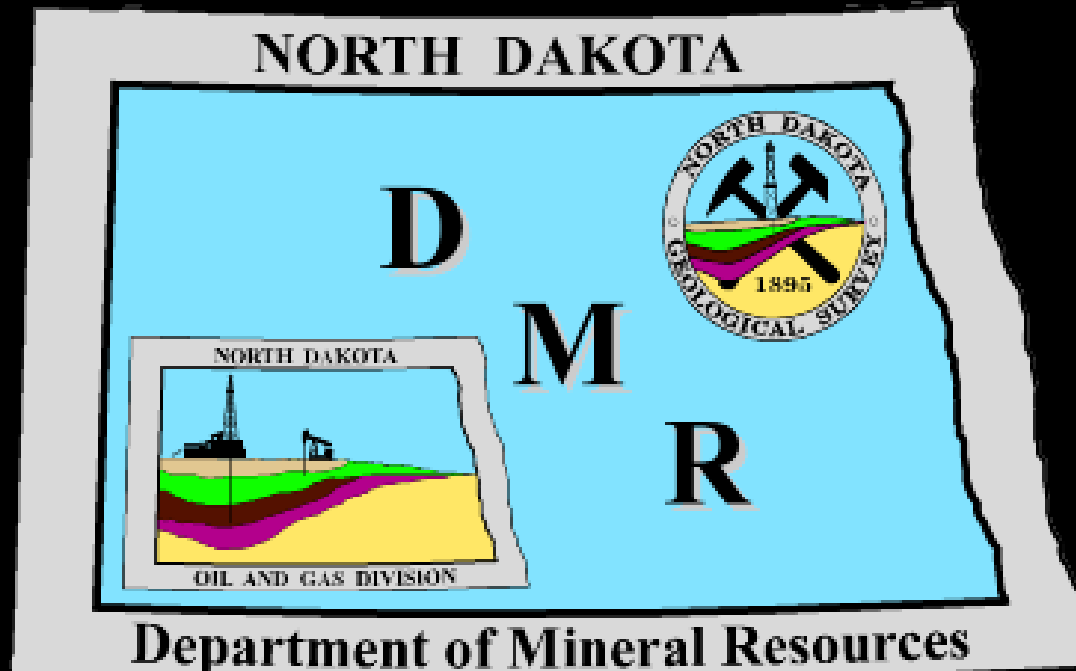


North Dakota Department of Mineral Resources



<http://www.oilgas.nd.gov>

<http://www.state.nd.us/ndgs>

600 East Boulevard Ave. - Dept 405

