



## Progress Energy Provides Operational Update

*Productive Montney fairway expands; Phase one development begins*

**Calgary, January 20, 2010 (TSX – PRQ)** – Progress Energy Resources Corp. (“Progress” or the “Corporation”) today provided an operational update on its capital program in the Foothills of northeast British Columbia and the Deep Basin of northwest Alberta. Progress currently has ten drilling rigs and seven service rigs running across its operating region and anticipates drilling approximately 30 wells and investing \$125 million in the first quarter of 2010.

In 2009, during a challenging year in the global economic markets and natural gas industry, Progress made significant strides in building underlying value for shareholders through a focused capital investment program. Progress expanded its Montney land holdings in the Foothills by adding over 63,000 acres of Montney rights in 2009. With approximately 575,000 acres of Montney rights in the Foothills alone, Progress has one of the largest land positions in the Montney fairway in northeast British Columbia.

Exploration drilling in 2009 focused on the Town area where a successful three-well vertical program was followed-up by a three-well horizontal program including a 10 million cubic feet (“mmcf”) per day horizontal test in Town South area. Following up on this success, the Corporation has now initiated phase one of its Montney development program.

On October 28, 2009 Progress announced that GLJ Petroleum Consultants Ltd. (“GLJ”) had completed an independent evaluation of the Discovered Petroleum Initially-In-Place (“DPIIP”) in the Town Montney property. Effective October 27, 2009, GLJ concluded that the best estimate of DPIIP for the Town Montney project was 1.7 trillion cubic feet, net working-interest to Progress, over an area of 40 sections (38.3 net).<sup>1</sup> This represents less than five percent of Progress’ Foothills Montney land position.

### Initiating Phase One Development at Town South

Throughout 2009, Progress made technical advancements on drilling and completions techniques and employed microseismic extensively to determine the most economic and efficient method for drilling and fracture stimulating the Montney formation in the Foothills. Phase one of the development program, which is underway, includes four horizontal wells in the Town South area and a 25 mmcf per day compressor and dehydration facility, with expansion capability to 50 mmcf per day, which will be constructed and on stream in the second quarter.

The horizontal wells cost approximately \$6.3 million to drill and complete and will benefit from the deep drilling royalty credit program in British Columbia. The credit of approximately \$2 million per well will be recovered as a reduction to royalties payable. Over the longer term, capital cost reductions are expected to result from a larger, focused drilling program which will minimize rig movements and consolidate the drilling and completions operations.

## **Areal Expansion of Productive Montney Fairway**

Five vertical delineation wells and five re-completions will be undertaken in the first quarter of 2010 targeting high potential areas where Progress has large contiguous land blocks, operatorship and control of area infrastructure. Three wells were completed and tested at Kobes, Gundy and Caribou and have significantly expanded the areal extent of Progress' productive Montney fairway in the Foothills to the north, south and west of Town. These vertical wells averaged one mmcf per day on test and as such are expected to lead to further development phases in 2010. Additionally, drilling activity is underway in the Altares/Farrell Creek area and, with success, will extend the fairway a further 30 miles to the south.

## **Deep Basin Delivering Robust Results**

Progress has two drilling rigs underway in the Deep Basin targeting to drill 14 wells in the first quarter of 2010. The capital program will continue to expand the opportunities in the greater Gold Creek area where the Corporation continues to have strong success with the Nikanassin as a major production contributor. During the second half of 2009, Progress drilled 10 wells in the Deep Basin with an average test rate exceeding two mmcf per day.

The economics for drilling in the Deep Basin remain very compelling and have been enhanced by the drilling credits provided under the Alberta Drilling Royalty Credit Incentive Program. This program provides a drilling credit of \$200 per meter drilled and the New Well Royalty Incentive Program provides a five percent royalty for the first year of production up to 500 mmcf.

