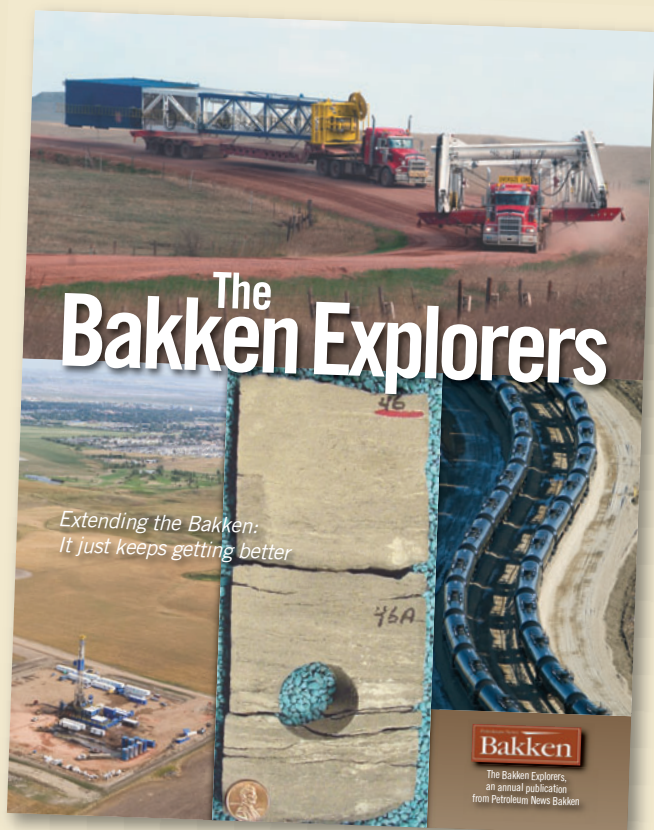




Looking for explorer nominations



Petroleum News Bakken is seeking nominations of oil and gas companies operating in the Bakken petroleum system of North Dakota, Montana, Saskatchewan and Manitoba for inclusion in the newspaper's annual magazine, *The Bakken Explorers*, which will be released in August. Find details here: <http://bit.ly/ZkUYuc>

GMX files for bankruptcy protection: gas prices blamed

Williston Basin producer GMX Resources Inc., unable to generate enough cash to meet its financial requirements has filed for Chapter 11 bankruptcy protection, blaming weak natural gas prices for its liquidity problems.

The Oklahoma-based E&P independent said it's now "pursuing" an agreement with holders of its senior secured notes due 2017 for them to acquire substantially all its operating assets and undeveloped acreage.

The agreement would represent a baseline offer for GMX's assets, which would be subject to a public auction and receipt of competing, and potentially higher and better offers. The plan needs approval from the U.S. Bankruptcy Court, Western District of Oklahoma, where GMX filed its Chapter 11 petition April 1.

Gas prices tumble

Natural gas-weighted GMX mentioned weak gas prices as a primary cause of its financial problems. Prices have dropped

see **GMX BANKRUPTCY** page 9

Obama budget targets oil; Keystone XL fans retaliate

On April 10, U.S. President Barack Obama sent Congress his Budget for Fiscal Year 2014, which aims to raise more than \$600 billion in new revenue in the next decade, mainly by curbing deductions of affluent taxpayers and forcing millionaires to pay a minimum tax rate of 30 percent.

The budget also looks to make tax breaks for renewable energy, energy efficiency and research and development permanent, but increase government take from the oil and gas industry by "closing of unfair tax loopholes" for oil and gas companies, which the administration says will bring in an additional \$41 billion.

Included in those 'loopholes' is everything from eliminating deductions for intangible drilling costs and domestic manufactur-

see **BUDGET PLAN** page 5

COMPANY UPDATE

Long-term player

Statoil looks at its Bakken assets from a slightly different perspective

By **MIKE ELLERD**

For Petroleum News Bakken

Since acquiring Brigham Oil and Gas in 2011, Norway-based Statoil has been establishing itself as a major player in the Williston Basin. But with decades of experience in global offshore development, Statoil has a slightly different philosophy when it comes to onshore production. Moving slower rather than faster is part of that philosophy.

London native Stephen Bull is Statoil's vice president overseeing the integration of Brigham into Statoil, and in that role he is very much



STEPHEN BULL

involved in Statoil's Bakken operations. Bull spoke with Petroleum News Bakken on April 9 about Statoil's Williston Basin operations along with the company's long-term business model and how that model applies to its Williston Basin assets.

Long-term business model

Statoil's business model, according to Bull, is to take a longer-term view of onshore production, an approach he describes as somewhat anathema in the onshore world.

"We're long-term investors, so we don't shy

see **STATOIL** page 8

MOVING HYDROCARBONS

Sandpiper threatens hub

If Enbridge gets go-ahead for pipeline, Bakken trading hub possible in Wisconsin

By **GARY PARK**

For Petroleum News Bakken

If Enbridge gets a green light for its Sandpiper pipeline it could lead to a new Bakken trading hub in Superior, Wis., further eroding the role of Clearbrook, Minn., as a center for spot trading activity, market observers say.

If the proposed 600,000 barrels-per-day Sandpiper system is cleared by regulators, there is no reason why Clearbrook would be needed as a hub, said Neil Earnest, president of consulting firm Muse Stancil.

A U.S. Federal Energy Regulatory Commission document issued in late March said the Enbridge system, part of its Light Oil Market Access program, would form a unified system to carry crude from

Trading sources say the pipeline limitations have seen deliveries from the Enbridge system at Clearbrook from to about 93,000 bpd from 210,000 bpd, causing a decline in spot trading, with Bakken crude volumes slumping to less than a half of the volumes at the hub around mid-2012.

origin points on the Enbridge North Dakota system to a new connection with its Lakehead System at Superior.

The \$2.5 billion Sandpiper link is planned to run from Beaver Lodge, N.D., to Clearbrook, boosting the line's capacity to 435,000 bpd from 225,000 bpd,

see **SANDPIPER PIPELINE** page 12

GOVERNMENT

Feds offer clarification

Absent a federal nexus, compliance with US wildlife laws is an honor system

By **MIKE ELLERD**

For Petroleum News Bakken

In February, Petroleum News Bakken reported that in a legislative hearing, North Dakota Department of Minerals Commissioner Lynn Helms said the U.S. Fish and Wildlife Service wanted every drilling permit in North Dakota to get Fish and Wildlife approval, an allegation that Fish and Wildlife official Jeff Towner adamantly denies.

Helms' comment was at least partly based on an email he received from Towner, the Fish and

see **CLARIFICATION** page 9

NDIC, Alaskans on Fish & Wildlife

Even though every oil well in North Dakota must be permitted by the North Dakota Industrial Commission, or NDIC, the state of North Dakota has no jurisdiction over federal wildlife laws and has no authority to require companies to comply with such federal laws.

Alison Ritter, public information officer for the Oil and Gas Division of the Department of Mineral Resources within

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● MOVING HYDROCARBONS

Foundation report calls for cooperation

Provinces told failure to act on pipelines will cost C\$70 million a day in economic activity; TransCanada would move crude to east

By GARY PARK

For Petroleum News Bakken

Canada's provincial governments urgently need to cooperate to overcome the critical shortage of crude oil pipeline capacity out of Western Canada, or see their energy sector put at risk, says a study by the Canada West Foundation, an independent think tank.

"Delaying even a single pipeline project that improves market access can cost up to C\$70 million per day in foregone economic activity," the foundation said in a report commissioned by the Saskatchewan government.

"The loss to the Canadian economy will be devastating if we don't dramatically expand our pipeline capacity to multiple markets," said the foundation's Chief Executive Officer Dylan Jones. "Abandoning this industry to oil producing countries with lower standards is not leadership."

The report said that "as it stands now, oil production in (Western Canada) could soon outstrip available export capacity. If this happens, investment and expansion will grind to a halt."

ITG Investment Research joined the chorus by forecasting that pipeline capacity in the Western Canadian, U.S. Rockies and U.S. Bakken production areas will not be able to keep pace with production growth over the next four years, with the Alberta oil sands accounting for 64 percent of the growth as Western Canada doubles output to 5.7 million barrels per day by 2025.

Binding open season

That warning is being put to the test as TransCanada embarks on a binding open season to determine whether shippers will support its plans for Energy East Pipeline to deliver 500,000 to 850,000 bpd from the oil sands and Saskatchewan's Bakken to refineries in Quebec, New Brunswick and Nova Scotia, as well as for export to the U.S. East Coast and possibly international markets.

Along with Enbridge plans to start shipping more crude to Ontario and Quebec refineries, the project is rapidly shaping up as one of the last, best hopes for Western Canadian producers.

The spill from ExxonMobil's Pegasus pipeline in Mayflower, Ark., has further inflamed opponents of TransCanada's Keystone XL pipeline from Alberta to the U.S. Gulf Coast, with activists marching in Washington, D.C., over the Easter weekend to deliver their message that "we don't need Alberta's dirty foreigner tar sands fish-killing high-pollution oil."

The Mayflower incident gives President Barack Obama another opportunity to turn down Keystone XL, with some analysts predicting that a verdict will not be delivered until September at the earliest, and fuels the Canadian fight to block Enbridge's Northern Gateway and Kinder Morgan's Trans Mountain pipelines.

Energy East

TransCanada's Energy East project, carrying an estimated cost of up to C\$6 billion, involves converting 1,800 miles of underutilized natural gas pipeline and building 840 miles of new pipe, stretching as far as Irving Oil's 300,000 bpd refinery at Saint John, New Brunswick.

If the open season from April 15 to

In a subtle shift from Alberta's crumbling dream of processing more crude bitumen within its borders, Energy Minister Ken Hughes said the thinking has evolved to a point where the province supports upgrading anywhere in Canada.

