

# Director's Cut

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Oct Oil 29,300,656 barrels = 945,182 barrels/day  
Nov Oil 29,191,364 barrels = 973,045 barrels/day (preliminary)(NEW all-time high)  
908,384 barrels per day or 93% from Bakken and Three forks  
64,661 barrels per day or 7% from legacy conventional pools

Oct Gas 33,241,990 MCF = 1,072,322 MCF/day  
Nov Gas 32,597,122 MCF = 1,086,571 MCF/day (preliminary)(NEW all-time high)

Oct Producing Wells = 9,923  
Nov Producing Wells = 10,023 (preliminary)(NEW all-time high)  
6,598 or 66% are now unconventional Bakken – Three forks wells  
3,425 wells or 34% produce from legacy conventional pools

Oct Permitting: 267 drilling and 5 seismic  
Nov Permitting: 232 drilling and 1 seismic  
Dec Permitting: 227 drilling and 1 seismic (all time high was 370 in 10/2012)

Oct Sweet Crude Price = \$85.16/barrel  
Nov Sweet Crude Price = \$71.42/barrel  
Dec Sweet Crude Price = \$73.47/barrel  
Today Sweet Crude Price = \$71.25/barrel (all-time high was \$136.29 7/3/2008)

Oct rig count 183  
Nov rig count 184  
Dec rig count 190  
Today's rig count is 193 (all-time high was 218 on 5/29/2012)  
The statewide rig count is down 12% from the high and in the five most active counties  
rig count is down as follows:  
McKenzie -8% high was July 2013  
Williams -18% high was March 2012  
Mountrail -20% high was June 2011  
Dunn -24% high was June 2012  
Divide -38% high was March 2013

## Comments:

The drilling rig count was unchanged from Oct to Nov, but the number of well completions dropped from 166 to 138. Days from spud to initial production remained steady at 114. Investors remain concerned about the uncertainty surrounding federal policies on taxation and hydraulic fracturing regulation.

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

We estimate that at the end of Nov there were about 510 wells waiting on completion services, an increase of 50.

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

Rig count in the Williston basin is increasing slowly. 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 down in November and December as operators began winter operations. The NDIC goal is to maintain 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 is up from 0 to 2.

Activity on the Fort Berthold Reservation is as follows

22 drilling rigs (7 on fee lands and 15 on trust lands)

295,587 barrels of oil per day (111,814 from trust lands & 183,773 from fee lands)

1,099 active wells (728 on trust lands & 371 on fee lands)

118 wells waiting on completion

329 approved drilling permits (303 on trust lands & 26 on fee lands)

2,270 additional potential future wells (1,540 on trust lands & 730 on fee lands)

Seismic activity is steady with 4 surveys active/recording, 2 remediating, 1 suspended, and 1 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 10% below the five-year average indicating gradually increasing prices in the foreseeable future. North Dakota shallow gas exploration may be economic at future gas prices.

The price of natural gas delivered to Northern Border at Watford City is up \$0.19 to \$3.86/MCF. This results in a current oil to gas price ratio of 19:1. The percentage of gas flared is up 2% to 30% largely due to the temporary shut-down of the Tioga gas plant on November 25th for expansion into the new plant that should begin operating in early February. The historical high was 36% in 09/2011.

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 5/24/2013 and the comment period ended 8/23/2013. 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 9/2013.