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5 Stocks With Major (And Beneficial) Bakken Exposure

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The Bakken formation has become one of the hottest shale oil plays in North America over the past few years, and for good reason. While the U.S. Geological Survey suggests there's around 4 billion barrels of economically and technologically available crude, some – including the billionaire who runs Continental Resources – have suggested that number should be around 20 billion. At \$100 oil, that's \$2 trillion in revenue.

And, of course, those are just estimates. As technology gets better and more efficient, that number could go even higher. Just in the last couple of years, scientists have found and companies have been successfully drilling in the Three Forks/Sanish field, which is actually below the Bakken formation.

Hydraulic fracturing and directional drilling technologies have become much better in recent years – helped by the high price of oil – so that fewer wells have to be drilled. The development of these technologies is important because oil in the Bakken isn't just sitting in a big pool. Vertical drilling is a risky proposition because a vertical well can only reach a small portion – if any – of the oil.

Now that companies can drill thousands of feet down and then turn and drill thousands of feet over, they can cover more acres and have had much more success. Hydraulic fracturing – the process by which electric charges break the rock allowing oil to drain out of the rocks so it can be brought to the surface – has also made producers much more efficient. (The American Petroleum Institute has a great [video](#) that goes through this entire process.)

The other interesting thing about the Bakken is that the area where oil is being discovered and drilled for seems to be expanding, as previously dry places or places thought not to contain oil are producing. Exploration companies and producers have been in a mad dash to acquire as many acres as they can to increase their exposure to the Bakken.

Here is a list of the top five companies exposed to the Bakken by percentage of Bakken acres held to each companies' overall acres held:

1. Oasis Petroleum ([OAS](#))
2. Northern Oil & Gas ([NOG](#))
3. Brigham Exploration ([BEXP](#))
4. Renegade Petroleum ([RPTTF.PK](#))
5. Kodiak Oil & Gas ([KOG](#))

So, as the Bakken goes, so do these companies.

Therefore, the question is: where is the Bakken headed? There are basically only three things that could dramatically slow down production in the Bakken:

1. **The price oil crude:** Estimates suggest that the price of a barrel of oil would have to dip to somewhere in the \$50 - \$60 range for companies to start pulling the plug on drilling, though with increased efficiency that may be trending lower. Projecting oil prices into the future is always tough, but it would take a pretty big shake-up in the market to bring oil prices down that much.

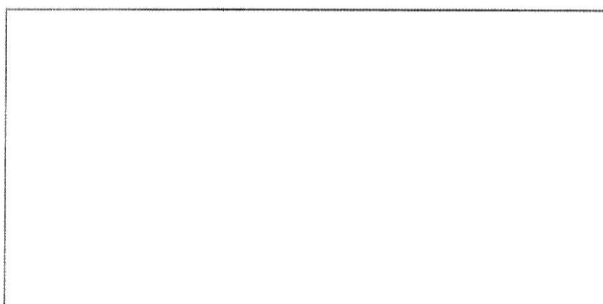
2. **Hydraulic fracturing bans:** Increasingly, environmentalists are pushing back against fracking. Their fear is that the solution of chemicals used in the process is getting into the water table and is a health hazard. That has hardly been proven, but environmentalists tend not to use science as their main argument, and there are plenty of people inside the federal government – as we know – that would love to clamp down on the production of fossil fuels. That being said, a total ban by the EPA is highly unlikely, and states – such as North Dakota – are becoming increasingly reliant on the increased tax and royalty revenue that they may reject state-level bans.

3. **Infrastructure problems:** Two counties in North Dakota temporarily banned semi-trucks from driving on county roads because the roads are literally crumbling. The ban was very short-lived, but – as a resident of North Dakota and public policy professional – I’ve had the opportunity to talk to many state and local government officials who simply do not know how to keep the roads and bridges safe and who remember previous oil busts where they were left with bonds to pay back and no tax revenue with which to do it. The North Dakota legislature passed a historic infrastructure funding bill, so hopefully that helps with some of the problems.

I believe that none of these three things that could bring down production in the Bakken are going to be long-term problems. Fracking and infrastructure problems, I believe, are little more than growing pains for a region that is in a historic boom.

The previously mentioned five companies - Oasis Petroleum, Northern Oil & Gas, Brigham Exploration, Renegade Petroleum, and Kodiak Oil & Gas - have staked a large percentage of their future on the Bakken and stand to make a lot of money.

Disclosure: I am long [KOG](#), [NOG](#), [BTE](#).



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