Director's Cut

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Dec Oil 16,586,477 barrels = 535,048 barrels/day
Jan Oil 16,927,453 barrels = 546,047 barrels/day (preliminary) (NEW all time high)

Dec Gas 16,891,897 MCF = 544,900 MCF/day
Jan Gas 17,717,696 MCF = 571,539 MCF/day (preliminary) (NEW all time high)

Dec Producing Wells = 6,471
Jan Producing Wells = 6,617 (NEW all time high)

Dec Permitting: 180 drilling and 2 seismic
Jan Permitting: 170 drilling and 0 seismic (all time high was 245 in Nov 2010)

Dec Sweet Crude Price = $88.57/barrel
Jan Sweet Crude Price = $88.09/barrel
Today Sweet Crude Price = $75.50/barrel ND (all time record high $136.29 July 3, 2008)

Dec rig count 199
Jan rig count 200
Feb rig count 202
Today's rig count is 205 (all time record high was 207 on Mar 3-4, 2012)

Comments:
The warm dry weather continues to result in increased hydraulic fracturing activity and increased production. As a result, even as rig count rises slowly daily production increased 2-3%. Over 95% of drilling is still targeting the Bakken and Three Forks formations. The idle well count is falling with just under 250 wells now waiting on fracturing services. More crews are moving to North Dakota to catch up.

Crude oil take away capacity via pipeline is well below production, but rail and truck transportation combined are keeping up with near term production projections. Due to the delayed or possible non-approval of Keystone XL the bottleneck at Cushing, OK is now resulting in a North Dakota Sweet posted price to NYMEX-WTI discount of -30% and a NYMEX-WTI to Brent discount of -13%. This is forcing an increasing amount of North Dakota crude oil onto rail transportation where it can reach destinations that pay Brent price.

Rig counts in the Williston basin are increasing slowly. Adding rigs now requires new builds since in the Rocky Mountain area utilization of rigs capable of +20,000 feet is over

95%. Many of the new rigs are replacing older less efficient ones. For shallow well rigs that drill to 7,000 feet or less utilization remains about 50%.

EPA regulation of hydraulic fracturing under the safe drinking water act through the diesel fuel provision in the 2005 energy policy act remains on hold with the proposed guidance document(s) still under review at OMB. Following that review a 60 day public comment period is planned.

Drilling permit activity is high, but still well below record levels.

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

Seismic is very busy with 6 surveys active, 2 remediating, 1 suspended, and 5 permitted.

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

Daily natural gas production is up while construction of processing plants and gathering systems was slowed in February due to colder weather. US natural gas storage is 52% above the five-year average which means low prices for the foreseeable future. North Dakota shallow gas exploration is not economic at the current price.

Natural gas delivered to Northern Border at Watford City price is down to $1.89/MCF. This results in the current oil to gas price ratio of 40 to 1. The low value of processed natural gas does not justify investment in gathering and processing infrastructure, but the natural gas liquids make gathering and processing of Bakken gas economic. Additions to the processing capacity in the state are beginning to be reflected in a declining percentage of gas being flared and this trend should continue in the coming months.