Director's Cut

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Jan Oil 22,871,411 barrels = 737,787 barrels/day
Feb Oil 21,811,176 barrels = 778,971 barrels/day (preliminary)(NEW all-time high)

Jan Gas 24,553,644 MCF = 791,408 MCF/day
Feb Gas 23,809,389 MCF = 850,335 MCF/day (preliminary)(NEW all-time high)

Jan Producing Wells = 8,342
Feb Producing Wells = 8,492 (preliminary)(NEW all-time high)

Jan Permitting: 218 drilling and 0 seismic
Feb Permitting: 185 drilling and 2 seismic
Mar Permitting: 218 drilling and 1 seismic (all time high was 370 in Oct 2012)

Jan Sweet Crude Price = $87.989/barrel
Feb Sweet Crude Price = $86.88/barrel
Mar Sweet Crude Price = $87.25/barrel
Today Sweet Crude Price = $84.75/barrel (all-time high was $136.29 July 3, 2008)

Jan rig count 185
Feb rig count 183
Mar rig count 186
Today's rig count is 186 (all-time high was 218 on May 29, 2012)

Comments:
February weather was more normal with no major storms or extreme temperatures and wind chills. Even though the drilling rig count dropped slightly; the number of well completions doubled to 170. That number of completions is well above the threshold needed to maintain production so oil production rate rose sharply, up 5.6% from January. Operators continue to keep the brakes on, pushing for higher efficiency and cost cutting measures. Uncertainty surrounding future federal policies on taxation and hydraulic fracturing remains. Over 95% of drilling still targets the Bakken and Three Forks formations.

We estimate that at the end of January there were about 375 wells waiting on completion services.

Crude oil take away capacity continues to be adequate with a majority of North Dakota's oil now shipped by rail to east coast, gulf coast, and west coast destinations.

Rig count in the Williston basin is stable. Utilization rate for rigs capable of +20,000 feet is steady at about 85% and for shallow well rigs (drill to 7,000 feet or less) utilization remains about 60%.

Drilling permit activity was up significantly in March, returning to normal. We have a sufficient permit inventory to accommodate multi-well pads, the inability to constructing locations during load restrictions, and the time required to publish hydraulic fracturing rules if required.

The number of rigs actively drilling on federal surface in the Dakota Prairie Grasslands is up sharply to 4.

The number of rigs drilling on the Fort Berthold Reservation is down 1 to 27 with 10 on fee lands and 17 on trust lands.
There are now 857 active wells (96 on trust lands & 761 on fee lands)
Producing 127,183 barrels of oil per day (5,140 from trust lands & 120,675 from fee lands)
133 wells are waiting on completion
297 approved drilling permits (227 on trust lands & 70 on fee lands)
2,495 additional potential future wells (2,182 on trust lands & 313 on fee lands)

Seismic activity is steady with 3 surveys active/recording, 1 remediating, 1 suspended, and 7 permitted. There are now 4 buried arrays in North Dakota for monitoring and optimizing hydraulic fracturing.

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

Construction of processing plants and gathering systems was virtually at a standstill until after spring thaw. US natural gas storage is down to 4% below the five-year average indicating the price has bottomed, but low prices are still expected for the foreseeable future. Natural gas production increased 7.4% versus the 5.6% increase in oil production. This is consistent with the Bentek study that shows gas oil ratios increasing as wells age. North Dakota shallow gas exploration is not economic at near term gas prices.

Natural gas delivered to Northern Border at Watford City is up to $3.69/MCF. This results in a current oil to gas price ratio of 23 to 1, but the high liquids content makes gathering and processing of Bakken gas economic. Additions to gathering and processing capacity are not keeping up, so the percentage of gas flared rose to 30.4%. The historical high was 36% in September 2011.

Draft BLM regulations for hydraulic fracturing on federal lands were published last year. BLM received over 170,000 comments and has withdrawn the rule. A new proposed rule has been sent to OMB and is expected to be published second quarter 2013.

Draft EPA Guidance for permitting hydraulic fracturing using diesel fuel was also published last year. EPA received over 97,000 comments and has set a target of spring 2013 for final guidance document publication.

Pressure on the federal budget has led to a budget proposal that eliminates expenses of intangible drilling costs and the depletion allowance.