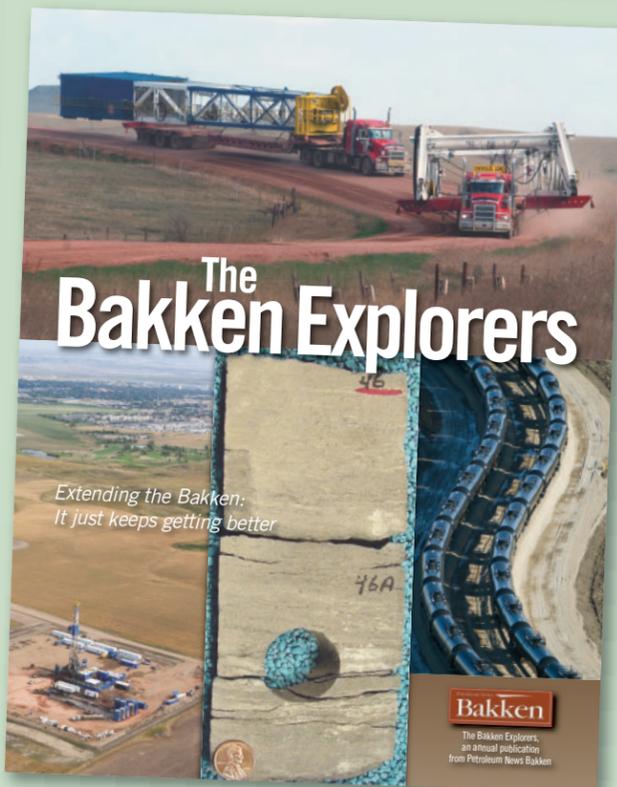




## Bakken Explorers released



The annual Bakken Explorers magazine is being mailed (and emailed) with this issue of Petroleum News Bakken.

## Southwestern Energy moving on from Bakken, Sheridan County

In an Aug. 2 conference discussing second-quarter financial and operating results, Southwestern Energy Chief Operating Officer and Executive Vice President William Way said the company had concluded testing of its second Bakken well and added that the company was disappointed with the test results and plans were to move on to opportunities in other plays. However, Way did not provide any further details on the Bakken wells.

There is no record of any recent Southwestern Energy activity in North Dakota according to North Dakota Industrial Commission Department of Mineral Resources Oil and Gas Division records.

In Montana, however, Montana Board of Oil and Gas Conservation records indicate that Southwestern Energy has four wells registered in the state. One of the wells was a dry

see **MOVING ON** page 10

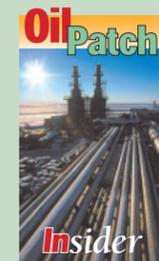
## Correction on Apache map story: We can't have it both ways

LAST WEEK WE REPORTED that the 60-some rigs shown on an Apache Corp. NW Montana map could not have been rigs, but at the end of the piece we said the rigs could possibly have been wells.

However, earlier in the Insider piece we said they probably weren't wells, which was incorrect.

Our apologies.

We also said Apache might unveil plans for its NW Montana acreage in an Aug. 1 earnings call, which didn't happen. Apache did say that it continues to market assets (largely unnamed) in order to rebalance its portfolio by year-end.



—KAY CASHMAN

### COMPANY UPDATE

# QEP's good buy

Stanley: South Antelope proving to be as good as expected, maybe better

By **MIKE ELLERD**

For Petroleum News Bakken

Since acquiring its South Antelope acreage in eastern McKenzie County last year, QEP Energy is finding the property to be every bit as productive as anticipated when the acquisition was announced. When the Denver-based independent announced the acquisition in August of 2012, it reported an average estimated ultimate recovery, EUR, of more than 1 million barrels of oil equivalent for Bakken wells on the property. Second-quarter production results are suggesting that million-plus barrel EUR may not be far off the mark.



**CHARLES B. STANLEY**

Prior to the transaction, the former operator of the South Antelope property, Louisiana-based Helis Oil and Gas, had drilled only one well per spacing unit to hold the leases, all Three Forks wells. In June, QEP tested its first two company-operated middle Bakken wells in the South Antelope area, and as Petroleum News Bakken reported, those wells came in with an average 24-hour initial production, IP, of 4,174 boepd.

In an Aug. 1 conference call, QEP Chairman, Chief Executive Officer and President Charles Stanley spoke of the importance of the South

see **QEP ACREAGE** page 16

### COMPANY UPDATE

# Kodiak: 'We are excited'

But wants more time to determine success of well down-spacing program

By **RAY TYSON**

Petroleum News Bakken

Kodiak Oil & Gas Corp. stopped short of declaring its crucial well down-spacing program a success, cautioning analysts and others not to overplay initial production results from one of its two crucial Williston Basin pilot projects, until more production data can be collected and analyzed. And that will take time.

But the company left no doubt that its Polar and Smokey pilots "will have a significant impact on how we lay out our future development programs," declared Russ Branting, Kodiak's executive vice president of operations.

Moreover, the final results could have a profound impact on other Williston Basin producers

trying to figure out how much additional production can be squeezed out of their leases by increasing the well count per unit.

Kodiak released initial production results Aug. 1 from all 12 wells drilled and completed at its North Dakota Polar prospect in southern Williams County.

"We believe (them) to be very encouraging," Branting said the next day in a conference call to discuss second quarter 2013 financial and operational results.

The 12 Polar wells had an initial production, or IP, rate average of 2,549 barrels of oil equivalent per well in their first 24 hours of production, or separately 1,930 barrels of oil and 3.70 million

see **WELL DOWN-SPACING** page 20

### MOVING HYDROCARBONS

# Dividing and conquering

TC ready to face Energy East opponents not buying enviro assurances

By **GARY PARK**

For Petroleum News Bakken

TransCanada has announced it has enough binding, 20-year shipping contracts to launch Energy East, its C\$12 billion venture spanning 2,700 miles from the Alberta oil sands to New Brunswick, possibly picking up Bakken crude along the way.

The crude could serve as feedstock for refineries in Ontario, Quebec and ending with the 300,000 barrels per day Irving Oil facility at Saint John, New Brunswick.

The prospect of moving 1.1 million barrels per day of crude from Alberta to Atlantic Canada for



**RUSS GIRLING**

the first time, starting in 2018 — with 900,000 bpd committed — justifies the portrayal of Energy East by its supporters as "historic" and "nation-building."

TransCanada executives have disclosed that Bakken producers are among those who have signed long-term contracts, but will not disclose whether they are in both North Dakota and Saskatchewan/Manitoba, or what volumes are involved.

A new terminal will be built in southeastern Saskatchewan, implying a connection with the Bakken formation, although the precise location

see **ENERGY EAST** page 7

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COMPANY UPDATE

# SM Energy's trends continue

2013 production and spending guidance increased as output continues to rise and drilling costs continue to fall in Bakken

By MIKE ELLERD

For Petroleum News Bakken

SM Energy continues to see steady increases in its quarterly Bakken/Three Forks production while at the same time is seeing its average cost per well decrease as its transition to pad drilling continued in the second quarter.

Information released on July 31 indicate SM Energy's second-quarter Bakken/Three Forks output was up 12 percent over the first quarter and up 15 percent over its fourth-quarter 2012 production. SM Energy's average well cost in its Gooseneck prospect in Divide County declined 8 percent from \$7 million at the end of 2012 to a current cost of approximately \$6.5 million.

In its transition to pad drilling, the company is moving to more efficient drill rigs, and in the second quarter it swapped out two older traditional contracted drill rigs for a more efficient walking drill rig, bringing its Bakken rig count to three. SM Energy's drilling is focused on both its Gooseneck prospect in Divide County and its Raven/Bear Den prospect in McKenzie and Williams counties.

In the second quarter, SM Energy completed 12 gross flowing wells, adding to the 11 gross completions in the first quarter and gaining on the company's target of 40 gross flowing completions for the year. SM Energy completed 30 gross Bakken/Three Forks wells in 2012.

In addition, SM Energy is participating in downspacing and lower Three Forks testing in the Raven area according to comments made by President and Chief Operating Officer Jarvan Ottoson in a July 31 conference call. And in the Gooseneck area, Ottoson said SM Energy has been drilling only Three Forks wells, but noted that neighboring operators are seeing some "interesting" results from Bakken wells. "So we believe there are continued opportunities for adding economic resource in our Bakken/Three Forks play area."

## Second quarter production

SM Energy's Bakken/Three Forks pro-

## Bakken/Three Forks

### Net Production

Quarter	Net Production (MBOE/d)
2Q12	10.4
3Q12	11.0
4Q12	11.9
1Q13	12.2
2Q13	13.7

### Operational Highlights

- **The Company operated 3 rigs during 2Q13 and made 12 gross flowing completions.**
- **Gooseneck well costs have decreased to \$6.5 million from \$7.0 million per well.**

- **Total Bakken/TFS net acreage**
- ✓ ~162,000
- **Focus area total net acreage**
- ✓ ~81,000

duction averaged 13,700 barrels of oil equivalent per day in the second quarter, up 12 percent over the 12,200 boepd produced in the first quarter. The second-quarter 2013 Bakken/Three Forks production was a 39 percent increase over the company's production in the second quarter of 2012.

In addition to its Bakken/Three Forks operations, SM Energy has operations in Eagle Ford, Permian Basin and East Texas, although the Eagle Ford and Bakken/Three Forks are the company's two leading plays, with the Eagle Ford being the dominant of those two. The company's second-quarter Eagle Ford production averaged 661,000 boepd, which was a 28 percent increase over its first quarter.

Over all of its operations, SM Energy reports an average daily second-quarter production of 131,800 boepd, a 15 percent

increase over the total first quarter. SM Energy did not provide a product mix per for the Bakken, but product mix of the overall second-quarter production was 27 percent oil/condensate, 19 percent NGLs and 54 percent natural gas.

## Guidance updates

With the second-quarter results, SM Energy has revised its 2013 production guidance. The revised guidance of 47.3 million to 48.6 million boe is a 30 percent increase over the company's previous guidance of 42.8 million to 44.5 million boe. The company said the increase is due primarily to its Eagle Ford production.

Concurrent with the increase in production guidance is an increase in the company's 2013 capital investment forecast, which is now expected at approximately \$1.65 billion, a 10 percent increase over the previous guidance of \$1.5 billion.

Part of that increase is going into the company's development costs, which increased over 3 percent to \$1.24 billion. Approximately three-quarters of that \$1.24 billion in development capital is earmarked for the Eagle Ford (\$665 million) and Bakken/Three Forks (\$295 million), with the remaining capital (\$290 million) slated for the Permian Basin and other development.

That allocation reflects the company's emphasis on its Eagle Ford and Bakken/Three Forks operations. "Our development program remains focused on the Eagle Ford and Bakken/Three Forks, with 75 percent of our development capital being allocated to just those 2 plays," said Chief Executive Officer Anthony Best in the July 31 conference call. ●

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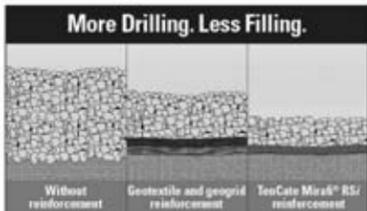


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**ADDRESS**  
P.O. Box 231647  
Anchorage, AK 99523-1647

**NEWS**  
**RAY TYSON**  
605.343.4031  
rtyson@petroleumnews.com

**CIRCULATION**  
907.522.9469  
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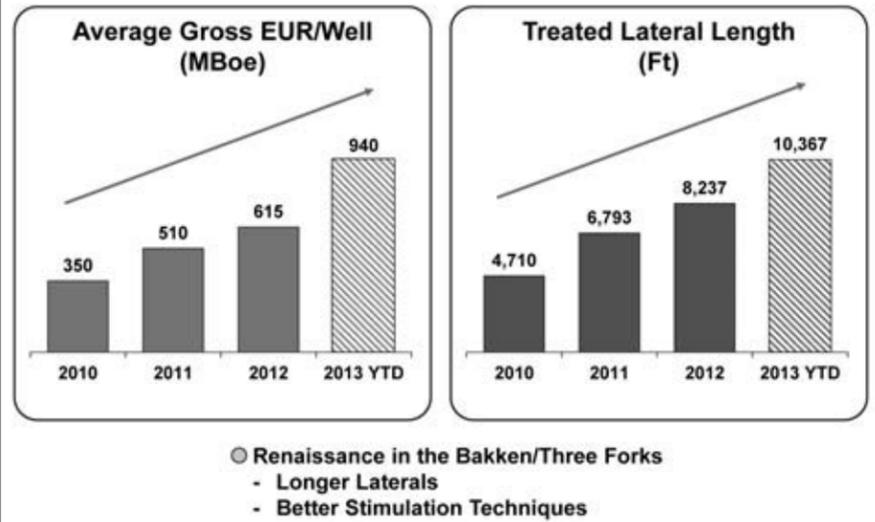
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## EOG Resources Core and Antelope



### ● COMPANY UPDATE

# EOG Bakken ROR hits 100 percent

By KAY CASHMAN  
Petroleum News Bakken

Thanks to “having the best acreage,” the “best in-house completion technology” and “lower cost” wells, EOG Resources now gets more than a 100 percent “direct after-tax reinvestment rate-of-return” in three “premier” U.S. resource plays — the Eagle Ford, Bakken and Leonard.

Calling the three plays EOG’s “engines of growth,” in a second-quarter earnings call Executive Chairman Mark Papa said the company would spend the most capital in the regions in 2013, while President and CEO William R. “Bill” Thomas said each of the plays have “more than 10 years of inventory” giving EOG “the confidence” it can “continue to be the peer leader in oil growth through 2017 and beyond.”

The Eagle Ford, Thomas said in the Aug. 7 presentation, will be “focus number one,” followed by the Bakken, and then “over time” the Leonard.

“In the Bakken Core our 160-acre, four wells per unit, down-spacing program in the Parshall field in Mountrail County, North Dakota, is yielding impressive results. Recent completions include the Parshall 22-3032H and 25-3032H with initial production rates at 2,120 and 2,685 barrels of oil per day ... and the Van Hook 29-1113H and 30-1113H producing 2,390 and 2,295 barrels of oil per day. ... We are very



MARK PAPA



BILL THOMAS

pleased with year-to-date down-spacing results that show excellent progress in both well productivity and cost reduction.”

Referring to the adjacent chart, Thomas said the improvements are result of drilling longer laterals and using better frack techniques, noting the “average EUR from our 2013 program is 940 mboe per well growth, more than a 180 percent improvement over wells we were drilling only two years ago.”

