

Director's Cut

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Apr Oil 10,538,165 barrels = 351,272 barrels/day
May Oil 11,203,612 barrels = 361,407 barrels/day (preliminary) (all time high)

Apr Gas 10,779,061 MCF = 359,302 MCF/day
May Gas 11,084,312 MCF = 361,407 MCF/day (preliminary) (all time high)

Apr Producing Wells = 5,536
May Producing Wells = 5,570 (all time high)

Apr Permitting: 125 drilling and 1 seismic
May Permitting: 154 drilling and 2 seismic (all time high 245 and 2 Nov 2010)

Apr Sweet Crude Price = \$103.91.51/barrel
May Sweet Crude Price = \$94.69/barrel
Today Sweet Crude Price = \$91.50/barrel ND (all time record high \$136.29 July 3, 2008)

Apr rig count 173
May rig count 175
Jun rig count 175
Today's rig count is 183 (all time record high 184 Jul 20, 2011)

Comments:

The summer time surge has begun. Although the effects of severe winter weather and a rainy spring continued to depress May daily production, warm dry weather has brought a surge in the rig count and hydraulic fracturing activity. The Bakken and Three Forks formations continue to be the target of over 95% of drilling activity. Bowman County Red River production has stabilized at about 27,000 barrels per day with no wells drilling. The idle well count surged to over 800 again in May. Crude take away capacity with pipeline, rail, and truck transportation is more than adequate for the next few years. 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 down to -7%.

Rig counts in the Williston basin dropped in April, May, and June, but are now setting new records every few days. Utilization of rigs capable of +20,000 feet is over 90%, but for shallow well rigs that can drill to 7,000 feet or less utilization remains below 50%. The efforts to force federal regulation of hydraulic fracturing remain high.

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

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

Seismic activity has stopped except for the Sanish buried array due to wet weather conditions, but will be busy this fall during dry weather.

Leasing activity remains 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. The Commission heard the first drilling unit proposal for Hettinger County this week.

Daily natural gas production is up in spite of weather and road restrictions. Flaring is up to a new record of 29% (excluding inert gases from tertiary recovery operations). Significant new plant and gathering pipeline expansions have been announced. We are anticipating very high plant and gathering system construction activity whenever there is warm dry weather. US natural gas storage is stable at 2% below 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 slightly to \$4.11/MCF.