

Director's Cut

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Jan Oil 10,641,235 barrels = 343,266 barrels/day
Feb Oil 9,754,283 barrels = 348,367 barrels/day (preliminary) (all time high 356,505 Nov 2010)

Jan Gas 10,498,600 MCF = 338,653 MCF/day
Feb Gas 9,523,242 MCF = 340,116 MCF/day (preliminary) (all time high 356,446 Nov 2010)

Jan Producing Wells = 5,317
Feb Producing Wells = 5,324 (all time high 5,331 Dec 2010)

Jan Permitting: 142 drilling (0 shallow gas) and 1 seismic
Feb Permitting: 155 drilling (0 shallow gas) and 0 seismic (all time high 245-0-2 Nov 2010)

Jan Sweet Crude Price = \$80.02/barrel
Feb Sweet Crude Price = \$80.56/barrel
Today Sweet Crude Price = \$106.25/barrel ND (all time record high \$136.29 July 3, 2008)

Jan rig count 163
Feb rig count 167
Mar rig count 171
Today's rig count is 172 (all time record high 174 Mar 14, 2011)

Comments:

Over 95% of drilling is still targeting the Bakken and Three Forks formations. Bowman County Red River production continues to decline with just 1 well now drilling. In spite of severe winter weather and an increase of only 7 producing wells daily production increased 5,000 barrels per day. The idle well count jumped to 822 in February 2011, the highest number since April 2001. There is still surplus crude take away capacity when pipeline, rail, and truck transportation are all included. Additional pipeline and rail projects in the various planning stages should provide adequate capacity until 2015. North Dakota Sweet posted price versus NYMEX-WTI is approaching long term historical averages at approximately -3.7%.

Rig counts in the Williston basin are steady with spring weather and road restrictions in full swing. Utilization of rigs capable of +20,000 feet is approaching 95%, but for

shallow well rigs that can drill to 7,000 feet or less utilization remains below 50%. Low natural gas prices and delayed permitting for deep water drilling continue to support the ND rig count. The efforts to force federal regulation of hydraulic fracturing have picked up again with hearings in congress, forums planned by the Department of Interior, and an announcement from the Obama Administration of coordinated study by DOE, EPA, and DOI on top of the congressionally mandated EPA study.

Drilling permit activity is increasing, but is well below record levels due to road restrictions, weather, and longer waiting lists for fracturing services.

The number of wells drilling on federal surface in the Dakota Prairie Grasslands is down to 1.

Seismic activity has slowed significantly due to the spring thaw.

Leasing activity remains mainly focused on renewals and top leases in the Bakken - Three Forks thermal maturity area, but there is significant activity south of Dickinson to the South Dakota border.

Natural gas production is up slightly in spite of cold weather. Flaring is down significantly to 21.5% excluding inert gases from tertiary recovery operations. Significant new plant and gathering pipeline expansions have been announced, but have to wait for warmer weather. US storage is down slightly to 0.6% 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 slightly to \$3.60/MCF.