Brigham Exploration Company: Plans to more than double its Williston Basin oil production in 2010

Brigham Exploration consists of 24 net horizontal Bakken and Three Forks wells, up from seven net wells in 2009.

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The following article contains excerpts from Brigham Exploration's Q3 2009 earnings call transcript.

Nov. 6, 2009 – (BEXP) Brigham Exploration Company reviewed its Q3 2009 results, as well as its plans for the remainder of the year in its Q3 2009 earnings call.

"We're involved today in an exciting and accelerating transformation," said Bud Brigham, Brigham Exploration's CEO, at the beginning of the call. "We're quickly becoming a pure, long reserve life oil resource player, with a remarkably deep inventory of projects for a decade plus of net asset value growth."

During the course of the call, this transformation was talked about and an update was given on Brigham Exploration's operations. The main focus was on its 100,000 net acre Williams and McKenzie County, North Dakota area, where the company believes it's largely de-risked with its recent successful Bakken wells.

Brigham said the company is blessed to be involved in the Bakken and Three Forks play. "We frequently said that it's a gift that keeps on giving; at least Mother Nature does in this case, as the play just gets better and better. This is part of what makes it so exciting."

Bakken and Three Forks wells bring oil volumes up 43 percent

Brigham's third quarter oil volumes were up 84 percent relative to the third quarter of 2008. "The 2.8 net Bakken and Three Forks wells we completed in the third quarter drove our company's total oil volumes up 43 percent sequentially, relative to the second quarter," said Brigham. "If you look at our core areas alone, being Mountrail County, our Rough Rider area west of the Nesson, and Williams and McKenzie counties, we've only drilled 22 of 700 net wells that we think we'll have the opportunity to drill here."

Given Brigham's 2010 capital plan, the company expects to more than double its Williston Basin oil production as it exits 2010.

"We have almost 150,000 net acres in Mountrail, Williams and McKenzie counties where we recently drilled six consecutive 18 plus frac stage wells, with initial peak rates averaging about 1900 barrels of oil equivalent per day in the Bakken," said Brigham. "This certainly is outperforming our expectations."

All these wells were in the Rough Rider area west of the Nesson and two were in the Ross area of Mountrail County. “We believe we will drill about 120 initial wells in each production unit to hold these areas and we will likely drill an estimated 700 wells per full development,” Brigham said. “In areas where the Bakken and Three Forks both work, we expect to drill three wells per each objective across each unit for full development.”

Brigham plans to more than double its Williston oil production in 2010

Brigham is currently planning on commencing its first horizontal Bakken well in this area late during the first half of 2010. The company completed 7.2 net Bakken and Three Forks wells during 2009, which generated very strong growth in its oil volumes. “We are very confident in our expectation to more than double our Williston oil production by the fourth quarter 2010,” Brigham said.

To help accomplish this, Jeff Larson, Brigham’s executive vice president of exploration, said Brigham has three rigs currently running in the Williston Basin, with plans to keep those three rigs running throughout 2010. “At this point, all three rigs are in the Williams county portion of our Rough Rider project.”

This Nabor's 52 drilling rig sits just south of Williston on Hwy 1804 by the Prairie Packing Plant.

The Nabor's 52 drilling rig is currently finishing the curve section on the Williston 25-36 well. This rig will then go across the Anticline and drill a high working interest, three-well package, in the Easy Rider project area.

Larson said the first location, the 67 percent working interest lift rig, will be a Three Forks well on the west side of the Ross block. “The second location, the 50 percent working interest is the Anderson well, which will also be a Three Forks well, located just two miles north of our excellent Strobeck Three Forks producer,” he said. “The third is the 42 percent asset location near the Johnson well in the northern Ross area. This will be a Bakken test.”

Williston Basin wells allowed Brigham to fund Q3 drilling activities

Gene Shepherd, Brigham Exploration’s CFO, gave an update on the liquidity enhancing initiatives that Brigham Exploration implemented since the beginning of the third quarter.

He said these initiatives have positioned Brigham Exploration to accelerate drilling in 2009 and 2010. This enables the company to take advantage of its significant Williston Basin acreage position, inventory of horizontal Bakken and Three Forks drilling locations, the current favorable macro-environment for drilling wells in the Williston

Basin, and its superior operational capabilities. “This has evolved to a point where we are generating outstanding production rates and returns from our horizontal Williston Basin wells,” he said.

Brigham’s recent liquidity enhancing initiatives include its five recent horizontal completions in the Williston Basin, with IP rates averaging 1,992 barrels of oil equivalent per day. “They have outperformed our risk forecast and have allowed the company to fund our third quarter drilling and completion activities,” said Shepherd.

“In late October, we priced a 16 million-share common stock offering, raising net proceeds of roughly $160 million. The offering will fund an accelerated level of Williston Basin drilling activity in 2010, initially consisting of 24 net horizontal Bakken and Three Forks wells, up from seven net wells in 2009.”

Shepherd believes Brigham should be in a position to announce a further level of acceleration in its Williston Basin drilling activities at some point in the first half of 2010.

The sequential increase in the company’s Q3 production volumes was primarily attributable to its three recent Williston Basin completions. This resulted in a 68 percent increase in its Williston Basin oil volumes and a 43 percent increase in its overall oil volumes, relative to those in Q2 2009.

“In the Williston Basin, we currently expect that our 2010 exploration and development capital expenditures will total $176 million,” Shepherd said.

To view the earnings call transcript in its entirety, visit http://seekingalpha.com/article/171926-brigham-exploration-co-q3-2008-earnings-call-transcript.

To view the earnings call power point presentation, visit http://www.bexp3d.com/IR_pres.pdf.

To view Brigham Exploration’s website, visit www.bexp3d.com.