Petroleum news
BAKKEN

page 3 Crestwood Midstream's Williston Basin volumes up 6 to 38 percent

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Simultaneous operations

VERN WHITTEN PHOTOGRAPHY

Nabors drills one well while RockPile Energy completes another on a Continental Resources pad in the Crazy Man Creek field on the north shore of Lake Sakakawea in Williams County, North Dakota in late October.

KKR reportedly selling Samson Resources' Williston Basin assets

Reuters reported Nov. 10 that KKR and Co., the private equity parent firm of Bakken operator Samson Resources, is putting Samson's Bakken assets up for sale. Citing unidentified sources "familiar with the matter," Reuters said the divestiture is part of an ongoing downsizing effort in which KKR has been selling Samson's assets due to low energy prices. Reuters said the North Dakota assets are worth less than $500 million.

Reuters also reported that the Bank of Nova Scotia has been hired by Samson to sell the assets, and that additional assets could be sold to raise more money. However, Reuters also reports that Samson may be looking to acquire properties that provide higher income on the nearer-term.

According to Reuters, when KKR acquired Samson Resources in 2011, the plan was to transition Samson's asset base away from gas production and toward more liquids production, but financing Samson has been hampered by low natural gas prices.

Since it was acquired by KKR in 2011, Samson has sold

see **KKR MOVES** *page 18*

On again, off again — Daniels Co. tracts pulled from DNRC auction

The 9,994 acres in Daniels County that have been on and off the Montana Department of Natural Resources and Conservation, DNRC, oil and gas lease auction list since June are once again off.

The 28 tracts were first nominated for DNRC's September lease auction and appeared on the preliminary auction list when it was issued in June, but when the final list was released in August, the nominator had pulled the tracts from the list. Then when DNRC issued its preliminary list for the December auction, those tracts had again been nominated only to be pulled when the final list for the Dec. 2 auction was released by the bureau on Nov. 7.

The Minerals Management Bureau which manages oil and gas leases and the quarterly auctions told Petroleum News Bakken that the nominator now wants to defer the Daniels County tracts to DNRC's March 2015 lease auction. DNRC does not disclose the identity of nominators until after lease auctions are held.

Daniels County lies on the outer edge of the Williston Basin in northeast Montana and has been in the lease auction spotlight from time to time over the last five years. In 2009 more than 42,000 acres were leased, and in 2011 the leased acres exceeded 43,000. However, there has been relatively

see **DNRC AUCTION** *page 18*

COMPANY UPDATE

'Out of sync'

Halcon cutting drill rigs due to high service costs versus low crude prices

By MIKE ELLERD
Petroleum News Bakken

FLOYD WILSON

While Halcon Resources is poised for 15 to 20 percent pro forma growth in 2015 with a capital expenditure budget of approximately $750 million, Chief Executive Officer Floyd Wilson says industry service costs are not in sync with crude oil prices, and consequently Halcon is cutting five rigs from its 2015 plans.

"In response to currently low crude prices and currently high service costs, we've decided to not employ five rigs we had prior planned to employ next year," Wilson said in a Nov. 11 third quarter conference call with industry analysts. "We'll run six rigs getting started here and see how the year unfolds."

Although well positioned with hedges, Wilson does not like the position Halcon is in with the disparity between oil prices and service costs. "While we are substantially hedged for next year, we are in that uncomfortable space where crude prices have declined dramatically while service costs have

see **HALCON CUTS** *page 20*

MOVING HYDROCARBONS

Breaking deadlock?

Republicans poised for early legislative XL test, but White House talks restraint

By GARY PARK
For Petroleum News Bakken

JOHN HOEVEN

RUSS GIRLING

Keystone XL suddenly shapes up as the first test of whether the Nov. 4 mid-term election results will lead to a new mood of bipartisan cooperation between the Obama administration and the Republican-led Congress.

Now that they have control of both chambers, the Republicans seem eager to break the logjam on dozens of jobs bills that have been stalled in the Senate, with XL seen as one of the key sources of new employment.

TransCanada has estimated the project could employ 42,000 Americans during the construction phase, invest US$2 billion in wages across the U.S. and inject US$3.4 billion into the U.S. economy.

"I think Keystone will be one of the first bills we'll be able to put up in the new Congress,"

see **XL'S FUTURE** *page 19*

COMPANY UPDATE

Taking a hedge gamble

Continental slows production slightly but banks on crude oil prices rebounding

By MAXINE HERR
For Petroleum News Bakken

MIKE ELLERD

HAROLD HAMM

Continental Resources feels it is "sensible" to adjust some finances until higher oil prices return, but it has taken a bold move in light of pulled-back prices and monetized nearly all of its oil contracts from October through 2016.

By lifting its hedging, Continental netted $433 million of proceeds in the fourth quarter in a move where the company loses protection against further oil price declines but opens the door to higher profits should prices soar. But Chairman and Chief Executive Officer Harold Hamm is confident that the oil price drop will be short-lived and expects prices to strengthen to the mid-$80s or $90 in the near future.

Even though it took the profit on its hedges, Continental also cut its capital spending budget for 2015 by 12 percent, slashing $600 million from its previous estimate of $5.2 billion, and said production will likely taper to only 23 percent growth next year instead of initial projections of 29 percent.

"An adjustment in capex is called for, as we believe the recent pullback in oil prices will ultimately prove to be beneficial to Continental in

see **HEDGE GAMBLE** *page 19*

contents

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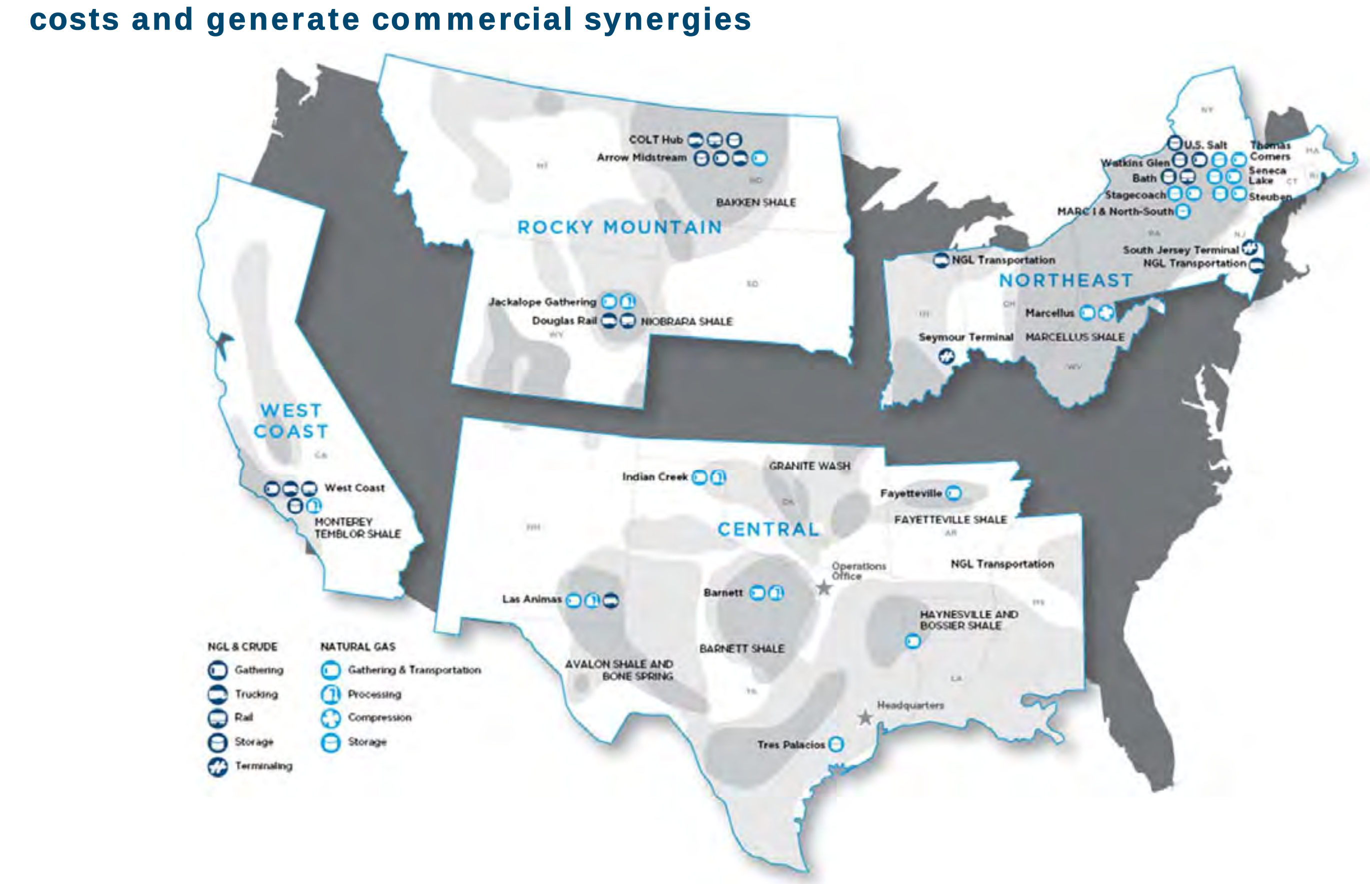
MIDSTREAM & DOWNSTREAM

Crestwood's WB volumes up 6 to 38 percent

Williston Basin midstream operator optimistic drilling will remain brisk in coming year as it works with producers on 2015 plans

By **MIKE ELLERD**
Petroleum News Bakken



Assets and operations divided into 4 operating regions to gain scale, reduce costs and generate commercial synergies

Crestwood Midstream Partners saw single- to double-digit gains in the volumes of oil, natural gas and produced water in its Williston Basin midstream operations in the third quarter. The company's Williston Basin crude oil transportation throughput averaged 218,000 barrels per day in the quarter, an increase of 9 percent over the second quarter. Natural gas throughput on Crestwood subsidiary Arrow Midstream's gathering system averaged 40 million cubic feet, mmcf, per day, a 38 percent increase over the second quarter. And produced water throughput on the Arrow system was up 6 percent in the quarter averaging 20,000 bpd.

ROBERT PHILLIPS

The company's Williston Basin crude oil transportation system includes the Arrow Midstream gathering system on the Fort Berthold Indian Reservation, the COLT rail loading hub at Epping in south-central Williams County, the COLT Connector pipeline tying the COLT hub to the Dry Fork terminal at the Beaver Lodge/Ramberg hub south of Tioga, and recently acquired trucking operations.

Arrow gathering system

The Arrow system consists of nearly 500 miles of crude, gas and water gathering pipelines. The system has crude oil connections with Tesoro, Bakken Link and Hiland Partners pipelines as well as Crestwood's COLT facility and a natural gas connection to Oneok's Bear Paw pipeline.

Crude oil throughput in the Arrow system in the third quarter averaged 65,000 bpd, a 17 percent increase over the second quarter.

A total of 28 wells were connected to the Arrow system in the third quarter, and Crestwood expects an additional 22 wells to be connected in the fourth quarter, which will bring to 98 the total number of new wells connected in 2014.

Crestwood is expanding the Arrow system, and by 2015 the system will increase crude oil throughput capacity to 125,000 bpd and gas throughput capacity to 100 mmcf per day. Produced water throughput

see **CRESTWOOD VOLUMES** *page 8*

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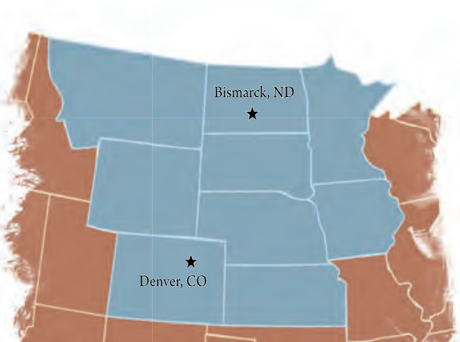

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● COMPANY UPDATE

'More focused and financially strong'

Sale of its midstream business will give QEP additional resources to continue its transition to a more liquids-rich E&P company

By MIKE ELLERD
Petroleum News Bakken

When the recently announced $2.5 billion cash sale of its midstream business closes, QEP Resources will be in an even better position to continue balancing its portfolio with more liquids production. To that end, QEP will focus both on oil and natural gas liquids production in the Williston and Permian basins and liquids-rich gas production in Utah and Wyoming along with its dry gas production in Louisiana.

CHUCK STANLEY

"After closing the midstream sale, QEP will emerge as a more focused and financially strong independent E&P company, with assets in two of North America's most prolific crude oil provinces — the Williston and Permian basins — and a low-cost, high-quality natural gas property portfolio in the Rocky Mountains in northwest Louisiana," Chuck Stanley, QEP chairman, president and chief executive officer told analysts in a third quarter earnings conference call on Nov. 6.

In mid-October, QEP and Tesoro Corp. announced that Tesoro affiliate Tesoro Logistics was acquiring QEP's wholly owned subsidiary QEP Field Services. The deal, which is expected to close by the end of the quarter, includes QEP's 58 percent ownership of QEP Midstream Services. QEP is also selling its South Central Oklahoma Oil Province, SCOOP, assets.

Historically, QEP was primarily a natural gas producer, but in 2012 the Denver-based independent began transitioning to more liquids-weighted production. In 2011, QEP's product mix was 86 natural gas, 8 percent crude oil and 6 percent natural gas liquids. In the third quarter of this year, QEP's product mix consisted of 53 percent gas, 35 percent oil and 12 percent NGLs.

QEP has two core areas in the Williston Basin — its Fort Berthold area that spans Lake Sakakawea south of the Van Hook Arm in Dunn and Mercer counties and its South Antelope area in eastern McKenzie County, most of which lies off the west Fort Berthold Indian Reservation boundary with a small portion on the reservation.

The company's Williston Basin production averaged 46,000 boepd in the third quarter, up 29 percent over second quarter output and up 115 percent over the same quarter in 2013. Third quarter production in the basin was 93 percent liquids.

QEP completed and put on production 28 gross operated wells in the quarter, all in the South Antelope area, and participated in 27 gross non-operated wells. At the end of the quarter, the company had 20 gross operated wells awaiting completion. The company also had interests in eight non-operated wells being drilled at the end of the quarter and 32 non-operated wells waiting on completion.

At the end of the quarter, QEP had seven drill rigs operating in the basin, five in the South Antelope area and two in the Fort Berthold area. During the quarter, the company reduced drilling times to a new company record reaching a total depth in one well of 20,080 feet in 12.3 days. "Our talented team has delivered this type of improvement in the past in other basins, and I'm not surprised by the rapid improvements we've made in the Williston, and I expect that they will continue to cut drill times even more," Stanley said.

In the second quarter, QEP announced plans to increase proppant loads, and Stanley said those loads have gone from 3 million to 4 million pounds per well to more than 10 million pounds per well. Those larger proppant load completions are paying off with average 90-day cumulative production uplifts in the 20 to 30 percent range.

Going forward, Stanley said the company is going to test plug and perf completions in the fourth quarter, although those tests will negatively impact fourth quarter production in the basin. The tests will involve proppant volumes and increased stage counts, both of which Stanley said will more than double cycle times. In addition, offset wells will be shut in during the plug and perf tests. "As we evaluate the enhanced completions and optimum subsurface well spacing in South Antelope, some of our drilling activity is going to shift back to the Fort Berthold reservation, where we are drilling generally lower working interest wells that also tend to be less prolific than those on our premier South Antelope acreage," Stanley said.

QEP will begin drilling additional infill wells, mainly in the South Antelope area, as the company's downspacing testing continues. Stanley said the infill wells will be drilled on spacings of 400 to 600 feet. He said QEP will also be testing the second bench of the Three Forks.

QEP ranked as North Dakota's 12th largest Bakken oil producer in August averaging 40,258 barrels per day for operated, non-confidential wells according to the latest data available from the Department of Mineral Resources.

In the third quarter, QEP's total oil production averaged 50,896 bpd, up 17 percent over the second quarter and 77 percent over third quarter 2013. NGL production averaged 16,995 bpd, down 17 percent from the second quarter but up 35 percent over the year-ago quarter. And natural gas production averaged 75,725 barrels of oil equivalent, boe, per day based on a conversion factor of 6,000 cubic feet per boe, down 14 percent from the second quarter and down 24 percent over the year-ago quarter.

The company's net realized crude oil price over the quarter averaged $81.61 per barrel, down from net realized prices of $83.77 in the second quarter and $90.19 in the third quarter 2013.

