

Taxation Committee

October 19, 2011

**Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission**

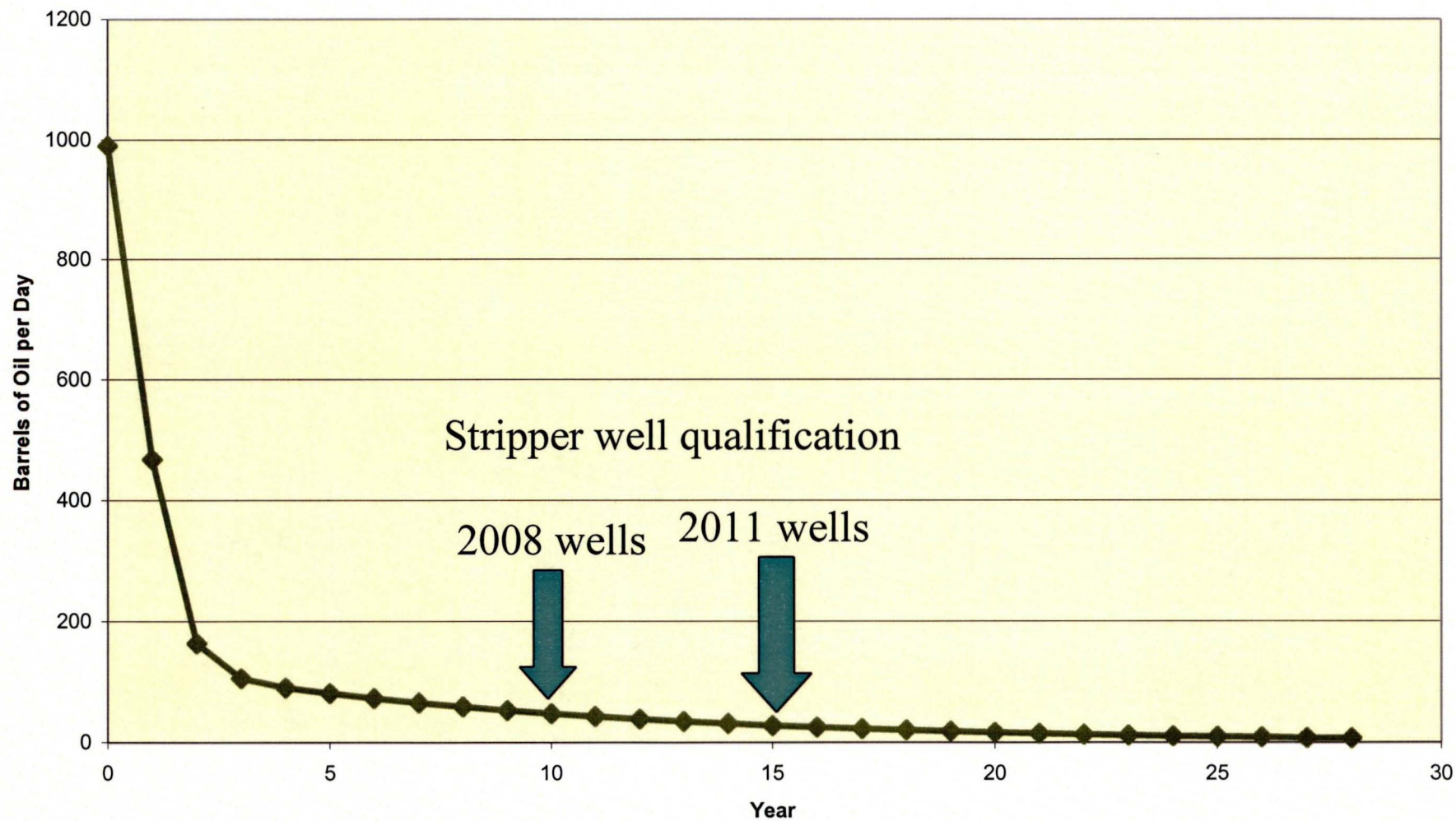
Stripper Wells in North Dakota

- 1,223 wells < 6,000 feet qualified at < 10 BOPD
 - 709 active at average 9 BOPD = 6,381 BOPD = 1.4 % of state total
- 1,394 wells 6,000-10,000 feet qualified at < 15 BOPD
 - 664 active at average 9 BOPD = 5,976 BOPD = 1.3 % of state total
- 1,388 wells > 10,000 feet qualified at < 30 BOPD
 - 832 active at average 25 BOPD = 20,800 BOPD = 4.7 % of state total
- 4,005 out of 6,686 wells are stripper wells = 60 % of total
 - 2,205 out of 5,954 active wells are stripper wells = 37% of total
 - 6.4% of state production qualifies for stripper well tax rate

