



**Western**  
ENERGY SERVICES CORP.

2012 Annual General Meeting



May 10, 2012

WRG

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## **FORWARD-LOOKING INFORMATION**

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# Management Team with a Track Record of Success

**Dale E. Tremblay**  
*Chairman & CEO*

- ❑ Former Chairman of SES Holdings Limited, the parent company of Saxon Energy Services Inc.
- ❑ Former President & CEO and Director of Saxon Energy Services Inc.
- ❑ Former Senior Vice President Finance and CFO of Precision Drilling Corporation

**Alex MacAusland**  
*President & COO*

- ❑ Former President & CEO and Director of Horizon Drilling Inc.
- ❑ Former Senior Vice President of IROC Energy Services Corp.
- ❑ Former Vice President Operations of Precision Drilling Corporation

**Jeffrey K. Bowers**  
*Vice President,  
Finance & CFO*

- ❑ Former Vice President Finance & CFO of Horizon Drilling Inc.
- ❑ Former Vice President Finance & CFO of Frac Source Inc.
- ❑ Former Officer and Group Controller, Canada of Precision Energy Services

**Best in Class  
Management Team**

- ❑ Management team and Board of Directors extremely well regarded in the oilfield services space
- ❑ Proven track record of building respected and profitable drilling companies
- ❑ Top three executives have over 75 years of combined industry experience

# Strong Corporate Governance

## Independent Board Members

**Murray K. Mullen**  
*Lead Director*

- ❑ Chairman and CEO of the Mullen Group
- ❑ Director of ShawCor Ltd.
- ❑ Former Director of Precision Drilling Corporation

**Steve C. Grant**  
*Director*

- ❑ Director of Mullen Group Ltd.
- ❑ Former Director of Precision Drilling Corporation, Saxon Energy Services Inc. and Horizon North Logistics Inc.
- ❑ Former Managing Director, Investment Banking at Raymond James & Associates
- ❑ Former Senior VP & CFO of Enterra Corporation

**Ronald P. Mathison**  
*Director*

- ❑ President and CEO of Matco Investments Ltd. and Matco Capital
- ❑ Founder and Chairman of Calfrac Well Services Ltd. and Tesla Exploration Ltd.
- ❑ Founder and Chairman of Pantera Drilling
- ❑ Former Director and Principal of Peters & Co. Limited

**John R. Rooney**  
*Director*

- ❑ Chairman and CEO of Northern Blizzard Resources Inc.
- ❑ Former Director of Gastar Exploration Ltd., Caza Oil & Gas Inc. and Tuscany International
- ❑ Former President & CEO of TUSK Energy Corporation, Zenas Energy Inc., Blizzard Resources Inc., and Equatorial Energy Inc.
- ❑ Former Director of Saxon Energy Services Inc.

**Lorne A. Gartner**  
*Director*

- ❑ Director of Calfrac Well Services Ltd. and Telsa Exploration Ltd.
- ❑ Former Managing Director of the Royal Bank of Canada, Capital Markets
- ❑ Former Vice President of the Royal Bank of Canada, Calgary Energy Group