Adjusted net income in the quarter was $75.4 million compared to $67.9 million in the second quarter. Adjusted earnings before interest, taxes, depreciation and amortization, EBITDA, set a record in the third quarter of $409.3 million, up from what was a record EBITDA in the second quarter of $400.8 million. ●

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● COMPANY UPDATE

Crescent Point ready for opportunities

Canadian independent well positioned for acquisitions in weak oil market, but otherwise is negotiating lower service provider rates

By GARY PARK
For Petroleum News Bakken

Crescent Point Energy has built its presence in the unconventional plays of the Canadian Prairies and the United States by spending years waiting for opportunities and it's poised to do the same again if oil prices take another tumble in 2015, said Chief Executive Officer Scott Saxberg.

He told analysts in a third-quarter conference call that the Calgary-based company is a "strong believer" in seizing its chances in the current pricing environment when "companies with weaker balance sheets are forced to sell."

Over 14 years, Crescent Point has "worked for many years" on evaluating plays, waiting to take advantage of times when rival companies "are debted out," he said.

"If opportunities come about we'd obviously be compelled to act and consolidate," Saxberg said, noting that careful evaluation of plays enabled Crescent Point to move into southwestern Saskatchewan's Shaunavon play in 2009 and later into the Uinta Basin.

Otherwise, he said the company has been in discussions with service providers in expectation of obtaining lower day rates in 2015, while "maintaining a relative balance of activity."

He said that if oil drops another $20 a barrel, Crescent Point will "carve back our capital program, or focus on higher return projects."

"We may budget C$50 million for land, but with lower commodity prices we may not need to spend that amount. We will try to manage downside risk as well as provide some growth in 2015," he said.

For the third quarter, Crescent Point continued to pursue a large capital program in southwest Saskatchewan and in southern Manitoba, where it has accumulated 80,000 acres, which Saxberg said is on the borderline between conventional and unconventional, while it drilled 28 oil wells during the third quarter.

The company said success in the Viewfield Bakken and Flat Lake Torquay resources plays in Saskatchewan saw 25 wells drilled during the three months, along with positive results from step-out wells that are helping delineate the area.

In mid-2015, the company intends to start a waterflood pilot in the Flat Lake area targeting the Torquay zone.

Also during the latest quarter, 53 wells were drilled in the Viewfield Bakken resource play, helping the company to refine its one-mile, 25-stage cemented liner completion technique and expand its waterflood program which it said are driving strong rates of return and generating significant cash flow.

Crescent Point reported it has grown volumes from waterflood to more than 15,000 barrels per day, while reducing decline rates by up to 10 percent, and aims to double that over the next two years.

In the Shaunavon play, 32 water injection wells are operating and another 56 oil wells were drilled during the quarter.

Also during the quarter, the company participated in drilling seven gross (3.9 net) wells targeting Bakken and Three Forks formations in North Dakota, with "encouraging" results, including a 30 percent reduction in drilling and completion costs over 18 to 24 months.

Crescent Point participated in 46 gross wells (26.7 net) in the Uinta Basin, achieving a 100 percent success rate, during the June-September period and began its operated horizontal drilling program in the Uteland zone.

"New vertical well completion techniques are being tested in the area to further increase fracture stimulation efficiency, production rates and ultimate recoveries," while permitting for a 3-D seismic program in operated lands of the Randlett area are under way, the company said.

As well, Crescent Point has received Utah state regulatory approval for a second waterflood injection pilot in the Randlett area and expects to start injecting both pilots in 2015.

Overall the company reported third-quarter cash flow of C$618.4 million, up 12 percent from a year earlier, with net income climbing 194 percent to C$87.9 million. Average daily production showed a 20 percent gain in crude oil and natural gas liquids to 128,495 bpd and a 19 percent increase in natural gas to 76 million cubic feet per day. Guidance for 2014 is unchanged at 140,000 barrels of oil equivalent per day. ●

Contact Gary Park through publisher@petroleumnews.com

RESEARCH & EDUCATION

EERC oil and gas program honored

North Dakota's major center of oil and gas environmental research has been recognized for outstanding leadership.

The Energy and Environmental Research Center, EERC, at the University of North Dakota has received the prestigious Interstate Oil and Gas Compact Commission, IOGCC, 2014 Chairman's Stewardship Award in Environmental Partnership for its Bakken Production Optimization Program. The three-year program was developed and funded by industry and the state's Oil and Gas Research Program in order to increase well productivity and the economic output of North Dakota's oil and gas resources while decreasing environmental impacts. The program tracks key issues facing the oil and gas industry such as flaring, spill remediation, waste minimization and reclamation. Project partners include Continental Resources, ConocoPhillips, Hess Corp., Hitachi Data Systems, Marathon Oil, Nuverra Environmental Solutions, Oasis Petroleum, SM Energy, Whiting and XTO Energy. The Oil and Gas Research Program is overseen by the state's Industrial Commission.

"We are incredibly honored to receive this award," said EERC Associate Director for Research John Harju in a statement. "I would like to acknowledge the insight and contributions of all partners involved. Great partners make great projects, and we look forward to continued success in the future."

IOGCC is a multistate government agency that promotes the conservation and efficient recovery of domestic oil and natural gas while protecting health, safety, and the environment. The awards were given to recipients in four categories: energy education, environmental partnership, small company, and large company.

"During its first year, our program has already resulted in significant contributions to optimized well-drilling plans that minimize land impacts, flared gas reduction plans that minimize air emissions and wasted gas resources, and improved waste disposal plans in North Dakota," Harju said. "This is a true testament to the dedication of our great partners and the faith they've placed in the EERC team."

—MAXINE HERR

● COMPANY UPDATE

Kodiak's output up ahead of merger

As Whiting acquisition approaches, production rises 14 percent and drilling fleet upgraded with two new highly mobile drill rigs

By STEVE SUTHERLIN
For Petroleum News Bakken

Kodiak Oil and Gas Corp. had an overall 14 percent increase in quarter-over-quarter equivalent sales volumes with an average of 40,485 barrels of oil equivalent per day during third quarter 2014, as compared to an average of 35,406 boepd in third quarter 2013, Lynn Peterson, Kodiak president and CEO said in a Nov. 6 conference call.

Peterson said Kodiak's planned merger with Whiting Petroleum Corp. is progressing, with an expected closing in December.

New rigs

Meanwhile, Kodiak has upgraded its Bakken drilling fleet for higher efficiency, acquiring two highly mobile rigs that require fewer loads and de-loads between field locations, Peterson said.

The two new rigs replaced two older rigs.

"We expect to see continued gains in our drilling efficiencies with these rigs," he said.

During the transition, there was a period of time when Kodiak was down to five rigs compared to the seven rigs the company has operated during the past few years.


LYNN PETERSON

"The result of this downtime is obviously fewer wells drilled and subsequently completed as shown by our capital expenditures lagging behind our original budgets," Peterson said. "Likewise, the fewer number of wells completed contributed to lower production for the quarter as well as higher lease operating expense per boe as we did not have some flex production late third quarter that we normally would experience."

Year to date, Kodiak has invested approximately $643.3 million related to oilfield operations and leasehold acquisitions compared to its full year capital expenditure guidance of approximately $940 million, Peterson said.

As of October, Kodiak is back to seven operated rigs and expects well activity to return to a normal level for the fourth quarter.

Flexibility

At present, Kodiak's requirements remain at the current rig count, but going forward, the company has opportunities to adjust its fleet.

"The company is in an excellent position as we have four rig contracts expiring by year end which gives us flexibility to watch prices and adjust our drilling schedules to price fluctuations," Peterson said.

"During the third quarter of 2014, we benefited from the average oil price before the effects of hedging of $85.35 per barrel; the average differential for WTI in the quarter was about $11.73 per barrel," Peterson said. "This continues to drive solid economics from our drilling program with cash margins north of $50 per boe.

"As the price of oil has been volatile over the past few weeks, the quality of our acreage and the type of wells that we are completing becomes even more important," he said.

Crude oil accounted for approximately 93 percent of oil and gas sales recorded during third quarter 2014.

Kodiak is increasing the percentage of its produced gas

see KODIAK OUTPUT page 8

● COMPANY UPDATE

Non-operator model allows for flexibility

Reveling in its acreage within the core area of the Bakken, Northern Oil and Gas experiences an 8 percent increase in production

By MAXINE HERR
For Petroleum News Bakken

As the largest non-operator in the Bakken, Wayzata, Minnesota-based Northern Oil and Gas positioned itself well by holding interest in wells in the top four oil-producing counties in North Dakota. It contributed significantly to the company's production growth in the third quarter in the midst of current market conditions.

During the third quarter, Northern added 167 gross (13.8 net) wells to production bringing its total producing well count to 2,197 gross (177.5 net). The company hit a new record of wells drilling or awaiting completions during the quarter due to the strong pace of activity. As a start to its fourth quarter, 39 gross (2.3 net) wells were completed and producing in October with another 377 gross (28.3 net) still drilling or awaiting completion by the end of the month. The company controls nearly 185,000 net acres in the Williston Basin.

"Northern had another strong quarter of drilling and completion activity, resulting in continued sequential production growth and a record 359 gross (25.0 net) wells in process at the end of the quarter," Northern Oil Chairman and Chief Executive Officer Michael Reger said in a statement. "Our well productivity continued to improve as our new well additions were again heavily concentrated in the core counties of Mountrail, McKenzie, Williams and Dunn."


MICHAEL REGER

The company's non-operated business model has allowed it to adapt quickly to recent oil price changes by tightening capital when needed. The company said its operators indicated that October's oil price differentials averaged $13 to $14. During the third quarter, Northern's realized price, after reflecting its settled derivative transactions, was $74.13 per barrel of oil equivalent, boe, which was down approximately 6 percent compared to last quarter.

"I think everybody is generally on the same page that in times of commodity price volatility like this, to be very strategic about deploying capital to the highest return projects," Reger told analysts during a Nov. 7 conference call to discuss third quarter results. "Now is not a time to be outside of the core holding acreage, obviously."

Meaningful IP rates

New completion techniques being utilized by Northern's operators have led to improvements in initial production rates, but the uptick is not centralized in the heart of the Bakken, but also outside the core areas.

"The newer completion methodologies using plug-and-perf and some accretive profit usage has slightly increased our well cost, or perhaps more importantly, the methodologies appear to be increasing our production levels and investment returns," said Chief Financial Officer Tom Stoelk.

see NORTHERN PRODUCTION page 8


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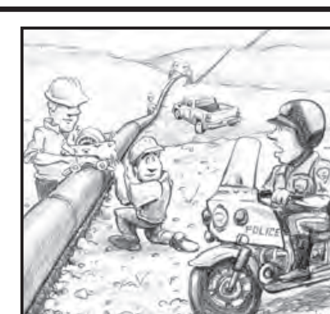
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● COMPANY UPDATE

Catching up on HBP in volatile market

Emerald focused on holding Williston Basin acreage by production in 2015 and continues shopping for additional contiguous assets

By MAXINE HERR

For Petroleum News Bakken

As operators consider scaling back drilling programs in the lower oil price environment, Denver-based Emerald Oil has a unique way of adjusting its spending within the volatile market.

The company will focus the majority of its 2015 capital budget on developing and holding by production its currently undeveloped leasehold in McKenzie County. Emerald expects to have approximately 80 to 85 percent of its acreage portfolio held by production, HBP, by the end of 2015. In a Nov. 4 conference call to discuss third quarter results, Chief Executive Officer McAndrew Rudisill said the company will try to maintain effective economics by targeting those acres.

"It just doesn't make a whole lot of sense to drill, to accelerate drilling and drill infill wells in a declining oil price environment," he said. "It definitely makes sense to HBP acreage."

Rudisill said the company is "extremely comfortable" about the geology in the area based on well results from neighboring operators but obtaining federal permits and surface use agreements is a slow process. The remaining acreage faces no near term expiry issues and will be drilled in early 2016. Emerald has set its 2015 land budget at a range of approximately $5 million to $20 million to continue acquiring operating acreage contiguous to its core focus areas in the Williston Basin of North Dakota and Montana.

Its drilling program includes three rigs with one contract expiring in mid-March 2015. The company said if the price environment stays the same it will shift to a more conservative 2.25 rig program at that time. Emerald forecasts it will average 5,425 to 5,800 barrels of oil equivalent per day, boepd in 2015, exiting the year in the 6,000 to 6,400 boepd range which would be a 50 to 60 percent average product rate increase year-over-year. In the latest data available from the North Dakota Department of Mineral Resources, Emerald ranked 28th among the top 50 Bakken oil producers in North Dakota in August for operated, non-confidential wells with an average daily output of 3,726 barrels.

Targeting the middle Bakken

Emerald's total production volumes year over year increased 104 percent due to the addition of 5.69 net wells and the acquisition of 18.5 net operated Bakken/Three Forks wells during the third quarter 2014. Despite the impressive production hike, the company was 8 percent short of its guidance for the quarter due to mandated road shutdowns from heavy rains in August and September resulting in completion delays, artificial lift installation deferrals, and shut-ins of producing wells. The company plans to catch up on completions and artificial lift installations during the fourth quarter. Based on the downtime associated with artificial lift installations, Emerald has reduced its fourth quarter guidance by 6.5 percent to 4,300 boepd. Rudisill said the lift equipment on many of the recently acquired wells needed repair.

> *"It just doesn't make a whole lot of sense to drill, to accelerate drilling and drill infill wells in a declining oil price environment. It definitely makes sense to HBP acreage."*
> **—McAndrew Rudisill, Emerald Oil**

"We elected to swap out electric submersible pumps to install rod pumps on multiple wells in Q3 and Q4 2014 in order to drive lifting costs down in 2015," the company said in a statement. Emerald realized an $82.61 average price per barrel of oil, including settled derivatives, in the third quarter of 2014 compared to a $95.32 average during the third quarter of 2013.

As the company begins to drill in undeveloped units, it will target the middle Bakken because the formation's thickness increases as it nears the company's Low Rider area in west-central McKenzie County.

"There will be a smattering of Three Forks wells on the western edge of the acreage and also as you head into the eastern part of the acreage, where the Three Forks thickens up," Rudisill said.

Following the acquisition of acreage from Liberty Resources II, Emerald now controls over 110,000 net acres in Low Rider and Lewis and Clark, located in southern McKenzie and northern Billings counties.

Proving the Pronghorn

Besides the Bakken/Three Forks, Emerald targets the Pronghorn Sand formation, located primarily in Billings and Stark Counties of North Dakota. The company said its first 90-stage coil tubing completion job in the Pronghorn on its Lloyd Christmas 4 well resulted in a 24-hour initial production rate of 1,337 boepd and an average 30-day production rate of 696 boepd.

"We've also got some Pronghorn results on the Samsonite and Dunn locations that are each going to have 50-stage frack jobs on this that we'll be able to compare how the 90-stage coil tubing job compared to the 50-stage," Rudisill said. "From there what it will do is allow us to make a decision whether we are going to use coil tubing going forward on all the wells in the Pronghorn or we are going to stay with the 50-stage."

Emerald plans to get acreage in the Pronghorn held by production in early 2015 as well. ●

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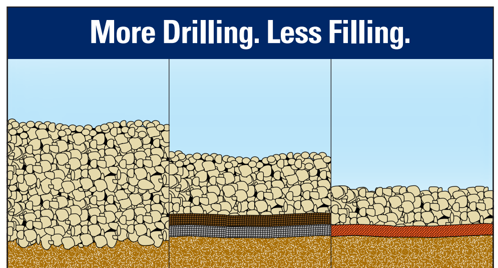

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continued from page 6

NORTHERN PRODUCTION

Third quarter production increased 8 percent sequentially and 26 percent year over year to 16,448 average boepd. Oil and natural gas sales reached $119.2 million in the third quarter, indicating an 11 percent increase year-over-year. Some of Northern's operators used the third quarter to perform workovers on offsetting wells that were shut-in due to completion activities on new pads. That activity will likely continue due to the large inventory of Northern's in-process wells.

Northern gets choosy with proposals

Northern's non-consent to well proposals is rising sharply in efforts to cut capital expenditures and focus on return rates. Typically, it only denied about 10 percent of operators' requests for authorizations for expenditures, but now the company is non-consenting closer to 25 percent.

"So you can see the immediate response to our change in price deck and what that meant for us," Stoelk said. "And that again is the strength of the non-op model in times of commodity price volatility and market volatility."

