

Director's Cut

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May Oil 37,281,064 barrels = 1,202,615 barrels/day
June Oil 36,335,336 barrels = 1,211,178 barrels/day (preliminary)(all-time high was Dec 2014 1,227,483 barrels/day)
1,152,435 barrels per day or 95% from Bakken and Three Forks
58,743 barrels per day or 5% from legacy conventional pools

May Gas 50,545,892 MCF = 1,630,513 MCF/day
June Gas 49,502,251 MCF = 1,650,075 MCF/day (preliminary)(NEW all-time high)

May Producing Wells = 12,679
June Producing Wells = 12,864 (preliminary)(NEW all-time high)
10,113 wells or 79% are now unconventional Bakken – Three forks wells
2,751 wells or 21% produce from legacy conventional pools

May Permitting: 150 drilling and 0 seismic
June Permitting: 192 drilling and 0 seismic
July Permitting: 233 drilling and 1 seismic (all time high was 370 in 10/2012)

May Sweet Crude Price = \$44.70/barrel
June Sweet Crude Price = \$47.73/barrel
July Sweet Crude Price = \$39.41/barrel
Today's Sweet Crude Price¹ = \$28.50/barrel (lowest since December 2008)(all-time high was \$136.29 7/3/2008)

May rig count 83
June rig count 78
July rig count 73
Today's rig count is 74 (in November 2009 it was 63)(all-time high was 218 on 5/29/2012)
The statewide rig count is down 66% 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 -65% (high was 1/2014)
Mountrail -68% (high was 6/2011)
Williams -67% (high was 10/2014)

¹ Source: [Flint Hills Resources](#)

Comments:

The drilling rig count dropped 5 from May to June, 5 more from June to July, and remains unchanged this month. Operators are now committed to running fewer rigs than their planned 2015 minimum as drill times and efficiencies continue to improve and oil prices continue to fall. This has resulted in a current active drilling rig count that remains 5 to 10 rigs below what was operators indicated would be their 2015 average if oil price remained below \$65/barrel. The number of well completions rose sharply from 116(final) in May to 149(preliminary) in June as a large number of NC status wells reached the 1 year deadline for completion, or TA approval. Renewed oil price weakness anticipated to last well into next year is by far the main reason for the continued slow-down. There was one significant precipitation event in the Williston area and a separate one in the Minot area, 5 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 June there were an estimated 848 wells waiting on completion services², 60 less than at the end of May. The current rig count plus NC well inventory is sufficient to maintain 1.2 million barrels of oil per day for 24 months.

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 increased from May to June and again from June to July as operators positioned themselves for low 2015 price scenarios with a significant permit inventory should a return to drilling price point occur in the next 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:

9 drilling rigs (2 on fee lands and 7 on trust lands)

347,114 barrels of oil per day (140,256 from trust lands & 206,858 from fee lands)

1,512 active wells (1,103 on trust lands & 409 on fee lands)

124 wells waiting on completion

523 approved drilling permits (396 on trust lands & 127 on fee lands)

1,856 additional potential future wells (1,165 on trust lands & 691 on fee lands)

Seismic activity is limited to 5 micro-seismic arrays for monitoring and optimizing hydraulic fracturing. There are 5 surveys active/recording, 0 remediating, 0 suspended, and 1 permitted.

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

US natural gas storage is now 2.8% 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. The operator of the exploration well in Emmons County has applied for TA status and cancelled all other permits in the area. The well 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 up \$0.06 to \$2.41/MCF. This results in a current oil to gas price ratio of 12 to 1. The percentage of gas flared was down slightly to 17%. The Tioga gas plant was down slightly to 90% of capacity. Even though the expansion of gas gathering from south of Lake Sakakawea was approved, the approval came too late for the 2015 construction season, resulting in a 1 year delay. The June Bakken capture percentage was 83% with the daily volume of gas flared from May to June up just 1.6 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 83%

FBIR Bakken 84%

Trust FBIR Bakken 84%

Fee FBIR 85%

January – December 2015 capture target=77%

January 2016 – September 2020 capture target=85%

After October 2016 capture target=90%

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-September 2015. BLM has until August 28 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. You can read NDIC's submitted comments [here](#).

BLM has published a new final rule to revise Onshore Order 3. The proposed rule would change the way federal production is measured and allocated for calculation of royalties, require a federal Application for Permit to Drill (APD) even for state and private wells in a federal unit or communitized area (CA), and revise the situations in which downhole commingling of production from different leaseholds would be allowed. Comments on the proposed rule are due to BLM on September 11th. Comments concerning the information collection burdens of the proposed rule are due to the Office of Management and Budget, on September 12th.

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-AE15.

Personal or messenger delivery:
20 M Street SE., Room 2134LM, Washington, DC 20003.

Federal eRulemaking Portal: <http://www.regulations.gov>.

Follow the instructions at this Web site.

Comments on the information collection burdens:

Fax: Office of Management and Budget (OMB), Office of Information and Regulatory Affairs, Desk Officer for the Department of the Interior, fax (202) 395-5806.

Electronic mail: oira_docket@omb.eop.gov.

Please indicate "Attention: OMB Control Number 1004-XXXX,"³ regardless of the method used to submit comments on the information collection burdens. If you submit comments on the information collection burdens, you should also provide the BLM with a copy of those comments, at one of the addresses shown above, so that they can summarize all written comments and address them in the final rule.

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. NDIC comments can be found [here](#).

BLM has published the North Dakota Greater Sage-Grouse Proposed Resource Management Plan Amendment and Final EIS. Information on the plan and EIS can be found [here](#).

³ Control Number provided by Federal Government

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. NDIC comments can be read [here](#).

EPA Administrator, Gina McCarthy, and the Assistant Secretary of the Army (Civil Works), Jo Ellen Darcy, signed the “Waters of the United States” final rule on 05/27/2015. 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, South Dakota, and Wyoming) filed a lawsuit in U.S. District Court, 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. A hearing is on the motion for preliminary injunction is expected the week of August 24th in Fargo, ND. NDIC comments can be found [here](#).

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 Powershiek 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 Sicklefing Chub.