The History of Brigham Resources: Catching Waves in a Rising Tide*

Bud Brigham

Abstract

Discussion of the evolution of the Williston Basin Bakken and Three Forks play included a discussion of success drivers, thereby delineating attributes that differentiate the winners from the losers. The historic economic impact the tight reservoir renaissance is having around the country was described, in particular, Western North Dakota as a remarkable case history. Other emerging resource plays were noted, particularly West Texas, where Brigham Resources is currently active. Last, the presentation addressed the contemporary risks and challenges faced by our industry today.

Selected References


Websites


Bakken and The Tight Reservoir Renaissance: Catching Waves in a Rising Tide
By Bud Brigham
• Our Story - Brigham Exploration (1990 to 2011)

• Tight Reservoir Renaissance
  – Innovation & Technology Drive Huge Domestic Energy Growth
  – What Differentiates E&P Success Today?

• Rising Tide Lifting All the Boats – Williston ND Example of How These Large Oil & Gas Fields Enhance the Economic Landscape

• Threats and Risks – Is the Golden Goose Endangered?
  – The Fracking Danger Myth
  – Why the Hostility Towards Our Industry?
  – Taxes & Regulation

• Why Is This Happening in the US?

• Where From Here?
Over its 20+ year history, Brigham Exploration consistently leveraged state of the art technologies to find oil and gas thereby creating substantial value for its stakeholders. Brigham had substantial activity in the following plays:

- West Texas Horseshoe Atoll
- Anadarko Basin Springer Channel
- Texas Panhandle Deep Hunton and Granite Wash
- South Texas Vicksburg
- Texas Gulf Coast Deep Frio
- Southern Louisiana Miocene

- Williston Basin Bakken and Three Forks Oil Resource Play

  - From 2006 through the sale to Statoil in late 2011, Brigham Exploration assembled 375,800 net acres in the Williston Basin, drilled ~ 100 horizontal wells and grew production to over 14,000 barrels per day.

  - Brigham Exploration substantially advanced the horizontal drilling and completion methodology in the Basin. Brigham drilled its initial Bakken wells in late 2006 relying on single uncontrolled fracs. Swell packers were introduced to the play in 2007 and Brigham advanced the play by increasing stages driving improved performance. Brigham was the first operator to successfully complete the first 20+ frac stage two section lateral in the Basin, which substantially expanded the field in late 2008.

  - Brigham Exploration’s achievements in the Williston Basin provide exceptional leveragable experience and a blue print for a repeatable delineation of other tight reservoirs domestically.
NEW CENTURY USHERED IN A US ENERGY RENAISSANCE

13/14 Initial 3D Wells Successful
$24 Million IPO @ $8/Share
$10 Million Private Equity

Founded 9/11/90

Oil Falls to $11/Barrel
$1/Share

Scouring US Seeking to Deploy $ in Best Oil Resource Plays

1st Hz Bakken Well

Financial Crisis $35/Barrel
~$2/Share

~100 Bakken Wells @ IP of ~2800 Boed

$36.50/Share

3D Wells

$80

$60

$40

$20

$10

$0

$160

$140

$120

$100

$80

$60

$40

$20

$10

$0

Jan-90 Jan-91 Jan-92 Jan-93 Jan-94 Jan-95 Jan-96 Jan-97 Jan-98 Jan-99 Jan-00 Jan-01 Jan-02 Jan-03 Jan-04 Jan-05 Jan-06 Jan-07 Jan-08 Jan-09 Jan-10 Jan-11 Jan-12 Jan-13 Jan-14

WTI (Daily)

BEXP

$111/Barrel

$60

$40

$20

$10

$5

$35

$10

$5

$0
“How many years ago was it that they gave up trying to get oil from shale, because it was too expensive? Well, wait till you see the process I’ve developed. It will be the cheapest oil ever to splash in their faces, and an unlimited supply of it, an untapped supply that will make the biggest oil pool look like a mud puddle. Did I order a pipe line? Hank, you and I will have to build pipe lines in all directions to ... 

Written in 1957
Presenter’s notes: The horizontal Bakken as we know it today got kicked off with the discovery of the Elm Coulee Field in Richland County MT in 2001. We put our first acreage together in the Williston Basin in late 2005 and, at the present time, have roughly 99,000 acres east of the Nesson, 154,000 acres in Rough Rider, and 115,000 acres in our Eastern Montana project area.

