

Director's Cut

Lynn Helms
NDIC Department of Mineral Resources

Sep Oil 13,916,609 barrels = 463,887 barrels/day
Oct Oil 15,130,043 barrels = 488,066 barrels/day (preliminary) (all time high)

Sep Gas 14,468,539 MCF = 482,285 MCF/day
Oct Gas 15,725,011 MCF = 506,242 MCF/day (preliminary) (all time high)

Sep Producing Wells = 6,071
Oct Producing Wells = 6,202 (all time high)

Sep Permitting: 176 drilling and 1 seismic
Oct Permitting: 169 drilling and 0 seismic (all time high 245 Nov 2010)

Sep Sweet Crude Price = \$83.50/barrel
Oct Sweet Crude Price = \$79.83/barrel
Today Sweet Crude Price = \$98.34/barrel ND (all time record high \$136.29 July 3, 2008)

Sep rig count 197
Oct rig count 197
Nov rig count 199
Today's rig count is 200 (all time record high 201 Aug 29-31, 2011)

Comments:

The good weather window has now ended, but in October warm dry weather pushed hydraulic fracturing activity and production upward. As a result, even with rig count up only slightly daily production increased 4%. Over 95% of drilling continues to target the Bakken and Three Forks formations. Bowman County Red River production is stable at about 26,000 barrels per day with no drilling. The idle well count increased again to 762 wells, approximately 300 above the normal 450. This indicates that drilling continues to outpace fracturing services and the need to add approximately 10 crews.

Crude take away capacity with pipeline, rail, and truck transportation is adequate for near term production projections. North Dakota Sweet posted price versus NYMEX-WTI is up slightly to -10%.

Rig counts in the Williston basin slowly increasing. In the Rocky Mountain area utilization of rigs capable of +20,000 feet is over 95%, but for shallow well rigs that can drill to 7,000 feet or less utilization remains approximately 50%.

EPA efforts to regulate hydraulic fracturing under the safe drinking water act continue through the diesel fuel provision in the 2005 energy policy act. Questions regarding the Pavillion, WY draft study recently released by EPA should be directed to the Wyoming Oil and Gas Conservation Commission at 307-234-7147.

Drilling permit activity is high, but still 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 3.

Seismic is very busy with 9 surveys active and 8 pending.

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

Daily natural gas production is up. Processing plant and gathering system construction activity is very high. US natural gas storage is 8.7% above the five-year average. North Dakota shallow gas exploration is not economic at the current price.

Natural gas delivery to Northern Border at Watford City price is down to \$3.18/MCF.

This results in the oil to gas price ratio of 31 to 1 even though the BTU ratio is 6 to 1.

The low value of processed natural gas does not justify investment in infrastructure, but the natural gas liquids make gathering and processing of Bakken gas economic. Bakken gas that has been flared up to this point has promoted the resource to the natural gas gathering and processing industry and demonstrate the size and potential of the resource. The result of allowing this evaluation time is a plan presented by industry to invest over \$3 billion in natural gas gathering and processing infrastructure in 2011, 2012, and 2013.