June 17 attracts sufficient commitments from producers and refiners, TransCanada is then faced with winning over federal and provincial governments.

So far, Alberta Premier Alison Redford, Saskatchewan Premier Brad Wall and New Brunswick Premier David Alward have endorsed the scheme, along with Canadian Prime Minister Stephen Harper and Thomas Mulcair, leader of the socialist New Democratic Party who opposes Keystone XL.

Federal Natural Resources Minister Joe Oliver said Canada is fast approaching the point where "there's going to be inadequate pipeline capacity. Clearly this is not an either/or situation — we need to get our oil to tidewater and that means the West Coast, the East Coast and the Gulf Coast" to attract international crude prices.

TransCanada also paints Energy East as complementary to other projects, including Keystone XL, Northern Gateway, Trans Mountain and Enbridge's planned reversal of its Line 9 to ship 300,000 bpd of western crude to Quebec.

The biggest challenge is posed by Quebec Premier Pauline Marois, who has indicated support in principle for the idea, mindful that imported crude costs her province's economy about C\$6 billion a year, but also faced with some of Canada's most vocal environmentalists who want nothing to do with oil sands

production. Almost certain to join the opponents will be aboriginal communities.

Need for pipelines

Robert Roach, vice president of research at the Canada West Foundation, said his organization's report challenges Canadians to start thinking about "why we need to make sure we are top-notch in environmental performance and why we need these pipes."

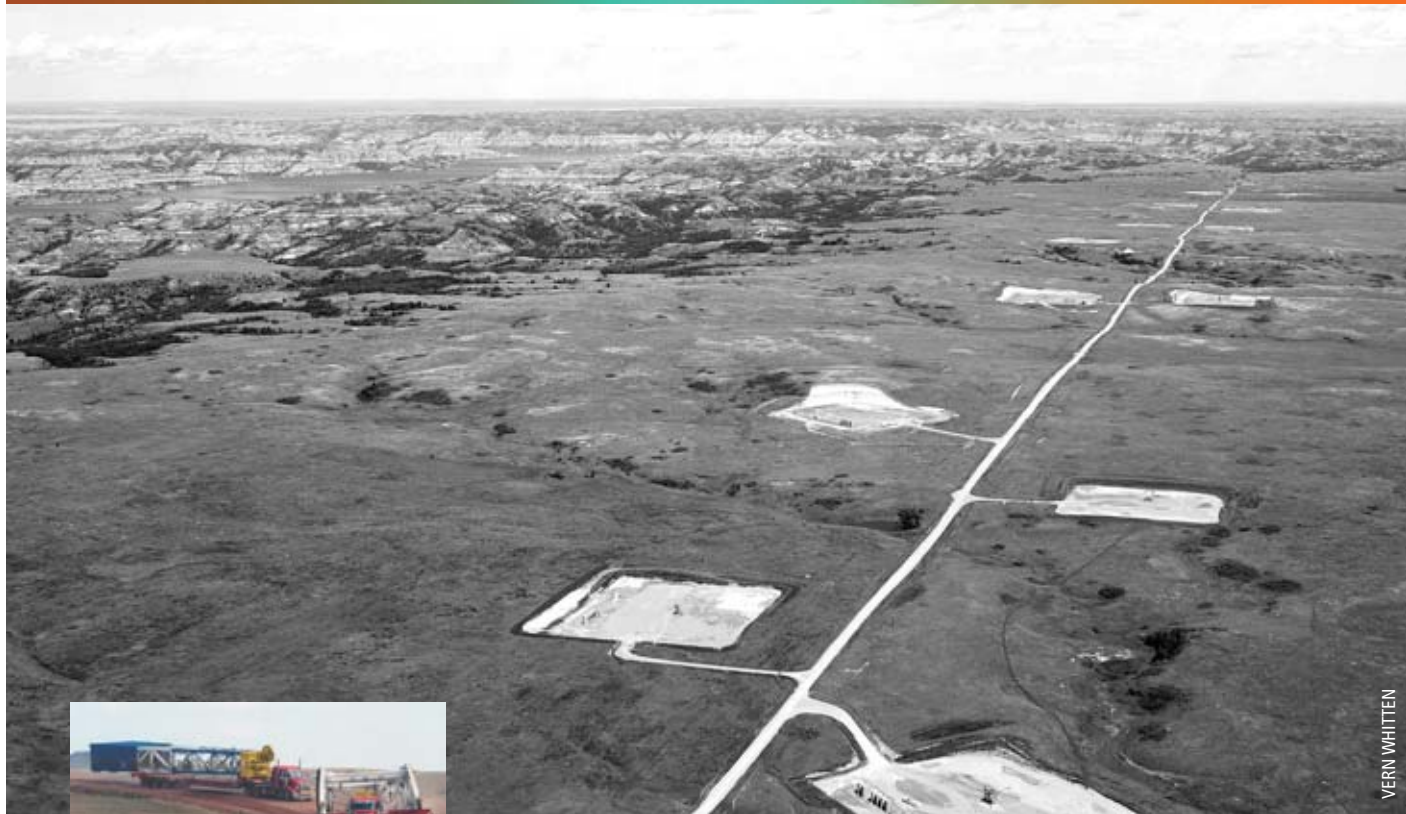
He said that if the issue is properly handled "we can develop our heavy oil, get it to market and do it in an environmentally responsible way (which is) better than abdicating and saying somebody else will supply the crude."

The report said that sending Western Canada's oil to Eastern Canada "offers national economic benefits that could

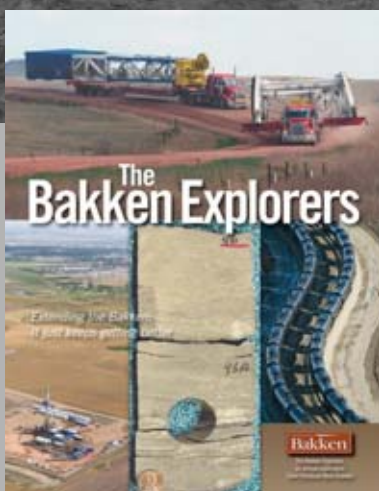
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Bonnie Yonker
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Renee Garbutt
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MOVING HYDROCARBONS

Hiland proposes new route to Cushing

Hiland Crude, a subsidiary of Oklahoma-based Hiland Partners LP, is proposing to build a 462-mile 12-inch pipeline from Dore in northwest North Dakota near the Montana border to Guernsey, Wyo. At Guernsey, the new pipeline, known as the Double H, will connect with the Pony Express pipeline, which will eventually be extended to Cushing Okla., offering another option for transporting Bakken crude from Montana and North Dakota the trading hub.

Hiland Crude is still negotiating with landowners over right of way, but construction on the \$300 million Double H project is scheduled to begin this summer and be in service in late 2014. The pipeline will have an initial capacity of 50,000 barrels of oil per day, with the potential of being expanded to 100,000 bopd.

On April 4, the Casper Star-Tribune reported Hiland Crude Vice President Jim Suttle as saying that in the past, Guernsey has been somewhat of a "dead end" for regional crude, often trading at a discount of up to \$26 per barrel compared to Cushing. But with the new Pony Express connection to Cushing, that could change.

Suttle discussed the pipeline April 3 with Converse County, Wyo. commissioners in Douglas, according to the newspaper. The commissioners encouraged Hiland to tread lightly when dealing with county landowners. "We understand the value of interstate pipelines," Commissioner Jim Willox said. "Most people don't like them, but do tolerate them."

Hiland owned by Hamm

Hiland Partners, LP is a midstream energy firm based in Enid, Okla. Its operations are focused in the Rocky Mountain and Mid-Continent regions. Established in 2004 when Hiland Partners LLC and Continental Gas combined to form Hiland Partners LP, it is owned by Continental Resources Chairman and CEO Harold Hamm.

The Pony Express project consists of a natural gas pipeline being converted to oil transport, and a new pipeline that connects the former gas pipeline from Lincoln, Kan., south to Cushing, Okla. Construction on the 24-inch Cushing extension is expected to begin this summer. The entire Pony Express crude project is expected to be in service by August 2014. Pony Express will have the capacity to transport between 230,000 and 320,000 bopd.

Pony Express is owned by Kansas-based Tallgrass Energy Partners, which acquired the natural gas pipeline from Kinder Morgan Energy Partners in 2012. Tallgrass is one of many companies owned by the New York private equity firm Kelso & Company.

—MIKE ELLERD

MOVING HYDROCARBONS

Bakken deals inked

By KAY CASHMAN

Petroleum News Bakken

At the same time Oneok Partners announced the completion of its 600-mile Bakken NGL pipeline from North Dakota to a terminal on Colorado's Overland Pass pipeline, Port of Grays Harbor commissioners were granting a lease option to a local US Development subsidiary that plans to export oil from a terminal at Hoquiam, Wash.; oil shipped west by rail from North Dakota and Montana.

April 9 also yielded new deals inked by U.S. Bakken oil producers XTO Energy and Continental Resources.

Under an open season launched Feb. 19 by CenterPoint Energy Bakken Crude Services, ExxonMobil subsidiary XTO signed the first contract to utilize the 19,500 barrel-a-day system, which will gather oil from points in Dunn and McKenzie counties in North Dakota, and ship it to connections with interstate markets. The open season gave shippers the opportunity to make long-term commitments of at least 1,000 bpd.

Refiner PBF Energy also announced an agreement April 9 with Continental to buy Bakken crude for its Delaware City refinery. The deal was the first since PBF completed a second rail unloading facility at its 182,000 bpd plant, allowing the refinery to take as much as 70,000 bpd of light, sweet crude from the Bakken tight oil play, along with 40,000 bpd of Canadian heavy oil.

