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Director’s Cut

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Jan Oil 16,935,846 barrels = 546,318 barrels/day
Feb Oil 16,189,355 barrels = 558,254 barrels/day (preliminary) (NEW all-time high)

Jan Gas 17,738,391 MCF = 572,206 MCF/day
Feb Gas 17,437,469 MCF = 601,292 MCF/day (preliminary) (NEW all-time high)

Jan Producing Wells = 6,624
Feb Producing Wells = 6,726 (NEW all-time high)

Jan Permitting: 170 drilling and 0 seismic
Feb Permitting: 181 drilling and 5 seismic (all time high was 245 in Nov 2010)

Jan Sweet Crude Price = $88.09/barrel
Feb Sweet Crude Price = $83.26/barrel
Today Sweet Crude Price = $76.00/barrel ND (all-time high was $136.29 July 3, 2008)

Jan rig count 200
Feb rig count 202
Mar rig count 205
Today’s rig count is 208 (all-time high was 209 on Apr 9-10, 2012)

Comments:
The abnormally mild weather has resulted in increased hydraulic fracturing activity and increased production. Rig count is rising slowly and daily production increased just over 2% from January to February. Over 95% of drilling is still targeting the Bakken and Three Forks formations. The idle well count is falling with approximately 240 wells now waiting on fracturing services. More fracturing crews are moving to North Dakota from natural gas plays.

Crude oil take away capacity via pipeline is well below production. Rail and truck transportation are adequate to keep up with near term production projections. Due to the delayed approval and uncertainty over Keystone XL the bottleneck at Cushing, OK is now resulting in a North Dakota Sweet posted price to NYMEX-WTI discount of -25% and a NYMEX-WTI to Brent discount of -19%. This is forcing an increasing amount of North Dakota crude oil onto rail transportation where it can reach destinations that pay Brent price. Plans announced recently for a North Dakota to Cushing pipeline and reversal of Cushing-Houston pipelines are welcome news. Gasoline prices are temporarily disconnected from mid-continent crude oil prices due to the required shift to summer blends, refinery turn around season, and crude oil transportation constraints.

Rig counts in the Williston basin are increasing slowly. Utilization of rigs capable of +20,000 feet is over 95%. Many of the new rigs being built will replace older less efficient ones. 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 remains on hold with the proposed guidance document(s) still under review at OMB. Following that review a 60 day public comment period is planned.

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

The number of wells drilling on federal surface in the Dakota Prairie Grasslands remains at 1.

The number of wells drilling on the Fort Berthold Reservation is 28 with 3 on fee lands and 25 on trust lands.

Seismic is very busy with 6 surveys active, 2 remediating, 1 suspended, and 5 permitted.

North Dakota leasing activity is mostly renewals and top leases in the Bakken - Three Forks area.

Daily natural gas production is up while construction of processing plants and gathering systems accelerates with warmer weather. US natural gas storage is 61% above the five-year average which means low prices for the foreseeable future. North Dakota shallow gas exploration is not economic at the current price.

Natural gas delivered to Northern Border at Watford City is down to $1.65/MCF. This results in a current oil to gas price ratio of 46 to 1. The low value of processed natural gas does not justify investment in gathering and processing infrastructure, but the high liquids content makes gathering and processing of Bakken gas economic. Additions to the processing capacity in the state are beginning to show in a declining percentage of gas being flared, down to 30.4% from a high of 36% in September 2011, and this trend should continue in the coming months.