**Donald D. Copeland**  
*Director*

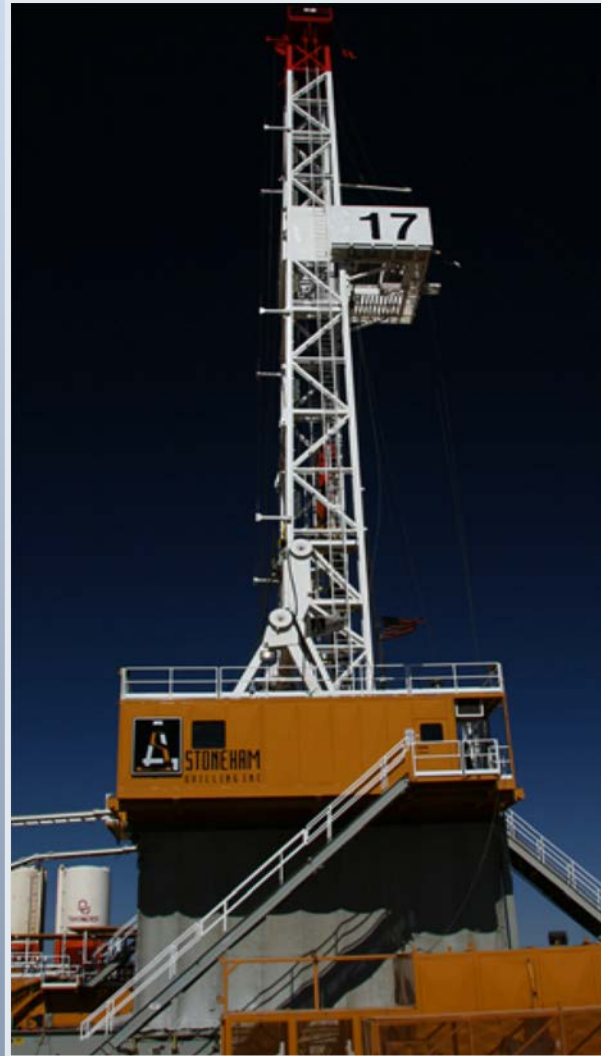
- ❑ Director of Crocotta Energy Inc. and IROC Energy Services Corp.
- ❑ Former Chairman of Stoneham Administration Inc.
- ❑ Added June 16, 2011

# Company Snapshot



## Contract Drilling Services

- ❑ Provided through Horizon Drilling Inc. in Canada
- ❑ Stoneham Drilling Corporation in the U.S.



## Well Servicing

- ❑ Provided through Matrix Well Servicing Inc.

# Summary of the Business

- ❑ Western has 45 drilling rigs
  - ❑ Sixth largest drilling fleet in Canada (40 rigs in Canada, 5 rigs in U.S.)
  - ❑ In addition, five 4,500m new builds
- ❑ Western has five new built service rigs
  - ❑ In addition, announcement of five service rigs to be constructed
- ❑ Western has premium assets
  - ❑ New rigs (average age is approximately 5.5 years old)
  - ❑ Modern design with efficient foot-print (move, rig-up and drill efficiently)
  - ❑ All of the fleet is capable of horizontal drilling in resource plays
  - ❑ Premium customer base
- ❑ Western has above average industry utilization
  - ❑ With a fleet that is capable of horizontal drilling in key resource plays
  - ❑ Montney, Horn River, Cardium, Viking, Shaunavon, Bakken and Deep Basin

# Company History

- ❑ Recapitalization completed in December 2009 laid foundation for sustainable growth
  - ❑ Appointment of new Board of Directors
  - ❑ C\$7 million private placement (new Board and Management subscribed for C\$4.8 million thereof)
  
- ❑ Completed 11 transactions in 25 months
  - ❑ Two equity issuances for \$161 million
  - ❑ Senior Unsecured Notes issuance for \$175 million
  - ❑ Seven acquisitions (including the initial Western recapitalization )
  - ❑ Sale of non-core operating subsidiary (StimSol)

# Corporate Overview

Common shares	
Basic	58.5 Million
Diluted	63.2 Million
Current share price (as at May 9, 2012)	\$7.56
52 Week Range	\$5.80 – \$9.90
Market capitalization (f.d.)	\$477.8 Million
Net debt	\$133.7 Million
Enterprise value (f.d.)	\$611.5 Million
Working capital (excl. current-portion of LTD)	\$103.2 Million
Capital assets (NBV)	\$500.1 Million
Book value per share (f.d.)	\$6.90