The Bakken natural gas liquids pipeline will go into service this quarter with an initial capacity of 60,000 bpd. Oneok is planning to expand it to

135,000 bpd by third quarter 2014.

Oneok owns 50 percent of the Overland Pass pipeline, a 760-mile NGL line running from southern Wyoming to Conway, Kan.

At Port of Grays Harbor, US Development has 24 months to get the project, which includes six to eight bulk liquid storage tanks, permitted and shovel ready.

In the release announcing its 15-year contract with XTO, C. Gregory Harper, a top executive with parent CenterPoint Energy, said the deal "positions us to execute our strategy of expanding into liquids-rich basins."

Houston-based CenterPoint is a U.S. energy delivery firm with \$22 billion in assets that include electric transmission and distribution, natural gas distribution, interstate pipelines and field services operations.

In the press release about the Continental sales contract, PBF's CEO Tom Nimbley said, "Delaware City's heavy and light crude rail discharge facilities allow us to work directly with producers in Canada and the Mid-continent," providing the company with a "competitive advantage" over other northeast refiners who have traditionally relied on imported and higher priced crude from West Africa and the North Sea.

Several East Coast plants have closed in recent years, while others, such as Delta Air Lines' refinery in Trainer, Penn., have worked to secure Bakken and Canada oil via rail. ●

Contact Kay Cashman
at publisher@petroleumnews.com

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Dec Cashman	CIRCULATION REPRESENTATIVE
Joshua Borough	ASSISTANT TO THE PUBLISHER

ADDRESS

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

NEWS

RAY TYSON
605.343.4031
rtyson@petroleumnews.com

CIRCULATION

907.522.9469
circulation@petroleumnews.com

ADVERTISING

907.522.9469
clasley@petroleumnews.com

FAX NUMBERS

SOUTH DAKOTA
713.658.0125
ALASKA
907.522.9583

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PIPELINE CAPACITY

make it easier to gain public acceptance for additional pipeline construction."

But the report concluded that current market conditions do not support the development of additional refining and upgrading capacity in Western Canada.

In a subtle shift from Alberta's crumbling dream of processing more crude bitumen within its borders, Energy Minister Ken Hughes said the thinking has evolved to a point where the province supports upgrading anywhere in Canada.

"It's part of our strategy on oil mar-

kets diversification," he told the Financial Post. "There are opportunities for refining in Eastern and Central Canada. What a great thing if there is value created in those communities."

Steven Paget, an analyst with FirstEnergy Capital, said there is a "reasonable chance" that Energy East will attract the required shipper support because it is both technically and economically feasible.

"It is also an all-Canadian alternative that could allow Canadian oil to access export markets without going through the U.S.," he said. ●

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GOVERNMENT

Schneider's perspective on O&G issues

Senate Minority Leader talks about oil taxes, relief to counties and landowner issues facing North Dakota's legislature

By MIKE ELLERD

For Petroleum News Bakken

In a state where Republicans have comfortable majorities in both houses of the legislative assembly, being in the minority party in the North Dakota legislature has its challenges. But Grand Forks attorney Mac Schneider takes on those challenges in a big way in his role as Senate minority leader. Schneider spoke with Petroleum News Bakken on April 9 and offered his perspective on a variety of oil and gas-related bills that the 2013 legislature has been considering.

HB 1234, now a complex package

Petroleum News Bakken: There has been much controversy this session over attempts to lower the oil extraction tax. SB 2336, which was a complicated bill containing a variety of provisions, including stripper well status as well as a lowering of the oil extraction tax. While it passed the Senate with a comfortable margin, it was defeated in the House on a vote of 6-87.

Since then, House Bill 1234 has emerged as an important and complex oil and gas-related bill and has been amended to include many of the provisions that were in SB 2336. Is HB 1234 now essentially the same bill as SB 2336?

Schneider: It is with one very large exception. The be-all, end-all of SB 2336 was the reduction in the extraction tax, and that is not a part of HB 1234. And so in that regard it's completely dissimilar from SB 2336. Let's just briefly talk about SB 2336 and why I think the reduction in extraction tax failed.

Either the sponsors didn't understand the true cost of the oil extraction cuts to North Dakota, or maybe didn't want to explain the true cost of the cut to our citizens, but the cost was huge. The legislative council initially scored it at \$595 million in the first five years after the reduction would kick in after 2017. The tax department reconfigured the numbers based on higher daily extraction and the cost was scored at \$1.3 billion in the first five years alone.

I don't think the sponsors were giving full consideration to the cost to the people of North Dakota of the extraction tax cut. Once that cost was revealed, the bill ultimately failed. It was a pretty dramatic turnaround, and I think they were getting some heat from people back home, you know, wondering why we were cutting the extraction tax before we get a handle on the challenges to our infrastructure and the quality of life in western North Dakota, and at the end of the day they made the right move. It wasn't the right priority for North Dakota. There may come a point in the future about when to keep our industry competitive relative to other plays, but that's certainly not now.

Petroleum News Bakken: SB 2336 had passed the Senate with a comfortable majority, so it was very surprising when it was so soundly defeated in the House. What are your thoughts on that defeat?

Schneider: It was a pretty stunning change of pace, and I'm not sure if this was something that the majority caucused on and decided to reverse course after that, but there was a pretty strong correlation between those new numbers coming out, which caused quite a stir, and the House voting down SB 2336. In my perspective, it

became impossible for the majority to justify a multi-billion dollar cut in the extraction tax to the people of North Dakota. It was just not a saleable proposal.

It was a remarkable change of course, and was made even more remarkable by the fact that the House in HB 1234 also voted to reduce the extraction tax. So both chambers voted to reduce the extraction tax. But the extraction tax reduction was amended out of HB 1234 in the Senate, and there will be no extraction tax reduction this session.

Petroleum News Bakken: Does your caucus support HB 1234?

Schneider: I intend to vote for HB 1234. I do have reservations on component parts of the bill, but, you know, sometimes if you have a hair in your soup you just pull it out without sending the soup back. It does address the stripper well issue, but it also creates some problems down the road. But if we can solve problems now, even if it means we have to deal with problems later, I think that should be our approach.

Relief to counties

Petroleum News Bakken: Relief to oil-impacted counties has been a key issue during this legislative session. HB 1358 has received broad support but the amount of money earmarked for the oil-impacted counties was amended down in the bill by the Senate Finance and Taxation committee and some funding provisions have been removed and amended into other bills.

What are your thoughts on reduction in the amount of money that would go to oil-impacted counties in this bill?

Schneider: That was extraordinarily disappointing. It is a bipartisan bill. It's bold. It's aggressive. It would do something that no legislative effort has done since I've been in the Senate, and that's not only allows our communities to catch up, but also to do some long-term planning and stay ahead of the curve. Now's the time to do something like HB 1358.

Unfortunately several hundred million dollars were cut from HB 1358 last week, about \$302 million according to the legislative council. That was deeply disappointing. We're going to do everything we can to help restore those several hundred million dollars, and it really is just a case of priorities.

I think what's coming to a head here is ideologies versus the very real needs that are out west. The House wants to cut corporate and personal income taxes by \$500 million. That is a steep, steep cut, even for a state like North Dakota. So the question that has to be answered in coming days is what's more important, these cuts to the corporate and personal income tax or people in western North Dakota? I speak for many in both parties when I say that those critical needs out west need to come first.

Petroleum News Bakken: Do you think is going to happen with HB 1358?

Schneider: This is going to be one of the last bills that we vote on in the session. It most certainly will go to conference. I think the Appropriations Committee



MAC SCHNEIDER

will probably restore some funding, but what comes out of the Senate will certainly be lower than what comes out of the House. So it will be game-on in the conference committee.

Petroleum News Bakken: Do you think when all the dust settles, the funding that's going to the impacted counties will be adequate to meet their needs through the biennium?

Schneider: We absolutely have to get there. I haven't been around the legislature very long, this is my third session, but I can tell you that in the two sessions that I have been here we have absolutely undershot the mark, and we've been wildly inaccurate when it comes to providing funding to address these needs.

We've got to get there. We have the resources to do it, the question is does the majority have the political will?

Landowner issues

Petroleum News Bakken: A number of bills dealing with landowner issues have passed the House and are now in the Senate. These bills deal with such issues as setback distances, dispute mediation, definition of the commencement of drilling activities, definition of a release requiring reporting, and the \$30 million per biennium Outdoor Heritage Fund.

What are your thoughts on how the legislature is addressing landowner issues?

Schneider: I think there have been some bills that are positive, but at the end of the day I don't think landowners are going to be jumping up and down talking about what a great job the legislature did. I don't want to downplay the work that's gone into some of these landowner bills by my colleagues, but I just think the rapid pace of oil development is still going to continue to run up against landowner rights regardless of what we've done in the legislature.

That being said, there are several bills that I have supported and the Northwest Landowners Association has supported. HB 1333 creates a state fund under the industrial commission to pay for the cleanup of oil spills where there's no responsible party. That's positive.

Another, HB 1352, allows landowners and mineral producers to use the North Dakota mediation service to settle some of these disputes that arise every now and again. I think that's positive.

HB 1348 is a setback bill. Is it better than current law? Yes. But are landowners writing legislators thanking them for what a great job they did? No.

So it's been somewhat of a mixed bag. We have made progress but don't count me amongst the legislators that think we've done everything right in terms of landowners. I'm not going to be a legislator who pats myself on the back for what a good job we did for landowners. I think there's still going to be work to do, and even more broadly than landowner rights. Landowners drive on county roads when they go to town and there are quality of life issues out there.

I think we have work to do in the remaining weeks to stand by western North Dakota to make sure that we protect what really makes North Dakota great. ●

Contact Mike Ellerd
at mellerd@petroleumnewsbakken.com



continued from page 1
BUDGET PLAN

ing deductions; to disallowing credits on payments to foreign governments, such as petroleum taxes, and eliminating \$150 million in research and development programs.