- In 2006 we drilled three pilot wells on our acreage west of the Nesson with disappointing results.

(Presenter’s notes continued on next slide)
Two of those wells came on at 200 Bopd, stabilized at between 50 and 90 Bopd; they will generate EURs of between 100,000 and 150,000 Bo. In hindsight, we believe we did not effectively treat the horizontal lateral, given that we used a single uncontrolled frac without swell packers.

• In 2006 EOG was experiencing outstanding drilling results east of the Nesson using mult-stage fracs with swell packers.
• In early 2007 we began to build an acreage position east of the Nesson. In late 2007, we kicked off our drilling program east of the Nesson using multi-stage fracs with swell packers; we have experienced an almost well by well improvement in drilling results as we refined our thinking about how to optimally drill and complete our wells.
• In January 2009, we drilled our first two-section lateral with greater than 20 frac stages, our Olson well, which came on in January 2008 with at a 24 hour IP rate of 1,433 Bo. This is basically an early version of the current drilling and completion formula that we continue to use. Including the Olson well, we have drilled a total of [61] Bakken and Three Forks wells in North Dakota.
1) **Location, location, location** – portions of the best plays will deliver top tier performance while other areas will be marginal or non-commercial.
Presenter’s notes: The cross section shows that the high-energy grainstone shoal that is present in Sanish and Parshall is absent in BEXP’s acreage in Rough Rider and South Ross/Alger Field. However, core and petrophysical analysis proved that significant amounts of hydrocarbons are present below that unit in the Middle Bakken (as can be seen in the UV light core photographs).
Presenter’s notes: pre-2001: Pre-Elm Coulee horizontal discovery. Some vertical Middle Bakken drilling in Richland Co by Lyco. The Bicentennial area is horizontal Upper Bakken. Elkhorn Ranch is vertical Upper and Middle Bakken. Antelope Field has production from all Bakken units and also Upper Three Forks.
Presenter’s notes: 2001: Early vertical production helped define the possibility of a stratigraphic trap, Elm Coulee. Drilling by Lyco on prospect by Dick Findley, the Elm Coulee discovery, started the Middle Bakken play.
Presenter’s notes: 2002: Lyco continues to develop Elm Coulee and is joined by Headington (XTO). Whiting drills and completes Bakken Shale in Golden Valley.
2003

Williston Basin
Bakken Horizontals completed in 2003 (41 completions)

- EOG begins drilling in Elm Coulee

Presenter's notes: 2003 EOG begins drilling in Elm Coulee.
2004

Williston Basin
Bakken Horizontals completed in 2004 (101 completions)

- Continental, Nance, PetroHunt and Burlington enter play in Elm Coulee
- Continental also drills Bakken wells in Stark and Divide Counties
- Headington begins drilling in Billings County

Presenter’s notes: 2004: Continental, Nance (SM), PetroHunt, and Burlington enter play in Elm Coulee. Continental also drills Bakken wells in Stark and Divide counties. Headington (XTO) begins drilling in Billings County.
Presenter’s notes: 2006: Brigham Exploration enters play and drills 3 long laterals with single stage frac. The Mrachek (McKenzie Co.) was later sidetracked and recompleted with stage fracs in 2008.
Presenter’s notes: 2007: Brigham takes drilling hiatus the first part of 2007 to pursue land and analyze data from activity. Marathon, EOG, and Whiting ramp-up drilling. Brigham picks up rigs and starts drilling at the end of the year, but no completions.
Presenter’s notes: 2008: Brigham drills Figaro (on map in McKenzie Co) and Olson. Figaro has problems with liner and is only partially completed. Olson is cored and later completed in 2009. Brigham starts drilling campaign east of the Nessan. Brigham drills and completes 1st Three Forks horizontal well.
Stimulates development in western ND

Brigham’s 1st long lateral multistage frac west of Nessan antcline, IP: 1400 BOEPD

Presenter’s notes: 2009: Drilling and completions decline from previous year due to recession.
2010 Bakken Horizontals completed in 2010 (876 completions, 40 Brigham wells)

- Drilling accelerates
- Olson drives drilling west of the Nesson
Brigham sells to Statoil for $4.5 Billion in December 2011.
2012

