

BAKKEN FORMATION NORTH DAKOTA OIL SHALE

Bakken is the shale formation that's the biggest U.S. oil find since Alaska's [Prudhoe Bay](#) in 1968. It could hold over 4 billion barrels of oil. The Bakken stretches from central North Dakota into the northeastern corner of Montana and up into southern Saskatchewan and Manitoba in Canada. The Three Forks formation is below the Bakken. The United States Geological Survey says it is the largest continuous oil accumulation it has ever assessed.

On January 5, 2012, Credit Suisse forecast the following: We expect energy merger-and-acquisition and joint-venture activity to remain high in 2012. More broadly, we think the recent deals support premium valuations for small and mid-cap exploration and production (E&P) firms that have barely scratched the surface of their large resource potential.

Besides the clear cost of capital advantage that the integrateds have over independents, as well as longer investment horizons, we see the potential for upside to our net asset values (NAVs) from the following areas: 1) inventory to be drilled out beyond the typical five years included in our NAVs; 2) technological innovation that could improve recoveries or drive down costs over time; 3) increasing the pace of development that would increase the present value of the project inventory; 4) linkage between natural-gas liquids and oil-related markets (e.g., chemical crackers) for pricing assumptions; and 5) a longer-term bet that infrastructure will be in place that will allow operators to take advantage of the arbitrage opportunity between U.S. and global gas markets.

We expect interest in companies with large footholds in the best return plays will remain strong, which include Eagle Ford, Marcellus and Bakken exposed E&Ps.

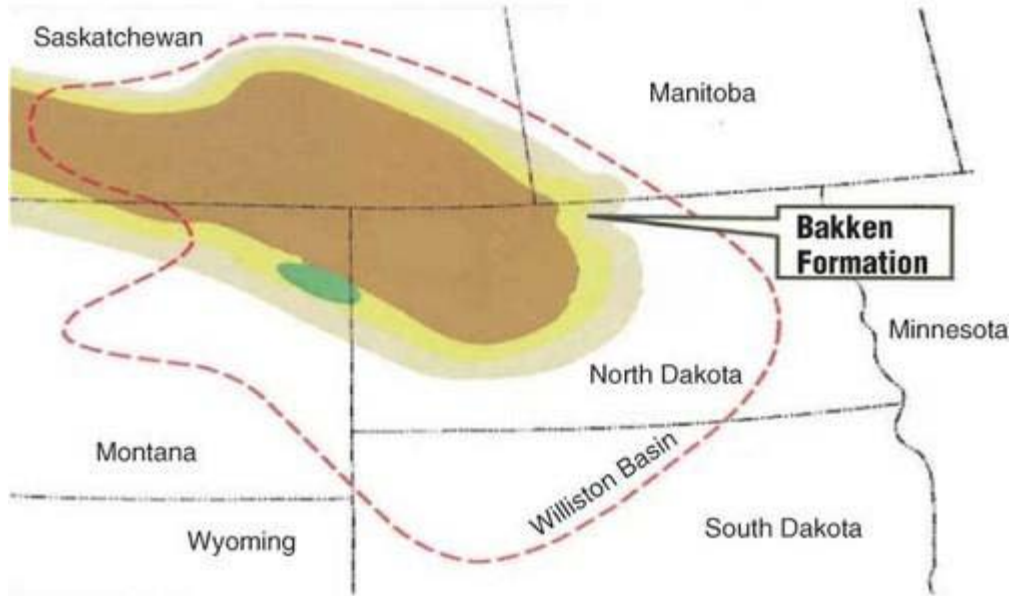
<http://online.barrons.com/article/SB50001424052748704158404577141170796608692.html>

Daily oil production in the Bakken grew from 344,000 barrels per day in 2010 to 445,000 barrels per day in mid 2011 and now daily production has reached an estimated 510,000 barrels, pushing North Dakota to become the fourth largest oil producing state (trailing Alaska, California and Texas). \$100 crude has encouraged a wealth of investment and economically viable exploration and production activity to come to market in this oil-rich formation. Increased activity has also resulted in a hiring boom, with North Dakota maintaining a 3.4% unemployment rate, significantly under the national average of 8.5%.

The Bakken's high liquid content and massive 200,000 square mile size has pushed the formation into one of the most profitable and the largest unconventional resource plays in the U.S. Enough oil is being pumped that North Dakota's production may actually displace imports from the Middle East or Latin America. With ongoing turmoil in Iran and the growing tension at the Strait of Hormuz, America may finally achieve its goal of energy independence.

<http://www.ugcenter.com/operators/Bakken/>

The Bakken Formation was deposited in the more central and deeper portion of the Williston Basin.



Source: USGS

