

The **COLD** hard facts of the Bakken

As the snow melts and the ice begins to crack, the oil and gas industry can only reflect on how the cold weather slowed



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For Bakken Breakout Weekly

down production and the million barrel momentum. It takes a number of companies and industries working together to make the oil and gas machine work. If one slows down, others along the production chain follow suit.

"In simple North Dakota terms, it's been a brutal winter," Ron Ness, president North Dakota Petroleum Council, said. "High winds, sub zero temperatures just slow everything down from drilling to electrical."

According to the National Weather Service, from Dec. 1 to Feb. 28 the daily low temperature was below zero for 65 days. The winter was cold enough to

place 17th on the all time recorded winter. Weather that cold tends to slow humans and machines down.

"Things just don't work as well in freezing temperatures," Bakken geologist Kathy Neset said. "Whether it is people or iron, it just doesn't move as well in 30-below conditions."

Breitling Energy, BlackRidge Oil and Gas and JE Dunn Construction are three companies heavily involved with the Bakken and were impacted, in some respects, this past winter.

Dallas-based Breitling Energy is an independent exploration and production company operating since 2004. Breitling has proved reserves throughout several major basins in the United States. Breitling is engaged in the acquisition, development and production of crude oil, natural gas and natural gas liquids, primarily in the states of Texas, Oklahoma and North Dakota.

BlackRidge Oil and Gas is a relatively new company operating in the oil and gas world. BlackRidge is a non-operating participant with over 10,000 acres in the Bakken. Their business model allows them to partner with operators within the Bakken Three Forks shale play.

JE Dunn Construction is a \$2.7B company with 20 offices across the United States. The company specializes in construction management services, design-build and integrated project delivery. Currently they are working on a number of projects in the Bakken like the Williston Community Center and

Sanford Health in Dickinson.

Here are the cold hard facts from these Bakken companies.

1. Did this past winter have an impact on your business, work flow or timelines?

Breitling Energy: Production in the Bakken always slows down in the winter, so this winter was no surprise. It's business as usual in the Bakken — production slows down or stalls out altogether due to the extremely low temperatures and then picks back up again in the spring. We plan for that; it's part of our workflow and timelines.

This winter was even more severe, with several serious blizzards and very windy conditions, so we were impacted just as everyone else in the Bakken was impacted. You see things like diesel fuel freezing and roads snarled with accidents, delaying delivery of materials used in production and/or delaying transport of produced oil and gas.

BlackRidge Oil and Gas: The tough, cold conditions during this past winter clearly had an impact on well completions. We saw a reduction in completion activities due to the weather, but nothing more than what we were forecasting internally.

JE Dunn Construction: No, cold weather construction and winter construction practices are built into schedules and costs. We are known as a cold weather contractor who understands the N.D. winter conditions.

2. Relatively speaking, what are your biggest challenges during a Bakken winter?

Breitling Energy: Drilling rigs are pretty hardy — built to withstand extreme cold, high winds, heat and other weather conditions. The subsurface is another matter entirely. Freezing is a

common problem in a Bakken winter, choking the flow of natural gas. We also deal with freezing diesel fuel and water.

JE Dunn Construction: We have specific timelines of when to get earthwork complete and foundations in the ground. There are also obstacles that can be overcome by having enclosures in-place and a roof on before winter strikes. It is also a rush to get enclosed and climate controlled before winter. It is a challenge making sure that our subcontractors are well aware of the timelines and schedules to ensure this happens.

3. Are there any extra precautions required or taken due to the cold?

Breitling Energy: We cut back on fracking ops in the worst cold of winter, of course, out of an abundance of caution. We know that production will most likely be interrupted, so we focus on the typical precautions any business needs to take in extreme cold temperatures so that production can resume full-force once we're out of the deep freeze. We use heaters and keep fluids moving to minimize freezing and prevent potential cracks or leaks in equipment.

4. What is your outlook for 2014 in the Bakken?

Breitling Energy: We expect great things from the Bakken in 2014. Production will come surging back as temperatures warm up, and we expect to see well completions accelerating.

BlackRidge Oil and Gas: We are as excited as we have ever been with respect to the prospects for the Bakken in 2014. Efficiencies are being realized due to pad drilling, which will continue to push drilling and completion costs downward. Also, this is a technology play.

As drilling becomes more effective, in terms of ability to stay within zone, and as best in class completion designs are more widely deployed, we expect estimated ultimate recoveries (EUR), or production, to continue to increase. Both of these factors, decreasing capital costs, and increasing recoveries, will drive to improve our returns.

JE Dunn Construction: We have a good vertical construction outlook for 2014 and are very excited about the much needed and valued commercial and civic projects.

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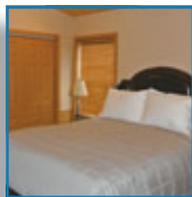
Jason Spiess is a multi-media journalist and host of Building the Bakken Radio. Building the Bakken Radio can be heard in Bismarck on SuperTalk KLXX 1270AM on Sundays at 10am CT. To see if your listening area carries the radio program or see the entire Building the Bakken Media Network, visit www.buildingthebakken.com. Spiess can be contacted at jason@buildingthebakken.com.

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