Williston Basin

Bakken Horizontals completed in 2012 (2001 completions, 145 Statoil wells)
2013

Williston Basin

Bakken Horizontals reported 2013 (1546 completions, 120 Statoil wells)
Williston Basin

Total Bakken & Three Forks completed (7287 total completions and 400 BEXP/Statoil wells)
Presenter’s notes: Our drilling results over the last three years also support the fact that Brigham is one of the premiere operators in the basin. As evidence, over the last five quarters Brigham has experienced an average 24-hour-peak IP rate on its Williston Basin horizontal wells of roughly twice that generated by our publicly traded peer companies.
These results are a by-product of two primary factors:

• Superior acreage – we got into the play early and, therefore, our exploration team, particularly in western North Dakota and Eastern Montana, was able to “cherry-pick” the best acreage.
• Superior operational innovation and execution – our engineering team has done an outstanding job of reacting to the different lithology outside of EOG’s Parshall Field and developed a “formula” for getting our wells drilled and completed, and continued to be tweaked; that is generating outstanding IP rates, EURs and returns.

We can talk in greater detail about our “formula” in the break-out session.

However, I can promise you that we will not be drilling wells 12 months from now the way we are drilling them today – and our hope is that this continuing innovation will continue to generate further enhancements in performance.
1) **Location, location, location** – portions of the best plays will deliver top tier performance while other areas will be marginal or non-commercial.

2) **Operator** – dramatically different economics delivered by different operators in adjacent units with the same geology.
Presenter’s notes: Here we look at our 2010 finding and development costs for our proved developed reserves. We are very pleased with our $15.75 per barrel for our operated Bakken and Three Forks reserves.
Presenter’s notes: This is one of the more important Presenter’s notes in the presentation and shows the growing wedge of Bakken oil production. During 2009 the contribution we got was from our first four two section laterals – the Olson, the Figaro, the Strobeck, and the Anderson. Then during 2010 as we moved from 4 to 7 operated rigs the impact that this acceleration in drilling activity had on our Williston Basin oil volumes is very significant. After having gotten through some of the weather-related issues, our Williston Basin production in July 2011 exceeded 14,000 Boepd.
People
Innovation
Persistence

My view: Organizations too often tend to stifle or limit innovation, ingenuity, and risk-taking.
Attributes of a successful E&P company include:

- Great People
- Flatness – as few levels of command and control as possible
- Facilitate free-flowing communication
- Encourage calculated risk-taking
- Reward success, particularly emotionally but also financially
- Balanced lifestyle – a healthy and happy employee is a more productive employee
- It starts at the top (CEO), but employees must share your values
Tight Reservoir Renaissance
And the Rising Tide It Creates
“Now it was as if somebody had given a shot of adrenalin to the heart of the mountain, the heart had started pumping, the black blood had burst through the rocks...”

Written in 1957
Presenter’s notes: This slide summarizes our current activity in our Rough Rider project area:

• Our recent completions include our BCD Farms, Lee, Strand, Kalil and Arnson in the northwest portion of our Rough Rider acreage position, the Williston, State, and Abelmann State wells that were recently put on production on the eastern side of Rough Rider, our Jackson, Owan Nehring and Jack Erickson wells that are on the southwestern side of Rough Rider, our Figaro, Papineau Trust, and Tjelde wells to the south.

• So you can see why we believe we have substantially de-risked Rough Rider.
Bakken Adding Significant Production per Rig
Expect Similar Results From Permian After Transitioning to Horizontal Drilling

More With Less: Although Rig Count Dropping Production Per Rig Continuing to Increase

Same Will Happen in West Texas
Resource Play Renaissance Drives ND Prosperity & Growth

Williston
“Now it was as if somebody had given a shot of adrenalin to the heart of the mountain, the heart had started pumping, the black blood had burst through the rocks – of course it’s blood, thought Eddie Willers, because blood is supposed to feed, to give life, and that is what Wyatt Oil had done. It had shocked empty slopes into sudden existence, it had brought new towns, new power plants, new factories to a region nobody had ever noticed on any map…”

Written in 1957
Growth most intense in center or hub of the play in Williston, but also impacting other ND towns including Watford City, Stanley, and the larger more distant cities of Minot and Bismarck.
Drilling Focused Primarily in Western ND

