Director's Cut

Lynn Helms
NDIC Department of Mineral Resources

Dec Oil 28,727,304 barrels = 926,687 barrels/day
Jan Oil 28,926,977 barrels = 933,128 barrels/day (preliminary)(all-time high was 976,453 in 11/13)
871,672 barrels per day or 93% from Bakken and Three Forks
61,456 barrels per day or 7% from legacy conventional pools

Dec Gas 30,736,712 MCF = 991,507 MCF/day
Jan Gas 31,258,739 MCF = 1,008,346 MCF/day (preliminary)(all-time high was 1,085,256 in 11/13)

Dec Producing Wells = 10,040
Jan Producing Wells = 10,100 (preliminary)(NEW all-time high)
6,935 Wells or 61% are now unconventional Bakken – Three forks wells
4,425 wells or 39% produce from legacy conventional pools

Dec Permitting: 227 drilling and 1 seismic
Jan Permitting: 253 drilling and 0 seismic
Feb Permitting: 180 drilling and 4 seismic (all time high was 370 in 10/2012)

Dec Sweet Crude Price = $73.47/barrel
Jan Sweet Crude Price = $74.20/barrel
Feb Sweet Crude Price = $86.89/barrel
Today Sweet Crude Price = $84.00/barrel (all-time high was $136.29 7/3/2008)

Dec rig count 190
Jan rig count 188
Feb rig count 189
Today's rig count is 191 (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 -7% (high was January 2014)
Williams -31% (high was March 2012)
Mountrail -5% (high was June 2011)
Dunn -37% (high was June 2012)
Divide -38% (high was March 2013)

Comments:
The drilling rig count was down from Dec to Jan and the number of well completions dropped from 119 to 60. Days from spud to initial production decreased 10 days to 122.

Investor confidence appears to be growing. There are over 100 wells shut in for the Tioga gas plant conversion in an attempt to minimize flaring, but the biggest production impact story continues to be the weather. January temperatures were only 6 degrees below normal with only 3 days too cold for fracturing work, and there were no major snow events, but 12 days had sustained wind speeds too high for well completion work.

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

At the end of Jan there were about 660 wells waiting on completion services, an increase of 25.

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 above 90%, and for shallow well rigs (drill to 7,000 feet or less) about 60%.

Drilling permit activity was up in January, but has slowed as operators start late winter operations and plan for using existing multi-well pads during spring melt. The NDIC goal is to maintain a sufficient permit inventory to accommodate multi-well pads through the end of load restrictions.

The number of rigs actively drilling on federal surface in the Dakota Prairie Grasslands is down to 1.

Activity on the Fort Berthold Reservation is as follows
27 drilling rigs (10 on fee lands and 17 on trust lands)
289,041 barrels of oil per day (105,954 from trust lands & 183,087 from fee lands)
1,139 active wells (728 on trust lands & 411 on fee lands)
150 wells waiting on completion
304 approved drilling permits (283 on trust lands & 21 on fee lands)
2,230 additional potential future wells (1,540 on trust lands & 690 on fee lands)

Seismic activity is up with 7 surveys active/recording, 1 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 39% below the five-year average indicating 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 $2.15 to $6.65/MCF. This results in a current oil to gas price ratio of 13:1. The percentage of gas flared is unchanged at 36% largely due to the temporary shut-down of the Tioga gas plant on December 25th for expansion. The new plant is now planned to begin operating by the end of March. This matches the historical high of 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. Department of Interior is holding a meeting in Denver next week to continue dialogue on implementation of the rules. In addition they are starting the process of new venting and flaring regulations.