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Director's Cut

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Oct Oil 15,119,429 barrels = 487,724 barrels/day
Nov Oil 15,291,793 barrels = 509,726 barrels/day (preliminary) (NEW all time high)

Oct Gas 15,732,385 MCF = 507,496 MCF/day
Nov Gas 15,635,813 MCF = 521,194 MCF/day (preliminary) (NEW all time high)

Oct Producing Wells = 6,210
Nov Producing Wells = 6,332 (NEW all time high)

Oct Permitting: 201 drilling and 0 seismic
Nov Permitting: 169 drilling and 4 seismic (all time high was 245 in Nov 2010)

Oct Sweet Crude Price = $83.50/barrel
Nov Sweet Crude Price = $88.54/barrel
Today Sweet Crude Price = $86.75/barrel ND (all time record high $136.29 July 3, 2008)

Oct rig count 197
Nov rig count 199
Dec rig count 199
Today's rig count is 202 (all time record high was 204 on Nov 19, 2011)

Comments:
The good weather now ended, but warm dry weather through the fourth quarter of 2011 increased hydraulic fracturing activity and rapidly increased production. As a result, even with rig count up just slightly daily production increased almost 5%. Over 95% of drilling is still targeting the Bakken and Three Forks formations. The idle well count is now holding constant at approximately 300 above normal. This indicates that fracturing services are now keeping up with drilling activity, but the industry needs to add more crews to catch up.

Crude take away capacity combining pipeline, rail, and truck transportation is adequate for near term production projections. Due to the bottleneck at Cushing, OK North Dakota Sweet posted price discount versus NYMEX-WTI is up significantly to -14%.

Rig counts in the Williston basin are slowly increasing. Rigs will have to be built new to increase the ND rig count since in the Rocky Mountain area utilization of rigs capable of +20,000 feet is over 95%, but for shallow well rigs that drill to 7,000 feet or less utilization remains about 50%.

EPA regulation of hydraulic fracturing under the safe drinking water act through the diesel fuel provision in the 2005 energy policy act is moving slowly. The proposed guidance document(s) are now under review at OMB. When that review is finished a 60 day public comment period is planned.

Drilling permit activity is high, but still below record levels.

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

Seismic is very busy with 6 surveys active, 1 remediating, 1 suspended, and 7 permitted.

North Dakota leasing activity is primarily renewals and top leases in the Bakken - Three Forks area with additional activity now south of Dickinson and west of Belfield.

Daily natural gas production is up. Processing plant and gathering system construction activity has been very high, but will now slow considerably due to colder weather. US natural gas storage is 17% above the five-year average meaning low prices for the foreseeable future. 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 $2.23/MCF. This results in an oil to gas price ratio of 39 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. 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. The first of the very large gas processing systems will be on line January 20, 2012 adding 14% to the processing capacity in the state.