Stripper Well Properties in North Dakota

- 3,458 total stripper well properties
 - 194 infill wells have been drilled on them
 - 188 are in Enhanced Oil Recovery Units
- 390 Bakken stripper well properties
 - 1 infill well drilled and 4 infill wells being drilled

Typical Bakken Well Production

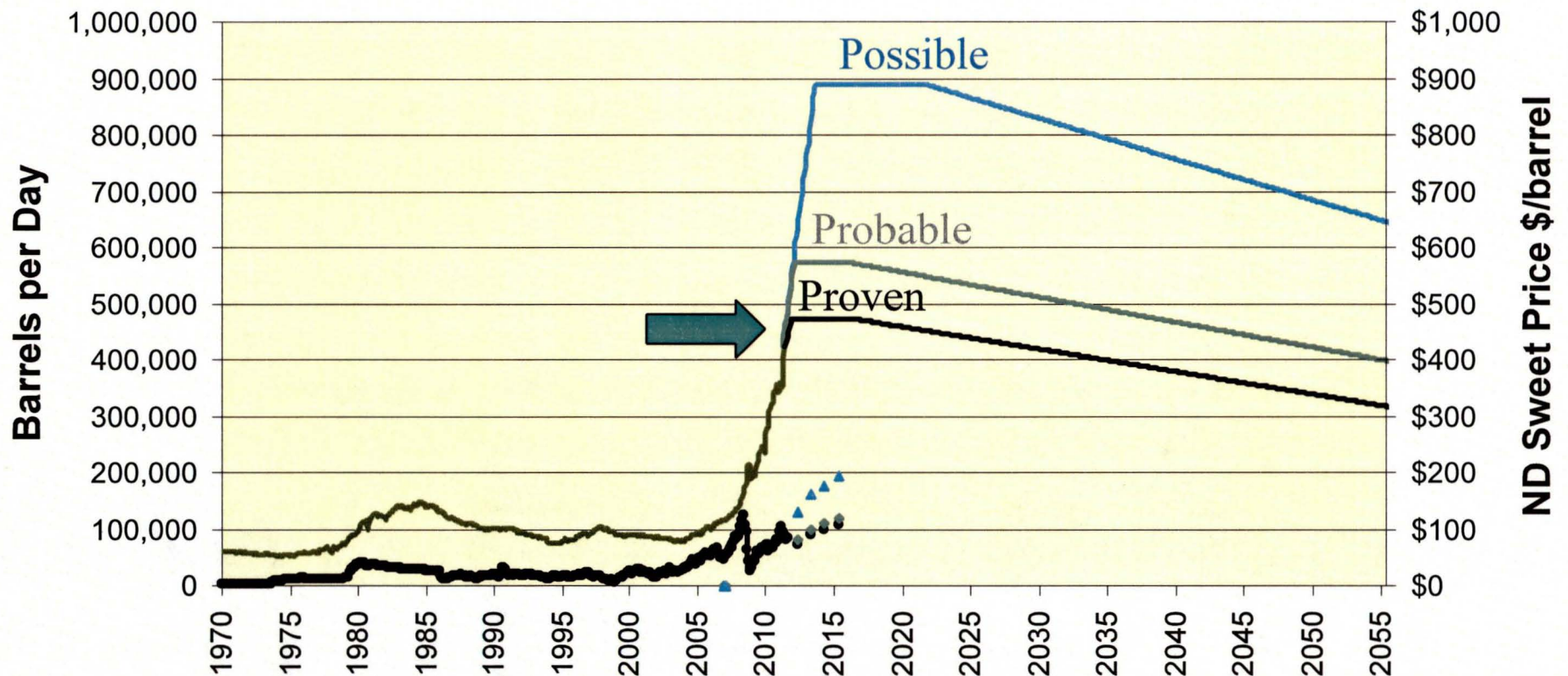


Western North Dakota

- 1,100 to 2,700 wells/year = 2,000 expected
 - 225 rigs can drill the 5,000 wells needed to secure leases in a minimum of 2.5 years
 - 225 rigs can drill the 28,000 wells needed to develop spacing units in a minimum of 14 years
 - 33,000 new wells = 30,000-35,000 long term jobs