Obama's budget plan would also impose a new \$4-per-acre, use-it-or-lose-it fee on all new non-producing federal oil and gas leases and restore \$18.7 billion in Superfund taxes that help pay for the cleanup of high risk hazardous waste sites,

including an excise tax of 9.7 cents a barrel on crude.

Finally, it would repeal the "last in, first out" accounting technique, which allows inventories to be valued at the most recent price paid when computing net profit and taxable revenue.

Spared in the president's plan are master limited partnerships.

What's missing from the president's proposed budget is any mention of Keystone XL oil pipeline.

But House Republicans have included funding for the \$7 billion project in their budget.

Republican efforts were bolstered in March when the Senate passed a bipartisan symbolic measure to give Congress the power to green-light Keystone XL later in the year.

The Northern Route Approval Act, which both removes the need for a presidential permit and grants other federal approvals and authorizations needed for construction, was discussed in House Energy and Commerce Subcommittee on Energy and Power the same day Obama released his budget plan.

Committee members didn't talk about whether the legislation could overcome a

White House veto or pass constitutional muster, press reports said.

Similar legislation co-sponsored by Democratic Sens. Max Baucus and Jon Tester of Montana is pending in the Senate.

As for the president's proposed tax hits for the oil industry, after failing to implement them for four consecutive years, Republican leaders say they are unlikely to receive Congressional approval.

—KAY CASHMAN

Contact Kay Cashman
at publisher@petroleumnews.com

Bakken Stats

Montana oil activity report, March 29-April 4

Abbreviations & parameters

With a few exceptions, such as the Heath shale play in the central part of the state, 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 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

COMPILED BY DARRYL L. FLOWERS

For Petroleum News Bakken

New locations

In Wibaux County, Petro-Hunt LLC received permits for two wells, both aiming for the Red River formation. The Setera 12-59 13D-1-1 has an SHL at NE SE 13-12N-59E (1810 FSL/810 FEL) and a PD of 10,800 feet; the Nagode 12-61 20D-1-1 has an SHL at SE SE 20-12N-61E (660 FSL/1300 FEL) and a PD of 11,350 feet.

New locations — horizontal wells

Whiting Oil and Gas Corp. was green lighted for two Bakken formation wells in Richland County. The Iversen Bros 31-1-1H has an SHL at NW NE 1-25N-57E (345 FNL/2080 FEL) and a PBHL of 21,386 feet at SW SW 12-25N-57E (240 FSL/660 FWL). The Sundheim 21-27-1H has an SHL at NE NW 27-25N-58E (350 FNL/1880 FWL) and a PBHL of 20,568 feet at SW SW 34-25N-58E (240 FSL/660 FWL).

Completions

In Richland County, Whiting Oil and Gas Corp. filed completion reports for three wells. The Prewitt 26-35 1TFH, with an SHL at NW NE 26-24N-58E (615 FNL/1542 FEL) and a BHL of 19,457 feet at SW SE 35-24N-58E (661 FSL/1609 FEL). The well, which taps into the Three Forks formation, reported

an IP of 213 BOPD, 25 MCFPD and 224 BWPD.

The Norby 21-16-1H has an SHL at NE NW 16-25N-57E (350 FNL/2470 FWL) and a BHL of 21,156 feet at SW SW 21-25N-57E (225 FSL/545 FWL). The Bakken well turned in an IP of 240 BOPD, 165 MCFPD and 485 BWPD.

The Kilen 21-15-1H has an SHL at NE NW 15-25N-57E (375 FNL/1630 FWL) and a BHL of 20,425 feet at SW SW 22-25N-57E (361 FSL/679 FWL). The

Oasis gets high IPs on four wells

Included in the completions reported to the State of Montana in the week ending April 4, were four Oasis Petroleum North America LLC wells tapping the Bakken petroleum system and yielding initial production flow rates of 1,510, 1,803, 1,665 and 2,065 barrels of oil in their first 24 hours online.

The wells, in the order listed, were the Tim Federal 2658 21-10H in Richland County, and the Talen 2759 43-7H, Betsy Federal 2758 24-29H and the Fannie Federal 2759 43-19H, all in Roosevelt County. The Betsy Federal and the Fannie Federal each had three laterals.

reported IP of the Bakken formation well was 491 BOPD, 501 MCFPD and 1,669 BWPD.

Oasis Petroleum North America LLC reported the completion of four wells, all targeting the Bakken formation.

In Richland County, Oasis completed the Tim Federal 2658 21-10H. The well has an SHL at SW NW 10-26N-58E (1850 FNL/225 FWL) and a BHL of 20,059 feet at SE NE 11-26N-58E (1895 FNL/286 FEL). The well reported an IP of 1,510 BOPD, 1,067 MCFPD and 4,694 BWPD.

Oasis' other three completions are in Roosevelt County were as follows:

The Talen 2759 43-7H has an SHL at SW SE 7-27N-59E (180 FSL/2330 FEL) and a BHL of 20,217 feet at NW NE 6-27N-59E (278 FNL/2418 FEL). The Talen turned in an IP of 1,803 BOPD, 1,566 MCFPD and 3,695 BWPD.

The Betsy Federal 2758 24-29H has an SHL at SE NE 29-27N-58E (1480 FNL/270 FEL) and three laterals: 11,901 feet at SE NW 28-27N-58E (1499 FNL/1561 FWL); 13,776 feet at SE NW 28-27N-58E (1532 FNL/3435 FWL) and 20,464 feet at SE NE 27-27N-58E (1523 FNL/445 FEL). The Betsy turned in an IP

see **ACTIVITY** page 7



North Dakota well operator transfers

March 16 — April 5, 2013

LEGEND

Date of well operator transfer

Well(s) transferred from

Well(s) transferred to

NDIC well file number — well name — well type — pool — field — IP (initial production) test date — IP oil rate in barrels — location — county

April 3, 2013

From: Chaparral Energy, L.L.C.

To: Black Gold Energy Resource Development, LLC

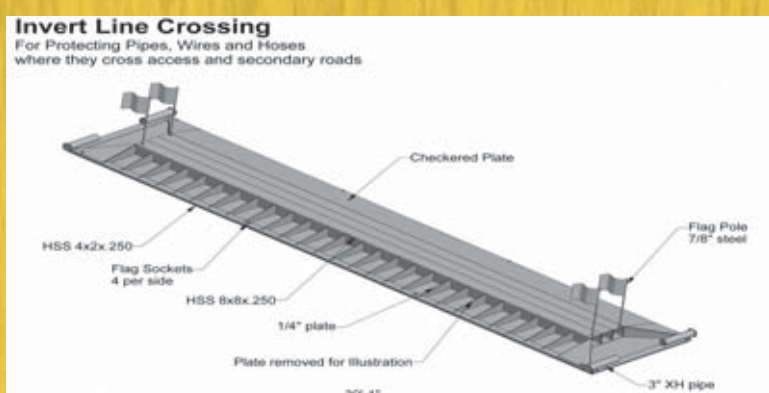
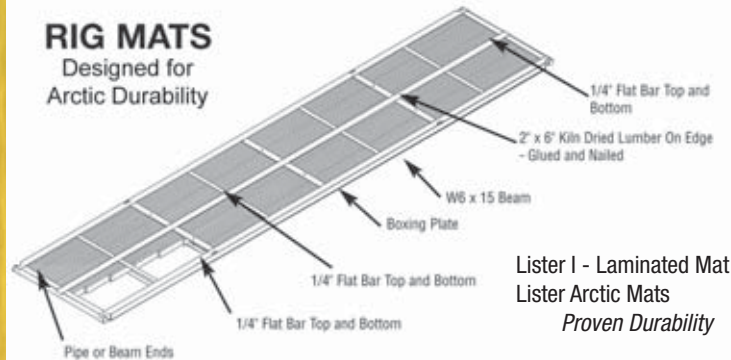
08403 - Buresh 1-32; vertical; Madison; Russian Creek; 7/7/1981; 160 bbl; NENE 32-142N-96W; Dunn Co.

From: Chimney Sweep Oil & Gas Company

To: Black Gold Energy Resource Development, LLC

16945 - #16945 -Ridl 16-1; vertical; Lodgepole; Wildcat; N/A; N/A; NWSE 16-139N-97W; Stark Co.

Note: The information in this chart was compiled by Petroleum News Bakken from the online daily activity reports of the North Dakota Industrial Commission, or NDIC. The operator names in this report are as they appear in State of North Dakota records, even though some of the companies, or their Bakken assets, might have been purchased by other companies. Samson Resources, for example, is now part of KKR & Co.



