

Director's Cut

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Aug Oil 35,099,475 barrels = 1,132,241 barrels/day
Sep Oil 35,539,051 barrels = 1,184,635 barrels/day (preliminary)(NEW all-time high)
1,120,031 barrels per day or 95% from Bakken and Three Forks
64,604 barrels per day or 5% from legacy conventional pools

Aug Gas 41,703,415 MCF = 1,345,271 MCF/day
Sep Gas 42,103,427 MCF = 1,403,448 MCF/day (preliminary)(NEW all-time high)

Aug Producing Wells = 11,565
Sep Producing Wells = 11,741 (preliminary)(NEW all-time high)
8,238 wells or 70% are now unconventional Bakken – Three forks wells
3,503 wells or 30% produce from legacy conventional pools

Aug Permitting: 273 drilling and 2 seismic
Sep Permitting: 261 drilling and 2 seismic
Oct Permitting: 328 drilling and 0 seismic (all time high was 370 in 10/2012)

Aug Sweet Crude Price = \$78.46/barrel
Sep Sweet Crude Price = \$74.50/barrel
Oct Sweet Crude Price = \$68.94/barrel
Today Sweet Crude Price = \$58.75/barrel (all-time high was \$136.29 7/3/2008)
WTI Trigger price is at \$77.18 today. The 2014 calendar year extraction tax trigger price is \$52.06. Extraction tax exemptions are triggered after 5 months below that price.

Aug rig count 193
Sep rig count 195
Oct rig count 191
Today's rig count is 186 (all-time high was 218 on 5/29/2012)
The statewide rig count is down 15% from the high and in the five most active counties rig count is down as follows:
Divide -54% (high was 3/2013)
Dunn -29% (high was 6/2012)
McKenzie -4% (high was 1/2014)
Mountrail -24% (high was 6/2011)
Williams -19% (high was 3/2012)

Comments:

The drilling rig count was up two from August to September, then dropped four September to October and has since fallen five more from October to today. The number

of well completions decreased from 272 in August to 176 in September. The primary cause is the focus on flaring reduction. Several operators have reported postponing completion work to achieve the NDIC gas capture goals. There were no major precipitation events, but there were 5 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 and completion crews pretty much kept pace in September. At the end of September there were about 610 wells waiting on completion services, an increase of 10.

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 is unchanged at 6.

Activity on the Fort Berthold Reservation is as follows

25 drilling rigs (9 on fee lands and 16 on trust lands)

377,198 barrels of oil per day (146,280 from trust lands & 230,918 from fee lands)

1,342 active wells (1,023 on trust lands & 319 on fee lands)

148 wells waiting on completion

344 approved drilling permits (265 on trust lands & 79 on fee lands)

2,026 additional potential future wells (1,245 on trust lands & 781 on fee lands)

Seismic activity is up with 7 surveys active/recording, 0 remediating, 0 suspended, and 5 permitted. There are now 3 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 7% 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 \$0.29 to \$3.74/MCF. This results in a current oil to gas price ratio of 16 to 1. The percentage of

gas flared dropped to 24%. The Tioga gas plant remained below 65% of full capacity due to delayed expansion of gas gathering from south of Lake Sakakawea. The September capture percentage was 76% with the daily volume of gas flared from August to September decreasing 23.3 MMCFD. The historical high flared percent was 36% in 09/2011.

Gas capture statistics are as follows:

Statewide 76%

Statewide Bakken 76%

Non-FBIR Bakken 77.3%

FBIR Bakken 71.3%

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 Sep 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.

The comment period for the EPA and USACOE proposed rule redefining “Waters of the United States” ended 11/14/14.

The USFWS has made a decision to list the Dakota Skipper and Poweshiek Skipperling to receive protection under the Endangered Species Act. Additional potential listing of concern are the Rufa Red Knot, Sprague’s Pipit, Greater Sage Grouse, Monarch Butterfly, Sturgeon Chub, and Sicklefin Chub.