

# Director's Cut

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Apr Oil 8,531,666 barrels = 284,389 barrels/day  
May Oil 9,189,084 barrels = 296,422 barrels/day (preliminary) all time record high

Apr Gas 8,477,116 MCF = 282,571 MCF/day  
May Gas 9,277,532 MCF = 299,275 MCF/day (preliminary) all time record high

Apr Producing Wells = 4,810  
May Producing Wells = 4,893 all time record high

Apr Permitting: 106 drilling (0 shallow gas) and 0 seismic  
May Permitting: 102 drilling (0 shallow gas) and 3 seismic

Apr Sweet Crude Price = \$71.26/barrel  
May Sweet Crude Price = \$60.10/barrel  
Today Sweet Crude Price = \$62.46/barrel ND all time record high was \$136.29 July 3, 2008(Current spot price is \$6.75/BO below ND Sweet).

Apr rig count 107  
May rig count 114  
June rig count 125  
Today's rig count is 132

## Comments:

Bakken and Three Forks continue to be the target of over 95% of all drilling. Bowman County Red River production has stabilized with 3 wells drilling. Williston Basin crude export outlets have excess capacity, but projections show production catching up by January 2012. About 10% of ND crude is still being shipped by rail and another 10% trucked to Canada. There are 5 additional pipeline and rail projects in the review or engineering stages and 2 that have announced open seasons that could increase export capacity in 2011-2014. Posted price differentials remain around 18% even though Tesoro has completed their turnaround.

Rig counts in the Williston basin are still rising, but rig utilization in the northern Rockies remains steady at about 70% for drilling and 60% for work-over rigs because most activity outside the Williston Basin is for natural gas plays. Low natural gas prices and the threat of deep water drilling moratoria are pushing our rig count higher than it would normally be at current oil prices. A change in either of these factors or movement by the

federal government to regulate hydraulic fracturing or blow out preventers could quickly reduce our rig count to 100-115.

Drilling permit activity remains very high.

The number of wells drilling on federal surface in the Dakota Prairie Grasslands is steady at 2.

Seismic activity is steady with 2 active shoots and 2 permitted.

Leasing activity remains high, but hasn't moved into new areas much.

Natural gas production is setting new records. Two major plant expansions plus gathering pipeline expansions were announced for 2011 in April. US storage level is down to 11% above the five-year average. North Dakota Shallow gas exploration is still not economic at the current price.

Natural gas Watford City Delivery to Northern Border price is down slightly to \$4.15/MCF.