

Director's Cut

Lynn Helms
NDIC Department of Mineral Resources

Apr Oil 35,071,359 barrels = 1,169,045 barrels/day
May Oil 37,235,914 barrels = 1,201,159 barrels/day (preliminary)
(all-time high was Dec 2014 1,227,483 barrels/day)
1,142,034 barrels per day or 95% from Bakken and Three Forks
59,125 barrels per day or 5% from legacy conventional pools

Apr Gas 45,814,227 MCF = 1,527,141 MCF/day
May Gas 50,394,359 MCF = 1,625,625 MCF/day (preliminary)(NEW all-time high)

Apr Producing Wells = 12,545
May Producing Wells = 12,659 (preliminary)(NEW all-time high)
9,715 wells or 77% are now unconventional Bakken – Three forks wells
2,944 wells or 23% produce from legacy conventional pools

Apr Permitting: 168 drilling and 0 seismic
May Permitting: 150 drilling and 1 seismic
Jun Permitting: 192 drilling and 0 seismic (all time high was 370 in 10/2012)

Apr Sweet Crude Price = \$38.33/barrel
May Sweet Crude Price = \$44.70/barrel
Jun Sweet Crude Price = \$47.73/barrel
Today's Sweet Crude Price¹ = \$40.75/barrel (all-time high was \$136.29 7/3/2008)

Apr rig count 91
May rig count 83
Jun rig count 78
Today's rig count is 73 (lowest since November 2009 when it was 63)(all-time high was 218 on 5/29/2012)
The statewide rig count is down 67% from the high and in the five most active counties rig count is down as follows:
Divide -77% (high was 3/2013)
Dunn -71% (high was 6/2012)
McKenzie -61% (high was 1/2014)
Mountrail -71% (high was 6/2011)
Williams -69% (high was 10/2014)

¹ Source: [Flint Hills Resources](#)

Comments:

The drilling rig count dropped 8 from April to May, 5 more from May to June, and has since fallen 5 more from June to today. Operators continue to experiment with running 1 to 2 fewer rigs than their planned 2015 minimum to see if drill times and efficiencies will continue to improve. This has resulted in a current active drilling rig count that remains 5 to 8 rigs below what was operators indicated would be their 2015 average if oil price remained below \$65/barrel. The number of well completions rose slightly from 102(final) in April to 114(preliminary) in May but initial production rates are increasing 10-20% per month as drilling and completions focus more and more on the best portion of the core Bakken and Threeforks area. Renewed oil price weakness anticipated to last into next year is by far the main reason for the continued slow-down. There was one significant precipitation event in the Williston and Dickinson areas and a separate one in the Minot area, 7 days with wind speeds in excess of 35 mph (too high for completion work), and no days with temperatures below -10F.

Over 98% of drilling now targets the Bakken and Three Forks formations.

At the end of May there were an estimated 925 wells² waiting on completion services, the same as at the end of April. To maintain production near 1.2 million barrels per day, 110-120 completions must be made per month.

Crude oil take away capacity depends on rail deliveries to coastal refineries to remain adequate.

Rig count in the Williston Basin has begun to stabilize. Utilization rate for rigs capable of 20,000+ feet is about 45% and for shallow well rigs (7,000 feet or less) about 25%.

Drilling permit activity decreased slightly from April to May and then increased back to February-March levels in June as operators positioned themselves for low 2015 price scenarios and a significant permit inventory should a return to drilling price point occur in the next 6-12 months.

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

² 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.

Activity on the Fort Berthold Reservation is as follows:

8 drilling rigs (2 on fee lands and 6 on trust lands)

339,635 barrels of oil per day (139,292 from trust lands & 200,343 from fee lands)

1,481 active wells (1,103 on trust lands & 378 on fee lands)

55 wells waiting on completion

539 approved drilling permits (328 on trust lands & 211 on fee lands)

1,887 additional potential future wells (1,165 on trust lands & 722 on fee lands)

Seismic activity remains very low which is typical for spring time in North Dakota. There are 5 surveys active/recording, 0 remediating, 0 suspended, and 0 permitted. There are now 4 buried micro-seismic arrays in North Dakota for monitoring and optimizing hydraulic fracturing.

North Dakota leasing activity is limited to renewals and top leases in the Bakken - Three Forks area.