The company lost some acreage in southeastern Dunn County and southwestern Richland County in Montana, but it anticipated dropping those areas as development slowed. However, in the quarter the company added acreage nearly equal to the acreage that expired so total acreage did not decrease. In early October the company announced it had opened an office in Denver, Colorado, and it has resulted in "a fairly material increase in deal flow," Stoelk said. "We're being very selective in the opportunities we're acquiring and we are monitoring movements as it relates to price discovery." ●

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continued from page 6

KODIAK OUTPUT

that is captured and sold, currently capturing up to 75 percent, Peterson said, adding, "we expect continued improvement in this measure throughout the balance of the year."

Gas sales for the first nine months of the year were almost 100 percent above the same period in 2013, he said.

Kodiak's Bakken lease operating expenses, LOEs, have risen during 2014.

On a per unit basis, lease operating expense rose from $6.28 per barrel sold in third quarter 2013 to $10.50 per barrel sold in third quarter 2014, Kodiak said.

"During the first three quarters of 2014, we have seen a trend towards higher LOE cost, an average for the nine-month period of $9.17 per boe; we have also experienced the same trend in our non-operated properties during this period," Peterson said. "The increase in LOE per barrel is partially a result of the normal decline in production as our portfolio of producing wells ages without a corresponding decrease in the ongoing fixed costs to operate these wells."

A host of additional factors have pushed Kodiak's LOE higher.

"Our LOE continues to be impacted by the increase in oil field service costs, particularly with respect to workover operations, and costs associated with winterization," Peterson said.

"As we continue to work on spacing between wells, our LOE per barrel will also be negatively impacted by frack protection work, due to the need to shut in wells to avoid damage caused by completion work on adjacent wells," he said. "As a result of these protective measures, we temporarily reduce production from wells and then incur additional costs to bring the wells back onto production."

Frack protection is necessary not only for the wells Kodiak operates and completes, but also for wells other operators are completing, offsetting Kodiak's acreage, Peterson said.

"LOE fluctuates between quarters as a result of the timing of expenses and realization of the corresponding production and as such full year LOE per boe is a better gauge of the costs going forward," Peterson said. ●

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continued from page 3

CRESTWOOD VOLUMES

capacity will be expanded to 40,000 bpd.

And in the midst of considerable speculation about the potential effects of crude oil price volatility on development activity in the Williston Basin on the near-term, Crestwood CEO Robert Phillips is confident producer customers on the Arrow system will continue active development. "We're feeling very good about our investment for the Arrow Midstream asset," Phillips said in a Nov. 5 earnings conference call with industry analysts. "Producers on the system continue to drill some of the most … prolific wells in the Bakken with reported average 30-day IP rates now well above the 1,000 barrels a day for all of our customers and is as high as 2,500 barrels per day from some of our more active producers," Phillips said.

And looking ahead, Phillips is confident drilling activity will be as brisk in 2015 as it has been in 2014. "We're continuing to work with our producers to finalize their 2015 drilling plans over the coming months, but we're getting increasingly comfortable with the fact that they are going to continue to drill aggressively in 2015 as they have in 2014 due to both the improving performance of the wells … as well as their very strong hedge position at $90 to $95 per barrel."

The COLT system

Crestwood's COLT system consists of the COLT hub and the COLT Connector pipeline. The hub includes incoming pipeline connections and truck unloading racks, 1.2 million barrels of storage capacity, and 160,000 bpd rail loading capacity. The COLT Connector is a 21-mile, 10-inch bidirectional pipeline that connects the hub at Epping with Enbridge and Tesoro pipelines at the Dry Fork hub.

The COLT terminal, which is served by BNSF, was built in 2012 by Rangeland Energy and the first loaded unit train left the terminal in 2012. But in November of that year, Rangeland sold the terminal to Kansas City-based Inergy Midstream. Nearly a year later, Inergy and Crestwood merged in a $7 billion deal forming a partnership that kept the Crestwood name.

When the COLT rail terminal first went into service in 2012 it had the capacity to load 80,000 barrels of crude on rail cars per day. The terminal has since undergone two major expansions which boosted capacity to the current 160,000 bpd. And Crestwood is also adding release and departure tracks to provide flexibility for trains entering and leaving the facility. "These tracts will importantly facilitate scheduling efficiencies between our customers and the railroad for trains coming into and leaving the terminal after loading," Phillips said.

On the longer-term, Phillips said the terminal is strategically important for accessing refining markets on both the east and west coasts. "It is a demand pull facility," he said, adding "our key refiner customers continue to talk publically about their dependence on Bakken barrel."

Based on daily loading volumes, the COLT facility is one of the largest crude oil rail terminals in the U.S. according to Crestwood, and currently is averaging approximately 120,000 bpd loading throughput. Petroleum News Bakken reported in the Oct. 26 edition that Crestwood expected to load the 1,000th rail car at the terminal by the end of October, and on Oct. 27, the company issued a press release indicating the milestone had been reached.

Bakken trucking assets

Contributing to Crestwood's third quarter Williston Basin crude throughput increase was its new trucking business spawned from the acquisition of two Watford City trucking firms.

In March, Crestwood acquired Red Rock Transportation, a crude oil and produced water trucking firm with a transport capacity of 28,000 bpd. Then in May the company acquired LT Enterprises, another crude oil and produced trucking firm with a total transport capacity of 20,000 bpd.

In addition to the Williston Basin, Crestwood has crude, natural gas and/or natural gas liquids midstream operations in the Powder River Basin of Wyoming; on the West Coast in California; in the Avalon, Bone Springs, Barnett, Fayetteville and Haynesville and Bossier plays in the south-central U.S.; and in the Marcellus play in the northeast U.S.

Crestwood's crude oil volumes averaged 227,000 barrels per day in the third quarter, an increase of 174 percent over the third quarter 2013. Most of the crude throughput was in the Williston Basin, but 9,100 bpd was handled in the company's terminal at Douglas, Wyoming.

In the third quarter, Crestwood's total natural gas gathering volumes averaged 1.261 billion cubic feet, bcf, per day, a 22 percent increase over the third quarter 2013. Also in the quarter, Crestwood set a company record of 590 mmcf per day in compression volumes, an increase of 111 percent over the third quarter 2013. The company's third quarter natural gas storage and transportation volumes increased 7 percent over the third quarter 2013 averaging 1.785 bcf per day.

Crestwood's adjusted earnings before interest, taxes, depreciation, amortization and accretion, EBITDA, were $116.2 million in the quarter, 6 percent higher than the second quarter and 36 percent higher than in the third quarter 2013. The company's net income in the quarter was $21.3 million, up 82 percent over the second quarter and up 84 percent over the third quarter 2013. ●

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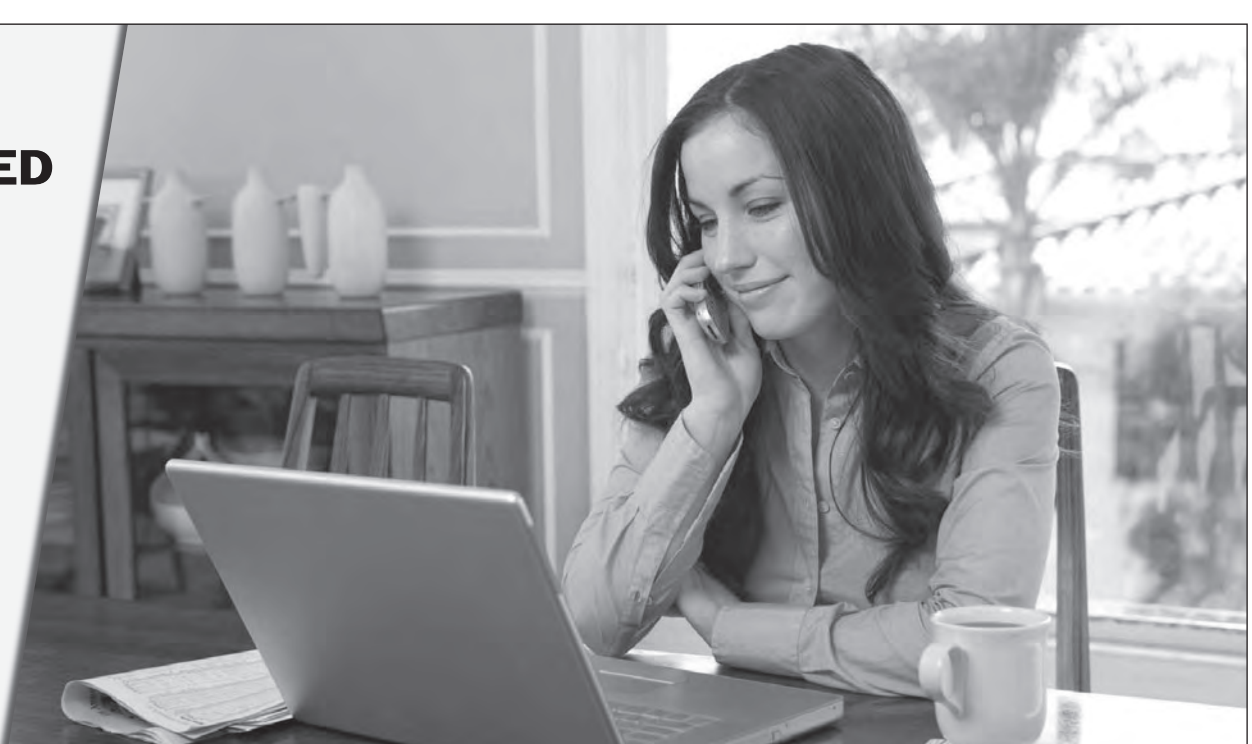


Petroleum News BAKKEN BAKKEN Stats

● BAKKEN COMMENTARY

Wide volume and geographic spreads in ND IP wells

MIKE ELLERD

Petroleum News Bakken

The week's 10 highest 24-hour initial production, IP, volumes reported for North Dakota Bakken system wells have a 1,700-barrel spread ranging from 2,741 down to 1,002 barrels, and are scatted from western Mountrail up to northern Mountrail and down to central Dunn counties (see map this page and charts on pages 10 and 12).

The 2,761 barrel IP came from a Statoil middle Bakken well in the Alger field in Mountrail County. Statoil also had the No. 2 IP from a Three Forks formation well in the Williston field west of Williston in Williams County. Those were the only two wells breaking the 2,000 barrel IP mark reported for the week. However, a Statoil Three Forks well on the same pad as the No. 1 IP well came in fourth at 1,808 barrels.

WPX had the Nos. 3 and 6 wells, Newfield the Nos. 5 and 8 wells, Oxy the No. 7 well, Emerald the No. 9 well, and Hess rounded out the list with the No. 10 well (see chart on page 12).

In Montana, one completion was reported between Oct. 27 and Nov. 5, that being a Whiting well that came in with an IP of 1,298 barrels.

Permitting activity

A total of 60 North Dakota drilling permits were issued between Nov. 4 and 7, with Williams County receiving the most at 23 followed by McKenzie County at 22 and Mountrail at seven. Permits were also issued in Dunn, Divide, Golden Valley and Burk counties.

Continental received the most permits at 18, nearly a third of all the permits issued. Ten of Continental's permits are for wells in the Elm Tree field in McKenzie County, and the other eight are for wells in Dollar Joe field in Williams County.

Also in Williams County, Liberty Resources was issued eight permits for wells on a common pad in the McGregor field; Oasis received permits for five common-pad wells in the Missouri Ridge field; and Whiting was issued permits for two wells in the Ray field.

In McKenzie County, Statoil was issued permits for four common-pad wells in the Briar Creek field; Emerald was issued three permits for wells in the Mondak field; Hess was issued three permits for wells in the Antelope, Sandrocks and Ellsworth fields; and Whiting was issued two permits in the Timber Creek field.

In Mountrail County, Slawson Exploration was issued three permits in the Big Bend field; Hunt Oil received two permits in the Ross field; and EOG Resources was issued two permits for wells in the Stanley and Parshall fields.

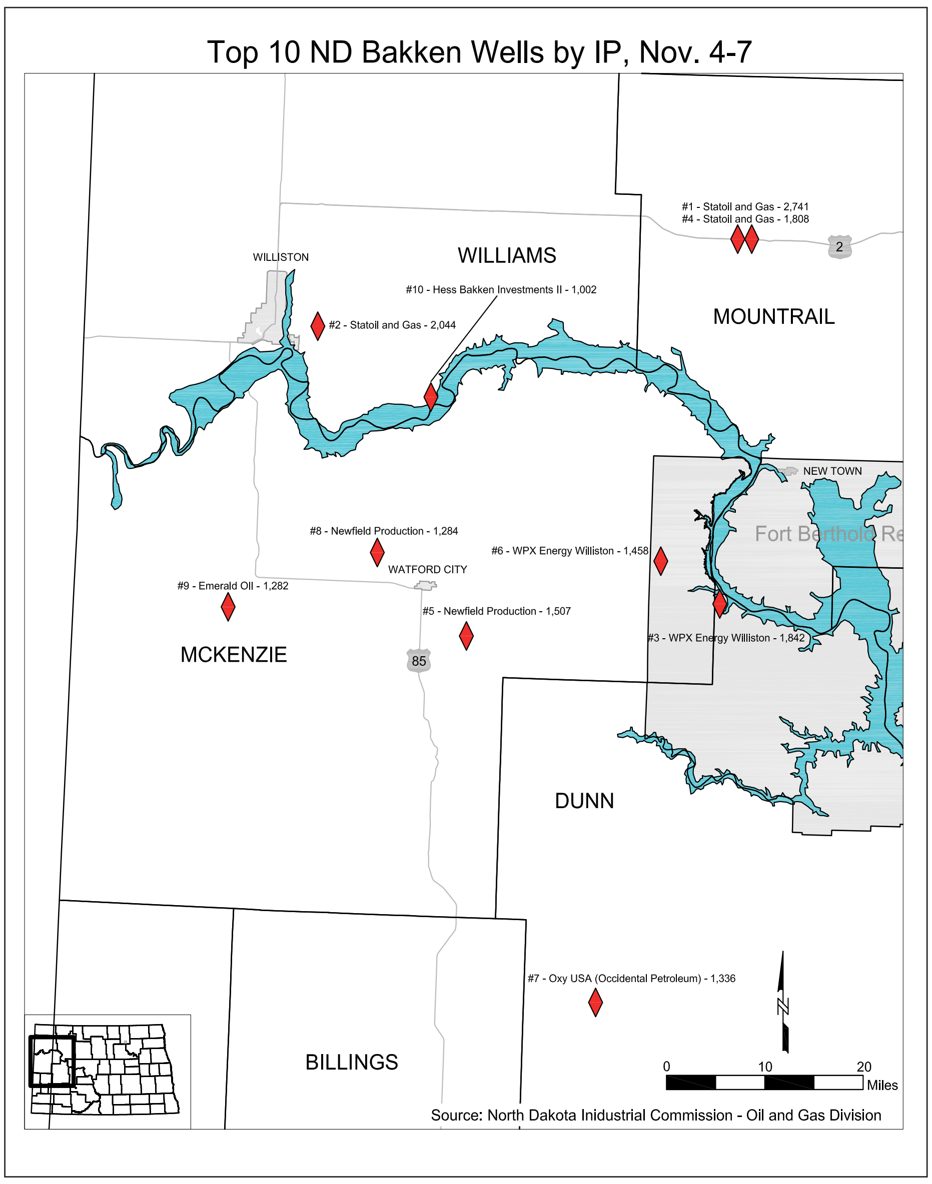
The only permits issued in Dunn County went to Oxy USA for two wells in the Manning field and one in the Simon Butte field.

For other permits see the chart on page 11.

Permits were renewed in Bottineau, Burke, Divide and McKenzie counties, and location resurveys were authorized in McHenry and Williams counties.

In Montana, six new Bakken well locations were permitted. Oasis was issued four permits, all for wells in Roosevelt County. Slawson Exploration was issued a permit for a well in Wibaux County, and Whiting was issued a permit for a Richland County well.

Location permits were reissued Whiting, and XTO Energy, both in Richland County. ●



BIGHORN ENGINEERING

Petroleum News BAKKEN — Looking for a rig report?

