



PETROLEUM SERVICES
ASSOCIATION OF CANADA
#1150, 800 - 6 Avenue SW, Calgary, AB T2P 3G3
T: 403.264.4195 F: 403.263.7174 E: info@psac.ca

PSAC Increases 2011 Drilling Forecast by 500 Wells

(Calgary, AB) --- (Calgary, AB) --- In its first update to the 2011 Canadian Drilling Activity Forecast, released today, the Petroleum Services Association of Canada (PSAC) is forecasting a new total of 12,750 wells drilled (rig released) across Canada for 2011. This is an increase of 500 wells (4 per cent) from PSAC's original 2011 Forecast released in early November 2010.

On a provincial basis for 2011, PSAC estimates 8,390 wells to be drilled in Alberta, a growth of three per cent over final 2010 drilling levels. PSAC expects British Columbia to have 700 wells drilled in 2011, an increase of 7 per cent from last year. Saskatchewan's drilling rate in 2011 will see an 11 per cent rise over 2010 to 3,075 wells, while drilling levels in Manitoba will move up by 1 per cent to 550 wells. The final tally for 2010 was 12,158 wells drilled across Canada.

PSAC's Drilling Activity Forecast upswing is primarily the result of strengthening prices for crude oil. PSAC is basing its updated 2011 Forecast on average natural gas prices of CDN\$3.85/mcf (AECO) and crude oil prices of US\$85.00/barrel (WTI).

"Due to strengthening oil prices and innovations in technology, we expect 2011 to continue to see modest increases in drilling levels from 2010, recognizing shortages in skilled labour that restrict the ability of drilling and petroleum service providers to realize full output capacity," said Mark Salkeld, President of PSAC. "The industry is still faced with weak natural gas prices primarily related to oversupply in the market. The burgeoning supply of natural gas – despite reduced levels of drilling – is a direct result of shale gas production. We continue to see an escalation in not only the amount of horizontal wells being drilled, but also in the length of these wells. The industry should see north of 5,000 horizontal wells drilled in 2011, indicating the type of capital being spent in the basin."

PSAC presents updates to their Drilling Activity Forecast quarterly. "We expect to announce further increases at our next forecast session in late April," continued Mr. Salkeld. "We're in the midst of making some changes and improvements to the way we present drilling information at our Mid-Year Luncheon held annually in April. We'll be drawing information from our Well Cost Study – it's going to be quite comprehensive – and I think people won't want to miss that event."

More information about PSAC's Mid Year Luncheon and second quarter update can be found at www.pfac.ca/events.

The Petroleum Services Association of Canada is the national trade association representing the service, supply and manufacturing sectors within the upstream petroleum industry. PSAC represents a diverse range of over 250 member companies, employing more than 52,000 people and contracting almost exclusively to oil and gas exploration and production companies. PSAC member companies represent over 80 per cent of the business volume generated in the petroleum services industry.

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For more information, please contact:

Holly Kerr, Manager, Communications and Member Relations
Tel: (403) 616-3891
Email: hkerr@psac.ca

Mark Salkeld, PSAC President
Tel: (403) 781-7383
Email: msalkeld@psac.ca