To control costs with the longer laterals, he said the company has been able to “reduce 2013 drilling on an average of 10,000-foot laterals to 16.9 days,” a 30 percent decrease from 2012, bumping EOG’s “total Bakken-Three Forks drilling inventory from seven to 12 years,” Thomas said.

### Profit up 67%

EOG’s second-quarter profit rose 67 percent to \$659.7 million, up from \$395.8

see EOG UPDATE page 15

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● DRILLING & COMPLETION

# Montana's July apps focus on Elm Coulee

Statoil, Oasis lead infill well applications; EOG seeks Star Ranch Coulee unit designation; Vecta targets Amsden formation

By MIKE ELLERD

For Petroleum News Bakken

With up to 33 new wells, Statoil leads the list of operators filing applications in July with the Montana Board of Oil and Gas Conservation seeking authority to drill additional Bakken/Three Forks wells in the Bakken petroleum system on existing spacing units. All applications are on the board's Aug. 8 hearing docket.

Statoil's 33 proposed wells are spread across eight separate spacing units in Richland and Roosevelt counties where the company currently has at least one well in each unit. Seven of the spacing units are 1,280 acres and the remaining unit is 2,560 acres. The number of new wells per unit ranges from four to six.

Statoil is also asking that the board change the status of two 1,280-acre spacing units in Roosevelt County and one 2,560-acre unit in Richland County where the company now has producing wells from temporary to permanent. Initially wells are drilled on temporary spacing units in Montana, but once wells have been on production for 90 days, the board requires the status of the spacing unit change to permanent.

In one of the 1,280-acre units Statoil operates its Christopher 25-36 1-H well, which according to the board's website went on production in February. Through March, the latest month for which production is posted on the board's website, the well produced a total 11,257 barrels of oil over a total of 24 pumping days for an average daily production of 469.04 barrels per day. The well on the other 1,280-acre spacing unit, the Powers Ranch 20-17 1H, is still listed as a wildcat well and production data are not yet available.

Statoil has two wells in the 2,560-acre unit, the Sundheim 26-35 1-H and Sundheim 26-35 2-H. Both wells are still designated as wildcats and production data are not yet posted.

Behind Statoil is Oasis Petroleum, which is looking to drill a total of 19

*In Fallon and Wibaux counties, Slawson Exploration is asking that the board create three 1,280-acre and two 640-acre temporary spacing units. Both of the 640-acre units and two of the three 1,280-acre units are entirely within Fallon County. The third 1,280-acre unit crosses north over the county line into Wibaux County. Slawson wants to drill one horizontal Bakken/Three Forks well in each spacing unit.*

additional wells on six separate 1,280-acre spacing units, also in Richland and Roosevelt counties. The number of new Oasis wells per unit ranges between three and four.

Oasis is also asking that four 1,280-acre spacing units in the Elm Coulee field in Roosevelt County be given permanent status. The Ring Federal 2858 44-34H produced 79,178 barrels over 341 pumping days from June 2012 through May 2013, for a pumping average of 341 bpd; the Betsy Federal 2758 24-29H was pumped over 317 days from July 2012 through May 2013, producing 63,129 barrels for an average of 199 bpd; the Long Coulee Federal 2958 42-22H produced 17,710 barrels over 65 days in April and May averaging 272 bpd; and the Stonewall Federal 2959 43-21H was pumped for 42 days in April and May, producing 15,401 barrels for an average of 367 bpd.

## Whiting and Continental apps

Whiting Oil and Gas is asking authority to drill up to three additional horizontal Bakken/Three Forks wells on each of three existing 1,280-acre spacing units, and one on another 1,280-acre unit, for a maximum of 10 new wells, all in Richland County.

In addition, Whiting is applying for permanent status for three 1,280-acre spacing units in Richland County where the company has one producing well on each. One of the wells is the Skov 31-28-1H in the Elm Coulee Northeast field. That well went on production in May and over 29 total pumping days through June, produced 8,400 barrels for an average of 289.66 bpd. The other two wells are the Sundheim 21-3-1H and 31-2-1H; both are still listed as wildcat wells with no production data yet posted.

Continental Resources wants to drill

up to three additional horizontal Bakken/Three Forks wells in each of two existing 640-acre spacing units and one existing 1,280-acre spacing unit, all in Richland County, for a total of up to nine new wells.

In addition, Continental wants two temporary 1,280-acre spacing units created in Richland County and wants to drill one horizontal Bakken/Three Forks well in each. Continental is also seeking an amendment to an existing board order to authorize a 200-foot heel/toe setback instead of a 660-foot setback in an already established temporary spacing in Richland County.

Continental is also asking for permanent status designation for 12 existing temporary spacing units for production from new wells in the units. All 12 units are in the Elm Coulee field in Richland

see ELM COULEE APPS page 6

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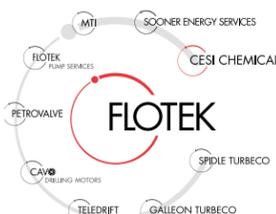
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## ● DRILLING &amp; COMPLETION

# Horizontal wells break records

By GARY PARK

For Petroleum News Bakken

Although first-half well completions across Canada lagged 8.8 percent behind the same period last year, horizontal drilling in three of the four western provinces set new records.

Overall, the industry posted 3,813 development completions and 485 exploratory wells (excluding experimental wells), lagging behind the 2012 pace of 3,999 and 723.

Oil well completions (development and exploratory) in Western Canada dropped to 3,510 from 3,633, while natural gas-targeted wells slumped to 716 from 953.

Operators in Alberta completed 2,200 oil wells, the third highest count on record, surpassed only by 2,499 in 2011 and 2,261 in 1997.

Producers in Alberta posted 482 gas well completions for the first six months, off from 692 a year earlier and a mere blip compared with the 6,988 gas completions in

*Total meters drilled dropped 2 percent to 9.83 million meters, but the average length-depth of wells edged up to 2,020 meters per well from 2,013 meters, while the average time taken to drill was trimmed to 9.4 days from 10.4 days.*

the January-June period of 2006.

## Horizontals up 26 percent

Horizontal drilling, which is leading the drive in unconventional formations, saw rigs released on 3,385 wells, up 6.35 percent from the previous record of 3,183 wells in the same period last year, and a 26 percent gain over 2,692 wells in the first half of 2011.

Alberta (which released rigs on 2,050 new horizontal wells, beat the comparable count last year of 1,941), Saskatchewan (859 vs. 783) and Manitoba (235 vs. 225) all set new benchmarks with the technology.

British Columbia reported finishing 241 horizontal wells, seven more than last year, but below the record 312 set in 2004.

Rigs were released on 853 directional wells, down from 950 a year ago.

Member companies of the Canadian Association of Oilwell Drilling Contractors booked 45,607 operating days to the end of June in Western and Northern Canada, excluding experimental wells, off 11.6 percent from the 51,565 days last year.

Total meters drilled dropped 2 percent to 9.83 million meters, but the average length-depth of wells edged up to 2,020 meters per well from 2,013 meters, while the average time taken to drill was trimmed to 9.4 days from 10.4 days.

Precision Drilling was the leading contract, drilling 1,559 wells totaling 2.58 million meters, followed by Ensign Drilling at 972 wells and 1.39 million meters. ●

Contact Gary Park through [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)

continued from page 5

## ELM COULEE APPS

County and there is one producing well in each.

Five of the units are 2,560 acres, five are 640 acres and two are 1,280 acres. Of the 12 wells, 11 are Bakken wells and the other is a Three Forks well. Production data are available for 10 of the 11 Bakken wells. Those wells went on production between March and May; through June their daily production ranged from 61.91 bpd to 258.14 bpd with an average of 170.11 bpd.

The Three Forks well was drilled in 2008 but recently abandoned and a new lateral was drilled that went on production in

May. The well was pumped 19 days and yielded 1,375 barrels, averaging 72.37 bpd. The original lateral went on production in January 2009, and through May 2013 produced 11,676 barrels over 1,324 pumping days, averaging 8.82 bpd.

## EOG seeking unit designation

EOG Resources is asking the board to allow it to operate approximately 12,590 acres in Richland and Roosevelt counties as a single operational unit to be known as the Star Coulee Ranch Unit Area. EOG is asking the board to vacate existing spacing orders for numerous tracts, some of which are Missouri riverbed tracts, so they can be combined into the single operational unit.

EOG is further requesting approval to drill multiple wells as necessary in the unit without further notice and hearing, subject to administrative approval once the unit is established.

## Other Richland Co. activity

XTO Energy wants to drill up to four additional horizontal Bakken/Three Forks wells from common pads in two separate 1,280-acre spacing units in Richland County for a total of eight additional new wells.

In addition, XTO is asking for permanent status for a 2,560-acre spacing unit in the Elm Coulee field in Richland County for production from its Dige 41X-29DXA well. That Bakken formation well went on production in May, and through June produced 26,779 barrels over 47 pumping days, averaging 569.77 bpd.

Fidelity Exploration and Production wants the status of a 640-acre spacing unit changed to permanent for production of its Klette 24-13H well in the Elm Coulee field in Richland County. That well began production in April, and through June produced 2,085 barrels over 52 pumping days for an average output of 40.10 bpd.

## Slawson's Fallon and Wibaux apps

In Fallon and Wibaux counties, Slawson Exploration is asking that the board create three 1,280-acre and two 640-acre temporary spacing units. Both of the 640-acre units and two of the three 1,280-acre units are entirely within Fallon County. The third 1,280-acre unit crosses north over the county line into Wibaux County. Slawson wants to drill one horizontal Bakken/Three Forks well in each spacing unit.

## Conventional and natural gas apps

Elsewhere in Montana, Dallas-based Vecta Oil and Gas Ltd. wants the board to make permanent a 40-acre spacing unit in

the Wolf Springs field in northeastern Yellowstone County for the production from its vertical Heberle 33-28 Amsden formation well. The well went on production in February, and through March produced 3,363 barrels of oil over 46 pumping days for an average production of 73.11 bpd.

The Amsden formation consists of limestone and dolomite interbedded with thin red shale and overlies the Tyler formation in central Montana. The top of the Amsden formation lies at a depth of 5,972 feet at the well location.

Vecta also wants the board to create seven 40-acre spacing units in the same area for the purpose of drilling one Amsden formation well in each unit.

In Dawson County, Denbury Resources wants the board to create a 240-acre spacing unit in the Gas City field for the NCT 9-1AH Red River well. That well was originally drilled as a vertical well that went on production in 1986, but was re-drilled as a dual-lateral horizontal well in 2004. Over the well's lifetime it has produced 205,487 barrels over 9,630 pumping days averaging 21.34 bpd.

Summit Resources wants the board to delineate multiple full and partial sections of land in both Big Horn and Powder River counties in south-central Montana into two designated fields for the development of coal bed natural gas. Summit has prepared the Deer Creek Unit Plan of Development for the Big Horn county acreages, and the North Bradshaw Unit Plan of Development for the Powder River acreages. Summit plans to develop the coal bed natural gas resources on densities greater than one well per 640 acres, which requires plans of development. ●

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continued from page 1

## ENERGY EAST

will not be announced until plans start to firm up.

### Initially light, sweet crude

Chief Executive Officer Russ Girling said the shippers have only booked to ship light, sweet crude in the initial stages, again reinforcing the prospect of Bakken crude entering the stream, but that is “subject to commercial agreements.”

He also said the commercial open season which closed in June attracted interest from a “number of international parties,” including European and Indian refineries, but he would not say whether any were among those signing contracts.

Above all, Energy East offers an alternative to the feuding that has pushed TransCanada’s Keystone XL and Enbridge’s Northern Gateway to the brink of collapse.

For Canada, it falls into the same category as the Canadian Pacific Railway, which was the first building block in tying together the British Colonies of North America in the 19th Century, followed by the TransCanada Highway and TransCanada’s own natural gas mainline and Enbridge’s crude pipeline.

Equally, Energy East will provoke a debate that could be “nation dividing,” with opponents marshalling their forces to wage a battle to sway the public and politicians, inspired by their success in stalling TransCanada’s Keystone XL and Enbridge’s Northern Gateway.

### Mostly national approvals

Although, as with all pipelines that cross provincial borders, Energy East will rely mostly on the National Energy Board and the Canadian government for decisive approvals, especially if the project does open the doors to exports of crude or refined products to Europe, India and China. It could also result in shipments to refineries on the U.S. Atlantic Seaboard and Gulf Coast.

But it also needs a “social license” from 150 First Nations and aboriginal communities along the pipeline right of way, along with proving that it will incorporate unmatched safety and environmental standards.

“I can safely say that environment concerns are going to top the list of priorities for a number of our stakeholders,” conceded Alex Pourbaix, TransCanada’s president of energy and oil pipelines.

“I am just as confident that the Energy East project will soon become known as a model of environmental responsibility within the energy sector.”

### Environmental critics

Those claims no longer wash with the most outspoken environmental critics, who have played the largest roles in stalling progress on TransCanada’s Keystone XL and Enbridge’s Northern Gateway and are ready to fight Kinder Morgan’s plans to triple capacity on its Trans Mountain system from the oil sands to the Vancouver area and Washington State.

Pourbaix noted that 70 percent of the pipeline is already in the ground — 1,184 miles of underutilized natural gas pipeline from Alberta to Ontario that TransCanada plans to convert to a crude-carrying system, adding 870 miles of new pipeline to

*The prospect of moving 1.1 million barrels per day of crude from Alberta to Atlantic Canada for the first time ... justifies the portrayal of Energy East by its supporters as “historic” and “nation-building.”*

Saint John.

The gas line, one of several operated along the route by TransCanada, was constructed in the 1980s, which raises questions about its condition, even though TransCanada said here will be some digs to check the pipe’s integrity.

For the opponents, overriding all else is their determination to prevent the flow of crude from the oil sands, using the successful fight against Keystone XL as their model.

They brush aside the prospect that Energy East could displace 700,000 bpd of crude that is imported from unstable regimes to Eastern Canada.

Others are concerned about plans to build tanker terminals in Quebec City and, more significantly, a C\$300 million facility in Saint John, which offers a year-round ice-free port, making feasible the possibility of exports to Europe, India and possibly Asia.

### Labor wants Canadian refining

The Alberta Federation of Labor, while supporting Energy East in principle, said the project must be built around refining crude in Canada, not exporting bitumen blends.

“Without strong leadership from Alberta and the federal government, this will be another missed opportunity” to benefit from the value-added end of Canada’s oil industry, said AFL President Gil McGowan.

Girling said TransCanada “strongly believes Canada will be served first” by Energy East. “The primary driver has been to supply Canadian refineries.”

Beyond that, exports of crude or refined products “will be up to the marketplace to determine.”

