ENERGY SERVICES INC.

Global Reach

Local Focus

2009 Annual Report

ENSIGN
ENERGY SERVICES INC.

Corporate Profile

With headquarters in Calgary, Alberta, Ensign is an industry leader in the delivery of oilfield services. Since its inception in 1987, Ensign has accumulated an extensive equipment fleet characterized by flexibility and mobility for meeting the challenging demands of the oil and natural gas industry. We have also contributed to advancements in drilling and well servicing through the innovative use of technology, and have an established reputation for the highest safety standards and environmental stewardship. Ensign's shares are listed on the Toronto Stock Exchange under the trading symbol "ESI".

Financial Highlights

For the years ended December 31 *($ thousands, except per share)*	2009	2008	Change	% change
Revenue	1,137,575	1,705,579	(568,004)	(33)
EBITDA [(1)]	308,954	497,122	(188,168)	(38)
EBITDA per share [(1)]				
Basic	$2.02	$3.25	$(1.23)	(38)
Diluted	$2.02	$3.22	$(1.20)	(37)
Adjusted net income [(1)]	131,159	260,731	(129,572)	(50)
Adjusted net income per share [(1)]				
Basic	$0.86	$1.70	$(0.84)	(49)
Diluted	$0.86	$1.69	$(0.83)	(49)
Net income	125,436	259,959	(134,523)	(52)
Net income per share				
Basic	$0.82	$1.70	$(0.88)	(52)
Diluted	$0.82	$1.68	$(0.86)	(51)
Funds from operations [(1)]	257,406	406,775	(149,369)	(37)
Funds from operations per share [(1)]				
Basic	$1.68	$2.66	$(0.98)	(37)
Diluted	$1.68	$2.63	$(0.95)	(36)
Weighted average shares - basic (000s)	153,155	153,095	60	–
Weighted average shares - diluted (000s)	153,261	154,408	(1,147)	(1)

(1) EBITDA, EBITDA per share, adjusted net income, adjusted net income per share, funds from operations, and funds from operations per share are not measures that have any standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP"), and accordingly, may not be comparable to similar measures used by other companies. Non-GAAP measures are defined on page 23.

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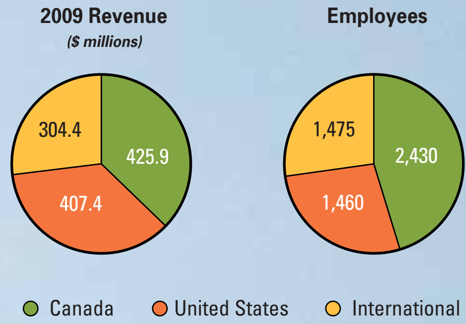
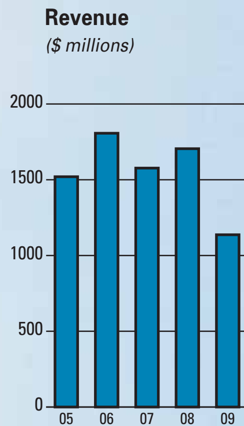
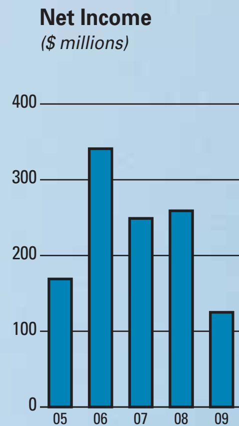
Cover photo: Ensign's Rig 51 in Gabon, Africa. Rig 51 is one of the Company's ADR™ rigs, 79 of which are now deployed worldwide.

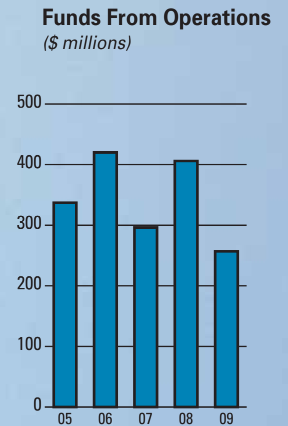


Financial Performance

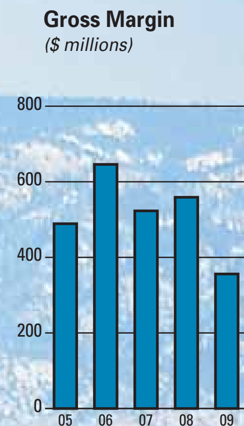
Revenues declined in 2009 primarily due to the weakness of the North American market, while our international division held its own.

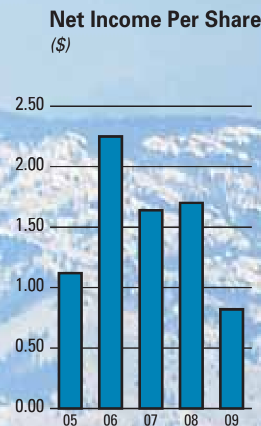


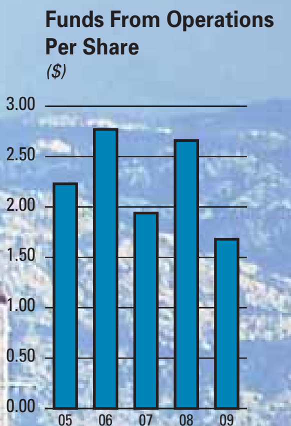




We continued to generate positive cash flows from operations to fund the Company's ongoing dividend and capital expenditure programs without having to take on any long-term debt.





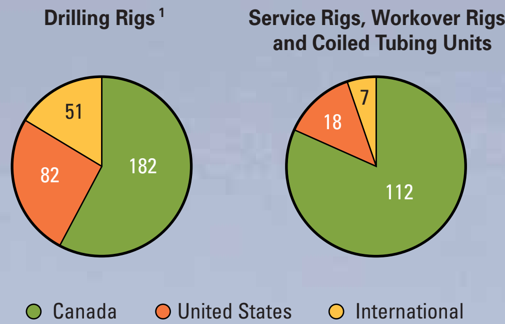


"Performance Excellence – Second to None"

Operating Summary

For the years ended December 31	**2009**	2008	Change	% change
Drilling				
Number of rigs				
Canada				
Conventional	**154**	163	(9)	(6)
Oil sands coring/coal bed methane	**28**	28	–	–
United States	**82**	75	7	9
International	**58**	42	16	38
Operating days				
Canada	**13,719**	25,581	(11,862)	(46)
United States	**9,797**	19,986	(10,189)	(51)
International	**7,212**	9,918	(2,706)	(27)
Drilling rig utilization rate (%)				
Canada	**20.3**	36.5	(16.2)	(44)
United States	**34.3**	72.3	(38.0)	(53)
International	**41.1**	59.9	(18.8)	(31)
Well Servicing				
Number of rigs/units				
Canada	**112**	108	4	4
United States	**18**	17	1	6
Operating hours				
Canada	**102,341**	142,494	(40,153)	(28)
United States	**35,205**	37,245	(2,040)	(5)
Well servicing utilization rate (%)				
Canada	**26.5**	33.7	(7.2)	(21)
United States	**53.6**	66.7	(13.1)	(20)

As a result of Ensign's financial discipline combined with our strong balance sheet, technological leadership and diverse global operations, the Company achieved both opportunistic and organic growth during a challenging period for the industry.



Contract Drilling

Rig Depth (metres)

	Total	ADR™	0-1,000	1,001-2000	2,001-3000	3,001-4000	4,001-5,000	5,001+
Canada [1]	182	37	26	36	47	29	7	–
United States	82	23	2	7	14	26	5	5
International [2]	58	19	–	4	4	15	8	8

1 Includes oil sands coring/coal bed methane rigs
2 Includes workover rigs

Service Rig Classifications

	Total	Coiled Tubing Units	Slant Single	Skid Single	Mobile Single	Mobile Double	Medium and Heavy Double
Canada	112	2	12	2	70	18	8
United States	18	–	–	–	–	–	18

Operations in: Canada • United States • Mexico • Venezuela • Argentina • Gabon • Libya • United Arab Emirates • Oman • Thailand • Australia • New Zealand

Dear Fellow Shareholders,

2009 was a very challenging year for the oilfield services industry. It was certainly quite unlike anything we at Ensign had seen before—a perfect storm created by credit market turmoil, a global economic downturn, and weak oil and natural gas supply and demand fundamentals.

Demand for oilfield services deteriorated globally in the first half of the year—most notably in North America although there was also weakness in international markets as oil prices tested lows we had not seen since 2004/05—and the resulting oversupply of equipment negatively impacted pricing and margins.

At Ensign, we never lose sight of the fact that our industry is cyclical and, consequently, we always plan accordingly. We saw the storm clouds forming and were proactive in carefully managing costs, preserving cash, controlling hiring and either freezing or rolling back compensation at all levels of the Company including senior management and the Board of Directors, which took a reduction in fees.

As a result of Ensign's financial discipline combined with our strong balance sheet, technological leadership and diverse global operations, the Company has weathered the storm and, amidst all the adversity, achieved both opportunistic and organic growth.

In 2009, opportunistic growth took the form of two acquisitions—one that gives Ensign a solid foothold in Mexico for the first time; and another that increased our wireline fleet in Canada.

We also grew organically by providing drilling services for the first time in two major, up-and-coming shale gas development regions in the United States; and augmenting our proprietary Automated Drill Rig ("ADR™") fleet with a total of 13 new ADRs completed in 2009 that we put in service under long-term contracts in the United States, the Middle East and Africa.

All of these actions helped Ensign to deliver positive results during a tough year for our industry.

Financial performance

Ensign's financial results in 2009 were largely a reflection of the challenging market.

Revenue totaled $1,137.6 million, compared with $1,705.6 million in 2008, primarily due to the weakness of the North American market while our international division held its own. Changes in the geographical segmentation of revenue in 2009 is indicative of the shifts in the relative performance of our three geographic areas, with Canada accounting for 37 percent (2008: 44 percent), the United States 36 percent (2008: 37 percent) and international 27 percent (2008: 19 percent).

Net income was $125.4 million, down 52 percent from $260.0 million in 2008, while EBITDA fell $188.1 million to $309.0 million, compared with $497.1 million in 2008.

Net income per share was $0.82, down 52 percent from $1.70 in 2008. Similarly, adjusted net income per share decreased 49 percent to $0.86 from $1.70 per share in 2008, reflecting limited impact from stock-based compensation expense.

Funds from operations of $1.68 per share decreased 37 percent from $2.66 per share in 2008, as Ensign continued to generate positive cash flows from operations to fund our ongoing dividend program and complete our 2008/2009 capital expenditure program without having to take on any long-term debt.

Net capital expenditures and acquisitions totaled $185.1 million in 2009, compared with capital expenditures of $274.3 million in 2008, as Ensign acquired six drilling rigs in Mexico and completed the capital programs that were planned and commenced in 2008, primarily the 13 drilling rig expansion of our ADR™ fleet.

Return on average shareholders' equity was 8.1 percent, compared with 18.6 percent in 2008. While this decline reflects the challenging market in which we were operating in 2009, we view it as an accomplishment that the result was on the positive side of the ledger.

It speaks to the strength of the Company that Ensign's Board of Directors declared total dividends for the 2009 fiscal year of $0.3425 per common share, a three percent increase over the total dividends of $0.3325 per common share declared for 2008. Ensign has increased the cumulative amount of dividends declared in each fiscal year since the Company began paying a dividend in September 1995. We believe this track record is sustainable and we intend to continue to grow the dividend as we grow the Company.

Geographic performance

Canada

Supported by our lean cost structure and strong geographical positioning across the breadth of the Western Canada Sedimentary Basin, the management team of our Canadian divisions did a very good job of operating profitably in 2009 in a very difficult market environment that featured weak natural gas prices, equipment oversupply, and pricing and margin pressures. An additional external factor that continued to affect our Canadian segment was Alberta's oil and natural gas royalty system, which has negatively impacted customer activity in the province throughout 2009. We are encouraged that the recent modifications to the royalty framework announced by the Government of Alberta should help to improve the competitive position of Canada's largest oil and natural gas producing province.

Throughout, Ensign has positioned itself to operate effectively at lower levels of utilization, while at the same time continually looking for ways to improve profitability.

During 2009, our Canadian drilling rig count declined to182 rigs from 191 as we redeployed four rigs to other geographic areas and decommissioned five older rigs during the first quarter of the year. We added four new well service rigs to our Canadian fleet in 2009 for a current total of 112.

The downturn in the Canadian market presented Ensign with one attractive buying opportunity. In July 2009, Ensign simultaneously upgraded its fleet and expanded its customer base and geographical reach in Alberta with the acquisition of 25 wireline units and associated equipment by our Opsco Wireline division.

United States

Despite a weaker market, particularly in the first half of 2009, the results of Ensign's United States operations benefited from the investments we made in the United States over the last few years. Much of the Company's construction program over the last two years has been directed at adding new, high-performing ADR™ rigs to the United States market under multi-year, take-or-pay contracts. By the end of the fourth quarter, the level of land drilling activity in the United States began to modestly improve, and our customers were negotiating to extend some of their long-term contracts through to 2012.

In 2009, we completed our most recent ADR™ construction program for the United States market, adding seven ADRs and further establishing the ADR™ as a high-specification, technically leading rig design. At the end of 2009, we had 82 drilling rigs in the United States.

In addition to augmenting our ADR™ fleet in the Rocky Mountains and California regions, we put into service in the fourth quarter of 2009 one ADR™ in each of the Haynesville (southern United States) and Marcellus (northeastern United States) shale gas plays. This marks our first foray into these increasingly important and growing natural gas regions. Further, the purpose-built, self-moving ADRs we have designed for our customers operating in the Haynesville region are capable of drilling to depths of 6,000 metres (20,000 feet), thus providing us another opportunity to demonstrate the flexibility of the ADR™ design. We put in service a second ADR™ in the Haynesville region in the first quarter of 2010 and also plan for additional growth in Marcellus during 2010.

We expanded our directional drilling service offering into California in 2009. This service, which we introduced in the Rocky Mountain region in 2008, complements the Company's ADR™ technology and provides seamless service and cost savings to our customers as a greater proportion of wells are now being drilled on a directional basis.

We also augmented our United States well service fleet in 2009 with the construction of two well servicing rigs, bringing the fleet to 18 units.

International

The international oilfield services market was not immune to the negative pressures of the global economic recession. However, in Ensign's case, positive developments in this market mostly outweighed any negatives arising from the downturn.

In December 2009, Ensign expanded into the Mexico market with the acquisition of FE Services Holdings, Inc. ("Foxxe Energy"), a private company with headquarters in Houston, Texas. Funded from existing working capital and available lines of credit, this acquisition has added six drilling rigs—all newly constructed within the last two years and capable of drilling to depths of approximately 3,000 metres (10,000 feet); all automated and fast-moving similar to Ensign's ADR™; and all currently located in the Chicontepec and Ébano-Pánuco-Cacalilao fields in Mexico. This acquisition provides Ensign an excellent entry point into this major land drilling market, and we expect to leverage off of Foxxe Energy's existing contracts and operating expertise for further organic growth in Mexico.

Although the Company saw reduced demand in Venezuela and Libya due to geopolitical factors, 2009 was also marked by several notable achievements, including the successful deployment of five ADRs in Oman and one ADR™ in Gabon, all of which have been operating at or above design performance levels. At the end of 2009, our international division had 51 drilling rigs and 7 workover rigs deployed.

Safety and environmental performance

'Commitment to safety' is one of the five pillars of our strategy and to support that we have created a strong safety culture throughout the Company with our HSE Management System and company-wide *"Driving to Zero – Injuries and Incidents"* vision.

Ensign achieved a major safety milestone in 2009 when our operations in Argentina became the first division in the Company's history to achieve a year of zero injuries and incidents. This commendable accomplishment proves that 'Driving to Zero' is a real and achievable goal. In the past five years (2005-2009), we have reduced lost-time injuries and total recordable incidents by 66 percent and we remain focused on continuous improvement.

While this indicates that we are making excellent progress on the safety front, we will never rest in our drive to zero injuries and incidents and will continue to emphasize training and look for new ways to improve our safety culture.

We are also pleased with the progress we are making in our environmental stewardship. In 2009, the Company again experienced no serious environmental issues, and we remain committed to reducing Ensign's environmental footprint.

Increasing efficiencies

We are continuing to look for ways to do things better and streamline our practices across the whole company by implementing enterprise resource planning (ERP) and standardizing financial and management systems. We are moving this forward through several initiatives:

- We have expanded ERP into the United States and broadened its scope to include human resources, procurement and asset management. We also plan to roll out our ERP into the international market in 2011.
- Through an international supply chain management initiative, we are systematically taking advantage of the purchasing power that comes with the Company's growing size globally.
- We have formalized our Key Performance Indicators (KPI) processes, focusing on leading indicators in such areas as safety, personnel, operations and finance to help us manage our business more effectively.

2010 Outlook

As we entered 2010, there were many reasons to be optimistic about Ensign's growth prospects.

Clean balance sheet: The Company's balance sheet is strong with net positive working capital and no long-term debt. As a result, we have the funds we need to pursue new opportunistic growth opportunities—organic or acquisitions—that present themselves anywhere in the world.

Broad geographic positioning: We have both the global reach and the local focus to respond flexibly to our customers' changing needs and pursue new opportunities in any of the world's major resource plays. In North America, for example, we already have rigs operating in many of the most prolific resource plays—Montney/Horn River (northeastern British Columbia); Alberta's oil sands; the Bakken formation (Saskatchewan and North Dakota); the Jonah Field (Wyoming); and the Haynesville (Louisiana) and Marcellus (Pennsylvania) shale plays—and all of these and many others in North America and around the world are potential growth regions for Ensign.

Leading technology: Our technological leadership continues to be a major driver for our business. Our customers demand and deserve efficiency and our market-leading ADR™ delivers for them—allowing Ensign to drill more efficiently and safely and giving us an edge over our competitors, particularly in the large resource play regions.

By early 2010, the oilfield services sector was starting to reflect signs of economic recovery globally. Utilization rates in Canada were improving although margins were still being squeezed as too much equipment continued to chase too little work. Utilization rates were also improving in the United States, where the market appeared to have stabilized starting in fourth quarter 2009. Meanwhile, the international market was strengthening, although it was still coping with specific geopolitical issues that are holding back levels of development of oil and natural gas resources in several key production areas.

Given these promising signals and the obvious demand for our ADR™ technology, Ensign has started the process to manufacture ADR's (six - ADR™-1500's initially), with the first unit coming off the line in early 2011.

Ensign's enviable financial position clearly puts it in control of its destiny. Not everyone in the oilfield services industry can make that claim.

Acknowledgements

We wish to thank Ensign's 5,400 employees for all of their exemplary efforts during one of the most challenging years in the Company's history. By rallying around Ensign's vision *"Performance Excellence – Second to None"*, they helped to ensure that the Company emerged from 2009 stronger, more efficient and ready for continued growth.

We also wish to thank our fellow Board members for the strong and valued guidance they provided during the year. We were very pleased that the Company's corporate governance rankings, as measured by third parties, improved from the prior year based on a review of governance practices including board composition, shareholding and compensation; shareholder rights; and disclosure practices.

Finally, we wish to thank our shareholders for their continuing support and belief in Ensign's vision and strategy. Ensign's financial discipline, focus on opportunistic growth, geographically diverse operations, commitment to safety, and focus on providing customers the best oilfield services technology in the market today—all combined to give Ensign the strong underpinnings it needed to prevail in a difficult market in 2009 and will continue to serve us well as we capitalize on growth opportunities in 2010 and beyond.

N. Murray Edwards
Chairman

Robert H. Geddes
President and
Chief Operating Officer

March 15, 2010

GLOBAL REACH. LOCAL FOCUS.

'Diverse operations' is one of the five pillars of Ensign's corporate strategy, and today our operations are amongst the most diverse in our industry—both geographically and in terms of the wide range of high-quality and technologically advanced oilfield services we provide our energy industry customers.

Geographically, our global reach today extends to 12 countries in North and South America, the Middle East, Africa and the Asia-Pacific region. We are further diversified within specific national and regional markets. Moreover, Ensign is positioned globally as a leading provider of oilfield solutions in many of the world's leading resource plays, which are large oil or natural gas development areas in concentrated geographical regions.

Another level to our diversity is the wide spectrum of oilfield services we offer—contract drilling; directional drilling; underbalanced drilling and managed pressure drilling; rental equipment; well servicing; production testing; wireline; and manufacturing services.

We are one of the world's leading land-based drillers and well servicing providers for oil, natural gas and geothermal wells; and we have the skill and know-how to operate in all climatic conditions—arctic to equatorial; deserts to rainforests.

Our fit-for-purpose drilling rigs and innovative drilling solutions allow our customers to drill more wells faster and at lower costs. Our market-leading Automated Drill Rig (ADR™) is changing the way the world drills. The ADR™ is purpose-built, fast, flexible, scalable, versatile, automated and safe, provides a smaller environmental footprint and is ideally suited for resource plays.

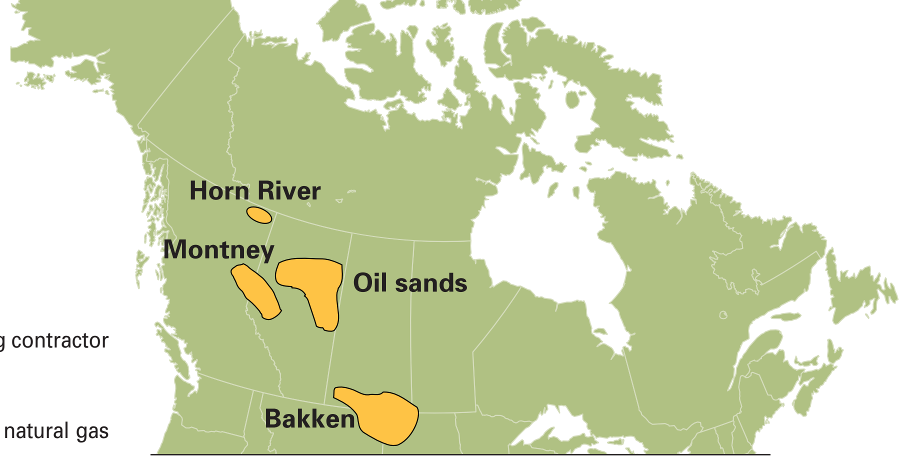
Once again in 2009, our geographic positioning and ability to respond locally and flexibly to our customers' changing needs proved to be a key strength for Ensign.

