Director's Cut

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May Oil 25,149,118 barrels = 811,262 barrels/day
Jun Oil 24,642,447 barrels = 821,415 barrels/day (preliminary)(NEW all-time high)

May Gas 27,787,115 MCF = 896,359 MCF/day
Jun Gas 27,929,048 MCF = 930,968 MCF/day (preliminary)(NEW all-time high)

May Producing Wells = 8,932
Jun Producing Wells = 9,071 (preliminary)(NEW all-time high)

May Permitting: 211 drilling and 0 seismic
Jun Permitting: 165 drilling and 0 seismic
Jul Permitting: 179 drilling and 0 seismic (all time high was 370 in Oct 2012)

May Sweet Crude Price = $87.94/barrel
Jun Sweet Crude Price = $85.79/barrel
Jul Sweet Crude Price = $95.78/barrel
Today Sweet Crude Price = $94.25/barrel (all-time high was $136.29 July 3, 2008)

May rig count 187
Jun rig count 187
Jul rig count 186
Today's rig count is 186 (all-time high was 218 on Jun 29, 2012)

Comments:
The drilling rig count remained the same from May to Jun, but the number of well completions fell by 4 to 139. That number of completions is still above the threshold needed to maintain production so oil production rate rose, up 1.3% from May. Drilling rigs continue and completion crews were close to even for the month of June. The average number of days to drill a well from spud to total depth remained steady at about 22 and the average number of days from total depth to initial production remained stable at 94. Load restrictions extended into early June due to May 2013 being the wettest on record. Uncertainty surrounding federal policies on taxation and hydraulic fracturing regulation continue to make investors nervous.

More than 95% of drilling still targets the Bakken and Three Forks formations.

We estimate that at the end of Jun there were about 490 wells waiting on completion services, a decrease of 10.

Crude oil take away capacity continues to be adequate as long as rail deliveries to the coasts keep growing.

Rig count in the Williston basin is stable. Utilization rate for rigs capable of +20,000 feet is about 90%, and for shallow well rigs (drill to 7,000 feet or less) utilization remains about 60%.

Drilling permit activity was up slightly in Jun, but more recently is increasing more rapidly as operators begin planning for winter. There is a sufficient permit inventory to accommodate multi-well pads and the time required to deal with federal hydraulic fracturing rules if required.

The number of rigs actively drilling on federal surface in the Dakota Prairie Grasslands is down to 0.

The number of rigs drilling on the Fort Berthold Reservation is up 1 to 22 with 6 on fee lands and 16 on trust lands.
There are now 979 active wells (111 on trust lands & 868 on fee lands)
Producing 256,726 barrels of oil per day (88,330 from trust lands & 148,895 from fee lands)
148 wells are waiting on completion
262 approved drilling permits (252 on trust lands & 20 on fee lands)
2,390 additional potential future wells (1,510 on trust lands & 880 on fee lands)

Seismic activity is steady with 4 surveys active/recording, 0 remediating, 1 suspended, and 0 permitted. There are now 4 buried arrays in North Dakota for monitoring and optimizing hydraulic fracturing.

North Dakota leasing activity is very low, consisting mostly of renewals and top leases in the Bakken - Three Forks area.

US natural gas storage is now 0.7% above the five-year average indicating the price has bottomed, but will remain low for the foreseeable future. Natural gas production increased 3.9% versus the 1.3% increase in oil production. This is consistent with the Bentek study that shows gas oil ratios increasing as wells age. North Dakota shallow gas exploration is not economic at near term gas prices.

Natural gas delivered to Northern Border at Watford City is down $0.41 to $2.79/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 gathering and processing capacity are catching up with the percentage of gas flared down 1% to 28%. The historical high was 36% in September 2011.

Draft BLM regulations for hydraulic fracturing on federal lands were published last year. BLM received over 177,000 comments and withdrew the rule. A new proposed rule was published Jun 24, 2013 with the comment deadline now extended to 8/23/13. All of our readers are urged to submit comments to the BLM as follows:

http://www.gpo.gov/fdsys/pkg/FR-2013-05-24/pdf/2013-12154.pdf

ADDRESSES: Mail: U.S. Department of the Interior, Director (630), Bureau of Land Management, Mail Stop 2134 LM,1849 C St. NW., Washington, DC 20240,Attention: 1004–AE26.

Personal or messenger delivery: Bureau of Land Management, 20 M Street SE., Room 2134 LM, Attention: Regulatory Affairs,Washington, DC 20003.

Federal eRulemaking Portal: http://www.regulations.gov
Follow the instructions at this Web site.

There are a significant number of concerns with the rule as proposed, but the major points that should be commented on are as follows:
1) This is a state's rights issue. The revised rule provides for an operator to get a statewide exemption is the state has adopted hydraulic fracturing rules that include chemical disclosure, well construction, and well bore pressure testing. The proposal should be expanded to provide a process for states to apply for an exemption and variances from the rule.
2) The revised rule provides for a type well to be used for an entire field to satisfy the pre-fracturing approval requirements. The proposal should be expanded to allow a type well to cover an entire county or basin if the geology is substantially similar.
3) The requirement to submit water source and recovered fluid disposal method encroach upon state jurisdiction over waters of the state and over underground injection control under the primacy agreement between North Dakota and the EPA.

Draft EPA Guidance for permitting hydraulic fracturing using diesel fuel was also published last year. EPA received over 97,000 comments and has set a target of Q3 2013 for final guidance document publication.