

# Montana's Oil and Natural Gas Industry

*Proudly fueling the  
nation's energy  
needs!*



The Northern Alliance  
of Independent Producers

Montana's Energy Future Symposium

October 18 & 19, 2005

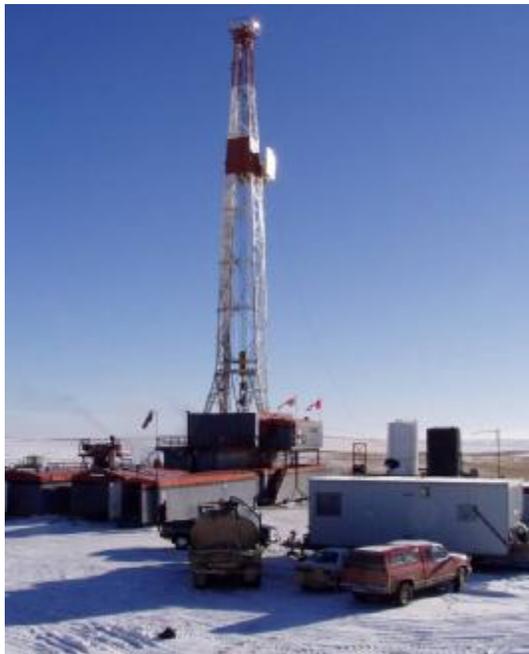
Bozeman, MT



***Montana's positive business environment attracts national oil and gas exploration investment...***

**OUT-OF-STATE COMPANIES:**

- *Operate more than 5,500 wells in Montana.*
- *Account for over 85% of the state's oil production.*



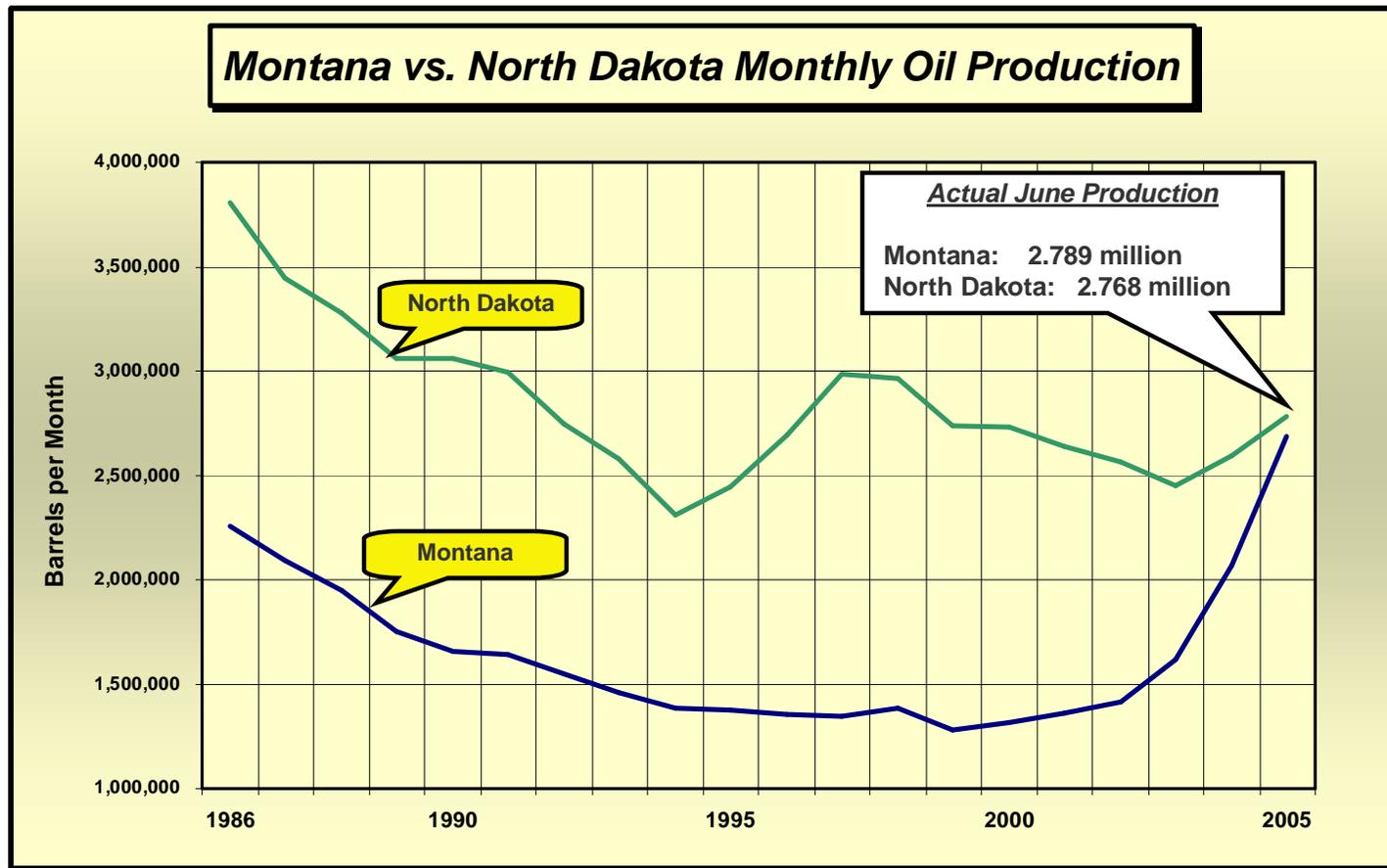
***... that helps offset difficult operating conditions.***