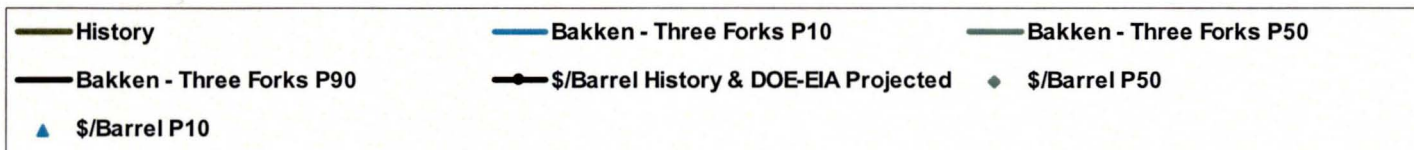
North Dakota Oil Production and Price



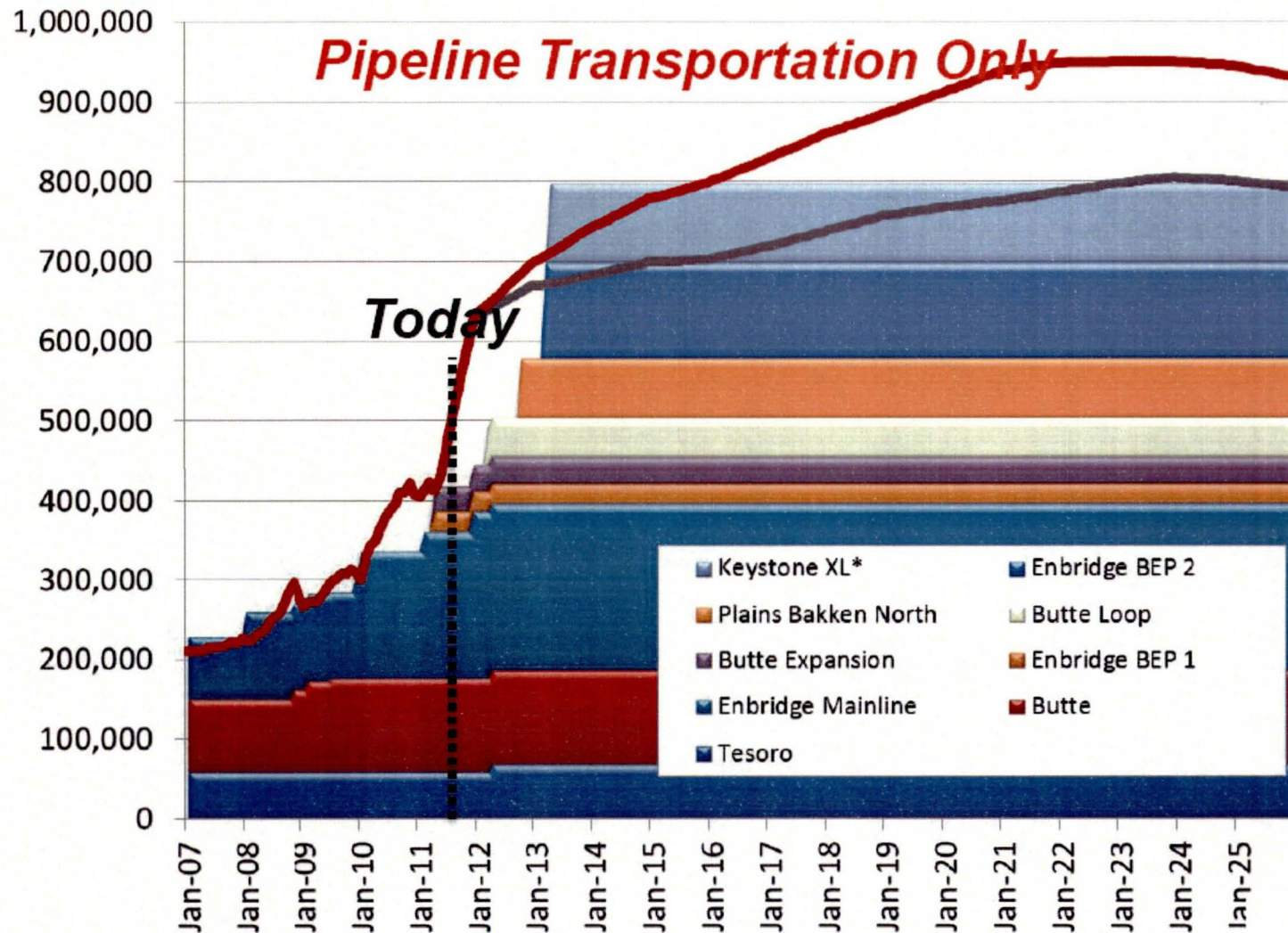
2,650 Bakken and Three Forks wells drilled and completed