Ensign has both the global reach and the local focus to respond flexibly to our customers' changing needs and pursue new opportunities in many of the world's major resource plays.

Operating Divisions

DIVISION	CANADA	UNITED STATES	INTERNATIONAL
Contract Drilling	Ensign Drilling Partnership Ensign Canadian Drilling Champion Drilling Big Sky Drilling Encore Coring & Drilling	Ensign United States Drilling Inc. Ensign United States Drilling (California) Inc.	Ensign Energy Services International Limited Ensign de Venezuela C.A. FE Services Holdings, Inc.
Well Servicing	Rockwell Servicing Partnership	Ensign United States Drilling Inc. Ensign Well Services Ensign United States Drilling (California) Inc.	Ensign Energy Services International Limited Ensign de Venezuela C.A.
Underbalanced Drilling, Managed Pressure Drilling and Rental Equipment	Enhanced Petroleum Services Partnership Enhanced Drill Systems Chandel Equipment Rentals	Ensign United States Drilling Inc. Rocky Mountain Oilfield Rentals Ensign United States Drilling (California) Inc. West Coast Oilfield Rentals	
Production Testing Services, Wireline and Manufacturing	Opsco Energy Industries Ltd.	Opsco Energy Industries (USA) Ltd.	

Canada



Overview

Ensign is Canada's second largest land-based drilling contractor and fourth largest well servicing contractor.

We provide energy companies engaged in crude oil, natural gas and oil sands exploration and production with a wide range of oilfield services including land-based contract drilling, well servicing, underbalanced drilling, managed pressure drilling, oilfield rentals, wireline services, production testing and manufacturing services.

Our geographical reach extends across the Western Canada Sedimentary Basin ("WCSB")—from southwest Manitoba, throughout Saskatchewan and Alberta to northeastern British Columbia, the Northwest Territories and the Yukon. In 2009, we expanded into the Province of Quebec, offering managed pressure drilling services in the Utica shale play.

Increasingly important geographic areas of operations for us in Canada are the major resource plays in the WCSB:

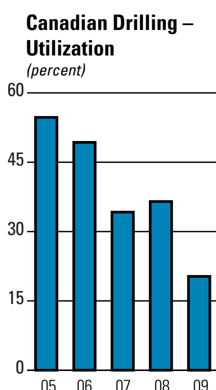
- Canada's oil sands in northern Alberta is the largest resource play in the world with an estimated 170 billion barrels of recoverable oil representing over 100 years of production. We provide coring drilling services in support of oil sands development; and slant drilling and well servicing services for oil sands producers' steam assisted gravity drainage ("SAGD") applications.
- The Montney and Horn River formations in northeastern British Columbia are estimated to contain abundant amounts of natural gas. We provide drilling and well servicing services in support of development of these resource plays.
- The Bakken formation in Saskatchewan has a very large accumulation of recoverable oil. We have a significant drilling presence in this area and are a major provider of well servicing and oilfield equipment rentals.

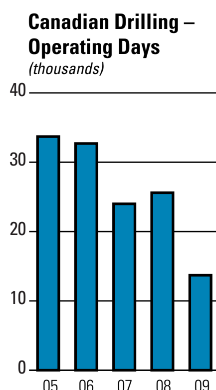
2009 Highlights

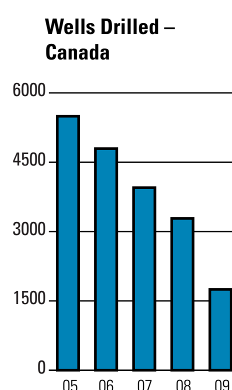
- 2009 was a very challenging year highlighted by declines in oil and natural gas production activity in the WCSB, resulting in an oversupply of oilfield services equipment in the region, which led to lower prices and tighter margins.
- Ensign's Canadian operations operated profitably in 2009 supported by a lean cost structure and strong geographical positioning across the breadth of the WCSB, including in the region's major resource plays in Alberta (oil sands), northeastern British Columbia (Montney and Horn River shale gas) and southern Saskatchewan (Bakken formation).
- Revenue generated by Ensign's Canadian oilfield services division totaled $425.9 million in 2009, a decline of 43 percent from $743.0 million in 2008. The Canadian segment accounted for 37 percent of Ensign's consolidated revenue in 2009, compared with 44 percent in the prior year.
- Canadian drilling divisions recorded 13,719 operating days (20.3 percent utilization) in 2009, which represents a 46 percent decrease from the 25,581 operating days (36.5 percent utilization) in 2008. Utilization rates began to increase in late 2009 and early 2010 but prices and margins continued to be squeezed as too much equipment was still chasing too little work.
- Ensign began providing directional drilling services to customers in Canada, another key differentiator for the Company since directional drilling is a skill that is highly valued by producers operating in the major resource plays.
- Ensign's Rockwell Servicing Partnership ("Rockwell") well servicing division recorded 102,341 operating hours (26.5 percent utilization) for the full year, compared with 142,494 operating hours (33.7 percent utilization) in 2008.
- Rockwell added four new well servicing rigs to its Canadian fleet in 2009. The new well servicing rigs are typically freestanding, which Ensign designed to feature improved efficiency, cost savings and minimal environmental impact.
- In July 2009, Ensign acquired 25 wireline units and associated equipment, which were integrated into our Opsco Wireline division. Opsco also added three production testing units during 2009.
- In Canada, we exited 2009 with a fleet of 182 drilling and coring rigs (37 of them ADRs) and 112 well servicing rigs.

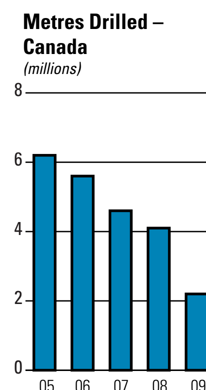
Increasingly important geographic areas of operations for Ensign are Canada's major resource plays where we are providing drilling and well servicing services.

OPERATING DIVISIONS	CANADA	SERVICES	PRIMARY GEOGRAPHIC AREA	FLEET SIZE
Contract Drilling	Ensign Drilling Partnership			
	Ensign Canadian Drilling	A leading provider of specialized drilling services to crude oil and natural gas exploration and production companies	Northern and central Alberta (including the Alberta oil sands resource play); northeastern British Columbia (including the Montney and Horn River shale gas plays)	75 drilling rigs
	Champion Drilling	Largest drilling contractor in southern Alberta specializing in shallow natural gas wells	Southern Alberta and southwest Saskatchewan	39 drilling rigs
	Big Sky Drilling	Largest drilling rig fleet in Saskatchewan specializing in crude oil and natural gas drilling	Southeast Saskatchewan and southwest Manitoba	24 drilling rigs
	Encore Coring & Drilling	A leading provider of coring and drilling services supporting oil sands, coal bed methane, shallow gas, and diamond projects	The whole WCSB	44 coring/ drilling rigs
Well Servicing	Rockwell Servicing Partnership	All facets of well servicing including completions, abandonments, production workovers and bottom hole pump changes	Most of the WCSB	112 well servicing rigs/coiled tubing units
Underbalanced Drilling, Managed Pressure Drilling and Rental Equipment	Enhanced Petroleum Services Partnership			
	Enhanced Drill Systems	The largest supplier of underbalanced drilling and managed pressure drilling services in the WCSB	The whole WCSB; and the Utica shale play in Quebec	18 underbalanced (UB) drilling and managed pressure drilling (MPD) units
	Chandel Equipment Rentals	Oilfield equipment rentals	Three field offices in Alberta and one in Saskatchewan	A product mix designed around the drilling and completions components of the Canadian oilfield services industry
Production Testing Services, Wireline and Manufacturing	Opsco Energy Industries Ltd.	Designs and manufactures customized crude oil and natural gas production equipment; leading provider of wireline (slickline and braided line) completion and production testing services	Most of the WCSB; manufacturing facility located in Calgary, Alberta	49 production testing units 64 wireline units

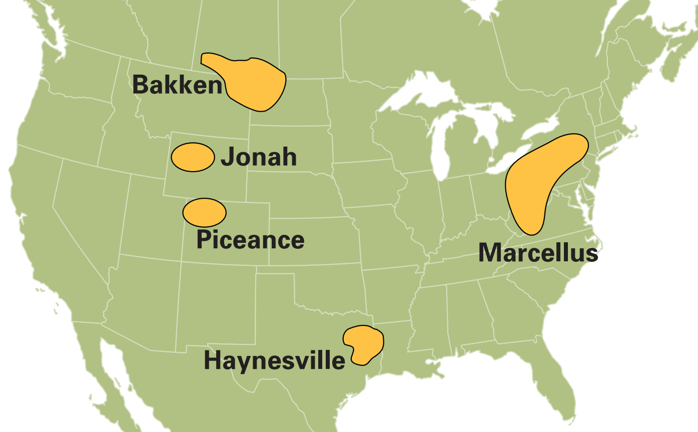








United States



Overview

Ensign United States Drilling Inc. and Ensign United States Drilling (California) Inc. comprise the fourth largest land-based drilling contractor in the United States, with a dominant position in the Rocky Mountain and California regions. The Company also operates its United States well servicing operations through these two entities.

Opsco Energy Industries (USA) Ltd. has a growing presence in providing production testing services in the Rocky Mountain region and has recently expanded operations into the Marcellus shale play.

Numerous major resource plays in the continental United States are becoming increasingly important geographic areas of operations for Ensign in the United States, including:

- The Jonah Field, an 85-square-kilometre area of Wyoming that is estimated to contain substantial reserves of natural gas.
- The Bakken formation in North Dakota and Montana, which has a very large accumulation of recoverable oil.
- The Haynesville shale formation in east Texas and northwestern Louisiana, a fast growing natural gas production area and estimated to be the largest natural gas field in the continental United States.
- The Marcellus formation, a growing natural gas region located in the northern Appalachian Basin which extends through parts of New York State, Pennsylvania, Ohio, Maryland, West Virginia and Virginia.

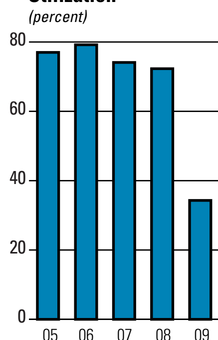
2009 Highlights

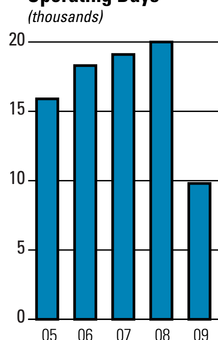
- A weak market overall began to improve late in the year when prices appeared to bottom and utilization rates picked up.
- Ensign's performance was bolstered by long-term, multi-year, take-or-pay contracts with large customers operating in major resource plays.
- In 2009, revenue from Ensign's United States oilfield services division totaled $407.4 million, down 36 percent from $635.5 million in 2008. The United States segment accounted for 36 percent of Ensign's consolidated revenue in 2009, compared with 37 percent in the prior year.
- United States drilling divisions generated 9,797 operating days in 2009 (34.3 percent utilization), which represents a 51 percent decrease from the 19,986 (72.3 percent utilization) recorded in 2008.

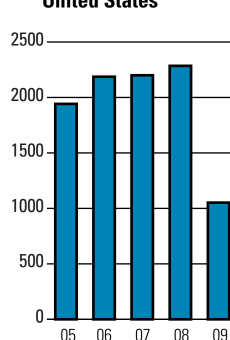
We expanded our geographical reach in the United States in 2009 by putting one ADR™ each into both the Haynesville and Marcellus shale gas plays. We plan further additions to these regions in 2010.

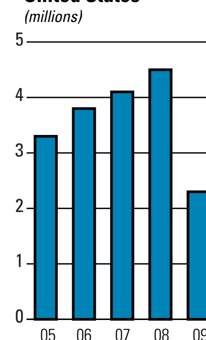
- We added seven new ADRs to our United States drilling rig fleet in 2009. All of these new builds were supported by 'take-or-pay' contracts.
- We expanded our geographical reach to include the Haynesville (southern United States) and Marcellus (northeastern United States) shale gas plays by putting one ADR™ into each of those regions in 2009 with further additions planned for 2010.
- The purpose-built ADR™ operating in the Haynesville region is our first ADR™ capable of drilling to depths of 6,000 metres (20,000 feet).
- We expanded our directional drilling services into California in 2009, having introduced them in the Rocky Mountain region in the prior year. A greater proportion of wells are now being drilled on a directional basis, particularly in the resource play regions.
- Our United States well servicing operations recorded 35,205 well servicing hours (53.6 percent utilization) in 2009, a decrease of five percent over the 37,245 well servicing hours (66.7 percent utilization) in 2008.
- We augmented our well service fleet with two new well servicing rigs delivered during the year, bringing our total fleet to 18 units.
- Opsco USA added three new production testing units to its fleet, which now comprises 24 production testing units.
- In the United States, we exited 2009 with a fleet of 82 drilling rigs (23 of them ADRs) and 18 well servicing rigs in the United States.

OPERATING DIVISIONS	UNITED STATES	SERVICES	PRIMARY GEOGRAPHIC AREA	FLEET SIZE
Contract Drilling	Ensign United States Drilling Inc. ("Ensign Rockies")	The premier drilling contractor operating in the Rocky Mountain region, including directional drilling; recently expanded drilling operations into the Haynesville and Marcellus shale plays	Montana, Wyoming, Colorado, Utah, North Dakota, South Dakota, Nebraska, Oklahoma, Louisiana and Pennsylvania	60 drilling rigs
	Ensign United States Drilling (California) Inc. ("Ensign California")	The premier drilling contractor operating in California, including directional drilling	San Joaquin, Los Angeles and Sacramento basins and Nevada	22 drilling rigs
Well Servicing	Ensign Rockies Ensign Well Services	All facets of well servicing including completions, abandonments, production workovers and bottom hole pump changes	Rocky Mountains region	14 well servicing rigs
	Ensign California	All facets of well servicing including completions, abandonments, production workovers and bottom hole pump changes	California	4 well servicing rigs
Rental Equipment	Ensign Rockies Rocky Mountain Oilfield Rentals	Oilfield equipment rentals	Rocky Mountains region	Ancillary equipment used in drilling operations
	Ensign California West Coast Oilfield Rentals	Oilfield equipment rentals	California	Ancillary equipment used in drilling operations
Production Services	Opsco Energy Industries (USA) Ltd.	Production testing services	Rocky Mountains region	24 production testing units









International

Overview

We currently provide contract drilling services in Australia, New Zealand, Southeast Asia, the Middle East, Africa, Mexico and South America.

Ensign Energy Services International Limited ("EESIL") specializes in the drilling of all forms of hydrocarbon and geothermal wells, and oversees our operations in Australasia, the Middle East and Africa. EESIL is based in Adelaide, Australia.

Ensign International Energy Services Inc., which is based in Houston, Texas, oversees our operations in Mexico, Venezuela and Argentina.

Our overall focus is to strengthen our position in countries where we already have operations to benefit from economies of scale.

Our deployment of six new ADRs to the international market in 2009 highlights Ensign's core competencies: leveraging our diverse, worldwide operational bases; utilizing in-house engineering expertise to collaborate with customers to design and construct fit-for-purpose equipment to meet their unique drilling needs; and further reinforcing our commitment to employee safety through the deployment of our ADR™ technology around the globe.

2009 Highlights

- Our International operations had a mixed year with continued strength in the Middle East, Australia, New Zealand and west Africa while geopolitical factors negatively impacted activity levels in Venezuela and Libya and local economic factors slowed operations in Argentina during part of the year.
- Revenue from the Company's international oilfield services division decreased seven percent to $304.4 million, compared with revenue of $327.1 million in 2008. The international segment accounted for 27 percent of Ensign's consolidated revenue in 2009, compared with 19 percent in the prior year.
- Operating days in 2009 totaled 7,212 (41.1 percent utilization), which represents a 27 percent decrease from the 9,918 (59.9 percent utilization) in 2008.

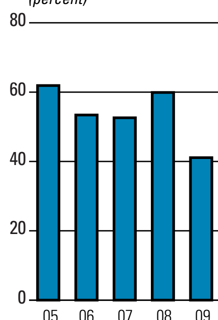
In 2009, we expanded into Mexico for the first time, deployed five new ADRs under long-term contract in Oman and one in Gabon, and transferred four ADRs from Canada to Australia

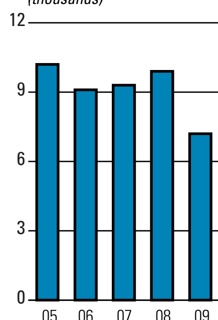
- In December 2009, Ensign entered the Mexican market for the first time with six drilling rigs through the acquisition of FE Services Holdings, Inc. ("Foxxe Energy"). All six rigs are newly constructed within the last two years and capable of drilling to depths of approximately 3,000 metres (10,000 feet). The rigs are located in the Chicontepec and Ébano-Pánuco-Cacalilao fields in Mexico.
- We deployed six new ADRs under long-term contracts in 2009—five in Oman and one in Gabon. The five ADRs in Oman joined three other drilling rigs already deployed there and are working on an 840-well drilling program. Ensign has worked in Oman continuously for over 20 years.
- We transferred four ADRs from Canada to Australia in 2009. One of the transferred rigs commenced operations in 2009; the three remaining transferred rigs will begin operations in the first half of 2010.
- The one drilling rig and one well servicing rig in New Zealand started up again in 2009 and this work is expected to continue in 2010.
- We began the process of redeploying a rig into the United Arab Emirates that is contracted to work for the majority of 2010.
- Our constant focus on safety through our Company-wide Driving to Zero safety vision paid dividends in 2009 when Argentina became the first division in the Company's history to achieve a year of zero injuries and incidents.
- We exited 2009 with a fleet of 58 drilling and workover rigs in the international market, including 19 ADRs.

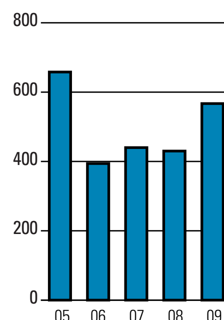
OPERATING DIVISIONS	INTERNATIONAL	SERVICES	PRIMARY GEOGRAPHIC AREA	FLEET SIZE
Contract Drilling / Workover Services	Ensign Energy Services International Limited	Drilling of all forms of hydrocarbon and geothermal wells; shallow to deep well servicing to oil and natural gas producers	Australia, New Zealand, Southeast Asia, the Middle East and Africa	33 drilling/workover rigs
	Ensign International Energy Services Inc.	Drilling of all forms of hydrocarbon and geothermal wells; shallow to deep well servicing to oil and natural gas producers	Mexico, Venezuela and Argentina	25 drilling/workover rigs

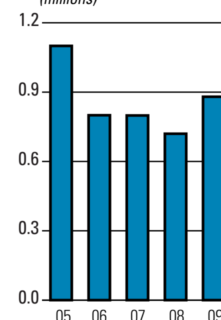
DRILLING RIGS	CURRENT	2008
Argentina	7	6
Australia	12	7
Gabon	1	1
Libya	5	5
Mexico	6	–
New Zealand	1	1
Oman	8	3
Qatar	–	1
Thailand	2	2
United Arab Emirates	1	–
Venezuela	8	8
	51	34

WORKOVER RIGS	CURRENT	2008
Argentina	3	4
Australia	2	2
New Zealand	1	1
Venezuela	1	1
	7	8









Changing the way the world drills

In 2009, Ensign further broadened the geographical reach of its fast, and flexible Automated Drill Rig ("ADR™"), deploying seven more to the United States market, five to Oman and one to Gabon for a total of 79 worldwide.

Ensign's customers are increasingly selecting the ADR™ because it helps them to efficiently, cost effectively and safely exploit their large resource play opportunities – geological areas containing large and long-lasting reserves of crude oil or natural gas either over a large expanse or in a thick vertical area.

A growing number of producers are moving into resource plays. In contrast to conventional oil and natural gas exploration and development plays, resource plays are typically in concentrated geographic areas and are large-scale developments that are expected to occur over a long period of time.

Some of the up-and-coming resource plays in North America include: Alberta's oil sands; the Montney and Horn River formations in northeastern British Columbia; the Bakken formation in Saskatchewan, North Dakota and Montana; the Jonah Field in Wyoming; the Haynesville shale formation in Texas and Louisiana; and the Marcellus shale formation in the United States' Appalachian region. A large number of our ADRs are currently serving customers in these regions.

There are many compelling reasons why our customers are choosing Ensign's ADR™:

- **Fast and mobile:** ADRs can be set up and moved two to three times faster than conventional drilling rigs, thus reducing customers' well development time by about 25 percent compared with conventional rigs.
- **Scalable and versatile**: We designed and developed our range of ADRs to suit every type of well, every depth of well, and every operating environment.
- **Automated and safe**: We designed the ADR™ so that much of the drilling process is automated and requires fewer crew members than conventional drilling rigs.
- **Lower environmental footprint**: Both the ADR's trailer unit and the rig itself are compact. This reduces the surface impact during transport. It also reduces the well-pad footprint by as much as 30 percent.
- **Purpose-built**: Ensign designs and assembles the ADR™ in our own facilities, and we work closely with our customers during the design phase for new builds so that we can tweak the ADR™ design to meet the specific requirements of their drilling programs.

As one of the largest drilling contractors in the world, Ensign has long been a pioneer in providing our customers with innovative drilling solutions.

Building on the strength of our ADR™ technology, we plan to be the industry's innovation leader for many years to come.

Our technological leadership continues to be a major driver for our business. Our customers demand and deserve efficiency and our market-leading ADR™ delivers – allowing Ensign to drill more efficiently and safely and giving us a competitive edge, particularly in the large resource play regions.