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IPs for ND Bakken wells

March 26 – April 1, 2013

This chart contains initial production rates, or IPs, for active wells that were filed as completed with the state of North Dakota from March 26 to April 1, 2013 in the Bakken petroleum system, which includes formations such as the Bakken, Three Forks and Birdbear. The completed wells that are missing either haven't been tested or were awarded tight-hole status, so the IP rate is not yet available. This chart also contains a section with active wells that were released from tight-hole status during the same period, March 26 to April 1. The information was assembled by Petroleum News Bakken from daily activity reports from the North Dakota Industrial Commission's Department of Minerals, Oil and Gas Division, website 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. Some of the companies, or their Bakken assets, have been acquired by others. In those cases, the current owner is in parenthesis, such as ExxonMobil in parenthesis behind XTO Energy

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; 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

Abraxas Petroleum

21995; Ravin 26-35-3H; North Fork; LOT2 2-149N-97W; 2SEC; McKenzie; horizontal; 21,360; 2/25/2013; 706 bbl

Burlington Resources Oil and Gas

23135; CCU Powell 11-29MBH; Corral Creek; NWNW 29-147N-95W; U; Dunn; horizontal; 19,945; 2/16/2013; 1,844 bbl
23262; Mesa Verde 44-22MBH; Clear Creek; SESE 22-152N-96W; 2SEC; McKenzie; horizontal; 20,433; 3/5/2013; 2,967 bbl

Continental Resources

23074; Berthold 1-10AH; Corinth; SESW 10-159N-97W; 2SEC; Williams; horizontal; 19,435; 2/13/2013; 513 bbl
22734; Glasoe 6-19H; Dolphin; SESW 19-161N-95W; 2SEC; Divide; horizontal; 19,005; 3/4/2013; 330 bbl
21246; Tande 2-23H; Lindahl; SESE 23-159N-95W; 4SEC; Williams; horizontal; 19,184; 3/12/2013; 636 bbl

Cornerstone Natural Resources

22777; Albertson 6-27-34H; South Coteau; NWNW 27-161N-90W; 2SEC; Burke; horizontal; 17,555; 2/18/2013; 222 bbl

Murex Petroleum

24186; Evy June 17-20H; Stanley; NENE 17-155N-91W; 2SEC; Mountrail; horizontal; 3/12/2013; 438 bbl

SM Energy Company

23122; Holm 13-12H; Siverston; SWSW 12-150N-99W; 2SEC; McKenzie; horizontal; 21,300; 2/6/2013; 791 bbl

Whiting Oil and Gas

24647; Brehm 11-4H; Sanish; LOT4 4-142N-92W; 2SEC; Mountrail; horizontal; 17,688; 2/24/2013; 1,901 bbl
24464; Fladeland 13-10H; Sanish; NWSW 10-154N-92W; 2SEC; Mountrail; horizontal; 18,587; 2/17/2013; 1,337 bbl
24581; Fladeland 41-9H; Sanish; NENE 9-154N-92W; 2SEC; Mountrail; horizontal; 17,913; 2/20/2013; 1,461 bbl
24059; Roggenbuck 34-24H; Sanish; SWSE 24-153N-93W; 2SEC; Mountrail; horizontal; 18,941; 2/5/2013; 1,656 bbl

XTO Energy

23440; Thompson 21-115H; Charlson; NENW 11-153N-96W; SEC; McKenzie; horizontal; 14,722; 2/24/2013; 2,030 bbl

IPs for ND wells released from tight-hole status

Citation Oil and Gas

23711; Haram 24-21H; Haram; SESW 21-163N-77W; W2; Bottineau; horizontal; 4,228; 12/6/2012; 31 bbl

Continental Resources

20805; Angus 3-9H; Elm Tree; SESW 9-153N-94W; 2SEC; McKenzie; horizontal; 20,375; 2/22/2013; 487 bbl
22143; Boston 1-25H; Brooklyn; NWNW 25-155N-98W; 2SEC; Williams; horizontal; 20,975; 12/19/2012; 238 bbl
21528; Garfield 1-5H; Banks; SWSE 5-152N-99W; 2SEC; McKenzie; horizontal; 21,466; 1/24/2013; 675 bbl

Enerplus Resources USA

23227; Atlas 149-93-33C-28H; Madaree; SESW 33-149N-93W; 2SEC; Dunn; horizontal; 20,732; 2/21/2013; 732

To view this chart in its entirety, please visit <http://bit.ly/XBskdY>.

Bakken producers' stock prices

Closing prices as of April 10, along with those from previous Wednesday

Company	Exchange	Symbol	Closing price	Previous Wed.
Abraxas Petroleum Corp.	NASDAQ	AXAS	\$2.29	\$2.15
American Eagle Energy Corp.	AMZG	OTC	\$2.00	\$2.08
Arsenal Energy USA, Inc.	TSE	AEI	\$0.50	\$0.45
Baytex Energy Corp.	NYSE	BTE	\$41.34	\$41.14
Brigham Exploration Co. (Statoil)	NYSE	STO	\$24.41	\$24.17
Burlington Resources Co. (ConocoPhillips)	NYSE	COP	\$60.25	\$59.27
Continental Resources, Inc.	NYSE	CLR	\$83.08	\$81.44
Crescent Point Energy Corp.	TSE	CPG	\$37.44	\$36.92
Enerplus Resources USA Corp.	NYSE	ERF	\$14.04	\$13.92
EOG Resources, Inc.	NYSE	EOG	\$128.62	\$126.10
Fidelity Exploration and Production (MDU)	NYSE	MDU	\$24.66	\$23.68
G3 Operating LLC (Halcon Resources Corp.)	NYSE	HK	\$7.81	\$7.46
GMX Resources, Inc.	PINK	GMXRQ	\$0.33	\$0.34
Hess Corp.	NYSE	HES	\$72.92	\$72.06
Kodiak Oil and Gas (USA), Inc.	NYSE	KOG	\$8.59	\$8.41
Legacy Reserves Operating LP	NASDAQ	LGCY	\$27.89	\$27.16
Liberty Resources, LLC	LBV	ASX	\$0.05	\$0.05
Marathon Oil Co.	NYSE	MRO	\$33.91	\$33.19
Newfield Production Co.	NYSE	NFX	\$22.66	\$21.99
Oasis Petroleum Inc.	NYSE	OAS	\$36.97	\$35.35
OXY USA (Occidental Petroleum Corp.)	NYSE	OXY	\$81.36	\$81.06
QEP Energy Co.	NYSE	QEP	\$31.35	\$29.76
Resolute (Resolute Energy Corp.)	NYSE	REN	\$10.85	\$10.32
Samson Resources Co. (KKR & Co.)	NYSE	KKR	\$20.20	\$18.61
SM Energy Co.	NYSE	SM	\$61.00	\$56.91
Sundance Energy, Inc.	SEA	ASX	\$0.97	\$1.06
Triangle USA Petroleum Corp.	NYSE	TPLM	\$6.16	\$6.02
Whiting Oil and Gas Corp.	NYSE	WLL	\$49.86	\$47.13
WPX Energy Inc.	NYSE	WPX	\$17.43	\$15.00
XTO Energy Inc. (ExxonMobil)	NYSE	XOM	\$88.68	\$89.93

continued from page 6

ACTIVITY

of 1,665 BOPD, 1,448 MCFPD and 4,768 BWPD.

The Fannie Federal 2759 43-19H has an SHL at SW SE 19-27N-59E (1090 FSL/2450 FEL) and three laterals: 12,048 feet at NE NW 30-27N-59E (684 FNL/3463 FEL); 20,484 feet at NW SW 31-27N-59E (1521 FSL/4513 FEL) and 21,682 feet at SW SW 31-27N-59E (342 FSL/4708 FEL). The Fannie reported an IP of 2,065 BOPD, 1,674 MCFPD and 3,940 BWPD.

In Sheridan County, Whiting Oil and Gas Corp. filed a completion report for the Gronlie Farms 31-25TFH. The well

has an SHL at NW NE 25-31N-55E (385 FNL/1980 FEL) and a BHL of 18,802 feet at SW SE 36-31N-55E (268 FSL/1974 FEL). The Bakken formation well reported an IP of 130 BOPD, 119 MCFPD and 291 BWPD.

Marathon Oil Co. reported the completion of the Raymond Sweet 31-29H in Sheridan County. The well has an SHL at NW NE 29-31N-59E (349 FNL/2137 FEL) and a BHL of 19,660 feet at SW SE 32-31N-59E (299 FSL/1524 FEL), tapping into the Bakken formation. The well reported an IP of 115 BOPD, 94 MCFPD and 438 BWPD. ●

Darryl L. Flowers, a contributor to Petroleum News Bakken, is the publisher of the Sun Times in Fairfield, Mont., www.fairfieldsuntimes.com, and can be reached at publisher@fairfieldsuntimes.com

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away from 10 to 20-year horizons and even more. And we're used to this with the offshore world. As you know, finding oil and gas in the offshore world takes at least 10 years to actually start getting the production going, and then you expect another 20, 30 maybe 40 years of production after that. So we think in terms of decades in our investment horizon."

Bull adds that the slow and continuous application of technology is very important. He says in the early years of North Sea development recovery rates in the Norwegian continental shelf were in the 20 percent range. But through technological advances that provided additional uplift, such as CO2 flooding, those average Norwegian continental shelf recovery rates, he says, are now the highest in the world, averaging 55 percent with some fields yielding up to 70 percent. "In the good old days of petroleum engineering, people wouldn't dream that would ever be possible."

For the Williston Basin, Bull says Statoil is looking at its assets as a long-term investment and is not in a hurry to drill those assets out. "These are long-term assets and Statoil has always been a long-term sustainable player in whichever area we're in," he says. "Drilling up everything immediately is not what we really want to do."

Bull says Statoil wants to avoid the "super high" production peaks followed by "super high" decline rates that are often seen in onshore production. Instead, he says, Statoil wants to "flatten" those curves over time. "That's important for us because we think we can come back here and probably apply better technology and get more out of the rock than with current methods."

Core area

Statoil presently holds 378,000 net acres in the Williston Basin, 258,000 of which are in North Dakota with the remainder in Montana.

Most of the North Dakota acreage is centered north and south of Williston in Williams and McKenzie counties, and in central Mountrail County. Bull says these are Statoil's core areas in the basin. The acreages there are well connected, which he says is important for gathering systems.

In Montana, Statoil's acreage is concentrated in Richland and Roosevelt counties. Bull says the company wants to hold that acreage, but adds that it is not presently focusing on its Montana assets. "But really we're just looking to drill out the best acreage that we can first, and then

"Drilling up everything immediately is not what we really want to do."

— Statoil Vice President Stephen Bull

we'll come and do the infill over time."

