

# Director's Cut

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May Oil 9,239,849 barrels = 298,060 barrels/day  
Jun Oil 9,458,349 barrels = 315,278 barrels/day (preliminary) all time record high

May Gas 9,337,447 MCF = 301,207 MCF/day  
Jun Gas 9,126,822 MCF = 303,248 MCF/day (preliminary) all time record high

May Producing Wells = 4,893  
Jun Producing Wells = 4,979 all time record high

May Permitting: 102 drilling (0 shallow gas) and 0 seismic  
Jun Permitting: 128 drilling (0 shallow gas) and 0 seismic

May Sweet Crude Price = \$60.10/barrel  
Jun Sweet Crude Price = \$63.14/barrel  
Today Sweet Crude Price = \$64.00/barrel ND all time record high was \$136.29 July 3, 2008(Current spot price is \$9.92/BO below ND Sweet).

May rig count 114  
Jun rig count 125  
July rig count 135  
Today's rig count is 136

## Comments:

Bakken and Three Forks are still the targets for over 95% of all drilling. Bowman County Red River production has begun a slight decline again with only 1 well drilling. Williston Basin crude export outlets still have excess capacity. About 10% of ND crude is still being shipped by rail and another 5% trucked to Canada. There are 3 additional pipeline and rail projects in the review or engineering stages, 1 that has begun construction, and 1 that announced a start date today. Posted price differentials remain around 12%.

Rig counts in the Williston basin are stable, and rig utilization in the northern Rockies remains steady at about 70% for drilling and 60% for work-over rigs. Low natural gas prices and the threat of deep water drilling moratoria continue to keep our rig count higher than it would normally be at current oil prices. The threat remains for federal regulation of hydraulic fracturing or blow out preventers to quickly reduce our rig count 30-40%.

Drilling permit activity remains very high.

The number of wells drilling on federal surface in the Dakota Prairie Grasslands is up to 3.

Seismic activity has slowed with 1 active shoot and 0 permitted.

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

Natural gas production is setting new records. Another new plant and gathering pipeline expansion was announced this month. US storage level is down to 7% above the five-year average. North Dakota Shallow gas exploration is not economic at the current price.

Natural gas Watford City Delivery to Northern Border price is down to \$3.63/MCF.