North Dakota

The best list for North Dakota is updated daily by the North Dakota Oil and Gas Division at **www.dmr.nd.gov/oilgas/riglist.asp**

Saskatchewan

Weekly drilling activity report from the government of Saskatchewan:
www.economy.gov.sk.ca/Daily-Well-Bulletin-Weekly-Drilling-Reports

Manitoba

Weekly drilling activity report from the government of Manitoba:
www.manitoba.ca/iem/petroleum/wwar/index.html

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Petroleum News BAKKEN — Bakken producers' stock prices

Closing prices as of Nov. 12 along with those from previous Wednesday

Company	Exchange	Symbol	Closing price	Previous Wed.
Abraxas Petroleum Corporation	NASDAQ	AXAS	$4.09	$4.09
American Eagle Energy Corporation	NYSE	AMZG	$1.53	$1.53
Arsenal Energy USA, Inc.	TSE	AEI	$8.25	$8.25
Baytex Energy USA Ltd.	NYSE	BTE	$28.22	$28.22
Burlington Resources Co., LP (ConocoPhillips)	NYSE	COP	$69.84	$69.84
Condor Petroleum	TSE	CPI	$0.21	$0.22
Continental Resources, Inc.	NYSE	CLR	$53.55	$53.55
Crescent Point Energy US Corporation	TSE	CPG	$36.33	$36.33
Denbury Onshore, LLC	NYSE	DNR	$11.46	$11.46
Emerald Oil, Inc.	NYSEMKT	EOX	$2.78	$2.78
Enerplus Resources USA Corporation	NYSE	ERF	$13.41	$13.41
EOG Resources, Inc.	NYSE	EOG	$96.07	$96.07
Fidelity Exploration & Production (MDU)	NYSE	MDU	$26.48	$26.48
Halcon Resources	NYSE	HK	$2.94	$2.84
Hess Corporation	NYSE	HES	$83.17	$83.17
Kodiak Oil and Gas (USA), Inc.	NYSE	KOG	$10.11	$10.11
Legacy Reserves Operating LP	NASDAQ	LGCY	$21.65	$21.65
Marathon Oil Company	NYSE	MRO	$33.57	$33.57
Mountain Divide, LLC (Mountainview Energy)	CVE	MVW.V	$0.32	$0.32
Newfield Production Company	NYSE	NFX	$31.83	$31.58
Northern Oil and Gas	NYSE	NOG	$10.50	$10.50
Oasis Petroleum North America	NYSE	OAS	$26.11	$26.11
Oxy USA, Inc. (Occidental Petroleum)	NYSE	OXY	$86.47	$86.47
PetroShale Inc.	CVE P	SH	$1.70	$1.70
QEP Energy Company	YSE	QEP	$24.46	$24.46
Samson Resources Company (KKR & Co)	NYSE	KKR	$21.27	$21.27
SM Energy Company	NYSE	SM	$52.60	$52.60
Statoil Oil and Gas LP	NYSE	STO	$22.16	$22.16
Triangle USA Petroleum Corporation	NYSE	TPLM	$7.00	$7.00
Whiting Oil and Gas Corporation	NYSE	WLL	$57.82	$57.82
WPX Energy Williston, LLC	NYSE	WPX	$17.58	$17.58
XTO Energy, Inc. (ExxonMobil)	NYSE	XOM	$95.04	$95.04

Petroleum news BAKKEN

IPs for ND Bakken wells

Nov. 4-7, 2014

This chart contains initial production rates, or IPs, for active wells that were filed as completed with the state of North Dakota from Nov. 4-7, 2014 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) likely 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, Nov. 4-7. 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 owner's names, please contact Ashley Lindly at alindly@petroleumnewsbakken.com

County (Co.) abbreviations are as follows — BIL: Billings, BOT: Bottineau, BOW: Bowman, BRK: Burke, DIV: Divide, DUN: Dunn, GV: Golden Valley, MCH: McHenry, MCK: McKenzie, MCL: McLean, MER: Mercer, MNT: Mountrail, REN: Renville, SLP: Slope, STK: Stark, WRD: Ward, WIL: Williams

IPs for completed North Dakota wells

NDIC No.	Well Name	Field	Location	Spacing	Co.	Geologic Target	Wellbore Type	Total Depth	IP Test Date	IP Rate (bbl)	IP Nat. Gas (mcf)	IP Water (bbl)
Continental Resources												
26875	Lawrence 10-24H2	North Tioga	NENW 25-159-95	2SEC	WIL	Bakken	horz.	21,131'	10/10/14	260	123	788
Emerald Oil												
28123	Mary Samsonite 3-16-21H	St. Demetrius	NENW 16-141-99	2SEC	BIL	Bakken	horz.	20,675'	10/18/14	725	583	2,421
Hess Bakken Investments II												
27227	BW-Kraetsch- 149-99-1423H-2	Cherry Creek	NWNW 14-149-99	2SEC	MCK	Bakken	horz.	20,361	10/11/14	742	1,347	417
27225	BW-Kraetsch- 149-99-1423H-3	Cherry Creek	NWNW 14-149-99	2SEC	MCK	Bakken	horz.	20,447'	10/12/14	843	1,529	435
26813	EN-Hermanson-LE- 155-93-3501H-2	Robinson Lake	NENW 35-155-93	2SEC	MNT	Bakken	horz.	22,769'	10/16/14	794	721	405
27065	EN-KMJ Uran- 154-93-2734H-7	Robinson Lake	NWNW 27-154-93	2SEC	MNT	Bakken	horz.	20,075'	9/29/14	972	1,570	841
27064	EN-KMJ Uran- 154-93-2734H-8	Robinson Lake	NWNW 27-154-93	2SEC	MNT	Bakken	horz.	20,318'	10/9/04	760	469	320
27494	EN-L Cvancara- 155-93-2627H-2	Robinson Lake	SENE 26-155-93	2SEC	MNT	Bakken	horz.	21,005'	10/6/14	702	642	661
27495	EN-L Cvancara- 155-93-2627H-3	Robinson Lake	SENE 26-155-93	2SEC	MNT	Bakken	horz.	20,890'	10/15/14	716	705	520
27296	EN-Ortloff- 156-94-2635H-5	Big Butte	NENW 26-156-94	2SEC	MNT	Bakken	horz.	19,453'	10/12/14	863	1,141	412
27134	SC-Tom- 153-98-1514H-7	Truax	NWSW 15-153-98	2SEC	WIL	Bakken	horz.	20,418'	10/8/14	1,002	2,117	376
27133	SC-Tom-LS-	Truax	NWSW 15-153-98	4SEC	WIL	Bakken	horz.	21,094'	10/14/14	344	596	243
Petro-Hunt												
27200	Watterud 160-95-14A-23-2H	Stoneview	NENE 14-160-95	4SEC	DIV	Bakken	horz.	18,814'	9/17/14	659	364	1,979
Statoil Oil and Gas												
27577	Barstad 23-14 3H	Alger	SWSE 23-156-93	2SEC	MNT	Bakken	horz.	19,814'	10/1/14	2,741	2,163	5,181
27576	Barstad 23-14 7TFH	Alger	SWSE 23-156-93	2SEC	MNT	Bakken	horz.	21,195'	11/3/14	1,808	1,302	5,670
25672	Larsen 3-10 5TFH	Williston	NENW 15-154-100	2SEC	WIL	Bakken	horz.	21,261'	8/21/14	2,044	1,648	3,600
Whiting Oil and Gas												
28971	Miller 41-10TFH	Sanish	NENE 10-153-92	2SEC	MNT	Bakken	horz.	18,524'	10/16/14	497	126	2,055
28528	Peterson 41-33XH	Sanish	NENE 33-153-92	ICO	MNT	Bakken	horz.	20,366'	9/13/14	649	471	654
XTO Energy (ExxonMobil)												
27616	Hansen 34X-10C	Temple	SWSE 10-159-96	2SEC	WIL	Bakken	horz.	19,172'	9/21/14	113	148	644

IPs for ND wells released from confidential status

NDIC No.	Well Name	Field	Location	Spacing	Co.	Geologic Target	Wellbore Type	Total Depth	IP Test Date	IP Rate (bbl)	IP Nat. Gas (mcf)	IP Water (bbl)
Burlington Resources Oil and Gas (ConocoPhillips)												
27606	Bullrush 34-10MBH-B	Elidah	SWSE 10-151-97	N/A	MCK	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
27607	Bullrush 34-10TFH-B	Elidah	SWSE 10-151-97	N/A	MCK	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
27698	Haymaker 31-15TFH-B	Elidah	NENW 15-151-97	N/A	MCK	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
Continental Resources												
27869	Skar 3-28H	Stoneview	SESW 28-160-95	N/A	DIV	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
27870	Skar 4-28H1	Stoneview	SESW 28-160-95	N/A		Bakken	horz.	N/A	N/A	N/A	N/A	N/A
Emerald Oil												
29917	Dagny Taggart 4-21-16H	Mondak	SWSE 21-147-103	N/A	MCK	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
26716	Pirate 3-2-11H	Foreman Butte	LOT3 2-149-102	2SEC	MCK	Bakken	horz.	20,783'	5/9/14	1,282	1,160	3,720
Hess Bakken Investments II												
28148	BW-Kraetsch 149-99-1423H-5	Cherry Creek	NWNE 14-149-99	N/A	MCK	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
28147	BW-R Peterson- 149-99-1102H-5	Cherry Creek	NWNE 14-149-99	N/A	MCK	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
27683	EN-Pederson-LW- 154-94-0408H-4	Alkali Creek	SESW 33-155-94	N/A	MNT	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
27161	GN-Tom Jen- 157-97-0409H-2	Ray	SESE 33-158-97	N/A	WIL	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
Marathon Oil												
28005	Meehl 44-24TFH	Chimney Butte	SWSE 24-146-95	2SEC	DUN	Bakken	horz.	21,080'	7/24/14	986	767	1,556
Newfield Production												
27844	Blue Angel 150-99-5-8-4H	Tobacco Garden	LOT3 5-150-99	2SEC	MCK	Bakken	horz.	20,996'	7/5/14	1,284	2,615	2,637
26612	Hoffman 149-98-14-23-2H	Pembroke	NENE 14-149-98	2SEC	MCK	Bakken	horz.	21,390'	8/2/14	1,507	3,568	2,032
26610	Hoffman 149-98-14-23-10H	Pembroke	NWNE 14-149-98	2SEC	MCK	Bakken	horz.	21,215'	7/31/14	876	1,432	743
Oasis Petroleum North America												
24302	USA FS 23-14H	Foreman Butte	LOT3 23-150-103	N/A	MCK	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
Oxy USA (Occidental Petroleum)												
26079	Harry Stroh 2-8-5H-143-96	Fayette	SESW 8-143-96	2SEC	DUN	Bakken	horz.	20,439'	5/2/14	1,336	552	1,998
Petro-Hunt												
27247	L. Hoiby 159-94-30D-19-4H	North Tioga	NWNE 31-159-94	2SEC	BRK	Bakken	horz.	19,621'	8/8/14	586	786	2,457
27540	Wollan 152-96-27A-35-1HS	Clear Creek	NENE 27-152-96	N/A	MCK	Bakken	horz.	N/A	N/A	N/A	N/A	N/A

see ND IP page 12

North Dakota oil permit activity

Nov. 4-7, 2014

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

Permits issued

Well Name	Location	Footages	Field	Geologic Target	Wellbore Type	Elev.	NDIC No.	API No.	NDIC date
Burke Co.									
Cornerstone Natural Resources									
State B-3625-6192	SESW 36-161-92W	290'FSL and 1,490'FWL	Foothills	Bakken	horz.	2,418'	29893	33-013-01813	11/4/14
Divide Co.									
American Eagle Energy									
Curly 15-31-164-101	SWSE 31-164-101W	250'FSL and 1,439'FEL	Colgan	N/A*	conf.	2,235'	29897	33-023-01288	11/4/14
Kenyon 16-35S-164-102	SESE 35-164-102W	250'FSL and 450'FEL	Skjermo	N/A*	conf.	2,220'	29898	33-023-01289	11/4/14
Dunn Co.									
Oxy USA (Occidental Petroleum)									
Kelsey Elizabeth 1-7-6H-141-95	NENW 18-141-95W	336'FNL and 1,570'FWL	Simon Butte	Bakken	horz.	2,564'	29892	33-025-02734	11/4/14
William Sadowsky 7-4-9H-142-96	LOT3 4-142-96W	598'FNL and 2,178'FWL	Manning	Bakken	horz.	2,343'	29891	33-025-02733	11/4/14
William Sadowsky 8-4-9H-142-96	LOT3 4-142-96W	598'FNL and 2,258'FWL	Manning	Bakken	horz.	2,346'	29890	33-025-02732	11/4/14
Golden Valley Co.									
XTO Energy (ExxonMobil)									
Elk Horn Federal 44X-36BXC	SESE 36-144-103W	793'FSL and 863'FEL	Morgan Draw	N/A*	conf.	2,578'	29904	33-033-00354	11/5/14
Johnson 34X-36BXC	SWSE 36-144-103W	969'FSL and 1,823'FEL	Morgan Draw	N/A*	conf.	2,599'	29903	33-033-00353	11/5/14
McKenzie Co.									
Continental Resources									
Hendrickson 7-36H2	SESE 36-153-94	343'FSL and 1,140'FEL	Elm Tree	N/A*	conf.	2,077'	29949	33-053-06454	11/7/14
Hendrickson 8-36H	SESE 36-153-94	343'FSL and 1,095'FEL	Elm Tree	Bakken	horz.	2,077'	29948	33-053-06453	11/7/14
Hendrickson 9-36H1	SESE 36-153-94	343'FSL and 1,050'FEL	Elm Tree	Bakken	horz.	2,077'	29947	33-053-06452	11/7/14
Hendrickson 10-36H	SESE 36-153-94	343'FSL and 1,005'FEL	Elm Tree	Bakken	horz.	2,078'	29946	33-053-06451	11/7/14
Hendrickson 11-36H2	SESE 36-153-94	343'FSL and 960'FEL	Elm Tree	Bakken	horz.	2,079'	29945	33-053-06450	11/7/14
Holstein Federal 3-25H2	SWNE 25-153-94	2,100'FNL and 2,405'FEL	Elm Tree	Bakken	horz.	2,124'	29936	33-053-06449	11/7/14
Holstein Federal 4-25H	SWNE 25-153-94	2,100'FNL and 2,360'FEL	Elm Tree	Bakken	horz.	2,124'	29935	33-053-06448	11/7/14
Holstein Federal 5-25H1	SWNE 25-153-94	2,100'FNL and 2,315'FEL	Elm Tree	Bakken	horz.	2,124'	29934	33-053-06447	11/7/14
Holstein Federal 6-25H	SWNE 25-153-94	2,100'FNL and 2,270'FEL	Elm Tree	Bakken	horz.	2,125'	29933	33-053-06446	11/7/14
Holstein Federal 7-25H2	SWNE 25-153-94	2,100'FNL and 2,225'FEL	Elm Tree	Bakken	horz.	2,126'	29932	33-053-06445	11/7/14
Emerald Oil									
Dagny Taggart 3-21-16H	SWSE 21-147-103W	325'FSL and 2,415'FEL	Mondak	Bakken	horz.	2,182'	29916	33-053-06436	11/6/14
Dagny Taggart 4-21-16H	SWSE 21-147-103W	325'FSL and 2,365'FEL	Mondak	Bakken	horz.	2,183'	29917	33-053-06437	11/6/14
Greg Marmalard Federal 3-28-33H	SWSE 21-147-103W	225'FSL and 2,415'FEL	Mondak	Bakken	horz.	2,182'	29918	33-053-06438	11/6/14
Hess Bakken Investments II									
A-Lone Tree- 152-95-1207H-1	LOT4 12-152-95	1596'FSL and 345'FWL	Antelope	N/A**	conf.	2,255'	29931	33-053-06444	11/7/14
BW-Arnegard State- 151-100-3625H-8	SWSW 36-151-100	290'FSL and 320'FWL	Sandrocks	N/A*	conf.	2,318'	29930	33-053-06443	11/7/14
BW-Hedstrom- 149-100-1201H-4	SWSW 12-149-100W	688'FSL and 315'FWL	Ellsworth	N/A*	conf.	2,243'	29905	33-053-06433	11/5/14
Statoil Oil and Gas									
Paulson 36-1 #4H	NWNE 36-152-104	53'FNL and 1,670'FEL	Briar Creek	N/A*	conf.	1,945'	29929	33-053-06442	11/7/14
Paulson 36-1 #5TFH	NWNE 36-152-104	41'FNL and 1,642'FEL	Briar Creek	N/A*	conf.	1,947'	29928	33-053-06441	11/7/14
Paulson 36-1 #6H	NWNE 36-152-104	29'FNL and 1,615'FEL	Briar Creek	N/A*	conf.	1,948'	29927	33-053-06440	11/7/14
Paulson 36-1 #7TFH	NWNE 36-152-104	17'FNL and 1,587'FEL	Briar Creek	N/A*	conf.	1,950'	29926	33-053-06439	11/7/14
Whiting Oil and Gas									
Curtis Moen 41-26-3H	NENE 26-150-100W	760'FNL and 287'FEL	Timber Creek	Bakken	horz.	2,297'	29914	33-053-06435	11/6/14
RJ Moen 41-26HU	NENE 26-150-100W	805'FNL and 287'FEL	Timber Creek	Bakken	horz.	2,296'	29913	33-053-06434	11/6/14
Mountrail Co.									
EOG Resources									
Burke 40-1609H	SESE 16-155-90W	820'FSL and 260'FEL	Stanley	N/A*	conf.	2,287'	29912	33-061-03398	11/6/14
Fertile 73-0905H	SESE 9-151-90W	550'FSL and 300'FEL	Parshall	N/A*	conf.	2,105'	29915	33-061-03399	11/6/14
Hunt Oil									
Nichols 156-90-10-15H-3	NWNE 10-156-90W	250'FNL and 1,735'FEL	Ross	N/A*	conf.	2,239'	29925	33-061-03401	11/6/14
Palermo 156-90-3-31H-2	NWNE 10-156-90W	250'FNL and 1,630'FEL	Ross	N/A*	conf.	2,252'	29924	33-061-03400	11/6/14
Slawson Exploration									
Howo 6-33-4TFH	NWNE 33-152-92W	275'FNL and 1,750'FEL	Big Bend	N/A*	conf.	1,880'	29894	33-061-03395	11/4/14
Howo 7-33-4TFH	NWNE 33-152-92W	275'FNL and 1,700'FEL	Big Bend	N/A*	conf.	1,880'	29896	33-061-03397	11/4/14
Howo 10-33-4TF2H	NWNE 33-152-92W	275'FNL and 1,725'FEL	Big Bend	N/A*	conf.	1,880'	29895	33-061-03396	11/4/14
Williams Co.									
Continental Resources									
Dover 4-30H	SESW 19-155-97	350'FSL and 1,660'FWL	Dollar Joe	N/A*	conf.	2,368'	29944	33-105-03878	11/7/14
Dover 5-30H1	SESW 19-155-97	350'FSL and 1,705'FWL	Dollar Joe	N/A*	conf.	2,369'	29939	33-105-03873	11/7/14
Dover 6-30H	SESW 19-155-97	350'FSL and 1,750'FWL	Dollar Joe	N/A*	conf.	2,369'	29942	33-105-03876	11/7/14
Dover 7-30H1	SESW 19-155-97	350'FSL and 1,795'FWL	Dollar Joe	N/A*	conf.	2,370'	29941	33-105-03875	11/7/14
Hartford 4-19H	SESW 19-155-97	500'FSL and 1,660'FWL	Dollar Joe	N/A*	conf.	2,368'	29940	33-105-03874	11/7/14
Hartford 5-19H1	SESW 19-155-97	500'FSL and 1,705'FWL	Dollar Joe	N/A*	conf.	2,370'	29943	33-105-03877	11/7/14
Hartford 6-19H	SESW 19-155-97	500'FSL and 1,750'FWL	Dollar Joe	N/A*	conf.	2,371'	29938	33-105-03872	11/7/14
Hartford 7-19H1	SESW 19-155-97	500'FSL and 1,795'FWL	Dollar Joe	N/A*	conf.	2,372'	29937	33-105-03871	11/7/14

