



Extra

Bakken will be significant source of US oil despite cost worries, study finds

Mark Passwaters

385 words

26 July 2017

SNL Financial Extra

SNLFE

English

Copyright 2017. SNL Financial LC

Despite being hurt by the oil price downturn that hit in 2014, the Bakken Shale could be in position to be a major provider of U.S. energy production for the long term regardless of the price environment.

After peaking at a daily average of more than 1.16 million barrels of oil per day in December 2014, production in the Bakken had dropped to approximately 985,000 bbl/d in May. While some observers believe the Bakken to be in trouble due to higher drilling costs than other regions, an analysis by the University of Texas' Bureau of Economic Geology – the initial part of a larger study funded by the Alfred P. Sloan Foundation – said the Bakken will remain a "substantial contributor" to U.S. oil production for the next several decades even if prices remain low.

In a world with West Texas Intermediate, or WTI, crude prices at \$40/bbl, the Bureau of Economic Geology found, production in the Bakken and Three Forks formations would decline but would still result in significant totals: 14,000 future drilled wells and an estimated ultimate recovery of 5.4 billion bbl. Production would correspondingly increase with higher prices.

"If WTI oil prices were to recover to \$100 per barrel, it could lead to 60,000 wells added, capturing 10.5 billion barrels of oil, with production increasing to 1.5 million barrels per day," the researchers said. "In all projected scenarios, the Bakken and Three Forks formations are projected to have a significant impact on American oil production for many years to come."

Scott Tinker, director of the Bureau of Economic Geology, said the analysis factored in a number of variables. "Prices will vary, costs will follow, and operators will adapt by changing their completion strategies. So we can't simply forecast the future," he said. "What we can do, however, is run scenarios with respect to economic and technical assumptions, representing the range of uncertainties in future production. We designed a model that feeds in the geologic, engineering and economic field data, assumptions, and descriptions to explain how future play development could unfold under various circumstances."

More in-depth results from the Bakken will be released later in 2017.

Document SNLFE00020170727ed7q001b9