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Director's Cut

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Jun Oil 19,938,546 barrels = 664,618 barrels/day
Jul Oil 20,896,049 barrels = 674,066 barrels/day (preliminary)(NEW all-time high)

Jun Gas 20,998,335 MCF = 699,945 MCF/day
Jul Gas 22,282,680 MCF = 718,796 MCF/day (preliminary)(NEW all-time high)

Jun Producing Wells = 7,365
Jul Producing Wells = 7,467 (preliminary)(NEW all-time high)

Jun Permitting: 204 drilling and 0 seismic
Jul Permitting: 266 drilling and 1 seismic (NEW all-time high)

Jun Sweet Crude Price = $72.58/barrel
Jul Sweet Crude Price = $71.13/barrel
Today Sweet Crude Price = $85.75/barrel ND (all-time high was $136.29 July 3, 2008)

Jun rig count 213
Jul rig count 211
Aug rig count 203
Today's rig count is 194 (all-time high was 218 on May 29, 2012)

Comments:
Great weather for drilling and hydraulic fracturing activity resulted in a 1.4% production increase from June to July. That is the smallest month to month percentage increase since April 2011. The combined effect of several factors has led to a noticeable slowing of activity and production growth. Rig count has decreased significantly to around 190-195 as operators transition to higher efficiency rigs and implement cost cutting measures. The idle well count increased significantly indicating an estimated 394 wells waiting on fracturing services. Rapidly escalating costs have consumed capital spending budgets faster than many companies anticipated and uncertainty surrounding future federal policies on hydraulic fracturing is impacting capital investment decisions. Over 95% of drilling still targets the Bakken and Three Forks formations.

Crude oil take away via pipeline is now less than 45% of daily production, but rail and truck transportation are adequate to keep up with near term production projections. The North Dakota Sweet posted price basis is now -10% to NYMEX-WTI and NYMEX-WTI basis is still -18% to Brent. This is resulting in more North Dakota crude oil transported on rail to destinations that pay Brent price.

Rig count in the entire Williston basin is decreasing. The Montana rig count is steady, but North Dakota has dropped 11% from the May 2012 high. Utilization rate for rigs capable of +20,000 feet has fallen to 90%, but for shallow well rigs that drill to 7,000 feet or less utilization has increased to about 60%.

Drilling permit activity has increased as more multi-well pads are being drilled and locations need to be built before winter weather comes.

The number of rigs actively drilling on federal surface in the Dakota Prairie Grasslands is unchanged at 3.

The number of wells drilling on the Fort Berthold Reservation has dropped to 29 with 3 on fee lands and 26 on trust lands.
There are now 691 wells producing (101 on trust lands & 590 on fee lands) 113,200 barrels of oil per day (7,274 from trust lands & 106,480 from fee lands) within the boundaries of Fort Berthold.
141 wells waiting on completion
233 approved drilling permits (218 on trust lands & 15 on fee lands)
1,581 additional potential future wells (1,426 on trust lands & 155 on fee lands)

Seismic remains busy with 6 surveys active/recording, 0 remediating, 0 suspended, and 7 permitted.

North Dakota leasing activity is much slower, mostly renewals and top leases in the Bakken - Three Forks area.

Daily natural gas production is increasing at a slightly faster than oil production. This indicates that gas oil ratios may be increasing and more gathering and processing capacity will be needed. Construction of processing plants and gathering systems is in full swing due to the dry summer weather. US natural gas storage has dropped to 9% above the five-year average but this still indicates low prices for the foreseeable future. North Dakota shallow gas exploration is not economic at near term gas prices.

Natural gas delivered to Northern Border at Watford City is up to $2.50/MCF. This results in a current oil to gas price ratio of 34 to 1, but the high liquids content makes gathering and processing of Bakken gas economic. Additions to the processing capacity are helping and the percentage of gas flared dropped slightly to 31%. The historical high was 36% in September 2011.

Draft BLM regulations for hydraulic fracturing on federal lands were published in the Federal Register. The comment period closed at 5pm EDT on September 10, 2012. BLM has given no indication of when a final rule will be published.

Draft EPA Guidance for permitting hydraulic fracturing using diesel fuel has been published. The comment period closed at 5pm EDT on August 23, 2012. There is no indication from EPA of when a final guidance document will be published.