BUILDING A SUSTAINABLE COMPANY

Ensign's global reach and local focus applies equally to our Company-wide corporate social responsibility (CSR) initiatives through which we aim to ensure Ensign will be a sustainable company that will benefit all our stakeholders, including our shareholders, customers, employees and the communities around the world in which we operate.

Ensign's Vision Statement is our rallying cry, and our motto *"Performance Excellence—Second to None"* means we will "grow through collaborative learning, exploring the potential of our people and technology, and creating excellence in who we are, second to none."

In order to achieve performance excellence, we must achieve excellence—second to none—in our economic, environmental and social performance, which includes workplace health and safety.

ECONOMIC PERFORMANCE

We believe that the five pillars of our strategy—financial discipline; opportunistic growth; diverse operations; customer focus; and, last but not least, commitment to safety—will sustain Ensign's economic strength well into the future.

Financial discipline: Ensign has a strong balance sheet and a proven track record in managing its costs. We plan to always keep it that way. We firmly believe that financial discipline is even more essential to sustainability for companies operating in the oilfield services industry. Our industry, like the oil and natural gas industry we serve, is cyclical and financial discipline is imperative at all times, but particularly during market downturns.

Opportunistic growth: We work hard to develop a combination of organic growth and growth through acquisitions. Patience and "thinking outside the box" are key components of our strategy. We do not look for growth for growth's sake and we try to be leaders rather than followers. We believe that taking this approach is in the best interests of our shareholders.

Diverse operations: Ensign's established geographical footprint is an asset. Firstly, it means we do not depend on just one geographic area for our revenues and this lowers financial risk for our shareholders. Secondly, diverse operations create opportunities for technology transfer. For example, we have transferred our highly sophisticated, market-leading Automated Drill Rig ("ADR™") technology from Canada to the United States, Australia, the Middle East and Africa, and this substantially benefits our customers. Thirdly, diverse operations benefit our employees because it creates greater opportunities for them as well as opportunities for knowledge sharing in areas such as safety and operational efficiency.

Customer focus: We strive for Ensign to be the contractor of choice in all segments of our business. We work closely with our customers in developing the oilfield services and technology they need to improve performance and strengthen their bottom line.

Commitment to safety: We are building our safety culture on the strong foundations of our HSE Management System and our long-standing *"Driving to Zero – Injuries and Incidents"* vision. We work hard at establishing a consistent approach that will help achieve our goal of continuously improving our health, safety and environment performance across the Company and in every jurisdiction we operate. This benefits all our stakeholders. We back up this commitment with Ensign's Health, Safety and Environment Policy.

ENVIRONMENTAL PERFORMANCE

Our Commitment

Ensign actively works to reduce, reuse, recycle and reclaim materials used in our operations.

As part of our efforts to innovate and develop new technologies, we strive to use environmentally friendly procedures and materials when providing our services.

All incidents that could affect the environment are dealt with on a timely basis to ensure they are properly contained.

We take this responsibility seriously. We view it as a responsibility to current and future generations.

Reducing our environmental footprint

Ensign strives to use fewer material resources to reduce both our environmental footprint and input costs.

Our impacts

Our potential impacts occur in the manufacture, transport and operation of our drilling rigs and other oilfield services equipment, as well as in the manufacture of customized crude oil and natural gas production equipment carried out by our subsidiary, Opsco Energy Industries Ltd.

Our performance

We are pleased to report that there have not been any serious environmental incidents in the Company's history.

Reducing engine emissions

For several years, Ensign has pursued a program of replacing older, less-efficient engines used on our equipment with newer engines. The engines we now purchase represent the latest technology for achieving fuel efficiency and reduced emissions. Wherever possible, we select engines that consume less fuel for a given power output level.

We are committed to purchasing new engines that meet the current North American emissions standards and meet or exceed the emissions standards in various host countries.

Increasing drilling efficiency

For our new drilling rigs, such as our proprietary ADR™, which we design and assemble ourselves, we use more complex and flexible designs. This results in a smaller drilling rig that accomplishes more work. These more compact drilling rigs move and rig up in a fraction of the time of older designs. Our newer rigs also incorporate drilling systems that reduce the overall time and energy needed to drill and complete a well.

As a result of design efficiencies, we use less construction material on our new rigs, which reduces the emissions and CO2 produced by the manufacturing process. Whenever practical, we use low-VOCs (volatile organic compounds) and lead-free paints to reduce emissions and minimize pollutants.

We are also focused on reducing our impact on the physical environments in which we operate. The layout and size of our new drilling rigs means our customers' wellsites require a smaller footprint, resulting in less impact on the terrain and vegetation.

Ensign also constructs its equipment and trains its people to conduct directional drilling and multi-bore wells, which significantly decrease surface impacts by reducing the number of wellsites.

Most of our drilling operations incorporate closed drilling fluid systems that reduce and, in some cases, eliminate site preparation and clean up. In addition, Opsco's production testing equipment is designed to recycle production testing emissions back into the production line and reduce or eliminate the flaring of hydrocarbons. These are two excellent examples of how Ensign works to better protect the environment.

Ensign also works with its customers to experiment with the use of alternative fuels. For example, at one large drilling project in the United States we are using natural gas sourced from the field to power our equipment. We believe that this type of initiative significantly reduces harmful emissions from the overall operation, especially when one factors in the added benefit of a reduction in fossil fuel emissions resulting from not having to transport fuel to the rig site.

Our global drilling rig fleet includes a number of "electric" drilling rigs that allow the 'pooling of demand', which means dedicated engines are no longer required and engines can be shut down when power demand declines. While the industry as a whole still operates a large number of older style mechanical drilling rigs, most new-build drilling rig designs incorporate technology that allows for the more efficient generation and delivery of power at the rig site, which results in lower fuel consumption and, consequently, lower emissions.

Recycling

Recycling is another priority for us. We practice recycling in all of our locations, and wherever possible, our shops recycle oils and scrap steel.

Ongoing efforts

While we have made much progress, we are continually searching for ways to further reduce and minimize our environmental impacts.

SOCIAL PERFORMANCE

Ensign is engaged in numerous initiatives to build and reinforce our health and safety culture and contribute positively to the communities in which we work.

Health and Safety

HSE Management System

Our HSE Management System is helping us realize the HSE aspects of our mission, values and vision. The system's twofold purpose is to:

- establish an international standard for the way we manage, practice, and monitor our HSE programs; and
- bring our safety programs under one, Company-wide umbrella.

Through effective and transparent HSE management, Ensign aims to protect its employees, be the preferred contractor for customers and the favoured employer in the oilfield services sector, and lower its worker compensation costs. Our HSE Management System helps us achieve these goals by providing the framework and processes to examine the risks to our employees, the public, our property, and the environment in which we operate and determine what actions we need to take to control these risks.

Our promise to our employees and shareholders and the wider public is that we will strive for continuous improvement in every area of our HSE efforts. This means continuous improvement of our standards, systems, programs, safety performance, management leadership, and employees' awareness, knowledge, commitment, and involvement.

Safety audit

Underpinning our efforts for continuous improvement is our regular Company-wide safety audit, which is conducted by independent external auditors on a continuous three-year cycle. We are in the process of completing our second safety audit cycle since adopting the safety management process on a global basis. Each jurisdiction addresses the same audit questions, providing us a consistent, global picture of the effectiveness of our safety standards and processes, and identifies areas where improvement may be needed. Our audit results are shared globally so all divisions can see how their jurisdiction is performing and how they compare with their Ensign peers elsewhere in the world.

In addition to being a tool through which we can communicate the Company's safety priorities, the audit helps us achieve greater standardization and harmonization of our safety practices globally.

Through the audit, we raise awareness about Ensign's safety philosophy and performance expectations, as well as the risk issues we expect our employees to monitor and address.

Driving to Zero

Through our Driving to Zero vision—which aims for zero safety incidents, zero injuries, and zero days off work due to injury—we have seen continuous year-over-year improvement in our safety performance.

In 2009, the number and severity of injuries and the amount of time lost as a result of injuries declined for the fourth consecutive year. Ensign's operations in Canada, the United States, and internationally all achieved reductions ranging from 21 percent to 81 percent compared to the prior year. Our International division had the lowest injury frequency rate in its history.

While all divisions had rigs or sites that worked recordable injury free in 2009, most notably, employees of Ensign's operation in Argentina had a year totally free of injury, marking the first time any division has achieved such a milestone and proving that Driving to Zero is achievable.

During the period 2005 to 2009, the entire Company achieved a 66 percent reduction in total recordable incidents and a 67 percent reduction in injuries that resulted in workers losing time from work.

Employee training

As a global oilfield services company, we train our workers to make safety on and off the job an everyday priority. Training starts on the first day of employment and is reinforced constantly through job safety analysis programs, personal injury prevention training, safety coaching, daily pre-job safety meetings, and daily work observation practices.

Over the years, we have developed our own in-house training programs in Canada, the United States and Australia to increase competency within our core functions, such as rig managers and drillers. By 2009, we had competency programs in place for all our major service groups.

In another example of our focus on globalization and standardization, we are sharing our training and competency programs internationally within Ensign to further improve safety performance throughout the organization. For example, training programs developed in the United States have been translated into Spanish and implemented in our South American operations; and programs developed in Australia have been transferred to our operations in the Middle East and Africa.

We are also working with industry groups to help establish apprenticeship and certification programs. We believe that ultimately this will improve the level of skills within the oilfield services industry as a whole and encourage individuals to develop careers in our industry.

Safety Stand Down Week

Ensign's Safety Stand Down Week is a Company-wide initiative designed to reinforce our commitment to workers' safety. During Safety Stand Down Week, Ensign's senior executives visit job sites in the field to raise awareness about safety issues with our frontline workers, customers and subcontractors.

Our frontline workers—the crews who work on our rigs and employees who interact regularly with our customers—form the largest group in our workforce. Most of the Company's recordable incidents and injuries occur within this group, particularly among crews working together for the first time or those who are new to their job.

In 2009, meetings were held worldwide under the common theme "Hazard recognition – Take action before it's too late". Executives met face to face with our rig crews and other field employees to discuss the Company's safety priorities, listen to employees' concerns and suggestions, and reinforce our vision of eliminating injuries and incidents. The theme for our 2010 Safety Stand Down Week is "Together We Will Make the Difference", highlighting our core values of integrity, teamwork and learning.

The results of these meetings were shared with employees. We also solicited feedback about the effectiveness of the Company's safety systems and initiatives and management's commitment to building a safety culture. This feedback is important to ensure we truly are *"Driving to Zero – Injuries and Incidents"*.

Commitment to communities

Ensign encourages its employees around the world to support local charities and participate in the communities where we live and work.

Being a good corporate citizen means actively contributing in a number of ways. We support many different charities and not-for-profit organizations in our communities around the world. We look for charities that are committed to positive change. For example, one of our initiatives in Canada is the employee-led campaign to support the not-for-profit United Way. The Company matches all funds raised dollar for dollar. Ensign and our employees have been major supporters of the United Way for a number of years.

ENSIGN'S HEALTH, SAFETY AND ENVIRONMENT (HSE) POLICY

Our goal is to protect our people, the public, our property, and the environment in which we work and live. It is a commitment that is in the best interests of our customers, our employees, and all other stakeholders.

We believe it is possible to run all operations without injuries or damage to equipment or the environment:

- We will comply with all applicable laws and relevant industry standards of practice.
- We will continuously evaluate the HSE aspects of our equipment and services.
- We believe that effective HSE management is good business, and we are committed to the continuous improvement of HSE management practices.
- From top management through to entry level, everyone is responsible and accountable for HSE.

We are committed to the integration of HSE objectives into our management systems at all levels. This will enhance our business success by reducing risk and adding value to our services.

Management's Discussion and Analysis

As of March 15, 2010

This Management's Discussion and Analysis ("MD&A") for Ensign Energy Services Inc. and all of its subsidiaries and partnerships (the "Company") should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2009 which are available on SEDAR at www.sedar.com. The Company prepared its consolidated financial statements for the year ended December 31, 2009 in accordance with Canadian generally accepted accounting principles ("GAAP"). All financial measures presented in this MD&A are expressed in Canadian dollars unless otherwise indicated. Additional information, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Advisory regarding Forward-Looking Statements

Certain statements in this document constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule" or expressions of a similar nature suggesting future outcome or statements regarding an outlook. Disclosure related to expected future commodity pricing, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other 2010 guidance provided throughout this MD&A, including the information provided in the "Outlook" section, constitutes forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks and the reader should not place undue reliance on these forward-looking statements as there can be no assurance that the plans, initiatives or expectations upon which they are based will occur. The forward-looking statements are based on current expectations, estimates and projections about the Company and the industry in which the Company operates, which speak only as of the date such statements were made or as of the date of the report or document in which they are contained, and are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of the Company's services; volatility of and assumptions regarding crude oil and natural gas prices; fluctuations in currency and interest rates; economic conditions in the countries and regions in which the Company conducts business; political uncertainty; ability of the Company to implement its business strategy; impact of competition; the Company's defense of lawsuits; availability and cost of labour and other equipment, supplies and services; ability of the Company and its subsidiaries to complete their capital programs; operating hazards and other difficulties inherent in the operation of the Company's oilfield services equipment; availability and cost of financing; timing and success of integrating the business and operations of acquired companies; actions by governmental authorities; government regulations and the expenditures required to comply with them (including safety and environmental laws and regulations and the impact of climate change initiatives on capital and operating costs); the adequacy of the Company's provision for taxes; and other circumstances affecting revenues and expenses. The Company's operations and levels of demand for its services have been, and at times in the future may be, affected by political developments and by federal, provincial and local laws and regulations such as changes in taxes, royalties and other amounts payable to governments or governmental agencies and environmental protection regulations. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and the Company's course of action would depend upon its assessment of the future considering all information then available. For additional information refer to the "Risks and Uncertainties" section of this MD&A. Readers are cautioned that the foregoing list of important factors is not exhaustive. Unpredictable or unknown factors not discussed in this report could also have material adverse effects on forward-looking statements. Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. Except as required by law, the Company assumes no obligation to update forward-looking statements should circumstances or the Company's estimates or opinions change.

Non-GAAP Measures

This MD&A contains references to EBITDA, adjusted net income and funds from operations. These financial measures are not measures that have any standardized meaning prescribed by GAAP and are therefore referred to as non-GAAP measures. The non-GAAP measures used by the Company may not be comparable to similar measures used by other companies. Non-GAAP measures are defined in the "Overview and Selected Annual Information" section of this MD&A.

Overview and Selected Annual Information

($ thousands, except per share data)	**2009**	2008	Change	% change	2007	Change	% change
Revenue	**1,137,575**	1,705,579	(568,004)	(33)	1,577,601	127,978	8
EBITDA [1]	**308,954**	497,122	(188,168)	(38)	468,178	28,944	6
EBITDA per share							
Basic	**$2.02**	$3.25	$(1.23)	(38)	$3.07	$0.18	6
Diluted	**$2.02**	$3.22	$(1.20)	(37)	$3.03	$0.19	6
Adjusted net income [2]	**131,159**	260,731	(129,572)	(50)	244,966	15,765	6
Adjusted net income per share							
Basic	**$0.86**	$1.70	$(0.84)	(49)	$1.61	$0.09	6
Diluted	**$0.86**	$1.69	$(0.83)	(49)	$1.59	$0.10	6
Net income	**125,436**	259,959	(134,523)	(52)	249,765	10,194	4
Net income per share							
Basic	**$0.82**	$1.70	$(0.88)	(52)	$1.64	$0.06	4
Diluted	**$0.82**	$1.68	$(0.86)	(51)	$1.62	$0.06	4
Funds from operations [3]	**257,406**	406,775	(149,369)	(37)	296,048	110,727	37
Funds from operations per share							
Basic	**$1.68**	$2.66	$(0.98)	(37)	$1.94	$0.72	37
Diluted	**$1.68**	$2.63	$(0.95)	(36)	$1.92	$0.71	37
Long-term financial liabilities	**–**	20,000	(20,000)	(100)	–	20,000	–
Cash dividends per share	**$0.3425**	$0.3325	$0.01	3	$0.3225	$0.01	3
Total assets	**2,128,090**	2,239,686	(111,596)	(5)	1,786,560	453,126	25

(1) EBITDA is defined as "income before interest expense, income taxes, depreciation, and stock-based compensation expense". Management believes that, in addition to net income, EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, or how the results are impacted by the accounting standards associated with the Company's stock-based compensation plan.

($ thousands)	**2009**	2008	2007
Income before income taxes	**187,703**	363,119	377,676
Interest	**1,432**	7,006	5,249
Depreciation	**111,015**	125,809	92,636
Stock-based compensation	**8,804**	1,188	(7,383)
EBITDA	**308,954**	497,122	468,178

(2) Adjusted net income is defined as "net income before stock-based compensation expense, tax-effected using an income tax rate of 35 percent". Adjusted net income is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how the results are impacted by the accounting standards associated with the Company's stock-based compensation plan, net of income taxes.

($ thousands)	**2009**	2008	2007
Net income	**125,436**	259,959	249,765
Stock-based compensation, net of income taxes	**5,723**	772	(4,799)
Adjusted net income	**131,159**	260,731	244,966

(3) Funds from operations is defined as "cash provided by operating activities before the change in non-cash working capital". Funds from operations is a measure that provides shareholders and potential investors additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company's ability to finance operating activities and capital expenditures.

($ thousands)	**2009**	2008	2007
Net income	**125,436**	259,959	249,765
Non-cash items:			
Depreciation	**111,015**	125,809	92,636
Stock-based compensation, net of cash paid	**(2,402)**	(7,266)	(31,418)
Future income taxes	**23,357**	28,273	(14,935)
Funds from operations	**257,406**	406,775	296,048

Nature of Operations

The Company is in the business of providing oilfield services to the crude oil and natural gas industry in Canada, the United States and internationally. Oilfield services provided by the Company include drilling and well servicing, oil sands coring, underbalanced drilling, equipment rentals, wireline services, production testing services and custom manufacturing.

The Company's Canadian operations span the four western provinces of British Columbia, Alberta, Saskatchewan and Manitoba; and the province of Quebec. In the United States, the Company operates predominantly in the Rocky Mountain region and the states of California, Louisiana, Nevada and Pennsylvania. Internationally, the Company operates in Australia, Argentina, Gabon, Libya, Mexico, New Zealand, Oman, Thailand, United Arab Emirates and Venezuela. In addition to these international locations, the Company may relocate equipment to other regions depending on bidding opportunities and anticipated levels of future demand.

2009 Compared with 2008

The Company recorded net income of $125.4 million ($0.82 per common share) in the year ended December 31, 2009, a 52 percent decrease from $260.0 million ($1.70 per common share) recorded in 2008. Operating earnings, expressed as EBITDA (defined as earnings before interest, taxes, depreciation, amortization and stock-based compensation), for 2009 were $309.0 million, a 38 percent decrease from EBITDA of $497.1 million for the year ended December 31, 2008. Funds from operations similarly decreased 37 percent to $257.4 million ($1.68 per common share) in 2009 from $406.8 million ($2.66 per common share) in the prior year. The decrease in the Company's financial results is directly attributable to the impact of the unprecedented global economic crisis that weakened oil and natural gas supply and demand fundamentals for much of the year. The oilfield services industry experienced a significant reduction in demand, particularly in North America, as the exploration and production companies, the Company's customers, reacted to weak oil and natural gas demand and commodity prices. Further, many of these same companies faced liquidity challenges due to reduced levels of cash flow and restricted access to sources of additional capital.

Despite the challenging environment, the Company's established geographic diversification and strong balance sheet allowed it to take advantage of opportunities to continue to grow. The 14 Automated Drill Rig ("ADR™") and seven well servicing rig new build program that commenced in 2008 was completed in December 2009, continuing the enhancement of the Company's technical capabilities and bolstering its presence in key markets. Two of the newly constructed ADR™-1500 drilling rigs marked the entry of the Company into the promising Haynesville shale gas play in Louisiana. The Company also took advantage of an opportunity to enter the oilfield services market in Mexico, acquiring FE Services Holdings, Inc. ("Foxxe Energy") and its fleet of six drilling rigs in December 2009. A total of $185.1 million was spent on acquisitions and the purchase of additional equipment in 2009, down 33 percent from the $274.3 million invested in new equipment in 2008. At December 31, 2009 the Company had $2,128.1 million in total assets, down slightly from total assets of $2,239.7 at the end of the prior year.

The Company utilized its strong cash position to increase its quarterly dividend declared in the fourth quarter of 2009 to a rate of $0.0875 per common share, an increase of three percent from the 2009 third quarter rate of $0.0850 per common share. This modest increase maintains the Company's annual dividend increase trend dating back to the first dividend paid in 1995. Additionally, the Company extinguished its long-term debt in 2009 by the early repayment of a promissory note payable with a face value of $20.0 million. This promissory note was issued in July 2008 in connection with the purchase of 12 specialty drilling rigs and related equipment. The Company utilized existing cash resources to extinguish the debt which bore interest at a fixed rate above current market rates of interest.

Working capital at December 31, 2009 was $107.9 million compared to $107.0 million at December 31, 2008. Positive working capital and no long-term debt means that the balance sheet remains a source of strength for the Company.

2008 Compared with 2007

Financial results increased slightly in 2008 compared with 2007. The main contributors to the continuing strength of the financial results were the Company's established geographic diversification strategy and the wider deployment of the Company's ADR™ technology,

particularly the expansion to the United States ADR™ fleet throughout 2007. The improved financial results from the United States and international operations offset the reduction in financial results from the weaker Canadian market. By the end of 2008, activity levels in all three geographic segments started to react negatively to the global economic crisis that took hold late in the year.

