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Industry Comment

Energy

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Oil & Gas Energy Services

Oilfield Bulletin: Canadian Fracturing, Fallen Too Far Out Of Favour

We'll set the stage for this report with a couple of self-evident truths: The balance of investor sentiment surrounding the pressure pumpers has been to the negative. Over-capacity, environmental issues, rising product costs, and compressing margins in the US have been winning the battles for investors' hearts and minds. And strong earnings growth and large upside surprises have been trumped by the specter of potentially deteriorating earnings in forward quarters.

Will the negative sentiment turn-around? Will concerns about too much capacity yield a lengthening record of earnings growth? We'd argue that if the 50% - 125% year-over-year cash flow increases over the last several quarters haven't driven multiples higher, it's difficult to envision what would cause the market to change its mind at this point. But we also think it's reasonable to take the views that (a) value multiples have likely bottomed-out and that (b) cash flow and earnings will continue to grow, particularly in Canada. The combination of these two factors means that pressure pumping shares are likely to appreciate at least by rates roughly equal to their earnings growth. Ordinarily, straightforward earnings growth might not sound sufficiently interesting to entice some investors into action, but we would argue that the earnings growth in this group has, and will likely continue to surprise and surpass general expectations, especially through Canadian fracturing operations. We believe this group is too far out of favour and should be bought today. Specifically, we point to Canyon as a high-quality investment opportunity as well as deep-valued Calfrac.

What bolsters our confidence in this recommendation is that we are detecting some early evidence of a 'contrarian view' among investors that the Canadian pumping market is likely to be resilient through at least 2012; and if more broadly accepted, this theme could complement the earnings growth we're anticipating with correspondingly expanding multiples, which would then drive more significant stock performance. Whether this Canadian theme takes broader hold of the market though is yet to be determined. We flesh out these ideas in greater detail on the following pages.

Company	Ticker	Dec-06-11 Price	Target Price (6-12 mths)	Dividend Yield	Total Return To Target	Rating
Contract Drillers						
Ensign Energy Services	ESI-TSX	\$16.58	\$21.50	2.3%	32%	Strong Buy 1
Precision Drilling Corporation	PD-TSX PDS-NYSE	\$11.22	\$16.50	0.0%	47%	Outperform 2
Savanna Energy Services	SVY-TSX	\$7.73	\$11.25	0.0%	46%	Outperform 2
Trinidad Drilling Ltd.	TDG-TSX	\$8.09	\$11.00	2.5%	38%	Strong Buy 1
Tuscany International Drilling Inc.	TID-TSX	\$0.58	\$1.10	0.0%	90%	Outperform 2
Western Energy Services Corp.	WRG-TSX	\$8.22	\$11.50	0.0%	40%	Strong Buy 1
Pressure Pumpers						
Calfrac Well Services	CFW-TSX	\$27.25	\$54.00	0.6%	99%	Strong Buy 1
Canyon Services Group Inc.	FRC-TSX	\$12.80	\$18.50	2.0%	46%	Strong Buy 1
GasFrac Energy Services Ltd.	GFS-TSX	\$7.08	\$12.00	0.0%	69%	Outperform 2
Trican Well Service	TCW-TSX	\$18.19	\$28.00	0.5%	54%	Outperform 2
Completion Services						
Essential Energy Services Ltd.	ESN-TSX	\$1.92	\$3.10	0.0%	61%	Strong Buy 1
Pure Energy Services Ltd.	PSV-TSX	\$8.33	\$11.25	4.3%	39%	Strong Buy 1
Field Services						
Black Diamond Group Ltd.	BDI-TSX	\$17.42	\$18.25	3.8%	9%	Outperform 2
Enerflex Ltd.	EFX-TSX	\$12.34	\$15.50	1.9%	28%	Strong Buy 1
Mullen Group Ltd.	MTL-TSX	\$19.87	\$22.00	5.0%	16%	Market Perform 3
Secure Energy Services Inc.	SES-TSX	\$7.69	\$9.50	0.0%	24%	Outperform 2
Strad Energy Services Ltd.	SDY-TSX	\$4.09	\$6.75	0.0%	65%	Strong Buy 1

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Please read domestic and foreign disclosure/risk information beginning on page 17 and Analyst Certification on page 18.

Raymond James Ltd. | 2200 – 925 West Georgia Street | Vancouver BC Canada V6C 3L2

Canada: A Good Place to Frack

We've long pointed to a divergence between Canadian and US fracturing economics. We suspect this contrast is widening, and this view is causing some investors to take note.

While it is true that US margins have likely maxed-out, and in some cases have started shrinking, this does not describe the state of affairs in Canada. Indeed, 3Q11 Canadian fracturing economics were about as robust as we have seen yet. But more importantly, every interested party we discuss the matter with agrees that the Canadian fracturing market is as strong as ever, and will likely remain so for the foreseeable future (in our experience "foreseeable future" means "the next 6 - 12 months").

Fleet Horsepower Is As Productive As Ever in Canada

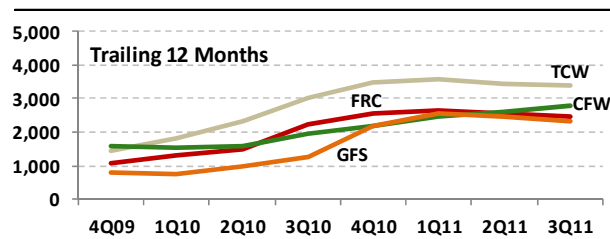
We measure horsepower productivity as revenue generated on a per unit horsepower basis. In Canada this metric was more-or-less flat in 3Q11 on a year-over-year comparison, which in itself is an impressive result considering that intense late-season rains meant July 2011 pumping utilization was significantly curtailed (see Exhibit 1).

At the same time, margins in Canada have yet to plateau. In the lower chart of Exhibit 1, we provide our best estimate of EBITDA generation per unit horsepower. Again, these results need to be considered in the context of difficult field conditions in July. More importantly, we believe this upward trend will likely continue over the next couple of quarters at least – and this is what we believe some investors are beginning to embrace.

Exhibit 1: Canadian Revenue and EBITDA per Average Unit Horsepower

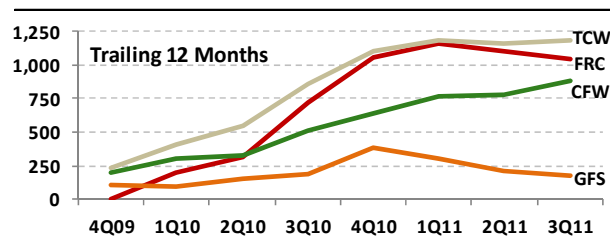
Canadian Revenue

C\$	3Q11	Change vs...	
		2Q11	3Q10
Canyon	705	+531	-112
Trican	1,003	+495	-35
Calfrac	882	+518	+194
GasFrac	355	+148	-136



Canadian EBITDA

C\$	3Q11	Change vs...	
		2Q11	3Q10
Canyon	311	+335	-57
Trican	393	+311	+18
Calfrac	334	+315	+105
GasFrac	66	+141	-37



Source: Company reports, Raymond James Ltd.

US Pumping: Not So Much

By comparison and by most accounts, the US fracturing market is on a less stable footing. Revenue per unit horsepower in the US increased marginally vis-à-vis 2Q11 (refer to Exhibit 2, below) – at least from the few companies that provided sufficient disclosure to perform this analysis. At the same time, percent margins decreased sequentially. And as for the outlook from the likes of Halliburton, Schlumberger, and Baker Hughes, they volunteer that too much capacity has led to the ‘inevitable conclusion’ – the loss of pricing power, which in the face of escalating costs for input products and fuel means declining margins.