see **ND PERMIT** *page 12*

ND IP *continued from page 10*

NDIC No.	Well Name	Field	Location	Spacing	Co.	Geologic Target	Wellbore Type	Total Depth	IP Test Date	IP Rate (bbl)	IP Nat. Gas (mcf)	IP Water (bbl)
Statoil Oil and Gas												
28234	Myron 9-4 #2TFH	Squires	SWSE 9-155-103	N/A	WIL	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
28233	Myron 9-4 #5H	Squires	SWSE 9-155-103	N/A	WIL	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
WPX Energy Williston												
26154	Alfred Old Dog 19-18HD	Reunion Bay	NENW 30-150-93	2SEC	DUN	Bakken	horz.	21,280'	9/17/14	1,842	0	1,182
28137	Edward Flies Away 7-8-9HC	Van Hook	NESE 12-150-92	2SEC	MNT	Bakken	horz.	20,410'	6/29/14	760	273	1,096
27728	Ruby 31-30HX	Antelope	SESW 31-151-94	2SEC	MCK	Bakken	horz.	20,952'	8/10/14	1,458	1,030	642
XTO Energy (ExxonMobil)												
27744	Brandvik Federal 44X-13H	Corral Creek	SESE 13-147-96	N/A	DUN	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
Zavanna												
27302	Husky 33-28 4TFH	Williston	SWSW 33-155-100	N/A	WIL	Bakken	horz.	N/A	N/A	N/A	N/A	N/A
27301	Husky 33-28 6H	Williston	SWSW 33-155-100	N/A	WIL	Bakken	horz.	N/A	N/A	N/A	N/A	N/A

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ND PERMITS *continued from page 11*

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

Well Name	Location	Footages	Field	Geologic Target	Wellbore Type	Elev.	NDIC No.	API No.	NDIC date
Liberty Resources Management									
ND State 158-95-16-9-5MBH	SWSE 16-158-95W	513'FSL and 1,676'FEL	McGregor	Bakken	horz.	2,501'	29899	33-105-03856	11/4/14
ND State 158-95-16-9-5TFH	SWSE 16-158-95W	513'FSL and 1,646'FEL	McGregor	Bakken	horz.	2,505'	29900	33-105-03857	11/4/14
ND State 158-95-16-9-6MBH	SWSE 16-158-95W	513'FSL and 1,616'FEL	McGregor	Bakken	horz.	2,508'	29901	33-105-03858	11/4/14
ND State 158-95-16-9-6TFH	SWSE 16-158-95W	513'FSL and 1,586'FEL	McGregor	Bakken	horz.	2,509'	29902	33-105-03859	11/4/14
ND State 158-95-21-28-5MBH	SWSE 16-158-95W	313'FSL and 1,646'FEL	McGregor	Bakken	horz.	2,504'	29911	33-105-03865	11/5/14
ND State 158-95-21-28-6MBH	SWSE 16-158-95W	313'FSL and 1,586'FEL	McGregor	Bakken	horz.	2,507'	29907	33-105-03861	11/5/14
ND State 158-95-21-28-6TFH	SWSE 16-158-95W	313'FSL and 1,616'FEL	McGregor	Bakken	horz.	2,506'	29910	33-105-03864	11/5/14
ND State 158-95-21-28-7TFH	SWSE 16-158-95W	313'FSL and 1,556'FEL	McGregor	Bakken	horz.	2,510'	29906	33-105-03860	11/5/14
Oasis Petroleum North America									
O M Erickson 5501 43-7 3T	SWSE 7-155-101W	251'FSL and 2,188'FEL	Missouri Ridge	Bakken	horz.	2,354'	29919	33-105-03866	11/6/14
O M Erickson 5501 43-7 4B	SWSE 7-155-101W	251'FSL and 2,122'FEL	Missouri Ridge	Bakken	horz.	2,354'	29920	33-105-03867	11/6/14
O M Erickson 5501 43-7 5T	SWSE 7-155-101W	291'FSL and 1,789'FEL	Missouri Ridge	Bakken	horz.	2,354'	29921	33-105-03868	11/6/14
O M Erickson 5501 44-7 6B	SESE 7-155-101W	258'FSL and 700'FEL	Missouri Ridge	Bakken	horz.	2,317'	29922	33-105-03869	11/6/14
O M Erickson 5501 44-7 7T	SESE 7-155-101W	258'FSL and 634'FEL	Missouri Ridge	Bakken	horz.	2,317'	29923	33-105-03870	11/6/14
Whiting Oil and Gas									
Kaldahl 34-12TFH	NWNE 13-156-97W	635'FNL and 1,385'FEL	Ray	Bakken	horz.	2,209'	29908	33-105-03862	11/5/14
Kaldahl 44-12TFH	NWNE 13-156-97W	590'FNL and 1,385'FEL	Ray	Bakken	horz.	2,209'	29909	33-105-03863	11/5/14

Permits renewed

Well Name	Location	Footages	Field	Geologic Target	Wellbore Type	Elev.	NDIC No.	API No.	NDIC date
Bottineau Co.									
Corinthian Exploration									
Corinthian Skarphol 16-29 2-H	SESE 29-164-77W	630'FSL and 750'FEL	North Souris	N/A**	conf.	1,574'	26942	33-009-02348	11/5/14

see **ND PERMITS** *page 11*

Petroleum news BAKKEN

ND weekly county permit totals

Nov. 4-7, 2014

County	Permits issued	Permits issued for confidential wells	Permits renewed	Location resurveys authorized
Bottineau	0	0	1	0
Burke	1	0	1	0
Divide	2	2	1	0
Dunn	3	0	1	0
Golden Valley	2	2	0	0
McKenzie	22	8	5	0
McHenry	0	0	0	1
Mountrail	7	7	0	0
Williams	23	8	0	1
Totals	**60**	**27**	**9**	**2**

Petroleum news BAKKEN

Top 10 Bakken wells by IP rate

Nov. 4-7, 2014

Statoil Oil and Gas				
27577	Barstad 23-14 3H	Alger	MNT	2,741
25672	Larsen 3-10 5TFH	Williston	WIL	2,044
WPX Energy Williston				
26154	Alfred Old Dog 19-18HD	Reunion Bay	DUN	1,842
Statoil Oil and Gas				
27576	Barstad 23-14 7TFH	Alger	MNT	1,808
Newfield Production				
26612	Hoffman 149-98-14-23-2H	Pembroke	MCK	1,507
WPX Energy Williston				
27728	Ruby 31-30HX	Antelope	MCK	1,458
Oxy USA (Occidental Petroleum)				
26079	Harry Stroh 2-8-5H-143-96	Fayette	DUN	1,336
Newfield Production				
27844	Blue Angel 150-99-5-8-4H	Tobacco Garden	MCK	1,284
Emerald Oil				
26716	Pirate 3-2-11H	Foreman Butte	MCK	1,282
Hess Bakken Investments II				
27134	SC-Tom- 153-98-1514H-7	Truax	WIL	1,002

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 Nov. 4-7, 2014 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.

ND PERMITS *continued from page 12*

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

Well Name	Location	Footages	Field	Geologic Target	Wellbore Type	Elev.	NDIC No.	API No.	NDIC date
Burke Co.									
Cornerstone Natural Resources									
Monarch Crest 3-7 SWD	SESW 7-161-90	183'FSL and 2,066'FWL	N.E. Foothills	Dakota	vert.	1,989'	90260	33-013-90260	11/7/14
Divide Co.									
Mountain Divide (Mountainview Energy)									
Diamond R 25-36-1H	NENW 25-162-101	250'FNL and 1,675'FWL	Fortuna	N/A*	conf.	2,194'	26966	33-023-01129	11/7/14
Dunn Co.									
Petro-Hunt									
Sabrosky 145-97-34D-27-2H	SWSE 34-145-97	250'FSL and 1,590'FEL	Little Knife	N/A*	conf.	2,396'	26969	33-025-02359	11/7/14
McKenzie Co.									
Hess Bakken Investments II									
A-Gudbranso- 153-94-2215H-3	SESW 22-153-94W	450'FSL and 1,530'FWL	Elm Tree	N/A*	conf.	2,160'	26920	33-053-05451	11/4/14
A-Gudbranso- 153-94-2215H-4	SESW 22-153-94W	450'FSL and 1,563'FWL	Elm Tree	N/A*	conf.	2,160'	26921	33-053-05452	11/4/14
A-Gudbranso- 153-94-2215H-5	SESW 22-153-94W	450'FSL and 1,596'FWL	Elm Tree	N/A*	conf.	2,159'	26922	33-053-05453	11/4/14
A-Gudbranso- 153-94-2215H-6	SESW 22-153-94W	450'FSL and 1,629'FWL	Elm Tree	N/A*	conf.	2,158'	26923	33-053-05454	11/4/14
A-Gudbranso- 153-94-2215H-7	SESW 22-153-94W	450'FSL and 1,662'FWL	Elm Tree	N/A*	conf.	2,158'	26924	33-053-05455	11/4/14

Location resurveyed

Well Name	Location	Footages	Field	Geologic Target	Wellbore Type	Elev.	NDIC No.	API No.	NDIC date
McHenry Co.									
Sedalia Energy									
Pratt Madison Unit 1H	NESE 6-158-80W	1,875'FSL and 630'FEL	Pratt	N/A**	conf.	1,494'	29854	33-049-00168	11/6/14
Williams Co.									
Oasis Petroleum North America									
Cook 5300 41-12 10TX	SWSW 12-153-100	250'FSL and 594'FWL	Willow Creek	Bakken	horz.	2,148'	28701	33-105-03586	11/7/14

***Note:** The geologic target for these wells was not listed in its well file because they are tight (confidential) holes, but the following fields produce from the Bakken pool; Big Bend, Briar Creek, Colgan, Dollar Joe, Ellsworth, Elm Tree, Fortuna, Little Knife, Morgan Draw, Parshall, Ross, Sandrocks, Skjermo, and Stanley.

****Note:** The geologic target for these wells was not listed in its well file because they are tight (confidential) holes, but the Antelope field produces from the Sanish pool, the North Souris field produces from the Spearfish pool, and the Pratt field produce from the Madison pool.

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Montana well permits and completions

Oct. 25–Nov. 7, 2014

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
IP: initial production | **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

LEGEND

Well name; field; SHL location; SHL footages; PD;PBHL location; PBHL footages; PBHL depth; BHL location; BHL footages; BHL depth; pool; county; approved/completion date; IP rate

New locations

Oasis Petroleum North America
Brewer 2759 43-10 4T; Wildcat; SWSE 10-27N-59E; 294'FSL and 2,147'FEL; N/A; SESW 22-27N-59E; 200'FSL and 2,140'FWL; 21,249'; N/A; N/A; N/A; Bakken; Roosevelt; 10/29/14; N/A
Brewer 2759 14-15 5B; Wildcat; NENE 15-27N-59E; 224'FNL and 734'FEL; N/A; SESE 22-27N-59E; 200'FSL and 1,320'FEL; 20,560'; N/A; N/A; N/A; Bakken; Roosevelt; 11/6/14; N/A
Mary Wilson 2759 43-10 4B; Wildcat; SWSE 10-27N-59E; 281'FSL and 2,117'FEL; N/A; NENW 3-27N-59E; 200'FNL and 2,560'FWL; 20,442'; N/A; N/A; N/A; Bakken; Roosevelt; 10/29/14; N/A
Mary Wilson 2759 43-10 5B; Wildcat; SWSE 10-27N-59E; 268'FSL and 2,087'FEL; N/A; SWSE 3-27N-59E; 200'FNL and 2,040'FEL; 20,340'; N/A; N/A; N/A; Bakken; Roosevelt; 10/29/14; N/A

Slawson Exploration
Michels 1-3-10H; Wildcat; NENE 3-13N-60E; 275'FNL and 1,300'FEL; N/A; SWSE 10-13N-60E; 700'FSL and 1,980'FEL; 19,529'; N/A; N/A; N/A; Bakken; Wibaux; 11/5/14; N/A

Whiting Oil and Gas
Stickville 34-7-1H; Wildcat; SWSE 7-25N-59E; 280'FSL and 1,870'FEL; N/A; NWNW 6-25N-59E; 980'FNL and 660'FWL; 20,628'; N/A; N/A; N/A; Bakken; Richland; 10/30/14; N/A

Re-issued locations

Whiting Oil and Gas
Buxbaum 21-5-1H; Wildcat; 5-24N-60E; 260'FNL and 1,685'FWL; N/A; SWSW 17-24N-60E; 240'FSL and 660'FWL; 22,000'; N/A; N/A; N/A: Bakken; Richland; 10/29/14; N/A

Permit modifications/ corrections

XTO Energy (ExxonMobil)
Vaira 31X-17BXC; Wildcat; NWNE 17-24N-55E; 403'FNL and 2,359FEL; N/A; SWSE 20-24N-55E; 700'FSL and 2,644'FEL; 19,300'; N/A; N/A; N/A; Bakken; Richland; 11/3/14; N/A

Completions

Whiting Oil and Gas
Weber Federal 24-30-4H; Wildcat; SESW 30-24N-60E; 340'FSL and 1,770'FWL; N/A; N/A; N/A; N/A; NENE 19-24N-60E; 246'FNL and 674'FEL; 21,622'; Bakken; 9/7/14; 1,298' bbl

—Ashley Lindly | alindly@petroleumnewsbakken.com

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● LEGAL COLUMN

Ruling clarifies aspects of mineral laws

Abandoned mineral statute does not require notice to heirs of deceased owner if nothing is of record; surface owner gets minerals

By JANNELLE STEGER COMBS
For Petroleum News Bakken

JANNELLE STEGER COMBS

In an Oct. 31 ruling, the North Dakota Supreme Court reversed a lower court decision in a dispute that arises under provisions of the state's abandoned mineral statutes.