33,000 more new wells possible in thermal mature area

P90=5 BBO – P50=7 BBO – P10=11 BBO (billion barrels of oil)



Williston Basin Oil Production & Export Capacity, BOPD

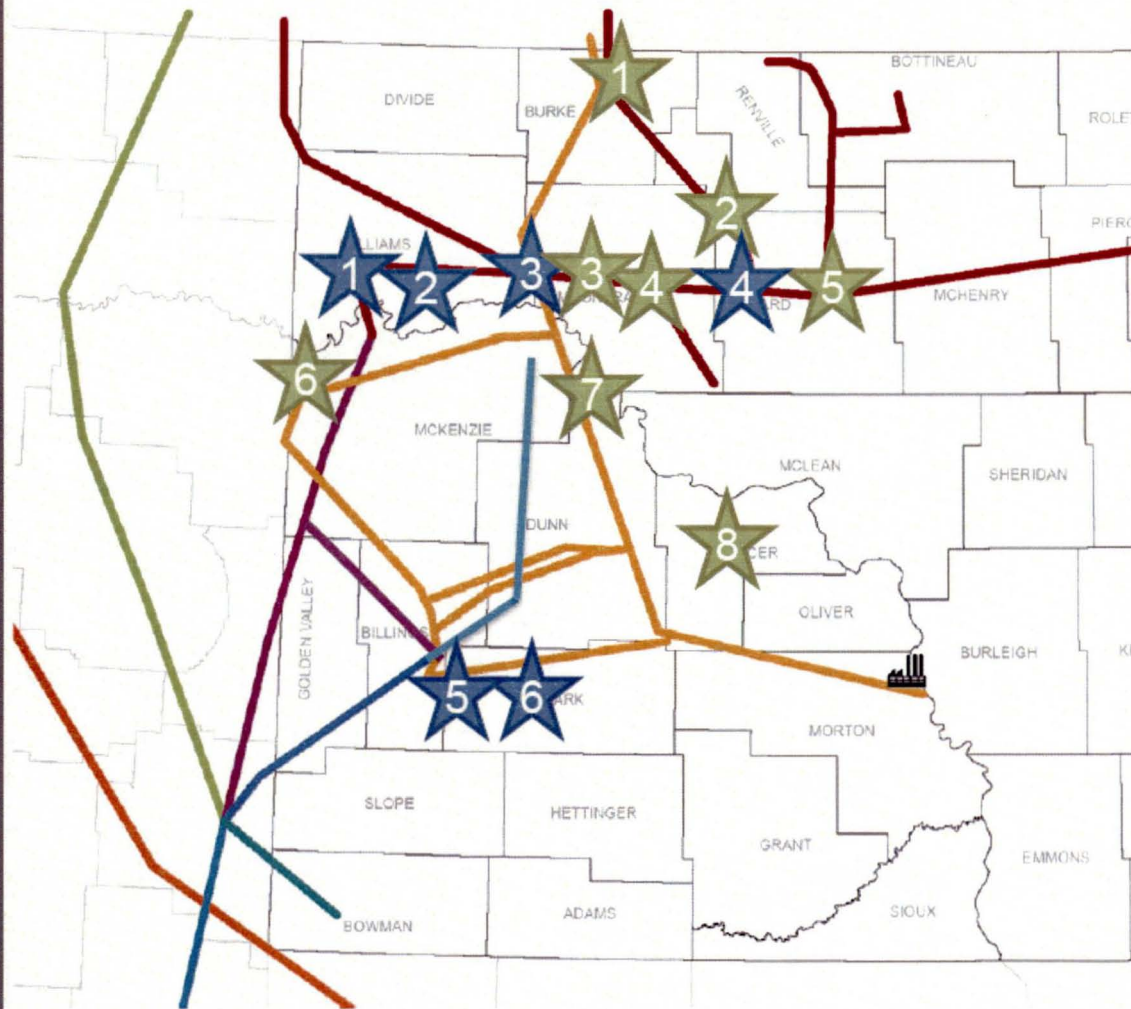


Production forecast is for visual demonstration purposes only and should not be considered accurate for any near or long term planning.

