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Director’s Cut

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Sep Oil 10,262,814 barrels = 342,094 barrels/day
Oct Oil 10,609,662 barrels = 342,247 barrels/day (preliminary) (all time record high)

Sep Gas 10,205,600 MCF = 340,187 MCF/day
Oct Gas 10,271,394 MCF = 331,335 MCF/day (preliminary) (all time high was Sep 2010 340,147 MCFD)

Sep Producing Wells = 5,197
Oct Producing Wells = 5,300 (all time record high)

Sep Permitting: 167 drilling (0 shallow gas) and 1 seismic
Oct Permitting: 232 drilling (0 shallow gas) and 2 seismic (all time record high)

Sep Sweet Crude Price = $67.95/barrel
Oct Sweet Crude Price = $74.41/barrel
Today Sweet Crude Price = $79.50/barrel ND (all time record high was $136.29 July 3, 2008)

Sep rig count 143
Oct rig count 151
Nov rig count 158
Today’s rig count is 166 (all time record high)

Comments:
Over 95% of drilling is still targeting the Bakken and Three Forks formations. Bowman County Red River production is stable again with 2 wells drilling. The very small September to October production increase illustrates how difficult it is to grow production at high rates. The major wind and snow storm the week of October 25th delayed hydraulic fracturing and truck transport of oil. With 75% of oil production transported by truck from the well site winter weather can impact average daily production significantly. Williston Basin crude take away capacity remains above production. Production shipped by rail is growing while crude trucked to Canada is declining. There are 3 additional pipeline and rail projects in the review or engineering stages, 2 that under construction, and 1 that just concluded an open season. The US State Department decision on the Keystone XL pipeline continues to generate significant controversy. North Dakota Sweet posted price versus NYMEX-WTI is steady at approximately 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. Utilization of 20,000 foot capable rigs is 90%, but for rigs that can drill to 7,000 feet or less utilization is less than 50%. Low natural gas prices and concerns about deep water drilling continue to boost our rig count. The threat remains high for federal regulation of hydraulic fracturing, but 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 down to 2.

Seismic activity has picked up with 4 active shoots.

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 rising and flaring is still well above normal. More than $2 billion in new plant and gathering pipeline expansions have been announced and/or approved by the PSC. US storage is steady 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 $3.98/MCF.