US natural gas storage is now 1.7% above the five-year average indicating stable to slightly higher prices in the future. North Dakota shallow gas exploration could be economic at future gas prices, but is not at the current price. As you are aware the exploration well in Emmons County is no longer on confidential status as of 12/23/14. The well has not been completed yet, but appears to contain 2 pay sections totaling about 80 feet thick with very good gas shows.

The price of natural gas delivered to Northern Border at Watford City is down \$0.10 to \$2.35/MCF. This results in a current oil to gas price ratio of 17 to 1. The percentage of gas flared was unchanged at 18%. The Tioga gas plant was up significantly to 93% of capacity, but expansion of gas gathering from south of Lake Sakakawea remains delayed. The May capture percentage was 82% with the daily volume of gas flared from April to May increased 23.5 MMCFD. The historical high flared percent was 36% in 09/2011.

Gas capture statistics are as follows:

Statewide 82%

Statewide Bakken 83%

Non-FBIR Bakken 82%

FBIR Bakken 88%

Trust FBIR Bakken 87%

Fee FBIR 89%

October - December 2014 capture target =74%

January - December 2015 capture target =77%

BLM revised final regulations for hydraulic fracturing on federal and Indian lands were published in the CFR on 3/26/15 and they were scheduled to go into effect 6/24/15. North Dakota, Colorado, Utah, Wyoming, Western Energy Alliance, and IPAA filed for a preliminary injunction to prevent the rules going into effect until the case is settled. Following a lengthy hearing in Casper Wyoming on June 23, the court issued a stay on the rules through mid-August 2015. BLM has until July 22 to file the administrative

record of the rule making. Injunction applicants have 7 days to file citations to the record for their positions, and the court plans to rule 1-2 weeks later.

The North Dakota Legislature passed HB1432 which sets up a council to address Clean Water Act, Safe Drinking Water Act, Clean Air Act, and Endangered Species Act issues: BLM has started the process of new venting and flaring regulations with input sessions in Denver, Albuquerque, Dickinson, and Washington, DC.

BLM has published the North Dakota Greater Sage-Grouse Proposed Resource Management Plan Amendment and Final EIS. The 30-day protest period ended June 29, 2015. Information on the plan and EIS can be found at the following web addresses: <https://www.blm.gov/epl-front-office/eplanning/planAndProjectSite.do?methodName=dispatchToPatternPage¤tPageId=48797>

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. 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 EPA Administrator, Gina McCarthy, and the Assistant Secretary of the Army (Civil Works), Jo Ellen Darcy, signed the following final rule on 05/27/2015. Please refer to the official version in a forthcoming FR publication, which will appear on the Government Printing Office’s FDsys website (<http://fdsys.gpo.gov/fdsys/search/home.action>) and on Regulations.gov (<http://www.regulations.gov>) in Docket No. EPA-HQ-OW-2011-880. The final rule was published in the Federal Register June 29, 2015 and will become effective August 28, 2015. North Dakota, Alaska, Arizona, Arkansas, Colorado, Idaho, Missouri, Montana, Nebraska, New Mexico, Nevada, North Dakota, South Dakota, and Wyoming) filed a lawsuit in the U.S. District Court for the District of North Dakota, claiming the final rule would harm states as regulators of the waters and lands. Texas, Mississippi and Louisiana filed a joint complaint in the U.S. District Court for the Southern District of Texas, charging that the rule is unconstitutional. Ohio and Michigan filed a complaint in the U.S. District Court for the Southern District of Ohio, alleging that the expansion of jurisdiction includes dry land. Georgia and eight other states (Alabama, Florida, Kansas, Kentucky, South Carolina, Utah, West Virginia and Wisconsin) filed suit in the U.S. District Court for the Southern District of Georgia, asking the court to vacate the rule and block its enforcement by injunction.

Obama administration officials have proposed a plan under which the oil and gas industry would be required to cut methane emissions by 40 to 45 percent below 2012 levels by 2025. U.S. EPA plans to issue new regulations this summer under the Clean Air Act, and a final rule could be in place in 2016. EPA's rulemaking will be done under Section 111(b) of the Clean Air Act, which allows regulation of new sources along the oil and gas supply chain. So the new regulations would apply to new and modified pieces of equipment only and would leave older pieces of equipment unregulated. In North Dakota the Clean Air Act is enforced by the Department of Health. Please monitor future Director's cuts for information on the status and how to comment on the proposed rule.

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.