

Oil & Gas Newsletter

DIRECTORS CUT SUMMARY

Oil Production

March: 1,124,289 Barrels/Day

April: 1,133,435 Barrels/Day

(All-Time High: 1,519,036 BPD – November 2019)

Producing Wells

March: 17,656

April: 17,740

(87% Bakken/Three Forks wells – 13% Legacy Conventional Wells)

All-time High: 17,791 (October 2022)

Source: ND Department of Mineral Resources (June 13, 2023)

Wells Waiting on Completion

January: 469

February: 487

Wells Permitted

March: 89

April: 89

May: 63

Rig Count

March: 45

April: 45

May: 43

BLAKE'S TAKE By: Blake Holman, AVP Trust Officer

I think the market is overpricing the probability of demand destruction from a coming recession. While I agree with the sentiments expressed by fixed-income and energy markets that a recession is highly likely this year, I'm less convinced that the fundamental forces propping up oil prices will be significantly diminished by that recession. With China's "reopening" and India's economy picking up steam, emerging market demand will prove reliably strong as we enter the summer months. Sanctions on Russian oil have served only to filter it to purchasers through intermediaries (creating plausible deniability) and failed to stem its incorporation into global markets. That's a bearish factor for pricing, but Russia has already agreed to reduce its output by 500,000 barrels per day along with Saudi Arabia.

This indicates to me that the bonds within OPEC+ remain strong despite international sanctions. The OPEC+ cartel will likely reassume its role as the primary driver of global supply/demand dynamics and appears determined to bring prices back into the 85+ dollar per barrel range. At the May meeting, Saudi Arabia stated its intention to unilaterally increase its production cut by an additional one million barrels above the 500,000 barrels announced in April. These commitments to reduced supply are coming just as the US and EU economies enter the summer travel season. The US had assumed the role of swing producer as a consequence of the shale revolution, but with a tight labor market, unfavorable regulatory regime, and a need to return capital to shareholders, I don't believe that

US shale companies will prove to be the price destroyers they were between 2014 and 2020. While it will be a bumpy ride, I expect WTI to return to the mid \$80/bbl range at some point this year with prospects for higher prices than that. Let us not forget that the US will need to start purchasing oil to refill the strategic petroleum reserve later this year or early next year. When we cease releasing SPR onto the global market and instead become purchasers again, that has a high likelihood to push prices up very quickly if the world is not in the throes of recession. I wish I could be more certain of these predictions, but there are few markets more volatile, manipulated, or with more confounding factors than the global oil and natural gas markets. I hope you find some value in my perspective.

UPCOMING EVENTS

2023 ND Petroleum Council

September 19-21, 2023

Watford City, ND

2023 NARO National Convention

October 16-20, 2023

The Royal Sonesta Hotel, New Orleans, LA

NEWS

3.29.23 Bismarck, ND (AP)

Judge Orders US to resume oil lease sales in North Dakota

A federal judge has ordered the U.S. government to resume regular oil and gas lease sales on federal lands in North Dakota, even as a legal battle continues over the Biden administration's suspension of the leasing program two years ago in an effort to combat climate change.

3.07.23 BISMARCK, N.D. (KXNET)

Governor Doug Burgum held a press conference talking about the impacts both oil and gas have on North Dakota's economy.

"Our state has been so blessed by the success of the oil and gas industry compared to virtually any other state our size," he stated. Oil and gas account for more than \$42.6 billion in gross business volume in North Dakota, and is responsible for nearly 50,000 jobs. It also brought in \$3.8 billion in state and local tax revenues in 2021.

"The oil and gas industry continues to be a game changer for North Dakota," Governor Burgum continued. "These numbers we talked about in the billions of tax revenues – they make you think about the billions in royalty revenues that are paid to mineral owners, and how those dollars have flown back into communities. "Researchers at NDSU conducted a study to see the economic contributions of oil and gas exploration, extraction, transportation, processing, and capital investments to the state in 2021.

According to this research, that \$42.6 billion in gross business volume is an increase of \$2.38 billion over 2019 –

and over 30% of the state's overall gross business volume. Governor Burgum says the taxes and royalties go into supporting our state's significant investments, including infrastructure, schools, communities, and the Legacy Fund.

4.24.23 (News Release)

The North Dakota Department of Mineral Resources release an article Ancient subtropical soils may hold the key to critical mineral enrichment in the Williston Basin of North Dakota.

Bismarck, ND – Lynn Helms, Director of the North Dakota Department of Mineral Resources and Ed Murphy, North Dakota State Geologist, announced that the North Dakota Geological Survey has developed a comprehensive exploration model for the lignite coals and organic-rich mudstones enriched in critical minerals.

This model is based on the recent discover of the thirty-foot-thick interval of rocks containing elevated concentrations of many critical minerals, some of which can be significantly enriched.

This brightly colored rock unit is called the Bear Den Member of the Golding Valley Formation which is typically present in upland areas covering 340 square miles spread across west-central North Dakota.

This important discovery is documented in a just-released 90 page report: ND Geological Survey Report of the Investigation no. 133, available for free download on the DMR-Geological Survey website.

NDPC Creates Bakken GROW (Global Recruitment of Oilfield Workers) Program

The North Dakota Petroleum Council (NDPC) is responding to the

workforce shortage for its oil and natural gas company members by creating a new program called Bakken GROW (Global Recruitment of Oilfield Workers) which will be an innovative way to bring new workers to the Bakken region through immigration.

Ukrainian workers are being recruited to North Dakota with the new "Uniting for Ukraine" (U4U) streamlined immigration process providing Ukrainian citizens, who have fled since Russia's invasion, an opportunity if they want to come to the United States and work immediately. U4U builds on the robust humanitarian assistance the U.S. government is providing trying to find hosts for Ukrainian citizens and others who have been displaced.

To assist with workforce development efforts, NDPC has hired former Lt. Governor, Brent Sanford, to be the Project Manager of Bakken GROW. Sanford will be the lead liaison between member companies and immigration recruitment agencies to assist with the process of bringing workers to North Dakota to work in the Bakken.

President of NDPC, Ron Ness expresses "They need our help. We need their help." Each U4U immigrant needs a sponsor before they can come to the United States. NDPC is looking for individuals who are willing to be a part of the solution. Consider sponsoring a Ukrainian so they can come to North Dakota.

NDPC plans to welcome the first 25 new workers to North Dakota by July 2023. This initial group from Ukraine will receive safety training through NDPC's One Basin, One Way! Program and then each employer will continue their orientation and community acclimation within their first couple of days in western North Dakota.

OIL & GAS MANAGEMENT

- Full-Service Administration
- Proactive Management
- Comprehensive Accounting



First Western Bank & Trust has a team of staff ready and available to service minerals accounts. First Western incorporates internal auditors, external auditors, and federal regulators who are testing our systems and analyzing our controls. We have the depth of management to continue servicing mineral accounts over the long term. We have long-established relationships with attorneys and accountants who can provide assistance as necessary. A team approach to mineral management to preserve and grow your family's assets for future generations. A good piece of mind for you and your family.

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