*Projects still in the proposed or internal review process



Existing & Planned Rail Locations



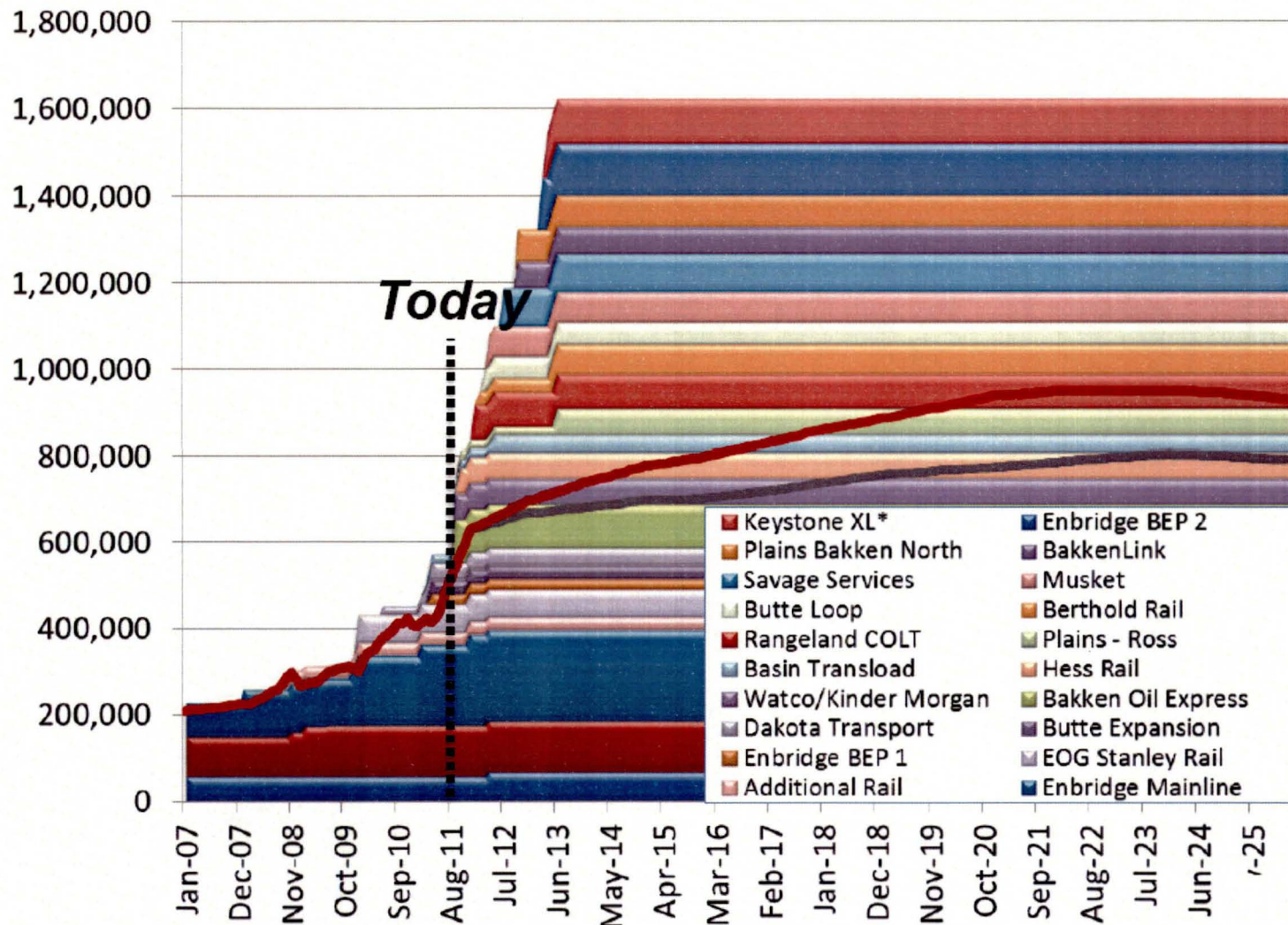
★ Existing

- 1) Stampede
- 2) Donnybrook
- 3) Ross – Plains
- 4) Stanley – EOG
- 5) Minot – ND Port Services
- 6) Dore
- 7) New Town – Dakota Transport Solutions
- 8) Zap – Basin Transload

★ Planned

- 1) Trenton – Savage
- 2) Epping – Rangeland
- 3) Tioga – Hess
- 4) Berthold – Enbridge
- 5) Fryburg – Great Northern
- 6) Dickinson – BOE

Williston Basin Oil Production & Export Capacity, BOPD



