

Director's Cut

Lynn Helms
NDIC Department of Mineral Resources

Jun Oil 11,544,254 barrels = 384,809 barrels/day
Jul Oil 13,130,042 barrels = 423,550 barrels/day (preliminary) (all time high)

Jun Gas 11,850,631 MCF = 395,021 MCF/day
Jul Gas 13,250,814 MCF = 427,446 MCF/day (preliminary) (all time high)

Jun Producing Wells = 5,558
Jul Producing Wells = 5,756 (all time high)

Jun Permitting: 138 drilling and 1 seismic
Jul Permitting: 136 drilling and 2 seismic (all time high 245 Nov 2, 2010)

Jun Sweet Crude Price = \$91.69/barrel
Jul Sweet Crude Price = \$90.60/barrel
Today Sweet Crude Price = \$81.75/barrel ND (all time record high \$136.29 July 3, 2008)

Jun rig count 175
Jul rig count 177
Aug rig count 192
Today's rig count is 199 (all time record high 201 Aug 29-31, 2011)

Comments:

The summer season surge is in full swing. July was the first warm and dry weather this year and even though rig count was nearly flat, daily production increased more than 10% due to more hydraulic fracturing activity. 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 dropped significantly to 816 wells in July, but normal is 450, indicating a continuing backlog of over 350 wells waiting on fracturing services. Crude take away capacity with pipeline, rail, and truck transportation is more than adequate for the production projected until 2015. North Dakota Sweet posted price versus NYMEX-WTI is up only slightly at -8.2%.

Rig counts in the Williston basin are 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 down to 4.

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

North Dakota leasing activity is focused on renewals and top leases in the Bakken - Three Forks thermal maturity area with significant activity south of Dickinson to the South Dakota border and west of Belfield to the Montana border. A lot of the leasing activity has shifted to Northeast Montana.

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 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 again to \$3.48/MCF. This puts the oil to gas price ratio at 23.5 to 1.0 even though the BTU value is 6 to 1. This makes associated natural gas gathering and processing economically challenging.