

# Director's Cut

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Mar Oil 36,905,561 barrels = 1,190,502 barrels/day  
Apr Oil 35,059,089 barrels = 1,168,636 barrels/day (preliminary)(all-time high was Dec 2014 1,227,483 barrels/day)  
1,108,572 barrels per day or 95% from Bakken and Three Forks  
60,064 barrels per day or 5% from legacy conventional pools

Mar Gas 47,101,520 MCF = 1,519,404 MCF/day  
Apr Gas 46,235,709 MCF = 1,541,190 MCF/day (preliminary)(all-time high was Dec 2014 1,570,858 MCF/day)

Mar Producing Wells = 12,443  
Apr Producing Wells = 12,537 (preliminary)(NEW all-time high)  
9,570 wells or 76% are now unconventional Bakken – Three forks wells  
2,967 wells or 24% produce from legacy conventional pools

Mar Permitting: 190 drilling and 0 seismic  
Apr Permitting: 168 drilling and 1 seismic  
May Permitting: 150 drilling and 0 seismic (all time high was 370 in 10/2012)

Mar Sweet Crude Price = \$31.47/barrel  
Apr Sweet Crude Price = \$38.33/barrel  
May Sweet Crude Price = \$44.70/barrel  
Today's Sweet Crude Price = \$48.00/barrel (all-time high was \$136.29 7/3/2008)

Mar rig count 108  
Apr rig count 91  
May rig count 83  
Today's rig count is 79 (lowest since December 2009)(all-time high was 218 on 5/29/2012)  
The statewide rig count is down 64% from the high and in the five most active counties rig count is down as follows:  
Divide -77% (high was 3/2013)  
Dunn -71% (high was 6/2012)  
McKenzie -57% (high was 1/2014)  
Mountrail -68% (high was 6/2011)  
Williams -63% (high was 10/2014)

Comments:

The drilling rig count dropped 17 from March to April, 8 more from April to May, and has since fallen 4 more from May to today. Operators have each been experimenting with running 1 to 2 fewer rigs than their planned 2015 minimum to see if drill times and efficiencies will continue to improve. This has resulted in a current active drilling rig count that is 5 to 8 rigs below what was operators indicated would be their 2015 average if oil price remained below \$65/barrel. The number of well completions dropped sharply from 244(final) in March to 94(preliminary) in April. Continued oil price weakness anticipated to last into next year is by far the primary reason for the slow-down. There was one significant precipitation event in the Dickinson area, 10 days with wind speeds in excess of 35 mph (too high for completion work), and no days with temperatures below -10F.

Over 98% of drilling now targets the Bakken and Three Forks formations.

At the end of April there were an estimated 925 wells waiting on completion services, an increase of 45. To maintain production near 1.2 million barrels per day, 110-120 completions must be made per month.

Crude oil take away capacity depends on rail deliveries to coastal refineries to remain adequate.

Rig count in the Williston Basin has begun to stabilize. Utilization rate for rigs capable of 20,000+ feet is about 45% and for shallow well rigs (7,000 feet or less) about 25%.

Drilling permit activity decreased slightly from March to April and significantly more from April to May as operators positioned themselves for low price 2015 budget scenarios.

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

Activity on the Fort Berthold Reservation is as follows:

8 drilling rigs (2 on fee lands and 6 on trust lands)

340,478 barrels of oil per day (144,431 from trust lands & 196,047 from fee lands)

1,471 active wells (1,103 on trust lands & 368 on fee lands)

32 wells waiting on completion

493 approved drilling permits (323 on trust lands & 170 on fee lands)

1,897 additional potential future wells (1,165 on trust lands & 732 on fee lands)

Seismic activity remains very low which is typical for spring time in North Dakota. There are 5 surveys active/recording, 0 remediating, 0 suspended, and 0 permitted. There are now 5 buried micro-seismic arrays in North Dakota for monitoring and optimizing hydraulic fracturing.

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

US natural gas storage is now 1.9% above the five-year average indicating stable to slightly higher prices in the future. North Dakota shallow gas exploration could be economic at future gas prices, but is not at the current price. As you are aware the exploration well in Emmons County is no longer on confidential status as of 12/23/14. The well has not been completed yet, but appears to contain 2 pay sections totaling about 80 feet thick with very good gas shows.

The price of natural gas delivered to Northern Border at Watford City is up \$0.17 to \$2.45/MCF. This results in a current oil to gas price ratio of 20 to 1. The percentage of gas flared was down slightly to 18%. The Tioga gas plant was steady at 84% of full capacity, but expansion of gas gathering from south of Lake Sakakawea remains delayed. The April capture percentage was 82% with the daily volume of gas flared from March to April decreased 13.9 MMCFD. The historical high flared percent was 36% in 09/2011.

Gas capture statistics are as follows:

Statewide 82%

Statewide Bakken 82%

Non-FBIR Bakken 81%

FBIR Bakken 88%

Trust FBIR Bakken 89%

Fee FBIR 86%

October - December 2014 capture target =74%

January – December 2015 capture target =77%

BLM revised final regulations for hydraulic fracturing on federal and Indian lands were published in the CFR on 3/26/15 so they will go into effect 6/24/15. North Dakota, Colorado, and Utah have intervened in the Wyoming legal challenge of the rules have filed for a preliminary injunction to prevent the rules going into effect until the case is settled.

The North Dakota Legislature passed HB1432 which sets up a council to address Clean Water Act, Safe Drinking Water Act, Clean Air Act, and Endangered Species Act issues:

BLM has started the process of new venting and flaring regulations with input sessions in Denver, Albuquerque, Dickinson, and Washington, DC.

BLM has published the North Dakota Greater Sage-Grouse Proposed Resource Management Plan Amendment and Final EIS. The 30-day protest period is scheduled to end June 29, 2015. Information on the plan and EIS can be found at the following web address: <https://www.blm.gov/epl-front-office/eplanning/planAndProjectSite.do?methodName=dispatchToPatternPage&currentPageId=48797>

EPA 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. Thanks to all who provided comments in support of a “states first” policy.

The comment period for the EPA and USACOE proposed rule redefining “Waters of the United States” ended 11/14/14. The EPA Administrator, Gina McCarthy, and the Assistant Secretary of the Army (Civil Works), Jo Ellen Darcy, signed the following final rule on 05/27/2015. Please refer to the official version in a forthcoming FR publication, which will appear on the Government Printing Office’s FDsys website (<http://fdsys.gpo.gov/fdsys/search/home.action>) and on [Regulations.gov](http://www.regulations.gov) (<http://www.regulations.gov>) in Docket No. EPA-HQ-OW-2011-880. The final rule will become effective 60 days after the publication date in the Federal Register.

Obama administration officials have proposed a plan under which the oil and gas industry would have to cut methane emissions by 40 to 45 percent below 2012 levels by 2025. U.S. EPA will issue new regulations this summer under the Clean Air Act, and a final rule could be in place in 2016. EPA's rulemaking will be done under Section 111(b) of the Clean Air Act, which allows regulation of new sources along the oil and gas supply chain. So the new regulations would apply to new and modified pieces of equipment only and would leave older pieces of equipment unregulated. In North Dakota the Clean Air Act is enforced by the Department of Health. Please monitor future Director's cuts for information on the status and how to comment on the proposed rule.

The USFWS has made a decision to list the Dakota Skipper and Poweshiek Skipperling to receive protection under the Endangered Species Act. Additional potential listing of concern are the Rufa Red Knot, Sprague's Pipit, Greater Sage Grouse, Monarch Butterfly, Sturgeon Chub, and Sicklefin Chub.