Progress is a dominant producer in the Deep Basin with ownership in area infrastructure providing market access for its expanded drilling program. The Corporation has over 300 multi-zone wells identified as drilling prospects within the Deep Basin of northwest Alberta.

## **Additional Northeast British Columbia Drilling**

Progress will have an active program in the first quarter of 2010 drilling eight wells targeting its traditional Gething, Halfway and Debolt opportunities throughout the Foothills. These wells are highly economic opportunities with low cost structures due to the well developed area infrastructure and will also benefit from the favorable royalty structure in British Columbia. Progress has over 350 wells in inventory in the Foothills of northeast British Columbia.

## **Hedging Update**

Natural gas prices have responded strongly as winter weather across North America has increased demand for heating load. Progress recently took advantage of the opportunity to hedge future natural gas production by buying Put options on its winter 2010/2011 program. The Corporation has purchased puts on 25,000 GJ per day for the period from November 1, 2010 to March 31, 2011 at a strike price of AECO C\$6.43 per GJ. The deferred premium is \$1.08 per GJ.

### ***<sup>1</sup>Resource Assessment***

*Progress engaged GLJ Petroleum Consultants Ltd. ("GLJ") to prepare an independent evaluation of the Discovered Petroleum Initially-In-Place ("DPIIP") as defined in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") surrounding its recent Montney drilling activity in the Town area. Effective October 27, 2009, GLJ concluded that the best estimate of DPIIP for the Town Montney project is 1.7 TCF, net working-interest to Progress, over an area of 40 sections (38.3 net). This represents less than five percent of Progress' Foothills Montney land position. GLJ further estimated that the low and high estimates of DPIIP for the project were 0.8 TCF and 2.7 TCF, net working-interest to Progress, over areas of 18.2 (17.4 net) and 62.7 (60.4 net) sections respectively.*

*Given the current early stage of the Montney program, the best estimate of DPIIP might change significantly in the future with further activity and the amount of Contingent Resources, as defined in the COGE Handbook, has yet to be estimated. Progress is in the early stages of development of this asset and while management is encouraged by*

*the results to date, additional drilling and testing is required to confirm deliverability potential and commercial economics. The DPIIP estimates provided herein are estimates only and the actual DPIIP may be greater than, or less than, the estimates provided herein. There is no certainty that it will be commercially viable or technically feasible to produce any portion of this natural gas currently classified as DPIIP.*

*At December 31, 2008, with only one Montney well drilled and completed, Progress had 6.5 billion cubic feet ("BCF") proved plus probable reserve bookings assigned to the Town Montney project. The reserves assessment of the Montney will be updated in this area in conjunction with the year end reserves evaluation.*

**For further information:**

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### **Advisory Regarding Forward-Looking Statements**

*This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, forward looking statements in this press release include, but are not limited to, statements with respect to the amount of and focus of capital expenditures and investment, the timing of capital spending and the results therefrom; projections of future land holdings; completion of a planned compressor and dehydration facility and the timing thereof; future drilling and completion plans and programs, the timing thereof and the results therefrom; estimated royalty credits; expected capital cost reductions; timing of development of resources; expected commodity prices and industry conditions.*

*The forward-looking statements and information are based on certain key expectations and assumptions made by Progress, including expectations and assumptions concerning prevailing commodity prices and exchange rates, applicable royalty rates and tax laws; future well production rates; reserve and resource volumes; the performance of existing wells; the success obtained in drilling new wells; and the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services and future operating costs. Although Progress believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward looking statements and information because Progress can give no assurance that they will prove to be correct.*

*Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to reserves, resources, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; changes in legislation, including but not limited to tax laws, royalties and environmental regulations.*

*Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide securityholders with a more complete perspective on the Corporation's future operations and such information may not be appropriate for other purposes. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Corporation will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and the Corporation disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.*

*Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Progress are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)). The forward-looking statements and information contained in this press release are made as of the date hereof and Progress undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*

### **Barrels of Oil Equivalent**

*"Boe" means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*