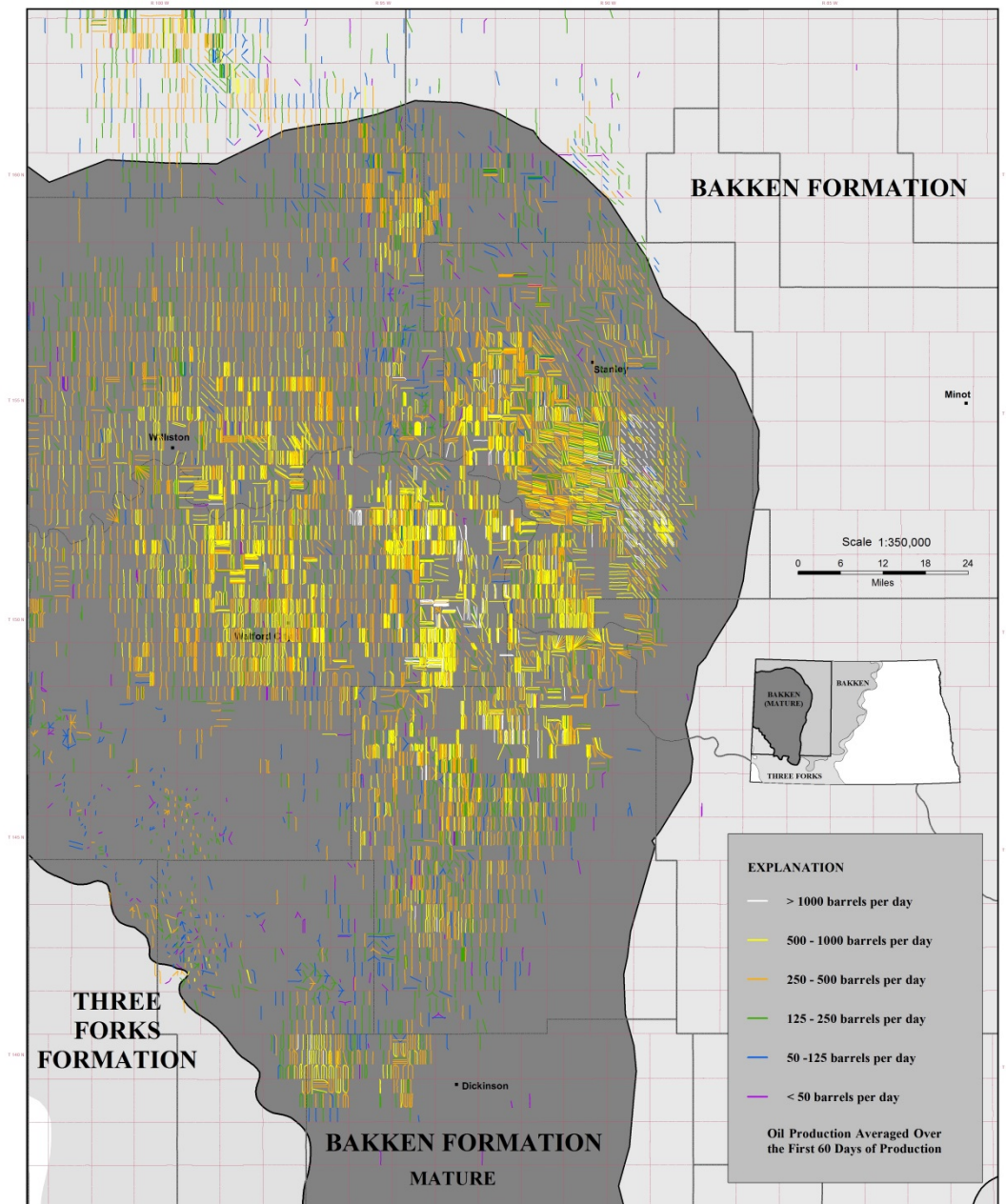
Bismarck, ND 58505-0840

(701) 328-8020

(701) 328-8000

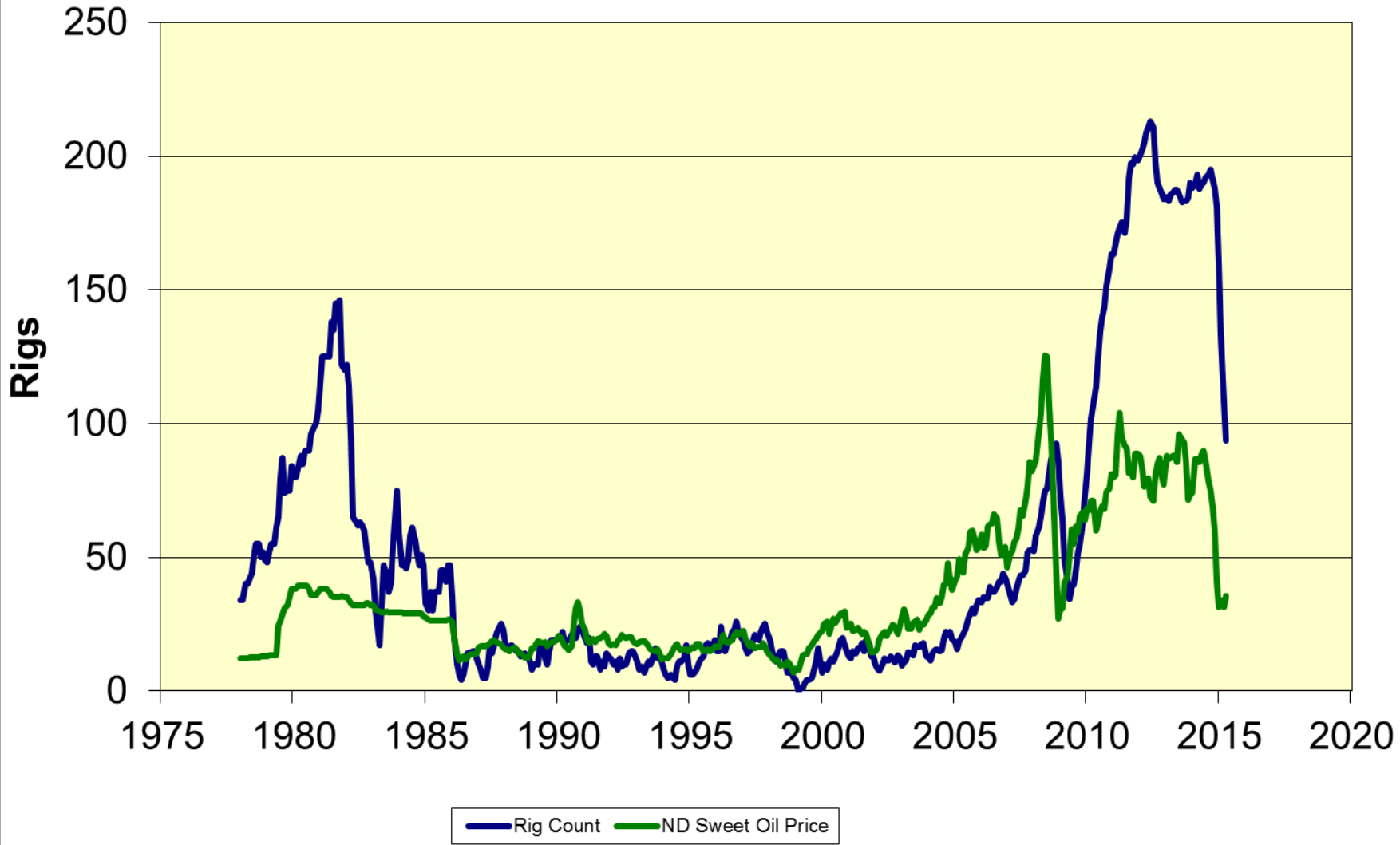
First 60 Day Average Bakken Horizontal Production by Well

