

Director's Cut

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May Oil 32,254,545 barrels = 1,040,469 barrels/day
June Oil 32,778,524 barrels = 1,092,617 barrels/day (preliminary)(NEW all-time high)
1,048,462 barrels per day or 96% from Bakken and Three Forks
44,155 barrels per day or 4% from legacy conventional pools

May Gas 36,978,663 MCF = 1,192,860 MCF/day
June Gas 37,594,631 MCF = 1,253,154 MCF/day (preliminary)(NEW all-time high)

May Producing Wells = 10,902
June Producing Wells = 11,079 (preliminary)(NEW all-time high)
7,704 Wells or 70% are now unconventional Bakken – Three forks wells
3,375 wells or 30% produce from legacy conventional pools

May Permitting: 234 drilling and 1 seismic
June Permitting: 247 drilling and 0 seismic
July Permitting: 265 drilling and 1 seismic (all time high was 370 in 10/2012)

May Sweet Crude Price = \$88.31/barrel
June Sweet Crude Price = \$90.03/barrel
July Sweet Crude Price = \$86.20/barrel
Today's Sweet Crude Price = \$79.50/barrel (all-time high was \$136.29 7/3/2008)

May rig count 189
June rig count 190
July rig count 192
Today's rig count is 194 (all-time high was 218 on 5/29/2012)
The statewide rig count is down 11% from the high and in the five most active counties
rig count is down as follows:
McKenzie -5% (high was 1/2014)
Williams -20% (high was 3/2012)
Mountrail -17% (high was 6/2011)
Dunn -39% (high was 6/2012)
Divide -8% (high was 3/2013)

Comments:

The drilling rig count was up one from May to June, and up two more from June to July. The number of well completions increased as weather impacts eased in June with significant rainfall on 2 days near Minot and 1 day near Dickinson. However, there were still 6 to 8 days with wind speeds in excess of 35 mph (too high for completion work).

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

At the end of June there were about 585 wells waiting on completion services, a decrease of 25.

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

Rig count in the Williston Basin is gradually increasing. Utilization rate for rigs capable of 20,000+ feet remains above 90%, and for shallow well rigs (7,000 feet or less) about 60%.

Drilling permit activity continued to increase as operators begin their summer programs and plan location construction for next winter.

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

Activity on the Fort Berthold Reservation is as follows

21 drilling rigs (11 on fee lands and 10 on trust lands)

297,987 barrels of oil per day (100,748 from trust lands & 197,239 from fee lands)

1,241 active wells (748 on trust lands & 493 on fee lands)

156 wells waiting on completion

312 approved drilling permits (285 on trust lands & 27 on fee lands)

2,149 additional potential future wells (1,520 on trust lands & 629 on fee lands)

Seismic activity is steady 4 surveys active/recording, 1 remediating, 1 suspended, and 4 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 19% below the five-year average indicating increasing prices in the future. North Dakota shallow gas exploration could be economic at future gas prices and as you are aware exploration is underway in Emmons County. The first well will be on confidential status until 12/23/14.

The price of natural gas delivered to Northern Border at Watford City is down \$0.31 to \$3.56/MCF. This results in a current oil to gas price ratio of 22 to 1. The percentage of gas flared remained at 28% as the new Tioga gas plant remained below full capacity due to delayed expansion of gas gathering from south of Lake Sakakawea. The historical high flared percent 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 over 1.2 million comments. Thanks to all who provided comments in support of a “states first” policy. Department of Interior has announced a goal of issuing a final rule by year end of 2014. In addition they have started the process of new venting and flaring regulations and held input sessions in Denver, Albuquerque, Dickinson, and Washington, DC.

EPA has published an advanced notice of proposed rule-making to seek comment on the information that should be reported or disclosed for hydraulic fracturing chemical substances and mixtures and the mechanism for obtaining this information. The proposed rule-making is in response to a petition from Earthjustice and 114 other groups who are opposed to the use of the GWPC-IOGCC FracFocus website process of chemical disclosure and any type of trade secret protection for hydraulic fracturing fluid mixtures. These groups are requesting EPA regulation of chemical disclosure under the federal Toxic Substances Control Act. Comments are due by 5pm EDT 8/18/14 and should be submitted as follows:

Submit your comments, identified by docket identification (ID) number EPA-HQ-OPPT-2011-1019, by one of the following methods:

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the online instructions for submitting comments.
- *Mail:* Document Control Office (7407M), Office of Pollution Prevention and Toxics (OPPT), Environmental Protection Agency, 1200 Pennsylvania Ave. NW., Washington, DC 20460-0001.
- *Hand Delivery:* To make special arrangements for hand delivery or delivery of boxed information, please follow the instructions at <http://www.epa.gov/dockets/contacts.html>.