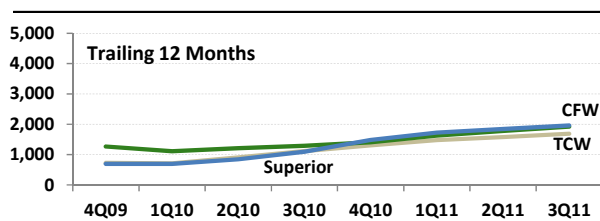
For what it’s worth, we think the ultimate culprit of declining margins in the US has been the flattish US rig count – or put another way, if the rig count growth hadn’t slowed since mid-summer, we suspect there would still be healthy pricing tension for fracturing companies in most markets. But instead, the US horizontal rig count has been roughly flat since mid-summer. True, there are more horizontal oil wells going into the ground, but offsetting this is fewer natural gas horizontal wells as well. The overall rig count has grown only marginally and consequently so has the horizontal rig count. We labour this point to highlight the potential for the fracturing market to retighten under one of two scenarios: (1) the US oil rig count resumes growing more quickly, or (2) the gas rig count stops shrinking.

In the meantime, our broader points are that for a long time the Canadian fracturing market has been painted with the same brush as the US fracturing market, and that the balance of evidence tells us this is too broad of a generalization. It is this notion that has potential to drive some multiple expansion in the group.

Exhibit 2: US Revenue and EBITDA per Average Unit Horsepower

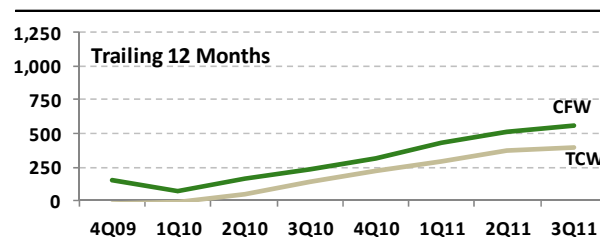
US Revenue

C\$	3Q11	Change vs...	
		2Q11	3Q10
Trican	470	+23	+108
Calfrac	522	-4	+138
Superior	520	+86	+119



U.S. EBITDA

C\$	3Q11	Change vs...	
		2Q11	3Q10
Trican	96	-13	+17
Calfrac	144	-33	+41
Superior	n.a.	n.a.	n.a.



Source: Company reports, Raymond James Ltd.

Pushback We Expect from Readers

“Multiples Are Only Low Because They Are Predicated on ‘Peak Earnings’ and ‘Peak EBITDA’”

This is the “too-much-capacity” argument framed a different way. Sure the multiples are low, but only because earnings and EBITDA are unsustainably high, so the argument goes. If we take this argument at face value, it’s worth asking what level of earnings is being discounted by the market.

Historically, Trican has spent most of its time trading between 5.5x - 8.5x EBITDA. Drilling contractors have typically traded between 5.0x - 7.0x. If the market is correctly ‘pricing-in’ a sufficiently low level of EBITDA, and is predicating values on an historical average multiple range (say, 6.0x - 7.0x), then the market is implicitly saying that EBITDA is set to decline by 15% - 30% year-over-year, and that earnings are set to decline by 50% - 65% year-over-year.

Besides, fracturing capacity looks set to expand by 45% - 50% for our covered pumpers in 2012, but at the same time, the market is implicitly saying that EBITDA will contract by 15% - 30%. This further implies the market is expecting EBITDA contribution per unit horsepower will drop by a whopping 40% - 50% in 2012!

This type of profitability decline isn’t without precedent. However, it has only ever taken place during significant downturns in the rig count. Yet the market doesn’t appear to be contemplating a downturn scenario for the contract drilling group. The median multiple among the contract drillers is currently 4.9x 2012E EBITDA – which is within its historic pricing range, albeit at the lower end of that range. The median pumper multiple today is 3.9x 2012E EBITDA. Therefore, it looks to us that the market is pricing a different macro scenario for pressure pumpers than it is for contract drillers.

Okay, But the Pumpers Are More Expensive Based on the Most Fundamental Metrics Like P/Book

Well, not really. In Exhibit 4, we outline price/book and estimated enterprise value/replacement cost multiples for Calfrac, Canyon, GasFrac, and Trican. These measures have been setting new historic lows in recent weeks and months.

Exhibit 3: Price/Book and EV/Replacement Cost

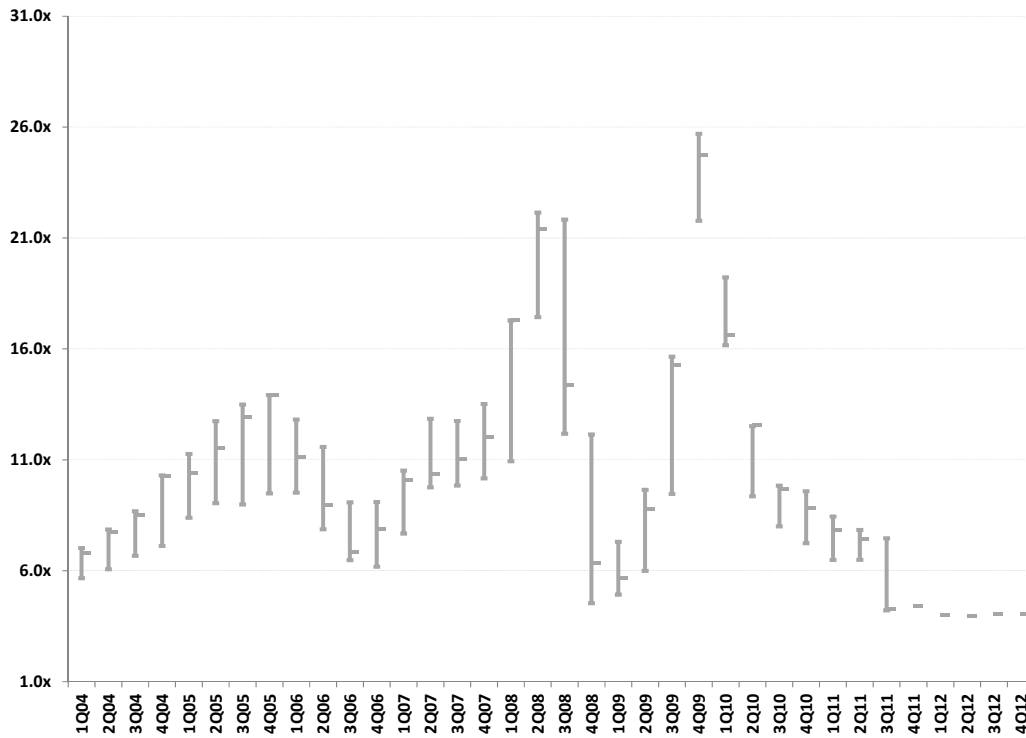
	Price / Book Value			EV / Replace. Cost
	Current	2011E	2012E	
Calfrac	1.8x	1.8x	1.3x	1.4x
Canyon	2.4x	2.4x	1.8x	2.1x
GasFrac	1.6x	1.6x	1.4x	1.4x
Trican	1.9x	1.9x	1.6x	1.4x

Source: Bloomberg, Raymond James Ltd.

But the Canadian Pure-Play, Canyon, Is Priced at a Replacement Cost Premium Relative to Trican and Calfrac