On TransCanada’s side is a new, streamlined federal regulatory process, including a deadline on reviews introduced by Natural Resources Minister Joe

Oliver to prevent unnecessary delays and efforts to use filibuster tactics.

### The Quebec hurdle

In the political realm, the greatest hurdle to be overcome is likely in Quebec, where environmentalists are a stronger force than anywhere else in Canada.

But Quebec Premier Pauline Marois, who agreed last year to participate with other provinces in a working group on resource issues, including pipelines, is being pulled in opposite directions. She has to consider the prospect of Energy East offering a lifeline to the two remaining refineries in Quebec after a spate of closures in recent years, along with the faint hope that refining crude in Canada will lower gasoline prices, while looking for ways to accommodate the project opponents.

Greenpeace, the Sierra Club and the nationalist Council of Canadians have immediately lined up against Energy East, with Greenpeace spokesman Keith Stewart noting there has been a “much more organized political push” for Energy East.

However, he noted that Northern Gateway proceeded out of the spotlight for many years until the regulatory process started, at which time the governing British Columbia Liberal government of Premier Christy Clark and the opposition New Democratic Party refused to endorse the project unless Enbridge was able to resolve the concerns about First Nations involvement, possible pipeline spills and tanker accidents and British Columbia’s demand for a larger share of the revenues.

Oliver and Redford both left no doubt that they view Energy East as a breakthrough candidate, supported by the shipper response to the open season, which raised capacity from TransCanada’s original 500,000-850,000 bpd to 1.1 million bpd and provided enough support to make the Saint John extension viable.

“Our government welcomes the prospect of transporting Canadian crude oil from Western Canada to consumers and refineries in Eastern Canada and ultimately to new markets abroad,” Oliver said.

“Initiatives like this could allow Canadian refineries to process more poten-

tially lower-priced Canadian oil, enhancing Canada’s energy security and making our country less reliant on foreign oil,” he said.

### Bulk imported

In 2012, 83 percent of crude oil deliveries to Atlantic Canada refineries and 92 percent of crude oil deliveries to refineries in Quebec were imported.

Pourbaix said most of the imports came from Saudi Arabia, Algerian and Libya and cost US\$30-\$40 per barrel more than domestic crude.

Energy East can eliminate Eastern Canadian refineries’ dependence on imported oil and ensure Canadian companies receive greater value for their domestically produced crude, he said.

Redford said her government has “made a commitment to the project as part of our efforts to build new markets and get a fairer price for the oil resources Albertans own.”

A month ago, Alberta committed to ship 100,000 bpd of its royalty crude for 20 years on Energy East, indicating it would pay about C\$5 billion in tolls over the period.

The province is expecting to receive up to 400,000 bpd of royalty crude by the time Energy East starts deliveries to Ontario in late 2017, the Alberta Petroleum Marketing Commission has said.

Canadian Prime Minister Stephen Harper, long an unwavering advocate of opening new markets for Canadian crude, gave an unusually lukewarm assessment of Energy East, describing it as good in principle, while needing to go through a rigorous independent analysis.

“There are approval processes to look at environmental effects, the economic issues ... to look at all those things,” he said, while suggesting the project can enhance the “long-term energy security of North America.”

Energy East is now viewed as gaining an edge over rival Enbridge in the race to secure outlets for oil sands and Bakken crude.

### Line 9 reversal

Enbridge is poised to reverse its Line 9

see **ENERGY EAST** page 8



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# Survey shows Bakken impact in Grand Forks

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## PETROLEUM NEWS BAKKEN

Grand Forks, N.D. area businesses are growing to meet demands in the Bakken region of North Dakota, the region's chamber of commerce said in an Aug. 6 press release.

The Chamber – Grand Forks/East Grand Forks, on behalf of the region's Bakken Initiative, surveyed its members, revealing that businesses are “attributing both revenue and employment growth to business activity related to the oil and gas industry,” the chamber said.

Sixty-seven percent of the respondents attribute “some of their revenue” in the past two years to Bakken activity. In the past two years, the organization said, 23 percent of respondents have added staff to support related business growth.

“Anecdotally we knew the region's business community is being impacted by our state's oil and gas industry,” said Barry Wilfahrt, the chamber's president and CEO. “These results are exciting for our region, demonstrating a much greater impact.”

The Bakken Initiative, a collaborative marketing effort launched last year to enhance awareness about the region's business and community support assets,

draws wide support among respondents as well, with 53 percent indicating they find the initiative valuable for their businesses.

Grand Forks Region EDC President and CEO Klaus Thiessen said, “Our region's effort to recruit new businesses expanding because of the Bakken is also attracting new customers for our existing businesses. At the end of the day, we can undeniably say the oil and gas industry is helping this region grow and create new jobs.”

Wilfahrt said the survey also demonstrates the variety of opportunities the region's businesses have to serve Western North Dakota demands. Respondents experiencing business growth related to the Bakken activity included automotive services, real estate, construction, and manufacturing.

“We also hope this survey demonstrates to companies that they can expand east to our region to meet demands of company growth in the Bakken. It can be done. Our business base is proving that,” Thiessen said.

The Chamber – Grand Forks/East Grand Forks has 1,018 members; 139 responded to the survey. ●

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The Irving Oil refinery at Saint John, New Brunswick.

*continued from page 7*

## ENERGY EAST

in Ontario and start shipping 300,000 bpd of western crude to Quebec refineries.

Chief Executive Officer Al Monaco said Aug. 1 the Line 9 and Energy East projects could open a door to Canada's first significant crude exports outside North America.

“It's not a bad assumption (that the projects) involve a lot of crude and it will have to find a home,” he said.

Patricia Mohr, the Bank of Nova Scotia's chief economist, said in a note that Energy East could open an economic route to Europe, India and China.

She said refineries in western India are

interested in importing Alberta blended bitumen and estimated tanker charges from Quebec City and Saint John would average US\$4.20 per barrel.

Mohr said a tanker terminal in Saint John would accommodate Very Large Crude Carriers which could carry up to 2 million barrels and lower those shipping costs to US\$3.

She estimated shipping costs on Energy East would be US\$7 from Alberta to Saint John, compared with US\$15 to reach the Irving Oil refinery in Saint John by rail and US\$6-\$8 from Alberta to the Gulf Coast.

Mohr projected the tolls on Northern Gateway from the oil sands to a tanker port on the British Columbia coast at US\$3.30 and US\$5 on the expanded Trans Mountain system.

“Had (Energy East) been available in the first half of 2013, the cost of Edmonton Par crude from Alberta delivered to Montreal/Quebec City would have been US\$14.85 per barrel cheaper than imported Brent,” Mohr said. ●



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• COMPANY UPDATE

# Statoil's Bakken output holding steady

North Dakota, Montana production 93 percent liquids; rig count down from 15 to 10 as drilling efficiencies continue to increase

By MIKE ELLERD

For Petroleum News Bakken

Norwegian-based Statoil released second-quarter production data on July 25, and the results indicate the company's Bakken production from the Bakken petroleum system basically held steady through the first two quarters of 2013, but was down slightly from the fourth quarter of 2012.

Statoil's daily equity production in the Bakken averaged 45,100 barrels of oil equivalent per day in the second quarter, nearly flat with the 45,300 boepd the company averaged in the first quarter, but down a perceptible 3.4 percent from the fourth quarter 2012 average of 46,700 boepd.

Of the 45,100 boepd average second-quarter production, 42,000 barrels per day were liquids, while natural gas accounted for 3,100 boepd or 204 million cubic feet per boe, based on a conversion of 6,000 cubic feet of gas per boe. Thus, Statoil's second-quarter production was 93.1 percent liquids.

In the first quarter, Statoil averaged 41,900 bpd of equity liquids and 3,400 boepd or 20.4 mmcf of natural gas. That production was 92.5 percent liquids. Statoil's equity liquids production in the fourth quarter 2012 averaged 43,400 barrels while its natural production averaged 3,300 boepd or 19.8 mmcf per day, and 92.9 percent liquid output.

The decline in second-quarter natural gas output was enough to offset the gain in liquids production. Statoil's combined second-quarter equity Bakken production on a barrel of oil equivalent basis fell slightly to 45,000 boepd, compared to the 45,100 boepd output in the first quarter.

Statoil reports its production in terms of equity volumes for internal accounting purposes because of the way that production revenues and expenses are calculated



*"We see more efficient operations, so we get more out, more work out of the rigs that we run, so that's good." —Statoil CFO Torgrim Reitan*

according to production sharing agreements the company has in many countries, including Algeria, Angola, Azerbaijan, Libya, Nigeria and Russia. Equity volumes represent Statoil's percent ownership in a particular field.

### Current drilling operations

Statoil currently has 10 drill rigs operating in the Williston Basin, down from 15 rigs in 2012. According to Torgrim Reitan, chief financial officer and executive vice president, Statoil's drilling efficiency in the basin has increased. "We see more efficient operations, so we get more out, more work out of the rigs that we run, so that's good," Reitan said in a July 25 conference call, and added that the "Bakken is performing well and the production is ramping up, and all of that is good."

### Rankings, records and operations

Based on oil production volumes reported by operators to the North Dakota Industrial Commission, Statoil ranked fourth among the top 50 oil well operators in North Dakota in May at an average gross (not equity) daily oil production of 47,022 bpd. While production for most operators in North Dakota does not include wells on confidential status, Statoil's May production does include production from its confi-

dential wells.

As Petroleum News Bakken reported in recent weeks, Statoil set two initial production records in North Dakota within as many weeks. On June 6, the company's Beaux 18-19 6H well in the Banks field in north-central McKenzie County came in with an IP rate of 5,070 barrels of oil per day, breaking the previous IP record of 4,971 bpd set by Whiting Petroleum's Tarpon Federal 21-4-3H well in Twin Valley field, which borders the Banks field on the east. Then on June 18, Statoil's neighboring Beaux 18-19 4H well produced a total of 5,387 barrels of oil in its first 24 hours of production.

Records maintained by the Oil and Gas Division of the North Dakota Industrial Commission Department of Minerals Management indicate that Statoil currently has 304 active and 115 confidential wells in North Dakota, with another 50 listed as being drilled. Approximately one-third of Statoil's active wells and nearly a quarter of its confidential wells are in the Alger field in west-central Mountrail County. Much of Statoil's other activities are focused in the Banks field in north-central McKenzie County, the Painted Woods and Todd fields in southwest Williams County, the Ragged Butte field in north-central McKenzie County and the East Fork field in central Williams County.

In Montana, Statoil's activities are focused in Richland and Roosevelt counties. In July, Statoil submitted applications for 33 new horizontal Bakken/Three Forks wells in the two counties along with applications for permanent designation for a

*Statoil set two (IP) records in North Dakota. ... On June 6, the ... Beaux 18-19 6H ... came in with an IP rate of 5,070 barrels of oil per day. ... On June 18, (the) Beaux 18-19 4H produced 5,387 barrels of oil in its first 24 hours.*

number of spacing units in which the company has producing wells (see story on page 5).

### North American production

In addition to the Williston Basin, Statoil has U.S. operations in the Marcellus and Eagle Ford plays and offshore in the Gulf of Mexico. In Canada, Statoil has onshore operations in the Athabasca oil sands and offshore operations off the Newfoundland coast.

Statoil's North American equity production in the second quarter averaged 121,000 barrels of liquids per day, a 17 percent increase over the average daily first-quarter production of 103,000 bpd. Conversely, second-quarter North American equity natural gas production fell from 609 mmcf in the first quarter to 586 mmcf in the second quarter. However, the decline in natural gas output did not offset the liquids production, and Statoil's combined second-quarter equity production averaged 219,100 boepd, a 7 percent increase over the first quarter average of 204,500 boepd. ●

Contact Mike Ellerd at [mellerd@bresnan.net](mailto:mellerd@bresnan.net)

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● COMPANY UPDATE

# Slick water fracks: Halcon game changer

Second quarter production improvements attributed to frack modifications; could double IRR; taking slick water to Fort Berthold

By MIKE ELLERD

For Petroleum News Bakken

Halcon Resources saw marked improvements in its initial production rates on some of its Williston Basin wells in the second quarter, and the company attributes the increase to changes in completion techniques, particularly in hydraulic fracturing.

In an Aug. 1 press release, Halcon said that the “performance of wells that have been completed with modified completion techniques is currently above previously published type curve estimates.”

That message was reiterated by Chairman and Chief Executive Officer Floyd Wilson in an Aug. 1 conference call: “The primary driver for improvements in production we’re achieving across our assets in the Williston Basin have to do with modifications in well design in fracks.”

## Internal rates of return could double

In Williams County, Wilson says Halcon is seeing an increase of more than 80 percent in its IP rates from wells stimulated with slick water fracks. He says the results

suggest internal rates of return on those wells can more than double.

“We think this is a game changer,” Wilson says.

To the southeast in its Fort Berthold area, where Wilson says the company continues to set record IPs almost weekly, Halcon has gone exclusively to plug-and-perf fracking, increased proppant concentrations, and a changed the fluid design.

Halcon’s two most recently completed Bakken wells in the Fort Berthold area had an average IP rate of more than 3,000 barrels of oil equivalent per day. Another Fort Berthold well recently set a company record IP of 3,317 boepd.

Because of the success with slick water fracking in Williams County, Wilson says Halcon is trying its first slick water frack in the Fort Berthold area in August. He is not aware of any operators using slick water fracking in the Fort Berthold area, but it has been used on a number of wells south of Halcon’s Williams County holdings,



FLOYD WILSON

and with the large number of operators in that area, some will experiment with it in the “thicker part of the basin” at some point. “I’m certain that others will try it sometime.”

Regardless, Wilson says Halcon is going to try it in the Fort Berthold area. “We’re going to try. We’re trying one right now and we’ll judge based on that. We’re having great results with it up north, though.”

## Other Bakken progress

In other Williston Basin activity, Halcon is conducting downspacing tests in the Fort Berthold area. Results from those tests should be available by the end of the year and will provide a better understanding of “efficient draining in the middle Bakken and in the different Three Forks benches,” Wilson says.

In addition to its own testing, Wilson says Halcon can learn from downspacing testing in the region by other operators with whom Halcon has working interests.

Halcon is also working to get well costs down, but Wilson says that overall well costs have gone up some

see **SLICK WATER FRACKS** page 14

continued from page 1

## MOVING ON

well drilled in Stillwater County in south-central Montana that was plugged and abandoned in 2004.

The other three wells are all identified as being in Sheridan County in the far northeastern corner of the state. One of those three Sheridan County wells was permitted in 1985 but never drilled and the permit expired.