Williston’s Central & Isolated Location / Presents Opportunity To Capture Waves

Growth most intense in center or hub of the play in Williston, but also impacting other ND towns including Watford City, Stanley, and the larger more distant cities of Minot and Bismark.
ND Drilling Growth Provides Significant Opportunity
Tremendous Rig Growth / Sustained Level of Activity to Capture Opportunity

~$20 billion per year
in drilling capex
(180 rigs * 12 wells / year * $9M)

~$20 billion in royalty income will flow to landowner's from one year's wells

- Average Daily Oil Production (Mboe/d)
- Active Rig Count

Jan-10 | Apr-10 | Jul-10 | Oct-10 | Jan-11 | Apr-11 | Jul-11 | Oct-11 | Jan-12 | Apr-12 | Jul-12 | Oct-12 | Jan-13 | Apr-13 | Jul-13 | Oct-13

Average Daily Oil Production (Mboe/d) | Average Rig Count
Presenter’s notes: This slide reflects the growth in our high-value oil volumes that is being driven by our Williston Basin focused drilling program, with our 2010 oil volumes forecasted to increase 167% relative to those for 2009.
North Dakota's Bakken shale formation will surprise investors, analysts at Goldman Sachs wrote in a note Tuesday.

“We came away from our trip to North Dakota last week with greater confidence in our outlook that Bakken production/completion activity will likely exceed Street expectations,” the analysts said.
Oil & Gas Industry Creating Rapid Growth
Williston - Growing Labor Force at Highest Average Annual Wage!!!

**Number of Employees**

- Williams: 35,000
- Ward: 10,000
- Stark: 7,000

**Average Annual Wage**

- Williams: $72,000
- Ward: $63,000
- Stark: $54,000

Midland per capita income $64K, or the 2nd highest in nation ($20K more than average).

*source: Job Service North Dakota*
Oil & Gas Industry Creating Rapid Growth

Increasing Stock of Housing But Not Fast Enough - Rental Growth Continues

Williston Housing Stock

- Multi Family: 41%
- Mobile Home: 11%
- Single Family: 48%

Williston Housing Units Built

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<thead>
<tr>
<th>Year</th>
<th>Units</th>
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<tr>
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<td>2,400</td>
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<tr>
<td>2011</td>
<td>2,160</td>
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<tr>
<td>2013</td>
<td>2,000</td>
</tr>
<tr>
<td>2015</td>
<td>1,920</td>
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<tr>
<td>2017</td>
<td>1,830</td>
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Williston Rent Rate Growth

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<th>Rent Range</th>
<th>2009</th>
<th>2011</th>
<th>2013</th>
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<tr>
<td>$1,500.00</td>
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<tr>
<td>$2,000.00</td>
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<tr>
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<tr>
<td>$3,500.00</td>
<td>0</td>
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</table>

Source: City of Williston Building Department

Source: Williston Economic Development
Williston Highest Generating Sales Tax in ND

Substantial Growth Driven by Growth in O&G and Influx in People

“I trust that the rest of the state recognizes that at the moment, Williston is at the center of the engine that is driving the state’s economy”

Ward Koeser
Mayor, City of Williston
Williston Herald, October 5, 2012

Supports view that Williston could potentially be the largest city in ND by 2025

Source: ND Office of State Tax Commission
Williston named Fastest Growing Micropolitan, Again

For the second year in a row, Williston was named the fastest growing town with populations of 10,000 and 49,999. "After a long period of out-migration, some parts of the Great Plains — from just south of the Canadian border all the way down to West Texas — are experiencing rapid population growth," said Thomas Mesenbourg, the Census Bureau's senior adviser performing the duties of director. "There are probably many factors fueling this growth on the prairie, but no doubt the energy boom is playing a role." Read More

The oil and gas industry has helped drive Williston's rapid growth in 2011 and 2012. Reuters