2013 development and production goals

As Petroleum News Bakken reported in February, Statoil's Williston Basin production increased from 21,000 barrels of oil equivalent per day in 2011 to 47,000 boepd in 2012. When Statoil acquired Brigham in 2012, Bull says, Brigham was "on the ramp up," and at one point had as many as 19 rigs operating.

"Doubling production within one year was a testament to the organization," he says. "Right through the middle of integration with a bigger company, and to actually keep those operations going and double it was a pretty amazing feat, it really was, and do that safely as well."

But Statoil is not looking to double production again in 2013. Bull says Statoil has developed its production targets for 2013, and although the company has not yet made those targets public, he said the goal is for a net production increase in 2013, but not to double it.

In 2012, Statoil drilled approximately 150 wells in the Williston Basin, but Bull says that number will be slightly lower in 2013. He expects the rig count to average around 12 for the year, down one rig from the end of 2012.

The slight reduction in drilling activity, he says, is due to increased drilling efficiencies, but also to the Statoil's "portfolio" business approach where the company balances drilling activity among its various U.S. onshore operations, including the Eagle Ford and the Marcellus. "We'll increase rigs, we'll decrease them over time, and it will vary. It's that kind of optionality that Statoil likes about the onshore business."

Much of the increase in drilling efficiency comes from walking drill rigs, Bull says, and Statoil has now moved exclusively to walking rigs in the Williston Basin, completing that transition in 2012. "We spent most of 2012 swapping out those old rigs for the new walking rigs, and we really do see a lot of efficiencies there. It makes a big difference."

Pad densities

Statoil's "base case" for pad density, according to Bull, is seven wells per pad in a "four by three" configuration with four wells targeting the Bakken formation and three targeting the Three Forks. However, Bull says Statoil is looking to

increase pad density moving forward and is currently involved in a reservoir and fracture modeling study with Schlumberger looking into well densities and communication between well bores.

"There is a lot of upside in adjusting those densities over time," Bull says. "It shows the level of development the Williston Basin is in. Even though it has been drilling up slowly and surely since the 1950s, we're still in the experimental stage I think — the rest of the players as well — to look at new benches and also looking at increasing the density as well."

A preference for rail

Statoil started shipping oil out of the basin in September and is now shipping almost exclusively via rail. Most of that oil is going to the East Coast because, according to Bull, that is where Statoil is seeing the best price differentials. In addition, he says, Statoil is looking at the possibility of shipping Bakken crude to California and even Washington state because the West Coast is another high-price market.

"Rail is the big thing for the next three or four years until we see other companies invest and put more pipelines in the ground or reverse pipelines or other options such as moving oil through Canada." But in the mean time, he says, with oil getting backed up in the region, rail is the answer.

Other target formations

Like other companies, Bull says Statoil is also looking at the possibility of targeting other intervals or formations in the basin and not just the Bakken and upper Three Forks. He says Statoil will do some experimenting itself, but it will also follow what the rest of the industry is doing and understanding about other horizons.

As he puts it, "We could do a lot of research and science into these things but I think actually putting a well bore through it, fracking it and understanding it and doing the research afterwards is the best way to understand this rock." But exactly what other intervals or formations Statoil might be looking at in the future — "Ask me again in five years," Bull says.

Flaring and gas infrastructure

Like everyone else in the Williston Basin, Statoil is working to reduce flaring.

"From a Norwegian perspective, you're not allowed to flare — you'll be taxed," Bull says. "There was a CO2 and flaring tax put in on the Norwegian continental shelf decades ago, and it's influenced the business that we have in

"We could do a lot of research and science into these things but I think actually putting a well bore through it, fracking it and understanding it and doing the research afterwards is the best way to understand this rock."

— Statoil Vice President Stephen Bull

Statoil."

Bull says that Statoil knows flaring is an important issue in North Dakota, and that the key to flaring is to have the pipeline systems and processing capacity, but that, he notes, is the problem in the Williston Basin because the basin is still in the early stages of development. However, he is optimistic that the infrastructure will be built.

"We think over the next few years it will be a better situation. We'll see a lot more infrastructure and a lot more money put in the ground from Oneok and other partners as well."

Natural gas task force

In another approach to flaring, Statoil has put together a task force from its research and development team in Houston and operations people both in Austin and Williston to look at how the company can increase its use of natural gas in its Williston Basin operations. Not only is this effort intended to better address flaring, Bull says, but also to cut carbon dioxide emissions. As he notes, "Running a drill rig on diesel fuel puts out a huge amount of CO2."

The task force, Bull says, is looking at how natural gas could be developed on a long-term basis in the basin, including compressing natural gas, not only to run drill rigs but also possibly for lift to increase reservoir recovery. In addition, he says, it may even be feasible to operate vehicles on compressed natural gas. He says Statoil is currently working with third party consultants and other companies that might want to invest in what the company sees as a "more sustainable business" for the basin.

"We're trying to imagine what this industrialization could look like for the basin for the long-term."

This does not mean to imply that Statoil will get into the CNG business, Bull says, but instead the company will look for those who can get into that market and see how that market can be incentivized on the long-term. "There is a huge possibility, there really is, you've just got to think big of how this business is going to be." ●

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Continental working with Fish and Wildlife

Although oil and gas companies have the option to consult with the U.S. Fish and Wildlife Services to ensure that their operations comply with federal wildlife laws, Fish and Wildlife ecological services field supervisor for North Dakota Jeff Towner recently told Petroleum News Bakken that historically operators have not requested assistance from his office. That, however, recently changed and several companies have approached Fish and Wildlife for assistance, one of which is Continental Resources.

Towner says he met with the North Dakota Petroleum Council regulatory committee in February, which is led by NDPC Vice President Kari Cutting and made up of representatives from various oil companies. Following that meeting, Continental approached Towner in March for assistance in developing what he referred to as species take avoidance measures, or STAM for short, that deal particularly with threatened and endangered species. This action on the part of Continental, Towner says, "is a real positive step."

A programmatic approach

Continental is actually preparing the STAM, and once completed Towner says Continental will share the STAM with Fish and Wildlife to make sure the agency is comfortable with it. "And if we get to that point, then they're going to have a general plan in place for their operations looking out some time into the future that gives them the assurance that they can go ahead without running afoul of any federal wildlife law."

The approach that Continental and Fish and Wildlife are taking, according to Towner, is to look at a development timeline into the future and identify the wildlife habitat and species that could be impacted by that longer-range development and develop a set of measures that would avoid those impacts. Once those measures are developed, Continental will share them with Fish and Wildlife and allow the agency to review the measures and determine if they need to be "tweaked" until a point is reached that both Continental and Fish and Wildlife are comfortable with. At that point and assuming unauthorized take will not occur, Towner says, Continental would not need to consult with Fish and Wildlife on each individual well site. This all would have been done up front on a programmatic basis, he says.

Towner says other companies have asked Fish and Wildlife to review their operations and provide feedback, but Continental, he says, is the first company to actually put a proposal together. "I think that is a commendable and excellent example of cooperation between a private company and the federal government, and I would just like to see others follow that example," Towner concluded.

Working with NDPC

NPDC's Cutting told Petroleum News Bakken that that many companies currently operating in North Dakota have operated in other parts of the country and are very aware of the federal wildlife acts and the implications of those acts. She says that in addition to Continental, there are other companies, which are members of the council, which are engaging directly with Fish and Wildlife.

Cutting emphasized the importance of communication. She says that together the petroleum council and Fish and Wildlife want to make sure there is a good line of communication between operators and the agency and that industry wants to continue to have a working relationship with Fish and Wildlife. "We're more than happy to sit down with Fish and Wildlife and encourage open lines of communication."

—MIKE ELLERD

continued from page 1

GMX BANKRUPTCY

sharply as record production from U.S. shale fields created a glut. Natural gas prices were as high as \$14 per million British thermal units, Btu, in 2005, compared with slightly below \$4 per million Btu just recently.

GMX like others has been trying to increase its oil output which accounted for only 11 percent of total net production in the third quarter, the company's last reported quarter. The company produces roughly 5,400 barrels of oil equivalent per day.

Over the past year, the company said, it attempted various "strategic initiatives" to increase oil production, improve supply chain and production efficiencies, and reduce costs to increase cash flow.

"While these operating initiatives resulted in some success, natural gas commodity prices have remained low," GMX said, noting that the company's operations require ongoing additional capital expenditures. To meet these cash requirements, GMX said it sought financing alternatives to solve its liquidity needs.

"The company has been unsuccessful in finding any viable funding solution to meet its long-term liquidity needs," the company said.

Reasons behind Chapter 11

Based on discussions with its creditor groups and company advisors, GMX added:

"The company believes that the rights and protections afforded under a court-supervised reorganization process, including access to financing and a proposed sale of the company assets, will provide the company the ability to meet its immediate financial needs to preserve the value of assets and to provide for the greatest recovery to its shareholders."

Two GMX units — Diamond Blue Drilling Co. and Endeavor Pipeline Inc. — also filed for bankruptcy protection.

Diamond Blue has minimal assets, while Endeavor Pipeline operates a natural gas gathering system in the East Texas Basin. GMX also has a 60 percent stake in Endeavor Gathering, which owns the natural gas gathering system and related equipment operated by Endeavor Pipeline. GMX did not include Endeavor Gathering in the filing.

GMX wants to continue operations

GMX said it has obtained a commitment

for "debtor-in-possession," DIP, financing, which would provide up to \$50 million of additional financing to fund the company's operating expenses. Upon approval by the court, the new financing and cash generated from the company's ongoing operations will be used to support its business and the company's efforts to negotiate and implement the sale of its assets.

GMX filed various "first day" motions with the court seeking authority to continue operations without interruption. The requests include authority to honor royalty obligations, pay salaries and provide benefits to employees, and pay ongoing disputed obligations to vendors and suppliers, and to approve the DIP financing.

