

# Director's Cut

Lynn Helms  
NDIC Department of Mineral Resources

June Oil 36,339,835 barrels = 1,211,328 barrels/day  
July Oil 37,259,526 barrels = 1,201,920 barrels/day (preliminary)(all-time high was Dec 2014 1,227,483 barrels/day)

1,146,977 barrels per day or 95% from Bakken and Three Forks  
54,943 barrels per day or 5% from legacy conventional pools

June Gas 49,558,524 MCF = 1,651,951 MCF/day  
July Gas 51,379,138 MCF = 1,657,392 MCF/day (preliminary)(NEW all-time high)

June Producing Wells = 12,868  
July Producing Wells = 12,940 (preliminary)(NEW all-time high)  
10,240 wells or 80% are now unconventional Bakken – Three forks wells  
2,628 wells or 20% produce from legacy conventional pools

June Permitting: 192 drilling and 0 seismic  
July Permitting: 233 drilling and 0 seismic  
Aug Permitting: 153 drilling and 1 seismic (all time high was 370 in 10/2012)

June Sweet Crude Price<sup>1</sup> = \$47.73/barrel  
July Sweet Crude Price = \$39.41/barrel  
Aug Sweet Crude Price = \$29.52/barrel  
Today's Sweet Crude Price = \$30.25/barrel (low-point since Bakken play began was \$22.00 in Dec 2008)(all-time high was \$136.29 7/3/2008)

June rig count 78  
July rig count 73  
Aug rig count 74  
Today's rig count is 69 (in November 2009 it was 63)  
(all-time high was 218 on 5/29/2012)  
The statewide rig count is down 68% 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 -67% (high was 1/2014)  
Mountrail -68% (high was 6/2011)  
Williams -75% (high was 10/2014)

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<sup>1</sup> Pricing Source: [Flint Hills Resources](#)

**Comments:**

The drilling rig count dropped 5 from June to July, increased 1 from July to August, and dropped 5 this month. Operators are now committed to running fewer rigs than their planned 2015 minimum as drill times and efficiencies continue to improve and oil prices continue to fall. This has resulted in a current active drilling rig count of 10 to 15 rigs below what operators indicated would be their 2015 average if oil price remained below \$65/barrel. The number of well completions fell from 149(final) in June to 119(preliminary) in July. Oil price weakness now anticipated to last well into next year is the main reason for the continued slow-down. There was one significant precipitation event in the Dickinson area, 12 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 July there were an estimated 914 wells waiting on completion services<sup>2</sup>, 70 more than at the end of June.

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

Rig count in the Williston Basin had stabilized, but the drop in oil price associated with anticipation of lifting sanctions on Iran and a weaker economy in China is leading to further cuts. 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 increased from June to July but fell sharply from July to August as operators positioned themselves for low 2016 price scenarios. Operators already have a significant permit inventory should a return to the drilling price point occur in the next 12 months.

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

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<sup>2</sup> Disclaimer: The number of wells waiting on completions is an estimate on the part of the director based on idle well count and a typical five year average. Neither the State of North Dakota, nor any agency officer, or employee of the State of North Dakota warrants the accuracy or reliability of this product and shall not be held responsible for any losses caused by this product. Portions of the information may be incorrect or out of date. Any person or entity that relies on any information obtained from this product does so at his or her own risk.

Activity on the Fort Berthold Reservation is as follows:

- 11 drilling rigs (3 on fee lands and 8 on trust lands)
- 358,783 barrels of oil per day (141,845 from trust lands & 216,938 from fee lands)
- 1,539 active wells (1,103 on trust lands & 436 on fee lands)
- 124 wells waiting on completion
- 527 approved drilling permits (363 on trust lands & 164 on fee lands)
- 1,829 additional potential future wells (1,165 on trust lands & 664 on fee lands)

Seismic activity is limited to 5 micro-seismic arrays for monitoring and optimizing hydraulic fracturing. There are 5 surveys active/recording, 0 remediating, 0 suspended, and 1 permitted.