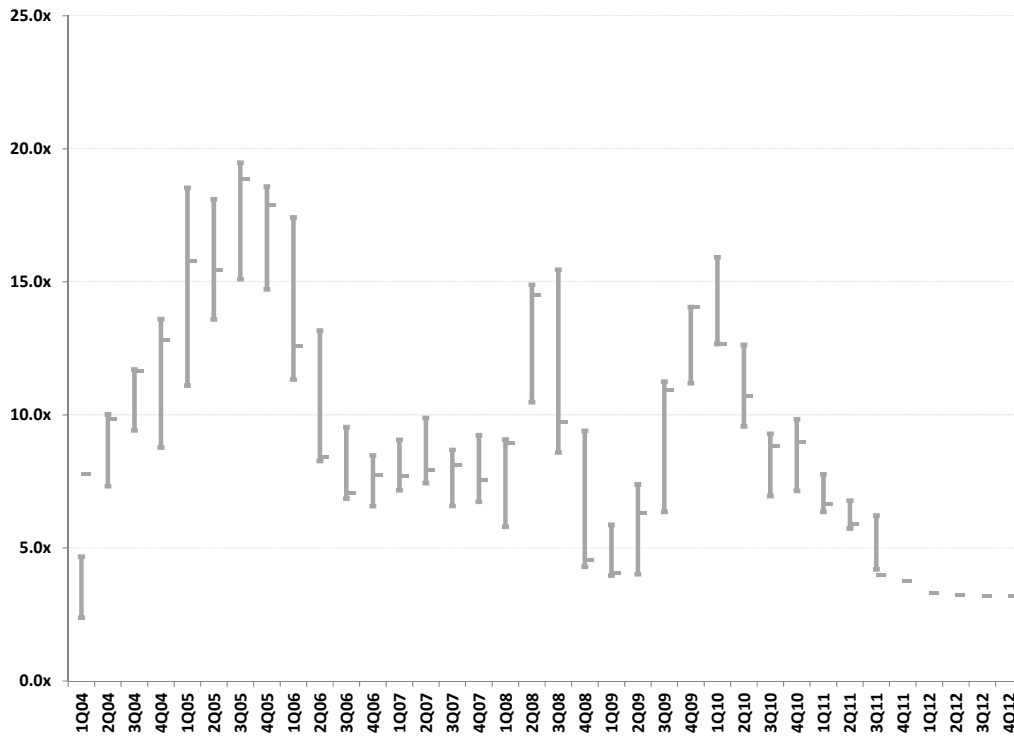
This is true. However, in 3Q11, Canadian pumping horsepower generated about 1.7x more revenue and 3.0x more EBITDA margin than US pumpers (at least among those that disclose operating results). Moreover, the dominant outlook from industry participants is that this is the way it will continue. So, on both a retrospective and prospective basis, Canadian horsepower is worth more than US horsepower.

Exhibit 4: Trican’s Historical EV/EBITDA Multiple Range



Source: Trican Well Service, Raymond James Ltd.

Exhibit 5: Calfrac’s Historical EV/EBITDA Multiple Range



Source: Calfrac Well Services, Raymond James Ltd.

US Competitors Will Just Move Into Canada and Push Margins Lower Here Too

Probably not, or at least not indiscriminately. It should be noted that Nabors has already done this, with a relatively small fleet at this point. But rightly or wrongly, we have found that the US majors, Halliburton, Schlumberger, and Baker Hughes have biases against investing in Canada, primarily due to perceptions that the market in Canada is too seasonal, and therefore places an unattractively low lid on ultimate equipment utilization. But even though the evidence in Exhibit 1 speaks to the contrary, we still think there are two structural impediments to the US market spilling into Canada, Nabors notwithstanding.

The first is that even the venerable Canadian companies like Trican and Calfrac are having significant challenges growing and training their employment ranks. Bringing the equipment to Canada presents some challenges, but the bigger challenge is to find crews once the equipment arrives here.

The second is that operating efficiency in Canada requires a broad customer base. Often E&P companies incur delays in drilling wells or in preparing leases, often as a function of weather. This creates the potential for down-time for fracturing companies working on these programs. Ordinarily, the fracturing companies will make its equipment available to other of its customers during these 'windows'. So having a broad customer base is crucial to maintaining high utilization as a Canadian mainstream fracturing company.

Based on this, we suspect that the big three will prefer to compete in the 'take-or-pay' contract market in Canada, which primarily means the Horn River area. In this remote region, windows are irrelevant, no broad base of customers is required, and the contracts provide for relative certain outcomes.

Oilfield Activity Summary & Industry Forecasts

Equity Indices & Energy Prices

	Price/ Level	Percent Change (%)		
		W/W	M/M	Y/Y
TSX 300 Comp	12,081	+3.0	-2.6	-8.8
TSX Oilfield index	1,470	+6.4	+1.6	+5.0
OSX	235	+8.0	+0.7	+0.3
WTI (US\$/bbl)	101.28	+1.5	+7.4	+14.2
C Par @ Edm. (\$/bbl)	108.08	+3.9	+12.6	+26.0
NYMEX (US\$/mcf)	3.49	-4.0	-7.8	-20.6
AECO-C (\$/GJ)	3.06	-0.3	-6.7	-20.5
USD/CAD	0.99	+2.2	+0.9	+0.3

Industry & Commodity Forecasts

	2009	2010	2011E	2012E
Active Drilling Rig Count	214	328	409	386
Drilling Rig Utilization	28%	41%	51%	46%
Wells Completed	9,394	13,575	17,200	16,300
Service Rig Utilization	39%	55%	59%	56%
WTI (US\$/bbl)	62.09	79.61	92.84	85.00
NYMEX (US\$/mcf)	4.16	4.38	4.16	4.00
AECO (\$/mcf)	3.99	4.18	3.71	3.60
USD/CAD	0.88	0.97	1.02	1.00

Canadian Active Rig Counts

	This Wk	Last Wk	Last Yr	13-Wk
				M.A
Active Drilling Rig Count	536	528	514	528
Total Fleet	799	799	801	805
Utilization	67%	66%	64%	66%
Active Service Rig Count	614	601	600	587
Total Fleet	908	908	894	906
Utilization	68%	66%	67%	65%

Canadian Wells & Licenses

	Year to Date		13-Wk Total	
	2011	2010	2011	2010
Total Completions	14,796	11,833	5,314	5,039
%Oil	62	47	72	44
%Horizontal + Directional	79	68	84	70
%Vertical	21	32	16	30
Well Licenses	15,027	13,105	4,250	4,120
Total Meters Drilled (000s)	24,831	19,224	9,261	7,908
%Development	84	79	87	79
Avg. Well Depths (meters)	4,006	4,107	1,178	1,694

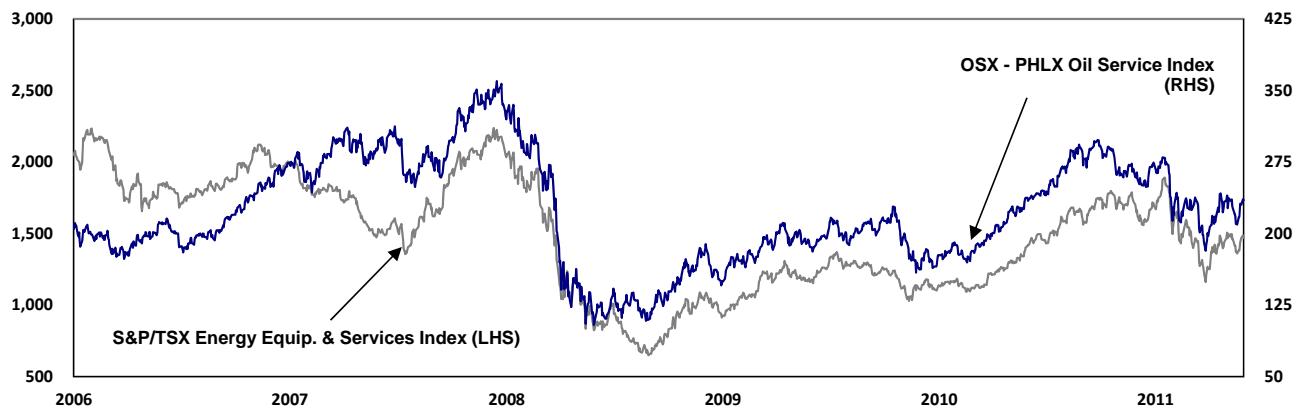
US Active Rig Count

	This Wk	Last Wk	Last Yr	13-Wk
				M.A
Total US Rig Count	1,993	2,000	1,713	2,002
%Oil	57	57	43	55
%Horizontal + Directional	69	68	69	0
%Vertical	31	32	31	0
Total Land	1,951	1,963	1,690	1,967
%Oil	57	57	44	55
Gulf of Mexico	40	38	23	33
%Oil	48	47	35	54

International Active Rig Count

	Oct-11	Aug-11	Jul-11	Jun-11
International Rig Count	1,197	1,183	1,150	1,158
%Oil / %Land	77 / 74	76 / 73	79 / 73	76 / 74
Australia	14	14	13	15
%Oil / %Land	43 / 50	43 / 50	54 / 54	60 / 53
South America	438	441	438	438
%Oil / %Land	87 / 79	87 / 78	89 / 79	87 / 80
Continental Europe	89	94	90	86
%Oil / %Land	57 / 67	49 / 64	50 / 67	47 / 69

S&P/TSX Energy Equipment & Services Index vs. OSX Phil. Oil Services Sector Index



All figures in C\$, unless otherwise noted.