Revenue and Oilfield Services Expense

($ thousands)	**2009**	2008	Change	% change
Revenue				
Canada	**425,854**	742,968	(317,114)	(43)
United States	**407,363**	635,465	(228,102)	(36)
International	**304,358**	327,146	(22,788)	(7)
	1,137,575	1,705,579	(568,004)	(33)
Oilfield services expense	**781,021**	1,145,884	(364,863)	(32)
	356,554	559,695	(203,141)	(36)
Gross margin	**31.3%**	32.8%		

Revenue recorded in the year ended December 31, 2009 totaled $1,137.6 million, a decrease of 33 percent over the prior year. The reduction in revenues across all segments was a reflection of reduced demand for oilfield services attributed to weak commodity prices, a global credit crunch and various regional geopolitical issues. The average active worldwide rig count was 31 percent lower in 2009 versus 2008, with the largest year-over-year decreases recorded in the second and third quarters due to the seasonality of industry activities in some jurisdictions.

Despite the market turbulence experienced in Canada and throughout the world in 2009, the Company maintained operating margins of 31.3 percent in 2009 compared with 32.8 percent for the year ended December 31, 2008. In order to protect operating margins during 2009, the Company continued to maintain a highly variable cost structure that allows it to react quickly to changes in market conditions. In addition to maintaining the variable cost structure, several cost control initiatives implemented in prior periods, including supply chain management, operational consolidations and a rationalization of equipment, received increased attention and focus.

Canadian Oilfield Services

	2009	2008	Change	% change
Conventional drilling and coring rigs				
Opening balance	**191**	191		
Addition	**–**	12		
Transfer	**(4)**	–		
Decommission/Disposal	**(5)**	(12)		
Ending balance	**182**	191	(9)	(5)
Drilling operating days	**13,719**	25,581	(11,862)	(46)
Drilling rig utilization %	**20.3**	36.5	(16.2)	(44)
Well servicing rigs/units				
Opening balance	**108**	116		
Addition	**4**	2		
Decommission/Disposal	**–**	(10)		
Ending balance	**112**	108	4	4
Well servicing operating hours	**102,341**	142,494	(40,153)	(28)
Well servicing utilization %	**26.5**	33.7	(7.2)	(21)

The Company recorded revenue of $425.9 million in Canada for the year ended December 31, 2009, a 43 percent decrease from $743.0 million recorded in the year ended December 31, 2008. Drilling operating days totaled 13,719, a 46 percent decrease from the previous year. Canadian well servicing hours decreased by 28 percent in the year ended December 31, 2009 with respect to the prior year. The Company continues to look for ways to improve profitability in this challenging environment and is positioned to operate effectively at such lower levels of utilization until the oil and natural gas industry recovers.

Canada accounted for 37 percent of the Company's revenue in the year ended December 31, 2009 (2008 – 44 percent). Average active rigs in the Canadian industry decreased by 42 percent in 2009 versus 2008, as natural gas prices stagnated for much of the year due to weak supply and demand fundamentals. Crude oil prices steadily improved during 2009 into the US$60 to $75 range in the second half of 2009. Oilfield services have not as yet shown meaningful signs of recovery in the Canadian market, due to customers' skepticism regarding future natural gas price levels.

Commencing in late 2008 and continuing throughout 2009, the oversupply of oilfield service equipment has negatively impacted utilization and margins in the Canadian market. Competitive conditions will not improve until the underlying oil and natural gas commodity fundamentals improve to a level that encourages additional investment in oil and natural gas exploration and development.

During 2009, there were several pockets of the Canadian market where the need for oilfield service equipment remained active. In particular, our customers carried on with their longer term development plans in areas such as the Montney and Horn River shale gas plays in northeast British Columbia, the Bakken play in southeast Saskatchewan and the heavy oil areas of Alberta.

The Company redeployed four ADR™ drilling rigs to its international operation and decommissioned five drilling rigs for a total reduction of nine rigs (five percent) in 2009 to bring the total to 182 marketed rigs as at December 31, 2009. Four well servicing rigs were added during 2009 to increase the Canadian fleet by four percent to 112 at December 31, 2009.

United States Oilfield Services

	2009	2008	Change	% change
Conventional drilling rigs				
Opening balance	75	76		
Addition	7	1		
Decommission/Disposal	–	(2)		
Ending balance	82	75	7	9
Drilling operating days	9,797	19,986	(10,189)	(51)
Drilling rig utilization %	34.3	72.3	(38.0)	(53)
Well servicing rigs/units				
Opening balance	17	14	3	
Addition	2	3	(1)	
Decommission/Disposal	(1)	–	(1)	
Ending balance	18	17	1	6
Well servicing operating hours	35,205	37,245	(2,040)	(5)
Well servicing utilization %	53.6	66.7	(13.1)	(20)

The Company's United States operations recorded revenue of $407.4 million for the year ended December 31, 2009, down 36 percent from revenue of $635.5 million for the year ended December 31, 2008. The United States segment accounted for 36 percent of the Company's revenue in 2009 (2008 – 37 percent). Drilling rig operating days decreased by 51 percent from 19,986 in 2008 to 9,797 in 2009. Due to a higher number of rigs available in the segment, the utilization rate decrease was higher at 53 percent as compared with the decrease in operating days. Well servicing activity expressed in operating hours was lower by five percent in 2009 when compared with 2008. However, utilization was down by 20 percent, due to a higher number of available well servicing rigs.

On an industry basis, active drilling rigs in the United States averaged 1,086 during 2009, down 42 percent from 1,878 in 2008. After three successive quarterly declines in average active drilling rig count, commencing in the fourth quarter of 2008, the United States drilling rig count held steady in the middle quarters of 2009 and activity picked up in the fourth quarter of 2009. The Company's drilling rig activity increase of 13 percent from quarter three to quarter four 2009 was similar to the 14 percent average activity increase experienced by the United States industry on an overall basis.

The Company's United States results continue to benefit from greater contractual coverage of the United States oilfield services equipment fleet compared with the Canadian fleet. Much of the Company's construction program over the last couple of years has been directed at adding new equipment to the United States market, and these high performing ADR™ drilling rigs built for the United States market have been subject to multi-year take-or-pay contracts. However, a very competitive market has resulted in reduced margins for the rigs going to work in the spot market. The weakening United States dollar relative to the Canadian dollar further eroded contributions from the United States segment.

During 2009, the Company added seven new ADR™ drilling rigs under long-term contracts and two well servicing rigs to the United States fleet. Net of the decommissioning of one well servicing rig in 2009, the Company's United States fleet closed 2009 with a total of 82 marketed drilling rigs (a nine percent increase) and 18 well servicing rigs (a six percent increase).

International Oilfield Services

	2009	2008	Change	% change
Conventional drilling and workover rigs				
Opening balance	**42**	49		
Acquisition	**6**	–		
Addition	**6**	–		
Decommission/Disposal	**–**	(7)		
Transfer	**4**	–		
Ending balance	**58**	42	16	38
Drilling operating days	**7,212**	9,918	(2,706)	(27)
Drilling rig utilization %	**41.1**	59.9	(18.8)	(31)

The Company's established geographical diversification strategy offset some of the weakness from the Company's North American operations. Demand for oilfield services in the international arena is more heavily influenced by crude oil prices compared with the predominantly natural gas focus of North America. Following a dramatic decline in commodity prices in the fourth quarter of 2008, crude oil prices began to recover in 2009 and maintained a level in the US$60 to US$75 range for the second half of the year. In addition, worldwide average rig count, excluding Canada and the United States, decreased only eight percent from 2008 to 2009, and has generally been trending upward since the third quarter of 2009.

International revenue totaled $304.4 million for the year ended December 31, 2009, a seven percent decrease from $327.1 million in 2008. The international segment contributed 27 percent of the Company's revenue in the year ended December 31, 2009 (2008 – 19 percent). Consistent with our United States segment, the financial results from our international segment were negatively impacted by the weakening of the United States dollar relative to the Canadian dollar in the 2009 fiscal year, as our international segment uses the United States dollar as its functional currency. The Company's international operations struggled in Africa and Latin America during the latter half of 2009, as the Company worked through geopolitical issues affecting operations.

Drilling days recorded by the Company's international operations during the year 2009 decreased 27 percent from 2008, based primarily on the reduction in demand for oilfield services experienced in the Company's operations in Latin America and Africa during the year. The reduction in contributions from Latin American operations in the latter half of 2009 was partially attributable to all of the Company's drilling rigs in Venezuela being stacked pending further negotiations with a major customer. The Company believes that these areas

should improve in 2010. Partially offsetting these regional weaknesses have been the successful deployment of six new ADR™ drilling rigs during the year. Building on the Company's established geographic diversification will continue to be a focus for Ensign.

During 2009, the Company completed the international component of its new build program that resulted in six new ADRs being successfully deployed into the international market. Additionally, the Company transferred four ADR™ rigs from its Canadian fleet to its international operation to capitalize on additional opportunities in existing markets. The financial contributions of these transfers will not be realized until the first half of 2010, but they indicate the advantage of having an already established geographic diversification strategy. On December 31, 2009, the Company acquired Foxxe Energy and its fleet of six relatively new drilling rigs operating in Mexico. The acquisition of Foxxe Energy represents the Company's entry point into the major land drilling market of Mexico. The Company's international fleet closed 2009 with a total of 58 marketed drilling and workover rigs, an increase of 16 rigs or 38 percent in the past year.

Depreciation

($ thousands)	**2009**	2008	Change	% change
Depreciation	**111,015**	125,809	(14,794)	(12)

Depreciation expense decreased to $111.0 million for the year ended December 31, 2009 compared with $125.8 million for the year ended December 31, 2008. This decrease reflects lower consolidated operating activity levels, partially offset by increased depreciation on higher valued equipment added to the Company's drilling rig fleet over the course of 2009. Depreciation charges for 2009 also include additional amounts of $7.5 million (2008 - $11.3 million) in respect of equipment that has been inactive for a period of 12 consecutive months or more.

Several changes in accounting estimates in 2008 impacted the comparability of depreciation on a year-over-year basis. Effective January 1, 2008, the Company reduced the estimated useful life of oil sands coring rigs and coiled tubing units, thereby accelerating the depreciation of this equipment. In addition, effective July 1, 2008, the Company began applying a depreciation charge for drilling and well servicing rigs that have not operated within the last 12 consecutive months, based on the revised estimated useful life of such equipment.

General and Administrative Expense

($ thousands)	**2009**	2008	Change	% change
General and administrative	**50,884**	61,556	(10,672)	(17)
% of revenue	**4.5%**	3.6%		

General and administrative expense totaled $50.9 million (4.5 percent of revenue) for the year ended December 31, 2009 compared with $61.6 million (3.6 percent of revenue) for the year ended December 31, 2008, a decline of 17 percent. The higher expense in 2008 was incurred primarily in support of the Company's growth initiatives in the United States and international divisions. In 2009, expenses were reduced as a result of a reduction in operating activity, as well as the Company's cost management initiatives in response to declining market conditions.

Stock-Based Compensation Expense

($ thousands)	**2009**	2008	Change	% change
Stock-based compensation	**8,804**	1,188	7,616	641

Stock-based compensation expense arises from the intrinsic value accounting associated with the Company's stock option plan, whereby the liability associated with stock-based compensation is adjusted for the effect of granting and vesting of employee stock options and changes in the underlying price of the Company's common shares. For the year ended December 31, 2009, stock-based compensation was an expense of $8.8 million compared with an expense of $1.2 million for the year ended December 31, 2008. For the

year ended December 31, 2009, stock-based compensation expense consisted of $0.7 million for the vesting of additional stock options and $8.1 million associated with an increase in the price of the Company's common shares. The closing price of the Company's common shares was $15.00 at December 31, 2009, compared with $13.22 at December 31, 2008 and $15.25 at December 31, 2007.

Interest Expense

($ thousands)	**2009**	2008	Change	% change
Interest	**1,432**	7,006	(5,574)	(80)

Interest expense is incurred on the Company's utilized balance of operating lines of credit and promissory note payable. During the second quarter of 2009, the Company repaid the principal sum and accrued interest on the promissory note without penalty. Interest is incurred on the Company's $200.0 million global revolving credit facility at prime interest rates or bankers' acceptance rates/LIBOR plus 0.75 percent; and at prime interest rates plus 1.50 percent or bankers' acceptance rates/LIBOR plus 2.50 percent on the $10.0 million Canadian facility.

The decrease in interest expense for the year ended December 31, 2009 compared to the prior year is mainly due to the decline in interest rates in 2009 compared with 2008. Further, the interest expense for 2008 included upfront fees related to the new operating lines of credit that were negotiated during the second quarter of 2008. The Company's effective interest rate for 2009 was approximately 1.0 percent compared with approximately 4.6 percent for 2008.

Other

($ thousands)	**2009**	2008	Change	% change
Other (income) expense	**(3,284)**	1,017	(4,301)	(423)

This amount consists primarily of foreign exchange gains and losses on the translation of the results of the Australian operations from Australian to United States currency as the Australian currency strengthened during the 2009 fiscal year, a reversal of direction from the prior year.

Income Taxes

($ thousands)	**2009**	2008	Change	% change
Current income tax	**38,910**	74,887	(35,977)	(48)
Future income tax	**23,357**	28,273	(4,916)	(17)
	62,267	103,160	(40,893)	(40)
Effective income tax rate (%)	**33.2%**	28.4%		

For the year ended December 31, 2009, the effective income tax rate was 33.2 percent compared with 28.4 percent for the year ended December 31, 2008. The increase in the Company's effective income tax rate year-over-year is due to a greater proportion of taxable income being generated by the Company's United States operations, which has a higher effective income tax rate. In addition, the lower effective income tax rate in 2008 is largely due to additional deductions available to the Company's United States subsidiaries, namely a domestic production deduction available to companies engaged in qualified activities. Additional guidance issued by the tax authorities in 2008 confirmed that the drilling of crude oil and natural gas wells performed by the Company was a qualified activity and that the Company was therefore entitled to an additional income tax deduction. This deduction was claimed for the years 2005 through 2007 by amended returns as well as for 2008 during the year ended December 31, 2008.

Financial Position

The following chart outlines significant changes in the consolidated balance sheet from December 31, 2008 to December 31, 2009:

($ thousands)	Change	Explanation
Cash and cash equivalents	39,248	See consolidated statement of cash flows.
Accounts receivable	(118,134)	Decrease due to a decrease in operating activity levels in the fourth quarter of 2009 compared with the fourth quarter of 2008.
Income taxes recoverable	(4,424)	Decrease due to the current income tax provision for the period, net of tax instalments.
Inventory and other	207	Increase due to the acquisition of Foxxe Energy at year-end 2009, offset by the normal course use of consumables and spare parts.
Property and equipment	(35,437)	Decrease due to increased depreciation on higher-value equipment and the impacts of foreign exchange fluctuations on the consolidation of the Company's foreign self-sustaining subsidiaries, net of additions during the year.
Long-term note receivable	7,607	Increase due to sale of non-core oilfield equipment during fourth quarter of 2009.
Accounts payable and accrued liabilities	(82,424)	Decrease due to lower operating activity levels in the fourth quarter of 2009 compared with the fourth quarter of 2008.
Operating lines of credit	(439)	Decrease due to net repayments of the operating lines of credit.
Promissory note payable	(20,000)	Decrease due to repayment of the promissory note in June 2009.
Stock-based compensation	(2,872)	Decrease due to the exercise of employee stock options during the year offset by an increase in the price of the Company's common shares as at December 31, 2009 compared with December 31, 2008.
Dividends payable	387	Increase due to a three percent increase in the fourth quarter dividend rate and a slight increase in the number of outstanding common shares during 2009.
Future income taxes	14,769	Increase primarily due to the acquisition of Foxxe Energy.
Shareholders' equity	(20,354)	Decrease due to the net income for the period being offset by the impact of foreign exchange rate fluctuations on net assets of foreign self-sustaining subsidiaries and the amount of dividends declared in the period.

Funds from Operations and Working Capital

($ thousands)	**2009**	2008	Change	% change
Funds from operations	**257,406**	406,775	(149,369)	(37)
Funds from operations per share	**$1.68**	$2.66	($0.98)	(37)
Working capital	**107,894**	107,024	870	1

Funds from operations totaled $257.4 million ($1.68 per common share) for 2009, a decrease of 37 percent compared to $406.8 million of funds from operations ($2.66 per common share) generated in 2008. The decrease in funds from operations in 2009 compared with 2008 is due to the continued deterioration of oilfield services market conditions, primarily in the Company's Canadian and United States divisions, resulting in lower activity levels. Additionally, the Company's international operations experienced a reduction in contributions from its Latin American operations in the third and fourth quarters of 2009 as all of the drilling rigs in Venezuela were stacked pending further negotiations with a major customer. The decline in operating activity is slightly offset by contributions from the newly constructed ADRs placed in operation in the United States and international markets under term contracts during 2009. The significant factors that may impact the Company's ability to generate funds from operations in future periods are outlined in the "Risks and Uncertainties" section of this MD&A.

Despite ongoing market challenges during the year, the Company exited the year with working capital of $107.9 and no long-term debt. Cash and cash equivalents totaled $135.2 million as at December 31, 2009, an increase of $39.2 million from the balance at year-end 2008. The Company's strong cash position and existing credit facilities are expected to be sufficient in supporting future operations and capital expenditures. Existing credit facilities provide for total borrowings of $210.0 million, of which $26.8 million was available as at December 31, 2009.

The Company undertook the following actions during the year to conserve cash and maintain a solid balance sheet during the continued industry and economic downturn:

- Salary freezes for administrative staff and roll-backs for executive staff took effect in the first quarter of 2009.
- The Company continued to enforce its highly variable cost structure by releasing seasonal personnel as utilization levels decrease. Canadian operations were pared back during the second and third quarters in response to reduced activity levels in Canada.
- In February 2009, an additional review of open AFE's (authority for expenditures) was performed, which resulted in the suspension of several projects to allow for further economic analysis and approval.
- Capital expenditures were concentrated on the new build program, with all other non-critical capital expenditures tightly controlled or suspended during the year.
- Implementation activities continued in relation to the comprehensive asset management system. Continued focus on supply chain management initiated during 2008 will allow the Company to leverage its purchasing power and realize cost reductions from global purchasing activities.

The foregoing actions were not only effective in maintaining a strong balance sheet during 2009, but also supported selective growth opportunities such as the new build program during the year.

Investing Activities

($ thousands)	**2009**	2008	Change	% change
Acquisition	**(52,573)**	–	(52,573)	–
Net purchase of property and equipment	**(132,573)**	(274,323)	141,750	(52)
Net change in non-cash working capital	**9,683**	35,285	(25,602)	(73)
Cash used in investing activities	**(175,463)**	(239,038)	63,575	(27)

Effective December 31, 2009, the Company completed a corporate acquisition by acquiring all of the issued and outstanding shares of Foxxe Energy. The purchase of Foxxe Energy was funded with existing cash balances and credit facilities.

Net purchases of property and equipment and acquisitions for the year ended December 31, 2009 totaled $185.1 million compared with $274.3 million for the year ended December 31, 2008. In the fourth quarter, the Company sold its camp and related assets for $17.8 million for which the Company received $7.9 million in cash and a non-interest bearing promissory note for $9.9 million. The promissory note includes annual minimum repayments of $1.0 million with a lump sum payment of the balance on or before December 4, 2015. The net purchase of property and equipment relates predominantly to expenditures incurred for the completion of the Company's most recent new build program as all other non-critical capital expenditures were tightly controlled or suspended during 2009.

Significant additions to the Company's oilfield services equipment fleet in 2009 included:

- Construction of two well servicing rigs for the United States in the first quarter;
- Construction of six ADR™ drilling rigs for the Middle East and Africa (two in the first quarter and four in the second quarter);
- Construction of seven ADR™ drilling rigs for the United States (one in each of the first and second quarters, three in the third quarter and two in the fourth quarter);

- Acquisition of Canadian wireline assets in the third quarter;
- Construction of four well servicing rigs in Canada in the third quarter; and
- Acquisition of six drilling rigs and related equipment in Mexico in the fourth quarter.

Financing Activities

($ thousands)	**2009**	2008	Change	% change
Net (decrease) increase in operating lines of credit	**(439)**	51,474	(51,913)	(101)
Repayment of promissory note	**(20,000)**	–	(20,000)	–
Issue of capital stock	**977**	1,014	(37)	(4)
Dividends	**(52,456)**	(50,905)	(1,551)	3
Net change in non-cash working capital	**387**	393	(6)	(2)
Cash (used in) provided by financing activities	**(71,531)**	1,976	(73,507)	(3,720)

Net repayments of the operating lines of credit were the result of operating cash flows generated by the Company's Canadian and United States oilfield services divisions in excess of capital expenditure requirements. As of December 31, 2009, the operating lines of credit are primarily being used to fund the completion of the most recent new build program and to support international operations. Since repayment of the $20.0 million promissory note due July 2011, the Company has had no long-term debt.

The Company's available operating lines of credit consist of a $200.0 million global revolving credit facility (the "Global Facility") and a $10.0 million Canadian based revolving credit facility (the "Canadian Facility"). The Global Facility is available to the Company and any of its wholly-owned subsidiaries, and may be drawn in Canadian, United States or Australian dollars, up to the equivalent value of $200.0 million Canadian dollars. The amount available under the Canadian Facility is $10.0 million or the equivalent United States dollars.

During the year ended December 31, 2009, the Company declared dividends of $0.3425 per common share, an increase of three percent over dividends of $0.3325 per common share declared in 2008. Other financing activities during the year ended December 31, 2009 include the receipt of $1.0 million on the exercise of employee stock options.

Subsequent to December 31, 2009, the Company declared a dividend for the first quarter of 2010. A quarterly dividend of $0.0875 per common share was declared for payment on April 2, 2010 to all shareholders of record as of March 26, 2010. All dividends paid by the Company subsequent to January 1, 2006 qualify as an eligible dividend, as defined by subsection 89(1) of the Canadian Income Tax Act ("ITA").

Contractual Obligations

In the normal course of business, the Company enters into various commitments that will have an impact on future operations. These commitments relate primarily to operating lines of credit and office leases.

A summary of the Company's total contractual obligations as of December 31, 2009, is as follows:

($ thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating lines of credit	169,004	169,004	–	–	–
Office leases	5,665	2,967	1,474	587	637
Total	174,669	171,971	1,474	587	637

Financial Instruments

Credit Risk

The Company is subject to credit risk on accounts receivable and long-term note receivable balances, which at December 31, 2009 totaled $250.0 million, a decrease of $110.5 million from accounts receivable of $360.5 million as at December 31, 2008.