The company said it also has notified the New York Stock Exchange of its Chapter 11 filing and anticipates delisting procedures to begin, which it will not contest.

GMX has reported losses for the last eight quarters. It had total assets of \$281.1 million and liabilities of \$458.5 million as of Dec. 1, according to court documents. Moreover, cash resources declined significantly, dropping from \$107 million in the fourth quarter of 2011 down to \$18 million in the third quarter of 2012.

GMX's stock price tumbled from around \$7 a share in late December, to about \$2.60 a share in late March, to less than 50 cents a share post bankruptcy filing.

In March, the company suspended payment of quarterly dividends on its preferred stock. Later that month, it missed an interest payment on senior secured notes due 2018. It said on March 4 that it had to make the payment within 30 days to avoid defaulting on the debt.

The company's financial advisor on the Chapter 11 restructuring is Jefferies LLC, and its legal advisor is Andrews Kurth LLP.

GMX's strategic move

In 2010, GMX made a strategic decision to expand from East Texas into basins with oil potential, in an effort to diversify its significant concentration in natural gas.

In the first half of 2011, the company acquired positions in more than 75,000 undeveloped net acres in the Williston Basin of North Dakota and Montana targeting the Bakken and Three Forks formation, and in the Denver Julesburg Basin of Wyoming targeting the emerging Niobrara play.

—RAY TYSON

Contact Ray Tyson
at rtyson@petroleumnews.com

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CLARIFICATION

Wildlife ecological services field supervisor for North Dakota. In that email, discussing the role that the Fish and Wildlife plays in oil and gas development in North Dakota, Towner said: "In fact, oil companies and any other entity must ensure that their activities do not result in a violation of the Endangered Species Act, Migratory Bird Treaty Act, Bald and Golden Eagle Protection Act, and the Refuge Improvement Act. The only ways an entity can be assured that they will not incur a violation from their proposed development in North Dakota is to receive a letter signed by me to that effect, or to apply for and receive a permit to take a protected species."



JEFF TOWNER

The issue boils down to a matter of interpretation.

Read one way, the statement could imply that it is mandatory for companies to either have a letter from the Fish and Wildlife indicating their activity will not incur a violation, which is equivalent to controlling permitting activity. However, read another way, the statement could imply that several options are available to

companies if they want to make sure their activities do not result in a violation.

Towner recently spoke at length with Petroleum News Bakken and explained in detail the responsibilities companies have in oil and gas development in terms of federal wildlife laws and what options are available to companies to comply with such laws.

First some background

Certain wildlife species are held in trust by Fish and Wildlife, including all threatened and endangered species, bald eagles, golden eagles, migratory birds, units of the national wildlife refuge system and interjurisdictional fish species whose use and allocation are determined by more than one governmental jurisdiction.

see CLARIFICATION page 11



ANDY HAUSER 651-846-0970
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WILDLIFE LAWS

NDIC, says the division cannot impose federal wildlife requirements in its permitting process and says that it is the responsibility of the operator to ensure its activities will not violate federal wildlife laws.

However, Ritter says the Oil and Gas Division encourages operators to consult with the U.S. Fish and Wildlife Service as part of their due diligence. “We encourage it but it’s not a requirement on our part,” she says. “It’s all the responsibility of the operator as to who they need to contact and where. I think that may be the big thing that may be missed.”

If an operator is in violation on the federal side, Ritter continues, then that is simply something the operator will have to take up with the federal agency. “We want them to talk to Fish and Wildlife. We want them to get that letter. We want them to get that approval. We don’t want them going into an area and encroaching on any species. Nobody wants that. We want them to do everything they need to do on a federal level, but we can’t require them to do what they need to do on a federal level.”

Adding time to the process?

Ritter says that while the State of North Dakota tries to make the permitting process thorough, at the same time the state tries to make that process operator friendly. “There’s that fine balance you have to walk.”

On the federal permitting side, she says, there are “a lot more hoops,” and it takes more time to get a federal drilling permit than a state drilling permit. Adding an additional step of getting a letter from Fish and Wildlife, Ritter says, “is only going to increase that permitting process time.”

Ritter says that DMR Director Lynn Helms has expressed concern that if one person has to approve every individual drilling permit, then that could significantly slow down the permitting process. “How much more time is the federal government going to tie up with the process if one person needs to look at every single permit,” Ritter says. And there is the question of whether Fish and Wildlife has sufficient staff to evaluate each individual permit application.

Jeff Towner, who is the ecological services field supervisor for Fish and Wildlife in Bismarck, says his agency does not have sufficient staff to review individual development proposals, but he adds that reviewing each application is not an approach he is suggesting. Instead, Towner says, the approach is to evaluate operations at a program level. “The conservation benefits are actually greater when we look at these things in a programmatic way.”

Towner says he has sufficient staff for that type of programmatic approach. In



ALISON RITTER

addition, he says, that type of approach is actually a priority for his office because, as he says, if a company is willing to work with his office and allow his office to look at the company’s plans of development and lease holdings across the board, “then I think we can have some conservation gains and we can minimize the impacts to the companies and the impacts to us in terms of the time that would have to be invested.”

Alaskans say “beware”

After part one of this article appeared in the Feb. 17 edition of Petroleum News Bakken, the newspaper’s headquarters in Anchorage, Alaska received a number of phone calls praising Helms for being willing to stand up to Fish and Wildlife.

One State of Alaska agency official said, “North Dakota ought to give him a medal, because if you want to see unnecessary delays designed to stop oil and gas development or drastically increase its cost, get EPA or Fish and Wildlife involved. ... This Towner sounds like he’s just trying to do his job, but what about the guy who takes his place? There are a lot of anti-development folks in both EPA and Fish and Wildlife. Good science, the facts, are meaningless to them.”

In preparation for this article Petroleum News Bakken interviewed three well-respected individuals who have done oil and gas permitting for at least a decade each in Alaska and are considered experts in their field. Like the people who called in praising Helms, they did not want to be identified in this article, but they all said

Helms was right to be concerned.

One of the three, a long-time, solid source for Petroleum News in Alaska, had this suggestion for companies doing business in the Bakken play in North Dakota and Montana: “The wildlife official (Towner) is correct. Including federal wildlife reviews of planned activities, and mitigating plans to avoid breaking the law and harming the environment and wildlife is an excellent idea. What we do is hire people who have worked in federal agencies; who are familiar with applicable federal law and task them with the responsibility. Frankly, it’s less scary than dealing with agency employees who may have hidden agendas. ... We see way too much of that.”

Another said he had “never seen federal involvement advance projects ... to help them meet target dates, or speed things up. In almost every case, it meant slowing things down by weeks ... sometimes by months or years, especially when a federal agency is the lead on permitting.”

The third expert said he would advise taking Towner up on his offer: “It’s a free consulting service and it’s a sign of good faith. ... If it doesn’t work out, hire someone who can do it for you. An ex-U.S. Fish and Wildlife Service enforcement supervisor, for example.”

—MIKE ELLERD & KAY CASHMAN

Contact Mike Ellerd
at mellerd@petroleumnewsbakken.com

Contact Kay Cashman
at publisher@petroleumnews.com

Petroleum News Bakken

Oil Patch Bits

Attorneys Grant and Olson present policies at SAHRA

Ebeltoft . Sickler. Lawyers said April 5 that Attorneys Bekki Grant and Courtney Olson recently gave a presentation to the Southwest Area Human Resources Association on the issue of age discrimination in the workplace. The Southwest Area Human Resources Association is an affiliate of the Society for Human Resource Management. The Society for Human Resource Management is the world’s largest association devoted to human resource management.

Attorneys Grant and Olson’s presentation covered federal and state regulations on age discrimination, including the Age Discrimination in Employment Act of 1967 and the North Dakota Human Rights Act. They also touched on safeguarding employment practices from age discrimination by adopting protective policies, impact monitoring and education. The presentation concluded with an interactive session in which audience members were asked to work through a potential age discrimination scenario.



BEKKI GRANT



COURTNEY OLSON

Spartan Engineering awarded 2012 engineering company

Spartan Engineering Inc., a full-service engineering company with offices in Tulsa, Okla., Denver, Colo., and Minot, N.D., said April 3 that it was honored as the Engineering Company of the year during the first ever Rocky Mountain Oil and Gas Awards gala held in Denver on March 12.

Spartan was among 19 companies and individuals recognized by the Oil and Gas Awards for excellence and achievement within the oil and gas industry serving the Rocky Mountain region.

“We are honored to have been selected to receive this recognition from the Rocky Mountain Oil and Gas Awards. It truly is the result of hard work and an excellent team that works together every day to meet our customers’ expectations,” said Spartan President Wayne Lagorin.

This is the inaugural year for the Oil and Gas Awards, which are designed to give recognition to those individuals and companies in the upstream and midstream sectors of the oil



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Bakken Players

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CST Storage		Netzsch Pumps North America		Umiaq	
DAWA Solutions Group		North Dakota Petroleum Council		Unconventional Resources Technology	
E3 Energy and Environmental Experts	9	North Slope Telecom (NSTI)	6	UNICO Inc.	
Ebeltoft Sickler		Northern Electric		Wanzek Construction	
Four Seasons Equipment		Northern Oilfield Services, Inc.		Watford Ranch	

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CLARIFICATION

tion. Towner says the three principle federal wildlife laws that apply to oil and gas development in North Dakota are the Endangered Species Act, the Bald and Golden Eagle Protection Act and the Migratory Bird Treaty Act.