Sources: Raymond James Ltd., Bloomberg, JuneWarren-Nickle's Energy Group, Baker Hughes

Canadian Oilfield Activity Charts

a. Drilling Contractor Utilization – Weekly Observed and Actual Reported Rates

Drilling Contractor	Weekly Observed Utilization (%)				2009															2010			2011		
	This Week	Last Week	Last Year	13-Week M.Avg.	2008	2009					2010					2011									
						Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3							
Akita Drilling	62	59	58	61	42	45	16	26	37	31	49	25	39	31	36	62	30	63							
Ensign Group	69	63	66	66	36	30	7	18	25	20	42	13	31	37	31	52	16	42							
Nabors Drilling	57	52	49	55	42	39	13	15	27	24	44	22	33	46	36	61	27	50							
Precision Drilling	63	63	60	63	38	33	11	20	28	23	50	19	37	47	38	61	21	51							
Savanna	61	61	60	57	42	31	5	19	31	22	54	18	40	47	40	64	22	54							
Trinidad Drilling	78	80	84	79	55	50	14	36	43	36	67	34	56	65	55	80	31	69							
Western (Horizon)	92	95	93	95	50	55	9	30	45	35	46	46	61	65	57	85	40	72							
INDUSTRY	67	66	64	66	42	36	11	21	32	25	53	20	41	49	41	67	23	56							

Historical utilization rates shown for Canadian drilling rig operations where available

Ensign Group includes: Big Sky Drilling, Ensign Drilling and Champion Drilling

Savanna includes: Lakota Drilling and Trailblazer Drilling

Prior to 1Q10, Western (Horizon) figures estimated using Nickle's utilization data

b. Drilling Contractor Utilization – Weekly Observed Rates by Depth Quartile

Depth Quartile	Depth Range (m) / Average Depth (m)		Ensign Group		Precision Drilling	Savanna	Trinidad Drilling	Western (Horizon)	INDUSTRY
			Rigs (% of fleet)	Utilization	Rigs (% of fleet)	Utilization	Rigs (% of fleet)	Utilization	
Q1	80 - 2,000m / 1,398 m	Rigs (% of fleet)	40 (33%)	34 (16%)	28 (40%)	17 (31%)	0 (0%)		
		Utilization	53%	35%	29%	59%	0%	41%	
Q2	2,000 - 3,000m / 2,566 m	Rigs (% of fleet)	37 (31%)	69 (33%)	9 (13%)	5 (9%)	3 (8%)		
		Utilization	81%	57%	44%	40%	67%	66%	
Q3	3,000 - 3,600m / 3,311 m	Rigs (% of fleet)	30 (25%)	58 (28%)	14 (20%)	27 (50%)	19 (51%)		
		Utilization	70%	78%	93%	96%	100%	83%	
Q4	3,600 - 7,000m / 4,234 m	Rigs (% of fleet)	14 (12%)	46 (22%)	19 (27%)	5 (9%)	15 (41%)		
		Utilization	86%	76%	95%	80%	87%	83%	
Total	80 - 7,000m / 2,876 m	Rigs	121	207	70	54	37	799	
		Utilization	69%	63%	61%	78%	92%	68%	

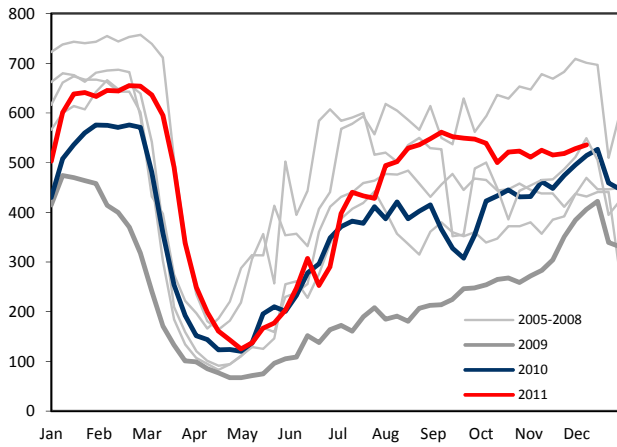
Ensign Group includes: Big Sky Drilling, Ensign Drilling and Champion Drilling

Savanna includes: Lakota Drilling and Trailblazer Drilling

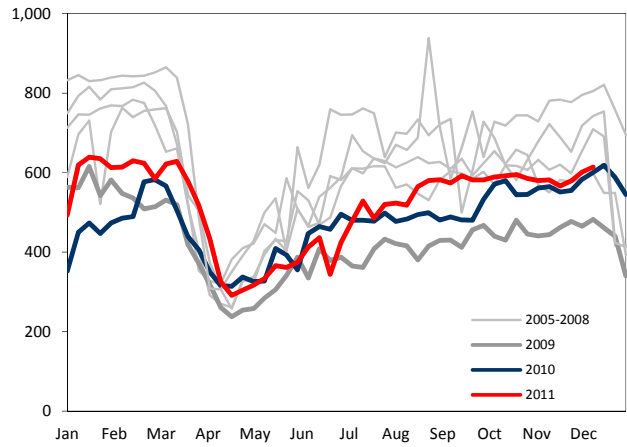
Sources: JuneWarren-Nickle's Energy Group, Company reports, Raymond James Ltd.

Canadian Oilfield Activity Charts (continued)

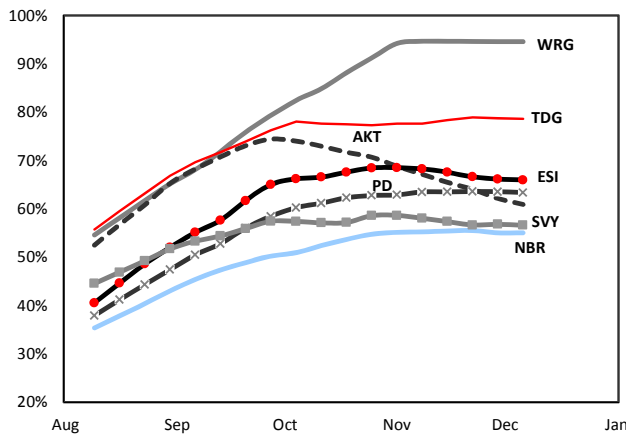
a. Weekly Rig Count



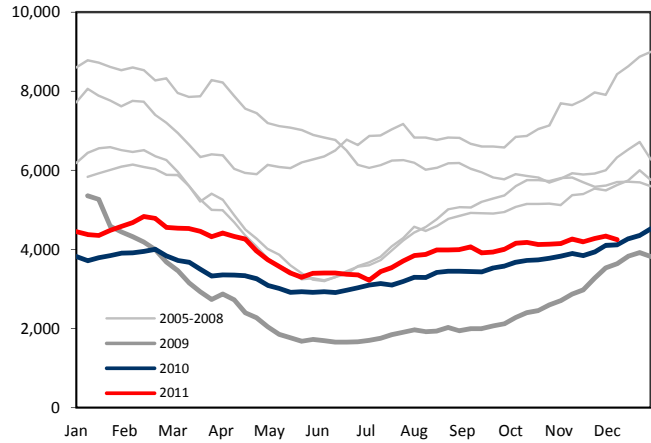
b. Weekly Service Rig Count



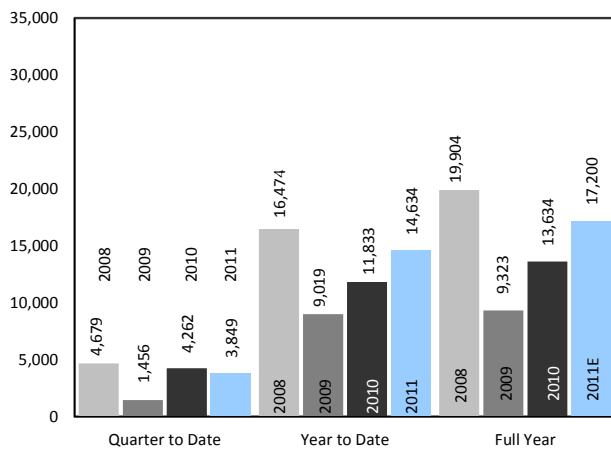
c. Contractor Utilization (13-Wk MA)