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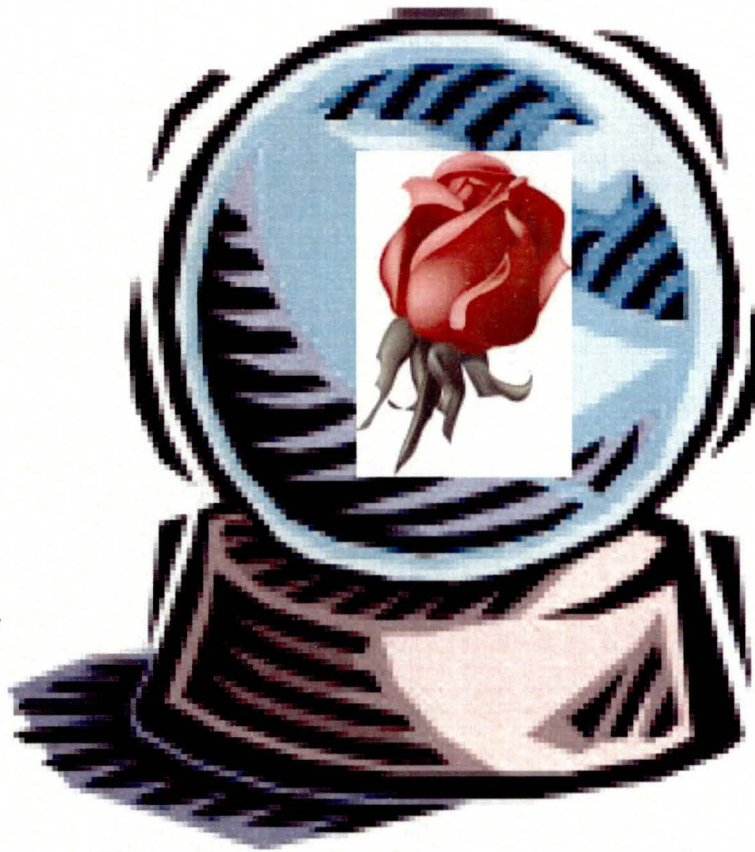
Cap and trade proposals in congress could reduce activity an estimated 35-40%



Current administration budget contains tax rule changes that could reduce activity an estimated 35-50%



Oil price below \$50 WTI could reduce activity an estimated 25-30%



The future looks promising for sustained Bakken/Three Forks development

CoolClips.com



EPA regulation of hydraulic fracturing could halt drilling activity for 18-24 months production decline of 25-30%



Federal minor source air permits require 6 -12 months for approval