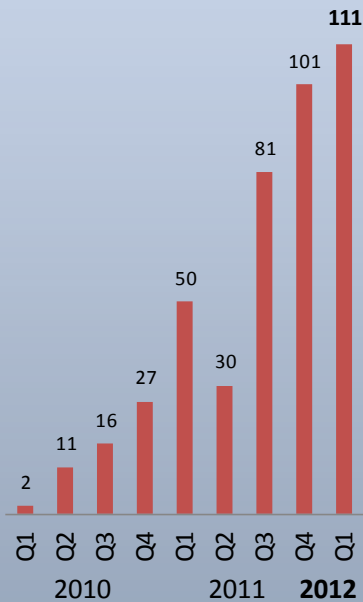


# Q1 2012 – WRG Consolidated Results

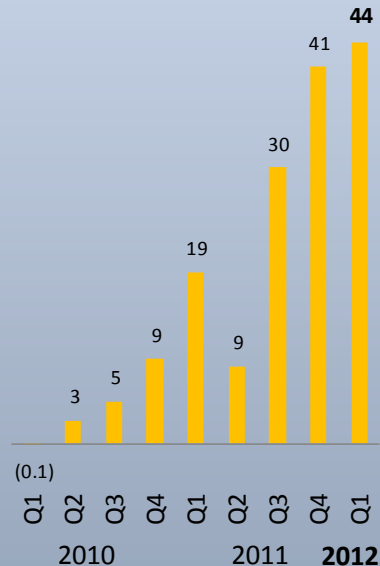
<b>Financial Highlights (Thousands CDN\$)</b>	<b>Q1 2012</b>	<b>2011 Total</b>	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>	<b>2010 Total</b>
Revenue	110,887	262,519	101,300	80,786	30,340	50,093	56,009
Gross Margin	50,213	114,837	47,171	35,004	11,274	21,388	22,902
EBITDA	44,242	99,324	41,473	30,392	8,534	18,925	16,504
EBITDA as a percentage of revenue	40%	38%	41%	38%	28%	38%	29%
Net Income from continuing operations	23,008	53,882	24,923	13,889	4,752	10,318	23,339
per share - basic/diluted	0.39/0.38	1.04/1.00	0.43/0.41	0.24/0.23	0.09/0.09	0.27/0.26	1.03/0.96
Capital expenditures	36,403	88,869	34,336	24,927	14,667	14,939	21,282
<b>Operating Highlights</b>	<b>Q1 2012</b>	<b>2011 Total</b>	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>	<b>2010 Total</b>
<b>Contract drilling</b>							
<i>Canadian Operations</i>							
Average rig fleet	39	32	37	39	28	23	13
End of period rig fleet	40	38	38	37	40	24	22
Drilling revenue per operating day (CDN\$)	34,329	29,885	33,199	28,016	29,124	27,988	25,349
Drilling rig utilization rate	81%	70%	79%	72%	40%	85%	58%
CAODC industry average utilization rate	65%	50%	54%	55%	23%	67%	37%
<i>United States Operations</i>							
Average rig fleet	5	4	5	4	3	-	-
End of period rig fleet	5	5	5	5	3	-	-
Drilling revenue per operating day (US\$)	33,571	33,038	30,705	35,801	33,040	-	-
Drilling rig utilization rate	78%	70%	79%	65%	43%	-	-
<b>Well Servicing</b>							
Average rig fleet	2	-	-	-	-	-	-
End of period rig fleet	2	-	-	-	-	-	-
Well servicing rig revenue per operating hour (CDN\$)	581	-	-	-	-	-	-
Well servicing rig utilization rate	28%	-	-	-	-	-	-

# Proven Record of Growth and Profitability

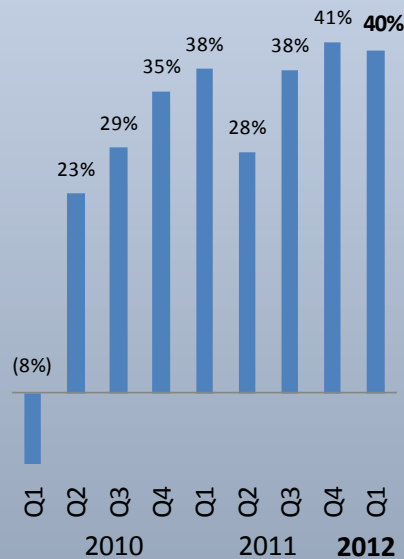
Revenue (millions)