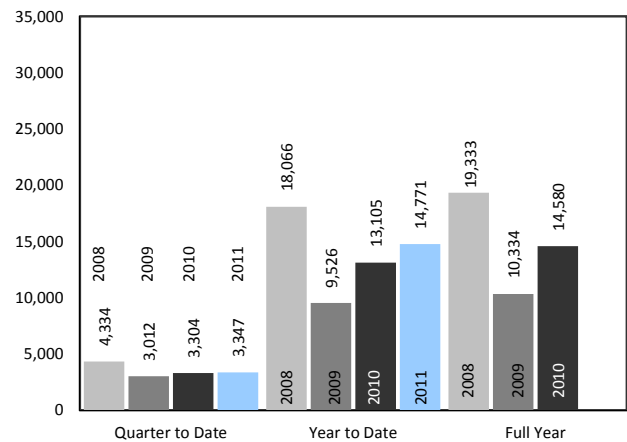
d. Well Licenses (13-Wk Total)



e. Well Completions



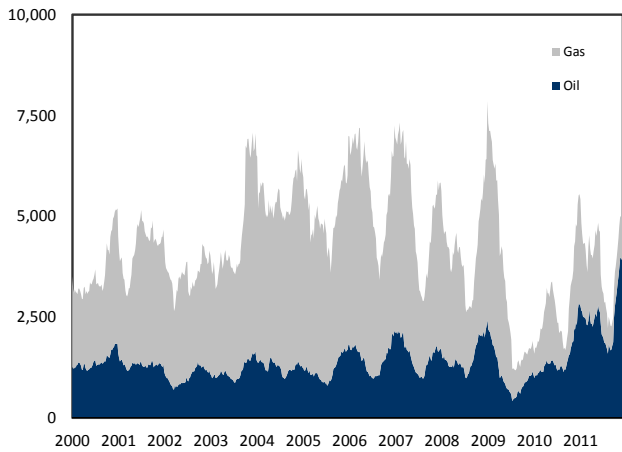
f. Well Licenses



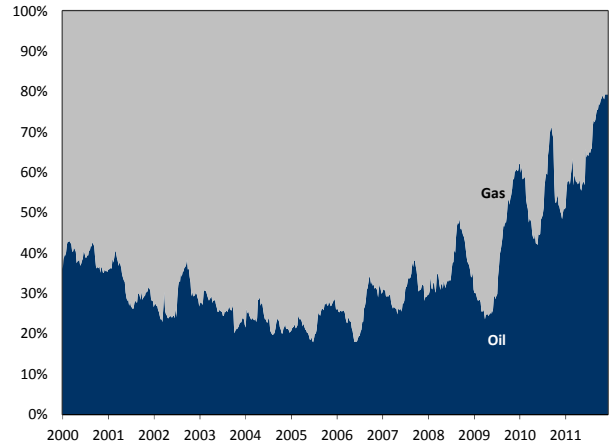
Sources: JuneWarren-Nickle's Energy Group, CAODC, Raymond James Ltd.

Canadian & U.S. Oilfield Activity Charts

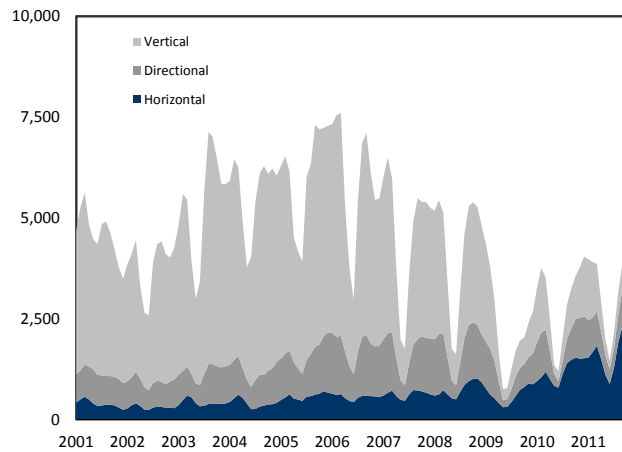
a. WCSB Well Completions (3-M RT)



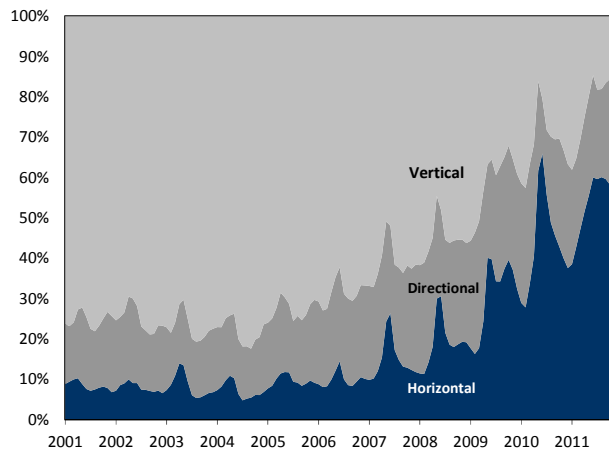
b. WCSB Well Completions (%)



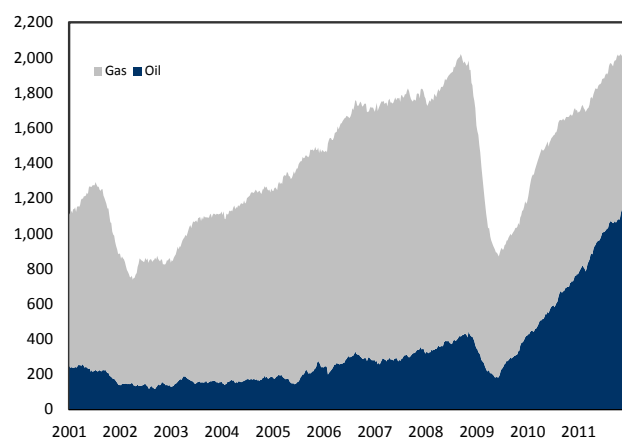
c. WCSB Well Completions by Type (3-M RT)



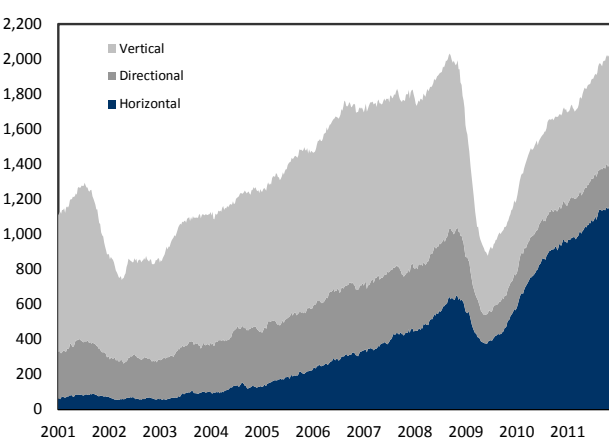
d. WCSB Well Completions by Type (%)



e. U.S. Active Rig Count



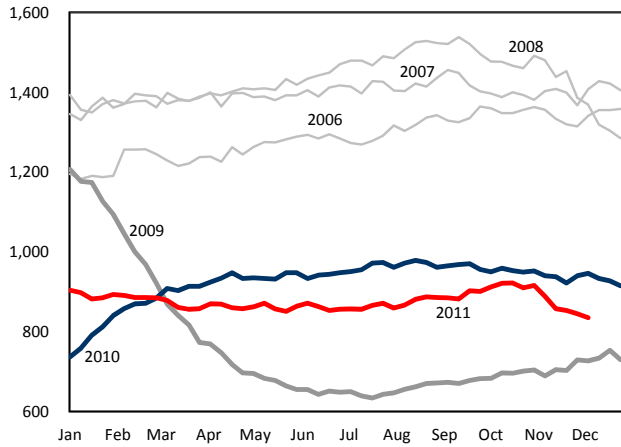
f. U.S. Active Rig Count by Well Type



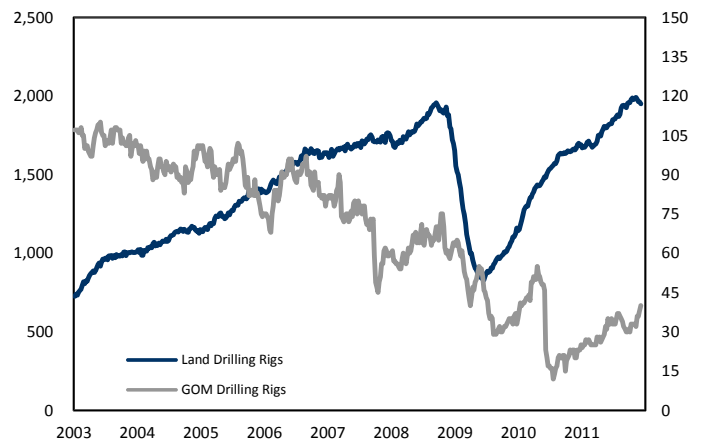
Sources: JuneWarren-Nickle's Energy Group, Baker Hughes

