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Director's Cut

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Dec Oil 10,665,980 barrels = 344,064 barrels/day
Jan Oil 10,604,719 barrels = 342,088 barrels/day (preliminary) (all time high 356,505 Nov 2010)

Dec Gas 10,564,248 MCF = 340,782 MCF/day
Jan Gas 10,509,717 MCF = 339,023 MCF/day (preliminary) (all time high 356,446 Nov 2010)

Dec Producing Wells = 5,331
Jan Producing Wells = 5,315 (all time high 5,331 Dec 2010)

Dec Permitting: 134 drilling (0 shallow gas) and 0 seismic
Jan Permitting: 142 drilling (0 shallow gas) and 0 seismic (all time high 245-0-2 Nov 2010)

Dec Sweet Crude Price = $81.03/barrel
Jan Sweet Crude Price = $80.02/barrel
Today Sweet Crude Price = $89.75/barrel ND (all time record high $136.29 July 3, 2008)

Dec rig count 163
Jan rig count 163
Feb rig count 167
Today's rig count is 171 (all time record high 174 Mar 14, 2011)

Comments:
Over 95% of drilling is targeting the Bakken and Three Forks formations. Bowman County Red River production continues to decline with just 1 well now drilling. Production, gas gathering, and hydraulic fracturing are being negatively impacted by severe winter weather. The idle well count jumped to 760 in January 2011, the highest number since April 2002. We continue to have surplus crude take away capacity with pipeline, rail, and truck transportation all included. Shipment by rail is increasing and crude trucked to Canada is steady. Additional pipeline and rail projects in the various planning stages should provide adequate capacity until 2015. North Dakota Sweet posted price versus NYMEX-WTI is down slightly to approximately -7.5%.

Rig counts in the Williston basin have begun to rise again as spring weather and road restrictions loom. Utilization of 20,000 foot capable rigs is now over 90%, but for shallow well rigs that can drill to 7,000 feet or less utilization remains below 50%. Low natural gas prices and delays in permitting for deep water drilling continue boosting the ND rig count. The efforts to force federal regulation of hydraulic fracturing have picked up again with letters from congress and EPA study plans now published. The possibility of changes in the federal tax treatment of drilling costs remains high.

Drilling permit activity has picked up again, but is well below record levels due to winter weather and longer waiting lists for fracturing services.

The number of wells drilling on federal surface in the Dakota Prairie Grasslands is unchanged at 3.

Seismic activity has slowed significantly due to snow, blizzards, and lack of frost under the heavy snow cover.

Leasing activity remains mainly focused on renewals and top leases in the Bakken - Three Forks thermal maturity area, but there is significant activity south of Dickinson to the South Dakota border.

Natural gas production is down, also due to cold weather. Flaring has reached a new record level of 24.1% excluding inert gases from tertiary recovery operations. Significant new plant and gathering pipeline expansions have been announced, but can’t make significant progress until warmer weather. US storage is up slightly to 1.3% above the five-year average. North Dakota Shallow gas exploration is not economic at the current price.

Natural gas Watford City Delivery to Northern Border price is down further to $3.45/MCF.