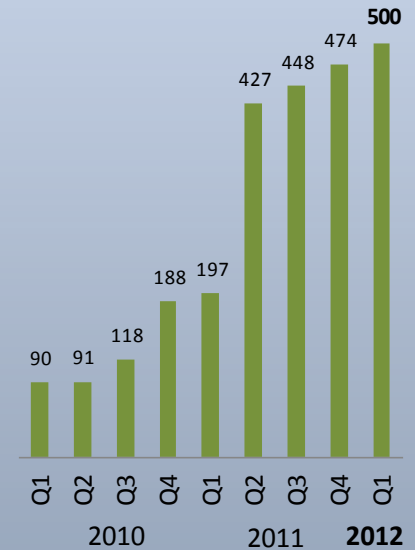
EBITDA (millions)



EBITDA as % Of Revenue



Capital Assets (millions)



# Capital Expenditures

## 2012 Capital Expenditures

2012 CAPITAL EXPENDITURES (C\$mm)	2012 Forecast Spend
Growth capital expenditures	\$ 71.0
Maintenance capital expenditures	
Normalized maintenance CAPEX	\$ 28.0
2011 carry-forward maintenance CAPEX	\$ 11.0
One time purchase of spare rotational equipment	\$ 15.0
Total maintenance CAPEX	\$ 54.0
<b>Total capital expenditures</b>	<b>\$ 125.0</b>

# Western's Drilling Rig Fleet



Horizon Drilling Inc.



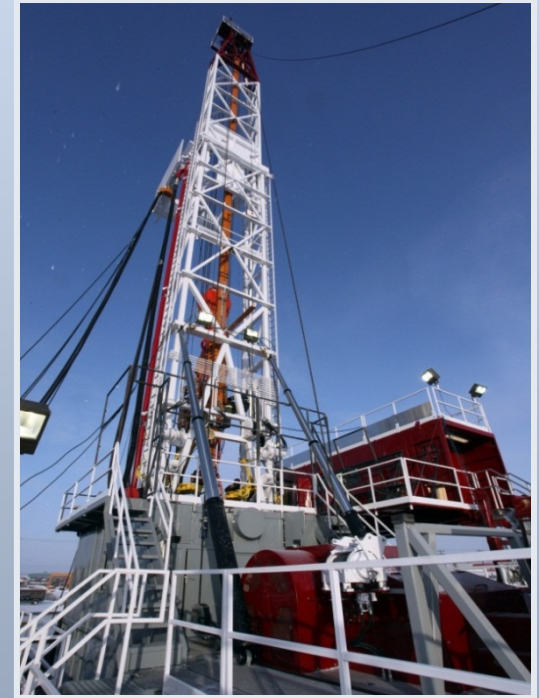
Stoneham Drilling Corporation



Single  
Horizon #9  
1000hp AC Single



Triple  
Stoneham #18  
1500hp AC Triple



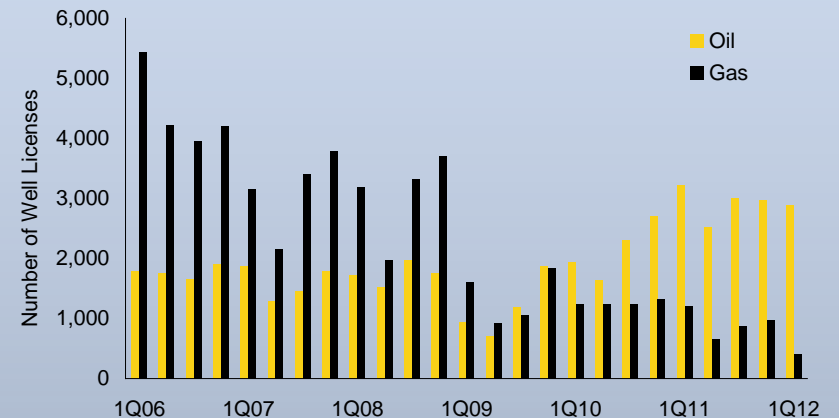
Double  
Horizon #4  
850hp Telescopic Double