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

US natural gas storage is now 4.1% 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. The operator of the exploration well in Emmons County has applied for TA status and cancelled all other permits in the area. The well 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 down \$0.11 to \$2.30/MCF. This results in a current oil to gas price ratio of 13 to 1. The percentage of gas flared was up 3% to 20%. The Tioga gas plant was down slightly to 88% of capacity. Even though the expansion of gas gathering from south of Lake Sakakawea was approved, the approval came too late for the 2015 construction season, resulting in a 1 year delay. The July Bakken capture percentage was 81% with the daily volume of gas flared from June to July up 30 MMCFD. The historical high flared percent was 36% in 09/2011.

Gas capture statistics are as follows:

- Statewide 80%
- Statewide Bakken 81%
- Non-FBIR Bakken 81%
- FBIR Bakken 81%
- Trust FBIR Bakken 79%
- Fee FBIR 88%
- January – December 2015 capture target=77%
- January 2016 – September 2020 capture target=85%
- After October 2016 capture target=90%

**BLM** revised final regulations for hydraulic fracturing on federal and Indian lands were published in the CFR on 3/26/15 and they were scheduled to go into effect 6/24/15. North Dakota, Colorado, Utah, Wyoming, Western Energy Alliance, and IPAA filed for a preliminary injunction to prevent the rules going into effect until the case is settled. Following a lengthy hearing in Casper, Wyoming on July 23, the court issued a stay on

the rules. On 8/28/15 BLM filed 33 gigabytes containing 20,000-30,000 documents representing approximately 55% of the administrative record of the rule making. BLM has asserted that the additional 45% of the record (27 gigabytes containing 15,000 to 25,000 documents) is privileged. Injunction applicants have until 9/18/15 to file citations to the record for their positions, and until 10/16/15 to file motions to supplement the record. The court plans to rule approximately 2 weeks later. [NDIC comments](#)

**BLM** has published a new final rule to revise Onshore Order 3. The proposed rule would change the way federal production is measured and allocated for calculation of royalties, require a federal Application for Permit to Drill (APD) even for state and private wells in a federal unit or communitized area (CA), and revise the situations in which downhole commingling of production from different leaseholds would be allowed. Comments on the proposed rule are now due to BLM on October 9th. Comments concerning the information collection burdens of the proposed rule were due to the Office of Management and Budget, on September 12th.

**ADDRESSES:**

Mail: U.S. Department of the Interior, Director (630),  
Bureau of Land Management, Mail Stop 2134 LM, 1849 C St., NW.,  
Washington, DC 20240, Attention: 1004-AE15.

Personal or messenger delivery: 20 M Street SE., Room 2134LM, Washington, DC 20003.

Federal eRulemaking Portal: <http://www.regulations.gov> Follow the instructions at this Web site

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. [NDIC comments](#)

**BLM** has published the North Dakota Greater Sage-Grouse Proposed Resource Management Plan Amendment and Final EIS. Information on the plan and EIS can be found [here](#).

**EPA** published an advanced notice of proposed rule-making to seek comments 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. [NDIC comments](#)

**EPA** Administrator, Gina McCarthy, and the Assistant Secretary of the Army (Civil Works), Jo Ellen Darcy, signed the “Waters of the United States” final rule on 05/27/2015. The final rule was published in the Federal Register July 29, 2015 and became effective in 37 states on August 28, 2015. North Dakota, Alaska, Arizona, Arkansas, Colorado, Idaho, Missouri, Montana, Nebraska, New Mexico, Nevada, South Dakota, and Wyoming filed a lawsuit in U.S. District Court, claiming the final rule would harm states as regulators of the waters and lands. On August 27th Federal District Judge Erickson granted a preliminary injunction preventing enforcement of the rule in the 13 states. The North Dakota case will now be subject to appeal, but no schedule has been set at this time. [NDIC comments](#)

Texas, Mississippi and Louisiana filed a joint complaint in the U.S. District Court for the Southern District of Texas, charging that the rule is unconstitutional. Ohio and Michigan filed a complaint in the U.S. District Court for the Southern District of Ohio, alleging that the expansion of jurisdiction includes dry land. Georgia and eight other states (Alabama, Florida, Kansas, Kentucky, South Carolina, Utah, West Virginia and Wisconsin) filed suit in the U.S. District Court for the Southern District of Georgia, asking the court to vacate the rule and block its enforcement by injunction. EPA has moved ahead with enforcement of the WOTUS rule in the 37 states not part of the North Dakota case.