A third Southwestern Energy well in Sheridan County is an existing vertical Red River well that Southwestern took over from Newfield Production Co. in April and then filed an intent to recom-plete and test the well in the Nisku, Three Forks and Bakken formations. A pre-frack Bakken sundry notice was filed in June but no production data are posted.

The fourth well is Southwestern Energy’s single-lateral Bedwell 33-52 1-1H in the Elm Coulee Northeast field in central Sheridan County. That well went on production in late September 2013, and through May produced a total of 9,942 barrels of oil over 204 days of pumping for an average output of 48.74 barrels per day.

Petroleum News Bakken did not hear back from Southwestern Energy on requests for additional information regarding test results from the two Bakken wells.

During the Aug. 2 conference call, Steven Mueller, Southwestern Energy’s chief executive officer, president and director, said the company strongly believes in its exploration component and will continue doing exploration, but added not all projects are successful. “And you’ll have some projects that work and you’ll have some projects that don’t seem are going to work,” Mueller said, and added that for Southwestern Energy, the Bakken was in the latter category.

Southwestern was one of four oil and gas companies that completed wells in the western half of Sheridan County in the last two years, per state of Montana records.

The others companies are Sagebrush Resources II LLC, Northern Oil Production Inc. and Whiting Oil and Gas Corp. (part of Whiting Petroleum).

—MIKE ELLERD

Contact Mike Ellerd  
at [mellerd@bresnan.net](mailto:mellerd@bresnan.net)

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**Bakken** **BAKKEN Stats**

# Montana well permits, completions

July 26-Aug. 1, 2013

### Abbreviations & parameters

With a few exceptions, the Montana weekly oil activity report includes horizontal well activity in the Bakken petroleum system in the eastern/northeastern part of the state within the Williston Basin. It also includes the Heath play and what is referred to as the South Alberta Bakken fairway in northwestern/west-central Montana, which is at least 175 miles long (north-south) and 50 miles wide (east-west), extending from southern Alberta, where the formation is generally referred to as the Exshaw, southwards through Montana's Glacier, Toole, Pondera, Teton and Lewis & Clark counties. The Southern Alberta Bakken, under evaluation by several oil companies, is not part of the Williston Basin. Following are the abbreviations used in the report and what they mean.

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

**And public land survey system abbreviations:**

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

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*For Petroleum News Bakken*

**New locations**

In Dawson County, Petro-Hunt LLC has been approved to drill the Dietz 19-54 24C-3-1 at SW SW 24-19N-54E (710 FSL/560 FWL). The Dietz will aim for the Red River C formation at a PD of 11,350 feet.

**New locations — horizontal wells**

There were three permits issued in Richland County for Bakken wells. Two permits went to Continental Resources Inc. The Blount 1-27H has a SHL at SW SE 27-23N-54E (275 FSL/1850 FEL) and a PBHL of 14,599 feet at NW NE 27-23N-54E (200 FNL/1980 FEL); the Sterling 1-3H has an SHL at NE 3-24N-52E (325 FNL/2260 FEL) and a PBHL of 15,469 feet at SW SE 10-24N-52E (200 FSL/1980 FEL). True Oil LLC was approved to drill the Delaney Federal 21-4 4-9H, with an SHL at NE NW 4-25N-58E (250 FNL/1497 FWL) and a PBHL of 19,828 feet at SW SW 9-25N-58E (660 FSL/1330 FWL).

**Re-issued locations**

In Richland County, Slawson Exploration Company Inc. has been permitted to drill the Scabbard 1-34H. The Bakken formation well has an SHL at SW SW 34-22N-58E (300 FSL/1145 FWL)

and a PBHL of 14,759 feet at NW NW 34-22N-58E (250 FNL/750 FWL).

In Toole County, Bill Barrett Corp. was green lighted for two wells targeting the "Exshaw shale," which is a tight sands reservoir, not a shale play like its famous second cousin, the prolific middle Bakken unit, in the Williston Basin to the east. In Montana the Exshaw is more commonly known as the Southern Alberta Basin Bakken. The Simmes Ranch 21-13-36-3WH has an SHL at NE NW 13-36N-3W (200 FNL/2230 FWL) and a PBHL of 7,596 feet at SE SW 13-36N-3W (400 FSL/2230 FWL); the Simmes Ranch 31-14-36-3WH has an SHL at NW NE 14-36N-3W (400 FNL/1980 FEL) and a PBHL of 7,448 feet at SW SE 14-36N-3W (400 FSL/1980 FEL).

**Permit modifications/corrections**

Two modifications/corrections were approved for Bakken formation wells in Richland County: the Fisher 20 1H, operated by Kraken Operating LLC, has an SHL at NE NW 20-25N-51E (225 FNL/1761 FWL) and a PBHL of 12,555 feet at SE SW 20-25N-51E (660 FSL/1761 FWL) and the Cricket 1-30-19H, operated by Slawson Exploration Company Inc., has an SHL at SW SW 30-23N-55E (250 FSL/750 FWL) and a PBHL of 20,506 feet at NE NE 19-23N-55E (250 FNL/700 FEL). ●

## BAKKEN STATS COMMENTARY

### Statoil takes No. 1 ND IP position; Burlington gets Camel Butte permits

For the fourth week in a row Statoil has taken the No. 1 spot on the Top 10 IP chart for North Dakota wells producing from the Bakken petroleum system, which includes formations such as the Bakken and Three Forks.

IP, which stands for initial production, is the rate at which a well produces during its first 24 hours online; in this case, active oil wells that were filed July 30 to Aug. 5 with the North Dakota Industrial Commission, or NDIC, as completed or released from confidential status.

The top well this week was Statoil's Esther Hynek 10-11 7H in the Alger field in Mountrail County. The well's IP rate was 2,811 barrels of oil.

The No. 2 IP rate went to EOG Resources' Riverview 3-3130H well in the Clarks Creek field of McKenzie County, with a rate of 2,365 barrels.

Statoil took the next three spots with wells in Mountrail and McKenzie counties, followed by wells operated by WPX Energy, Oasis Petroleum, Burlington Resources Oil and Gas (ConocoPhillips), another WPX well, and then Hess. See full IP chart and the Top 10 list on page 13.



**Items to note in North Dakota permits**

In the North Dakota oil permit chart on page 12, Statoil appears to be most active for the week.

There are not a lot of attention-grabbers, but Whiting has had two permits reissued for the Beach field in Golden Valley County. The wells are confidential, but other Beach field wells produce from the Red River pool.

Statoil has had several permits renewed in Mountrail County, including three in the Alger field and two in Kittleson Slough. Other wells in those fields produce from the Bakken pool.

In McKenzie County Burlington Resources (ConocoPhillips) has been issued seven permits for wells in the Camel Butte field — all protected by confidential status.

Currently that field produces oil from the Bakken pool, although there could be some production not reported because of production wells on confidential status. In May, NDIC records showed Burlington produced a total of 12,137 barrels of oil and Continental Resources produced 1,421 barrels from Camel Butte, for a combined average of 437.4 barrels per day.

—KAY CASHMAN

Contact Kay Cashman at [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)

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Petroleum News  
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# North Dakota oil permit activity

July 30 — August 5, 2013

## LEGEND

The county name is on the upper line, the type of permit issued is on the second line, and company names are next, followed by individual wells with data in this order: well name; location; footages; field; 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:

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

## Billings Co.

### Permits issued

#### Oxy USA (Occidental Petroleum Corp.)

**Francis Brownell 1-16-21H-143-98**; NWNE 16-143N-98W; 381'FNL and 2,337'FEL; Little Knife; Bakken; horizontal; 2,665' ground; 26090; 33-007-1799; 8/5/2013

### Permits renewed

#### Whiting Oil and Gas

**Adams 21-26PH**; NENW 26-139N-100W; 300'FNL and 1,510'FWL; Norwegian Creek; Bakken; horizontal; 2,677' ground; 23575; 33-007-01753; 8/5/2013

## Burke Co.

### Location resurveyed

#### Oasis Petroleum

**Bonita 5992 42-22 #2B**; SESW 22-159N-92W; 215'FSL and 2,500'FWL; Cottonwood; Bakken; horizontal; 2,407' ground; 26034; 33-013-01727; 8/2/2013

## Divide Co.

### Permits issued

#### American Eagle Energy

**Braelynne 2-2N-163-101**; LOT2 2-163N-101W; 250'FNL and 2,000'FEL; Colgan; N/A\*; on confidential status; 2,292' ground; 26080; 33-023-01086; 8/2/2013

**La Plata State 2-16-163-101**; NWNE 16-163N-101W; 350'FNL and 1,740'FEL; Colgan; N/A\*; on confidential status; 2,289' ground; 26095; 33-023-01090; 8/5/2013

### Baytex Energy

**Nelson 18-19-161-98H 1BP**; NWNE 18-161N-98W; 280'FNL and 2,200'FEL; Plumer; Bakken; horizontal; 2,106' ground; 26087; 33-023-01087; 8/5/2013  
**Nelson 7-6-161-98H 1XB**; NWNE 18-161N-98W; 280'FNL and 2,154'FEL; Plumer; Bakken; horizontal; 2,107' ground; 26088; 33-023-01088; 8/5/2013

### Marathon Oil

**Two Crow USA 21-15TFH**; SWSE 10-147N-93W; 452'FSL and 2,360'FEL; Moccasin Creek; N/A\*; on confidential status; 2,231' ground; 26062; 33-025-02217; 7/31/2013

**Swift Eagle USA 31-15TFH**; SWSE 10-147N-93W; 369'FSL and 2,305'FEL; Moccasin Creek; N/A\*; on confidential status; 2,234' ground; 26063; 33-025-02218; 7/31/2013

### North Plains Energy

**Nelson 160-101-10-3-13B-1H**; SWSW 10-160N-101W; Sioux Trail; Bakken; horizontal; 2,253' ground; 26094; 33-023-01089; 8/5/2013

### Oxy USA (Occidental Petroleum)

**Evelyn Stroh 2-17-20H-143-96**; SESW 8-143N-96W; 393'FSL and 1,808'FWL; Fayette; Bakken; horizontal; 2,400' ground; 26078; 33-025-02223; 8/1/2013

**Evelyn Stroh 3-17-20H-143-96**; SESW 8-143N-96W; 392'FSL and 1,848'FWL; Fayette; Bakken; horizontal; 2,401' ground; 26077; 33-025-02222; 8/1/2013

**Harry Stroh 2-8-5H-143-96**; SESW 8-143N-96W; 393'FSL and 1,768'FWL; Fayette; Bakken; horizontal; 2,399' ground; 26079; 33-025-02224; 8/1/2013

**Harry Stroh 3-8-5H-143-96**; SESW 8-143N-96W; 391'FSL and 1,888'FWL; Fayette; Bakken; horizontal; 2,403' ground; 26076; 33-025-02221; 8/1/2013

### Whiting Oil and Gas

**Oukrop 24-34PH**; SWSE 34-141N-97W; 290'FSL and 2,025'FEL; St. Anthony; Bakken; horizontal; 2,596' ground; 26067; 33-025-02219; 7/31/2013

**Oukrop 44-34PH**; SWSE 34-141N-97W; 290'FSL and 1,980'FEL; St. Anthony; Bakken; horizontal; 2,093' ground; 26068; 33-025-02220; 7/31/2013

## Golden Valley Co.

### Permits issued

#### Whiting Oil and Gas

**Nielsen Federal 24-28**; SESW 28-142N-105W; 970'FSL and 1,390'FWL; Beach; N/A\*; on confidential status; 2,495' ground; 26059; 33-033-00340; 7/30/2013

**Schaal 41-7**; NENE 7-141N-105W; 660'FNL and 660'FEL; Beach; N/A\*; on confidential status; 2,747' ground; 26056; 33-033-00339; 7/30/2013

## McKenzie Co.

### Permits issued

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

**Big Bend 11-2MBH**; LOT4 2-151N-96W; 265'FNL and 705'FWL; Camel Butte; N/A\*; on confidential status; 2,407' ground; 26081; 33-053-05160; 8/2/2013

**Big Bend 11-2TFH**; LOT4 2-151N-96W; 265'FNL and 660'FWL; Camel Butte; N/A\*; on confidential status; 2,409' ground; 26082; 33-053-05161; 8/2/2013

**Big Bend 21-2MBH**; LOT3 2-151N-96W; 260'FNL and 2,332'FWL; Camel Butte; N/A\*; on confidential status; 2,409' ground; 26091; 33-053-05165; 8/5/2013

**Big Bend 21-2TFH**; LOT3 2-151N-96W; 260'FNL and 2,287'FWL; Camel Butte; N/A\*; on confidential status; 2,408' ground; 26092; 33-053-05166; 8/5/2013

**Big Bend 41-2TFH**; LOT1 2-151N-96W; 343'FNL and 250'FEL; Camel Butte; N/A\*; on confidential status; 2,374' ground; 26089; 33-053-05164; 8/5/2013

**Big Jon 11-2MBH-ULW**; LOT4 2-151N-96W; 265'FNL and 615'FWL;

Camel Butte; N/A\*; on confidential status; 2,410' ground; 26069; 33-053-05157; 7/31/2013

**Big Sun 41-2MBH-ULW**; LOT1 2-151N-96W; 298'FNL and 250'FEL; Camel Butte; N/A\*; on confidential status; 2,374' ground; 26070; 33-053-05158; 7/31/2013

### Hess

**BW-Thelma 150-99-3031H-2**; NWNE 30-150N-99W; 700'FNL and 2,404'FEL; South Tobacco Garden; N/A\*; on confidential status; 2,264' ground; 26054; 33-053-05154; 7/30/2013

**BW-Thelma 150-99-3031H-3**; NWNE 30-150N-99W; 700'FNL and 2,354'FEL; South Tobacco Garden; N/A\*; on confidential status; 2,267' ground; 26055; 33-053-05155; 7/30/2013

### Marathon Oil

**Chuck Quale USA 21-29H**; SWSW 20-152N-93W; 457'FSL and 431'FWL; Reunion Bay; N/A\*; on confidential status; 2,026' ground; 26086; 33-053-05163; 8/2/2013

**Scott Quale USA 21-29TFH**; SWSW 20-152N-93W; 441'FSL and 383'FWL; Reunion Bay; N/A\*; on confidential status; 2,026' ground; 26085; 33-053-05162; 8/2/2013

### QEP Energy

**Zorro 27-34-26-35LL**; SWSW 35-150N-95W; 300'FSL and 953'FWL; Grail; Bakken; horizontal; 2,367' ground; 26060; 33-053-05156; 7/31/2013

### Triangle USA Petroleum

**Sanders 150-100-9-10-1H**; NWSW 9-150N-100W; 1,370'FSL and 355'FWL; Sandrocks; Bakken; horizontal; 2,313' ground; 26075; 33-053-05159; 8/1/2013

