

new players, new companies into the Bakken and you see start up companies on a regular basis. So you are going to have both," Hoeven said. "You are not only going to have mergers and acquisitions across the industry as a whole, but also now startups and new companies coming in the Bakken and North Dakota."

Ness works with a variety of subcategories under the oil and gas umbrella and sees companies buy, sell, merge and acquire for a variety of reasons, saying really it is tough to really put a finger on why or when a company of any size will make a deal.

"Startups get into a hot play and sell due to strategy or market volatility," Ness said. "Sometimes the super majors can come in a buy too. I think we have a good mix of companies in the Bakken right now."

DeCubellis believes taking a step back and looking at the past year, one can make an internal audit on the company's desires.

"The challenge selling assets in this environment is that valuations have plummeted in the past few months. Just look at the value of public equities. Most are trading at or near 52-week lows," DeCubellis said. "If you are selling today and hope to get values that were in the market six or 12 months ago, you need to reset your expectations."

Expectations are now different than in previous oil booms due to a change in operations and drilling activity.

"If the price goes down you may not see the drilling activity, but it is unlikely the production activity will slow," Schafer said. "So they are not going to go in and cap a well. In the '70s they went in and capped a well because the price was so bad, you know \$10 dollars a barrel and less in some cases. You just couldn't afford to take it out so they just capped it. Now we have the capacity and volume in North Dakota to where it's unlikely, unless you get back down to that \$10 a barrel oil again, which can happen but is very unlikely."

Keeping oil and gas operational is becoming the more critical than ever as our planet transitions from a dominant fossil fuel portfolio to one that is more diverse and accentuating of strengths. Specializing our energy has kick started an enormous intellectual industry centered around science and math. These cutting edge technologies are reviving the industrial industry as they integrate into the energy grid and distribution arteries.

The cost of this high level integration is high level too, creating an environment where changes are going to occur and the level of investment into a play can dictate its financial outcome.

"A little consolidation is healthy in any maturing industry and certainly is needed in the Bakken," DeCubellis said. "Completion costs are still too high and the flow of capital into the Bakken is too inefficient. Merger and acquisition activity will help in both cases." ■



PAUL FLESSLAND/For the Tribune
Ken DeCubellis, CEO of BlackRidge Oil and Gas

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