- *Harsh winters that add exploration and production expenses.*
- *Limited product marketing infrastructure.*
- *Degraded oil and gas sales prices.*

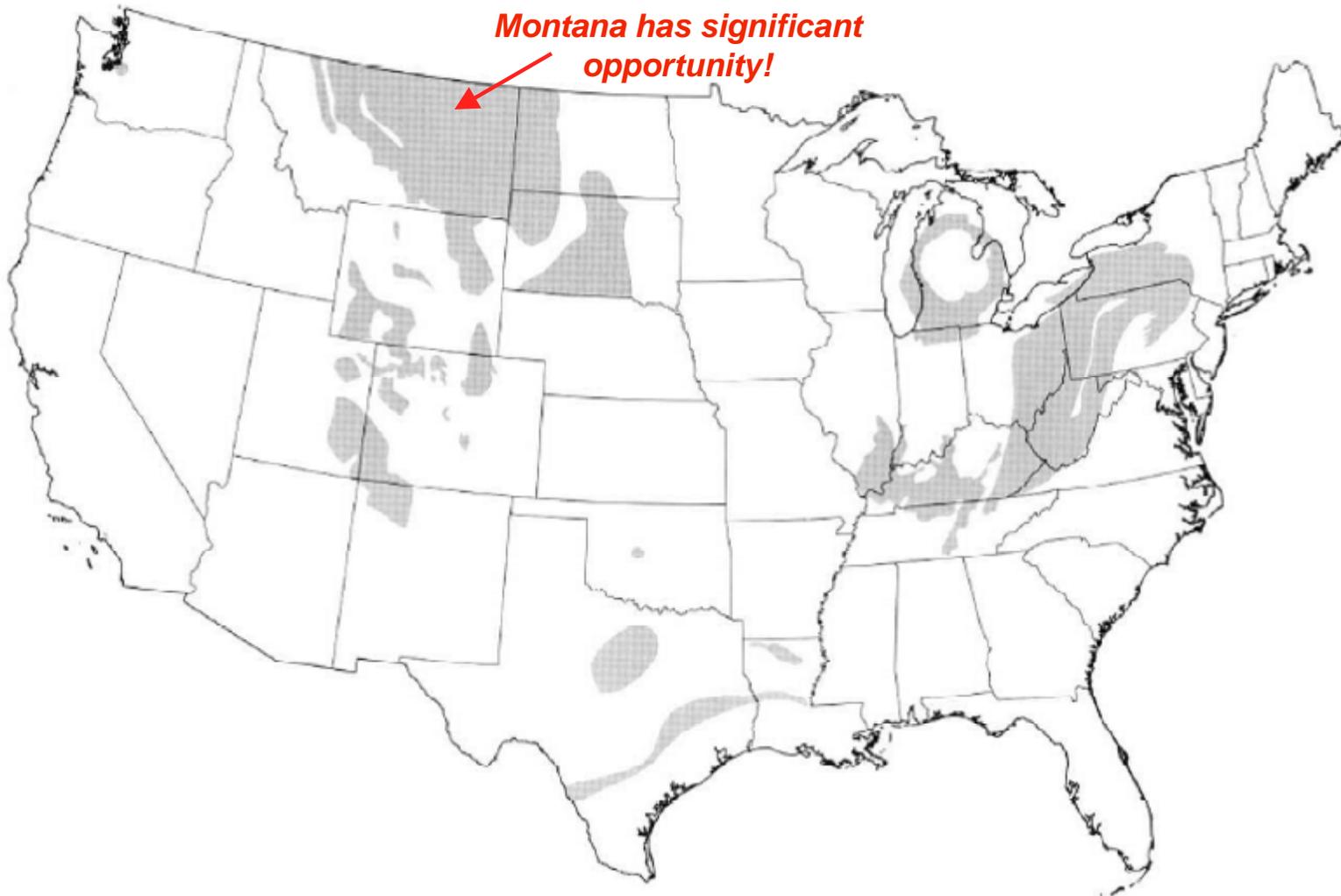


# Montana's Oil Production is Rapidly Increasing!

- June 2005 oil production: 2,789,415 barrels
- June 2005 natural gas production: 8.5 billion cubic feet