# WCSB Well Licenses Support a Strong Near-Term Outlook

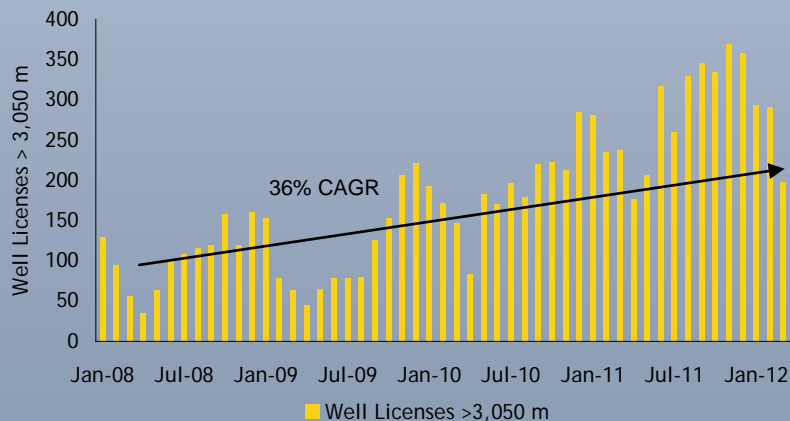
## Canadian Wells Drilled – Operating Days