April 2015





North Dakota Average Monthly Rig Count





5/6/15

Brent \$67.37 WTI \$60.62 FHR NDSweet \$46.25 ND Wells \$53.44 NDNBNG \$2.28

Dec \$59.29 Jan \$47.33 Feb \$50.73 Mar \$47.85 Apr \$54.63

May TD \$59.49

Storage

P2Cushing 62 of 70=89%

P4Rockies 24 of 40=60%

Permian 83 of 120=69%

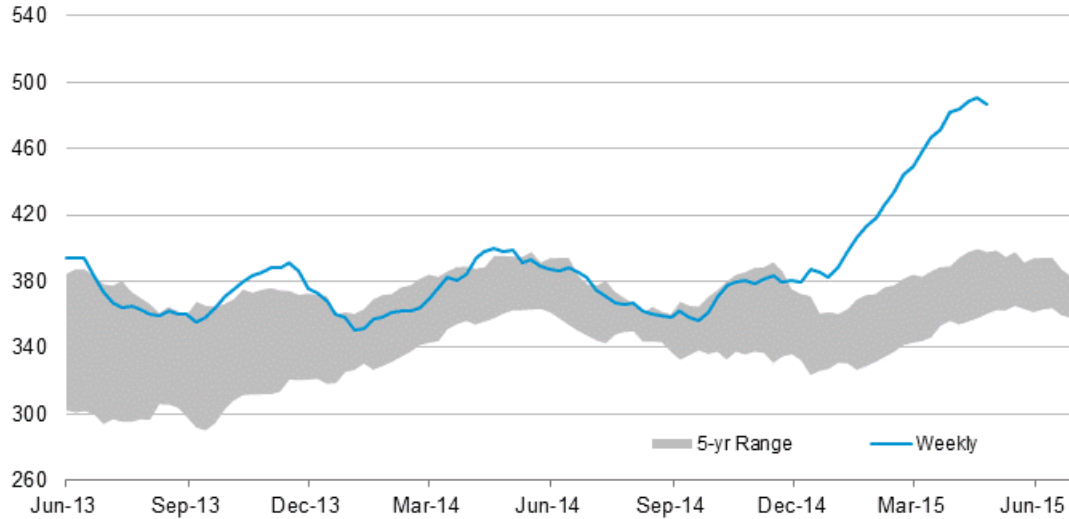
P5West Coast 58 of 100=58%

P3Gulf 243 of 395=62%