**EPA** proposed a suite of requirements to help combat climate change, reduce air pollution that harms public health, and provide greater certainty about Clean Air Act permitting requirements for the oil and natural gas industry on August 18, 2015.

The proposed actions are:

- Proposed updates to the agency’s New Source Performance Standards that would set methane and VOC requirements for additional new and modified sources in the oil and gas industry;
- Draft guidelines for reducing VOC emissions from existing oil and gas sources in certain ozone nonattainment areas as well as in the mid-Atlantic and northeastern states in the Ozone Transport Region;
- Proposed updates to the agency’s air permitting rules as they apply to the oil and natural gas industry; and
- A proposed Federal Implementation Plan to implement minor New Source Review permitting in Indian country.

EPA will take written comments for 60 days after the proposals are published in the Federal Register.

There are multiple ways to submit written comments. Instructions for submitting comments are below. **Please note that each of the proposals has a different docket number. It is important to label your comments with the correct docket number to ensure EPA receives them.**

In addition to labeling your comments, please include the docket number in the subject line if you are emailing or faxing your comments or on the envelope if you are submitting them by mail.

Here are the docket numbers for the proposed rules and draft guidelines. Please label your comments with the appropriate docket number:

- Proposed New Source Performance Standards – Docket ID number EPA-HQ-OAR-2010-0505

- Draft Control Techniques Guidelines – Docket ID number: EPA-HQ-OAR-2015-0216
- Proposed Source Determination Rule – Docket ID number: EPA-HQ-OAR-2013-0685
- Proposed Federal Implementation Plan for Implementing Minor New Source Review Permitting in Indian Country – Docket ID number: EPA-HQ-OAR-2014-0606

**SUBMIT COMMENTS BY ANY OF THE FOLLOWING METHODS**

Go to [www.regulations.gov](http://www.regulations.gov), enter the docket number in the search box and click the “Search” button. Then click a “Comment Now!” on the search results page and follow the online instructions for submitting comments.

- Send comments by e-mail to [a-and-r-Docket@epa.gov](mailto:a-and-r-Docket@epa.gov) Attention Docket ID No. (fill in the appropriate docket ID number)
- Fax your comments to: (202) 566-9744, Attention Docket ID. No. (fill in the appropriate docket ID number)
- Mail your comments to: Air and Radiation Docket and Information Center, Environmental Protection Agency, Mail code 28221T, 1200 Pennsylvania Ave, NW, Washington, DC 20460, Attention Docket ID No. (fill in the appropriate docket ID number)
- Deliver comments in person to: Hand Delivery: EPA Docket Center, Room 3334, EPA WJC West Building, 1301 Constitution Avenue, NW, Washington, DC 20004. Such deliveries are only accepted during the Docket’s normal hours of operation, and special arrangements should be made for deliveries of boxed information.
- For tips on submitting comments, see <http://www2.epa.gov/dockets/commenting-epadockets>

**NDIC has requested a 180 day extension of the comment period.**

On August 26, 2015 a coalition of environmental organizations filed a 60 day legal notice with the U.S. Environmental Protection Agency demanding more regulation of drilling and fracking waste. The groups are the Environmental Integrity Project, Natural Resources Defense Council, Earthworks, Responsible Drilling Alliance, San Juan Citizens Alliance, West Virginia Surface Owners Rights Organization, and the Center for Health, Environment and Justice. The groups are calling on EPA to comply with its long-overdue obligations to update waste disposal rules such as instituting stricter controls for underground injection wells, banning the practice of spreading fracking wastewater onto roads or fields, and requiring landfills and ponds that receive drilling and fracking waste to be built with adequate liners and structural integrity to prevent spills and leaks into groundwater and streams.

**ND may need to intervene to prevent a sue and settle situation that would adversely impact state regulatory jurisdiction.**

**USFWS** has made a decision to list the Dakota Skipper and Powershiek 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 Sicklefim Chub.