

Director's Cut

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Jul Oil 9,954,923 barrels = 321,127 barrels/day
Aug Oil 10,134,368 barrels = 326,915 barrels/day (preliminary) (all time record high)

Jul Gas 9,934,186 MCF = 320,458 MCF/day
Aug Gas 10,048,060 MCF = 324,131 MCF/day (preliminary) (all time record high)

Jul Producing Wells = 5,051
Aug Producing Wells = 5,115 (all time record high)

Jul Permitting: 145 drilling (0 shallow gas) and 2 seismic
Aug Permitting: 138 drilling (0 shallow gas) and 1 seismic (all time record high 145 in July 2010)

Jul Sweet Crude Price = \$67.35/barrel
Aug Sweet Crude Price = \$69.07/barrel
Today Sweet Crude Price = \$75.25/barrel ND (all time record high was \$136.29 July 3, 2008)

Jul rig count 135
Aug rig count 140
Sep rig count 143
Today's rig count is 155 (all time record high was 156 October 8, 2010)

Comments:

Over 95% of drilling continues to target the Bakken and Three Forks. Bowman County Red River production is declining again as there are now just 2 wells drilling. Williston Basin crude export capacity remains above production for now. Approximately 10% of production is still being shipped by rail and another 10% is 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 has announced an open season. Posted price differential to NYMEX has dropped to just under 10%.

Rig counts in the Williston basin are rising now that harvest is over, but rig utilization in the northern Rockies remains steady at about 70% for drilling and 60% for work-over rigs. Low natural gas prices and concerns about deep water drilling continue to boost our rig count. The threat remains very high for federal regulation of hydraulic fracturing and still significant for changes in the federal tax structure, either of which would quickly reduce our rig count 35-50%.

Drilling permit activity is near the record level.

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

Seismic activity has slowed with 1 active shoot, and 3 now permitted.

Leasing activity remains strong, but is still focused in the Bakken - Three Forks thermal maturity area.

Natural gas production is setting new records and flaring rose significantly again, but several new plant and gathering pipeline expansions have been announced and/or approved by the PSC. US storage level is up slightly 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 \$3.21/MCF.