Total 487 of 735=66%

U.S. crude oil stocks

million barrels



Source: U.S. Energy Information Administration

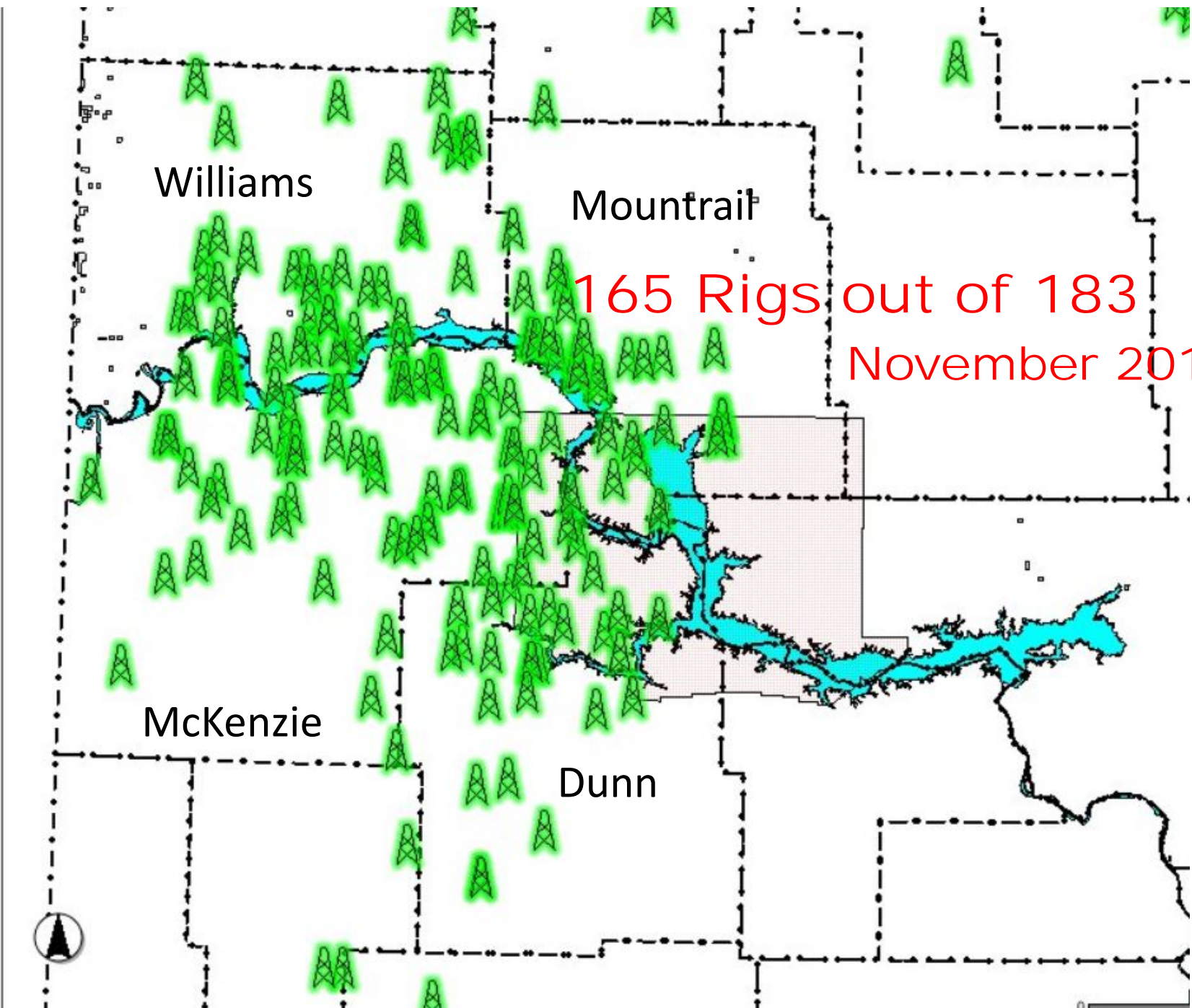
Williams

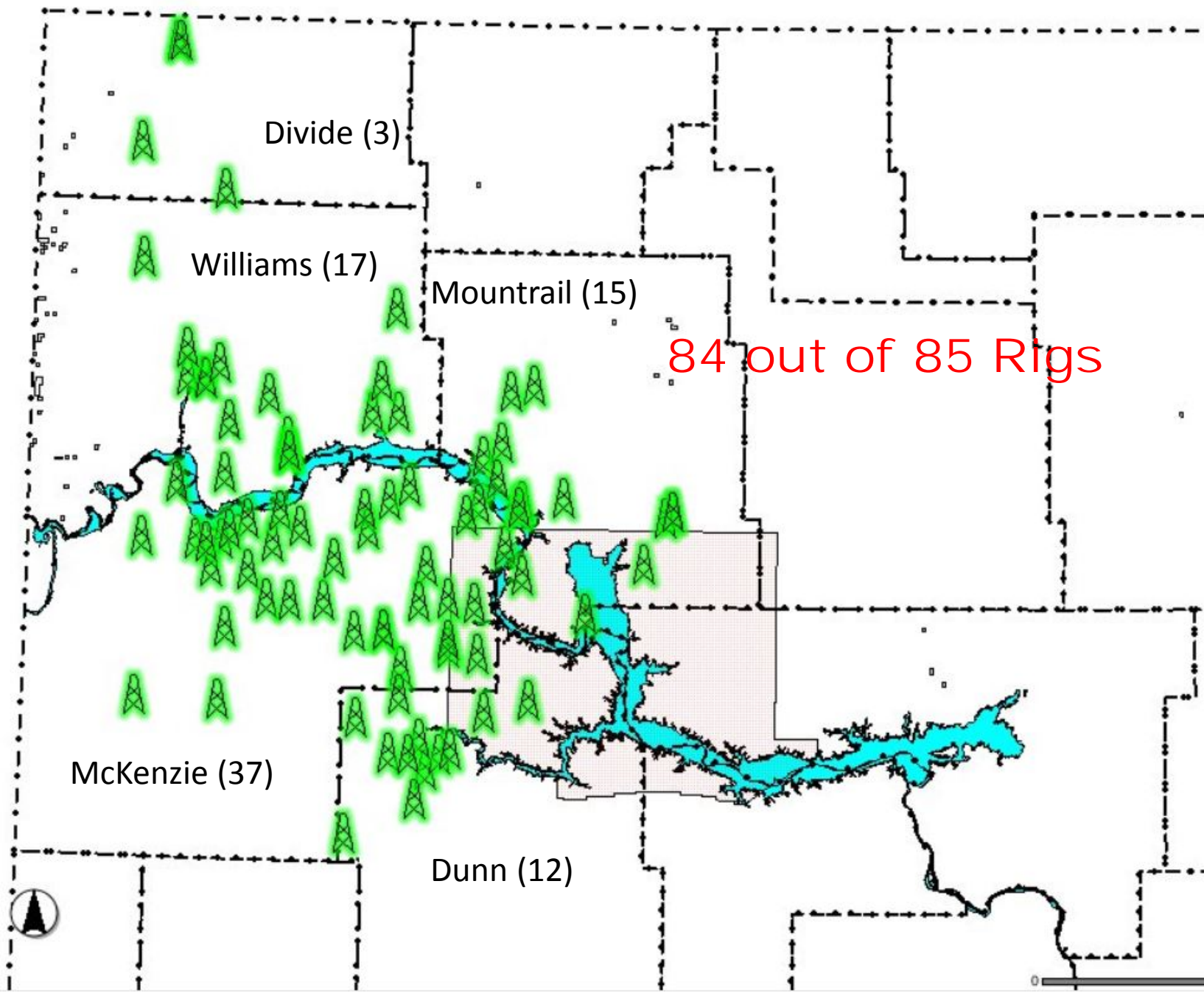
Mountrait

165 Rigs out of 183
November 2014

McKenzie

Dunn





84 out of 85 Rigs

Divide (3)

Williams (17)

Mountrail (15)

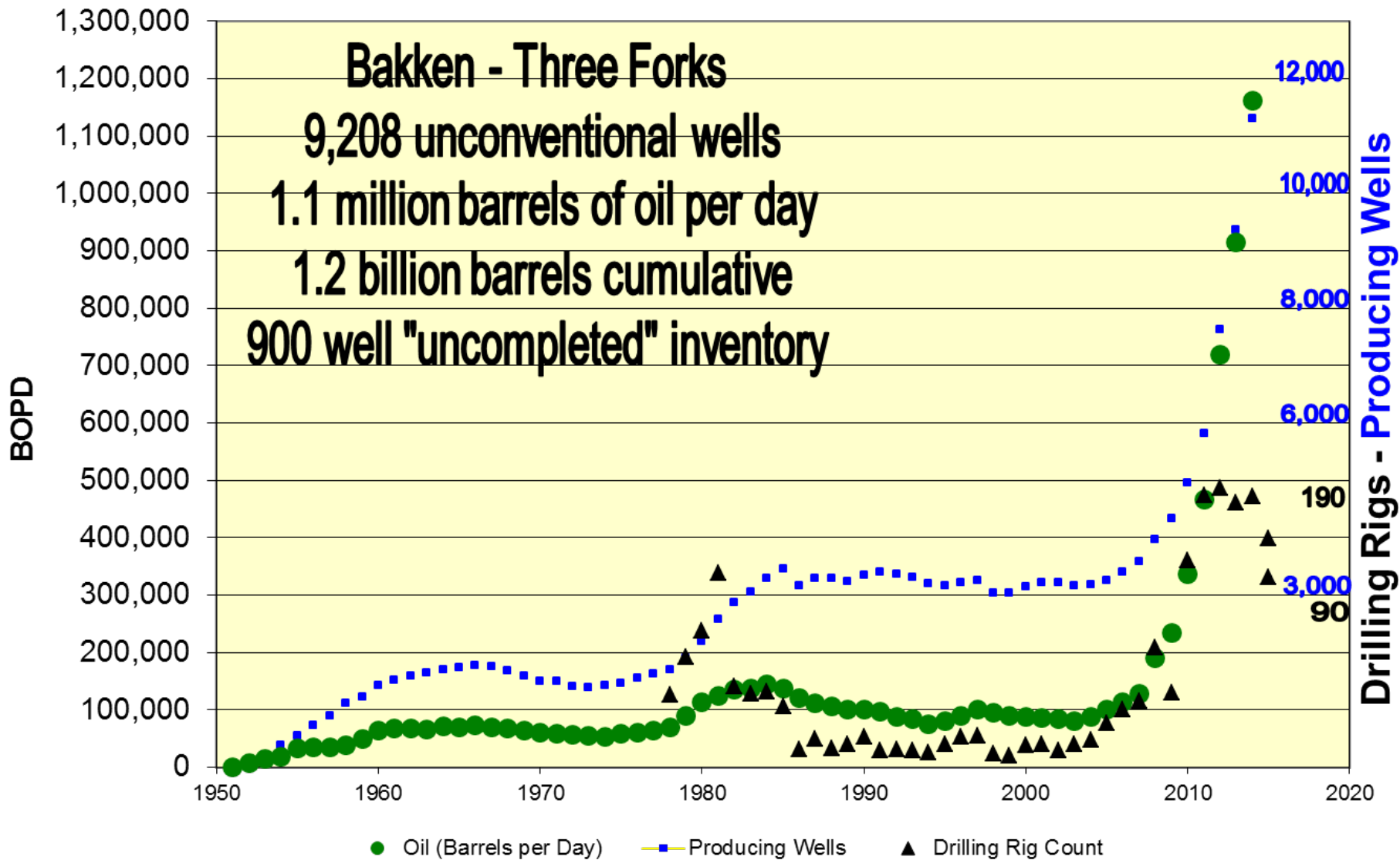
McKenzie (37)

