Petroleum Services Association of Canada

MEDIA RELEASE

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PSAC's 2011 Drilling Activity Forecast to Increase by Only 700 Wells

(Calgary, AB) --- The *PSAC 2011 Canadian Drilling Activity Forecast* mid-year update, released today by the Petroleum Services Association of Canada (PSAC), forecasts another increase in Canadian drilling activity levels. The revised forecast for 2011 is a total of 12,950 wells drilled (rig released) across Canada, representing a 5.7 per cent increase in total wells drilled. The number is up from PSAC's initial release of the *Canadian Drilling Activity Forecast,* released in November 2010.

The *PSAC Canadian Drilling Activity Forecast* update's slight increase can be attributed to a few key trends including the fact that fewer wells are being drilled because of the use of horizontal drilling techniques and new technologies being deployed for deeper drilling and more complex completions. Additionally, the time and cost commitment are increasing, and the continuing downward trend in the price of natural gas also means a continuing decline in the number of productive natural gas wells.

PSAC is basing its updated 2011 Forecast on average natural gas prices of CDN$3.85/mcf (AECO) and crude oil prices of US$100/barrel (WTI).

"The level of drilling activity is a good sign of what's going on in terms of recovery from the economic downturn. But even though there are strong signs of recovery, further rebounds in drilling activity are being impacted by the ongoing labour shortage and resultant inability to keep up," said Mark Salkeld, PSAC President. "That said, productivity is most certainly on a rebound and looking down the road we will continue to see increasing production without drilling levels returning to those of previous years because of the use of new technologies."

On a provincial basis for 2011, PSAC still forecasts the greatest increase in well count to take place in Manitoba with a forecasted increase of 13 per cent over 2010 numbers. Saskatchewan is only slightly trailing with an 11 per cent forecasted increase to 3,043 wells. Alberta boasts a healthy forecasted increase of 7.5 per cent to 8,732 wells drilled (rig released) while BC is projected to experience a 15 per cent decline to 554 wells from the previous year's 649 wells. Overall, any gains being seen in Alberta are offset by losses in BC.

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 255 member companies, employing more than 58,000 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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