The 10 Fastest Growing Micro Areas from July 1, 2011, to July 1, 2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>Area Name</th>
<th>Percent Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Williston, N.D.</td>
<td>9.3</td>
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<tr>
<td>2</td>
<td>Junction City, Kan.</td>
<td>7.4</td>
</tr>
<tr>
<td>3</td>
<td>Dickinson, N.D.</td>
<td>6.5</td>
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<tr>
<td>4</td>
<td>Andrews, Texas</td>
<td>4.7</td>
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<tr>
<td>5</td>
<td>Vernal, Utah</td>
<td>4.1</td>
</tr>
<tr>
<td>6</td>
<td>Heber, Utah</td>
<td>3.8</td>
</tr>
<tr>
<td>7</td>
<td>Elk City, Okla.</td>
<td>3.5</td>
</tr>
<tr>
<td>8</td>
<td>Elko, Nev.</td>
<td>3.5</td>
</tr>
<tr>
<td>9</td>
<td>Pullman, Wash.</td>
<td>3.4</td>
</tr>
<tr>
<td>10</td>
<td>Fort Polk South, La.</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Glut of Job Openings; More than 700 in Williams County

A total of 24,244 job seekers walked through the doors at the Williston office of Job Service North Dakota during 2013. Job Service customer service manager Cindy Sanford says they have 716 job openings in Williams County. In 2014 Job Service will begin tracking the ratio of men to women; Sanford believes in 2013 about 30 percent of the job seekers were women and 70 percent men. Bismarck Tribune:

Oil Service Companies on hiring Blitz

Tremendous Growth Creates Investment Opportunities

2013 was definitely the year of apartment construction as 49 buildings were permitted for a total of 1,501 units through November 2013. (December's numbers were unavailable.) The number of apartment buildings was up 58 percent compared to the 31 building permitted in 2012. The number of new dwellings was down from 205 in 2012 to 124 in 2013; permits for new duplexes were also down from 35 (70 units) in 2012 to 5 buildings (12 units) in 2013. In 2013 the Planning and Zoning Department reviewed the possibility of Subdivisions in Williston. Y-T-D Comparison
North Dakota & Williston Fun Facts

• N.D. passed Alaska as 2nd largest oil-producing state, more than OPEC member Ecuador.

• N.D. unemployment is 3%, Williston is 0.7%.

• McDonalds offers a signing bonus + up to $25/hour – some hour long waits and it’s drive thru only (not enough staff for lobby)

• Williston General Motors dealership is #1 seller of Corvettes in the upper Midwest

• Rent in Williston ranges from $2,000 for a 1 bedroom apartment to $3,400 for 3 bedrooms.
Risks and Threats:

- Fear of Fraccing (Fracking)

- Government-Imposed Constraints on Industry
  1) Central Planned Federal Regulation “One Size Fits All”, as Opposed to State-Imposed Regulations
  2) Government’s Favored and Persecuted Industries
  3) Government as a Political Hammer
Risks and Threats:

- Fear of Fraccing (Fracking)
Fear of Fracking

According to Hollywood, the Media and Some in Political Circles We’re Apparently the “Devil”, Bent on Destroying the World
Risks and Threats to Prosperity

Is Our Golden Goose Potentially Endangered?

Do Not Drink this Water
Risks and Threats to Prosperity

Is Our Golden Goose Potentially Endangered?
Is Hydraulic Fracturing a Threat?

Shale Fractures

Drinking Water Aquifer

Production Well

Municipal Well

Private Well

Source: EPA
• Fracching Not New - Industry Has Been Fracching Since 1947

• Operators Unsuccessful in Communicating 75’ Below the Bakken to the Three Forks – Absolutely Impossible to Frac 7,000+ Feet to the Water Aquifers
Our Company and Others Have Attempted to Frac and Communicate 75’ Below the Bakken to the Three Forks - Unsuccessfully

Shale Fractures

Drinking Water Aquifer

Production Well

Municipal Well

Private Well

In Williston Basin, ~ 7,000’ between water table and fracture stimulation zone

~10,000’ Bakken

Three Forks

75’ Source: EPA
• Fraccing Not New - Industry Has Been Fracching Since 1947

• Operators Unsuccessful in Communicating 75’ Below the Bakken to the Three Forks – Absolutely Impossible to Frac 7000+ Feet Up to the Water Aquifers
  – Fraccing Safe Except in the Rare Case of Fracching the Shallowest of Reservoirs