Dunn (12)

Production Projections

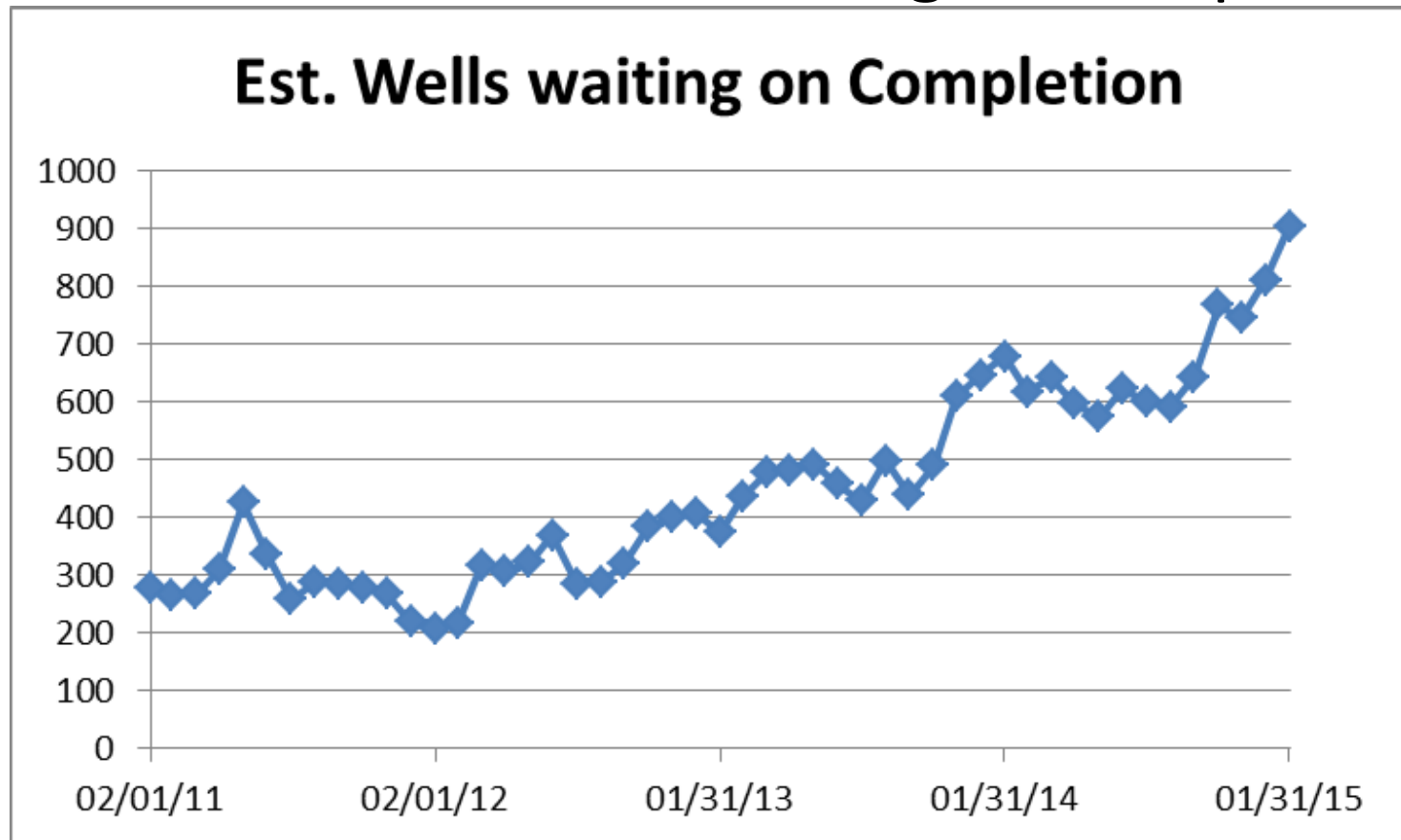
\$/BO at the wellhead	Rigs	New Wells	BOPD 7/1/15	BOPD 7/1/16	BOPD 7/1/17
\$30	40	1,100	1,000,000	800,000	700,000
\$40	90	2,400	1,030,000	875,000	720,000
\$50	120	3,200	1,100,000	1,050,000	975,000
\$60	140	3,800	1,200,000	1,200,000	1,150,000
\$70	155	4,200	1,200,000	1,225,000	1,250,000
\$80	170	4,600	1,200,000	1,300,000	1,400,000
\$90	190	5,000	1,250,000	1,400,000	1,550,000