Fish and Wildlife, however, doesn't necessarily get involved in every oil and gas operation — that depends on whether a "federal nexus" is present. In the context of Fish and Wildlife jurisdiction, a federal nexus exists when an activity is permitted, licensed, funded or conducted by a federal agency. In the situations where a federal nexus exists, the federal construction, permitting or funding agency or agencies have an obligation to consult with Fish and Wildlife.

When a federal nexus does not exist, a different standard applies to private parties. According to Towner, when there is no federal nexus, a company is not required to consult with Fish and Wildlife on its proposed activity, or for that matter even notify the agency of its proposed activities. However, all federal wildlife laws still apply, and a company or any private entity or person has the responsibility to ensure that its activities do not violate any of those laws.

Towner says in any and all oil and gas operations, a party may be liable for an unauthorized "take" of a threatened or endangered species, a bald or golden eagle, or any migratory bird or its active nest, whether the operation is permitted by a federal agency or not. In this context, the term "take" generally means to harass, harm, pursue, hunt, shoot, wound, kill, trap, capture or collect any such species or attempt to engage in any of those actions. In addition, for bald and

"We're the experts on these species. We know the laws and regulations. And so we're really in the best position to help make those judgments,"

— Jeff Towner, Fish and Wildlife

golden eagles the definition includes disturbance, such as an activity that disturbs a breeding pair to the point the pair abandons the nest, or even to the extent that there is a reduction in productivity of the nest.

Fish and Wildlife consultation

In short, without a federal nexus, there is no federal oversight and compliance with federal wildlife laws is essentially on an honor system. However, operators do have the option to consult with Fish and Wildlife and receive guidance and assistance from the agency to ensure their operations comply with federal wildlife laws and do not result in an unauthorized take.

But Towner adds that if a company opts not to consult with Fish and Wildlife and proceeds with their operations, they run the risk of a violation.

"We're the experts on these species. We know the laws and regulations. And so we're really in the best position to help make those judgments," Towner told Petroleum News Bakken. "What our typical advice to companies is — is to come talk to us and share their plans with us so that we can make an assessment of whether or not we think that their activities aren't going to result in a take, and if they are, then to work with us to try and modify their plans to avoid take."

If a company wants to consult with Fish and Wildlife on its proposed opera-

tions to ensure compliance, Towner says he asks companies to submit their plans and maps for construction and drilling so his agency can compare those maps with the agency's maps of known or suspected occurrences of federal trust species and look at the habitat types that are occurring in the area. The agency, he says, can then make judgments as to whether there is a high risk of take and then work with the company to see what can be done to avoid the take. "If we can avoid all take, then that's the win-win-win for the companies, for us and for the resource."

When a company and Fish and Wildlife come to an agreement on a path forward that the agency believes will not result in a take, Towner says, the agency then issues a letter, signed by him, that provides protection and assurance to the company that the agency believes the activities will not result in take and the company "is in the clear."

However, if it looks like a take is going to occur, Towner continues, then the situation can get more complicated and time consuming.

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OIL PATCH BITS

and gas industry for their contributions and efforts in corporate social responsibility, the environment and health and safety.

For more information on Spartan Engineering Inc. visit www.spartan-eng.com.

Larson Electronics new LED light with trunnion mount

Larson Electronics, a leader in the manufacture and distribution of high grade industrial light products, said April 8 that it has released a powerful LED area light designed to provide an easily mounted and adjusted source of explosion proof rated illumination. The HBLP-1MLED-TRN trunnion mount light fixture is approved for Class 1 Division 1 & 2 locations and features the power, durability and efficiency of LED technology coupled with an easy to install trunnion mount for adjustable positioning.

The HBLP-1MLED-TRN explosion proof trunnion mount light fixture offers operators in hazardous locations a powerful, efficient and more durable alternative to older and less effective fluorescent or metal halide lighting systems. This explosion proof approved fixture features a 16-inch round aluminum housing body that has been designed for excellent heat dissipation and durability and an aluminum trunnion mount that makes mounting and placement simple and adjustable. This LED area light draws only 150 watts of power, yet produces 10,000 lumens of light output in a wide flood pattern that is ideal for illuminating work areas, warehouse space, processing lines and anywhere large scale illumination is needed. For more information visit www.Larsonelectronics.com.



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SANDPIPER PIPELINE

while other pipeline would be built from Clearbrook to Superior, coming on stream at 375,000 bpd.

Although FERC has rejected Enbridge's proposed tolls for Sandpiper, the company does not view that ruling as either blocking the project or affecting the in-service target of early 2016.

The FERC document said the pipeline connection at Superior would bypass "forecasted capacity constraints for that segment on Lakehead, thus facilitating the transport of crude to Midwestern, Eastern and Southern markets."

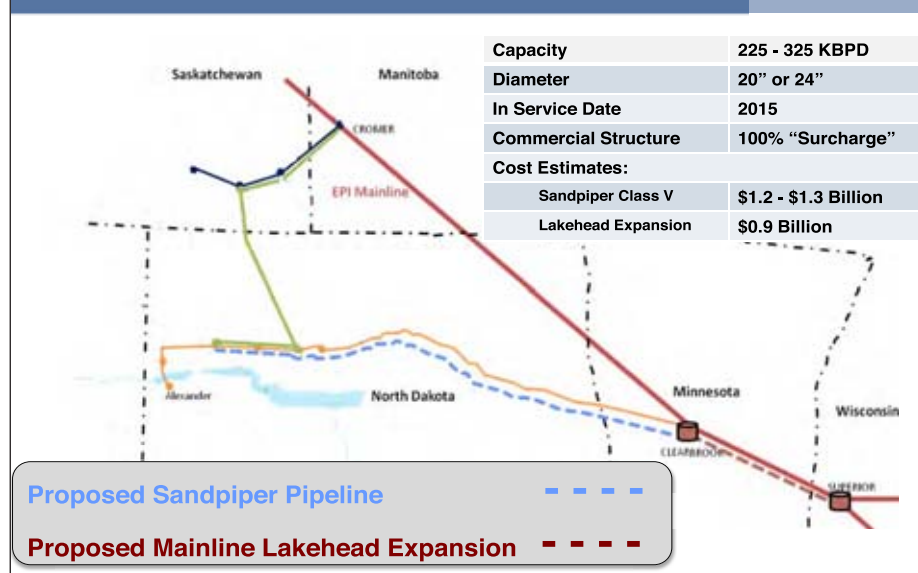
Limited deliveries

Trading sources say the pipeline limitations have seen deliveries from the Enbridge system at Clearbrook from about 93,000 bpd from 210,000 bpd, causing a decline in spot trading, with Bakken crude volumes slumping to less than a half of the volumes at the hub around mid-2012.

Shipper say Bakken crude is being delivered to Clearbrook mostly to protect pipeline space in case the market recovers.

Enbridge Energy Partners said Bakken volumes on its pipeline decreased 16 per-

Next Major Expansion: Project Sandpiper



cent in the final quarter of 2012 from a year earlier because of a surge in rail movements, said Steve Wuori, president of the company's liquids pipelines, conceding that a rail shipper collects better netbacks than on pipe.

Transportation costs for using rail to move Bakken crude to the Atlantic Coast is about \$17-\$19 per barrel and \$13-\$16 per barrel to the Gulf Coast — markets that are both tied to benchmark Brent prices, which

translates into a large premium to West Texas Intermediate.

Rail shipments accounted for 68 percent of Bakken production in January, compared with 64 percent in December, while pipelines were used to 23 percent, with the balance used as feedstock at Tesoro's 58,000 bpd refinery at Mandan, North Dakota. ●

Contact Gary Park through publisher@petroleumnews.com

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CLARIFICATION

When a take is unavoidable

If it is not possible to avoid take of a threatened or endangered animal species, Towner continues, there is another option where a company can prepare a habitat conservation plan and submit it to the Fish and Wildlife along with an application for an "incidental take permit." However, such a permit, he says, can only be issued after a company has demonstrated that it has taken every reasonable action to avoid the take.

But when talking about an actual take, Towner says that things can get complicated because the different laws vary in regard to a take. "I don't want to paint this as something that's just in every case going to sail right through with no issues."

"If we can avoid all take, then that's the win-win-win for the companies, for us and for the resource." —Jeff Towner, Fish and Wildlife

For example, Towner says, in addition to the process under the Endangered Species Act, a permit can also be issued to take an eagle under the Bald and Golden Eagle Protection Act. A similar demonstration of measures taken to avoid take must be made for issuance of an eagle take permit as for endangered or threatened species.

The situation is slightly different under the Migratory Bird Treaty Act because that act has no program for incidental take permits, according to Towner. "So what we do with that act is we ask the person or the company to come in and work with us and show us what their plans are and look at the potential for take. "And then if they've done everything we think is reasonable, then we exercise what we call a prosecutorial discretion." Towner says if a company has indicated they have done everything reasonable to avoid take, they may be allowed to take a migratory bird, in which case the agency will "exercise discretion in not referring a case for prosecution to the Department of Justice."

It all comes down to "take"









While there are a number of activities that constitute a take, the occurrence of a trust species, including an endangered species, in a particular area doesn't necessarily preclude a company from proceeding with activities. It all gets back to whether a take will occur. Just because an activity is in an area where some protected species is known to occur, has occurred or even may occur, doesn't necessarily mean that a take is going occur. That, Towner says, is the standard that private entities need to meet. "They need to assure that their activities do not result in unauthorized take."

Towner says a person or a company needs to be "pretty fluent" in terms of their knowledge of the federal wildlife laws and what they require. "That's the reason that we're wanting to work closely with these companies because they don't necessarily know all of the ins and outs of these laws and regulations like we do," he concludes. "It gets kind of complicated." ●

Editor's note: Part 1 of this article ran in the Feb. 17 edition of Petroleum News Bakken. The article can be found online at <http://www.petroleumnewsbakken.com/pnads/598737251.shtml>

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