In 1975, Ruth Nelson conveyed the surface and half the minerals on property in Mountrail County to Olaf and Rose Weflen. In 1979, Nelson granted Patricia Capps and Terrel Anderson "an undivided ½ mineral interest." The deed further stated that it intended "to transfer a ½ interest in and to the remaining minerals." Nelson passed away later that same year, but the deed was not recorded until 2009.

Abandoned mineral process

North Dakota allows surface owners to regain mineral interests severed from the surface, if those interests are unused for 20 years. The abandoned mineral statutes require surface owners to file certain documents, publish notice in the local newspaper and serve the record owners.

The heirs to Olaf and Rose Weflen first published a notice of lapse of mineral interest on Dec. 28, 2005, in the Mountrail County Promotor. On Jan. 13, 2006, the Weflen successors also sent copies of the notice of lapse by certified mail, return receipt returned, with restricted delivery to the two last known addresses of Ruth Nelson. Both mailings were returned as undeliverable. On March 6, 2006, the Weflen successors filed documents to terminate the abandoned mineral interest with the Mountrail County recorder.

In 2008, while on a hunting trip to North Dakota, Patricia Capps' husband and her brother saw oil wells in the area of the Mountrail County property. Patricia Capps filed a statement of claim in 2008. In 2009, Capps recorded the 1979 mineral deed and brought the action to quiet title against the Weflen successors.

The district court ruled that the Weflen successors had failed to comply with the notice requirements in the statute. The Supreme Court disagreed and found that sufficient notice had been made. The district court found that the owner's address did not appear of record because the mineral interests devolved upon death to Nelson's heirs. The Supreme Court required Nelson's heirs to make some effort to use the minerals or to provide current addresses of record.

Best practices

The case highlights several aspects of the abandoned

see **LEGAL COLUMN** *page 15*

● COMPANY UPDATE

Slickwater frack may be a 'game-changer'

Although remaining cautious, Divide County operator American Eagle expects strong start to 2015 with completions and well counts

By MAXINE HERR
For Petroleum News Bakken

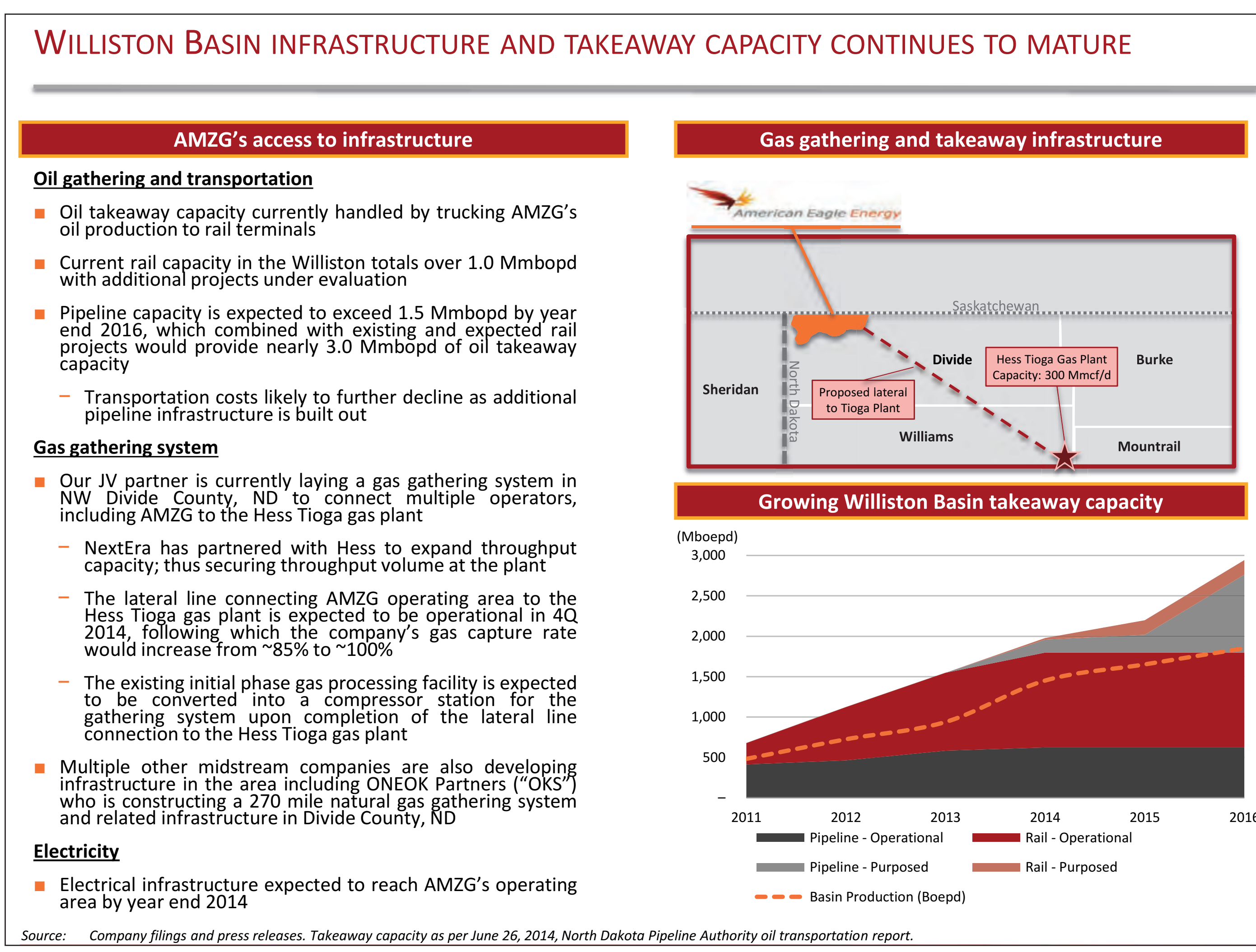
Narrowing in on 3,000 barrels of oil per day, American Eagle Energy recently experienced its best quarter since the Bakken-focused exploration and development company was formed through a merger in 2011.

American Eagle's average production for October neared 2,800 barrels of oil equivalent per day, boepd, so it is comfortable with its production guidance of exiting 2014 closer to 3,000 boepd. However, lower oil prices and an impending winter have caused the company to re-evaluate its drilling program. During the third quarter, American Eagle began the process to swap out one of its two rigs for a newer rig but reconsidered and chose not to bring in the second rig. It plans to lay down the rig that is currently drilling and bring back a newer rig that will be available in 2015, allowing the company to manage its capital spending plan within cash flow in the near term and not build up an inventory of wells awaiting completion during the winter.

"Our plans right now are to bring back one rig in the first quarter of next year and we'll just see where we're at," Marty Beskow, vice president of capital markets and strategy said in a conference call with analysts on Nov. 6. "We can adjust accordingly, so if oil prices bounce back we can easily go back to two rigs.

The new rig should begin drilling at the end of the first quarter 2015 and if it continues through the year, the capital spending budget for 2015 would be approximately $60 million to develop approximately 10 net wells. However, if crude oil prices remain at low levels or weaken further, American Eagle may choose to only develop wells within free cash flow.

The company's realized oil price for the quarter was $80.98, but American Eagle has an agreement in place that locks in a $10.75 discount to West Texas Intermediate for the company's 2014 operated oil production to stabilize realized crude oil prices against the risk of volatile pricing differentials. Its 2015 agreement locks in a $10.00 discount.



A game-changer

The company is quite optimistic about its new slickwater completions. Based on initial production rates of 398 boepd from the technique during the first 25 days on its Eli 8-1E well which the company announced in early October, American Eagle has chosen to use slickwater stimulations on two additional wells in which it holds 96 percent working interest representing 1.9 net wells. These completions are scheduled for November and the results could impact development plans in 2015.

"We think there are some potential game changers for the company in terms of these slickwater jobs that will have an impact on how we think about moving forward," said President and Chief Executive Office Brad Colby. "The recent well results are really good and we have high working interest; if the market stabilizes and goes back to the way things were we'd happily go back to a two-rig program."

The Huffman 15-34S well and the Donald 15-33, both Three Forks long laterals, produced approximately 400 boepd within the first 30 days and 320 boepd within the first 20 days, respectively. American Eagle expects to add four gross (3.7 net) operated wells to production before the end of the year but could be as high as six gross (five net).

In the latest data available from the North Dakota Department of Mineral Resources, American Eagle ranked 29th among the top 50 Bakken oil producers in North Dakota in August for operated, non-confidential wells with an average daily output of 3,086 barrels.

Connecting to Hess plant

Oil and gas sales for the third quarter totaled $17.1 million, which is a 47 percent increase over the same period in 2013 and a 4 percent jump from the prior quarter. The rise in sales is due to the 51 gross (30.3 net) operated wells producing in the Bakken and Three Forks formations by the end of the third quarter which was an increase from 25 gross (7.8 net) wells during the third quarter of 2013. The company had a net production of natural gas totaling 1,968 mcf during the quarter and anticipates gas sales to increase going into 2015 following the connection to the Tioga Hess gas plant by its joint venture partner. Beskow said as the field begins to mature, the company expects to have electricity and full gas sales in the fourth quarter, providing better conditions to help maintain stability in a volatile market. ●

Contact Maxine Herr at maxine606@msn.com

● COMPANY UPDATE

Abraxas Petroleum seeing middle-Bakken downspacing successes

McKenzie Co. pilot wells outperform neighboring middle Bakken wells; company well positioned to take advantage of opportunities

By STEVE SUTHERLIN
For Petroleum News Bakken

Middle Bakken downspacing is a success for Abraxas Petroleum Corp., Robert Watson, Abraxas president and CEO, said in a Nov. 5 conference call.

"The Ravin West pad was our first downspacing test for the Middle Bakken, and I can say today that these four wells are performing better than all other middle Bakken wells in the surrounding area, not just the ones that Abraxas operates but all other operators as well," Watson said. "We're pretty convinced that Middle Bakken downspacing works at this point."

In the second quarter of 2014, the Ravin 4 well on the company's 53 percent owned Ravin West pad suffered a mechanical issue, which prevented the completion of the frack. The Ravin West pad is in the North Fork field in east-central McKenzie County.

"I'm pleased to say that it did turn out to be an easy solution," Watson said. "It was fixed easily, and the cost was paid for by the third-party service company that created the problem to begin with."

The frack was completed during the third quarter.

The Ravin 4 came on line with a 30-day production rate of over 1,100 barrels a day, similar to the other three wells on the Ravin West pad, Watson said.

Companywide, Abraxas boosted its average daily production to 7,071 barrels of oil equivalent per day in third quarter 2014, up from 4,781 boepd in third quarter 2013, Watson said.

Well positioned

In third quarter 2014, Abraxas reported an average realized price of $86.73 per barrel of oil, down from $90.98 in third quarter 2013. Lease operating expenses fell to $11.27 per boe in third quarter 2014, from $12.43 per boe in third quarter 2013.

Watson said Abraxas is nimble, and well positioned to take advantage of opportunities should low commodity prices persist.

"Crisis does create opportunities," Watson said. "If the current down cycle persists, those that have the balance sheet, which we do, and the capacity, which we do, to take advantage of opportunities, will come out the winners," he added.

Watson said Abraxas is nimble, and well positioned to take advantage of opportunities should low commodity prices persist.

"With continuing softness in commodity prices, we're in a very good position to cut capital in all of our areas," he said. "We have no long-term drilling or service contracts; we have no expiring leases to worry about, and we also recognize that rate of return is highly dependent on upfront costs — including acreage and revenue from first year of production."

Watson said his board approved a 2015 capital expense budget of $200 million, $10 million above anticipated total company capex spending in 2014.

"Our management team has been here before, but we've never been in as good a financial condition," Watson said. "Abraxas had a great third quarter, and in the fourth quarter it's looking great as well."

Watson said the company's projects are still economic at $75 a barrel, adding, "We plan to only drill wells going forward that have a satisfactory return on investment."

In 2015, Abraxas plans Bakken capex spending of $40.8 million.

"Our Bakken projects are still well above 30 percent return on investment and that's without considering the profit from our company-owned drilling rig that's drilling our wells," Watson said.

At $75 oil, the company's Eagle Ford projects likely would return between 10 percent and 25 percent — assuming no service cost reduction, he said.

Abraxas aims to reposition itself to capitalize on its strengths by adding to its acreage in the Bakken and in the Eagle Ford.

"We also announced today that we've started the sales process of our Powder River Basin assets in Wyoming," Watson said. "Those proceeds would be used for incremental Bakken and Eagle Ford

see DOWNSPACING page 17

continued from page 14

LEGAL COLUMN

mineral statute. It is interesting first that the Supreme Court maintains that one of the abandoned mineral statute's purposes is to allow exploitation of minerals; however, with the ability to lease mineral interests of owners who cannot be located through the North Dakota Trusts for Unlocatable Mineral Owners Act, in practice, that reason is not needed. The second reason given by the court that the statute is necessary to "clear title of old, unused mineral claims" is much more practical in reality in the Bakken.

The probate issue reminds us that in North Dakota, title devolves upon death subject to administration. But to protect that interest from abandoned minerals, something must appear of record by the heirs in 20 years or the minerals are still deemed abandoned. The difficulty arises when heirs lease or file statements of claim but do not clearly identify where they received their interest. This type of leasing has occurred in the basin and can cause issues for surface owners who seek to terminate abandoned, severed minerals from their lands. ●

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MOVING HYDROCARBONS

Dakota Plains finds profit in narrow spreads during eventful third quarter

Dakota Plains Holdings, a midstream company servicing the Williston Basin, had an eventful third quarter. In a Nov. 10 release of quarter earnings and operations, the Wayzata, Minnesota, company reported a new connection to a gas gathering network, construction of a 90,000-barrel oil storage tank, and an exit from its trucking joint venture.

Dakota Plains provides its customers with crude oil marketing and transloading, as well as truck and rail car transportation. It signed an interconnection agreement with Hiland Crude LLC to link the Pioneer Terminal in New Town with Hiland's Market Center gathering system crude oil pipeline network. The company's oil storage expansion is expected to be operational at its Pioneer Terminal in summer 2015.

At the end of the third quarter, Dakota Plains sold its membership interest in its trucking venture to its partner JPND II LLC. That transaction is slated to close on Nov. 24. The company's assets still include more than 1,000 railroad tank cars and despite rail service issues it experienced a steady transloading profit. A 103 percent hike in volumes equated to 3.4 million barrels of oil compared to 1.7 million during the same period a year ago, netting $2.8 million for the company. Total revenue from its oil transloading joint venture rose to $6.3 million for the third quarter compared to $3.4 million during the third quarter 2013. The increase in net income was driven by a combination of greater revenue from increased volume and reduced operating costs as a result of a renegotiated service contract.

Its marketing joint venture volumes remained the same as third quarter 2013 at 1.9 million barrels of oil but provided $300,000 of income compared to a $1.1 million loss a year ago. Net income from the sand transloading joint venture with DPTS Sand LLC was also $300,000 for third quarter 2014.

"Our marketing joint venture has returned to profitability despite narrow price spreads, and we are continuing to work with our joint venture partner to address ongoing issues related to this business," Craig McKenzie, chairman and chief executive officer said. "We remain focused on building out a best-in-class logistics platform that delivers predictable and growing profits for the benefit of our stockholders."

Third quarter income was primarily driven by its transloading and marketing joint ventures with a total net income attributable to stockholders of $13,400 compared to a net loss of $2.1 million in third quarter 2013.

—MAXINE HERR

COMPANY UPDATE

Enerplus looking to advance some Bakken capital spending in 2015

Proceeds of more than C$200 million from the sale of non-core assets this year have allowed Calgary-based Enerplus to advance some of its planned 2015 capital expenditures to its core operations in North Dakota.

