



# NEWS RELEASE

## CAODC DOWNGRADES DRILLING OUTLOOK — 2009

### **For Immediate Release**

**Calgary, Alberta (February 20, 2009)**

The Canadian Association of Oilwell Drilling Contractors (CAODC) has released a revised forecast of drilling activity for 2009. This is the first time, in over two decades, that a revised projection has been made in the middle of the winter drilling season.

The downgrade in anticipated drilling activity is necessary because the weekly rig counts are now tracking significantly off of the forecast released in October 2008.

The Association now expects that the number of operating days will be 95,000, well below the 129,000 originally estimated. Measured in terms of wells drilled, the forecast is 11,176, some 3,100 wells less than the 14,325 shown in October 2008. This is a 22% downgrade in the outlook.

Compared with 2008, the number of wells expected to be completed is almost 5,700 fewer (16,844 completed in 2008). It is only one-half of the 22,127 wells completed in 2006 and 2005.

An average of 262 rigs will be drilling in 2009, out of 860 available, or 30%. Utilization in the all important first quarter is now expected to average just 39%, or 333 rigs drilling. The last time drilling activity was this low in the first quarter was 1999 — however, there were far fewer rigs in the fleet 10 years ago. A comparable first quarter utilization rate — 32% — was 1992, which was also the same year when utilization was the lowest in 30 years. During the second quarter, only 86 rigs will be drilling on average, again, a level not seen in 17 years. The utilization rate is expected to be 10%.

Some recovery is anticipated during the last six months of the year. An average of 267 rigs drilling is projected in the third quarter, similar to what was seen in 2002. The average number of rigs drilling in the last three months of 2009 is projected at 361, close to what was observed during the fourth quarters in 2007 and 2008.

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Average drilling times, 8.5 days/well, reflect deeper well depths associated with unconventional gas and horizontal oil wells. Reduced shallow gas drilling activity is assumed in the forecast.

The pricing assumptions are shown as \$50.00/bbl (USD) for oil and \$7.00/Mcf (CDN) for natural gas.

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Don Herring or Nancy Malone  
Phone: (403)264-4311  
info@caodc.ca  
800, 540 – 5 Avenue SW  
Calgary AB T2P 0M2  
www.caodc.ca



# **REVISED FORECAST — 2009**

*February 20, 2009*

## **WESTERN CANADA**

<b>2009 Total Number of Wells (Western Canada): 11,176</b>				
<u>QUARTER</u>	<u>ACTIVE RIGS</u>	<u>FLEET</u>	<u>UTILIZATION</u>	<u>OPERATING DAYS *</u>
2009 – 1 <sup>st</sup>	333	860	39%	29,980
2009 – 2 <sup>nd</sup>	86	860	10%	7,758
2009 – 3 <sup>rd</sup>	267	860	31%	24,407
2009 – 4 <sup>th</sup>	361	860	42%	32,855
<b>Average 2009</b>	<b>262</b>	<b>860</b>	<b>30%</b>	<b>95,000</b>

<b>2006</b>			<b>2007</b>			<b>2008</b>		
<b>Drilling</b>	<b>Util.</b>	<b>Wells</b>	<b>Drilling</b>	<b>Util.</b>	<b>Wells</b>	<b>Drilling</b>	<b>Util.</b>	<b>Wells</b>
501	63%	22,127	336	38%	19,144	351	40%	16,844

Assumptions: WTI: \$50.00/bbl (USD)    AECO: \$7.00/Mcf (CDN)    8.5 days/well

\* Calculation based on spud to rig release data