The global economic downturn, tightening of the credit markets and the sharp reduction in commodity prices that began in the fourth quarter of 2008, heightens credit risk for the Company as its customers may experience reduced cash flows and reduced access to credit. The Company manages this risk through dedicated credit resources, ongoing monitoring and follow up of balances owing, well liens, and tightening or restriction of credit terms as required. The Company maintains and regularly reviews its allowance for doubtful accounts which is provided, in management's best estimate, to quantify accounts deemed uncollectible as at December 31, 2009. The allowance for doubtful accounts is an estimate requiring significant judgment and may differ materially from actual results.

New Builds

The 14 ADR™ and seven well servicing rig new build program that commenced in 2008 was completed in December 2009. Of the 14 ADRs included in the construction program, two are ADR™-250 models, two are ADR™-300 models, four are ADR™-350 models, four are ADR™-1000 models, and two are ADR™-1500 models. The well servicing rig new build program consisted of seven well servicing rigs: four in the Canadian market and three in the United States market.

In anticipation of continued opportunities for new oilfield services equipment to meet the growing technical demands of the exploration and production companies, the Company has commenced a 2010 new build program that will result in six new ADR™-1500 model drilling rigs being constructed for delivery starting in early 2011.

Summary Quarterly Results

	2009			
($ thousands, except per share data)	**Q4**	Q3	Q2	Q1
Revenue	**278,682**	232,463	226,010	400,420
EBITDA	**67,150**	53,238	60,151	128,415
EBITDA per share				
Basic	**$0.44**	$0.35	$0.39	$0.84
Diluted	**$0.44**	$0.35	$0.39	$0.84
Adjusted net income	**21,483**	16,444	23,083	70,149
Adjusted net income per share				
Basic	**$0.14**	$0.11	$0.15	$0.46
Diluted	**$0.14**	$0.11	$0.15	$0.46
Net income	**22,638**	16,900	13,212	72,686
Net income per share				
Basic	**$0.15**	$0.11	$0.09	$0.47
Diluted	**$0.15**	$0.11	$0.09	$0.47
Funds from operations	**57,810**	55,667	61,924	82,005
Funds from operations per share				
Basic	**$0.38**	$0.36	$0.40	$0.54
Diluted	**$0.38**	$0.36	$0.40	$0.54

	2008			
	Q4	Q3	Q2	Q1
Revenue	460,435	435,186	337,774	472,184
EBITDA	113,347	121,785	90,935	171,055
EBITDA per share				
Basic	$0.74	$0.80	$0.59	$1.12
Diluted	$0.74	$0.79	$0.59	$1.11
Adjusted net income	67,805	61,025	39,238	92,661
Adjusted net income per share				
Basic	$0.44	$0.40	$0.26	$0.61
Diluted	$0.44	$0.39	$0.25	$0.60
Net income	73,830	72,071	32,262	81,796
Net income per share				
Basic	$0.48	$0.47	$0.21	$0.53
Diluted	$0.48	$0.47	$0.21	$0.53
Funds from operations	109,558	90,450	82,526	124,241
Funds from operations per share				
Basic	$0.72	$0.59	$0.54	$0.81
Diluted	$0.71	$0.58	$0.53	$0.80

The seasonal operating environment in Canada impacts the Company's quarterly results. Financial and operating results for the Company's Canadian oilfield services division are generally strongest during the first and fourth quarters when the Company's customers conduct the majority of their drilling programs. Utilization rates typically decline during the second quarter as spring break-up weather conditions hinder mobility of the Company's equipment. As the Company expands its operations in the United States and internationally, the seasonal effects on results of operating in Canada will be mitigated.

The comparability of the Company's financial results on a quarter-over-quarter basis is impacted by the accounting for the Company's stock option plan, which can fluctuate significantly from quarter to quarter based on the price of the Company's common shares. Management utilizes EBITDA and adjusted net income to assess results from the Company's principal business activities prior to the impact of stock-based compensation.

An assessment or comparison of the Company's quarterly results at any given time requires consideration of crude oil and natural gas commodity prices. Commodity prices ultimately drive the level of exploration and development activities carried out by the Company's customers and the resultant demand for the oilfield services provided by the Company. Generally speaking, North American markets have greater exposure to natural gas prices while the international market is more heavily weighted to crude oil projects.

The variability noted in the Company's quarterly results for 2009 and 2008 reflect the underlying volatility in commodity prices. Financial results in 2009 were generally depressed in comparison to 2008 as the demand for oilfield services was negatively impacted by the sharp declines in natural gas and crude oil prices as a result of reduced global energy demand.

Fourth Quarter Analysis

($ thousands, except per share data and operating information)	Three months ended December 31			
	2009	2008	Change	% change
Revenue	**278,682**	460,435	(181,753)	(39)
EBITDA	**67,150**	113,347	(46,197)	(41)
EBITDA per share				
Basic	**$0.44**	$0.74	$(0.30)	(41)
Diluted	**$0.44**	$0.74	$(0.30)	(41)
Adjusted net income	**21,483**	67,805	(46,322)	(68)
Adjusted net income per share				
Basic	**$0.14**	$0.44	$(0.30)	(68)
Diluted	**$0.14**	$0.44	$(0.30)	(68)
Net income	**22,638**	73,830	(51,192)	(69)
Net income per share				
Basic	**$0.15**	$0.48	$(0.33)	(69)
Diluted	**$0.15**	$0.48	$(0.33)	(69)
Funds from operations	**57,810**	109,558	(51,748)	(47)
Funds from operations per share				
Basic	**$0.38**	$0.72	$(0.34)	(47)
Diluted	**$0.38**	$0.71	$(0.33)	(46)
Weighted average shares – basic (000s)	**153,156**	153,129	27	–
Weighted average shares – diluted (000s)	**153,312**	153,552	(240)	–
Drilling				
Number of marketed rigs				
Canada				
Conventional	**154**	163	(9)	(6)
Oil sands coring / coal bed methane	**28**	28	–	–
United States	**82**	75	7	9
International	**58**	42	16	38
Operating days				
Canada	**4,325**	6,072	(1,747)	(29)
United States	**2,550**	4,670	(2,120)	(45)
International	**1,821**	2,497	(676)	(27)
Drilling rig utilization rate (%)				
Canada	**25.8**	33.8	(8.0)	(24)
United States	**33.8**	67.7	(33.9)	(50)
International	**38.1**	64.6	(26.5)	(41)
Well servicing				
Number of marketed rigs/units				
Canada	**112**	108	4	4
United States	**18**	17	1	6
Operating hours				
Canada	**26,334**	31,138	(4,804)	(15)
United States	**10,551**	9,333	1,218	13
Well servicing rig utilization rate (%)				
Canada	**29.8**	31.3	(1.5)	(5)
United States	**63.7**	59.7	4.0	7

Revenue and Oilfield Services Expense

	Three months ended December 31		
($ thousands)	**2009**	2008	% change
Revenue			
Canada	**112,415**	180,201	(38)
United States	**91,078**	181,704	(50)
International	**75,189**	98,530	(24)
	278,682	460,435	(39)
Oilfield services expense	**198,347**	324,472	(39)
	80,335	135,963	(41)
Gross margin	**28.8%**	29.5%	

The Company recorded revenue of $278.7 million for the three months ended December 31, 2009, a 39 percent decrease from $460.4 million recorded in the three months ended December 31, 2008. Drilling operating days totaled 8,696, a 34 percent decrease from the previous year. Overall, revenues were lower in the fourth quarter of 2009 compared with the same quarter in 2008 primarily due to a reduction in demand for oilfield services equipment caused by lower commodity prices.

Operating activity levels declined in all segments in the fourth quarter of 2009, with overall drilling operating days and well servicing hours down compared with the fourth quarter of 2008 as an over-supply of oilfield service equipment remains in the market. Without a meaningful recovery in the supply and demand fundamentals for natural gas, including improved natural gas prices, the demand for oilfield services in North America will likely remain at lower than expected utilization levels. Demand for oilfield services in the international arena is more heavily influenced by crude oil prices compared with the predominantly natural gas focus of North America. During 2009, the Company worked to overcome a significant reduction in operating activity in Africa and Latin America. These negative events were partially offset by the expansion in the Company's international drilling rig fleet during the fourth quarter of 2009.

As a percentage of revenue, gross margin for the fourth quarter of 2009 fell to 28.8 percent from 29.5 percent for the fourth quarter of 2008. In general, margins were lower as equipment that was idle for much of the second and third quarters received the necessary maintenance in preparation for the Canadian winter drilling season and price reductions associated with contract renegotiations in the Company's United States segment were implemented during the fourth quarter.

Financial contributions generated by the international and United States oilfield services segments during the year, as presented in Canadian dollars, were negatively impacted from the weakening of the United States dollar relative to the Canadian dollar during this period. The United States/Canadian dollar exchange rate closed 2009 at 1.051, compared with 1.218 at December 31, 2008, a 14 percent decline.

Depreciation expense totaled $34.9 million for the fourth quarter of 2009 compared with $36.1 million for the fourth quarter of 2008. This decrease reflects lower consolidated operating activity levels, partially offset by increased depreciation on higher valued equipment added to the Company's oilfield services equipment fleet over the course of 2009 and additional depreciation recorded on idle equipment during the year.

General and administrative expense decreased 42 percent to $11.1 million (4.0 percent of revenue) for the fourth quarter of 2009 compared with $19.0 million (4.1 percent of revenue) for the fourth quarter of 2008. The reduction in general and administrative expense reflects the impact of the reduction in operating activity in 2009 and the ongoing efforts of the Company to reduce fixed costs in the wake of reduced levels of demand for oilfield services.

For the three months ended December 31, 2009, the effective income tax rate was 32.8 percent compared with 13.0 percent for the same period in 2008. The Company is generating a greater proportion of taxable income from its United States operations. As a result, the effective income tax rate is higher for the three months ended December 31, 2009. In the fourth quarter of 2008, the Company's

United States subsidiaries became entitled to the domestic production deduction. This additional income tax deduction was available to companies engaged in qualified activities, which includes the drilling of crude oil and natural gas wells. As a result, income tax returns for the years 2005 through 2007 were amended and re-filed. The benefit of this deduction was reflected as a reduction in current income tax expense for the three months ended December 31, 2008.

Outstanding Share Data

The following common shares and stock options were outstanding as of March 15, 2010:

	Number	Amount *($thousands)*
Common shares	153,228,106	170,932
	Outstanding	**Exercisable**
Stock options	10,657,800	3,885,800

Outlook

As expected, the 2009 fiscal year contained many challenges for the oilfield services industry. Weakening global economic conditions reduced the levels of demand for oil and natural gas as witnessed by the sharp decline in commodity prices from the recent highs experienced in 2008. Additionally, the tightening of credit availability created challenges for many of the Company's customers as they struggled through a period of reduced levels of cash flows. The Company's strong balance sheet, financial discipline and established geographic diversification enabled it to weather the storm better than most oilfield services companies. Indeed, the Company was able to continue to take advantage of opportunities to grow through this very difficult year for the industry. While oil prices have recovered from their lows of 2009 and natural gas prices have stabilized somewhat, the feeling persists that there are still many challenges ahead before we can claim to be in a period of recovery. The Company expects that 2010 will be another challenging year for the industry as oil and, particularly, natural gas prices, being the ultimate driving force of the North American energy industry, remain volatile as general economic conditions continue on the road to recovery.

The Company's Canadian operations have had a decent start to the year, with winter 2010 utilization being slightly better than expected, particularly for the deeper drilling rig classes. However, financial contributions from Canada in 2010 are expected to be reduced from the prior year as margins for the winter drilling season reflect revenue rates associated with the lower levels of demand for oilfield services that persisted through much of 2009. Generally speaking, the Company will not be in a position to improve margins until the demand for oilfield services increases meaningfully from current levels. Revenue rates historically have dropped faster than they rise. While the first quarter activity levels are slightly improved over expectations, there remains much uncertainty with respect to the rest of the year. The oil plays and certain natural gas shale plays are expected to contribute reasonable levels of demand for oilfield services through the remainder of the year, but conventional natural gas plays, the mainstay of the industry, are expected to remain weak against a backdrop of unfavorable natural gas supply and demand fundamentals. The recent modifications to the royalty framework announced by the Government of Alberta should help to improve the competitive conditions in the largest oil and natural gas producing province in Canada. The extension of the current incentive program for new natural gas and conventional oil wells; and the reduction in the maximum royalty rates applicable to natural gas and conventional oil production have the goal of attracting investment dollars back to Alberta. Until there is a rebalancing of supply and demand, which is now complicated by the impact of favorable economics and anticipated continued supply of natural gas from shale plays, the Canadian oilfield services industry will remain challenged to improve levels of profitability.

The Company's United States operations also started the 2010 fiscal year better than expected, bolstered by the positive impact from the completion of the Company's most recent new build program that resulted in seven new ADR™ drilling rigs and two new well servicing rigs being added to the Company's United States fleet of equipment in 2009. Additionally, the Company was able to modestly improve its margins on operating equipment in the face of better than expected levels of demand for certain equipment classes. While

the margins remain below peak levels attained within the last couple of years, the slight improvements indicate the level of customer acceptance and demand for the Company's newer high technology drilling rig fleet. This technology has been developed and proven in the natural gas resource plays of the Rocky Mountain region and is quickly showing its advantages in key natural gas shale plays of the United States. The Company only recently moved two ADR™-1500 drilling rigs into the Haynesville shale play of the southern United States and is already mobilizing more quickly and drilling deeper than most other drilling rigs in the area. The Company has also recently established a presence in the Marcellus shale play by moving ADR™ drilling technology and production testing equipment into the area. The Company believes there are additional opportunities for advanced technology equipment in these shale plays and will develop them over time. The challenge, as with Canada, will be to effectively and efficiently manage the total equipment fleet until natural gas fundamentals improve to levels that increase the demand for oilfield services in all equipment classes.

The six new ADR™ drilling rigs added to the Company's international drilling rig fleet through the course of 2009 will improve the financial contribution from the Company's international operations in 2010. The majority of international operations is subject to longer term contracts and is, generally, driven by oil supply and demand fundamentals. Oil prices have recovered from their lows of 2009 and are now within a range that should continue to drive activity in many international energy producing regions. That being said, there remain many geopolitical challenges that vary from region to region. The most challenging region for the Company currently is Latin America as individual countries in Latin America struggle with the direction and pace of the future development of their natural resources. Against this backdrop, the Company most recently entered the Mexican oilfield service market with the acquisition of a six drilling rig operation. The Company believes that Mexico will have some short-term challenges, but the acquisition was done with a view to the long-term growth potential for this major oil producing country. The biggest challenge faced by the Company's international operations in 2009 occurred in Venezuela, where operations were halted mid-year pending the resolution of certain contractual issues. Since the start of the year, there has been considerable progress on resolving these issues and the Company is expecting resumption of operations in Venezuela before the end of the first quarter of the 2010 fiscal year.

The Company believes that the 2010 fiscal year will continue to be filled with many challenges and opportunities. Until general economic conditions meaningfully improve, there will continue to be much uncertainty around oil and natural gas supply and demand fundamentals as reflected in volatile oil and natural gas commodity prices, the key drivers influencing the demand for oilfield services. There will also continue to be opportunities for new oilfield services equipment to meet the growing technical demands of the exploration and production companies as they further develop new resource plays. In this regard, the Company has commenced a 2010 new build program that will result in six new ADR™-1500 model drilling rigs being constructed for delivery starting in early 2011. While no specific regions have been targeted for these new builds, the new rigs will likely be contracted for resource plays within North America before the construction of the new ADRs is completed. The Company's balance sheet strength will be used to finance the construction of the new ADRs and other growth opportunities that are expected to evolve during these volatile times for the oilfield services industry.

Critical Accounting Estimates

This MD&A is based on the Company's consolidated financial statements that have been prepared in accordance with GAAP. The Company's significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of the consolidated financial statements requires that certain estimates and judgments be made in regard to the reported amount of revenues and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and consequently the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired, or the environment in which the Company operates changes.

The accounting estimates considered to have the greatest impact on the Company's consolidated financial results are as follows:

Depreciation

Depreciation of the Company's property and equipment incorporates estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change, both of which could impact the operation of the Company's property and equipment.

Long-lived Assets

The carrying value of the Company's property and equipment is reviewed for impairment periodically or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. This requires the Company to forecast future cash flows to be derived from the utilization of these assets based on assumptions about future operating conditions. These assumptions may change as more experience is obtained or as general market conditions change.

Valuation of Accounts Receivable

The Company is subject to credit risk on accounts receivable balances and assesses the recoverability of accounts receivable balances on an ongoing basis. The Company establishes an allowance for doubtful accounts when accounts receivable balances are deemed impaired and uncollectible. Assessing accounts receivable balances for impairment involves significant judgment and uncertainty, including estimates of future events. Changes in circumstances underlying these estimates may result in adjustments to the allowance for doubtful accounts in future periods.

Taxation

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases. The Company establishes valuation allowances to offset future income tax assets when utilization of such tax assets is uncertain. Assessing the realization of future income tax assets includes consideration of tax planning arrangements and estimates of future taxable income. Changes in circumstances and assumptions underlying these considerations may require changes to the valuation allowances recorded to date.

Adoption of New Accounting Standards

Goodwill and Intangibles

Effective January 1, 2009, Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 – "Goodwill and Intangible Assets" replaced Section 3062 – "Goodwill and Other Intangible Assets" and Section 3450 – "Research and Development Costs". The new standard addresses when an internally-generated intangible asset meets the definition of an asset. The adoption of this standard, which was adopted retroactively without restatement, did not have an impact on the Company's consolidated financial statements.

Financial Instruments

During the year, the Company adopted the amendments to CICA Handbook Section 3862, "Financial Instruments - Disclosures," to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Refer to Note 13 to the consolidated financial statements "Financial Instruments" for the additional disclosures under amendments to Section 3862. Upon its adoption, this new standard did not have a material effect on the Company's consolidated financial statements.

Recent Accounting Pronouncements

In February 2008, the CICA's Accounting Standards Board confirmed transition timing for publicly accountable enterprises in Canada to adopt International Financial Reporting Standards ("IFRS"). Accordingly, the Company will be required to adopt IFRS on January 1, 2011, including reporting for interim periods in fiscal 2011.

The Company's transition project includes three phases:

- Phase 1 – Diagnostic;
- Phase 2 – Development; and
- Phase 3 – Implementation.

We have completed the diagnostic phase, which involved a high level review of the major differences between current Canadian GAAP and IFRS and the creation of a project plan. Currently, we have determined that the key areas with the highest potential impact to the Company under IFRS financial reporting are:

- Property, plant and equipment
- IFRS 1 - first time adoption of IFRS
- Financial statement presentation and disclosures
- Stock-based compensation
- Asset impairments
- Income taxes

As discussed in more detail below, work teams have been selected to address each area where significant differences are expected. However, the impact of IFRS on the Company's consolidated financial statements is not reasonably determinable or estimable at this time.

We are currently engaged in the development phase of our project. We are working in issue-specific teams to focus on generating options and making recommendations in the identified areas. The Company determined that accounting for property, plant and equipment will be impacted significantly by the conversion to IFRS. Resources have been assigned to focus on analyzing and developing implementation strategies and processes for this key IFRS transition issue. The deemed cost IFRS 1 exemption allows an entity to use fair value as its deemed cost on transition date. This exemption offers relief to entities from adjustments resulting from retrospective adoption of IFRS. The Company is investigating the utilization of this exemption for certain items of property, plant and equipment. The Company is also evaluating other first-time adoption exemptions and elections available upon initial transition that provide relief from retrospective application of IFRS.

Corporate governance over the project involves the following:

- an IFRS committee has been established which consists of senior levels of management from accounting and finance, operations and information technology.
- regular feedback is provided to our senior executive management and the audit committee of our Board of Directors.

A Project Management Office has also been set up and the Company has engaged external advisers to supplement internal resources where required. The project team is involved in regular discussions with the Company's external auditors. The Company has held separate IFRS information sessions for key internal stakeholders and the audit committee. These sessions provided an overview of the IFRS standards, the impact of IFRS to the financial statements, review of the general timeline for implementation, and the challenges faced by the Company with the IFRS conversion.

The Company is monitoring the work plan of the International Accounting Standards Board ("IASB") for active projects and all changes to IFRS prior to January 1, 2011. On February 24, 2010, the CICA released a memo indicating that the international standard-setters have delayed making some significant changes that had been anticipated and the standards that will be mandatory for 2011 have stopped changing. This provides the Company with a more stable platform on which to plan the IFRS transition. The Company will stay up-to-date on the IASB's work plan, as a number of notable changes are expected to be published later this year and next and take effect in 2012 or 2013. Ensign will continue to monitor the IASB's work plan for opportunities to early adopt certain standards as part of the overall IFRS transition strategy. The changeover plan will be updated as necessary to incorporate some of these changes.

Other activities integral to the development phase comprise: assessment of the impact of proposed IFRS transitions on our various information systems and enterprise resource planning (ERP) system, changes to existing business processes, and the resultant impact on the Company's disclosure controls and procedures as well as the Company's internal controls over financial reporting.

As of January 1, 2011, the Company will be required to adopt the following CICA Handbook sections:

(a) CICA Handbook Section 1582 "Business Combinations" will replace the existing business combinations standard. The new standard requires assets and liabilities acquired in a business combination and contingent consideration to be measured at fair value as at the date of the acquisition. Acquisition costs that are currently capitalized as part of the purchase price will be recognized in the consolidated statement of income. The adoption of this standard will impact the accounting treatment of future business combinations.