• **We are Victims of our Own Success**

• Concern, a Function of the Fact **We Are Completing More Wells**, of Which a Very High Percentage are Successful with Historically High Flow Rates
  – Brigham Exploration Drilled Roughly 100 Consecutive Successful Horizontal Wells in the Bakken and Three Forks Without a Dry Hole (avg. IP ~2800 Boepd)
  – High Volumes of Water Injected, Oil, Natural Gas and Water Produced
Risks and Threats:

- Fear of Fraccing (Fracking)

- Government Imposed Constraints on Industry

  1) Central Planned Federal Regulation “One Size Fits All”, as Opposed to State-Imposed Regulations
The Worst Possible Development Would Be Federal Overreach; A Central Planned “One Size Fits All”
The Worst Possible Development Would Be Federal Overreach
A Central Planned “One Size Fit’s All”

- Beauty of Federalism; Government by the People, for the People, Closer to the People
- States as a Laboratory for Effective Governance

All Plays are Different & Unique With Their Own Peculiarities

Sources: Energy Information Administration; International Energy Agency
Oil Resource Plays Impact Oil Production Growth

ND Surpasses CA December 2011 / AK March 2012

Oil Resource Production Growth Also in Texas and Commencing in Other States

Monthly Crude Oil Production By State

Source: U.S. Energy Information Administration
North Dakota, Midwestern States Lead U.S. in Hiring

Maine had lowest Job Creation Index score in 2012

by Jeffrey M. Jones

PRINCETON, NJ – North Dakota led the nation in job creation in 2012, according to worker self-reports of hiring activity at their places of employment. Five more states in the Midwest — South Dakota, Nebraska, Iowa, Minnesota, and Indiana — rank among the top states. Maine had the lowest job creation score, along with Connecticut, Idaho, and New Jersey.

Top States, Gallup Job Creation Index

<table>
<thead>
<tr>
<th>State</th>
<th>Job Creation Index</th>
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<tbody>
<tr>
<td>North Dakota</td>
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<td>South Dakota</td>
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<td>Nebraska</td>
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<td>District of Columbia</td>
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<td>Iowa</td>
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<tr>
<td>Texas</td>
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<td>Oklahoma</td>
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<tr>
<td>Utah</td>
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<tr>
<td>Maryland</td>
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Gallup Daily tracking, January-December 2012

Bottom States, Gallup Job Creation Index

<table>
<thead>
<tr>
<th>State</th>
<th>Job Creation Index</th>
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<tr>
<td>Maine</td>
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<tr>
<td>Delaware</td>
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<tr>
<td>Rhode Island</td>
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Gallup Daily tracking, January-December 2012

On average in Gallup Daily tracking from January through December 2012, 43% of North Dakota workers said their company was hiring workers and expanding the size of its workforce, while 9% said their employer was letting workers go and reducing the size of its workforce, for a +34 Job Creation Index score. This is easily the best among the 50 states and the District of Columbia, and is 16 percentage points above the national average of +18. North Dakota has ranked first for four years in a row. Full results by state for 2012 can be found on page 2.
# Unemployment Rates for States

## Monthly Rankings

<table>
<thead>
<tr>
<th>Rank</th>
<th>State</th>
<th>Rate</th>
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<tr>
<td>1</td>
<td>NORTH DAKOTA</td>
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<td>NEBRASKA</td>
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Risks and Threats:

- Fear of Fraccing (Fracking)

- Government Imposed Constraints on Industry
  1) Central Planned Federal Regulation “One Size Fits All”, as Opposed to State Imposed Regulations
  2) Government’s Favored and Persecuted Industries
So where are all those subsidies?

- From 2006-2011 O&G paid an effective tax rate higher than any other industry

- O&G industry delivers ~$86 million/day to the federal treasury

- O&G industry average non-gas station salary was almost $93,000 in 2011.

Source: Standard & Poor’s Research Insight
Presenter’s notes: This slide reflects the growth in our high-value oil volumes that is being driven by our Williston Basin focused drilling program, with our 2010 oil volumes forecasted to increase 167% relative to those for 2009.
Risks and Threats:

- Fear of (Fracching) Fracking

- Government Imposed Constraints and Challenges to Our Industry
  1) Central Planned Federal Regulation “One Size Fits All”, as Opposed to State Imposed Regulations
  2) Government’s Favored and Persecuted Industries
  3) Government as a Political Hammer
Emails Show Extensive Collaboration Between EPA, Environmentalist Orgs
Top officials coordinate messaging, help groups gather petitions