North Dakota Oil Production

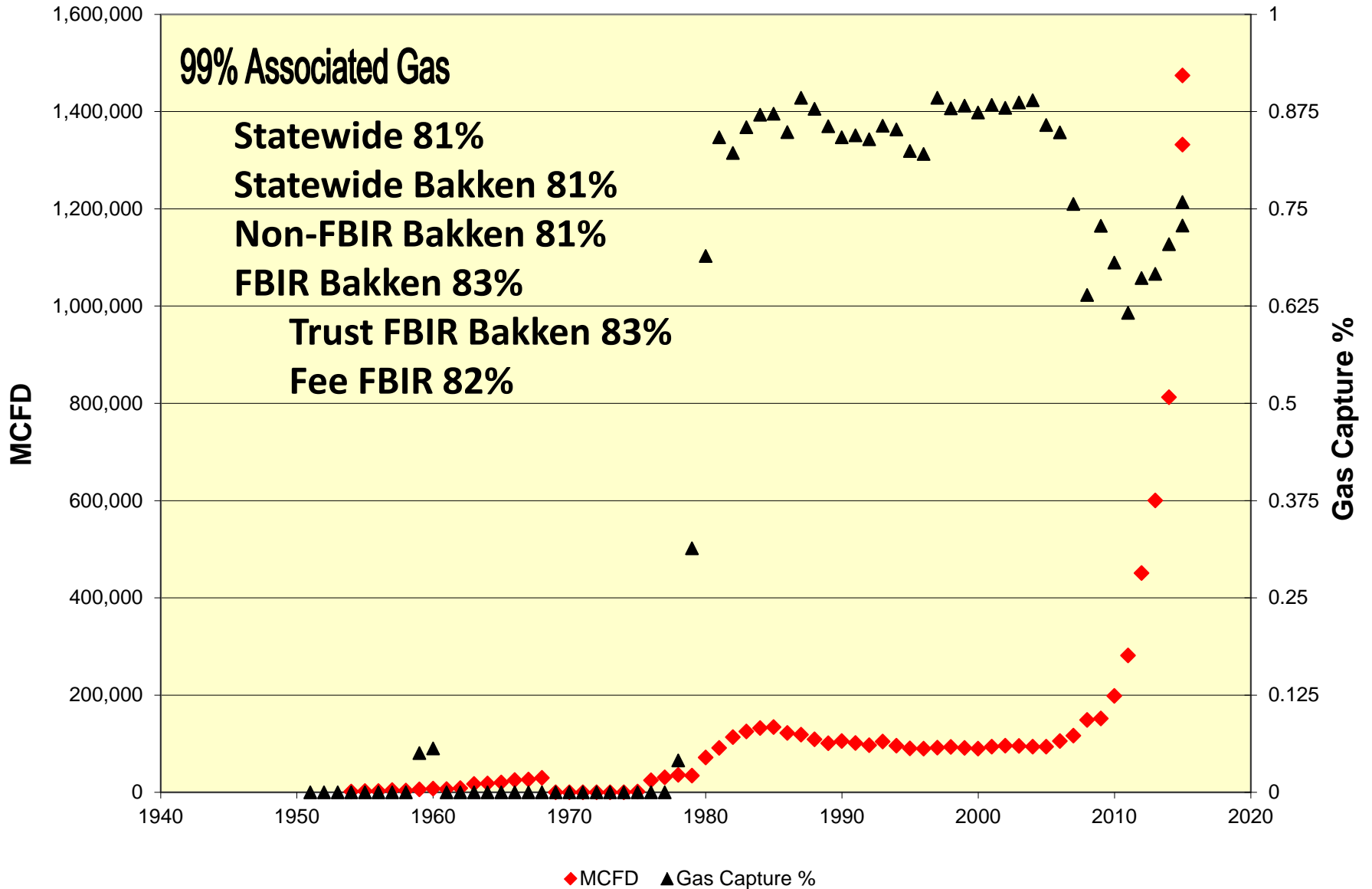


Wells waiting on completion

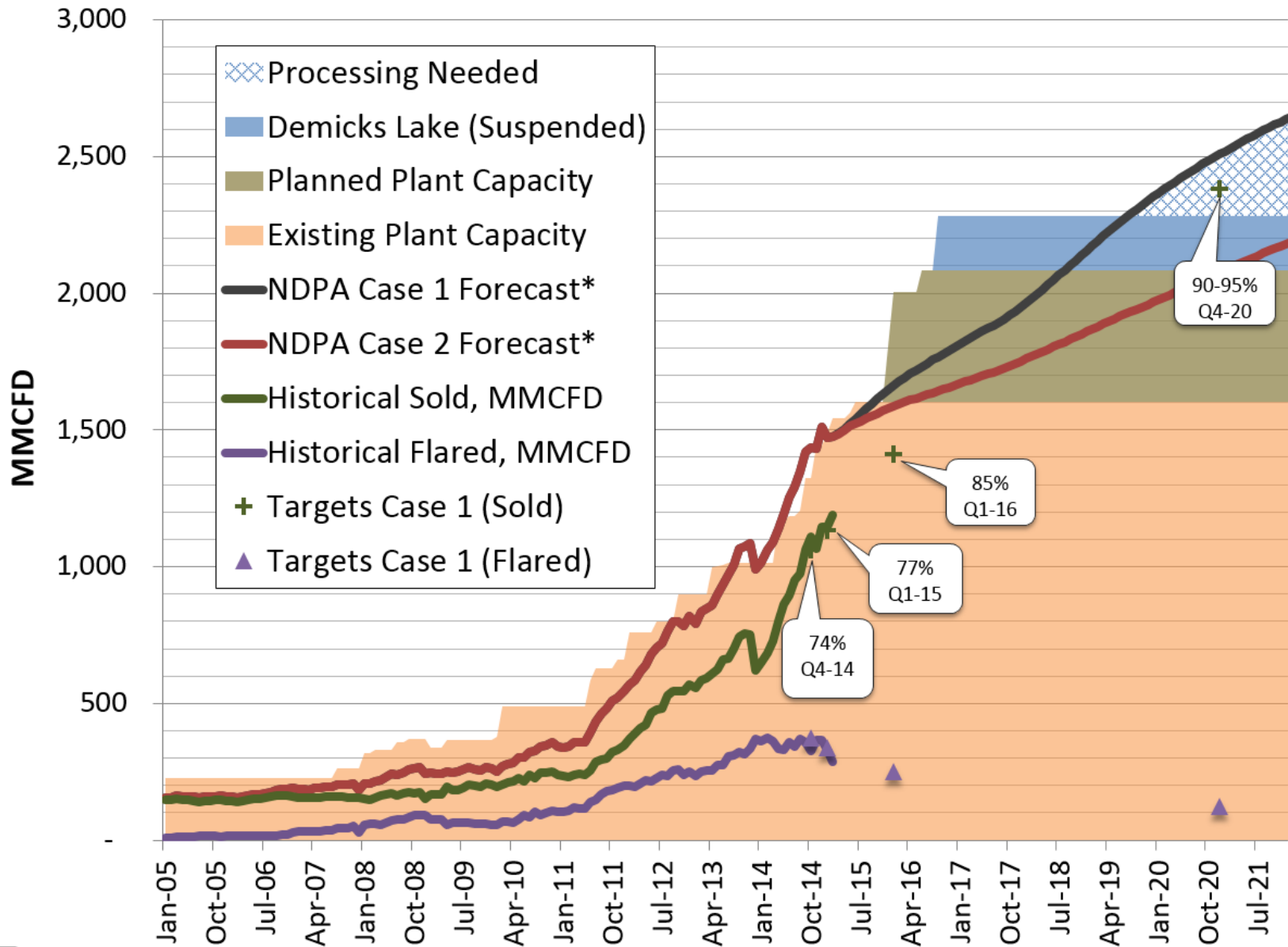
- Price has driven wells waiting on completion



North Dakota Natural Gas



Solving the Flaring Challenge



The Commission has established the following gas capture goals:

74% October 1, 2014 through December 31, 2014

77% January 1, 2015 through December 31, 2015

85% January 1, 2016 through September 30, 2020

90% beginning October 1, 2020

95% future potential

In order to allow operators the maximum flexibility to manage their drilling, operation, and gas capture plans within the gas capture goals established by the Commission, the Commission will evaluate compliance with the gas capture goals statewide, by county, by field, then by well for each operator.

All infill horizontal wells, including overlapping spacing units, completed in a Bakken, Bakken/Three Forks, and/or Three Forks Pool are allowed to produce at a maximum efficient rate for 90 days.

The operator is allowed to remove the initial 14 days of flowback gas from the total monthly volume calculation.

The operator is allowed to remove from the total monthly volume calculation gas volumes flared from wells already drilled and completed on the date a **force majeure** event occurs if the event is properly documented in writing by the gas gathering company.

The Commission recognizes the following as surplus gas being utilized in a beneficial manner that may be considered as captured gas:

- a. Equipping the well(s) with an electrical generator that consumes surplus gas from the well
- b. Equipping the well(s) with a system that intakes the surplus gas and natural gas liquids volume from the well for beneficial consumption by means of compression to liquid for use as fuel, transport to a processing facility, production of petrochemicals or fertilizer, conversion to liquid fuels, separating and collecting the propane and heavier hydrocarbons
