

North Dakota eclipses oil record

James Macpherson, Associated Press, 10-27-10

BISMARCK, N.D. -- The oil patch in North Dakota, which already accounts for 6 percent of U.S. crude production, is on pace to shatter last year's record by 30 million barrels, according to an Associated Press analysis confirmed by a state official.

The AP count found the state has already surpassed the 79.7 million barrels produced through all of 2009. Based on production estimates, North Dakota should end 2010 with about 110 million barrels, more than double the amount produced less than three years ago.

Lynn Helms, director of the North Dakota Department of Mineral Resources, confirmed the numbers in a phone interview and called the spike "remarkable."

North Dakota's record production comes amid offshore drilling worries spurred by BP's massive spill in the Gulf of Mexico. Government and industry officials say the environmental disaster hasn't had an immediate effect in North Dakota, though the state's record production has helped offset any potential declines offshore.

More than 95 percent of the rigs drilling in North Dakota are aiming at the rich Bakken shale and Three Forks-Sanish oil reservoirs in western North Dakota.

Steven Grape, the domestic reserves project manager for the U.S. Department of Energy's information administration, said North Dakota's oil patch now accounts for about 6 percent of total U.S. crude oil production. That's up from 1 percent less than three years ago.

"The Bakken is going gangbusters," Grape said. "Onshore and in the Lower 48, the Bakken has had the largest impact of anything in the last three years."

The only thing that would "rock the charts" as much as Bakken, Grape said, would be opening up Alaska's Arctic National Wildlife Refuge, believed to contain more than 10 billion barrels of recoverable oil.

Two years ago, the U.S. Geological Survey estimated that up to 4.3 billion barrels of oil could be recovered from the Bakken, using current technology. The agency called it the largest continuous oil accumulation it has ever assessed.

North Dakota produced a record 10.1 million barrels of oil during August, up from 9.9 million barrels in July, and 9.4 million barrels in June, Helms said. Oil production data typically lag at least two months.

North Dakota natural gas production was pegged in August at a record 10 million cubic feet, up from 9.9 million cubic feet in July.

North Dakota's August oil production numbers, the most recent available, extended a record monthly production streak that began in January.

Helms said the state probably pumped more than 10 million barrels in September and will likely produce at least that much monthly though the end of the year.

"It's not going to decline," Helms said. "The growth may be a little less, but we won't see a daily rate decline."

North Dakota was pumping about 327,000 barrels daily in August. State and industry officials say the daily production rate could hit 400,000 barrels a day within a year.

A record 5,115 wells were producing in August, up from the previous record of 5,015 set in July, state production records show. The number of drill rigs in North Dakota has jumped from 135 in July to a record 156 set earlier this month, records show.

North Dakota has risen from being the ninth-largest oil-producing state in 2006 to No.4 last year because of the Bakken.

Ron Ness, president of the North Dakota Petroleum Council, said North Dakota could contribute 10 percent or more of U.S. crude production, if oil price hold.

North Dakota sweet crude was fetching about \$75 a barrel this week, above the \$50 threshold oil companies say is needed to make drilling a Bakken well profitable.

"Who knows where we're going?" said Ness, whose group represents about 160 companies. "We are decreasing our reliance on foreign oil and look at what North Dakota is doing to that curve."