Internal Environmental Protection Agency (EPA) emails show extensive collaboration between top agency officials and leading environmentalist groups, including overt efforts to coordinate messaging and pressure the fossil fuel industry. The emails, obtained by the Energy and Environment Legal Institute (EELI) through a Freedom of Information Act lawsuit, could fuel an ongoing controversy over EPA policies that critics say are biased against traditional sources of energy. Emails show EPA used official events to help environmentalist groups gather signatures for petitions on agency rulemaking, incorporated advance copies of letters drafted by those groups into official statements, and worked with environmentalists to publicly pressure executives of at least one energy company.

“The level of coordination in these documents is shocking,” EELI said in a statement.

Rep. Mike Pompeo (R., Kan.), a member of the Energy and Commerce Subcommittee on Energy and Power, said the emails suggest that the EPA is straying from its mission by working hand-in-hand with hardline green groups.

“It’s unfortunate that EPA has spent more of its resources promoting and coordinating a political agenda with environmentalists instead of doing its job,” Pompeo said in an emailed statement.

That statement seems to contradict evidence showing that Al Armendariz, a former EPA region 6 administrator infamous for comparing his enforcement philosophy to Roman crucifixions, gave environmentalist groups the heads up before EPA put out its press release.

...
A Bird-Brained Prosecution

Indicting oil and gas companies but giving wind turbines a pass.

The Obama Administration's hostility to oil and gas exploration is well known, but last week it took an especially fowl turn. The U.S. Attorney for North Dakota hauled seven oil and natural gas companies into federal court for killing 28 migratory birds that were found dead near oil waste lagoons. You may not be surprised to learn that the Administration isn't prosecuting wind companies for similar offenses.

Continental Resources is accused of violating the 1918 Migratory Bird Treaty Act because "on or about May 6, 2011 in the District of North Dakota" the company "did take [kill] one Say's Phoebe," of the tyrant flycatcher bird family. Brigham Oil & Gas is accused of killing two Mallard ducks. The Class B misdemeanors carry fines of up to $15,000 for each dead bird and up to six months in prison.

The companies have pleaded not guilty, though they are not unamazed. They say they're not responsible for the bird deaths and that, even if they were, the deaths were "incidental" to lawful commercial activity in full compliance with all environmental laws.

Law enforcement officials we talked to in North Dakota say they can't remember such a case ever going to court. One local commentator calls it "the most absurd legal action taken by the government in the history of North Dakota." One of the charged oil companies "even went to U.S. Fish and Wildlife and self-reported a number of birds, asking what else they could do soon after they had found the dead birds," reports the Plains Daily, North Dakota's statewide newspaper.

U.S. Attorney Timothy Purdon is nonetheless undaunted as he pursues the cause of ornithological justice.

Absurdity aside, this prosecution is all the more remarkable because the wind industry each year kills not 28 birds, or even a few hundred, but some 440,000, according to estimates by the American Bird Conservancy based on Fish and Wildlife Service data. Guess how many legal actions the Obama Administration has brought against wind turbine operators under the Migratory Bird Treaty Act? As far as we can tell, it's zero.
The Fish and Wildlife Service Is Not for the Birds

The federal government plans to allow wind turbines to kill bald eagles for 30 years.

By ROBERT BRYCE

On June 20, 1782, the Continental Congress, after nearly six years of haggling and numerous design changes, finally approved the Great Seal of the United States. In doing so, it made the bald eagle our national symbol. This year, in the name of clean energy, the Fish and Wildlife Service is considering changing federal rules so that a wind-energy developer can be granted an "incidental-take" permit allowing wind projects to kill bald eagles and golden eagles for up to 30 years.

On Jan. 15, the Fish and Wildlife Service determined that the New Era Wind Farm—a proposed project near Red Wing, Minn.—might kill as many as 14 bald eagles per year. Despite that toll, the agency said the developer of the 48-turbine wind farm could go ahead and apply for an eagle-kill permit. If granted, it could be the first project to get one. At least one other wind-energy concern, Oregon's West Butte Wind Project, also has applied for an incidental-take permit, and others are sure to follow.
Dodo of the Year

A court throws out a fowl case of selective prosecution against oil and gas companies.