Chief Executive Officer Ian Dundas told analysts on a conference call that the company has given some consideration to adding a third rig to its Bakken play in Fort Berthold, but added he does not expect that will happen "any time soon."


IAN DUNDAS

Enerplus said it has continued to achieve a "strong performance" from its Bakken/Three Forks properties, with production increasing by 1,600 barrels of oil equivalent per day to 22,400 boe per day in the third quarter and capital spending in the area totaling C$95.7 million of the company's total of C$207.8 million, up C$62 million from the same period of 2013.

Dundas said the productivity gains in North Dakota are "pretty encouraging," while Ray Daniels, the senior vice president of operations, said eight wells are still waiting to be completed after drilling accounted for 6.6 wells, with 5.6 wells brought onstream.

The company reported that the 30-day initial production rates on its two-mile horizontal wells this year have averaged 1,725 barrels per day, 20 percent above its high expected ultimate recovery type curve.

It said 60-day rates have increased 10 percent to average 1,400 bpd.

Along with Marcellus, the Bakken attracted the majority of Enerplus' capital outlay in the latest quarter, claiming about two-thirds of the spending.

The non-core assets sales included C$89.3 million in Saskatchewan and Alberta, and C$35.2 million for "certain facilities" in Fort Berthold.

Enerplus posted overall production for the third quarter of 104,035 boe per day, up 1,735 boe per day from a year earlier, while guidance for 2014 is targeted at 102,000-104,000 boe per day, with expectations of reaching the upper end of those numbers.

The company said it continues to "look for opportunities to rationalize non-core production," using the proceeds to speed up spending on core assets, although it currently points to "modestly lower capital expenditures in 2015."

Despite the drop in commodity prices, Enerplus maintained its quarter-over-quarter funds flow at C$213 million.

Given the strength of its balance sheet and the "improved sustainability" of its business, the company has suspended its stock dividend program to reduce dilution and improve per share metrics in the future, noting that its current dividend is at an "affordable" 26 percent of funds flow.

—GARY PARK

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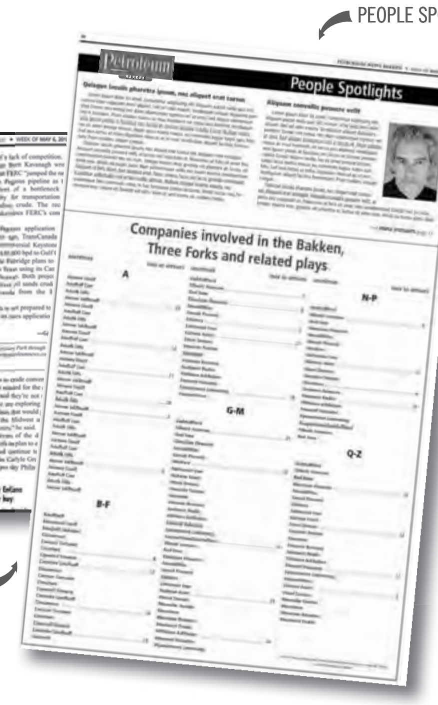

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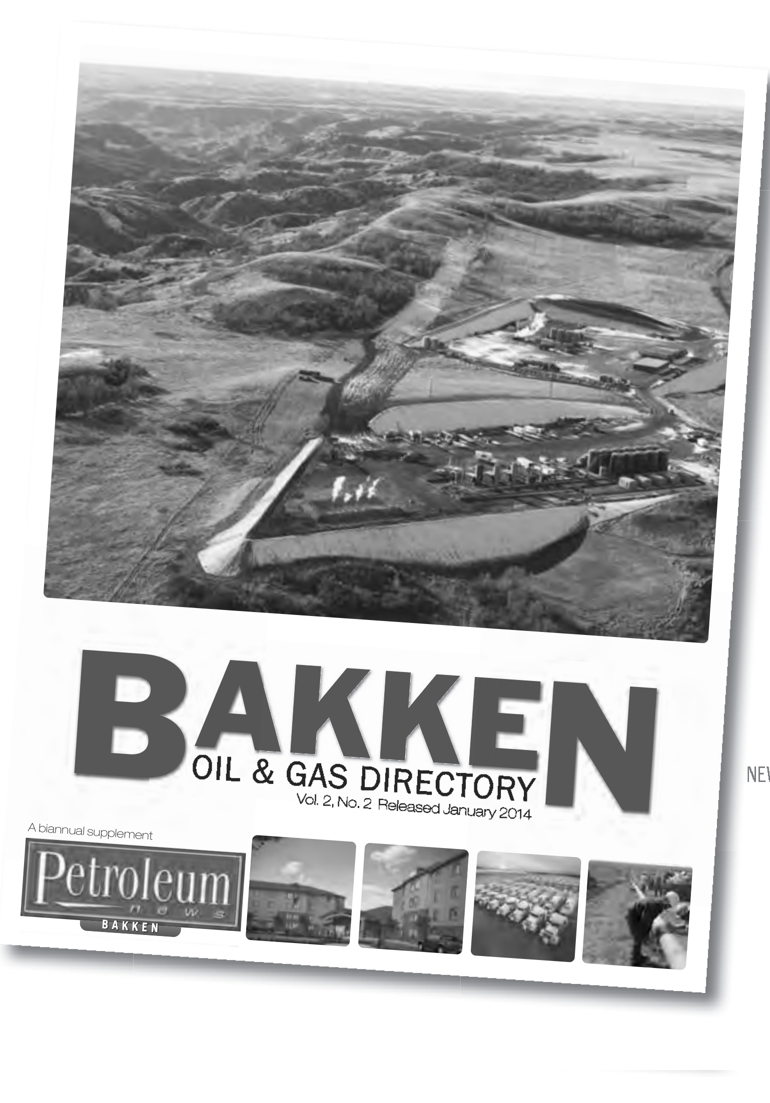

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MIDSTREAM & DOWNSTREAM

Oneok Partners third quarter growth boosted by Williston Basin production

Oneok Partners' natural gas gathering and processing segment saw a 42 percent increase in operating income in the third quarter, due primarily to higher volume growth in the Williston Basin as well as the Cana-Woodford play in Oklahoma, the company announced in an earnings conference call on Nov. 5.

The volume of natural gas captured by Oneok through its entire U.S. gathering infrastructure increased 12 percent in the third quarter averaging 1.847 trillion British thermal units per day. The volume of natural gas processed increased by 15 percent in the quarter to an average of 1.666 trillion Btu per day.

Going forward, Oneok is looking for continued strong growth with a significant contribution coming from the Williston Basin as the company brings more of its gas processing capacity in the basin online. "We have continued to see a significant ramp-up in natural gas volumes across our system, and we expect to see this strong growth continue through remainder of the year and into 2015, especially in the Williston Basin as improved producer drilling and recovery techniques have resulted in increased natural gas volumes from new wells with Garden Creek II operating at full capacity and Garden Creek III volumes ramping up," Oneok Executive Vice President Robert Martinovich said in the Nov. 5 conference call.

The Garden Creek II plant was fully operational in August, and on Oct. 30, Oneok announced construction of the Garden Creek III had been completed. Both plants are in eastern McKenzie County, North Dakota, and bring to five the number of new gas processing plants Oneok has built in the Williston Basin since 2011. Those five plants have a combined processing capacity of 500 million to 600 million cubic feet, mmcf, per day. Oneok has three additional plants in the planning stages with processing capacities ranging from 80 mmcf to 200 mmcf per day.

Oneok also recently announced that expansion of its Bakken natural gas liquids pipeline had been completed, which increases the capacity of that pipeline to 135,000 barrels per day. The pipeline connects Oneok's Williston Basin infrastructure to Midcontinent processing hubs via the Pony Express pipeline in southeast Wyoming. Martinovich said third quarter throughput on that pipeline increased nearly 50 percent over the second quarter, and with the Garden Creek III plant coming online, he expects volumes to increase in the fourth quarter and into 2015.

Since 2010, Oneok Partners has completed approximately $4.7 billion in capital investments, and going forward is looking at again that much investment in yet to be announced projects according to CEO Terry Spencer. "And we have entered into yet another incredible capital growth phase of the partnership with the backlog of unannounced projects of between $4 billion and $5 billion," Spencer said in the Nov. 5 conference call. "These completed projects are providing predominantly fee-based earnings and have contributed to record volume growth in the gathering and processing segment."

—MIKE ELLERD

MOVING HYDROCARBONS

Plains buying Occidental's share in BridgeTex pipeline for $1.075 billion

Occidental Petroleum and Plains All American Pipeline have announced that Plains is acquiring Occidental's 50 percent ownership in BridgeTex, a major Texas crude oil pipeline, for $1.075 billion. Occidental is also selling a separate leg of the same pipeline to Magellan Midstream for $75 million, bringing the net proceeds Occidental will receive in the two deals to $1.15 billion.

The BridgeTex is a new 300,000 barrel per day pipeline running some 400 miles from the Permian Basin to Houston which just went into service in September. It was a joint venture between Occidental and Magellan.

As part of reorganization and downsizing, Occidental is spinning off its California assets and selling others, and is looking to sell at least a portion of its 35 percent interest in Plains. "Over time we also expect to monetize our remaining interest in the GP of Plains All-American Pipeline which is currently valued at more than $4 billion," Chazen said in a third quarter earnings conference call on Oct. 23.

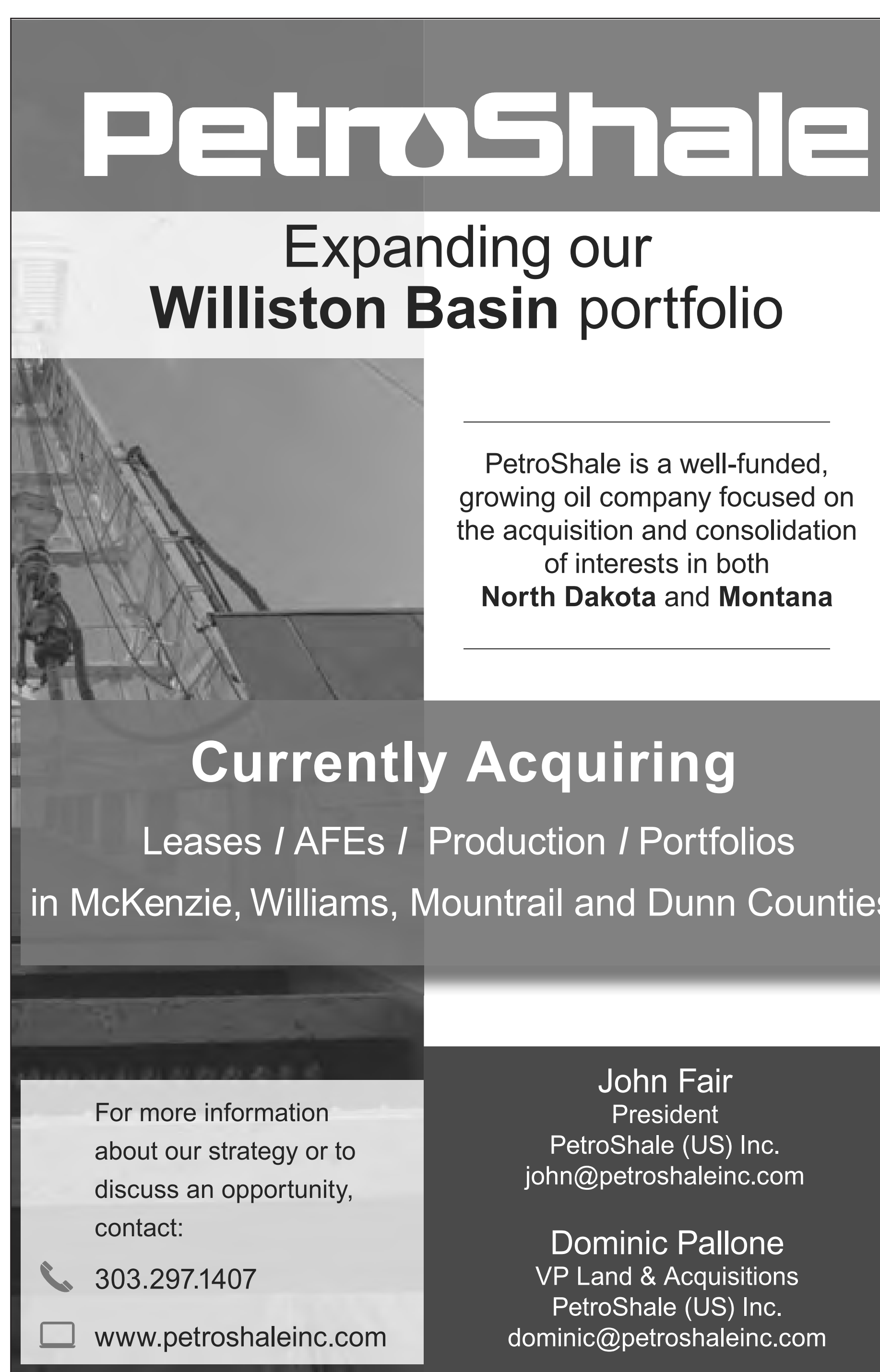
Plains, on the other hand, is growing its asset base. The company adjusted upward by $100 million its 2014 expansion capital program bringing that total to $2.05 billion. President and Chief Operating Officer Harry Pefanis said in a Nov. 6 earnings conference call that the company expects a similar level of spending in 2015.

The company's 2014 expansion program involves multiple pipeline and facility projects extending from the Permian Basin through the Midcontinent and down to the Gulf Coast. Among those projects is the 440-mile, 200,000 barrels per day Diamond pipeline running from Cushing, Oklahoma, to Valero's refinery in Memphis, Tennessee. Plains has also earmarked $425 million for projects in the Permian Basin; $350 million for its 310-mile, 20-inch Cactus pipeline in Texas; and $235 million for rail terminal projects including its Van Hook terminal in North Dakota. Plains also operates the Manitou rail terminal and the Bakken North crude oil pipeline in the Williston Basin.

Plains is also a part owner along with Marathon Petroleum and BP of the Capline, a 1.2 million bpd pipeline that runs from the Gulf Coast to Patoka, Illinois, and which is being considered for reversal. Pefanis said in the Nov. 6 conference call that the owners have commissioned a study to evaluate alternatives for the Capline, but emphasized that it is too early to speculate on prospects for a reversal.

"Given the decreasing demand for south and north movements in North America, the study is expected to be complete in early 2015, but any change in service Capline requires the approval of all three owners," Pefanis said. "Until the study is completed and the owners meet, we really don't have any additional information to share with respect to the ultimate service of Capline."

—MIKE ELLERD



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DOWNSPACING

opportunities that we've identified."

North Dakota

In the third quarter in North Dakota, Abraxas drilled the Stenehjem 2, 3 and 4 wells — 20,000-plus feet each with 10,000 foot laterals — on its 73 percent owned Stenehjem pad, also in the North Fork field.

"The fracks on these wells are scheduled to start next week, approximately 100 stages between the three wells of our hybrid design frack, which turned out to be so successful on our other areas in the area," Watson said.

"From the Stenehjem, our company-owned rig was moved to the four well Jore Federal West pad, and has commenced drilling the Jore Federal 5, 6, 7 and 8," he said "Surface casing has now been set on all four wells to 2,000 feet."

Abraxas owns a 76 percent working interest in the Jore Federal West pad, which also lies in the North Fork field.

After the Stenehjem fracking is complete, Abraxas will suspend fracking in North Dakota until spring as a performance-enhancing and cost-saving move.

"We feel like it's well worth waiting out the wintertime before we complete these wells," Watson said.

"The rig will, however, continue drilling throughout the winter," he said, "Thus, we'll have a nice inventory of wells to complete next spring and bring on production during the second quarter."

For 2015, Abraxas plans a one rig Bakken program with the company owned Raven No. 1 drilling rig, Watson said. The capital program assumes the drilling of 12 gross (eight net) wells and the completion of seven gross (four net) wells.

In August, Abraxas ranked 26th among North Dakota's Bakken oil producers averaging 4,826 bpd for operated, non-confidential wells according to the latest data available from the Department of Mineral Resources. ●

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DNRC AUCTION

little state lease activity in the county since.

With the Daniels County tracts pulled, the list for the DNRC's December auction now totals 4,292 acres in seven tracts in three counties spread across the state from east to west. Two tracts, one 640 acres and the other 80, are in Roosevelt County which borders North Dakota in northeast Montana. Two tracts will be offered in Wheatland County in central Montana, one totaling 1,016 acres and the other 640 acres. And three tracts, two 640s and one totaling 636 acres, will be offered in Jefferson County in southwest Montana.

