

Director's Cut

Lynn Helms
NDIC Department of Mineral Resources

Jul Oil 27,147,818 barrels = 875,736 barrels/day
Aug Oil 28,248,511 barrels = 911,242 barrels/day (preliminary)(NEW all-time high)

Jul Gas 30,133,812 MCF = 972,058 MCF/day
Aug Gas 31,009,441 MCF = 1,000,305 MCF/day (preliminary)(NEW all-time high)

Jul Producing Wells = 9,334
Aug Producing Wells = 9,452 (preliminary)(NEW all-time high)

Jul Permitting: 179 drilling and 0 seismic
Aug Permitting: 276 drilling and 0 seismic
Sep Permitting: 287 drilling and 2 seismic (all time high was 370 in 10/2012)

Jul Sweet Crude Price = \$95.78/barrel
Aug Sweet Crude Price = \$93.97/barrel
Sep Sweet Crude Price = \$92.96/barrel
Today Sweet Crude Price = \$86.50/barrel (all-time high was \$136.29 7/3/2008)

Jul rig count 186
Aug rig count 183
Sep rig count 183
Today's rig count is 183 (all-time high was 218 on 5/29/2012)

Comments:

The drilling rig count decreased only slightly from Jul to Aug, but the number of well completions fell sharply from 251 to 130. The result still was a 4% increase in oil production because the number of completions was about 1.5 times the threshold needed to maintain production. Completion crews kept pace with drilling rigs as the average number of days to drill a well from spud to total depth remaining steady at about 22, but the average number of days from total depth to initial production rose from 79 to 105. The uncertainty surrounding federal policies on taxation and hydraulic fracturing regulation continues to make investors nervous.

More than 95% of drilling still targets the Bakken and Three Forks formations.

We estimate that at the end of Aug there were about 450 wells waiting on completion services, a decrease of 10.

Crude oil take away capacity is expected to be adequate as long as rail deliveries to coastal refineries keep growing.

Rig count in the Williston basin is stable. Utilization rate for rigs capable of +20,000 feet remains about 90%, and for shallow well rigs (drill to 7,000 feet or less) about 60%.

Drilling permit activity was up in August and September, and will remain high through October as we help operators plan for winter. The goal is to have a sufficient permit inventory to accommodate multi-well pads through the end of load restrictions in 2014 as well as the time required to deal with federal hydraulic fracturing rules if required.

The number of rigs actively drilling on federal surface in the Dakota Prairie Grasslands remains at 0.

Activity on the Fort Berthold Reservation is as follows

23 drilling rigs (5 on fee lands and 18 on trust lands)

299,705 barrels of oil per day (126,501 from trust lands & 173,205 from fee lands)

1,035 active wells (805 on trust lands & 230 on fee lands)

129 wells waiting on completion

271 approved drilling permits (253 on trust lands & 18 on fee lands)

2,334 additional potential future wells (1,473 on trust lands & 861 on fee lands)

Seismic activity is steady with 5 surveys active/recording, 0 remediating, 1 suspended, and 3 permitted. There are now 4 buried arrays in North Dakota for monitoring and optimizing hydraulic fracturing.

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

US natural gas storage is now 1.6% above the five-year average indicating continued low prices for the foreseeable future. Natural gas production increased 3% versus the 4% increase in oil production. This appears inconsistent with the Bentek study that shows gas oil ratios increasing over time, but the number of new wells with lower gas oil ratios skews the data. North Dakota shallow gas exploration is not economic at near term gas prices.

The price of natural gas delivered to Northern Border at Watford City is up \$0.25 to \$3.34/MCF. This results in a current oil to gas price ratio of 26:1, but the high liquids content makes gathering and processing of Bakken gas economic. The percentage of gas flared is back down 1% to 29%. The historical high was 36% in September 2011.

Draft BLM regulations for hydraulic fracturing on federal lands were published last year. BLM received over 177,000 comments and withdrew the rule. A new proposed rule was published in the federal register on May 24, 2013 and the comment period ended August 23, 2013. This time BLM received 1.2 million comments. Thanks to all who provided comments in support of a "states first" policy.

Draft EPA Guidance for permitting hydraulic fracturing using diesel fuel was also published last year. EPA received over 97,000 comments and is reported to have sent the final guidance document to OMB in September.

Lynn D. Helms
Director
North Dakota Industrial Commission
Department of Mineral Resources
Phone (701) 328-8020
Fax (701) 328-8022