



## **Progress Energy Advances Montney Development**

### **Drilling results on British Columbia Montney support long-term, economic growth**

*Calgary, November 9, 2010 (TSX – PRQ)* – Progress Energy Resources Corp. (“Progress” or the “Company”) announced, in advance of its inaugural investor day, that it will move forward on six commercial development pods that position the Company to more than double its natural gas production and reserve base over the next five years. The pace of capital investment over this period will be flexible to the changing gas price environment, balancing the dual objectives of growing the underlying value of the Company while maintaining balance sheet strength.

“We are identifying six commercial development pods today, but this only scratches the surface of the potential on our Montney land base,” said Michael Culbert, President and Chief Executive Officer of Progress. “In addition, of significance in our announcement today, is a material successful step-out at Caribou on a recently completed and tested horizontal well. Caribou extends the Montney play another 55 kilometers to the north of our Town South development.”

#### **Montney Gas Potential**

Progress has amassed approximately 900,000 net acres of land within the commercially productive Montney fairway which represents one of largest land positions among all North American natural gas resource players. The focus of the Company’s exploration and development efforts has been on the North Montney play in the Foothills of northeast British Columbia. In the North Montney, Progress holds approximately 680,000 net acres of largely contiguous rights in an area that spans 190 kilometers from south to north and 50 kilometers from east to west. Since mid-2008, Progress and industry competitors have completed over 25 vertical and over 25 horizontal wells in the North Montney region with rates on par or better than other areas of the fairway. In addition to this well data, and in conjunction with an independent U.S based consultant, the Company has also actively collected and analyzed extensive core, openhole logs, 3D seismic and microseismic information.

Based on the aforementioned analysis across its North Montney holdings, Progress has identified a potential drilling inventory of 2,500 to 7,500 locations, encompassing both the Upper and Lower Montney formation on its North Montney holdings. This well inventory represents up to \$40 billion of potential capital investment opportunity over a multi-decade development program.

#### **Six Montney Development Pods**

Based on the positive results of its capital investment to date, the Company is now in a position to identify six commercial development pods. In addition to Town South, where eight horizontals are now successfully on production, the other five identified pods are:

- Kobes – three tested horizontals averaging an initial seven day rate of 6.8 million cubic feet (“mmcf”) per day. Construction is underway on an operated facility;
- Town North – recently tested two horizontal wells at an average seven day rate of 4.6 mmcf per day;
- Gundy – in close proximity to Town South, this area has two vertical tests with an average seven day rate of 1.9 mmcf per day;

- Caribou – following up on a successful vertical well, a horizontal well was completed and tested at a seven day rate of 6.0 mmcf per day; and
- Altares – the first vertical well is on production into operated facilities. Additionally, numerous offset horizontal wells have been drilled by other operators. Altares is adjacent to Farrell Creek.

Progress expects that each of these pods can be developed into a 50 mmcf per day asset, with sufficient well inventory remaining to maintain that production level for 10 years. With only 20 sections of land required to support each pod, the six identified pods represent approximately 10 percent of the Progress land position in the North Foothills area.

### **2011 Capital Program**

For 2011, Progress will target an initial base capital spending program of \$250 million with plans to increase to as much as \$400 million as the year progresses. An investment of approximately \$155 million in the first half of the year will result in an active drilling program primarily focused on the Company's Montney development pods. The capital program over the second half of 2011 will initially be set at \$100 million with an additional \$100 to \$150 million to be invested contingent upon the success of multiple initiatives the Company is undertaking that may include asset dispositions or joint ventures.

Of the \$155 million planned for the first half of 2011, approximately \$100 million will be invested in Montney activities which include the drilling of 14 horizontal wells and three vertical tests. Approximately \$12 million will be invested in compression facilities to handle growing production volumes from new development pods. Approximately \$30 million will be invested in the Company's Deep Basin assets which include the drilling of 15 wells on its low-risk, multi-zone, liquids rich opportunities in the Gold Creek, Wapiti and Elmworth areas. Approximately \$10 million will be invested in the Company's tight gas opportunities in the Foothills.