(b) CICA Handbook Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-controlling Interests" will replace the former consolidated financial statements standard. These standards establish the requirements for the preparation of consolidated financial statements and the accounting for a non-controlling interest (previously referred to as minority interest) in a subsidiary. The new standard requires non-controlling interests to be presented as a separate component of equity and requires net income and other comprehensive income to be attributed to both the parent and non-controlling interests. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Disclosure Controls and Internal Controls over Financial Reporting Update

The Company's management, including the President and Chief Operating Officer, and Executive Vice President Finance and Chief Financial Officer, has reviewed and evaluated the effectiveness of both the Company's disclosure procedures and controls and the Company's internal controls over financial reporting (as defined in National Instrument 52-109 issued by the Canadian securities regulators) as of December 31, 2009.

The Company's management had limited its design and effectiveness of disclosure procedures and controls as of December 31, 2009 to exclude the controls, policies and procedures of Foxxe Energy, a business the Company acquired on December 31, 2009.

Subject to the scope limitation for Foxxe Energy, management has concluded that, as of December 31, 2009, the disclosure procedures and controls were effective to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities to allow timely decisions regarding required disclosure.

The Company acquired and began consolidating the operations of Foxxe Energy on December 31, 2009. Based on the proximity of this acquisition to the fiscal year-end, the Company's management has limited its design and effectiveness evaluation of internal controls over financial reporting as of December 31, 2009 to exclude the controls, policies and procedures of Foxxe Energy. The aggregate total assets of Foxxe Energy represented approximately three percent of the consolidated total assets of the Company as at December 31, 2009.

Subject to the scope limitation for Foxxe Energy, management has concluded that, as of December 31, 2009, the Company's internal controls over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

During the three months ended December 31, 2009, the Company continued to implement enhancements to its internal controls over financial reporting, comprising the successful implementation of the Company's ERP systems in the United States operations and completing upgrades to all of the North American payroll systems. Outside of these activities, there have been no other changes in the Company's internal controls over financial reporting during the three months ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risks and Uncertainties

Crude Oil and Natural Gas Prices

The most significant factors affecting the business of the Company are oil and natural gas commodity prices. Commodity price levels affect the capital programs of energy exploration and production companies, as the price they receive for the crude oil and natural gas they produce has a direct impact on the cash flow available to them and subsequent demand for oilfield services provided by the Company. Crude oil and natural gas prices have been volatile in recent years, and may continue to be so as weather conditions, government regulation, political and economic environments, pipeline capacity, storage levels and other factors outside of the Company's control continue to influence commodity prices. Demand for the Company's services in the future will continue to be influenced by commodity prices and the resultant impact on the cash flow of its customers, and may not be reflective of historical activity levels.

Competition and Industry Conditions

The oilfield services industry is, and will continue to be, highly competitive. Contract drilling companies compete primarily on a regional basis and competition may vary significantly from region to region at any particular time. Most drilling and workover contracts are awarded on the basis of competitive bids, which result in price competition. Many drilling, workover and well servicing rigs can be moved from one region to another in response to changes in levels of activity, which can result in an oversupply of rigs in an area. In many markets in which we operate, the supply of rigs exceeds the demand for rigs, resulting in further price competition. Certain competitors are present in more than one of the regions in which we operate, although no one competitor operates in all of these areas. In the United States there are many competitors with national, regional or local rig operations. In Canada we compete with several firms of varying size. Internationally, we compete directly with various competitors at each location where we operate and some of our international competitors may be better positioned in certain markets, allowing them to compete more effectively. We cannot assure you that we will be able to continue to compete successfully or that the level of competition and pressure on pricing will not affect our margins.

Access to Credit Facilities and Debt Capital Markets

The Company and its customers require reasonable access to credit facilities and debt capital markets as an important source of liquidity. Global economic events, outside the control of the Company or its customers, may restrict or reduce the access to credit facilities and debt capital markets. Tightening credit markets may reduce the funds available to the Company's customers for paying accounts receivable balances and may also result in reduced levels of demand for the Company's services. Additionally, the Company relies on access to credit facilities, along with its reserves of cash and cash flow from operating activities, to meet its obligations and finance operating activities. The Company believes it has adequate bank credit facilities to provide liquidity.

Foreign Operations

The Company provides oilfield services throughout much of North America and internationally in a number of onshore drilling areas. The Canadian and United States regulatory regimes are stable and, in general, supportive of energy industry activity. Internationally, the Company's operations are subject to regulations in various jurisdictions and support of the oil and natural gas industry can vary in these jurisdictions. In general, the Company negotiates long-term service contracts for drilling services in international areas and these contracts usually include early termination clauses and other clauses for the Company's protection.

Foreign Exchange Exposure

The Company's consolidated financial statements are presented in Canadian dollars. Operations in countries outside of Canada result in foreign exchange risk to the Company. The principal foreign exchange risk relates to the conversion of United States-dollar denominated activity to Canadian dollars. The Canada/United States dollar exchange rate at December 31, 2009, was 1.0510 compared with 1.2180 at December 31, 2008. The Company's United States and international operations are considered self-sustaining for foreign currency translation purposes. Fluctuations in future exchange rates will impact the Canadian dollar equivalent of the results reported by foreign subsidiaries.

Changes in Laws and Regulations

The Company and its customers are subject to numerous laws and regulations governing its operations and the exploration and development of crude oil and natural gas, including environmental regulation. Existing and expected environmental legislation and regulations may increase the costs associated with providing oilfield services, as the Company may be required to incur additional operating costs or capital expenditures in order to comply with any new regulations. The costs of complying with increased environmental and other regulatory changes in the future, such as royalty regime changes, may also have an adverse effect on the cash flows of the Company's customers and may dampen demand for oilfield services provided by the Company.

Seasonality

The Company's Canadian oilfield services operations are impacted by weather conditions that hinder the Company's ability to move heavy equipment. The timing and duration of spring break-up, during which time the Company is prohibited from moving heavy equipment on secondary roads, restricts movement of equipment in and out of certain areas, thereby negatively impacting equipment utilization levels. Further, the Company's activities in certain areas in northern Canada are restricted to winter months when the ground is frozen solid enough to support the Company's equipment. This seasonality is reflected in the Company's operating results, as rig utilization is normally at its lowest during the second and third quarters of the year. The Company continues to mitigate the impact of Canadian weather conditions through expansion into markets not subject to the same seasonality and by working with customers in planning the timing of their drilling programs.

Workforce

The Company's operations are dependent on attracting, developing and maintaining a skilled workforce. During periods of peak activity levels, the Company may be faced with a lack of personnel to operate its equipment. The Company is also faced with the challenge of retaining its most experienced employees during periods of low utilization, while maintaining a cost structure that varies with activity levels. To mitigate these risks, the Company has developed an employee recruitment and training program, and continues to focus on creating a work environment that is safe for its employees.

Operating Risks and Insurance

The Company's operations are subject to risks inherent in the oilfield services industry. The Company carries insurance to cover the risk to its equipment and people, and each year the Company reviews the level of insurance for adequacy. Although the Company believes its level of insurance coverage to be adequate, there can be no assurance that the level of insurance carried by the Company will be sufficient to cover all potential liabilities.

Operating Divisions Summary

DIVISION	GEOGRAPHIC COVERAGE	Fleet Size 2009	2008
Ensign Drilling Partnership			
Ensign Canadian Drilling	Central and northern Alberta/northeast British Columbia	**75**	82
Champion Drilling	Southern Alberta and southwest Saskatchewan	**39**	41
Big Sky Drilling	Southeast Saskatchewan and western Manitoba	**24**	21
Encore Coring & Drilling	Western Canada and the Yukon Territory	**44**	47
Rockwell Servicing Partnership	Western Canada – well servicing rigs/coiled tubing units	**112**	108
Enhanced Petroleum Services Partnership			
Enhanced Drill Systems	Western Canada – underbalanced drilling units	**18**	18
Opsco Energy Industries Ltd.	Western Canada		
Wireline units		**64**	39
Production testing units		**49**	48
Ensign United States Drilling Inc.			
Ensign United States Drilling	United States Rocky Mountain region, Louisiana, Pennsylvania	**60**	55
Ensign Well Services [(1)]	United States Rocky Mountain and California regions – well servicing rigs	**18**	17
Ensign United States Drilling (California) Inc.	California and Nevada	**22**	20
Opsco Energy Industries (USA) Ltd.	United States Rocky Mountain region and Pennsylvania		
Production testing units		**24**	19
Ensign Energy Services International Limited	Australia, New Zealand, Southeast Asia, Africa,		
	Argentina and the Middle East	**49**	33
Ensign de Venezuela C.A.	Venezuela – drilling and workover rigs	**9**	9

(1) Statistics include information related to well servicing rigs operated by Ensign United States Drilling (California) Inc.

In addition to the divisions noted above, the Company has three equipment rental divisions (Chandel Equipment Rentals, Rocky Mountain Oilfield Rentals and West Coast Oilfield Rentals) and one manufacturing facility (Opsco Energy Industries Ltd.). On December 31, 2009, the Company acquired FE Services Holdings, Inc. (“Foxxe Energy”) and its six drilling rigs located in Mexico.

Wells Drilled		Metres Drilled		Operating Days/Hours		Utilization (%)	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
599	964	**908,476**	1,529,988	**6,446**	12,330	**23.5**	38.5
802	1,577	**743,604**	1,449,128	**2,646**	6,050	**18.4**	40.3
194	399	**467,255**	901,543	**3,072**	5,061	**35.1**	65.8
153	344	**106,937**	234,057	**1,555**	2,140	**9.2**	14.0
NA	NA	**NA**	NA	**102,341**	142,494	**26.5**	33.7
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
692	1,442	**1,960,431**	3,762,910	**7,489**	15,171	**35.6**	73.7
NA	NA	**NA**	NA	**35,205**	37,245	**53.6**	66.7
360	843	**338,603**	732,485	**2,308**	4,815	**30.6**	68.3
NA	NA	**NA**	NA	**NA**	NA	**NA**	NA
536	327	**846,435**	511,878	**6,381**	7,611	**44.7**	57.8
31	103	**38,396**	212,795	**831**	2,307	**25.3**	68.2

Corporate Governance

The Company's Board of Directors exercises overall responsibility for the management and supervision of the affairs of the Company. This includes the appointment of the Company's President, approval of compensation for senior executives and monitoring of the President's and management's performance.

The Board of Directors has established procedures that prescribe the requirements governing the approval of transactions carried out in the course of the Company's operations, the delegation of authority and the execution of documents on behalf of the Company.

The Board of Directors reviews and approves the Company's annual operating budget, ensuring market conditions, as well as strategic thinking, is properly reflected in the short-term goals of each of the Company's operating divisions.

The Board of Directors is currently composed of nine directors. Mr. N. Murray Edwards, Mr. Selby Porter and Mr. Robert H. Geddes, Ensign's Chairman, Vice Chairman, and President and Chief Operating Officer respectively, are the only Board members who are also members of the Company's management. The Board of Directors annually appoints members to Board committees in the following three areas: Audit, Corporate Governance and Nominations, and Compensation. All of these committees are comprised entirely of independent directors.

Audit Committee

The Audit Committee reviews, reports and provides recommendations to the Board of Directors on the annual and interim consolidated financial statements and on the integrity of the financial reporting of the Company. In addition, the adequacy of the Company's processes for identifying and managing financial risk, the adequacy of the Company's internal control system, and the appointment, terms of engagement, provision of non-audit services and proposed fees of the Company's independent external auditor are also areas in which this committee reviews, reports and provides recommendations to the Board of Directors.

Corporate Governance and Nominations Committee

The Corporate Governance and Nominations Committee is responsible for reviewing, reporting and providing recommendations for improvement to the Board of Directors with respect to all aspects of corporate governance. The Corporate Governance and Nominations Committee, on a periodic basis, assesses the effectiveness of the Board of Directors as a whole, the committees of the Board and the contributions of individual members. This committee also identifies and recommends to the Board individuals qualified to become Directors of the Company.

Compensation Committee

The Compensation Committee reviews and approves compensation of the Company's senior management. In addition, this committee is responsible for reviewing succession plans and the compensation policy for all other employees. This committee also has the authority to grant stock options to employees (other than grants to senior officers and "insiders", which are approved by the Board of Directors) pursuant the Company's Stock Option Plan.

Additional details regarding the Company's corporate governance may be found in the "Statement of Corporate Governance Practices" included in the Information Circular for the Company's upcoming Annual Meeting of Shareholders to be held on May 26, 2010.

Management's Report

The consolidated financial statements and other information contained in the annual report are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles consistently applied, using management's best estimates and judgments, where appropriate.

Preparation of financial statements is an integral part of management's broader responsibilities for the ongoing operations of the Company. Management maintains a system of internal accounting controls to ensure that properly approved transactions are accurately recorded on a timely basis and result in reliable financial statements. The Company's external auditors are appointed by the shareholders. They independently perform the necessary tests of the Company's accounting records and procedures to enable them to express an opinion as to the fairness of the consolidated financial statements, in conformity with Canadian generally accepted accounting principles.

The Audit Committee, which is comprised of independent Directors, meets with management and the Company's external auditors to review the consolidated financial statements and reports on them to the Board of Directors. The consolidated financial statements have been approved by the Board of Directors.

Robert H. Geddes
President and Chief Operating Officer

Glenn Dagenais
Executive Vice President Finance and Chief Financial Officer

March 11, 2010

Auditors' Report

To the Shareholders of Ensign Energy Services Inc.

We have audited the consolidated balance sheets of Ensign Energy Services Inc. as at December 31, 2009 and 2008 and the consolidated statements of income and retained earnings, cash flows, comprehensive income and accumulated other comprehensive loss for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Calgary, Alberta

March 11, 2010

Consolidated Balance Sheets

As at December 31, 2009 and 2008

(in thousands of Canadian dollars)	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$ 135,153	$ 95,905
Accounts receivable	242,352	360,486
Income taxes recoverable	6,426	10,850
Inventory and other	61,031	60,824
Future income taxes *(note 7)*	377	1,040
	445,339	529,105
Property and equipment *(note 3)*	1,675,144	1,710,581
Long-term note receivable *(note 4)*	7,607	–
	$ 2,128,090	$ 2,239,686
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 153,660	$ 236,084
Operating lines of credit *(note 5)*	169,004	169,443
Current portion of stock-based compensation	1,378	3,538
Dividends payable	13,403	13,016
	337,445	422,081
Promissory note payable *(note 6)*	–	20,000
Stock-based compensation	391	1,103
Future income taxes *(note 7)*	259,457	245,351
	597,293	688,535
Contingencies and commitments *(note 14)*		
Shareholders' Equity		
Capital stock *(note 8)*	170,932	169,485
Accumulated other comprehensive loss	(96,364)	(1,583)
Retained earnings	1,456,229	1,383,249
	1,530,797	1,551,151
	$ 2,128,090	$ 2,239,686

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors

N. Murray Edwards, *Director*

Robert H. Geddes, *Director*

Consolidated Statements of Income and Retained Earnings

For the years ended December 31, 2009 and 2008

(in thousands of Canadian dollars – except per share data)	**2009**	2008
Revenue		
Oilfield services	**$ 1,137,575**	$ 1,705,579
Expenses		
Oilfield services	**781,021**	1,145,884
Depreciation *(note 3)*	**111,015**	125,809
General and administrative	**50,884**	61,556
Stock-based compensation	**8,804**	1,188
Interest	**1,432**	7,006
Other	**(3,284)**	1,017
	949,872	1,342,460
Income before income taxes	**187,703**	363,119
Income taxes *(note 7)*		
Current	**38,910**	74,887
Future	**23,357**	28,273
	62,267	103,160
Net income for the year	**125,436**	259,959
Retained earnings – beginning of year	**1,383,249**	1,174,195
Dividends *(note 8)*	**(52,456)**	(50,905)
Retained earnings – end of year	**$ 1,456,229**	$ 1,383,249
Net income per share *(note 8)*		
Basic	**$ 0.82**	$ 1.70
Diluted	**$ 0.82**	$ 1.68

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

(in thousands of Canadian dollars)	2009	2008
Cash provided by (used in)		
Operating activities		
Net income for the year	$ 125,436	$ 259,959
Items not affecting cash:		
Depreciation	111,015	125,809
Stock-based compensation, net of cash paid	(2,402)	(7,266)
Future income taxes	23,357	28,273
	257,406	406,775
Net change in non-cash working capital *(note 11)*	28,836	(75,748)
	286,242	331,027
Investing activities		
Acquisition *(note 9)*	(52,573)	–
Net purchase of property and equipment	(132,573)	(274,323)
Net change in non-cash working capital (*note 11)*	9,683	35,285
	(175,463)	(239,038)
Financing activities		
Net (decrease) increase in operating lines of credit	(439)	51,474
Repayment of promissory note *(note 6)*	(20,000)	–
Issue of capital stock	977	1,014
Dividends *(note 8)*	(52,456)	(50,905)
Net change in non-cash working capital *(note 11)*	387	393
	(71,531)	1,976
Net increase in cash and cash equivalents during the year	39,248	93,965
Cash and cash equivalents – beginning of year	95,905	1,940
Cash and cash equivalents – end of year	$ 135,153	$ 95,905
Supplemental information		
Interest paid	$ 2,332	$ 7,464
Income taxes paid	$ 43,334	$ 105,002

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2009 and 2008

(in thousands of Canadian dollars)	**2009**	2008
Net income for the year	**$ 125,436**	$ 259,959
Other comprehensive (loss) income		
Foreign currency translation adjustment	**(94,781)**	96,005
Comprehensive income for the year	**$ 30,655**	$ 355,964

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Accumulated Other Comprehensive Loss

For the years ended December 31, 2009 and 2008

(in thousands of Canadian dollars)	**2009**	2008
Accumulated other comprehensive loss – beginning of year	**$ (1,583)**	$ (97,588)
Foreign currency translation adjustment	**(94,781)**	96,005
Accumulated other comprehensive loss – end of year	**$ (96,364)**	$ (1,583)

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008
(in thousands of Canadian dollars – except share and per share data)

1. Basis of consolidation and nature of business

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), and include the accounts of Ensign Energy Services Inc. and its subsidiaries and partnerships (the "Company"), substantially all of which are wholly-owned. The Company carries on the business of providing oilfield services to the crude oil and natural gas industry in Canada, the United States and internationally.

2. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents consists of cash and short-term investments with maturities of three months or less.

(b) Inventory

Inventory comprised of spare rig parts and consumables, is recorded at the lower of cost and net realizable value. Cost is determined on a specific item basis.

(c) Property and equipment

Property and equipment is recorded at cost. Costs associated with equipment upgrades that result in increased capabilities or performance enhancements of property and equipment are capitalized. Costs incurred to repair or maintain property and equipment are expensed as incurred.

Depreciation is based on the estimated useful lives of the assets as follows:

Rigs and equipment		
Drilling rigs and related equipment	3,650 operating days	Unit-of-production (20% residual)
Well servicing rigs	24,000 operating hours	Unit-of-production (20% residual)
Oil sands coring rigs	1,000 operating days	Unit-of-production (20% residual)
Coiled tubing units	5 years	Straight-line (20% residual)
Heavy oilfield service equipment	5 - 15 years	Straight-line (20% residual)
Drill pipe	1,500 operating days	Unit-of-production
Buildings	20 years	Straight-line
Automotive equipment	3 years	Straight-line (15% residual)
Office furniture and shop equipment	5 years	Straight-line

When the Company's drilling and well servicing rigs are inactive for a period of 12 consecutive months or more, a depreciation charge is provided using the straight-line method over an estimated remaining useful life of 10 years with a 20 percent residual value.

Property and equipment is reviewed for impairment when events or changes in circumstances indicate that its carrying value may not be recoverable. The Company's operations and business environment are routinely monitored, and judgment and assessments are made to determine if an event has occurred that indicates possible impairment. If the total of undiscounted future cash flows or assessed fair value is less than the carrying value of the asset, an impairment loss is measured as the excess of the carrying amount of property and equipment over its discounted future cash flows or fair value. Fair value is the amount at which an item could be bought or sold in a current transaction between willing parties, and is normally estimated by calculating the present value of expected future cash flows related to the asset or by relying on a fair value assessment.

(d) Revenue recognition

Oilfield services revenue is recognized as services are rendered and when collectibility is reasonably assured. Losses are provided for in full when first determined.

(e) Foreign currency translation

Financial statements of the Company's self-sustaining United States and international subsidiaries are translated to Canadian dollars using the exchange rate in effect at the balance sheet date for all assets and liabilities, and at average rates of exchange during the year for revenues and expenses. Gains or losses resulting from these translation adjustments are included in accumulated other comprehensive income (loss) in shareholders' equity.

Transactions denominated in foreign currencies are translated into Canadian dollars using the exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars using the rate of exchange in effect at the balance sheet date whereas non-monetary assets and liabilities are translated at the rate of exchange in effect on the date of the transaction. Exchange gains and losses resulting from translation are included in the statement of income in the period that they arise.

(f) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period in which the change is substantively enacted.

(g) Stock-based compensation

The Company has an employee stock option plan that provides all option holders the right to elect to receive either common shares or a direct cash payment in exchange for the options exercised. The stock-based compensation plan is accounted for using the intrinsic value method. Under this method, the Company accrues a liability for stock options over the vesting period based on the excess of the market price of the Company's common shares over the exercise price net of an estimated forfeiture rate. The accrued liability is adjusted for the effect of grants and exercises of stock options, as well as the effect of changes in the underlying price of the Company's common shares through charges or credits to stock-based compensation expense. Any consideration received on the exercise of stock options for common shares is credited to capital stock.

The Company also has stock savings and stock bonus plans for employees, as well as a program whereby a portion of the retainer paid to Directors is in the form of common shares of the Company. Contributions to these plans are recorded as compensation expense in the period in which the compensation is earned. In all cases, any common shares acquired for such plans are purchased in the open market.

(h) Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading", "available-for-sale", "held-to-maturity", "loans and receivables", or "other financial liabilities" as defined by the accounting standard. Subsequent measurement of the financial instruments is based on their classification.

The Company has designated its financial instruments as follows:

- Cash and cash equivalents are classified as "held for trading" and any period change in fair value is recorded through net income;
- Accounts receivable and the long-term note receivable are classified as "loans and receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to historical cost; and
- Accounts payable and accrued liabilities, operating lines of credit, and dividends payable are classified as "other financial liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to historical cost.