- c. Equipping the well(s) with other value-added processes as approved by the Director which reduce the volume or intensity of the flare by more than 60%.

If an operator is unable to attain the Commission's gas capture goals at maximum efficient rate, well(s) will be restricted to 200 barrels of oil per day if at least 60% of the monthly volume of associated gas produced from the well is captured, otherwise oil production from such wells shall not exceed 100 barrels of oil per day.

Flexibility will be provided in the form of temporary exemptions from production restrictions after notice and hearing if the following extenuating circumstances are validated:

surface landowner, tribal, or federal government right-of-way delays

temporary midstream down-time for system upgrades and/or maintenance

federal regulatory restrictions or delays

safety issues

delayed access to electrical power

possible reservoir damage

Flexibility in the form of temporary exemptions from production restrictions may be considered for other types of extenuating circumstances after notice and hearing if the effect of such flexibility is a significant net increase in gas capture within one year of the date such relief is granted.

Penalty provisions:

Production and flaring data is two months old when filed (Jan 2014 data filed Mar 2014) and data is frequently amended.

Timely communication between operators and midstream companies as well as with the Commission is of the essence. Lack of compliance with the following requirements will be considered violations:

Failure to file an application for hearing with the Commission within the month following the month in which the operator was unable to attain the Commission's gas capture goals and oil production exceeded production restrictions may result in a civil penalty of \$1,000 per month up to a maximum of \$12,500 per month beginning at \$1,000 the first month and doubling each additional month that the operator is in violation.