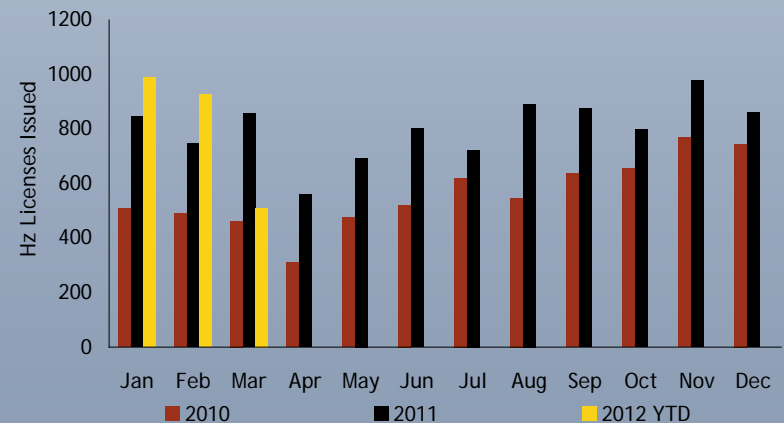
## Well Licenses by Objective



## WCSB Well Licenses >3,050m

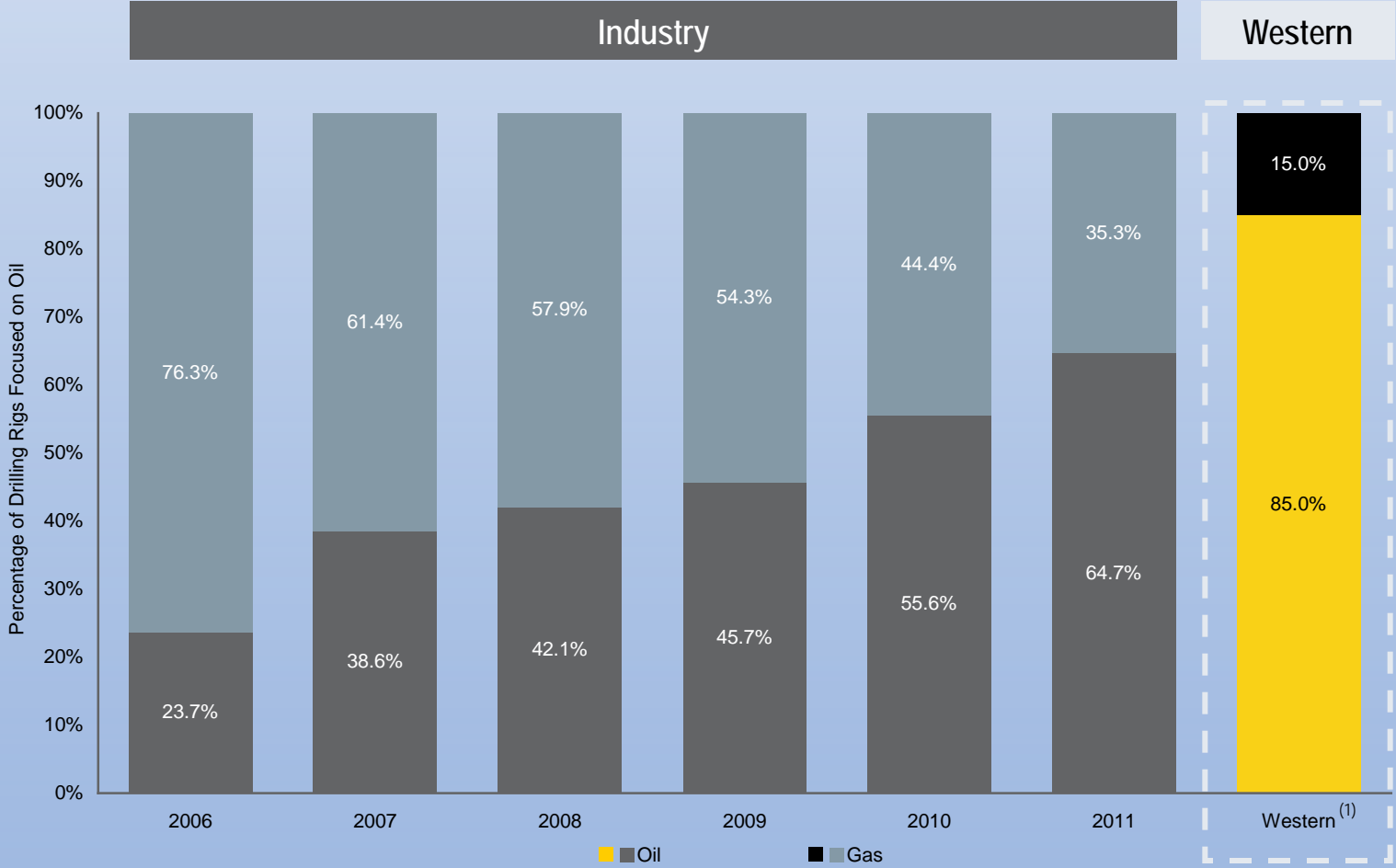


## Horizontal Well Licenses



Source: Nickle's Energy as at April 12, 2012

# WCSB Industry Rigs Targeting Oil



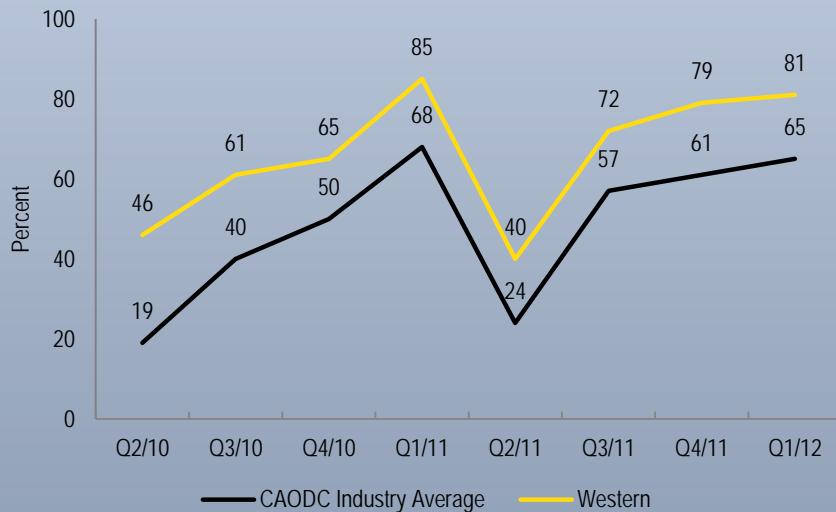
Source: Baker Hughes; 2011 number represents weekly average up to December 29, 2011