(i) Measurement uncertainty

Preparation of the Company's consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting years presented. Significant estimates and assumptions used in the preparation of the consolidated financial statements include, but are not limited to: estimated useful life and carrying value of property and equipment; allowance for doubtful accounts; and the estimated timing of temporary difference reversals in the calculation of future income taxes and the realization of future income tax assets. Actual results could differ from these estimates.

(j) Change in accounting estimates

The following changes in accounting estimates have been applied on a prospective basis and did not have a significant effect on consolidated net income for the years ended December 31, 2009 and 2008. It is impracticable to estimate the effect of these changes in accounting estimates on future periods as such an estimate would depend on a forecast of future operating activity levels.

Drill pipe

Effective January 1, 2008 the Company revised the estimated useful life of drill pipe to 1,500 operating days, to be depreciated on a unit-of-production basis. The change in estimated useful life reflects the Company's recent experience with respect to the period over which future benefits are derived from drill pipe and the impact improved technologies have had on extending the useful lives of these assets. As a result of this change in accounting estimate, drill pipe of $39,000 previously classified as inventory and other on the consolidated balance sheet has been reclassified to property and equipment on the basis that its estimated useful life of 1,500 operating days extends beyond one year.

Oil sands coring rigs

Effective January 1, 2008 the Company revised the estimated useful life of oil sands coring rigs from 3,650 operating days to 1,000 operating days. The oil sands coring rigs will continue to be depreciated on a unit-of-production basis with a 20 percent residual value.

Coiled tubing units

Effective January 1, 2008, the Company revised the estimated useful life of coiled tubing units from 24,000 operating hours to five years, to be depreciated on a straight-line basis with a 20 percent residual value.

Drilling and well servicing rigs

Effective July 1, 2008, the Company began applying a straight-line depreciation charge for crude oil and natural gas drilling and well servicing rigs that were inactive for a period of 12 consecutive months or more based on the revised estimated remaining useful life of 10 years of such equipment with a 20 percent residual value.

(k) Change in accounting policies

Goodwill and Intangibles

Effective January 1, 2009, Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 – "Goodwill and Intangible Assets" replaced Section 3062 – "Goodwill and Other Intangible Assets" and Section 3450 – "Research and Development Costs". The new standard addresses when an internally-generated intangible asset meets the definition of an asset. The adoption of this standard, which was adopted retroactively without restatement, did not have an effect on the Company's consolidated financial statements.

Financial Instruments

During the year ended December 31, 2009, the Company adopted the amendments to CICA Handbook Section 3862, "Financial Instruments - Disclosures," to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Refer to Note 13 "Financial Instruments" for the additional disclosures under amendments to Section 3862. Upon its adoption, this new standard did not have an effect on the Company's consolidated financial statements.

(l) Recent accounting pronouncements

The CICA Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. The Company has determined which accounting policies will be affected by the change to IFRS and continues to assess the potential impact of these changes on its financial position and results of operations.

As of January 1, 2011, the Company will be required to adopt the following CICA Handbook sections:

(a) CICA Handbook Section 1582 "Business Combinations" will replace the existing business combinations standard. The new standard requires assets and liabilities acquired in a business combination and contingent consideration to be measured at fair value as at the date of the acquisition. Acquisition costs that are currently capitalized as part of the purchase price will be recognized in the consolidated statement of income. The adoption of this standard will impact the accounting treatment of future business combinations.

(b) CICA Handbook Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-controlling Interests" will replace the former consolidated financial statements standard. These standards establish the requirements for the preparation of consolidated financial statements and the accounting for a non-controlling interest (previously referred to as minority interest) in a subsidiary. The new standard requires non-controlling interests to be presented as a separate component of equity and

requires net income and other comprehensive income to be attributed to both the parent and non-controlling interests. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

3. Property and Equipment

	Cost	Accumulated Depreciation	Net Book Value
		2009	
Rigs and related equipment	**$ 2,206,833**	**$ 588,436**	**$ 1,618,397**
Automotive and other equipment	**62,136**	**34,355**	**27,781**
Land and buildings	**36,746**	**7,780**	**28,966**
	$ 2,305,715	**$ 630,571**	**$ 1,675,144**
		2008	
Rigs and related equipment	$ 2,189,281	$ 534,404	$ 1,654,877
Automotive and other equipment	59,031	32,620	26,411
Land and buildings	36,186	6,893	29,293
	$ 2,284,498	$ 573,917	$ 1,710,581

Property and equipment includes equipment under construction of $39,338 (2008 - $155,483) that has not yet been subject to depreciation.

As a result of an assessment of property and equipment undertaken in consideration of current market conditions, the Company recognized an additional depreciation charge in the year ended December 31, 2009 of $7,496 (2008 - $11,290).

4. Long-term note receivable

In December 2009, the Company disposed of certain camp assets for proceeds of cash and a non-interest bearing promissory note in the amount of $9,850. The note is secured by a first charge on certain of the disposed assets and has minimum repayments of $1,000 per year with the balance due on December 4, 2015. The discounted carrying value of the note as at December 31, 2009 was $8,607, of which the current portion of $1,000 is included in accounts receivable.

5. Operating lines of credit

The utilized balances of the Company's operating lines of credit as at December 31, 2009 and 2008 are as follows:

		2009	2008
Global Facility	Prime interest rates or bankers' acceptance rates/LIBOR plus 0.75% (Denominated in AUD$29,300 and USD$134,500)	**$ 169,004**	$ 169,443
Canadian Facility	Prime interest rate plus 1.50% or bankers' acceptance rate/LIBOR plus 2.50%	**–**	–
		$ 169,004	$ 169,443

During the year ended December 31, 2008, the Company restructured its operating credit facilities to better support its global operations. As at December 31, 2009, the Company's available operating lines of credit consist of a $200,000 global revolving credit facility (the "Global Facility") and a $10,000 Canadian based revolving credit facility (the "Canadian Facility").

The Global Facility is available to the Company and any of its wholly-owned subsidiaries and may be drawn in Canadian, United States or Australian dollars, up to the equivalent value of $200,000 Canadian dollars. Interest is incurred on the utilized balance of the Global Facility at prime interest rates or bankers' acceptance rates/LIBOR plus 0.75 percent. The Global Facility is unsecured.

The amount available under the $200,000 Global Facility is reduced by any outstanding letters of credit or bank guarantees. At December 31, 2009, the Company had $8,245 outstanding in letters of credit (2008 - $9,105) and $5,973 (2008 - $7,212) outstanding in bank guarantees.

The amount available under the Canadian Facility is $10,000 or the equivalent United States dollars. Interest is incurred on the utilized balance of the Canadian Facility at prime interest rates plus 1.50 percent or bankers' acceptance rates/LIBOR plus 2.50 percent. The Canadian Facility is unsecured.

6. Promissory note payable

In connection with the purchase of specialty drilling rigs and related equipment on July 17, 2008, the Company issued a promissory note in the amount of $20,000. The promissory note had a term of three years and was to be payable in full on July 16, 2011. Interest on the promissory note was equal to five percent per annum and was to be paid in 12 consecutive quarterly instalments. The promissory note was unsecured. During the year ended December 31, 2009, the Company repaid the principal sum in full and all accrued interest without penalty.

7. Income taxes

The temporary differences comprising the net future income tax liability as at December 31, 2009 and 2008 are as follows:

	2009	2008
Property and equipment	$ 277,128	$ 233,837
Partnership timing differences	417	28,442
Stock-based compensation	(448)	(1,392)
Non-capital losses	(12,640)	(11,384)
Other	(8,013)	(9,325)
Net future income tax liability before valuation allowance	256,444	240,178
Valuation allowance related to non-capital losses	2,636	4,133
Net future income tax liability	$ 259,080	$ 244,311
Non-current future income tax liability	$ 259,457	$ 245,351
Current future income tax asset	(377)	(1,040)
Net future income tax liability	$ 259,080	$ 244,311

A significant portion of the Company's taxable income in Canada is generated by partnerships. Income taxes are incurred on the partnerships' taxable income in the year following their inclusion in the Company's consolidated net income.

As at December 31, 2009, the Company had non-capital losses of $12,640 (2008 - $11,384), of which $8,552 has no expiry. The remaining $4,088 of non-capital losses will expire at various times between 2010 and 2013.

The provision for income taxes is different from the expected provision for income taxes using combined Canadian federal and provincial income tax rates for the following reasons:

	2009	2008
Income before income taxes	$ 187,703	$ 363,119
Income tax rate	29.6%	30.2%
Expected income tax expense	55,560	109,662
Increase (decrease) resulting from:		
Higher effective income tax rate on foreign operations	7,042	7,282
Non-deductible stock-based compensation	131	273
Non-deductible expenses	884	251
Domestic production deduction	–	(5,010)
Other	(13)	(3,369)
Rate reduction on future income taxes	(1,337)	(5,929)
	$ 62,267	$ 103,160
Effective income tax rate	33.2%	28.4%

The Company is generating a greater proportion of taxable income by the United States operations. As a result, the effective income tax rate is higher for the year ended December 31, 2009.

In 2008, the Company's United States subsidiaries became entitled to the domestic production deduction. This additional income tax deduction was available to companies engaged in qualified activities, which includes the drilling of crude oil and natural gas wells. As a result, income tax returns for the years 2005 through 2007 were amended and re-filed. The benefit of these filings was reflected as a reduction in current income tax expense for the year ended December 31, 2008.

8. Capital Stock

(a) Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series

(b) Outstanding

	2009		2008	
	Number of Common Shares	**Amount**	Number of Common Shares	Amount
Balance – beginning of year	**153,135,006**	**$ 169,485**	153,041,378	$ 167,599
Issued under employee stock option plan	**93,100**	**1,447**	93,628	1,886
Balance – end of year	**153,228,106**	**$ 170,932**	153,135,006	$ 169,485

(c) Options

The Company may grant options to its employees for up to 15,206,900 (2008 - 13,089,196) common shares. The options' exercise price equals the market price of the Company's common shares on the date of grant. Stock options granted vest evenly over a period of five years. A summary of the Company's stock option plan as at December 31, 2009 and 2008, and the changes for the years then ended, is presented below:

	2009		2008	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding – beginning of year	**10,445,962**	**$ 18.09**	9,655,450	$ 16.55
Granted	**2,858,500**	**15.09**	2,421,500	21.54
Exercised for common shares	**(93,100)**	**(10.50)**	(93,628)	(10.83)
Exercised for cash	**(1,986,162)**	**(10.64)**	(988,860)	(11.31)
Forfeited	**(505,900)**	**(19.53)**	(548,500)	(19.61)
Outstanding – end of year	**10,719,300**	**$ 18.67**	10,445,962	$ 18.09
Exercisable at December 31	**3,557,500**	**$ 19.24**	3,538,562	$ 15.37

Exercise Price	Options Outstanding	Average Vesting Remaining (in years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$11.33 to $13.79	1,434,200	0.33	$ 13.51	1,032,000	$ 13.52
$15.10 to $19.95	5,207,100	2.21	17.15	917,100	19.66
$21.95 to $23.33	4,078,000	1.32	22.42	1,608,400	22.67
	10,719,300	1.62	$ 18.67	3,557,500	$ 19.24

(d) Common share dividends

During the year ended December 31, 2009, the Company declared dividends of $52,456 (2008 - $50,905), being $0.3425 per common share (2008 - $0.3325 per common share).

(e) Net income per share

Net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted net income per share is calculated using the treasury stock method, which assumes that all outstanding stock options

are exercised, if dilutive, and the assumed proceeds are used to purchase the Company's common shares at the average market price during the year.

The weighted average number of common shares outstanding for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Weighted average number of common shares outstanding – basic	**153,154,557**	153,094,863
Weighted average number of common shares outstanding – diluted	**153,260,657**	154,408,234

Stock options of 9,285,100 (2008 - 6,662,100) were excluded from the calculation of diluted weighted average number of common shares outstanding as the options' exercise price was greater than the average market price of the common shares for the year.

9. Acquisition

Effective December 31, 2009, the Company acquired all of the issued and outstanding shares of FE Services Holdings, Inc. ("Foxxe"), a private company with headquarters in Houston, Texas. Foxxe operates in Mexico as "Foxxe Energy Services" and owns six drilling rigs.

The acquisition has been accounted for using the purchase method and accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed based on management's estimate of their fair value as of the acquisition date. Due to the timing of the acquisition, Foxxe did not contribute to the current year results of operations. Working capital estimates at closing will be adjusted for the actual working capital acquired based on the share purchase agreement.

The preliminary allocation of the purchase price was determined as follows:

Net assets acquired at assigned values	Total
Working capital, net of cash acquired ($6,283)	$ (1,510)
Property and equipment	70,134
Other assets	102
Future income taxes	(16,153)
Total cash consideration	$ 52,573

The Company did not complete any significant business acquisitions during the year ended December 31, 2008.

10. Segmented information

The Company operates in three geographic areas within one industry segment. Oilfield services are provided in Canada, the United States and internationally. The amounts related to each geographic area are as follows:

	Canada	United States	International	Total
		2009		
Revenue	**$ 425,854**	**$ 407,363**	**$ 304,358**	**$ 1,137,575**
Property and equipment, net	**$ 747,312**	**$ 570,080**	**$ 357,752**	**$ 1,675,144**
Capital expenditures, net	**$ 4,751**	**$ 96,823**	**$ 30,999**	**$ 132,573**
Depreciation	**$ 48,708**	**$ 35,367**	**$ 26,940**	**$ 111,015**
		2008		
Revenue	$ 742,968	$ 635,465	$ 327,146	$ 1,705,579
Property and equipment, net	$ 833,921	$ 511,816	$ 364,844	$ 1,710,581
Capital expenditures, net	$ 73,456	$ 83,596	$ 117,271	$ 274,323
Depreciation	$ 61,887	$ 31,475	$ 32,447	$ 125,809

Revenues are attributed to geographic areas based on the location in which the services are rendered.

During the year ended December 31, 2009, the Company earned revenue of $197,043 (2008 - $291,896) from a single customer. Revenues from this customer are reported within the Canada and United States geographic areas.

11. Supplemental disclosure of cash flow information

	2009	2008
Net change in non-cash working capital		
Accounts receivable	**$ 124,229**	$ (58,765)
Income taxes recoverable	**3,302**	(30,115)
Inventory and other	**1,087**	(10,072)
Accounts payable and accrued liabilities	**(90,099)**	58,489
Dividends payable	**387**	393
	$ 38,906	$ (40,070)
Relating to		
Operating activities	**$ 28,836**	$ (75,748)
Investing activities	**9,683**	35,285
Financing activities	**387**	393
	$ 38,906	$ (40,070)

12. Capital management strategy

The Company's objectives when managing capital are to exercise financial discipline, and to deliver positive returns and stable dividend streams to its shareholders. The Company's capital management strategy remained unchanged during the year ended December 31, 2009; however, the Company continues to be cognizant of the challenges associated with operating in a cyclical, commodity-based industry and may make future adjustments to its capital management strategy in light of changing economic conditions.

The Company considers its capital structure to include shareholders' equity and operating lines of credit. In order to maintain or adjust its capital structure, the Company may from time to time adjust its capital spending or dividend policy to manage the level of its short-term borrowings, or may revise the terms of its operating lines of credit to support future growth initiatives. As at December 31, 2009, the balance of the operating lines of credit totalled $169,004 (2008 - $169,443) and shareholders' equity totalled $1,530,797 (2008 - $1,551,151).

The Company is subject to externally imposed capital requirements associated with its operating lines of credit, including financial covenants that incorporate shareholders' equity and level of indebtedness. The Company monitors its compliance with these requirements on an ongoing basis and projects future operating cash flows, capital expenditure levels and dividend payments to assess how these activities may impact compliance in future periods. As at December 31 2009, the Company is in compliance with these requirements.

13. Financial Instruments

Fair value

The Company's financial instruments as at December 31, 2009 included cash and cash equivalents, accounts receivable, long-term note receivable, operating lines of credit, accounts payable and accrued liabilities, and dividends payable. The carrying value of the Company's financial instruments approximates their fair values.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's accounts receivable balances owing from customers operating primarily in the oil and natural gas industry in Canada, the United States and internationally. The carrying amount of accounts receivable and the long-term note receivable represents the maximum credit exposure as at December 31, 2009.

The Company assesses the credit worthiness of its customers on an ongoing basis and establishes credit limits for each customer based on external credit reports, internal analysis and historical experience with the customer. Credit limits are approved by senior management and are reviewed on a regular basis or when changing economic circumstances dictate. The global economic downturn, tightening of the credit markets and the volatility in commodity prices that began in 2008 and continued into 2009 sustained the heightened credit risk for the Company as its customers may experience reduced cash flows and reduced access to credit. The Company manages this increased risk through dedicated credit resources, ongoing monitoring and follow up of balances owing, well

liens, and tightening or restriction of credit terms as required. The Company also monitors the amount and age of accounts receivable balances on an ongoing basis. During the year ended December 31, 2009, the Company recorded an allowance for doubtful accounts of $961 (2008 - $1,143) to provide for balances which, in management's best estimate, are deemed uncollectible as at December 31, 2009. The allowance for doubtful accounts is an estimate requiring significant judgment and may differ materially from actual results.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they are due. The Company manages liquidity by forecasting cash flows on an annual basis and secures sufficient credit facilities to meet financing requirements that exceed anticipated internally generated funds. As at December 31, 2009, the remaining contractual maturities of accounts payable and accrued liabilities, operating lines of credit and dividends payable are less than one year. Refer to Note 14 for further discussion on Contingencies and Commitments.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net income or the value of its financial instruments.

Interest rate risk

The Company is exposed to interest rate risk with respect to its operating lines of credit that bear interest at floating market rates. For the year ended December 31, 2009, if interest rates applicable to its operating lines of credit had been one percent higher or lower, with all other variables held constant, net income would have been $1,131 lower or higher (2008 - $1,029).

Foreign currency exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. The principal foreign exchange risk relates to the conversion of the Company's self-sustaining subsidiaries from their functional currencies to Canadian dollars. At December 31, 2009, had the Canadian dollar weakened or strengthened by $0.01 against the United States dollar, with all other variables held constant, the Company's other comprehensive income would have been approximately $9,116 higher or lower (2008 - $7,707).

The above sensitivities are limited to the impact of changes in the specified variable applied to the items noted above and do not represent the impact of a change in the variable on the operating results of the Company taken as a whole.

14. Contingencies and Commitments

The Company has provided insurance bonds to a government customs agency in Argentina in respect of the temporary importation of equipment into that country. At December 31, 2009, the guarantees amounted to $10,497 (2008 - $12,087).

The Company has commitments for office leases, with future minimum payments over the next five years as follows:

2010	$ 2,967
2011	939
2012	535
2013	318
2014 and thereafter	906

The Company is a party to various disputes and lawsuits in the normal course of its business and believes the ultimate liability arising from these matters will have no material impact on its consolidated financial statements.

15. Prior year amounts

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Additional Information

The Company

Ensign Energy Services Inc. was incorporated on March 31, 1987 pursuant to the provisions of the Business Corporations Act (Alberta). Pursuant to a prospectus, on December 15, 1987, the Company became a reporting issuer in the Province of Alberta.

Subsidiaries and Partnerships

The following table sets forth our principal operating partnerships and subsidiaries, the percentage of shares owned, directly or indirectly, by us and the jurisdiction of formation, incorporation or continuance of such partnerships and subsidiaries as of December 31, 2009:

Name of Subsidiary	Jurisdiction of Formation Incorporation or Continuance	Percentage of Shares Beneficially Owned or Controlled, Directly or Indirectly, by the Company
Enhanced Petroleum Services Partnership (1)	Alberta	100%
Ensign de Venezuela C.A.	Venezuela	100%
Ensign Drilling Partnership (2)	Alberta	100%
Ensign Energy Services International Limited	Australia	100%
Ensign International Energy Services Inc.	Nevada	100%
Ensign United States Drilling Inc.	Colorado	100%
Ensign United States Drilling (California) Inc.	California	100%
FE Services Holdings, Inc.	Delaware	100%
Opsco Energy Industries Ltd.	Alberta	100%
Opsco Energy Industries (USA) Ltd.	Montana	100%
Rockwell Servicing Partnership (3)	Alberta	100%

Notes:

(1) Enhanced Petroleum Services Partnership was formed pursuant to the Partnership Act (Alberta) on October 1, 2001 for the purpose of carrying on underbalanced drilling and oilfield equipment rentals businesses. Enhanced Petroleum Services Partnership operates two divisions in Canada, called "Enhanced Drill Systems" and "Chandel Equipment Rentals".

(2) Ensign Drilling Partnership was formed pursuant to the Partnership Act (Alberta) on October 1, 2001 for the purpose of carrying on our Canadian oil and natural gas well drilling operations. Ensign Drilling Partnership operates four drilling divisions in Canada, called "Big Sky Drilling", "Champion Drilling", "Encore Coring & Drilling" and "Ensign Canadian Drilling".

(3) Rockwell Servicing Partnership was formed pursuant to the Partnership Act (Alberta) on December 31, 2001 for the purpose of carrying on well servicing operations in Canada.

The above table does not include all of the subsidiaries of the Company. The assets and annual revenues of unnamed subsidiaries in the aggregate did not exceed 10 percent of the total consolidated assets or total consolidated revenues of Ensign as at December 31, 2009.

Recent Acquisitions

January 2005	Acquired internationally: Servicios Petroleros Flint, C.A. and Flintco del Ecuador C.A., which operated 11 drilling rigs and one workover rig in Venezuela and two workover rigs in Ecuador, from Flint South America, Inc.
April 2005	Acquired internationally: three drilling rigs in Libya.
October 2005	Acquired in Canada: three coring/mineral rigs from Midnight Sun Drilling Co. Ltd.
November 2005	Acquired in the United States: Action Oil Field Services, Inc. which operated eight well servicing rigs in Colorado, from Petro-Canada Resources (USA) Inc.
July 2008	Acquired in Canada: 12 specialty drilling rigs from Terracore Specialty Drilling Ltd.
July 2009	Acquired in Canada: 25 slickline wireline units from Peak Energy Services Trust.
December 2009	Acquired internationally: FE Services Holdings, Inc. which operated six drilling rigs in Mexico.

