



## **Progress Energy Updates Operational Activities**

### **North Montney play delivers consistently strong results**

*Calgary, January 25, 2011 (TSX – PRQ)* – Progress Energy Resources Corp. (“Progress” or the “Company”) continues to deliver strong operational results from its active Montney program in northeast British Columbia and tight gas program in northwest Alberta. Currently the Company has eight drilling rigs operating with five in British Columbia and three in Alberta. Production today is approximately 45,000 barrels of oil equivalent (“boe”) per day.

#### **Highlights**

- Progress is producing approximately 55 million cubic feet (“mmcf”) per day, net, from the Montney formation;
- The Company has now drilled 11 wells at Town South into the Upper Montney formation at an average of five mmcf per day per well;
- Progress’ first Town South Lower Montney horizontal tested over 8.5 mmcf per day with approximately 20 barrels per million cubic feet of natural gas liquids;
- A Lower Montney well at Kobes produced at 11.2 mmcf per day over 30 days of production;
- A vertical exploratory well at Kahta, northwest of Caribou, tests over 750 mcf per day.

As announced in November, Progress has advanced its development plans on six Montney pods in the Foothills of northeast British Columbia, each capable of reaching 50 mmcf per day and sustaining that level for approximately 10 years. Progress holds approximately 700,000 net acres of Montney rights in the Foothills and approximately 900,000 net acres of Montney rights over its entire land base, making it one of the largest Montney land rights holders.

#### **Town South Development Pod**

The Company’s most mature Montney development is at Town South where Progress drilled its first Montney well more than two years ago. Since that time, the Company has drilled 11 horizontal wells with average 30-day initial production rates of five mmcf per day. Additionally, the wells have averaged approximately 20 barrels per million cubic feet of high value natural gas liquids, enhancing the economics of this play in the current gas price environment.

In 2010, the Company constructed a compression and dehydration facility at Town South and has recently expanded the facility to handle 50 mmcf per day. The facility is currently handling in excess of 35 mmcf per day. Progress plans on drilling an additional four horizontal wells in the first quarter and anticipates that its facility will be operating at near capacity by the end of the first quarter.

In the fourth quarter, Progress drilled its first lower Montney horizontal test at Town South. This well tested in excess of 8.5 mmcf per day at 9,000 kpa flowing tubing pressure, confirming the productive quality of the 200 meter thick Lower Montney interval. In addition, the well produced natural gas liquids consistent with previously drilled wells in the Upper Montney.

### **Kobes Development Pod**

Recently completed activities at its Kobes development pod in the North Montney region, where the Company holds a 30 percent working interest, include a fourth horizontal well that was completed utilizing cluster perfs. This well had a one month rate over 11 mmcf per day and is approximately six kilometers north of the first horizontal well at Kobes which produced at an average rate of 7.7 mmcf per day on a first month test.

This latest horizontal well is among the highest test rates in the entire Montney fairway and continues to validate the scope and scale of the North Montney resource. Additionally, Progress initiated exploration of the Upper Montney at Kobes. The first horizontal into the Upper Montney has continued to clean up after the completion operation and will be tied into Progress' gathering system. The last flow rate was 2.4 mmcf per day and increasing.

Progress recently started up its 25 mmcf per day gas handling facility at Kobes. The facility is on-stream and producing over 22 mmcf per day, of which 18 mmcf per day is from the Montney formation. Including non-operated production, the Kobes development pod is producing 30 mmcf per day (net 10 mmcf per day) from five horizontal and two vertical wells.

### **Montney Delineation Activities**

The Company recently completed three vertical exploration wells that are more than five miles away from existing successful wells. The wells tested over one mmcf per day on average over a five-day test period. In particular, one well at Kahta, approximately 20 kilometers north of Caribou, tested at 750 thousand cubic feet ("mcf") per day. These results continue to affirm the large and growing aerial extent of the Montney gas accumulation.

### **Deep Basin Activities**

Progress drilled five (4.5 net) wells in the Deep Basin during the fourth quarter. Progress' Deep Basin wells typically yield approximately 40 barrels per million cubic feet of natural gas liquids when processed through the Wapiti Deep Cut Plant, a facility in which Progress has an ownership interest. The Company plans on drilling 14 wells in the first quarter of 2011 to take advantage of a \$200 per meter drill credit before the program ends in April 2011.

### **Recent Hedging Activity**

Progress recently entered into a series of hedges on a portion of its natural gas production buying puts on 15,000 gigajoule ("GJ") per day at a net floor of \$3.35 per GJ. The Company also entered into a series of swaps and calls ("bull spreads") on 15,000 GJ per day setting a net floor at \$3.48 and a net ceiling at \$4.48 per GJ. Based on Progress' high heat content gas, the Company has established an aggregate floor of approximately \$3.90 per mcf for the period from February 1, 2011 to October 31, 2011 on approximately 12 percent of its natural gas production for 2011.

### **Year-end 2010 Results**

Progress anticipates releasing its fourth quarter and year-end 2010 financial and operating results, after market close, on Thursday, February 24, 2011.

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.*