(1) Western Energy Services, 2011

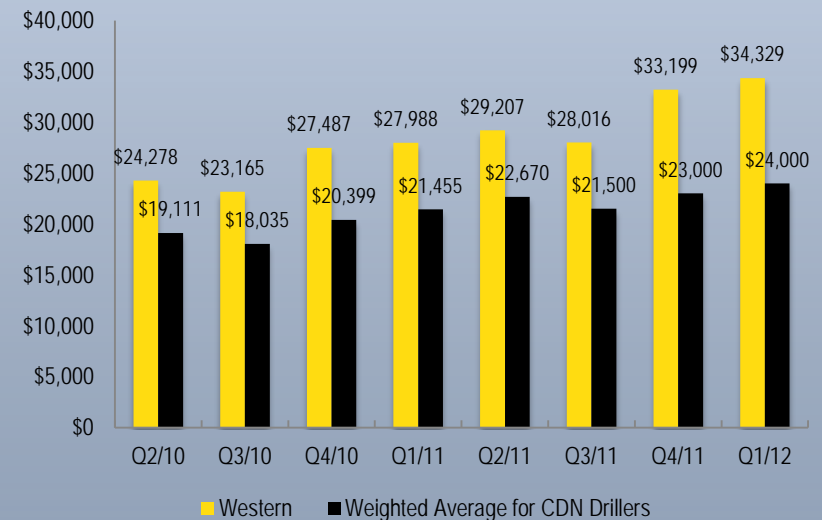
# Utilization and Day Rates

- Western's premium rig fleet has realized above average utilization and industry leading day rates in the WCSB
- Approximately 96% of Western's rigs are Efficient Long Reach (ELR™) with a depth capacity of >3,000 meters
- Western's US rigs have realized strong utilization averaging 78% (98% incl. mobilization days) in Q1 2012

WCSB Utilization Rates (1)



WCSB Day Rates (2)



(1) Source: Industry Research, CAODC

(2) Source: Industry Research, Company Disclosure, as at March 31, 2012

# Matrix Well Servicing Inc.





# Matrix Well Servicing Inc.



- ❑ Organic growth strategy to target opportunity in well servicing industry
- ❑ Initial operations are targeting heavy oil and conventional oil wells in Lloydminster area
- ❑ Western rigs employ innovative design

# What Differentiates Western?

- ❑ Large cap management team running a small to mid-cap company
  - ❑ Positioned to grow with top tier assets and employees generating above average utilization and day rates
- ❑ Reliability, horsepower, technical ability, and mobility are critical to operators seeking to optimize returns in technically complex reservoirs
  - ❑ Driller of Choice when producer cannot risk being delayed or stuck in hole in the most active and robust resource plays
- ❑ Efficient Long Reach (ELR™) drilling rigs have reduced the time required to drill wells and expanded type of drillable wells
  - ❑ 60% of the wells drilled in Western Canada were horizontal wells during 2011
- ❑ Focused on our most important asset – Our People – lower personnel turnover
  - ❑ Western has distinguished itself from its competitors, attracting qualified individuals with all rigs fully crewed to operate 24/7
- ❑ Focused on servicing heavy oil wells
  - ❑ New design well servicing rigs

# Western Energy Services Corp.



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