10 Year Financial Information

($ thousands, except share, per share data and ratios)	**2009**	2008	2007	2006
Revenue	**1,137,575**	1,705,579	1,577,601	1,807,230
Gross margin	**356,554**	559,695	523,267	646,017
Gross margin % of revenue	**31.3%**	32.8%	33.2%	35.7%
Depreciation	**111,015**	125,809	92,636	80,921
Net income	**125,436**	259,959	249,765	341,284
Net income per share				
Basic	**$0.82**	$1.70	$1.64	$2.25
Diluted	**$0.82**	$1.68	$1.62	$2.18
Funds from operations	**257,406**	406,775	296,048	420,173
Funds from operations per share				
Basic	**$1.68**	$2.66	$1.94	$2.77
Diluted	**$1.68**	$2.63	$1.92	$2.69
Net capital expenditures – excluding acquisitions	**132,573**	274,323	271,984	325,483
Working capital (deficit)	**107,894**	107,024	60,272	63,162
Long-term debt, net of current portion	**–**	20,000	–	–
Shareholders' equity	**1,530,797**	1,551,151	1,244,206	1,107,605
Return on average shareholders' equity	**8.1%**	18.6%	21.2%	36.3%
Long-term debt to equity	**NA**	0.01:1	NA	NA
Weighted average common shares outstanding – basic	**153,154,557**	153,094,863	152,517,446	151,774,629
Closing share price, December 31	**$15.00**	$13.22	$15.25	$18.39

All per share data and the weighted average common shares outstanding have been restated to reflect the 3-for-1 stock split effective May 2001 and the 2-for-1 stock split effective May 2006.

Share Trading Summary

For the Three Months Ended	High ($)	Low ($)	Close ($)	Volume	Value ($)
2009					
March 31	**14.20**	**8.73**	**10.92**	**24,536,707**	**264,762,525**
June 30	**17.99**	**10.50**	**17.00**	**30,320,888**	**471,034,652**
September 30	**18.29**	**14.68**	**16.24**	**24,438,314**	**403,579,723**
December 31	**16.75**	**13.73**	**15.00**	**31,229,000**	**473,698,901**
Total				**110,524,909**	**1,613,075,801**

2005	2004	2003	2002	2001	2000
1,520,724	1,059,494	928,960	651,768	767,669	672,041
489,312	282,806	245,082	153,443	221,319	186,017
32.2%	26.7%	26.4%	23.6%	28.8%	27.7%
74,917	50,956	44,209	39,170	29,184	26,525
169,665	118,849	99,030	51,743	100,828	86,999
$1.12	$0.79	$0.66	$0.35	$0.69	$0.60
$1.09	$0.77	$0.65	$0.35	$0.67	$0.59
337,186	188,723	173,390	100,064	132,087	105,903
$2.23	$1.25	$1.16	$0.68	$0.90	$0.73
$2.16	$1.23	$1.13	$0.67	$0.88	$0.71
247,696	138,091	101,504	63,060	71,033	45,826
(11,878)	14,209	(13,309)	(33,598)	76,560	51,817
–	–	–	7,689	–	14,938
771,902	649,740	563,659	475,476	432,059	338,654
23.9%	19.6%	19.1%	11.4%	26.1%	29.2%
NA	NA	NA	0.02:1	NA	0.04:1
151,202,388	150,793,628	150,009,718	148,394,304	147,346,804	145,639,716
$23.46	$12.55	$10.30	$8.33	$6.68	$9.25

For the Three Months Ended	High ($)	Low ($)	Close ($)	Volume	Value ($)
2008					
March 31	20.69	12.01	20.01	29,771,256	492,776,016
June 30	23.29	19.44	22.22	36,823,168	800,711,001
September 30	24.85	16.05	16.68	47,300,514	990,976,909
December 31	18.01	10.62	13.22	35,160,372	466,956,416
				149,055,310	2,751,420,342

Operating Management

Corporate

Bryan Toth
Senior Vice President Canadian Well Services

Randy Mutch
Director of Information Technology

Cathy Robinson
Senior Director Global Human Resources

Cindy Hames
Director – Global Strategic Management – Field Resources

Roxane Demers
Director Global Training

Jon Trask
Director Global Procurement

Kimberley Reid
Compliance Manager

Dave Fyhn
Manager Administration

Trevor Russell
Manager Treasury & Financial Analysis

Shelley Hutchinson
Manager Credit

Siew-Peng Weldon
Manager Taxation

Kim Do
Manager Financial Reporting

Engineering, Procurement and Construction (EPC)

Wayne Kipp
Senior Vice President ADR™ Development & Capital Projects

Paul Meade-Clift
Vice President Engineering

Rob McBeth
General Manager ADR™ Manufacturing

Ron Pettapiece
ADR™ Product Manager

Arnet Pachal
Manager Procurement Strategies

Canadian Drilling

Bob Zanusso
Vice President Canadian Drilling

Rick Simonton
Vice President Sales and Marketing

Frank Pimiskern
Sales Manager

Chris Buckman
Senior Technical Sales Representative

Larry Gates
Senior Technical Sales Representative

Alex Halat
Senior Technical Sales Representative

Robin Finley
Technical Sales Representative

Aaron Nosky
Technical Sales Representative

Tino Pollock
Technical Sales Representative

Jeff Mitton
Technical Sales Representative

Sandi Berube
Field Human Resources Manager

Donna Decoteau
Team Lead, Field Resources

Walter Hopf
Drillers Training Manager

Hank VanDrunen
Maintenance Manager

Donna Conley
Chief Accountant

Big Sky Drilling

Brian Chicoine
General Manager

Rick Mann
Operations Manager

Wade Benson
Drilling Superintendent

Derek Smith
Drilling Superintendent

Brad Meyer
Drilling Superintendent

Guy Poirier
Safety Coordinator

Champion Drilling

Darryl Maser
General Manager

Matt Schmitz
Operations Manager

Paul Fitton
Drilling Superintendent

Todd Fritz
Drilling Superintendent

Dave Green
Drilling Superintendent

Gerald Huber
Drilling Superintendent

Glen Nielsen
Safety Coordinator

Ensign Canadian Drilling

Roch Currier
General Manager Rockies

Dale Leitner
Operations Manager

Manfred Behnke
Drilling Superintendent

Ed Mattie
Drilling Superintendent

Mark Hagen
Drilling Superintendent

Curtis Duk
Drilling Superintendent

Kirby Prosavich
Drilling Superintendent

Michael L'Hirondelle
Tubular Manager

Dennis Steinhubl
Field Safety Coordinator

Jan Badin
Safety Manager

Peter Ens
Equipment Manager

Encore Coring & Drilling

Tom Connors
Vice President and General Manager

Scott Haggart
Operations Manager

Glenn Thiessen
Project Manager, Oil Sands

Frank Beaton
Drilling Superintendent

Tom Gross
Drilling Superintendent

Wilf Swan
Drilling Superintendent

Darren Tobler
Drilling Superintendent

Albert Landu
Safety Coordinator

Rockwell Servicing

Sven Gebhardt
General Manager

William Kidd
Northwest Area Manager

Gary Bennett
Director Business Development

Daryl Sutherland
Technical Sales Representative

Scott Whitten
Technical Sales Representative

Jason Finley
Technical Sales Representative

Tony Sorensen
Field Safety Coordinator

Diane Massey
Chief Accountant

Ardmore Station

Kevin Rudell
Station Manager

Jason Sikorski
Field Superintendent

Richard Nobert
Field Superintendent

Ron Wooldridge
Field Superintendent

Brooks Station

Vern Dornian
Station Manager

Kris Vopni
Field Superintendent

Wayne Lawson
Senior Sales Representative

Edmonton Station

Doug Somers
Field Superintendent

Grande Prairie Station

Cameron Ball
Station Manager

Don House
Field Superintendent

Brett Taylor
Field Sales Representative

Lloydminster Station

Roger Snider
Station Manager

Miles Kosteriva
Field Superintendent

Jason Pollom
Field Superintendent

Darwin Dean
Senior Sales Representative

Red Deer Station

R.J.Toth
Station Manager

Abe Shihinski
Field Superintendent

Ian Meredith
Field Sales Representative

Opsco Energy Industries Ltd.

Bob Dear
Vice President and General Manager

Garry Smith
General Manager Manufacturing

Craig Delaney
Wireline Manager

Randy Reschke
Production Testing Manager

Ron Gallant
Assistant Manager Production Testing

Don Kleisinger
Assistant Manager Wireline

Richard Klymok
Sales Manager

Gordie Rock
Sales Representative

Dave Moore
Sales Representative

Jim Bucek
Safety Coordinator

Chris Smith
Chief Accountant

Enhanced Petroleum Services

Jack Houston
Vice President

Randy Fasick
General Manager, Enhanced Drill Systems

Chad Mitchell
Operations Manager, Enhanced Drill Systems

Jason Darrow
General Manager, Chandel Equipment Rentals

Chris Klovan
Sales Representative

Wilson Borchers
Station Manager, Chandel Equipment Rentals – Red Deer

Fred Slobodian
Station Manager, Chandel Equipment Rentals – Whitecourt

Kevin Lauritsen
Station Manager, Chandel Equipment Rentals – Oxbow

Yvonne Covey
Chief Accountant

United States Oilfield Services

Tom Schledwitz
Senior Vice President United States Operations

Jim McCathron
Vice President, Operations

Will Matthews
Vice President, Marketing

Steve Hunt
Controller

Tuss Erickson
Director Health, Safety and Environment and Human Resources

Terry Wadding
United States HSE Field Manager

Evelyn Pottenger
Manager, Human Resources

Greg Burton
Sales Representative

Ensign United States Drilling Inc.

John Stoddard
Manager, Directional Support Services

Don Johnson
Area Manager

Larry Swisher
Area Manager

Hugh Giberson
Area Manager

Don Erickson
Area Manager

Don Molen
Drilling Manager

Bob Heil
Drilling Manager

Steve Grimes
Drilling Manager

Perry Jundt
Drilling Superintendent

Ken Keiser
Drilling Manager

K.L. Tipps
Drilling Manager

Ryan Hessler
Drilling Manager

Brandon Lorenz
Drilling Manager

Tuss Erickson III
Drilling Engineer

Jarrod Chapman
Operations Engineer

Pete Flatten
Manager, Health, Safety and Environment

Mel Curtis
Equipment Manager

Bill Roper
Manager, Well Services

Guy Hass
District Manager, Well Services

Jake Bicking
Accounting Manager

Ensign United States Drilling (California) Inc.

Matt Rohret
Area Manager

Larry Lorenz
Operations Manager

Jamie Jackopin
Drilling Manager

Kerry Fladeland
Drilling Superintendent

Brian Watts
Drilling Superintendent

Jimmy Chon
Chief Accountant

Opsco Energy Industries (USA) Ltd.

Chad Brown
General Manager

Ken McTavish
Technical Field Sales Representative

Steve Wagoner
Safety Coordinator

International Oilfield Services

Gene Gaz
Vice President of International Oilfield Services – Australasia/Middle East/Africa

Michael Nuss
Vice President of International Oilfield Services – Latin America

John Bushell
Vice President, International Marketing

Tony Belgrove
International Manager, Procurement and Supply

Bill Brentzell
Commercial Manager

Australasia/Middle East/Africa

Doug Lane
Operations Manager – Australia

Gerry West
Operations Manager – Southeast Asia, New Zealand and Africa

Geoff Pickford
Operations Manager – Middle East

Matt Hutchins
Manager, Supply

David Grant
Manager, Health, Safety and Environment

David Kerr
Manager, Human Resources

Don Bell
Area Manager – New Zealand

Dean Hills
Area Manager – Oman

Ed Milne
Area Manager – UAE

Quentin Robson
Area Manager – Libya

Adam Watts
Manager, Coal Seam Methane and Well Servicing Division, Australia

Charlie Brown
Drilling Superintendent – Gabon

Andrew Dolman
Financial Controller

Latin America

Ricardo Lopez Olaciregui
Area Manager – Argentina

Paul Thompson
Area Manager – Venezuela and Colombia

Mauricio Correa
Business Development

Shaun Doupe
Operations Manager – Venezuela

Eduardo Carbia
Operations Manager – Argentina

Luis Bonsembiante
Controller

Information Technology

Kirk Schroter
Manager – Business Systems

Brad Sears
Manager – Project Office

Ron Tolton
Manager – Infrastructure

Murray Paton
Manager Information Systems

Corporate and Field Offices

Canadian Operations

Big Sky Drilling
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#1 Highway 18
Oxbow, SK S0C 2B0
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Chandel Equipment Rentals
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Telephone: (403) 260-5416
Facsimile: (403) 264-9376

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Blindman Industrial Park
5398 – 39139 Hwy. 2A
Red Deer, AB T4S 2B3
Telephone: (403) 314-1637
Facsimile: (403) 346-3099
Toll Free: 1-877-677-6500

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Whitecourt, AB T7S 1P2
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Grande Prairie Office
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RR-170 Mizera subdivision
Edson, AB
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Facsimile: (780) 778-6184

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a division of Ensign Drilling Partnership
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Calgary, AB T2G 5N2
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Facsimile: (403) 243-6158
Toll Free: 1-877-445-2963
Toll Free Fax: 1-888-443-5446

Enhanced Petroleum Services Partnership
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Facsimile: (403) 264-9376

Enhanced Drill Systems
a division of Enhanced Petroleum Services Partnership
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Calgary, AB T2P 0L6
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Facsimile: (403) 262-8215

Nisku Office
2000 – 5th Street
Nisku, AB T9E 7X3
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Facsimile: (780) 955-7208

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Grande Prairie, AB T8V 7B6
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Facsimile: (780) 532-2802

Opsco Energy Industries Ltd.
285175 Kleysen Way
Rocky View, AB T1X 0K1
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Facsimile: (403) 272-6414

Rockwell Servicing Partnership
1000, 400 – 5th Ave SW
Calgary, AB T2P 0L6
Telephone: (403) 265-6361
Facsimile: (403) 262-0026

Ardmore Office
R.R. 440, Hwy 28 Box 355
Ardmore, AB T0A 0B0
Telephone: (780) 826-6464
Facsimile: (780) 826-4305

Brooks Office
Box 697
Brooks, AB T0J 0J0
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Facsimile: (403) 362-6069

Estevan Office
Box 549
Estevan, SK S4A 2A5
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Facsimile: (306) 634-3238

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14011 – 97th Avenue
Grande Prairie, AB T8V 7B6
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Lloydminster Office
6302 – 53rd Avenue
Lloydminster, AB T9V 2E2
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Facsimile: (780) 875-6402

Nisku Office
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Nisku, AB T9E 7Z1
Telephone: (780) 955-7066
Facsimile: (780) 955-7811

Red Deer Office
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Red Deer, AB T4S 2A8
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Facsimile: (403) 343-6061

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Facsimile: (303) 292-5843
Toll Free: 1-866-866-8739
Toll Free Fax: 1-800-886-3898

Casper Yard
Mailing: Box 69 Mills
Casper, WY 82644 USA
Physical Address:
2100 Seven Mile Road
Casper, WY 82604 USA
Telephone: (307) 234-2299 or 3563
Facsimile: (307) 234-2226

Greeley Yard
Mailing: PO Box 336757
Greeley, CO 80634 USA
Physical Address:
1150 N. 25th Avenue
Greeley, CO 80631 USA
Telephone: (970) 378-1562
Facsimile: (970) 378-7179

Williston Yard
Mailing: PO Box 846
Williston, ND 58802 USA
Physical Address:
5075 – 141st Street N.
Williston, ND 58801 USA
Telephone: (701) 572-0131
Facsimile: (701) 572-0447
Message Center: (701) 774-0331

Ensign Well Services
a division of Ensign United States Drilling Inc.
Suite 777, 1700 Broadway
Denver, CO 80290 USA
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Facsimile: (303) 292-5843

LaSalle Office
24020 WCR 46
LaSalle, CO 80645 USA
Telephone: (303) 659-3109
Telephone: (970) 284-6006
Facsimile: (303) 659-6842

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22 Wilkens Peak Dr.
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Rock Springs, WY 82901 USA
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Facsimile: (307) 705-1175
Telephone: (307) 705-1667

Ensign United States Drilling (California) Inc.
7001 Charity Avenue
Bakersfield, CA 93308 USA
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Toll Free: 1-800-443-5925
Facsimile: (661) 589-0283

Woodland Office
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Woodland, CA 95695 USA
Telephone: (530) 668-1295
Facsimile: (530) 668-1254

Well Services Yard
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Robbins, CA 95676 USA
Telephone: (530) 738-4028
Facsimile: (530) 738-4139

Opsco Energy Industries (USA) Ltd.
P.O. Box 1563
Pinedale, WY 82941 USA
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International Operations

Ensign Energy International Services Limited
(Eastern Hemisphere Division)

Adelaide Office
15 – 17 Westport Road
Elizabeth West
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Facsimile: 011 61 8 8252 0272

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Suite 3F/661 Newcastle Street
Leederville, WA 6007
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Facsimile: 011 08 9227 9455

Toowoomba Office
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Toowoomba, QLD 4350
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Facsimile: 011 61 7 4699 1800

Gabon Office
BP 305 Gamba
Gabon
Telephone: 011 241 558481
Facsimile: 011 241 558044

Libya Office
Tajoura
Bir Elousta Milad
PO Box 30555
Tripoli GSPLAJ
Telephone: 011 218 21 369 3212
Facsimile: 011 218 21 369 2663

New Zealand Office
Lot 50 De Havilland Drive
Bell Block
New Plymouth, New Zealand
Telephone: 011 64 6 755 1261
Facsimile: 011 64 6 755 1865

Oman Office
PO Box 137
Postal Code 134
J. A'Shati
Sultanate of Oman
Telephone: 011 968 2457 1886
Facsimile: 011 968 2457 1840

Oilfield Supply Pty Ltd.
15333 JFK Boulevard, Suite 250
Houston, TX 77032 USA
Telephone: (281) 227-6700
Facsimile: (281) 227-6720

Ensign International Energy Services Inc.
(Latin America Division)
15333 JFK BLVD., Ste. 210
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Telephone: (281) 227-7618
Facsimile: (281) 227-7312

Ensign de Venezuela C.A.
Av. España Ensign Nro. S/N
Sector Pueblo Nuevo
El Tigre, Edo. Anzoategui
Venezuela, S.A. 6050
Telephone: 011 58 283 500 5000
Facsimile: 011 58 283 500 5004

Ensign Argentina S.A.
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de Buenos Aires
Argentina, S.A.
Telephone: 011 54 11 4816 0067
Facsimile: 011 54 11 4816 5388

Neuquen Office
Parque Industrial Neuquen
Manzana 3 – Lotes 16,17,23 y 24
Neuquen Capital
Argentina, S.A. 8300
Telephone: 011 54 299 448 7048
Facsimile: 011 54 299 442 4122
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FE Services Holdings, Inc.
2121 Sage Rd.
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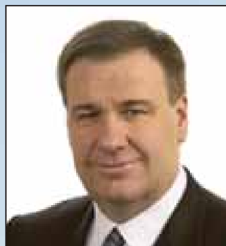
Houston, TX 77056
Telephone: (713) 960-0381
Facsimile: 1-866-871-8547

Mexico Office
Calle 2 de enero #311A
Colonia Cazones
Poza Rica
Veracruz, Mexico
C.P. 93230
Telephone: (782) 826-7100

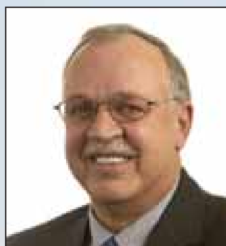
Directors



N. Murray Edwards
President, Edco Financial Holdings Ltd.
Board member since October 1989

Robert H. Geddes
President and COO, Ensign Energy Services Inc.
Board member since March 2007

James B. Howe [1,3]
President, Bragg Creek Financial Consultants Ltd.
Board member since June 1987



Len Kangas [2]
Independent Businessman
Board member since June 1990

Selby Porter
Vice Chairman, Ensign Energy Services Inc.
Board member since June 1994

John Schroeder [1,3]
Independent Businessman
Board member since June 1990

Kenneth J. Skirka [2]
Independent Businessman
Board member since May 2003

Gail Surkan [2,3]
Independent Businesswoman
Board member since March 2006

Barth Whitham [1]
President and CEO, Enduring Resources LLC
Board member since March 2007

Committee Members
1 Audit
2 Corporate Governance and Nominations
3 Compensation

Corporate Information

Corporate Management

N. Murray Edwards
Chairman

Selby Porter
Vice Chairman

Robert H. Geddes
President and
Chief Operating Officer

Ed Kautz
Executive Vice President
United States and International
Operations

Glenn Dagenais
Executive Vice President
Finance and Chief Financial Officer

Timothy Lemke
Vice President Finance

Rob Wilman
Vice President Health,
Safety and Environment

Noel Lumsden
Corporate Controller

Suzanne Davies
General Counsel and
Corporate Secretary

Head Office

1000, 400 – 5th Avenue S.W.
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Email: info@ensignenergy.com
Website: www.ensignenergy.com

Bankers

HSBC Bank Canada
Royal Bank of Canada

Auditors

PricewaterhouseCoopers LLP

Legal Counsel

Burnet, Duckworth & Palmer LLP

Stock Exchange Listing

Toronto Stock Exchange
Symbol: ESI

Transfer Agent

Computershare Trust Company
of Canada

Notice of Annual General Meeting

Ensign Energy Services Inc.'s Annual Meeting of Shareholders will be held on Wednesday, May 26, 2010, at 3:00pm MT at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta. All shareholders are invited to attend, but if unable, we request the form of proxy be signed and returned.

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ENSIGN
ENERGY SERVICES INC.

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ENERGY SERVICES INC.

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"Performance Excellence – Second to None"