

Dan Sumner
Economist, ATB Financial

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Oil and Gas Exploration to Stay Soft in '10

After a year of cost-cutting, uncertainty, and volatility, Alberta energy companies will continue to be tight with exploration dollars in 2010, according to the most recent forecast by the Canadian Associations of Oilwell Drilling Contractors (CAODC).

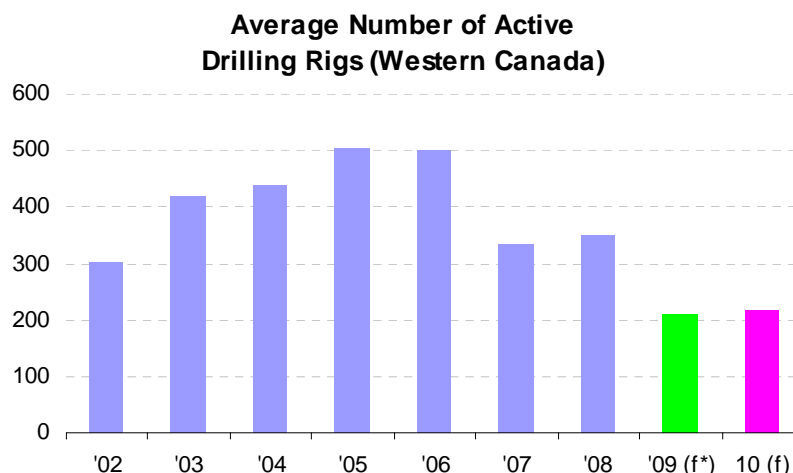
The number of oil and gas rigs predicted to be busy punching holes in the Alberta landscape will average 218 in 2010, according to CAODC. That is a slight improvement over 2009 (209), but still much lower than numbers recorded during the majority of the 2000s (see graph).

The weaker drilling prospects could be partly related to uncertainty surrounding future natural gas prices and markets. Indeed, the CAODC forecast was based on \$CA 5.50

per Mcf (AECO) price for gas, which is well below that realized in previous years.

Recently, North American gas markets have been turned upside down by prospective US shale gas plays. With these newly accessible deposits potentially changing North American supply dynamics, energy companies might be showing caution with their Alberta exploration budgets.

There are a lot of other sectors of Alberta's economy that depend on a strong drilling sector. Considering drilling activity could remain below average over the medium term, these sectors could feel a bit of a pinch into 2010.



*partial forecast using actual data until end of Q3
Source: Canadian Association of Oilwell Drilling Contractors

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