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Natural Gas Prices Result in a Decrease in Drilling Activity Forecast

(Calgary, AB) --- The *PSAC 2012 Canadian Drilling Activity Forecast* third quarter update, released today by the Petroleum Services Association of Canada (PSAC), forecasts a decrease in Canadian drilling activity levels. In April, PSAC revised the 2012 forecast to a total of 13,150 wells drilled (rig released) across Canada, representing a 3 per cent increase in total wells drilled compared to 2011. PSAC is now forecasting a decrease to 12,500 wells for 2012, down 650 wells from April. This amounts to a decrease of 3 per cent over 2011 in total wells drilled (rig released) across Canada.

PSAC is basing its updated 2012 Forecast on average natural gas prices of CDN\$2.50/mcf (AECO) and crude oil prices of US\$90/barrel (WTI).

"Commodity prices on the natural gas side of things have had a big impact on activity levels so far this year," says Mark Salkeld, President of PSAC. "As well, activity has been impacted by key shifts in the global economy including the European debt crisis and the decline in demand coming from Asia."

"We are cautiously optimistic about activity levels staying at or around the 2011 well count, with activity more weighted towards liquids rich gas and oil," adds Salkeld. "PSAC Member companies continue to be busy and the demand for their services in western Canada seems to have steadied following a late breakup and some persistent wet weather."

"Our forecast update includes positive numbers with regards to efficiency in the patch," says Salkeld. "The average meterage per well is up over 2000 meters, but we are forecasting that the average operating days per well will decrease by 7 per cent this year."

On a provincial basis for 2012, PSAC now forecasts the greatest increase in well count to take place in Manitoba with 663 wells, an increase of 14 per cent over 2011 numbers. For 2012, PSAC is forecasting that Alberta will see a decline in the number of wells drilled by 4 per cent to 7,795 wells and British Columbia will see a decrease in the number of wells drilled by 22 per cent to 485 wells. Saskatchewan's well count for 2012 will be relatively unchanged from the previous year.

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 nearly 260 member companies, employing more than 65,000 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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