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1977



# NEWS RELEASE

## CAODC FURTHER DOWNGRADES DRILLING OUTLOOK – 2009

**For Immediate Release  
Calgary, Alberta (July 7, 2009)**

The Canadian Association of Oilwell Drilling Contractors (CAODC) has released a revised forecast of drilling activity for 2009. Following an unprecedented mid-winter forecast correction, issued on February 20, 2009, the Association has made a further significant downgrade in the outlook for 2009.

This forecast update is a regular review undertaken each spring break-up. It helps industry prepare for the summer and fall months, as well as the traditional ramp-up for the next winter drilling season.

CAODC now expects that the number of operating days will be 78,455 – down from the 95,000 projected in February. This is also well off the 129,000 days expected when the initial forecast was issued in October 2008. The outlook is a drop of more than 17% or some 16,500 days compared with the February revision. It is a 40% cut from the October outlook.

Measured in terms of wells drilled, the forecast is now 8,787 – some 2,400 fewer wells than the 11,176 shown in February. This is a 21% downgrade in the outlook. When compared with the October 2008 projection, it is a 39% decrease in the anticipated well count.

To provide additional perspective, in 2008 some 16,800 wells were drilled. This forecast suggests that 8,000 fewer wells will be drilled in 2009. Compared with 2008, this represents nearly a 50% drop. It is also a full 60% below the record drilling years of 2005 and 2006.

An average of 219 rigs will be drilling in 2009 out of the 858 available, or 25%. Utilization in the first quarter was only 37%, or 320 rigs drilling. This was virtually the same rig count recorded in 1999. However, ten years ago there were far fewer rigs available. A comparable first quarter utilization rate – 32% - was in 1992. This was also the year when utilization was the lowest in 30 years. During the second quarter of 2009, 92 rigs were drilling, or 11% of the fleet. This utilization rate is below that recorded 17 years ago.

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When the February forecast revision was released, CAODC anticipated some recovery in the last six months of 2009 based on strengthening natural gas prices. However, continued weakness in projected gas prices now results in a third quarter projection of 214 rigs running, similar to what was recorded in 1993 and 1998 (224).

The average number of rigs drilling in the last three months of 2009 is expected to be 248. This is well below the 361 anticipated in the February downgrade. This number is also comparable with the 1998 activity level, but again there were far fewer rigs in the fleet eleven years ago. Measured in terms of utilization, the 29% shown for the fourth quarter of this year has not been seen since 1991.

Average drilling times are continuing to increase as fewer shallow gas wells are drilled. Activity is focussed on either deeper gas or unconventional opportunities. More horizontal drilling is being focussed in British Columbia and Saskatchewan. This activity results in an expected average of 9 days/well.

The pricing assumptions are shown as \$75.00/bbl (USD) for oil and \$5.00/Mcf (CDN) for natural gas.

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# *Revised* FORECAST — 2009

*July 7, 2009*

## WESTERN CANADA

**2009 Total Number of Wells (Western Canada): 8,787**

<u>QUARTER</u>	<u>ACTIVE RIGS</u>	<u>FLEET</u>	<u>UTILIZATION</u>	<u>OPERATING DAYS</u> *
2009 – 1 <sup>st</sup> ***	320	862	37%	28,244
2009 – 2 <sup>nd</sup> ***	92	859	11%	7,845
2009 – 3 <sup>rd</sup>	214	855	25%	19,614
2009 – 4 <sup>th</sup>	248	855	29%	22,752
<b>Average 2009</b>	<b>219</b>	<b>858</b>	<b>26%</b>	<b>78,455</b>

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

**Assumptions: WTI: \$75.00/bbl (USD)    AECO: \$5.00/Mcf (CDN)    9 days/well**

\* Calculation based on spud to rig release data

\*\*\* Actual data