### XTO Energy (ExxonMobil)

**Loomer 24X-34A**; SESW 34-151N-99W; 350'FSL and 1,383'FWL; Tobacco Garden; N/A\*; on confidential status; 2,127' ground; 26093; 33-053-05167; 8/5/2013

### Permits renewed

#### Continental Resources

**Tuscon 1-10H**; SESW 10-146N-98W; 325'FSL and 1,980'FWL; Ranch Coulee; N/A\*; on confidential status; 2,530' ground; 23578; 33-053-04325; 8/5/2013

### Triangle USA Petroleum

**Rowe 150-101-1-12-2H**; LOT4 1-150N-101W; 200'FNL and 1,230'FWL; Rawson; Bakken; horizontal; 2,275' ground; 23618; 33-053-04333; 8/5/2013

**Rowe 150-101-1-12-4H**; LOT4 1-150N-101W; 200'FNL and 1,130'FWL; Rawson; Bakken; horizontal; 2,270' ground; 23620; 33-053-04335; 8/5/2013

### Location resurveyed

#### QEP Energy

**Kirkland 15E-23/14H**; SWSE 23-149N-95W; 299'FSL and 1,515'FEL; Grail; N/A\*; on confidential status; 2,317' ground; 22363; 33-053-03967; 8/1/2013

see ND PERMIT page 13

Petroleum News  
**Bakken**

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Petroleum News  
**Bakken**

## Bakken producers' stock prices

Closing prices as of Aug. 7, along with those from previous Wednesday

Company	Exchange	Symbol	Closing price	Previous Wed.
Abraxas Petroleum Corp.	NASDAQ	AXAS	\$2.49	\$2.43
American Eagle Energy Corp.	AMZG	OTC	\$1.68	\$1.66
Arsenal Energy USA, Inc.	TSE	AEI	\$0.53	\$0.42
Baytex Energy Corp.	NYSE	BTE	\$39.86	\$40.61
Burlington Resources Co. (ConocoPhillips)	NYSE	COP	\$66.52	\$64.86
Continental Resources, Inc.	NYSE	CLR	\$96.55	\$92.30
Crescent Point Energy Corp.	TSE	CPG	\$38.95	\$38.95
Enerplus Resources USA Corp.	NYSE	ERF	\$16.20	\$16.25
EOG Resources, Inc.	NYSE	EOG	\$156.22	\$145.49
Fidelity Exploration and Production (MDU)	NYSE	MDU	\$29.09	\$28.04
HRC Operating (Halcon Resources Corp.)	NYSE	HK	\$5.87	\$5.48
GMX Resources, Inc.	PINK	GMXRQ	\$0.33	\$0.20
Hess Corp.	NYSE	HES	\$73.56	\$74.46
Kodiak Oil and Gas (USA), Inc.	NYSE	KOG	\$9.83	\$9.71
Legacy Reserves Operating LP	NASDAQ	LGCY	\$27.13	\$27.13
Marathon Oil Co.	NYSE	MRO	\$35.13	\$36.36
Newfield Production Co.	NYSE	NFX	\$23.91	\$24.60
Oasis Petroleum, Inc.	NYSE	OAS	\$42.50	\$42.04
Oxy USA (Occidental Petroleum Corp.)	NYSE	OXY	\$87.88	\$89.05
QEP Energy Co.	NYSE	QEP	\$29.84	\$30.49
Resolute (Resolute Energy Corp.)	NYSE	REN	\$8.44	\$8.37
Samson Resources Co. (KKR & Co.)	NYSE	KKR	\$20.20	\$20.45
SM Energy Co.	NYSE	SM	\$68.44	\$68.73
Statoil Oil and Gas LP	NYSE	STO	\$21.28	\$21.59
Sundance Energy, Inc.	SEA	ASX	\$1.00	\$1.05
Triangle USA Petroleum Corp.	NYSE	TPLM	\$7.13	\$7.10
Whiting Oil and Gas Corp.	NYSE	WLL	\$51.13	\$51.47
WPX Energy, Inc.	NYSE	WPX	\$19.07	\$19.21
XTO Energy, Inc. (ExxonMobil)	NYSE	XOM	\$91.34	\$93.75



# IPs for ND Bakken wells

July 30 — August 5, 2013

This chart contains initial production rates, or IPs, for active wells that were filed as completed with the state of North Dakota from July 30 to Aug. 5, 2013 in the Bakken petroleum system, which includes formations such as the Bakken and Three Forks. The completed wells that did not have an available IP rate (N/A) either haven't been tested or were awarded confidential (tight-hole) status by the North Dakota Industrial Commission's Department of Minerals. This chart also contains a section with active wells that were released from confidential status during the same period, July 30 to Aug. 5. Again, some IP rates were not available (N/A). The information was assembled by Petroleum News Bakken from NDIC daily activity reports and other sources. The name of the well operator is as it appears in state records, with the loss of an occasional Inc., LLC or Corporation because of space limitations. Some of the companies, or their Bakken petroleum system assets, have been acquired by others. In some of those cases, the current owner's name is in parenthesis behind the owner of record, such as ExxonMobil in parenthesis behind XTO Energy. If the chart is missing current owners' names, please contact Ashley Lindly at alindly@petroleumnewsbakken.com.

### LEGEND

The well operator's name is on the upper line, followed by individual wells with data in this order: NDIC file number; well name; field; location; spacing; county; 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

#### Continental Resources

21974; Carus 2-28H; Cedar Coulee; SWSW 28\*147N-96W; 2SEC; Dunn; Bakken; horizontal; 20,866; 7/9/2013; 379 bbl

#### Hess

24388; EN-Uran A 154-93-1522H-2; Robinson Lake; 2SEC; Mountrail; Bakken; horizontal; 20,841; 7/12/2013; 944 bbl

22885; LK-Wing 146-97-2215H-3; Little Knife; NENE 22-146N-97W; 2SEC; Dunn; Bakken; horizontal; 15,716; 7/5/2013; 349 bbl

24368; EN-Weyrauch A-154-93- 1720H-3; Robinson Lake; NENE 17-154N-93W; 2SEC; Mountrail; Bakken; horizontal; 20,284; 7/4/2013; 1,259 bbl

24134; LK-Little Chase Creek 147-97-2116H-3; Little Knife; SWSE 21-147N-97W; 2SEC; Dunn; Bakken; horizontal; 20,534; 7/2/2013; 653 bbl

24133; LK-Little Chase Creek 147-97-2116H-4; Little Knife; SWSE 21-147N-97W; 2SEC; Dunn; Bakken; horizontal; 20,789; 7/12/2013; 725 bbl

#### HRC Operating (Halcon Resources)

20879; Fort Berthold 147-94-1A-12-2H; Gregory Buttes; NENE 1-147N-94W; 2SEC; Dunn; Bakken; horizontal; 20,264; N/A; N/A

#### Slawson Exploration

20810; Mooka 2-29-20TFH; Big Bend; SWSE 29-152N-92W; 2SEC; Mountrail; Bakken; horizontal; 20,090; 6/15/2013; 669 bbl

24217; Mooka 3-29-20TFH; Big Bend; SWSE 29-152N-92W; 2SEC; Mountrail; Bakken; horizontal; 19,942; 6/24/2013; 733 bbl

24218; Mooka 4-29-20H; Big Bend; SWSE 29-152N-92W; 2SEC; Mountrail; Bakken; horizontal; 19,865; 6/8/2013; 997 bbl

#### Statoil Oil and Gas

23557; Jake 2-11 1H; Last Chance; LOT4 2-153N-100W; 2SEC; Williams; Bakken; horizontal; 20,720; 7/5/2013; 3,606 bbl

24172; Panzer 22-23 5TFH; Alger; NWNW 22-155N-92W; 2SEC; Mountrail; Bakken; horizontal; 19,423; 6/27/2013; 2,079 bbl

24009; Paulson 36-1 1H; Briar Creek; NENW 36-152N-104W; 2SEC; McKenzie; Bakken; horizontal; 20,170; 7/5/2013; 2,089 bbl

#### Triangle USA Petroleum

24664; Dwyer 149-101-2-11-5H; Antelope Creek; LOT3 2-149N-101W; 2SEC; McKenzie; Bakken; horizontal; 20,645; 7/17/2013; 503 bbl

24665; Dwyer 149-101-2-11-6H; Antelope Creek; LOT3 2-149N-101W; 2SEC; McKenzie; Bakken; horizontal; 20,630; 7/1/2013; 454 bbl

#### WPX Energy

23304; Blackhawk 1-12HW; Moccasin Creek; SWSE 36-148N-93W; 2SEC; Dunn; Bakken; horizontal; 21,094; 7/9/2013; 1,444 bbl

### Top 10 Bakken wells by IP rate

#### Statoil Oil and Gas

23674; Esther Hynek 10-11 7H; Alger; Mountrail; 2,811 bbl

#### EOG Resources

20513; Riverview 3-3130H; Clarks Creek; McKenzie; 2,365 bbl

#### Statoil Oil and Gas

23675; Esther Hynek 10-11 6TFH; Alger; Mountrail; 2,236 bbl

24009; Paulson 36-1 1H; Briar Creek; McKenzie; 2,089 bbl

24172; Panzer 22-23 5TFH; Alger; Mountrail; 2,079 bbl

#### WPX Energy

22072; State of ND 10-3HC; Van Hook; Mountrail; 1,664 bbl

#### Oasis Petroleum

23531; K A Sutton Federal 5300 24-15T; Willow Creek; Williams; 1,597 bbl

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

21707; Keene 44-35MBH; Little Knife; Dunn; 1,462 bbl

#### WPX Energy

23304; Blackhawk 1-12HW; Moccasin Creek; Dunn; 1,444 bbl

#### Hess

24368; EN-Weyrauch A-154-93- 1720H-3; Robinson Lake; Mountrail; 1,259 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 July 30 to Aug. 5, 2013 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.*

### IPs for ND wells released from confidential status

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

21707; Keene 44-35MBH; Little Knife; SESE 35-147N-97W; 2SEC; Dunn; Bakken; horizontal; 20,524; 5/22/2013; 1,462 bbl

#### Continental Resources

23078; Oscar 3-24H; Stoneview; NWNW 24-161N-95W; N/A; Divide; Bakken; horizontal; N/A; N/A; N/A

23662; Zimmerman 3-13H; Stoneview; NWNW 24-161N-95W; N/A; Divide; Bakken; horizontal; N/A; N/A; N/A

#### EOG Resources

20633; Fertile 53-3024H; Parshall; SENE 30-151N-90W; ICO; Mountrail; Bakken; horizontal; 20,103; 2/23/2013; 1,236 bbl

see ND IP page 14

continued from page 12

## ND PERMIT

### Mountrail Co.

#### Permits renewed

##### Statoil Oil and Gas

Barstad 23-14 #4TFH; SWSE 23-156N-93W; 450'FSL and 1,635'FEL; Alger; N/A\*; on confidential status; 2,319' ground; 21374; 33-061-01856; 8/5/2013

Barstad 23-14 #5H; SWSE 23-156N-93W; 450'FSL and 1,610'FEL; Alger; N/A\*; on confidential status; 2,318' ground; 21373; 33-061-01855; 8/5/2013

Barstad 23-14 #6TFH; SWSE 23-156N-93W; 480'FSL and 1,585'FEL; Alger; N/A\*; on confidential status; 2,318' ground; 21375; 33-061-01857; 8/5/2013

Kapusta 30-19 1-H; LOT1 31-158N-91W; 300'FNL and 763'FWL; Kittleson Slough; N/A\*; on confidential status; 2,422' ground; 21371; 33-061-01854; 8/5/2013

Western 31-6 1-H; LOT1 31-158N-91W; 300'FNL and 739'FWL; Kittleson Slough; N/A\*; on confidential status; 2,422' ground; 21370; 33-061-01853; 8/5/2013

### Williams Co.

#### Permits issued

##### Continental Resources

Alamo 1-34H; SESW 34-159N-99W; 325'FSL and 1,980'FWL; Burg; N/A\*; on confidential status; 2,160' ground; 26083; 33-105-03148; 8/2/2013

#### Hess

BL-Iverson 155-95-1819H-2; NWNE 18-155N-95W; 312'FNL and 1,912'FEL; Beaver Lodge; N/A\*; on confidential status; 2,294' ground; 26074; 33-105-03147; 8/1/2013

BL-Iverson 155-95-1819H-3; NWNE 18-155N-95W; 335'FNL and 1,957'FEL; Beaver Lodge; N/A\*; on confidential status; 2,238' ground; 26073; 33-105-03146; 8/1/2013

BL-Iverson 155-95-1819H-4; NWNE 18-155N-95W; 357'FNL and 2,001'FEL; Beaver Lodge; N/A\*; on confidential status; 2,240' ground; 26072; 33-105-03145; 8/1/2013

BL-Iverson 155-95-1819H-5; NWNE 18-155N-95W; 380'FNL and

2,046'FEL; Beaver Lodge; N/A\*; on confidential status; 2,243' ground; 26071; 33-105-03144; 8/1/2013

#### HRC Operating (Halcon Resources)

Quarne 2-21-16H; SWSE 21-157N-102W; 325'FSL and 2,100'FEL; Strandahl; N/A\*; on confidential status; 2,334' ground; 26084; 33-105-03149; 8/2/2013

#### Oasis Petroleum

Montague 5601 42-34 #4T; SESW 34-156N-101W; 255'FNL and 1,500'FWL; Cow Creek; Bakken; horizontal; 2,047' ground; 26058; 33-105-03139; 7/30/2013

Montague 5601 42-34 #5B; SESW 34-156N-101W; 255'FSL and 1,450'FWL; Cow Creek; Bakken; horizontal; 2,048' ground; 26057; 33-105-03138; 7/30/2013

#### Statoil Oil and Gas

Martin 32-31 7H; NENE 32-154N-102W; 600'FNL and 300'FEL; Rosebud; N/A\*; on confidential status; 2,245' ground; 26061; 33-105-03140; 7/31/2013

#### XTO Energy (ExxonMobil)

Arley 21X-18A; NENW 18-154N-96W; 230'FNL and 2,155'FWL; Grinnell; N/A\*; on confidential status; 1,905' ground; 26065; 33-105-03142; 7/31/2013

Arley 21X-18E; NENW 18-154N-96W; 230'FNL and 2,125'FWL; Grinnell; N/A\*; on confidential status; 1,905' ground; 26064; 33-105-03141; 7/31/2013

Arley 21X-18F; NENW 18-154N-96W; 230'FNL and 2,185'FWL; Grinnell; N/A\*; on confidential status; 1,905' ground; 26066; 33-105-03143; 7/31/2013