U.S. & International Oilfield Activity Charts

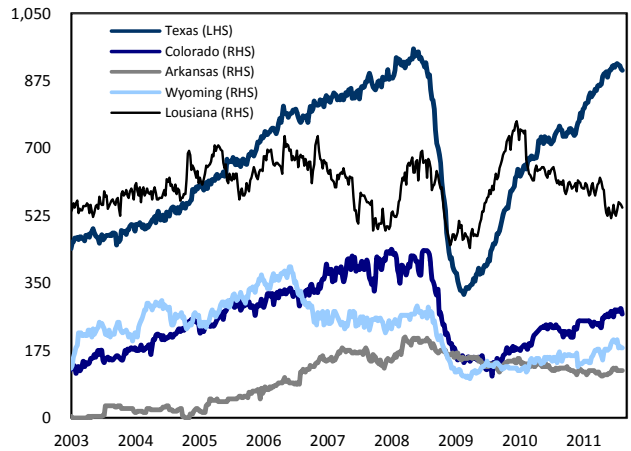
a. U.S. Active Land Rigs Targeting Gas



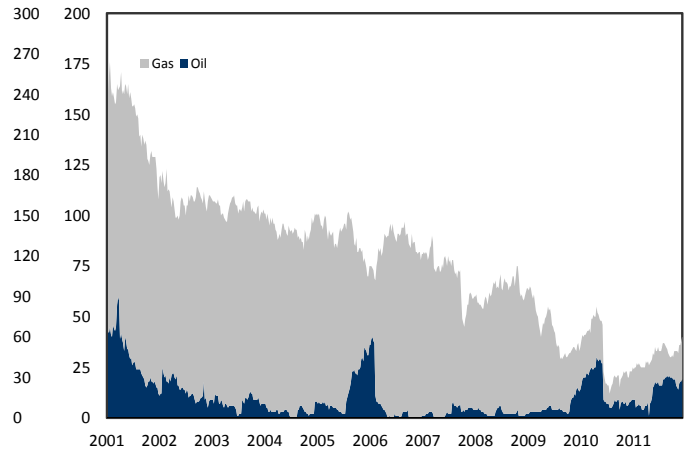
b. U.S. Active Land and GoM Rig Count



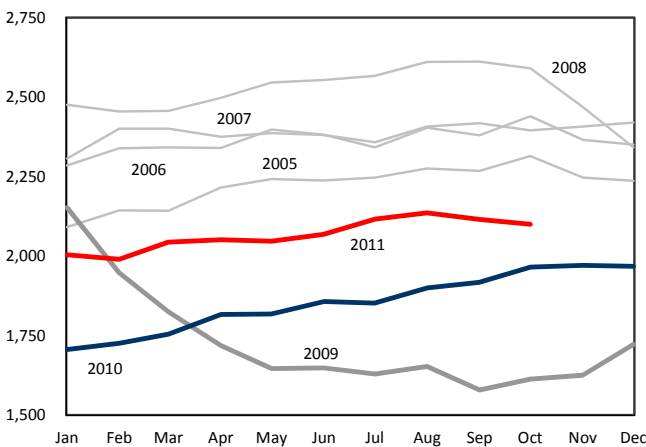
c. U.S. State Drilling Rig Counts



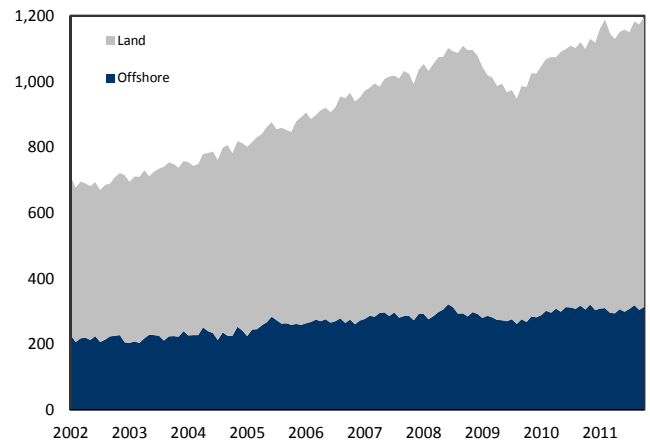
d. U.S. GoM Active Rig Count



e. U.S. Active Well Service Rig Count



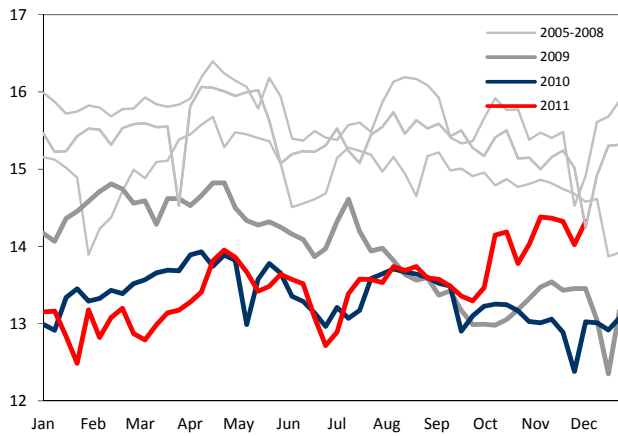
f. International Active Rig Count



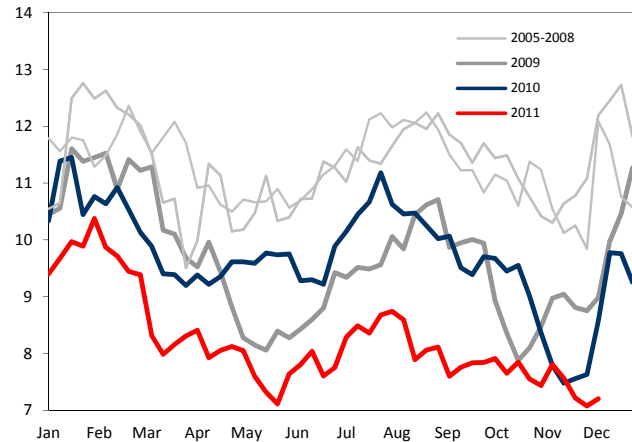
Sources: EIA, Baker Hughes, Raymond James Ltd.