Failure to implement production restrictions within the month following the month in which the operator was notified by Commission staff that gas capture goals were not attained and oil production from listed well(s) is to be restricted will result in a verbal notice of violation. The Commission will issue a written notice of violation with a compliance deadline if an operator fails to implement production restrictions for a second month. A third month in violation of production restrictions may result in a civil penalty of up to \$12,500 per well for each day the well has been in violation.

Pipeline Projects In Regulatory Review

Energy Transfer Partners - Dakota Access Pipeline

- 450,000 BOPD(Expandable to 570,000 BOPD)
- Route: ND to Patoka, IL, 1,100 miles, 30"
- Proposed In-service Date: Q4 2016

North Dakota Pipeline Company Sandpiper

- 225,000 BOPD
- Route: ND to Clearbrook, MN, 24" Clearbrook to Superior, WI, 30"
- Proposed In-service Date: Q1 2017

TransCanada Upland Pipeline

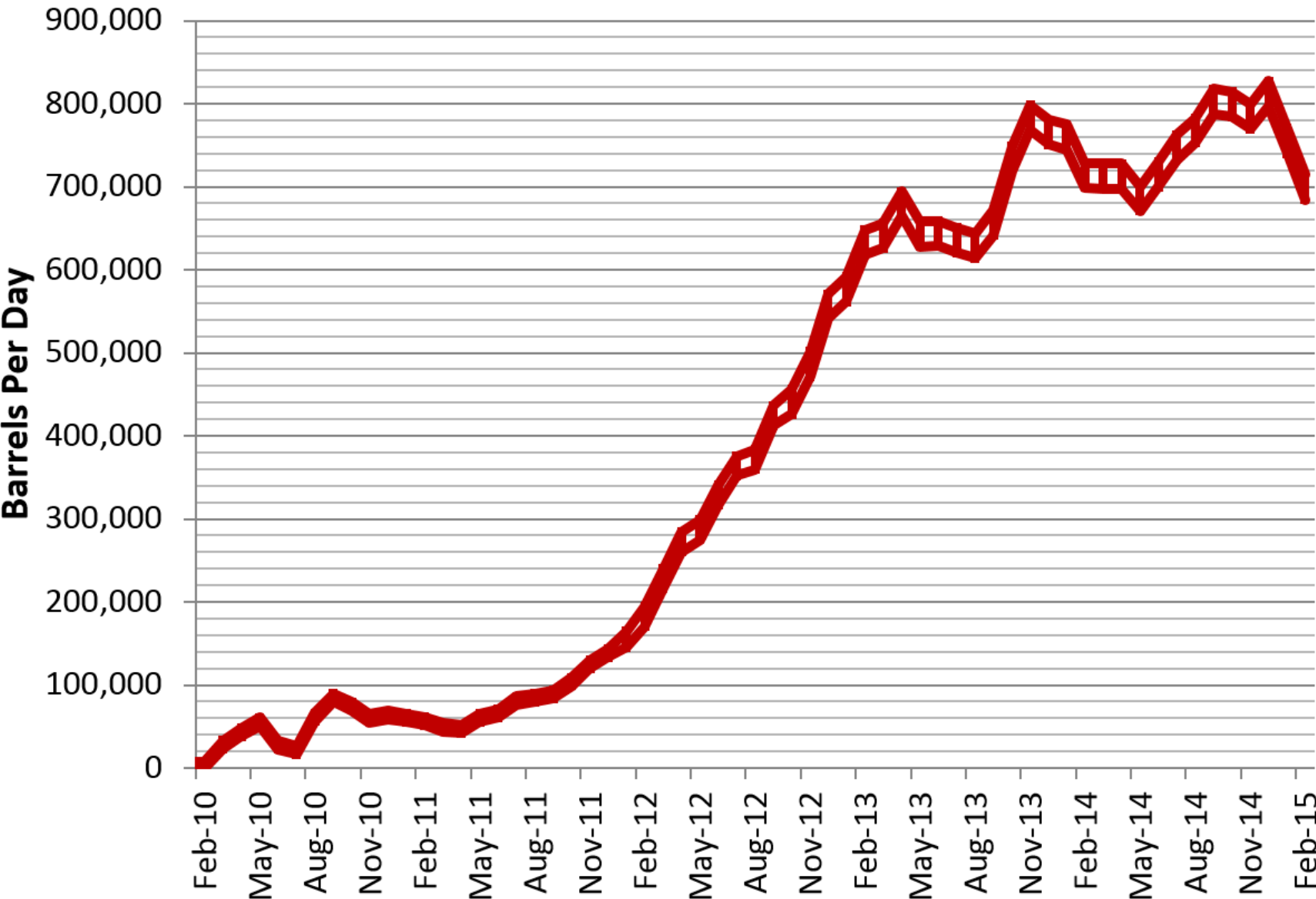
- 220,000 BOPD (Expandable to 300,000 BOPD)
- Route: North to TransCanada Energy East Pipeline, 20"
- Proposed In-service Date: 2020

TransCanada Keystone XL

- Up to 100,000 BOPD
- Timeline Uncertain



Estimated ND Rail Export Volumes



Oil Conditioning

- Signed December 9th, 2014; effective April 1, 2015.
- Goal: to produce a consistent product that does not exceed a vapor pressure of 13.7 pounds per square inch (psi). API stable crude standard is 14.7.
- Achievable: IC prescribed temperatures and pressures, or through quarterly field testing.
- Result: a safer, stable, crude oil.
- Oil Conditioning [FAQ](#)

2015-2017 Highlights:

BLM Hydraulic Fracturing Rules – CO, ND, WY, WEA, and IPAA law suits

HB 1358- Enhanced Pipeline Safety Study & Rules
Legacy site cleanup

Other new rules – Salt water facilities
Diking
Noxious weeds

QUESTIONS?