#### Permits renewed

##### Continental Resources

Columbia Federal 6-5; LOT3 5-155N-97W; 260'FNL and 2,312'FWL; Dollar Joe; N/A\*; on confidential status; 2,376' ground; 23584; 33-105-02764; 8/5/2013

Columbia Federal 7-5H; LOT3 5-155N-97W; 260'FNL and 2,357'FWL; Dollar Joe; N/A\*; on confidential status; 2,375' ground; 23583; 33-105-02763; 8/5/2013

#### Statoil Oil and Gas

M. Macklin 15-22 #3TFH; NWNE 15-155N-101W; 235'FNL and 2,618'FEL; Cow Creek; N/A\*; on confidential status; 2,086' ground; 23594; 33-105-02769; 8/5/2013

M. Macklin 15-22 #4H; NWNE 15-155N-101W; 235'FNL and 2,588'FEL; Cow Creek; N/A\*; on confidential status; 2,086' ground; 23593; 33-105-02768; 8/5/2013

M. Macklin 15-22 #5H; NWNE 15-155N-101W; 235'FNL and 2,648'FEL; Cow Creek; N/A\*; on confidential status; 2,086' ground; 23595; 33-105-02770; 8/5/2013

M. Macklin 15-22 #6TFH; NWNE 15-155N-101W; 235'FNL and 2,558'FEL; Cow Creek; N/A\*; on confidential status; 2,087' ground; 23592; 33-105-02767; 8/5/2013

Martin 32-31 #2TFH; NENE 32-154N-102W; 630'FNL and 300'FEL; Rosebud; N/A\*; on confidential status; 2,245' ground; 23471; 33-105-02746; 8/5/2013

Martin 32-31 3TFH; SESE 32-154N-102W; 950'FSL and 375'FEL; Rosebud; N/A\*; on confidential status; 2,192' ground; 23473; 33-105-02747; 8/5/2013

Martin 32-31 4H; SESE 32-154N-102W; 920'FSL and 375'FEL; Rosebud; N/A\*; on confidential status; 2,191' ground; 23474; 33-105-02748; 8/5/2013

#### XTO Energy (ExxonMobil)

Kristensen 24X-9B; SESW 9-159N-96W; 610'FSL and 1,570'FWL; Temple; N/A\*; on confidential status; 2,296' ground; 23587; 33-105-02766; 8/5/2013

*\* 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; Alger, Beaver Lodge, Burg, Camel Butte, Colgan, Cow Creek, Dollar Joe, Grail, Ginnell, Kittleson Slough, Moccasin Creek, Ranch Coulee, Reunion Bay, Rosebud, South Tobacco Garden, Strandahl, Temple, and Tobacco Garden.*

*\*\* Note: The geologic target these wells was not listed in its well file because it is a tight (confidential) hole, but Beach field produces from the Red River pool.*

—Compiled by Ashley Lindly

Contact Ashley Lindly at  
alindly@petroleumnewsbakken.com

● COMPANY UPDATE

# PetroShale implements new corporate structure

By MIKE ELLERD

For Petroleum News Bakken

On Aug. 6, Calgary-based PetroShale Inc. said it has implemented a new corporate structure for its Denver-based U.S. subsidiary, PetroShale (US) Inc., in which two wholly-owned subsidiaries of PetroShale (US) were created. One of the new subsidiaries is a holding firm for proved producing assets, while the other is a holding firm for PetroShale's leased U.S. acreage and new wells. The new subsidiaries will be known as PetroShale (US) Land 1 LLC and PetroShale (US) Production LLC, respectively.

PetroShale also said it has established a new three-year revolving credit facility with the Independent Bank of Dallas, Texas, along with a new one-year revolving credit facility with the Todd Slawson Trust.

The three-year Independent Bank note is a \$50 million

*PetroShale also said it has established a new three-year revolving credit facility with the Independent Bank of Dallas, Texas, along with a new one-year revolving credit facility with the Todd Slawson Trust.*

revolving line of credit and has an initial borrowing base of \$3 million secured by the assets of PetroShale (US) Production LLC. The borrowing base will be re-determined at least semi-annually. That note expires on Aug. 31, 2016.

The one-year Todd Slawson Trust note is a \$2.1 million credit facility that expires Oct. 12, 2014. It is a restructuring of a previous Slawson note into a revolving facility secured by the assets of PetroShale (US) Land LLC.

"The new structure of our US subsidiary is an instrumental step for efficiently growing PetroShale to benefit

our shareholders," said Evan Genaud, CEO and President of PetroShale Inc. in the press release. "We have significantly increased our corporate flexibility to attract quality partners and deals, and at the same time expanded our sources of financing to efficiently lower the cost of capital, while maturing our undeveloped inventory. Both Independent Bank and the Todd Slawson Trust have been excellent to work with, delivering flexible solutions to enable our continued growth."

PetroShale (US) Inc. is a non-operating oil and gas company partnering with such operators as Slawson Exploration and Fidelity Exploration and Production in operations targeting the upper Bakken shale in Montana. More recently PetroShale partnered with Continental Resources in North Dakota acreage that has shown excellent middle Bakken and Three Forks results. ●

Contact Mike Ellerd at [mellerd@bresnan.net](mailto:mellerd@bresnan.net)

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## SLICK WATER FRACKS

because the company is using ceramic proppant in nearly all of its fracks in addition to pumping larger frack jobs.

However, Wilson says those cost increases have been offset by fewer rig days and the transition to pad drilling, putting Halcon's current well costs at \$9 million to \$10 million, depending on the area, but adds that the company expects those costs to fall by \$1 million to \$2 million over the next six to 12 months.

### Second quarter stats

In addition to the Williston Basin, Halcon has two other core operations, its El Halcon operation in the Eagle Ford play in Texas, and its Utica/Point Pleasant operation in Ohio and Pennsylvania. Collectively the company's average production from all of its plays in the second quarter averaged 29,165 boepd, which was

83 percent oil. That production is a 5.7 percent increase over the first quarter average daily production of 27,602 boepd and was above the company's guidance of 27,000 to 29,000 boepd.

Wilson says the company is now looking at full-year production guidance of between 30,000 and 34,000 boepd.

Halcon brought a total of 10 wells on production in the second quarter, six Bakken and two upper Three Forks wells in the Fort Berthold area, and two Bakken wells in the company's Marmon area that straddles Williams and Divide counties. In first quarter, Halcon brought online six Bakken and two upper Three Forks wells in the Fort Berthold area and two Bakken wells in the Marmon area.

The six Bakken wells brought online in the Fort Berthold area in the second quarter had an average 24-hour IP of 2,557 boepd and the two Three Forks wells had an average 24-hour IP of 2,308 boepd. Those averages represent increases of 51 and 58 percent over the company's aver-

age Bakken and Three Forks 24-hour IPs in the first quarter.

The company's Fort Berthold-area wells came in with average 30-day IPs of 1,464 and 968 boepd in the second quarter, up 65 and 43 percent over the first quarter.

The two Bakken wells that came on production in the Marmon area in the second quarter had an average 24-hour IP of 1,401 boepd, a 23 percent increase over the average 24-hour IP that the two wells had in the first quarter. The average 30-day IP for the wells was 723 boepd, an increase of 52 percent over the 30-day IP average in the first quarter.

### Seven drill rigs, down one

Halcon operated an average of seven drill rigs in the Williston Basin in the second quarter, down one from the eight rigs it operated in the first quarter. The company spudded a total of 16 wells in the quarter, 14 in the Fort Berthold area and two in the Marmon area. Two of the Fort Berthold wells were Three Forks wells

and the other 12 were Bakken.

In the Williston Basin, Halcon currently has 114 operated producing Bakken and 35 producing Three Forks wells. The company has an additional 14 Bakken and four Three Forks wells being completed or awaiting completion, and five Bakken and two Three Forks wells being drilled.

In May, Halcon ranked 14th among North Dakota's top 50 oil producers by wells it operates with an average daily production of 16,224.5 barrels per day according to North Dakota Industrial Commission records.

That production, however, does not include production of any of Halcon's wells still on confidential status.

Halcon participated in 80 non-operated wells in the Williston Basin where it has an average working interest of approximately 5 percent. ●

Contact Mike Ellerd at [mellerd@bresnan.net](mailto:mellerd@bresnan.net)

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## ND IP

20513; Riverview 3-3130H; Clarks Creek; SESE 31-152N-94W; 2SEC; McKenzie; Bakken; horizontal; 20,643; 3/9/2013; 2,365 bbl  
24960; Wayzetta 155-2636H; Parshall; NWSW 26-153N-90W; N/A; Mountrail; N/A; on confidential status; N/A; N/A; N/A

Note: The geologic target for the above Wayzetta 155-2636H well was not listed in its well file because it is a tight (confidential) hole, but the Parshall field produces from the Bakken pool.

### Fidelity Exploration and Production (MDU)

23405; Jerry 15-22H; Stanley; NESW 15-155N-91W; 2SEC; Mountrail; Bakken; horizontal; 16,316; 3/14/2013; 183 bbl

### GMX Resources

24639; Fairfield State 21-16-2H; St. Demetrius; NENW 16-143N-99W; N/A; Billings; Bakken; horizontal; N/A; N/A; N/A

### Hess

24504; BB-State 151-96-3625H-3; Blue Buttes; SESE 36-151N-96W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A  
24505; BB-State 151-96-3625H-4; Blue Buttes; SESE 36-151N-96W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A  
24506; BB-State 151-96-3625H-5; Blue Buttes; SESE 36-151N-96W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

### HRC Operating (Halcon Resources)

23123; Fort Berthold 148-94-19D-18-3H; Eagle Nest; SWSE 19-148N-94W; N/A; Dunn; Bakken; horizontal; N/A; N/A; N/A  
24345; Pederson 1-17-20H; Little Muddy; NENW 17-158N-101W; 2SEC; Williams; Bakken; horizontal; 19,525; 3/25/2013; 526 bbl

### Kodiak Oil and Gas

24604; P Wood 154-98-4-27-34-13HB; Truax; NWNW 27-154N-98W; N/A; Williams; Bakken; horizontal; N/A; N/A; N/A

### Liberty Resources

20736; Jackman 156-100-11-2-1H; East Fork; SESW 11-156N-100W; 2SEC; Williams; Bakken; horizontal; 20,712; 3/6/2013; 873 bbl

### Marathon Oil

23461; Hansen Ranch USA 44-10TFH; Bailey; SESE 10-146N-93W; 2SEC; Dunn; Bakken; horizontal; 20,429; 6/1/2013; 825 bbl  
24305; Helgeson 41-30H; Bailey; SWSE 19-145N-93W; N/A; Dunn; Bakken; horizontal; N/A; N/A; N/A

### Oasis Petroleum

23531; K A Sutton Federal 5300 24-15T; Willow Creek; SENE 15-153N-100W; 2SEC; Williams; Bakken; horizontal; 20,986; 3/15/2013; 1,597 bbl

### Oxy USA (Occidental Petroleum)

24705; Stag 1-35-23H-142-96; Russian Creek; SESW 35-142N-96W; ICO; Dunn; Bakken; horizontal; 25,437; 5/20/2013; 828 bbl

### SM Energy

24387; Behan 2-29H; Indian Hill; NWNE 29-153N-101W; 2SEC; McKenzie; Bakken; horizontal; 20,876; 5/8/2013; 592 bbl  
24403; Koeser 3-26H; Siverston; NENW 26-150N-98W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A  
24404; Koeser 3X-26HA; Siverston; NENW 26-150N-98W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A  
24402; Koeser 3X-26HB; Siverston; NENW 26-150N-98W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

### Statoil Oil and Gas

23286; Bures 20-29 4TFH; Alger; NWNE 20-155N-93W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A  
23675; Esther Hynek 10-11 6TFH; Alger; NWNW 10-155N-93W; 2SEC; Mountrail; Bakken; horizontal; 20,339; 6/28/2013; 2,236 bbl  
23674; Esther Hynek 10-11 7H; Alger; NWNW 10-155N-93W; 2SEC; Mountrail; Bakken; horizontal; 20,110; 6/24/2013; 2,811 bbl  
24086; Sax 25-36 4TFH; Banks; SWSW 36-153N-98W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A  
24087; Sax 25-36 5H; Banks; SWSW 36-153N-98W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A  
24088; Sax 25-36 6TFH; Banks; SWSW 36-153N-98W; N/A; McKenzie; Bakken; horizontal; N/A; N/A; N/A

### Whiting Oil and Gas

23641; Buresh 41-15PH; Dickinson; SESE 10-140N-97W; 2SEC; Stark; Bakken; horizontal; 20,660; 2/4/2013; 1,153 bbl  
23640; Buresh 44-10PH; Dutch Henry Butte; SESE 10-140N-97W; 2SEC; Stark; Bakken; horizontal; 21,358; 2/5/2013; 883 bbl  
24496; Koppinger 31-13PH; Green River; NWNE 13-140N-98W; 2SEC; Stark; Bakken; horizontal; 20,275; 2/7/2013; 790 bbl  
24141; Talkington Federal 11-27PH; Park; NWNE 27-140N-100W; N/A; Billings; N/A; on confidential status; N/A; N/A; N/A  
24300; Tank 34-7H; Dollar Joe; NWNE 18-156N-96W; 2SEC; Williams; Bakken; horizontal; 21,285; 2/8/2013; 795 bbl

Note: The geologic target for the above Talkington Federal 11-27PH well was not listed in its well file because it is a tight (confidential) hole, but the Park field produces from the Bakken pool.

### WPX Energy

22213; George Evans 14-23HD; Van Hook; SWSE 11-150N-92W; N/A; Mountrail; Bakken; horizontal; N/A; N/A; N/A  
22072; State of ND 10-3HC; Van Hook; SWSE 10-150N-92W; 2SEC; Mountrail; Bakken; horizontal; 19,676; 5/16/2013; 1,664 bbl

—Compiled by Ashley Lindly

Contact Ashley Lindly at [alindly@petroleumnewsbakken.com](mailto:alindly@petroleumnewsbakken.com)

● COMPANY UPDATE

# ConocoPhillips on track after wet spring

By MIKE ELLERD

For Petroleum News Bakken

While heavy rains and flooding impacted ConocoPhillips' second-quarter activity in the Williston Basin, the company still managed to increase production by approximately 3.4 percent over the first quarter of the year with an average production of 30,000 barrels of oil equivalent per day.

According to Executive Vice President for Exploration and Production Matthew Fox in an Aug. 1 second quarter conference call, ConocoPhillips is "getting back on track" and currently has 11 drill rigs operating in the basin.