The auction begins at 9 a.m. Mountain Standard Time in the auditorium at the Montana Department of Transportation headquarters in Helena. Details regarding the tracts and the auction are available on the Minerals Management Bureau's website at dnrc.mt.gov/Trust/MMB/OG/Default.asp.

—MIKE ELLERD

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KKR MOVES

nearly half of the 3 million acres it held, including 116,000 acres primarily in Divide and Williams counties, North Dakota, which Continental Resources picked up in December 2011 for $650 million. However, Samson kept its acreage in its Antelope focus area in north-central Divide County along the Canadian border.

Williston Basin assets and activity

Samson currently has approximately 127,000 net acres in the Williston Basin in both northwest North Dakota and northeast Montana, but the company's activity is currently limited to its Ambrose assets in Divide County. Of the company's 127,000 acres in the basin, 71,000 are in Divide County.

In the second quarter, Samson brought nine gross operated wells on production in the Ambrose area. The company's total Williston Basin production averaged 4,100 barrels of oil equivalent per day which was 93 percent oil. Samson is currently running one rig that is drilling infill Bakken and Three Forks wells in the Ambrose area. The company has also been conducting combined plug and perf and downspacing tests. Samson's focus in the second half of 2014 is on a new completion and spacing approach.

Samson Resources has been active in the Williston Basin since the late 1970s. According to North Dakota Department of Mineral Resources, DMR, data, the company currently has 109 active wells in the state with another 18 on confidential status and one listed as being drilled. Most of the wells are in the Ambrose and Blooming Prairie fields with the others in the West Ambrose and Candak fields, all contiguous fields in north-central Divide County.

In August, the latest month for which production data are available from the DMR, Samson ranked 25th among North Dakota's Bakken oil producers averaging 6,253 barrels per day from operated, non-confidential wells.

Other assets

Aside from the Williston Basin, Samson Resources has three other business units in its West Division and a total of three business units in its East Division. In the West Division the company holds approximately 299,000 net acres in the Powder River Basin, approximately 246,000 acres in the Greater Green River basin and approximately 61,000 acres in the San Juan Basin.

In its East Division the company holds approximately 345,000 acres in East Texas and approximately 304,000 and 207,000 acres in its East and West Midcontinent units.

In the second quarter, the company's total production averaged 543 million cubic feet of gas equivalent per day, of which 29 percent was liquids. The second quarter output was up 3 percent from the second quarter and flat with the first quarter.

—MIKE ELLERD

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XL'S FUTURE

North Dakota Sen. John Hoeven told Reuters. "I've got a bill right now that's got about 56 co-sponsors .... and with the election results, we'll have over 60 who clearly support the legislation."

Hoeven said there is a "good chance" of working with President Barack Obama to achieve XL approval, but indicated he is willing to attach approval to other "must-pass" energy legislation to gain the Presidential Permit that is the final obstacle in XL's path.

TransCanada Chief Executive Officer Russ Girling signaled his endorsement of Hoeven's remarks by issuing a statement declaring that after six years "it is time to break the gridlock on Keystone and move forward."

Guarded optimism

Alberta Premier Jim Prentice said his optimism has grown as the "very encouraging" U.S. election results have yielded a "significant realignment of the legislative branch in the United States."

White House spokesman Josh Earnest applied some restraint to talk of an early ratification of XL, reiterating that the administration will wait on the Nebraska Supreme Court to rule on a dispute over jurisdiction of the pipeline's route through the state before completing an evaluation of the project.

But Prentice has also struck a wary note about XL, suggesting pipeline approval might have to wait until after the 2016 U.S. elections.

White House spokesman Josh Earnest applied some restraint to talk of an early ratification of XL, reiterating that the administration will wait on the Nebraska Supreme Court to rule on a dispute over jurisdiction of the pipeline's route through the state before completing an evaluation of the project.

"Once some of those things are resolved, then the State Department can do their work evaluating whether or not this pipeline is in the national interest of Americans," he told CNN.

Girling, speaking with analysts, suggested the national interest has never been in question.

He noted that over a prolonged period polls have shown that XL has had the support of two-thirds of Americans.

But the best forecast he could offer, while declining to set a new timeline for XL, was guarded. "We hope that the decision (on XL) will get made sometime or other."

The market effect

For now, the years of delays have raised questions about whether XL is even needed, while an escalation in project costs to C$8 billion from C$5.4 billion has spread uncertainty over how long the pipeline's committed shippers will remain on board.

Also surfacing is a troubling question over the likely demand for pipeline space out of the oil sands, which is being squeezed by the prospect of a long downturn in crude prices and the rapid growth of Bakken and Eagle Ford production.

The consulting firm of Wood Mackenzie has warned that capital spending in the oil sands next year could be dialed back to C$20 billion from C$28 billion this year as planning for a number of big-ticket projects gets placed in a holding pattern.

"Should lower oil prices persist the real impact will be on longer-term spending for the next wave of oil sands projects that have yet to be sanctioned," said analyst Mark Oberstoetter, echoing the view of many observers who expect spending cuts are likely to impact work associated with future production growth.

"I think most people in town are obviously very concerned about the decline in oil prices," said Enbridge Chief Executive Officer Al Monaco.

"The market is going to be pretty difficult to balance in the short-term, just given the increase in supply we've seen relative to the demand outlook generally on a global basis," Monaco said.

However, he told analysts that "nobody's jumping off a cliff yet," partly because global refinery maintenance has reduced demand by up to 6 million barrels per day. ●

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HEDGE GAMBLE

many ways," Hamm said on the company's quarter earnings call on Nov. 6. "First, a slower growth rate in our operating areas will allow us to further improve our operating efficiencies and lower well cost. Second, slower domestic oil production growth will allow global demand to keep pace at lower oil prices per demand growth and avoid an oversupply of crude oil long term in the future."

Hamm said he does not believe the global supply and demand situation has fundamentally changed in the past three months, at least "not enough to justify a sell-off in Brent and WTI that has occurred."

"The forward discussion continues to be centered on international political wrangling and price changes, not demand destruction," Hamm continued. "In my opinion, it's a great buying opportunity for equities and strong well-capitalized E&P producers."

Continental's board did not consult any outside credit agencies before making its decision to liquidate its hedges, but Hamm believes the oil prices have likely hit their lowest point.

"Understanding what our competition is and the prices they need to receive in international periods, particularly with OPEC members, we feel like we're at the bottom rung here on prices, and we'll see them recover pretty drastically, pretty quick," he said. "We feel good about what we've done with prices."

Philip Verleger, president of consultancy PKVerleger LLC and a one-time adviser to President Jimmy Carter, said Continental's decision on oil hedging may concern investors because the decision changes the firm's business. "Hedging provides an assured cash flow," he said. "By dropping the hedges, the firm is gambling that prices go up. If they go down, Continental will go bust."

Slickwater completions provide best rates

Continental has updated its enhanced completions analysis to include industry-wide results along with its own so the study captures production of over 300 wells, with a third of them showing results spanning more than a year. President and Chief Operating Officer Jack Stark said as expected, slickwater

"We may all be well served by what's happening, even though we're not looking probably at it that way right now." —Harold Hamm, Continental Resources

and hybrid enhanced completions prove to provide the best results and, on average, generate higher initial production rates.

"Of even greater significance, our analysis shows that these high rates are being sustained, which translates to increased the EURs (estimated ultimate recovery)," Stark said. "Where we have the most complete data set, we have seen an average production uplift of approximately 45 percent in the first 90 days and an estimated 30 percent increase in EUR based on early-time projections. Looking forward, we expect to get similar results as these on at least 40 percent of our acreage based on the geology and data we have on hand."

The data suggests that Continental's projected EUR for its Bakken/Three Forks wells in 2015 is about 700,000 barrels of oil equivalent per well, which includes the production hike it expects to experience from 30-stage enhanced completions.

"The results also give enough support to say that our net unrisked Bakken resource potential contains at least eight years of drilling inventory averaging 775,000 barrels of oil equivalent per well, or 20 years of drilling inventory averaging 600,000 barrels of oil equivalent per well at our current run rate," Stark explained.

Continental expects an average well cost of $9.6 million in 2015, which is a $400,000 decrease reflected by a reduction of high-cost 40-stage completions. The company did not provide much insight into results of the costlier completions, only saying that it will continue to monitor them and likely provide information by mid-2015 when it could potentially make adjustments to its EURs.

Shifting rigs to the core

Continental plans to shift its 22 rig program in the Bakken down to 19 in 2015, which Chief Financial Officer John Hart said is the "general working range" it has been using in the basin. However, some of those rigs will be taken out of Montana and the fringe areas of North Dakota's Bakken and moved into more core areas of the basin. As the leading producer in the Bakken, Continental averaged 92,785 barrels of oil per day in August based on the latest data available from the North Dakota Department of Mineral Resources for operated, non-confidential wells. Its company-wide third quarter production totaled 182,335 boepd, a sequential increase of 9 percent from the second quarter and 29 percent higher than the same period a year ago. Third quarter production consisted of a 70/30 percent split between oil and natural gas. Continental's October production averaged in excess of 187,000 boepd. The company's average realized sales price excluding the effects of derivative positions was $85.49 per barrel of oil.

With market conditions unsettled, Continental boasts a "nimble" portfolio and capital structure in order to adapt. By choosing not to accelerate development in 2015, the company's cash flow is aimed to better match development efforts.

"What we're dealing with here is a renaissance that's going to be very long-lasting here in the U.S. and we see OPEC worried about that and wanting to slow down what we're doing over here," Hamm said. "If they slow it down a little bit, it's probably going to be good for everybody and let world global demand pick up over the next couple of years to match the growth that we have here in the U.S. and will have for many years going forward. So … we may all be well served by what's happening, even though we're not looking probably at it that way right now." ●

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HALCON CUTS

remained at an all-time high," he said. "Of course the flip side to that is that efficiencies are at an all-time high as well, so it's not … a black hole by any means, but they are out of sync," Wilson said.

"As has happened many times in my time in the business, ourselves and our great partners on the service side of the industry will react according to changing conditions and reach a comfortable space," Wilson continued. "As you all know, we need each other." Wilson added that Halcon will remain flexible going forward to either increase or decrease capex in 2015 depending on how the conditions in the industry evolve.

Halcon's strategy is to hedge approximately 80 percent of anticipated production over the coming 18 to 24 months. For the fourth quarter, Halcon has hedged approximately 2.5 million barrels through collars and another 138,000 barrels through swaps for a combined weighted average price of $89.26 per barrel. That combined weighted average increases slightly to $89.33 in 2016.

In the third quarter, Halcon's crude oil sale price averaged $87.20 per barrel. In the second quarter the company's price averaged $94.01.

Halcon has two core resource plays on which it is currently focused, the Bakken where the company holds approximately 131,000 acres, and its El Halcon play in East Texas where it holds approximately 101,000 net acres.

Halcon has a third core resource play in the Tuscaloosa Marine Shale, TMS, in Louisiana and Mississippi where it has approximately 315,000 net acres either leased or under contract. However, while Wilson said there "is a lot of oil" in the TMS, he added that the play is in the early stages of development and costs are high. Consequently, Halcon is currently focusing on growth in the Bakken and El Halcon. "Our efforts are focused on our two core plays which provide all of our current production — almost all of our current production and all of our projected production growth in the future."

But even with stressed crude oil prices, Wilson said the Bakken and El Halcon are making money for the company, and while the company will spend less than initially anticipated in 2015, it still plans to grow production by 15 to 20 percent in the coming year. "But our core plays are profitable at today's prices or even lower," he said. "Our expectation is to run six rigs across our portfolio in 2015 and we'll spend meaningfully less than what we planned to spend next year. We'll grow production, as I mentioned, 15 to 20 percent, 100 percent driven by our Williston Basin and El Halcon assets."

Combined, Halcon's total production averaged 43,554 barrels of oil equivalent per day in the third quarter, above the midpoint of guidance. That is an increase of 4 percent over second quarter production and 16 percent over the third quarter 2013. The third quarter production increase came despite the company selling approximately 3,700 boepd of assets in the second quarter, Wilson said.

In the Bakken, Halcon has two core areas, one on the Fort Berthold Indian Reservation, FBIR, and the other in Williams County. In the third quarter, the company put 17 wells on production on the FBIR and spudded another two. In Williams County, the company put two wells on production while spudding two others. The 24-hour initial production, IP, rates for the FBIR wells averaged 2,935 boepd and 30-day IPs averaged 1,288 boepd. The Williams County wells' 24-hour and 30-day IPs averaged 923 and 513 boepd.

The average FBIR 24-hour and 30-day IPs stand 15 and 1.4 percent above the company's average IPs. Wilson said Halcon is in pad drilling with simultaneous operations and ongoing completion modifications. He said the company went to 100 percent sand in completions rather than resin-coated sand and lightweight ceramic, and added that on average, wells completed with the modified completions outperformed the company's type curves in both of its Bakken core areas.

Halcon is also experimenting with modified or hybrid-slickwater completions in an effort to lower completed well costs, and thus far Wilson said the results are encouraging. "The idea is to pump the hybrid jobs at a similar rate 60, 70 barrels per minute — a similar rate as a regular slickwater completion using the same amount of proppant but to use less water," he said. "Down in the Fort Berthold area we have to source the water right off the Fort Berthold Indian reservation and it's quite expensive." He said the new method has resulted in savings of approximately $300,000 to $400,000 per well.

The company has also been experimenting with downspacing, and Wilson said it is planning on spacings of either 660 or 880 feet under its current development plans.

On gas capture in the basin, Wilson said Halcon continues to make progress to expedite gathering pipeline construction, and as a result the company was able to reduce its flaring by 50 percent in the third quarter reducing the company's total flaring to 25 percent. "It's a huge improvement and there is more to come," he said.

Currently, Halcon has 169 operated Bakken and 51 Three Forks wells on production, with seven Bakken and three Three Forks wells either under or waiting on completion. In the fourth quarter, Halcon plans to run three drill rigs in the basin and expects to spud between eight and 10 gross operated wells. Halcon also plans to participate in 65 to 70 non-operated wells in which it has an average working interest of approximately 5 percent.

In August, the latest month for which production data are available from the Department of Mineral Resources, Halcon ranked as the 11th largest Bakken oil producer in North Dakota averaging 42,259 bpd for operated, non-confidential wells. ●

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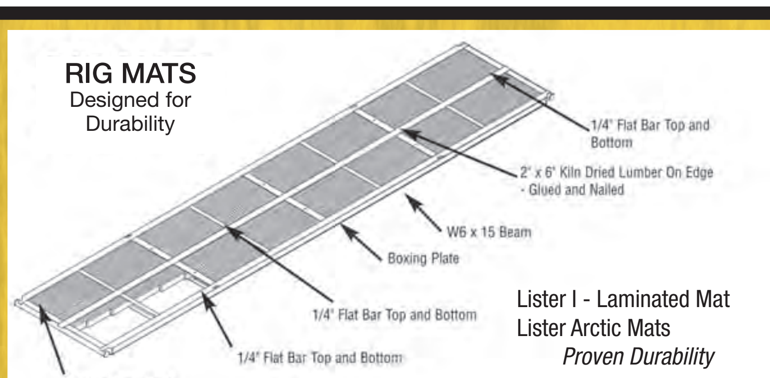

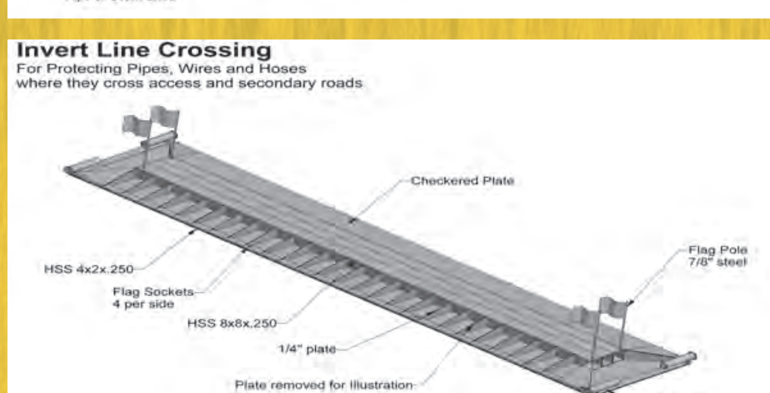

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