

# Director's Cut

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Jan Oil 28,988,908 barrels = 935,126 barrels/day  
Feb Oil 26,637,513 barrels = 951,340 barrels/day (preliminary)(all-time high was 976,453 in 11/13)  
892,399 barrels per day or 94% from Bakken and Three Forks  
58,941 barrels per day or 6% from legacy conventional pools

Jan Gas 31,407,401 MCF = 1,013,142 MCF/day  
Feb Gas 29,785,161 MCF = 1,063,756 MCF/day (preliminary)(all-time high was 1,085,256 in 11/13)

Jan Producing Wells = 10,114  
Feb Producing Wells = 10,186 (preliminary)(NEW all-time high)  
7,065 Wells or 69% are now unconventional Bakken – Three forks wells  
3,121 wells or 31% produce from legacy conventional pools

Jan Permitting: 253 drilling and 0 seismic  
Feb Permitting: 180 drilling and 5 seismic  
Mar Permitting: 250 drilling and 2 seismic (all time high was 370 in 10/2012)

Jan Sweet Crude Price = \$74.20/barrel  
Feb Sweet Crude Price = \$86.89/barrel  
Mar Sweet Crude Price = \$86.72/barrel  
Today Sweet Crude Price = \$87.00/barrel (all-time high was \$136.29 7/3/2008)

Jan rig count 188  
Feb rig count 189  
Mar rig count 193  
Today's rig count is 191 (all-time high was 218 on 5/29/2012)  
The statewide rig count is down 12% from the high and in the five most active counties rig count is down as follows:  
McKenzie -1% (high was January 2014)  
Williams -29% (high was March 2012)  
Mountrail -15% (high was June 2011)  
Dunn -32% (high was June 2012)  
Divide -23% (high was March 2013)

Comments:

The drilling rig count was pretty much unchanged from Jan to Feb and the number of well completions was up slightly from 60 to 70. Days from spud to initial production decreased 8 days to 114. Investor confidence appears to be growing. There were still over 100 wells shut in for the Tioga gas plant conversion in an attempt to minimize flaring, but the biggest production impact was still the weather. February had 18 days with temperatures 5+ degrees below normal. Add to that 4 days with wind gusts too high for completion work and progress is slow.

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

At the end of Feb there were about 650 wells waiting on completion services, a decrease of 10.

Crude oil take away capacity is expected remain adequate as long as rail deliveries to coastal refineries keep growing.

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

Drilling permit activity was down sharply in February, but has returned to normal as operators start planning for summer programs.

The number of rigs actively drilling on federal surface in the Dakota Prairie Grasslands is unchanged at 1.

Activity on the Fort Berthold Reservation is as follows

24 drilling rigs (8 on fee lands and 16 on trust lands)

271,121 barrels of oil per day (98,786 from trust lands & 172,335 from fee lands)

1,163 active wells (722 on trust lands & 441 on fee lands)

153 wells waiting on completion

296 approved drilling permits (283 on trust lands & 21 on fee lands)

2,206 additional potential future wells (1,546 on trust lands & 660 on fee lands)

Seismic activity is steady 4 surveys active/recording, 3 remediating, 1 suspended, and 2 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 55% below the five-year average indicating increasing prices in the foreseeable future. North Dakota shallow gas exploration may be economic at future gas prices.

The price of natural gas delivered to Northern Border at Watford City is down \$2.51 to \$4.14/MCF. This results in a current oil to gas price ratio of 21:1. The percentage of gas flared remained unchanged at 36% largely due to the temporary shut-down of the Tioga gas plant on November 25th for expansion and equal to the historical high of 36% in 09/2011. The new plant is now operating and should be at full capacity soon.

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 in the federal register on 5/24/2013 and the comment period ended 8/23/2013. This time BLM received 1.2 million comments. Thanks to all who provided comments in support of a "states first" policy. Department of Interior has announced a goal of issuing a final rule by year end of 2014. In addition they are starting the process of new venting and flaring regulations and have scheduled an input session for 4pm MDT May 9, 2014 at the Dickinson, ND Ramada Grand Hotel.