According to North Dakota Industrial Commission records, ConocoPhillips, operating as both as ConocoPhillips and as Burlington Resources, was the state's eighth largest oil producer by wells operated in May producing an average of 30,056.1 barrels of oil per day, although that production does not include any non-operated wells in which ConocoPhillips may have interests.

Most of ConocoPhillips' current activity in North Dakota is focused around western and northwestern Dunn County and northern and northeastern McKenzie County. Fields in that region where the company is active include Corral Creek, Blue Buttes, Clear Creek, Keene, Haystack Butte, Westberg, Charlson, North Fork and Union Center.

ConocoPhillips has 216 active wells in North Dakota with another 124 on confidential status as filed under Burlington Resources Oil & Gas Company LP.

ConocoPhillips has operations in three key plays in the Lower 48: the Bakken, Eagle Ford and Permian Basin. The company's combined production from those three plays in the second quarter averaged 203,000 boepd, an increase of 47 percent increase over the same quarter of 2012.

While the company's 30,000 boepd Bakken production in the second quarter was only a 3.4 percent increase over its first-quarter Bakken production, the second-quarter production was an increase of 15 percent over ConocoPhillips 2012 average Bakken production.

Globally, ConocoPhillips reported overall second-quarter production of 1.55 million boepd. Adjusting for dispositions and planned downtime, that second-quarter production represents a 4 percent increase over the company's second-quarter 2012 worldwide production.

The company is expecting lower output in the range of 1.45 million to 1.49 million boepd in the third quarter due to planned downtime and turnaround activity. ●

Contact Mike Ellerd  
at [mellerd@bresnan.net](mailto:mellerd@bresnan.net)

## COMPANY UPDATE

### WSJ: Zenergy's ND assets on block

The Wall Street Journal reported that Zenergy Inc. has enlisted bankers to shop its North Dakota acreage, which would likely fetch more than \$1 billion if sold, according to the Journal's sources.

As of press date, the morning of Aug. 8, Zenergy had not yet publicly, or in response to a phone call from Petroleum News Bakken, confirmed the information.

But the company remains active in North Dakota, with two rigs drilling in McKenzie County (down from three in mid-July), per North Dakota Industrial Commission records.

Tulsa, Okla.-based Zenergy, formerly Zinke & Trumbo Ltd., recently submitted an application to drill eight Bakken pool wells on each of two existing 1,280-acre spacing units in the Tobacco Garden field in northern McKenzie County. Zenergy's application did not include more specific target details or well economics, but Zenergy has two wells on one of the spacing units that were tested in September 2011. Through May those wells produced 157,831 and 124,115 barrels of oil.

In Williams County, Zenergy applied to form two 2,560-acre spacing units in Eightmile field in the far southern part of the county. Zenergy is also seeking permission to drill one horizontal Bakken pool well on each of the two new units.

In October 2012, the Oil and Gas Financial Journal listed Zenergy number 27 on a periodic ranking of privately owned E&P companies in the United States. Zenergy scored 1,827,403 barrels of oil produced YTD from 196 wells.

Independent research firm IHS Herold Inc. provided OGFJ with production data for the ranking. The ranking is based on operated production only within the United States.

—STEVE SUTHERLIN

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## EOG UPDATE

million a year earlier, with its expenses climbing just 23.96 percent to \$2.75 billion, the company said in an Aug. 7 press release that coincided with its conference call.

The company has focused on increasing its oil and condensate production to offset weak natural gas prices.

"Regarding North American gas prices," Papa said, "we consider 2013 to be another in a long string of disciplinary years and we expect gas supply to continue to trump demand causing continued weakness over the next several years.

Papa remained "bullish" on oil prices, noting that "recent monthly EIA data is consistent with our expectation that 2013 year-over-year domestic oil growth will be less than 2012. We expect EOG's oil growth performance will be atypical of the industry as other companies with poor quality acreage or plays struggle to grow at rates similar to EOG." ●

Contact Kay Cashman  
at [publisher@petroleumnews.com](mailto:publisher@petroleumnews.com)

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## QEP ACREAGE

Antelope middle Bakken results. "These wells were important in that the previous owner had concentrated their development activity drilling one Three Forks well per spacing unit in order to save all the leases on the property," Stanley said. "We knew the Bakken was present, we've seen it on logs, we had core through it. But we didn't have a modern, state-of-the-art long-lateral Bakken completion on our acreage. Our first two QEP-operated Bakken completions, with post-processing 24-hour IPs of over 4,500 boe per day, confirm the middle Bakken is every bit as good and perhaps even better than we had modeled in our acquisition evaluation." Stanley added that the results are "a reflection and confirmation of what we recognized and analyzed when we made the South Antelope acquisition last year."

### Four middle Bakken wells

Through the second quarter, QEP completed a total of four middle Bakken and two Three Forks wells in the South Antelope area, all on a single pad in the Grail field. Those include some of the company's first long-lateral wells in the South Antelope area extended as far as 12,500 feet. Stanley says these six wells had a collective 30-day average production of approximately 1,300 boepd which continues to meet or even exceed the company's forecast.

"It's good rock, it's overpressured. The quality of the production performance is directly related to that rock quality in both the middle Bakken but also in the Three Forks. Both reservoirs put up some of the best well results in the basin."

QEP's current well density in the Antelope area is based on the model of

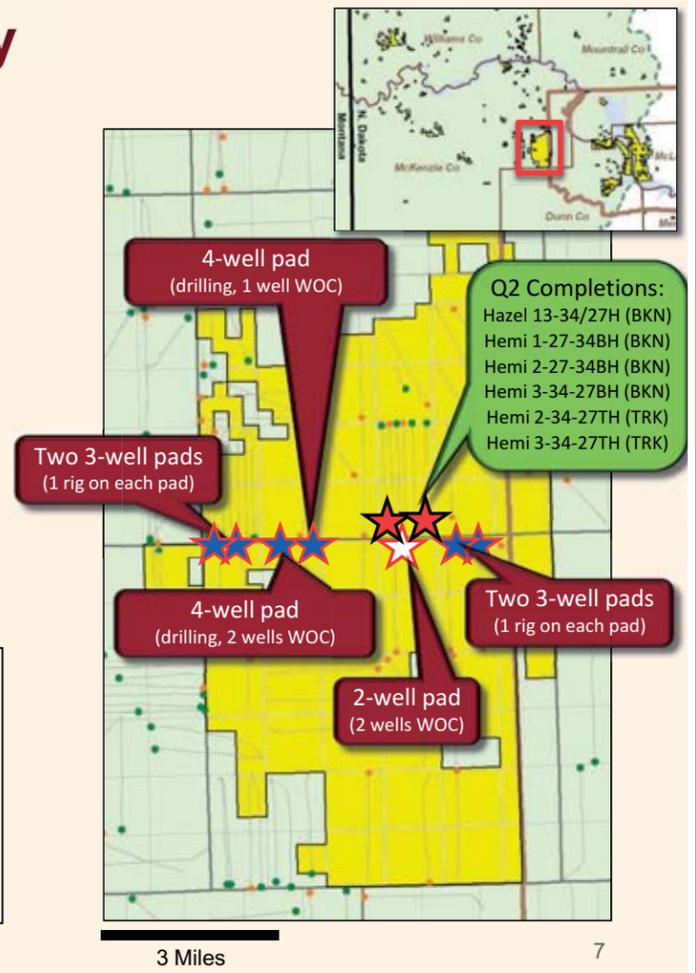
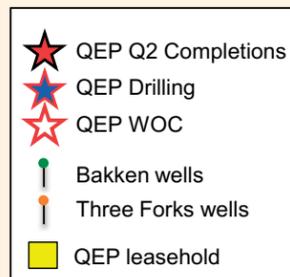
## South Antelope Activity

- 5,000 to 12,500-ft laterals
- Proved reserves of 55 MMBoe\*
- Probable reserves of 70 MMBoe\*
- 95 Bakken/Three Forks PUD locations\*
- Average EUR of 1,150 MBoe/well for Bakken long laterals post 1/1/2010
- Average EUR of 1,020 MBoe/well for Three Forks long laterals post 1/1/2010

\* As of December 31, 2012



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drilling four Bakken and four first bench Three Forks wells in each 1,280-acre unit in the area. However, Stanley said QEP is evaluating the potential to increase well density in the area, both through reservoir engineering analyses as well as some pilot testing. Additionally, QEP is evaluating other potential reservoirs in the sequence. That work, Stanley said, has the potential to materially impact the South Antelope inventory, "both in terms of infill and with respect to additional reservoirs."

### Second-quarter production and operations

QEP's second-quarter Bakken/Three Forks production averaged 20,400 barrels of equivalent per day, a nearly 17 percent increase over the average second quarter production of 17,000 boepd, and up 11 percent from the 18,348 boepd produced in the fourth quarter of 2012. The decline in production between the fourth quarter of 2012 and the first quarter of 2013 was due to a transition to pad drilling.

In all, QEP completed and brought on production six wells in the South Antelope area and nine in the company's Fort Berthold area. Five of the Fort Berthold completions were on company's Independence pad located in the Heart Butte field on the south side of Lake Sakakawea in far northeast Dunn County. The other four were on a pad located about four miles west of the Independence pad, also in the Heart Butte field on the south side of the lake.

Three of the new wells on the Independence pad are middle Bakken and the other two are completed in the Three Forks. Collectively the five wells had an average 24-hour IP of just over 2,100 boepd. The four wells on the other Heart Butte pad, two Bakken and two Three Forks, had a combined average 24-hour IP of over 3,000 boepd according to Stanley.

### Eight rigs operating

QEP currently has six drill rigs operating in the South Antelope area and two in the Fort Berthold area. Earlier in the year, the company had five rigs drilling in the South Antelope area and three in the Fort Berthold area, but due to challenges with pad construction in the Fort Berthold area as a result of wet spring conditions, the company moved one rig from the Fort Berthold to the Antelope area.

QEP also participated in a number of non-operated wells in the second quarter, including a 6 percent average working interest in 18 wells that were brought on production in the quarter. QEP also has a 3 percent average working interest in 10 non-operated wells that were being drilled at the end of the second quarter, and a 4 percent average working interest in 28 other non-operated wells that were waiting on completion.

While QEP has had a number of drill rigs operating in the first half of the year,

Stanley said drilling activity has not boosted production volumes because the rigs are simply sitting on pads drilling multiple wells. He said the company saw a slight production increase in the second quarter, but the full-year 2013 production will be back-end loaded with non-linear production growth forecasted at 18 percent in the third quarter and 31 percent in the fourth.

In terms of crude oil alone, QEP's oil production was up 12 percent over the first quarter, and up 82 percent from the second quarter of 2012. With the shift to pad-based development in the Williston Basin, Stanley believes the company is on track to reach at least a 70 percent year-over-year increase in crude oil production in 2013.

### Managing drilling, completions and costs

QEP is seeing its transition to pad drilling in the Williston Basin begin to pay off. "Pad drilling is helping us drive down well cost by reducing the time and associated cost of rig moves, and mobilization and demobilization costs associated with completion crews and equipment," Stanley said. "The pad development will also enable us to share some production facilities in gathering lines on the properties."

Stanley said QEP continues to make good progress on well costs, and is targeting a \$10 million or lower gross completed well cost by year end. However, Stanley noted that costs in the Fort Berthold area are higher than in the South Antelope area because of the acreage configuration under Lake Sakakawea. On average, those wells have longer laterals than the South Antelope wells, and Stanley expects the Fort Berthold wells costs to remain higher than the South Antelope costs.

However, pad drilling is not without its problems, and with the transition to pad drilling, according to Stanley, QEP is not able to complete any of the wells on the multi-well pads until all wells are drilled and cased and the rig moved off the pad. This a process, he said, can take four to five months, and that delay adds some "volatility" to the company's production growth profile.

In response, QEP has been managing the arrival time of rigs on new pads in order to stagger the work on the new multi-well pads. However, Stanley does not believe that the volatility will affect the company's

see QEP ACREAGE page 17

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## QEP ACREAGE

production growth. “So while there will be some volatility in the production growth going forward, we remain on track to grow crude oil to at least 70 percent in 2013.”

### Fracking experiments

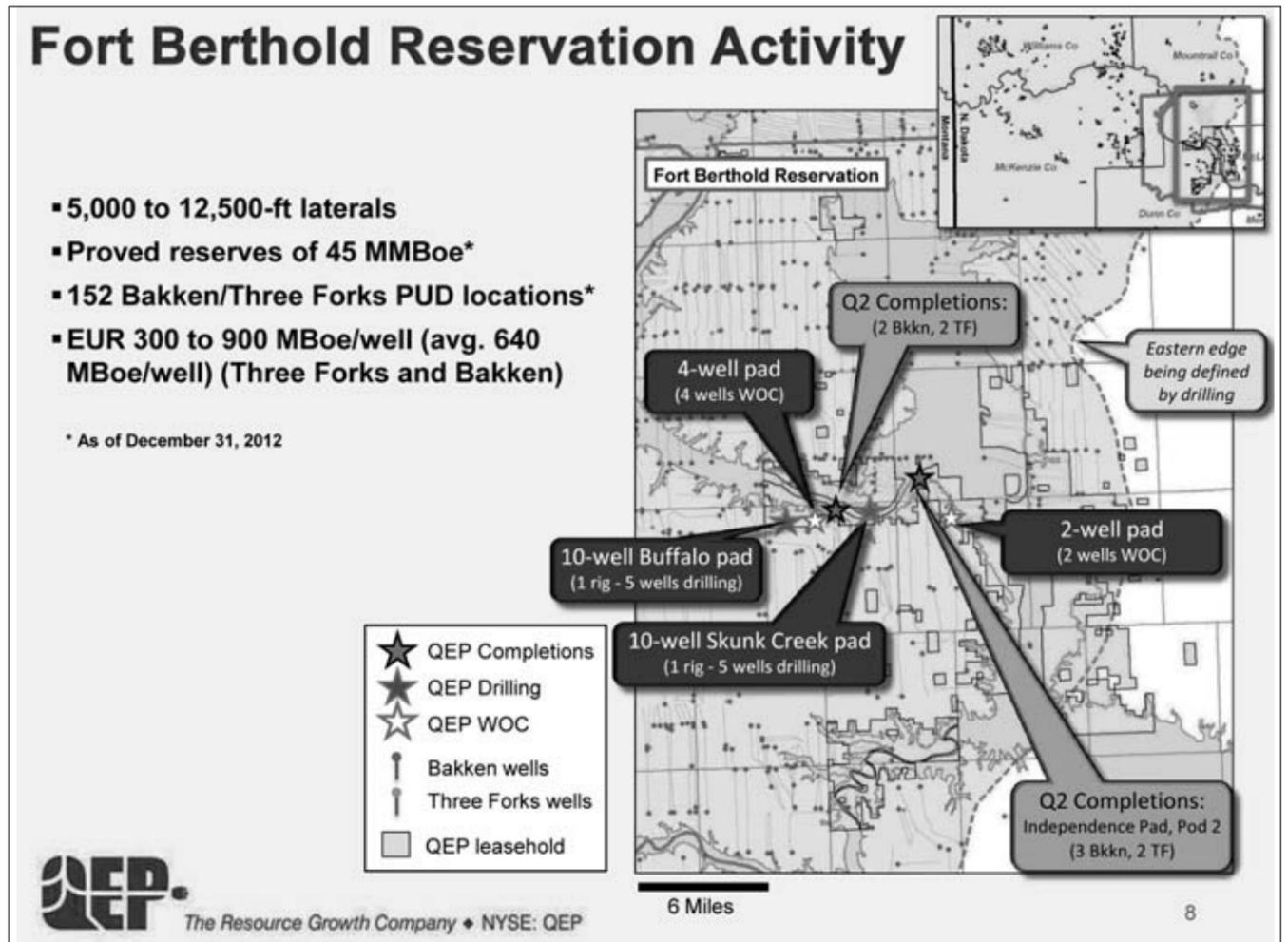
QEP is also experimenting with hydraulic fracturing methods and testing various proppants and proppant loads in its South Antelope wells, although thus far the company has not seen any noticeable results.

