

# Director's Cut

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Aug Oil 10,195,061 barrels = 328,873 barrels/day  
Sep Oil 10,241,510 barrels = 341,384 barrels/day (preliminary) (all time record high)

Aug Gas 10,122,807 MCF = 326,542 MCF/day  
Sep Gas 10,202,231 MCF = 340,074 MCF/day (preliminary) (all time record high)

Aug Producing Wells = 5,115  
Sep Producing Wells = 5,197 (all time record high)

Aug Permitting: 138 drilling (0 shallow gas) and 1 seismic  
Sep Permitting: 167 drilling (0 shallow gas) and 1 seismic (all time record high)

Aug Sweet Crude Price = \$69.07/barrel  
Sep Sweet Crude Price = \$67.95/barrel  
Today Sweet Crude Price = \$79.25/barrel ND (all time record high was \$136.29 July 3, 2008)

Aug rig count 140  
Sep rig count 143  
Oct rig count 151  
Today's rig count is 156 (all time record high was 158 November 11, 2010)

## Comments:

Over 95% of drilling is targeting the Bakken and Three Forks formations. Bowman County Red River production is declining again with just 2 wells drilling. Williston Basin crude take away capacity remains above production for now. Approximately 10% of production is shipped by rail and another 5-6% 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 extended their open season. The US State Department decision on the Keystone XL pipeline is the subject of significant controversy. North Dakota Sweet posted price versus NYMEX-WTI has increased slightly to just over 10%.

Rig counts in the Williston basin keep rising, but rig utilization in the northern Rockies remains at about 70-75% for drilling and 60-65% 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 somewhat lower for changes in the federal tax structure, either of which would reduce our rig count 35-50%.

Drilling permit activity is setting new records.

The number of wells drilling on federal surface in the Dakota Prairie Grasslands is up one to 5.

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

Leasing activity remains strong, with the main focus in the Bakken - Three Forks thermal maturity area, but new significant activity to the south and east of Dickinson.

Natural gas production is setting new records and flaring is still well above normal. New plant and gathering pipeline expansions have been announced and/or approved by the PSC. US storage is up, now at 10% 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 up to \$3.50/MCF.