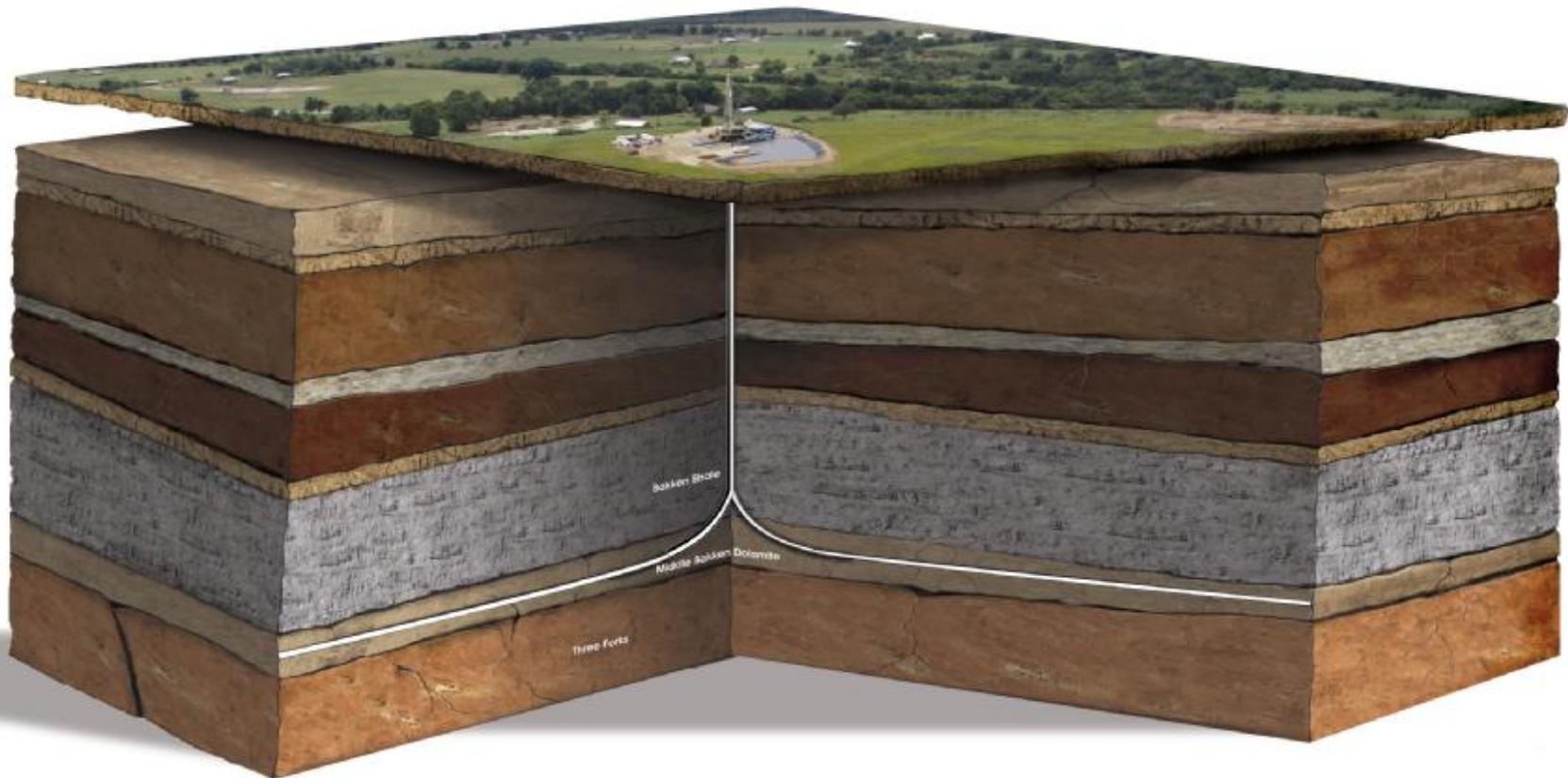
## UNCONVENTIONAL PLAYS FOR OIL AND GAS



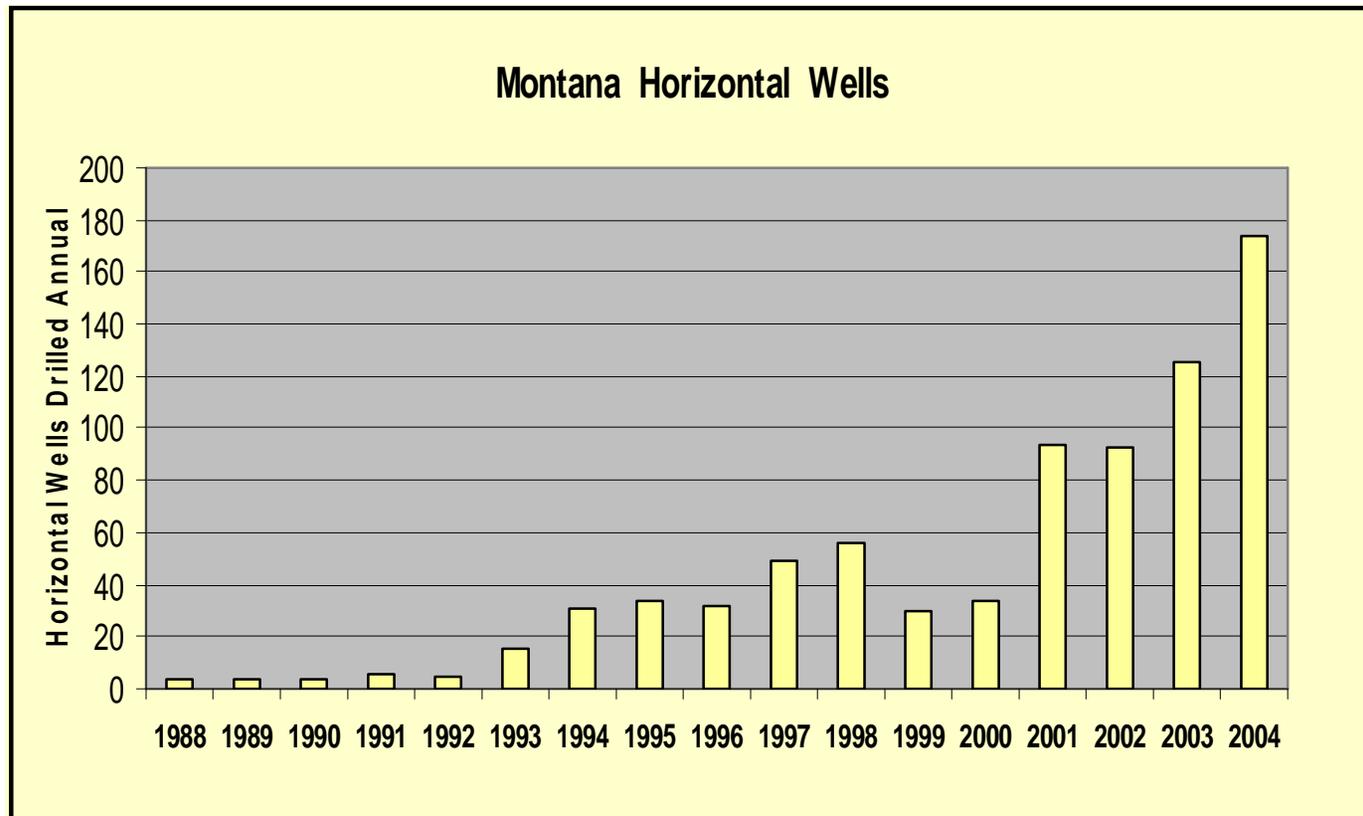
SOURCE: USGS 1995 National Oil & Gas Resource Assessment

## Expensive developing technology makes new exploration for unconventional reservoirs possible.

- Technology is starting to successfully develop low-permeability reservoirs previously capable of only limited commercial production.
- Evolving extended-reach horizontal drilling and production techniques minimize the surface “footprint”.



