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Play in the Spotlight - The Bakken Shale

Stratas Advisors

With the start of earnings' season upon us, questions on shale are beginning to swirl around watercoolers. This week, Stratas will direct a spotlight on the Bakken Shale, the granddaddy of shale oil. Our aim is to draw attention to new information arising from recent company announcements that are likely to shape the play in the near-term.

Activity and production guidance from recent reports suggests stable rig counts and lower production growth for 2019, departing from stout growth in 2018. Hess Corp. (Hess), the first major Bakken operator to report financial results this season, reported its production rose 7% from the third quarter to 126 MBoe/d despite some minor weather challenges in the final quarter of the year. Given the recent extreme weather conditions, Stratas expects another challenging quarter in the region. Fortunately, current prospects for Spring flooding look low, according to National Weather Service reports. Snow packs and soil saturation levels are low due to dry conditions.

Stratas estimates 2019 yearend production of 1,693 MBoe/d, essentially unchanged from the 1,680 for December 2018. This stable production outlook reflects the play's relative maturity and expectations for operators to live within cash flow in the play. Rig counts are expected to range between 60 – 70 rigs over the next two years. Notably, rail exports of Williston Basin crude have been holding steady at roughly 20% of production while refinery processing in the region dipped slightly according to North Dakota Pipeline Authority reports.

Evidence of operational expertise

Since the beginning of 2008, when of hydraulic fracturing was beginning to take hold in the Bakken, operators in the top two quintiles (MVPs and All-Stars) controlled roughly 30% of all wells turned online. Recently, we have seen these top operators move to nearly 90% of all wells in the play.

The rest of this report is available to subscribers of our [Enhanced Shale Service](#). Not a subscriber? [Create a account](#).