

Director's Cut

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May Oil 11,265,077 barrels = 363,390 barrels/day
Jun Oil 11,540,330 barrels = 384,678 barrels/day (preliminary) (all time high)

May Gas 11,236,480 MCF = 362,467 MCF/day
Jun Gas 11,540,330 MCF = 394,214 MCF/day (preliminary) (all time high)

May Producing Wells = 5,579 (all time high)
Jun Producing Wells = 5,558

May Permitting: 154 drilling and 2 seismic
Jun Permitting: 138 drilling and 1 seismic (all time high 245 Nov 2, 2010)

May Sweet Crude Price = \$94.69/barrel
Jun Sweet Crude Price = \$91.69/barrel
Today Sweet Crude Price = \$81.25/barrel ND (all time record high \$136.29 July 3, 2008)

May rig count 175
Jun rig count 175
Jul rig count 177
Today's rig count is 192 (all time record high)

Comments:

The summer time surge is picking up steam. Although June was a continuation of our rainy spring holding rig count flat, daily production increased dramatically with more 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 one well drilling. The idle well count surged to over 900 wells in June. Crude take away capacity with pipeline, rail, and truck transportation is more than adequate for the production projected 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 steady at -7.5%.

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

Drilling permit activity is high, but well below record levels. As fall approaches and the rig count rises permit activity is expected to increase so locations can be built prior to winter weather.

The number of wells drilling on federal surface in the Dakota Prairie Grasslands is up to 6.

Seismic activity has begun again with 2 surveys active and 7 pending.

Leasing activity is 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 and west of Belfield to the Montana border. The first drilling is expected in Hettinger County in December.

Daily natural gas production is up in spite of weather and road restrictions. Processing plant and gathering system construction activity is very high with our warmer weather. US natural gas storage is down to 3% 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 \$3.62/MCF. This puts the oil to gas price ratio at 22.4 to 1.0 even though the BTU value is 6 to 1. This makes associated natural gas gathering and processing economically challenging.