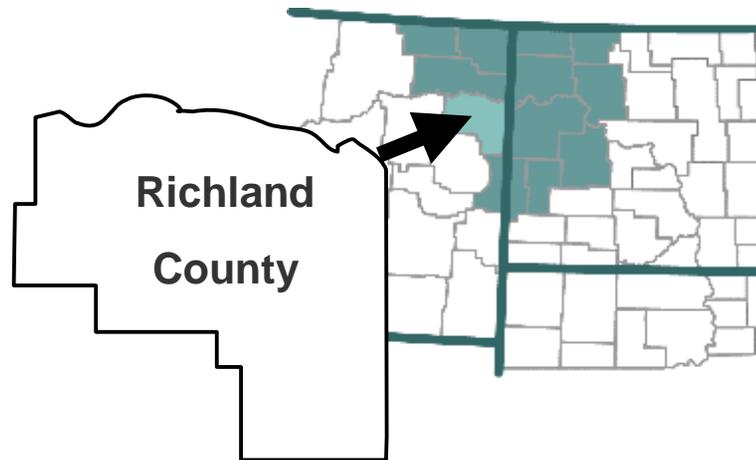
## Montana's Vision to Encourage Horizontal Drilling Has Made The State a National Leader in Horizontal Well Oil Exploration



*Montana's pro-business approach helps the economics of drilling expensive horizontal wells.  
"The second thing it does is it sends a message that Montana is interested in doing business with you."  
Brian Cebull of Billings  
Manager of reservoir management and technology for Nance Petroleum*

# The Bakken Shale Formation

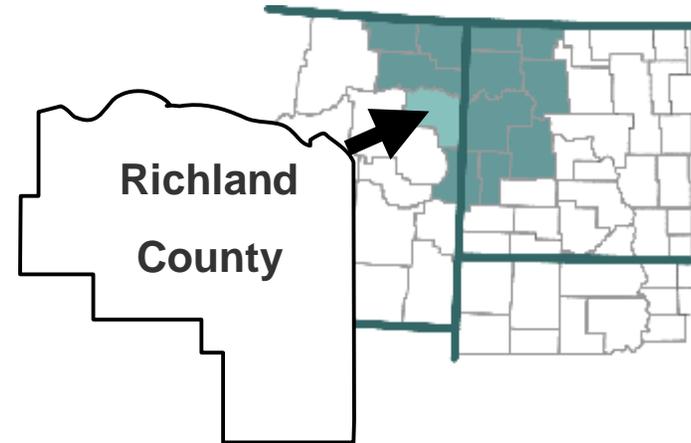
*Significant Unconventional Oil Development Potential*



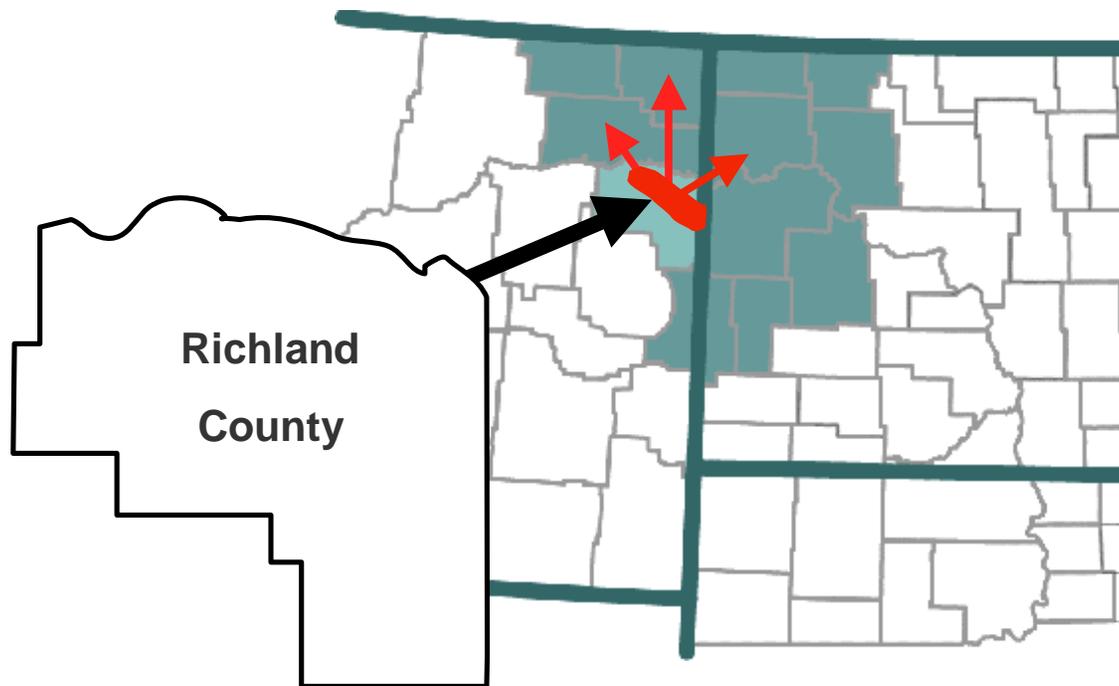
- Low-permeability shale formation located from between 7,500 ft. to 10,500 ft. deep.
- Formation varies in thickness from 5 ft. to 45 ft.
- Located under up to 750,000 square mile area, in at least four different counties.
- Projected to produce more than 130 million barrels of oil in the current area of development, and possibly another 300 million barrels from expanded areas.
- Will require continual technology advancement to exploit the entire resource.

