



The Drill

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The Crude Life with Jason Spiess

Energy analysis and industry interviews by the North Dakota radio personality and journalist.

Regulator: Steffes sets national example in energy

BISMARCK

Federal Energy Regulatory Commission Commissioner Tony Clark said Steffes Corp. was leading the way in energy efficiency during the ninth annual Great Plains & Empower ND Energy Conference in Bismarck.

"The grid is getting much smarter," Clark said. "One of the things we talked about this morning was some of the work being done right here in North Dakota at Steffes Corp., which makes furnaces, water heaters, and uses technology to integrate those furnaces and water heaters with the grid themselves using really just a broadband connection."

Clark said in Philadelphia, PJM, the world's largest grid operator, has a Steffes water heater on display. PJM Interconnection is a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia, an area that includes more than 51 million people.

"Basically, that technology is one that typifies where we can move as a country in terms of getting the grid smarter operating it in a better way," Clark said. "That particular technology they were demonstrating allows the water heater to interact with the grid in real time ramping up or down at the exact time the grid needs it the most."

Clark said these types of technologies are creating a more efficient energy grid and will be good for consumers in the end.

"This is going to take some time to develop," Clark said. "But from a FERC standpoint, we need to make sure we have the market rules right

SPIESS/A2

Pit of disrepair



Submitted Photo by North Dakota Department of Mineral Resources

Runoff from an abandoned pit that was used to store oil drilling mud and fluids nearly 50 years ago is eroding into the Little Missouri River south of Medora, the Department of Mineral Resources says.

Abandoned oil waste pit eroding into Little Missouri River south of Medora

By Mike Nowatzki
Forum News Service

BISMARCK — An abandoned pit that was used to store oil drilling mud and fluids nearly 50 years ago is eroding into the Little Missouri River in western North Dakota, threatening to contaminate drinking water downstream as state officials develop a cleanup plan.

Department of Minerals Resources Director Lynn Helms told a legislative committee in the second week of October that the reserve pit south of Medora is "priority one" on a list of old abandoned sites targeted for reclamation using \$1.5 million appropriated by state lawmakers last spring.

The department has been aware of the pit for years but didn't discover the erosion until starting the process of prioritizing the so-called "legacy" sites after lawmakers approved the funding in April, reclamation specialist Cody VanderBusch said.

Amerada Petroleum Corp. opened the roughly 100-by-50-foot pit in 1966 on the bank of the river and abandoned it the same year after the oil well failed to produce.

In 1986, after the site was reclaimed, the state released the \$15,000 bond on the well back to the company, which by that time had merged into what is now Hess Corp.

Any liquid that was in the unlined pit was either disposed of or soaked into the ground, VanderBusch said.

"You're dealing with oil and probably salt, so it's going to be toxic to plant life and it could be toxic to aquatic life. It just depends upon the quantities," he said.

VanderBusch said "a little bit" of the pit may have eroded into the Little Missouri River, which flows into the Missouri River, a major source of drinking water for downstream communities including almost all of southwest North Dakota and the state capital, Bismarck.

The state Health Department has not inspected the site for water quality but will be working with the Department of Mineral Resources' Oil and Gas Division to make sure there are no impacts, water quality director Karl Rockeman said.

An environmental assessment of the site has been completed, VanderBusch said. The department received lab samples last week and

is drafting a cleanup plan that will likely involve stabilizing the riverbank and excavating the contaminated dirt, he said.

Kansas-based Terracon has been hired as an environmental consultant and will solicit bids for the cleanup work, which VanderBusch estimated will cost hundreds of thousands of dollars. He hopes to have it wrapped up before winter.

"Currently the water isn't even up to the bank in that area, so the only time it really erodes is when the river comes up, so it'd be either in the spring or during a high rain event," he said.

The last major Little Missouri River flood was in late May 2011, when Medora recorded its second-highest water level in history and the river rose well beyond its banks to flood multiple areas, including the Badlands Ministries campground about 1 mile south of the abandoned pit.

State lawmakers voted in April to expand the department's fund for plugging abandoned oil and gas wells and site reclamation to include

PIT/A2

North Dakota oil production sees unusual August dip



Drill Photo by Dustin Monke

An oil rig is assembled on the foothills of the Killdeer Mountains north of Killdeer, N.D., on Oct. 14. The number of rigs continues to drop in North Dakota, and oil production remains stagnant.

By Amy Dalrymple
Forum News Service

WILLISTON, N.D. — North Dakota oil production dropped 1.7 percent in August, a time of year when production usually is on the rise.

The state produced nearly 1.19 million barrels per day in August, a drop of 20,552 barrels a day from July, according to preliminary numbers from the Department of Mineral Resources.

It was the first time in 12 years that North Dakota saw oil production drop in August.

"It is definitely not normal. August is almost always an up month," Director Lynn Helms said Oct. 13. "This is a reflection of what's really happening in the industry in this prolonged low-price environment."

Low oil prices continue to prompt companies to leave oil in the ground until prices

recover, Helms said.

The state had a record 993 wells that were drilled but waiting on fracking crews at the end of August, an increase of 79 wells since July.

Companies also continue to cut back on drilling. The state had 67 drilling rigs operating the day the figures were announced, the lowest since November 2009 and down from 191 a year ago.

At one time, North Dakota had five companies that operated 10 or more drilling rigs, Helms said. Today, no company has a rig count in the double-digits, with operators running eight or fewer rigs. Helms said the rig count could go as low as 60.

"They've retracted to a pretty low rig count and low completions numbers and they're trying to weather the storm," Helms said.

In addition, companies vol-

untarily reduced oil production in August by an estimated 10,000 barrels per day in order to comply with state flaring goals, Helms said.

North Dakota's state budget is based on a production rate of about 1.1 million barrels per day. Helms said he anticipates a continued decline in production, climbing down to 1.1 million barrels per day by the end of the 2015-17 biennium.

If prices drop more, production could get closer to 1 million barrels per day by the end of the biennium, Helms said.

The top 10 companies that operate in the Bakken have indicated they can maintain production with oil prices at \$50 for a barrel of West Texas Intermediate crude, Helms said.

The benchmark for growing production is when that price reaches \$60, Helms said.

OIL/A5

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159.24 +/- Acres - Divide County, ND LAND AUCTION Nov. 12, 2015 - 1:00 p.m. (CT) Location: Mr. K's Steakhouse - Crosby, ND Features exceptionally productive soils in an excellent farming community, as well as great waterfowl and upland game hunting. OWNERS: Donald and Carole Jenks	561.23 +/- Acres - Stark County, ND LAND AUCTION Dec. 9, 2015 - 5:00 p.m. (MT) Location: TBD, Dickinson, ND Located along the Enchanted Highway, featuring productive grasses and cropland, and tremendous wildlife habitat along Antelope Creek. OWNERS: Douglas Candee and Lyla Candee	383.79 +/- Acres - Adams County, ND LAND AUCTION Dec. 10, 2015 - 1:00 p.m. (MT) Location: Dakota Lodge - 5 10th St East - Lemmon, SD Features tremendous cropland with great access and an excellent soil productivity index - much of the land in the 80's and 90's. OWNERS: Ervin Klein Family	