Good news: It is not a felony if a bird happens to land on your property and dies. At least not yet. That's the ruling out of North Dakota, where a federal court last week dismissed a complaint by the Obama Justice Department against three oil companies under the Migratory Bird Act. ("A Bird-Brained Prosecution," Sept. 29, 2011).

Continental Resources, Brigham Oil & Gas and Newfield Production Company were accused of causing the deaths of six Mallard ducks and one Say's Phoebe, which had waded in oil pits. The criminal charges carried fines and potential prison sentences.

Steve Moore on a federal court dismissing the Obama Justice Department's complaint against three oil companies for causing the death of six ducks.

In a ruling that can only be called withering, district Judge Daniel Hovland contrasted "incidental and unintended" deaths during "legal, commercially-useful activity" with "hunting and poaching." The court rejected U.S. Attorney Timothy Purdon's "expansive interpretation of the law" because it "would yield absurd results": If the government's case carried the day, "many everyday activities become unlawful—and subject to criminal sanctions—when they cause the death of pigeons, starlings, and other common birds."

The court wrote that among the potential felonious bird-killing habits are cutting brush and trees, planting and harvesting crops, driving a vehicle, owning a building with windows and . . . "owning a cat." The court noted that cats kill "hundreds of millions" of birds each year and cars kill 60 million, while windows kill 97 million to 976 million. In short, every American could be an unwitting criminal bird killer.

Even the Obama Administration isn't this "crazy"—to borrow White House spokesman Jay Carney's favorite word—so this selective prosecution was probably an expression of its political hostility to oil and gas companies. By the way, Judge Hovland also noted that windmills kill "roughly 39,000 birds annually," yet the Justice Department has indicted no wind power company under the Migratory Bird Act. Mr. Purdon takes the prize for dodo prosecutor of the year.
Where Do We Go From Here?
Oil Resource Plays Reverses 40 Years of Decline

U.S. Crude Oil Production (MMBbls/d)

- Down ~4 MMBpd in 20 yrs.
- Up 3 MMBpd in 5 yrs.

Remember “Peak Oil”?

Source: U.S. Energy Information Administration
Oil Production Growth

Annual Oil Production Growth Since 2005

US is outpacing the world since the renaissance

- United States
- Saudi Arabia
- Russia
- Venezuela
- Mexico
- China
US Crude Supply Growth

U.S. Crude Supply Growth

Annual Supply Change (MMBpd)

Supply Down to Flattish

~1 Million Barrels Per Day Growth Annually
Fewer American $$ Flowing Overseas to Less Than Friendly Governments

Lower U.S. Oil Imports Contribute to a Narrowing Trade Deficit

Big Time for Good Ole’ USA!

Source: EIA, IEA, BEA, RJ est.
Renaissance May Change the World as We Know It
Why is this Happening in the US?

• Private Property Rights

• Rule of Law

• Economic Liberty
  - Free markets
  - Not overly burdensome regulation
  - Tax rates haven’t been too high

• Availability of Resources
  - Equipment
  - An Educated Workforce
  - Capital
Private Property Rights, Liberty and Rule of Law Historically Set the US Apart
Together we’re finding oil in America, for Americans.
• Tight Oil Renaissance Led by Entrepreneurial Innovators Evolving for the New World
  • Tremendous opportunity for companies and employees

• Center of Gravity for Energy Production Shifted to the USA (Private Property Rights, Liberty, & Rule of Law have Differentiated the U.S.)

• Creating Jobs and Prosperity that are Cascading through the Economy

• Government Over-Regulating and Taxing Could Put this Golden Goose on the Endangered List
  • Both are Regressive – Disproportionately Hurting Middle and Lower Economic Classes
  • WE CAN NO LONGER JUST LOOK FOR OIL & GAS ANYMORE. GET ACTIVE. SPEND TIME WITH YOUNG PEOPLE, IN SCHOOLS, EVEN INVEST POLITICALLY!

• O&G Industry is Providing HUGE Under-Appreciated Benefits to the US
  • Jobs
  • GDP Growth
  • Less Dependency on Foreign Sources of Oil
  • Lowering the Trade Deficit
  • Lower Energy Costs Boosting Domestic Manufacturing (More Jobs)
  • Strengthens U.S. $
  • Ultimately, Both US Workers and Consumers Win
The End