

Director's Cut

Lynn Helms
NDIC Department of Mineral Resources

July Oil 34,547,044 barrels = 1,114,421 barrels/day
August Oil 35,102,258 barrels = 1,132,331 barrels/day (preliminary)(NEW all-time high)
1,067,609 barrels per day or 94% from Bakken and Three Forks
North Dakota Bakken has now produced 1 billion barrels of oil!
64,722 barrels per day or 6% from legacy conventional pools

July Gas 40,130,101 MCF = 1,294,519 MCF/day
August Gas 41,551,793 MCF = 1,340,380 MCF/day (preliminary)(NEW all-time high)

July Producing Wells = 11,293
August Producing Wells = 11,563 (preliminary)(NEW all-time high)
8,064 Wells or 70% are now unconventional Bakken – Three forks wells
3,499 wells or 30% produce from legacy conventional pools

Jul Permitting: 265 drilling and 1 seismic
Aug Permitting: 273 drilling and 2 seismic
Sep Permitting: 261 drilling and 2 seismic (all time high was 370 in 10/2012)

Jul Sweet Crude Price = \$86.20/barrel
Aug Sweet Crude Price = \$78.46/barrel
Sep Sweet Crude Price = \$74.50/barrel
Today Sweet Crude Price = \$66.25/barrel (all-time high was \$136.29 7/3/2008)

Jul rig count 192
Aug rig count 193
Sep rig count 195
Today's rig count is 190 (all-time high was 218 on 5/29/2012)
The statewide rig count is down 13% from the high and in the five most active counties
rig count is down as follows:
Divide -38% (high was 3/2013)
Dunn -26% (high was 6/2012)
McKenzie -12% (high was 1/2014)
Mountrail -24% (high was 6/2011)
Williams -4% (high was 3/2012)

Comments:

The drilling rig count was up two from August to September, but has since fallen 5 from September to today. The number of well completionsⁱ increased from 197 in July to 270 in August with summer weather. However there was one major rain event in Dickinson

and Minot as well as 3 days with wind speeds in excess of 35 mph (too high for completion work).

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

The drillers did not outpace the completion crews. At the end of August there were about 600 wells waiting on completion services, a decrease of 30.

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

Rig count in the Williston Basin is no longer increasing. 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 plateaued as operators worked on their summer programs and planned locations for next winter.

The number of rigs actively drilling on federal surface in the Dakota Prairie Grasslands increased 2 to 6.

Activity on the Fort Berthold Reservation is as follows

27 drilling rigs (12 on fee lands and 15 on trust lands)

333,119 barrels of oil per day (134,433 from trust lands & 198,687 from fee lands)

1,310 active wells (1008 on trust lands & 302 on fee lands)

134 wells waiting on completion

313 approved drilling permits (273 on trust lands & 40 on fee lands)

2,058 additional potential future wells (1,260 on trust lands & 798 on fee lands)

Seismic activity is steady with 5 surveys active/recording, 1 remediating, 0 suspended, and 7 permitted. There are now 4 buried arrays in North Dakota for monitoring and optimizing hydraulic fracturing, but the Sanish field array is being decommissioned.

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 11% below the five-year average indicating slowly increasing prices in the future. North Dakota shallow gas exploration could be economic at future gas prices. As you are aware there is some exploration underway in Emmons County. The first well will be on confidential status until 12/23/14.

The price of natural gas delivered to Northern Border at Watford City is up \$0.03 to \$3.45/MCF. This results in a current oil to gas price ratio of 19 to 1. The percentage of gas flared increased slightly to 27%. The Tioga gas plant remained below 70% of full capacity due to delayed expansion of gas gathering from south of Lake Sakakawea. The

August capture percentage was 73% with increased daily volume of gas flared from July to August of 23.5 MMCFD. The historical high flared percent was 36% in 09/2011.

Gas capture statistics are as follows:

Statewide 72%

Statewide Bakken 72.5%

Non-FBIR Bakken 74.4%

FBIR Bakken 64.5%

BLM revised final regulations for hydraulic fracturing on federal and Indian lands were sent to the White House Office of Management and Budget for interagency review on August 26 and Department of Interior announced a continuing commitment to their goal of issuing a final rule by year end of 2014. After initial publication in 2012, 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 over 1.2 million comments. Thanks to all who provided comments in support of a “states first” policy.

BLM has started the process of new venting and flaring regulations with input sessions in Denver, Albuquerque, Dickinson, and Washington, DC.

EPA published an advanced notice of proposed rule-making to seek comment on the information that should be reported or disclosed for hydraulic fracturing chemical substances and mixtures and the mechanism for obtaining this information. The proposed rule-making is in response to a petition from Earthjustice and 114 other groups who are opposed to the use of the GWPC-IOGCC FracFocus website process of chemical disclosure and any type of trade secret protection for hydraulic fracturing fluid mixtures. These groups are requesting EPA regulation of chemical disclosure under the federal Toxic Substances Control Act. Comments were due by 5pm EDT 8/18/14. Thanks to all who provided comments in support of a “states first” policy.

New concerns are being raised regarding the EPA and USACOE rule redefining “Waters of the United States” (comment period now ends 11/14/14) as well as potential Endangered Species Act listings of the Dakota Skipper, Rufa Red Knot, Sprague’s Pipit, Greater Sage Grouse, Monarch, Sturgeon Chub, and Sicklefin Chub.

ⁱ Disclaimer: The number of completions is an estimate on the part of the director based on idle well count and a typical five year average. Neither the State of North Dakota, nor any agency officer, or employee of the State of North Dakota warrants the accuracy or reliability of this product and shall not be held responsible for any losses caused by this product. Portions of the information may be incorrect or out of date. Any person or entity that relies on any information obtained from this product does so at his or her own risk.