

Director's Cut

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Oct Oil 10,638,282 barrels = 343,170 barrels/day
Nov Oil 10,651,145 barrels = 355,038 barrels/day (preliminary) (all time record high)

Oct Gas 10,665,176 MCF = 344,038 MCF/day
Nov Gas 10,651,145 MCF = 352,559 MCF/day (preliminary) (all time high)

Oct Producing Wells = 5,300
Nov Producing Wells = 5,331 (all time record high)

Oct Permitting: 232 drilling (0 shallow gas) and 2 seismic
Nov Permitting: 245 drilling (0 shallow gas) and 2 seismic (all time record high)

Oct Sweet Crude Price = \$74.41/barrel
Nov Sweet Crude Price = \$75.74/barrel
Today Sweet Crude Price = \$78.50/barrel ND (all time record high was \$136.29 July 3, 2008)

Oct rig count 151
Nov rig count 158
Dec rig count 163
Today's rig count is 162 (all time record high was 166 Dec 17-19, 2010)

Comments:

Over 95% of drilling is still targeting the Bakken and Three Forks formations. Bowman County Red River production is declining again with 1 wells drilling. With 75% of oil production transported by truck from the well site winter weather may impact average daily production. We continue to have surplus Williston Basin crude take away capacity when rail transportation is included. Production shipped by rail is growing and crude trucked to Canada is expected to increase when the Enbridge system goes to 100% sweet crude from Minot to Clearbrook. The 3 additional pipeline and rail projects in the review or engineering stage, 2 under construction, and 1 that just concluded an open season should provide adequate capacity until 2015. North Dakota Sweet posted price versus NYMEX-WTI is steady at approximately 10-12%.

Rig counts in the Williston basin have stabilized for the winter. 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% in the northern Rockies. Low natural gas prices and concerns about deep water

drilling continue to boost our rig count. The threat of federal regulation of hydraulic fracturing has diminished. The threat remains for changes in the federal tax structure.

Drilling permit activity keeps setting new records.

The number of wells drilling on federal surface in the Dakota Prairie Grasslands is steady at 2.

Seismic activity is also steady with 4 active shoots.

Leasing activity remains strong, with the main focus in the Bakken - Three Forks thermal maturity area, but new significant activity from Dickinson to the South Dakota border.

Natural gas production is rising and flaring remains well above normal. Approximately \$2.5 billion in new plant and gathering pipeline expansions have been announced and/or approved by the PSC. US storage is steady at 6.5% 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 steady at \$3.97/MCF.