## ***The Bakken Development To Date***

- Over 500,000 acres leased for drilling.
- Horizontal drilling first started in 2002.
- More than 210 horizontal wells drilled to date.
- Over 18 rigs currently drilling horizontal wells.



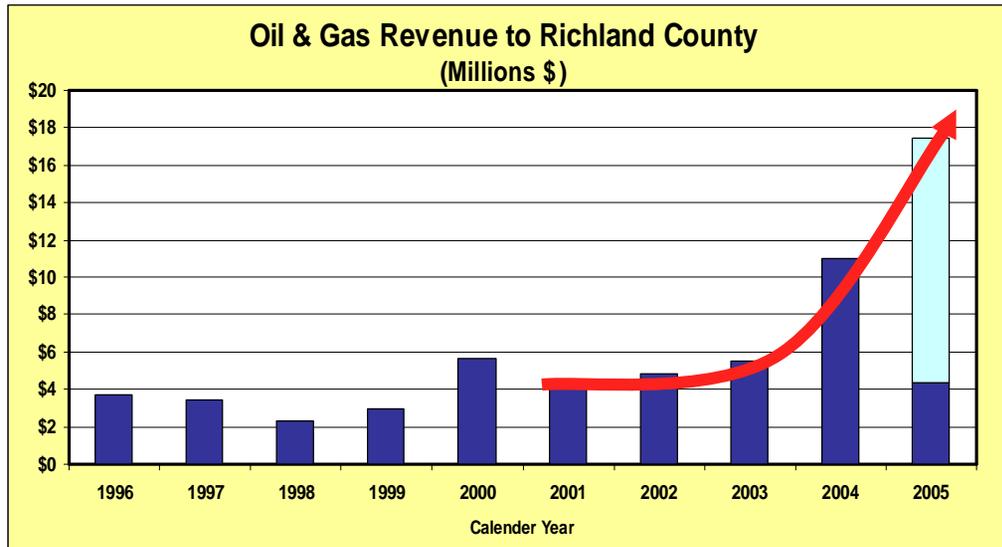
- 11 million barrels of oil produced to date.
- Currently producing 33,000 barrels of oil and 20 million cubic feet of natural gas per day.
- Average well costs ~\$2.7 million (up 37% since drilling started in 2002).



## Activity Likely To Expand and Continue for Decades

- Potential to expand over a much larger area.
- Oil and gas leasing is currently expanding north (into Roosevelt County on the Fort Peck Indian Reservation).
- As play expands, reservoir characteristics change, requiring more advanced technology to drill and complete wells.

# *The Benefit to Richland County*



*“The City of Sidney, and surrounding communities of Richland County embrace our recent oil boom. With the new exploration and production comes new good paying jobs, increased sales for our business community, the opportunity for new businesses, increased tax base for our county and schools not to mention new wealth for our farmers”.*

*Bret Smelser, Mayor of Sidney, Montana*



- Ownership in 2,340 wells in 11 states, the Gulf of Mexico and Canada.
- 34<sup>th</sup> largest U.S. oil producer.
- Oil reserves ranked 27<sup>th</sup> largest in the U.S.
- Ranked 9<sup>th</sup> largest oil producer in the Rockies region.
- Operates more than 50 wells in Montana (drilling 4 every month).
- Budgeted to drill 32 wells in Montana, costing more than \$80 million during 2005.
- Company oil production in Montana is over 10,000 barrels per day.



*Home Office, Continental Towers Enid, Oklahoma*