



North Dakota Oil Production Jumps as Access Pipeline Nears Completion

The latest report from North Dakota's state oil and gas division showed that crude oil production for March is back up over a million barrels a day, an increase of nearly nine percent since December and almost double what the state produced five years ago.

The boom is back.

In Bismarck there are hundreds more jobs being offered than takers, according to the Associated Press (AP), with "for hire" signs appearing once again in stores, shops, and restaurants downtown. In Williston there are 500 more job listings today than there were a year ago. Williston Republican state senator Brad Bekkedahl, whose district sits on top of the massive Bakken oil shale deposits, told the AP, "There is a long-term optimism that was not here a year ago."

In the oil business, "long-term" is measured in months, not years or decades. In March 2012 there were 6,954 oil wells producing 580,000 barrels of crude every day. In March this year 13,632 wells produced 1.025 million barrels daily.

And it's not all due to the Dakota Access pipeline, which be operating at full capacity within a month, either. The recent bump-up in oil prices from \$45 two weeks ago to \$48 as of Monday is pure profit for producers in the state. Profit margins have expanded, thanks to continually improving technology bringing breakeven (b/e) costs to lift a barrel of oil to the surface down ever further. Shipping costs are about \$3 a barrel less using the Dakota Access pipeline compared to mile-long tanker trains. But most importantly, the Bakken crude can either be refined on the Gulf Coast or shipped abroad where prices are higher than in the United States. Ron Ness, president of the North Dakota Petroleum Council, put it well: "We can [now] compete with the world."

The improvements in technology are breathtaking. For example, a year ago it would take 20 days to drill a fracking well. Today, according to Ness, it takes less than 12. This has forced the b/e point to under \$30 a barrel in Bakken, while in Dunn County, atop the richest reserves, the b/e point is \$15 a barrel. And that number was from November. It's even lower now.

The Bakken Formation is almost inconceivably large. Every time it is analyzed for "recoverable" oil, the number expands. It is influenced not only by improved technology but by more accurate estimates of its size. In April 2008, a U.S. Geological Survey (USGS) estimated it contained 3.6 billion barrels of oil. To put that into perspective, if North Dakota oil producers produced only a million barrels a day from here on out, it would take 3,600 days, or 10 years, to drain the field.





Written by [Bob Adelman](#) on May 15, 2017

But five years later the USGS took a look and raised its estimate to 7.4 billion barrels. Now estimates from other sources are coming in at 24 billion, with one outlier estimating that the field which occupies about 200,000 square miles underlying Montana, North Dakota, Saskatchewan, and Manitoba contains 400 billion barrels of recoverable oil.

Bakken has been making landowners millionaires, with royalty checks of \$50,000 to \$100,000 a month being reported. The state has fully funded its state pension and healthcare plans with oil revenues and was last reported as having a billion dollars in surplus funds with the biggest issue being deciding what to do with it.

It's also likely to be the elephant in the living room when OPEC meets on May 25. There's much speculation that the fading cartel will once again try to influence the price of oil by extending its production cut agreement by another six months. The last one was an abysmal failure, thanks to members not keeping their agreement. This led Saudi Arabia, the cartel's leader, to cut its own production by more than agreed in order to birth a cut in production large enough to make a difference. It birthed a mouse.

The price of oil jumped briefly following last November's agreement but then started to decline in January, falling to the mid-40s in early May.

The miracle taking place in the oil patch isn't limited to the Bakken formation, by any means. The technological advances are taking place everywhere in the country, reducing the lifting costs in every one of the more than 100 oil fields currently in play in the United States. The Bakken is nearly a household name, along with the Eagleville (Eagle Ford Shale), Sprayberry Wason formations in Texas, Wattenberg in Colorado, Belridge South in California, and the Mississippi Canyon (Thunder Horse) and Green Canyon (Atlantis) on the Gulf Coast.

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