Natural Gas Charts

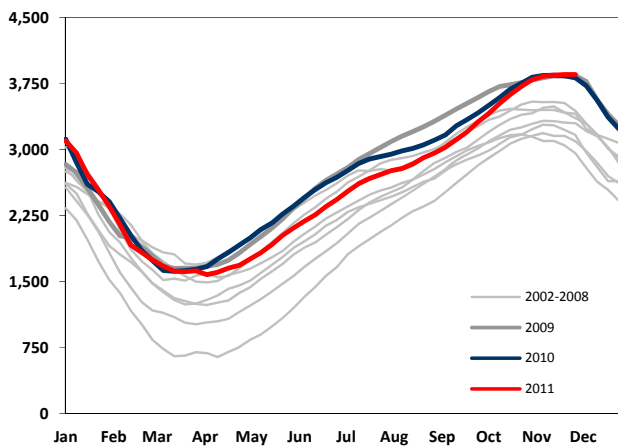
a. Cdn Natural Gas Production (Bcf/d)



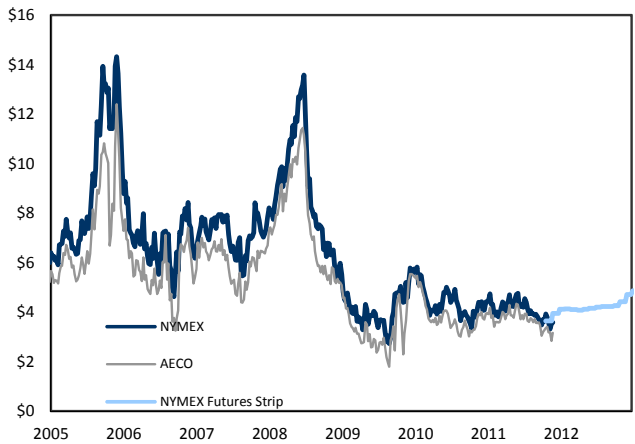
b. Cdn Natural Gas Exports to U.S. (Bcf/d)



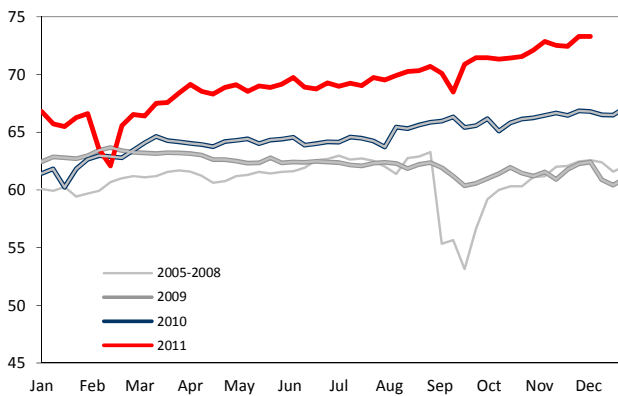
c. US Natural Gas Storage (Bcf)



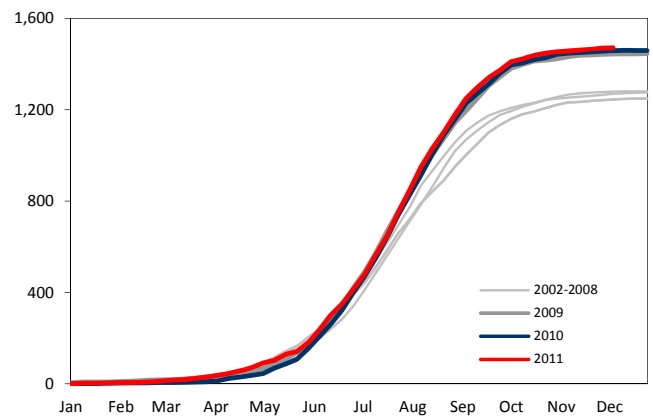
d. North American Gas Prices (US\$/mcf)



e. U.S. Natural Gas Production (Bcf/d)



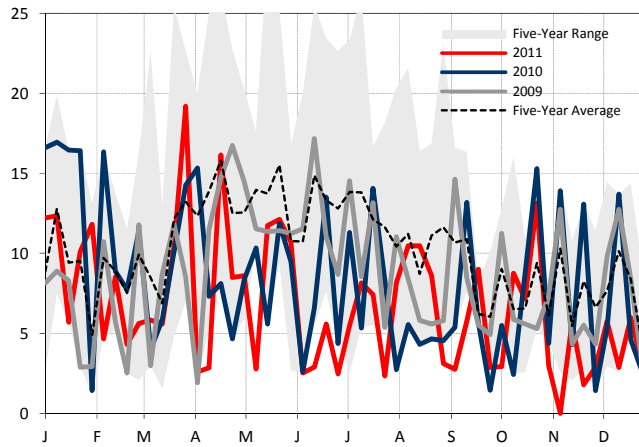
f. Cumulative Cooling Degree Days



Sources: Bloomberg, NOAA, Bentek Energy, Raymond James Ltd.

Natural Gas Charts (continued)

a. Weekly U.S. LNG Imports (Bcf)



b. LNG Netbacks - Landed (US\$/mcf)

Destination Port	Oct-11	Nov-11	Dec-11
Cove Point	\$3.82	\$4.85	\$4.23
Altamira	\$3.97	\$3.84	\$3.67
Lake Charles	\$3.36	\$3.19	\$3.11
Spain	\$10.40	\$10.21	\$9.68
Belgium	\$9.85	\$9.82	\$9.49
UK	\$8.89	\$9.72	\$9.35
India	\$15.61	\$14.83	\$14.73
Japan	\$17.25	\$16.28	\$16.50
Korea	\$17.25	\$16.28	\$16.50

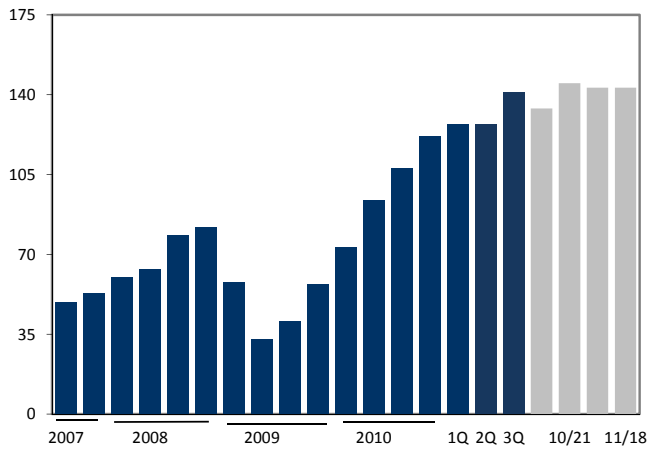
c. N.A. Gas Spot Prices (US\$/mcf)



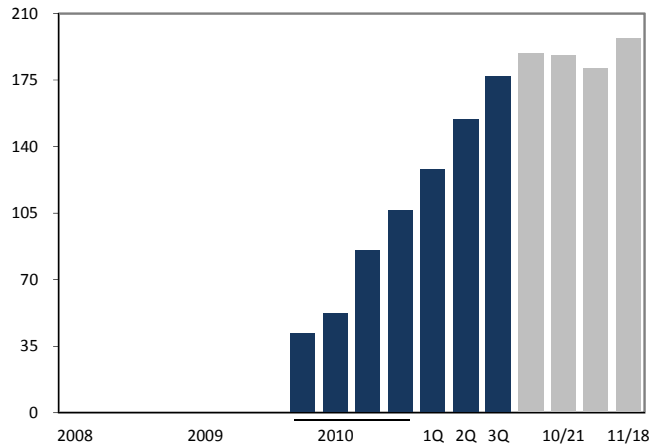
Sources: Bloomberg, Waterborne Energy, Raymond James Ltd.