Stanley said QEP has “a good family of wells in the Three Forks” because the previous operator designed completions with cemented liner and plug-and-perf fracks in its Three Forks wells that can be used to compare proppant performance.

In contrast, QEP is using a sliding sleeve frack technique, averaging approximately 30 frack stages per well on its Three Forks wells. Those wells were drilled very near the Three Forks wells the former operator drilled and the fracks were of similar size. However, Stanley said thus far QEP has not seen any “material difference” in results from the Three forks wells fracked by the previous operator and QEP fracked wells.

The former operator used 100 percent ceramic proppant, while QEP has shifted to hybrid proppant consisting of primarily sand but with a “tail-in” of either ceramic proppant or resin-coated sand. In addition, QEP has increased proppant loads from between 2 million and 2.5 million pounds to as high as 5 million pounds in an attempt to find the “point of diminishing returns.” But here too, QEP has not seen any notable performance difference.

“So it’s been a great natural laboratory to compare early well performance and longer-term well performance, and frankly,



we struggle to see any significant difference,” Stanley said. “Now, that doesn’t mean that in certain parts of the basin, where rock quality may not be as good, where geology is different, that there may be a material difference between sliding sleeve and plug-and-perf cemented liner completions. We just don’t see it in the area where we’re operating.”

### Be careful with 24-hour IPs

North Dakota requires reporting of initial 24-hour production data, and while that

metric is commonly used to evaluate and compare wells, Stanley said QEP looks more at 30-, 60-, 90- and 120-day performance rather than initial 24-hour IP rates. This primary reason is the potential flowback problems that can occur in the first 24 hours of production. He said QEP is struggling internally with maximizing the first 24-hour production rate versus the risk of flowing back a portion of the proppant placed in the fractures.

Based on the company’s experience in the plays like Haynesville, Stanley said

QEP believes it may be “advisable” not to get too aggressive on flowback on the South Antelope wells. “So as we go forward, we may, in fact, choke back on these wells a little bit ... for initial flowback to avoid any long-term damage to the reservoir.”

Citing a plot of IP versus EUR with an R-squared of 0.3, Stanley said that as the cluster in the plot tightens, at 90 days there is a 75 to 80 percent correlation coefficient.

see QEP ACREAGE page 18



# BAKKEN

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or [rgarbutt@petroleumnews.com](mailto:rgarbutt@petroleumnews.com)

Bonnie Yonker at (425) 483-9705,  
or [byonker@petroleumnews.com](mailto:byonker@petroleumnews.com)

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## QEP ACREAGE

“So I think it’s very dangerous to just look at IPs.”

### Transition to liquids

Historically, QEP has predominantly been a natural gas producer, but in 2012 the company began an effort to get more liquids into its overall production mix. In 2011, natural gas accounted for 86 percent

of the company’s product mix while oil and natural gas liquids equivalents accounted for only 8 percent and 6 percent, respectively. In 2012, oil equivalent increased to 12 percent of the product mix and NGL equivalents to 10 percent.

The company set a 2013 target of 21 percent oil, 9 percent NGLs and 70 percent gas. Second-quarter production results indicate the company is close to achieving that goal with crude oil representing 18 percent of the company’s product mix and NGLs

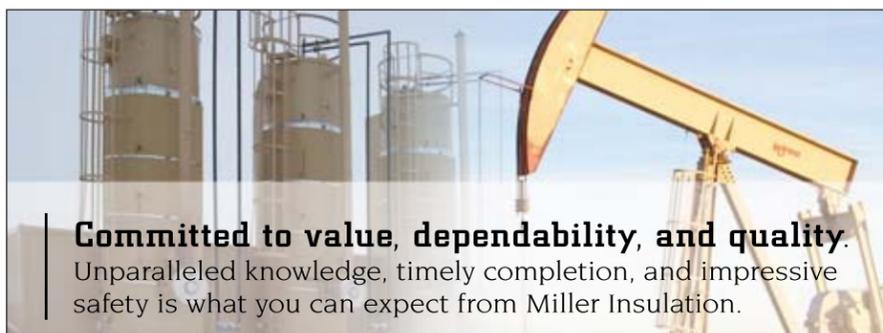
representing 9 percent for a combined total of 27 percent, bringing gas down to 73 percent of the product mix.

In addition to the Williston Basin, QEP has operations in the Pinedale Anticline, the Uinta Basin in Wyoming and Utah, as well as in the Granite Wash, Haynesville, Woodford Cana, Marmaton and Tonkawa plays in Texas, Oklahoma and Louisiana.

On a billion cubic feet equivalent, bcfe, of natural gas basis, QEP’s second-quarter 2013 total production was 77.9 bcfe. The

Williston Basin accounted for 11.1 bcfe of that total output and was a 226 percent increase over the 3.4 bcfe produced in the basin in the same quarter of 2012. Overall, the company’s second-quarter 77.9 bcfe output was a 2 percent decrease over the same quarter of 2012, but for the first six months of 2012, the company’s output was 155.9 bcfe, an increase of 1 percent over the first six months of 2012. ●

Contact Mike Ellerd at [mellerd@bresnan.net](mailto:mellerd@bresnan.net)



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# Bakken

## Oil Patch Bits

### Halcon Resources to present at EnerCom’s conference

Halcon Resources Corp. said that Floyd C. Wilson, chairman and CEO, is scheduled to present at EnerCom’s The Oil & Gas Conference 18 in Denver, Colo., on Aug. 13 at 3:30 p.m. EDT.

The slide presentation and a link to the live audio webcast will be available on the company’s website at [www.halconresources.com](http://www.halconresources.com) on the day of the presentation.

The live webcast will also be available on The Oil & Gas Conference website at <http://theoilandgasconference.com/webcast.shtml>.

Halcon Resources Corp. is an independent energy company engaged in the acquisition, production, exploration and development of onshore oil and natural gas properties in the United States.



FLOYD C. WILSON

### Quality Mat helped complete a \$75,000 fundraiser

Quality Mat said June 28 that it was pleased to feature Young Life in Southeast Texas as its nonprofit organization of the month. Young Life is an organization of caring adults committed to reaching out to kids and being involved in their lives in a variety of ways. That

involvement takes many forms, from attendance at sporting event or school functions, to simply being a sounding board for youth concerns.

Quality Mat helped complete a \$75,000 peaches fundraiser for the Young Life organization, which purchased 170 cases of peaches to donate to local nursing homes, food banks and its own employees.

Young Life fosters a multicultural ministry that begins in middle school and can continue through a youth’s college years. By physically going out into the youth world, organization leaders work with kids in economically depressed areas, teen mothers and with developmentally disabled individuals. A weekly program called club provides kids with a socially acceptable alternative to roaming the streets on weeknights. Week-long camp program combine days of unparalleled fun along with the message of God’s unconditional love. Campaigners allow kids to grow spiritually through weekly faith study, service and leadership.

Without the work of dedicated adults, Young Life’s work would not occur. As a manufacturer of quality construction mats, Quality Mat Co. believes wholeheartedly in supporting the work of organizations that give youth strong foundations for the future.

*Quality Mat helped complete a \$75,000 peaches fundraiser for the Young Life organization, which purchased 170 cases of peaches to donate to local nursing homes, food banks and its own employees.*

## Bakken Players

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## WELL DOWN-SPACING

cubic feet of gas.

### At least 6 months of data needed

"We would like to see at least six months of data before making any definitive conclusions," Branting said, noting that the dozen wells together initially produced on average 22,550 boe per day, "which is consistent with our other Kodiak-operated wells in the area."

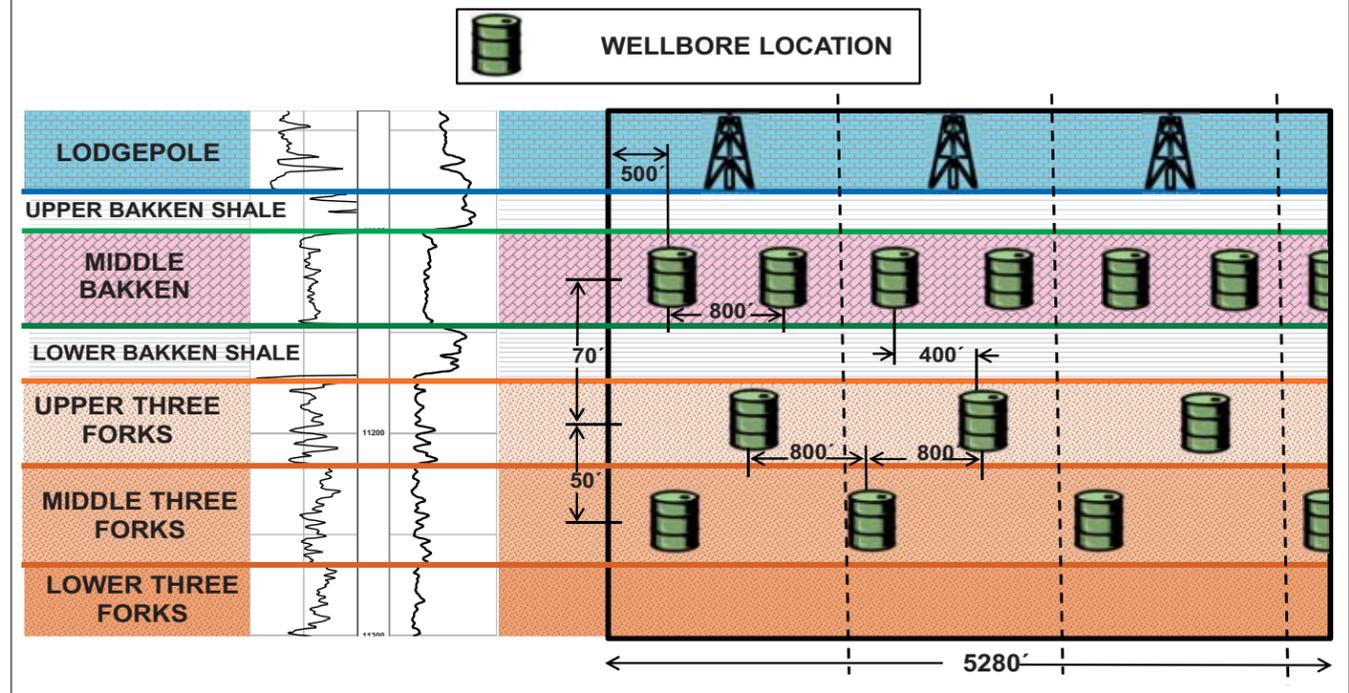
In McKenzie County, home of the company's Smokey pilot project, Kodiak also drilled 12 wells. Eight of them have been completed, while the remaining four wells are to be completed during the third quarter. However, Kodiak did not release any Smokey production data.

"Clearly, we are excited about early results from our down spacing," Lynn Peterson, Kodiak's chairman and chief executive officer, said during the conference call.

### Ten years-plus of drilling inventory

"As we get more clarity on the production, we can then start to project the impact it will have on the company's drilling inventory. I think it's safe to say

## Polar & Smokey Pilot Projects: Reservoir Well Spacing Pattern



that we are comfortable telling you we currently have more than 10 years of drilling inventory and that number has a good chance to increase significantly."

Peterson said the company is encouraged that it did not see "significant communication" between wells during well stimulation procedures, "which should

bode well for tighter spacing..."

Kodiak, in both the Polar and Smokey areas, drilled Middle Bakken wells about 800 feet apart, which allowed for six wells to be drilled in each of the 1,280-acre spacing units. Six additional wells, also 800 feet apart, were drilled into the Three Forks formation. Wells were drilled on an alternating sequence between the two intervals. Four wells were drilled from three separate pads.

Kodiak saw significant increases in revenues and production during the second quarter of 2013.

The company reported oil and gas sales of \$173.5 million in this year's second quarter, compared to \$85.8 million during the same period in 2012 and \$165.1 million in the first quarter of 2013, representing increases of 102 percent and 5 percent. Adjusted operating cash flow was \$131.1 million for the second quarter versus \$67.7 million in the same period a year earlier, a 94 percent increase. However, net income for the second quarter came in at \$44.3 million, down from \$93.1 million for the same period in 2012.

Kodiak also reported an 8 percent increase in quarter-over-quarter sales volumes, with 2.1 million barrels of oil equivalent sold, or an average of 23,200 boe per day during the second quarter of 2013, compared to 1.9 million boe, or an average of 21,700 boe per day, in the previous quarter. The company averaged just 12,700 boe per day in the second quarter of 2012.

Kodiak's current net production is about 34,000 boe per day, consisting of roughly 28,500 boe per day from legacy production and 5,500 boe per day from the company's recent Liberty Resources property acquisition. That deal also included about 42,000 net leasehold acres in North Dakota's McKenzie and Williams counties.

The company expects output to average 30,000-34,000 barrels of oil equivalent per day in 2013, compared to 3,900 boe per day in 2011, for an average production increase of more than 200 percent per year over the three-year period.

During the second quarter of 2013, Kodiak said it invested about \$248.7 million related to its oilfield operations and leasehold acquisitions. It expended \$204.1 million on its operated properties, \$35.3 million on non-operated wells and \$9.3 million in infrastructure and acreage acquisitions. ●

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