

# Director's Cut

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Jun Oil 9,434,312 barrels = 314,477 barrels/day  
Jul Oil 9,952,296 barrels = 321,042 barrels/day (preliminary) all time record high

Jun Gas 9,097,331 MCF = 303,244 MCF/day  
Jul Gas 9,931,501 MCF = 320,371 MCF/day (preliminary) all time record high

Jun Producing Wells = 4,977  
Jul Producing Wells = 5,051 all time record high

Jun Permitting: 128 drilling (0 shallow gas) and 0 seismic  
Jul Permitting: 145 drilling (0 shallow gas) and 2 seismic all time record high

Jun Sweet Crude Price = \$63.14/barrel  
Jul Sweet Crude Price = \$67.35/barrel  
Today Sweet Crude Price = \$69.75/barrel ND all time record high was \$136.29 July 3, 2008(Current spot price is \$9.92/BO below ND Sweet).

Jun rig count 125  
Jul rig count 135  
Aug rig count 140  
Today's rig count is 141

## Comments:

Over 95% of our drilling continues to target the Bakken and Three Forks. Bowman County Red River production has begun a slight decline again but there are now 3 wells drilling which should arrest the decline. Williston Basin crude export outlets still have excess capacity. About 10% of ND crude is still being shipped by rail and another 5-8% trucked to Canada. There are 3 additional pipeline and rail projects in the review or engineering stages, 2 that have begun construction, and 1 that announced an open season yesterday. Posted price differentials have dropped to just over 10%.

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 concerns about deep water drilling continue to keep our rig count high. The threat remains very high for federal regulation of hydraulic fracturing and still significant for federal drilling rule oversight either of which would quickly reduce our rig count 35-50%.

Drilling permit activity is at record level.

The number of wells drilling on federal surface in the Dakota Prairie Grasslands is up to 4.

Seismic activity has slowed with 1 active shoot, but 2 are now permitted.

Leasing activity remains high, but is still focused west of Parshall and north of I-94.

Natural gas production is setting new records. A plant and gathering pipeline expansion was approved by the PSC last week. US storage level is down to 5.5% 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 \$3.50/MCF.