"Our capital program is weighted towards our Montney opportunities in 2011 but also directs a portion of our capital to our highly economic Deep Basin opportunities," said Mr. Culbert. "Maintaining a consistent pace of drilling activity will allow us to take advantage of the drilling credits provided under the Alberta government's incentive programs which result in an average drilling expenditure credit of approximately \$500,000 per well." The Alberta Drilling Royalty Credit Incentive Program remains in place until April 2011 and provides a drilling credit of \$200 per meter drilled.

Progress maintains a strong and flexible balance sheet and expects to support the first half of 2011 capital program through its cash flow and current credit facility. The Company has a \$650 million credit facility with a syndicate of banks of which \$430 million was available as at September 30, 2010.

### **Asset Dispositions/Joint Ventures**

In order to fund an expanded capital program, Progress is undertaking an asset disposition program to further focus its asset base in the Deep Basin of northwest Alberta and the Foothills of northeast British Columbia. Assets representing less than 10 percent of the Company's production base or approximately 1,500 to 3,000 boe per day could be divested in 2011. Concurrently, Progress will be evaluating various joint venture alternatives on portions of its land base in the North Montney fairway. It is expected that funds generated from either dispositions or joint ventures will position the Company to expand its capital investment program for 2011.

**Production Targets**

Progress expects to exit 2010 as planned with a production rate of between 45,000 to 46,500 boe per day. Current production is approximately 44,500 boe per day with a number of other wells shut in for pressure build up and wells awaiting completion operations. Based on the \$250 million base capital program in 2011, an exit rate modestly higher than the 2010 exit rate is targeted. Capital expenditures over the \$250 million base capital program will provide production growth at or better than Progress' historical capital efficiency level of \$20,000 per boe per day. Annual 2011 production will be impacted by a scheduled plant turnaround at the third-party owned McMahon natural gas processing facility in northeast British Columbia.

**Building Long-term Underlying Value**

Over the past nine years, we have established an enviable asset base in two of the premier natural gas plays in North America. We have amassed large contiguous land blocks in both the Foothills and Deep Basin regions, both capable of generating strong returns on invested capital in the current natural gas price environment. As we have built our asset position, we have concentrated on maintaining high working interests and operatorship which allow us to control the cost and the pace of development. As well, the maintenance of a healthy balance sheet has been important to ensure that we have the flexibility to take advantage of opportunities which add long-term value for shareholders.

Our asset base provides our shareholders with unique exposure to large-scale, long-term natural gas development, normally associated with a much larger company. Our investor day is an important opportunity to showcase the scope and scale of our opportunities. Although we will need to remain flexible to the changing natural gas price environment, we will control the pace of our capital investment. We believe our assets can provide multiple years of potential double digit growth at robust economic rates of return.

**Investor Day**

Progress Energy will be hosting its inaugural investor day today, Tuesday, November 9, 2010 in Calgary and on Wednesday, November 10, 2010 in Toronto. The Toronto event will be webcast and interested investors may listen in using the following link to the slides and presentations. Presentations will begin at 8:30 (EST) in Toronto.

URL: <http://event.on24.com/r.htm?e=263177&s=1&k=DCBC1C9850B8BE914288546FA33D31E6>

Progress is a Calgary based, energy company primarily focused on natural gas exploration, development and production in northwest Alberta and northeast British Columbia. Common shares of Progress are listed on the Toronto Stock Exchange under the symbol PRQ.

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### **Forward Looking Statement Advisory**

*This press release and financial highlights table (collectively the "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 effect of the development pods on the Company's natural gas production and reserve base over the next five years; the pace of capital investment; the focus of capital expenditures, the timing of capital spending and the results therefrom; the focus of the Company's exploration and development efforts; expected capital spending program; potential capital investment opportunities; potential drilling inventory; test rates; expected sources of funding for capital program in the first half of 2011; Progress' planned asset disposition program including the timing thereof and the use of proceeds received therefrom; Progress' estimated 2010 exit production rate; potential drilling credits and the advantages to be received therefrom; effect of capital expenditures on production; effect on production of scheduled plant turnaround at third party owned McMahon natural gas processing facility; growth potential and rates of return of Progress' assets; pace of development; projections of future land holdings; and future drilling plans and programs, the timing thereof and the results therefrom.*

*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 credits, royalty rates and tax laws; future well production rates; test rates and reserve and resource volumes; the performance of existing wells; the success obtained in drilling new wells; 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 test rates, 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 security holders with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes. The Company'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 Company 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 company 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.*