U.S. Unconventional Rig Counts

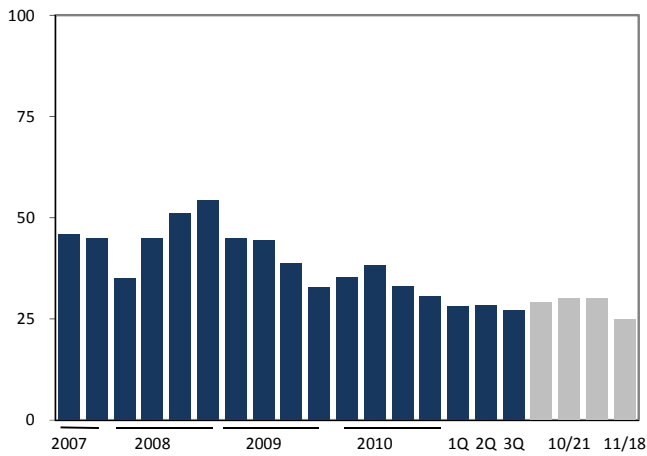
a. U.S. Bakken Shale Active Rigs



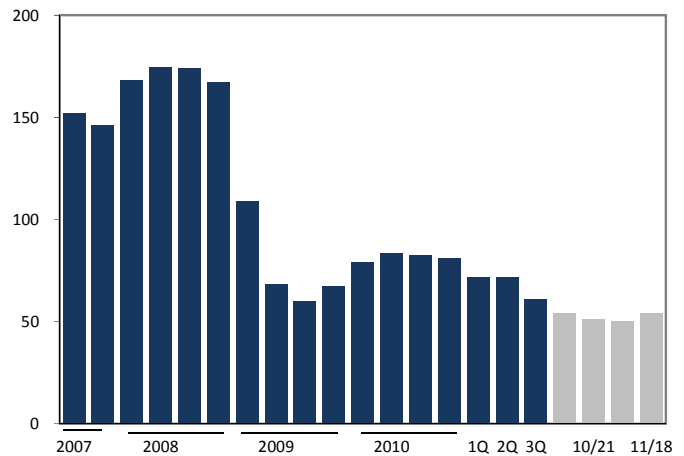
b. Eagle Ford Shale Active Rigs



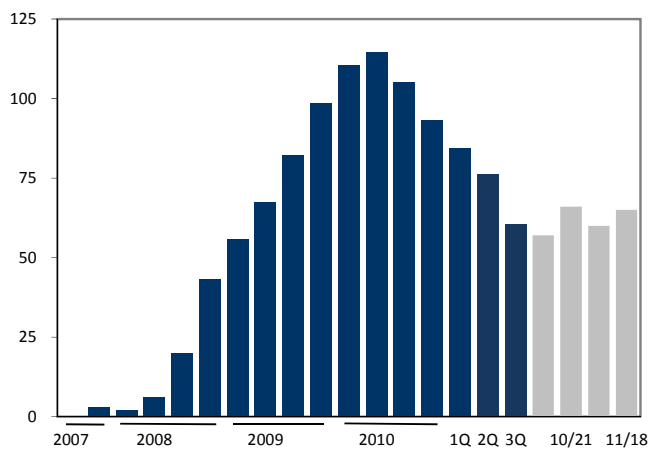
c. U.S. Fayetteville Shale Active Rigs



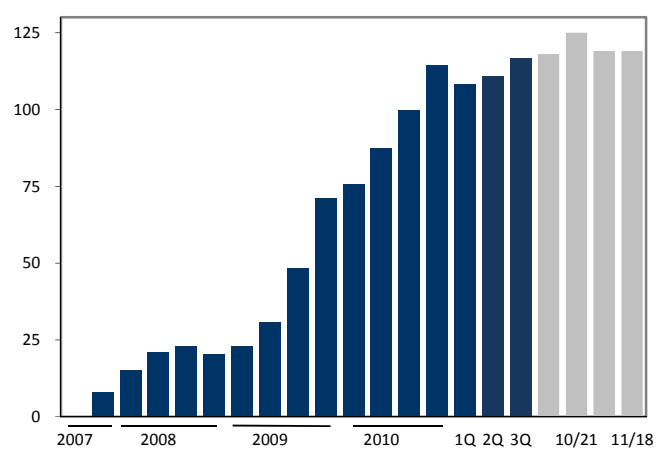
d. U.S. Barnett Shale Active Rigs



e. U.S. Haynesville (La.) Shale Active Rigs



f. U.S. Marcellus Shale Active Rigs



Sources: The Land Rig Newsletter

Energy Services

Company Name	Symbol	Closing Price	Target Price	Stock Rating	Target Return	Mkt Cap (\$mil)	Dividends		EPS (\$)		P/E (x)		EV/EBITDA		Debt/EBITDA		FCF Yield		Current P/B		ROIC		Analyst
							\$/sh	Yield	11E	12E	11E	12E	11E	12E	11E	12E	11E	12E	11E	12E	11E	12E	
Contract Drillers																							
Ensign	ESI	\$16.58	\$21.50	SB 1	32.0%	\$2,532	\$0.38	2.3%	\$1.50	\$1.91	11.0x	8.7x	5.5x	4.8x	1.2x	4%	15%	1.4x	13%	13%	13%	AB	
Precision	PD	\$11.22	\$16.50	OP 2	47.1%	\$3,098	\$0.00	0.0%	\$0.89	\$1.21	12.6x	9.2x	5.4x	5.1x	1.8x	(7%)	(14%)	1.8x	11%	12%	12%	AB	
Savanna	SVY	\$7.73	\$11.25	OP 2	45.5%	\$655	\$0.00	0.0%	\$0.62	\$0.86	12.4x	9.0x	5.4x	4.6x	1.5x	(5%)	(8%)	0.8x	7%	8%	8%	AB	
Trinidad	TIDG	\$8.09	\$11.00	SB 1	38.4%	\$978	\$0.20	2.5%	\$0.64	\$0.88	12.6x	9.2x	6.1x	5.0x	2.2x	4%	12%	1.3x	8%	9%	9%	AB	
Tuscanys*	TID	\$0.58	\$1.10	OP 2	89.7%	\$202	\$0.00	0.0%	(US\$0.04)	US\$0.06	n/mf	9.6x	7.0x	4.0x	5.8x	(27%)	22%	0.5x	2%	6%	8%	AB	
Western	WRG	\$8.22	\$11.50	SB 1	39.9%	\$481	\$0.00	0.0%	\$0.90	\$0.77	9.1x	10.7x	5.6x	4.5x	1.3x	(2%)	(16%)	1.2x	13%	10%	10%	AB	
Pressure Pumps																							
Gallfrac	CFW	\$27.25	\$54.00	SB 1	98.7%	\$1,196	\$0.15	0.6%	\$4.23	\$5.06	6.4x	5.4x	3.7x	3.1x	1.3x	(10%)	(8%)	1.7x	22%	20%	20%	AB	
Canyon	FRC	\$12.80	\$18.50	OP 1	46.5%	\$780	\$0.25	2.0%	\$1.51	\$1.71	8.5x	7.5x	5.0x	3.7x	0.0x	(3%)	(11%)	2.5x	37%	32%	32%	AB	
Gasfrac	GFS	\$7.08	\$12.00	OP 2	69.5%	\$439	\$0.00	0.0%	\$0.02	\$0.70	n/mf	10.1x	18.2x	5.1x	3.7x	(35%)	20%	1.6x	2%	14%	14%	AB	
Trican	TCW	\$18.19	\$28.00	OP 2	54.5%	\$2,669	\$0.10	0.5%	\$2.21	\$2.15	8.2x	8.5x	4.4x	4.1x	0.7x	(4%)	(3%)	2.0x	25%	18%	18%	AB	
Completion Services																							
Essential	ESN	\$1.92	\$3.10	SB 1	61.5%	\$237	\$0.00	0.0%	\$0.28	\$0.33	6.9x	5.9x	3.5x	3.1x	1.3x	(0%)	(26%)	1.3x	11%	12%	12%	AB	
Pure	PSV	\$8.33	\$11.25	SB 1	39.4%	\$202	\$0.36	4.3%	\$0.85	\$1.13	9.8x	7.4x	4.5x	3.4x	0.8x	(2%)	(18%)	1.4x	15%	18%	18%	AB	
Field Services																							
Black Diamond	BDI	\$17.42	\$18.25	OP 2	8.6%	\$648	\$0.66	3.8%	\$1.17	\$1.21	14.9x	14.4x	7.4x	6.7x	1.1x	(5%)	(1%)	2.9x	15%	13%	13%	AB	
Enerflex	EPX	\$12.34	\$15.50	SB 1	27.6%	\$953	\$0.24	1.9%	\$0.66	\$1.26	18.8x	9.8x	9.0x	5.6x	1.1x	5%	12%	3.1x	5%	10%	10%	AB	
McCoy	MCB	\$2.80	\$5.50	SB 1	97.9%	\$75	\$0.04	1.4%	\$0.40	\$0.48	7.0x	5.8x	2.7x	2.0x	0.3x	30%	33%	1.4x	5%	14%	15%	SH/BC	
Mullen	MTL	\$19.87	\$22.00	MP 3	15.8%	\$1,606	\$1.00	5.0%	\$1.46	\$1.37	13.6x	14.5x	7.1x	7.0x	1.8x	5%	6%	4.9x	13%	12%	12%	AB	
Secure	SES	\$7.69	\$9.50	OP 2	23.5%	\$687	\$0.00	0.0%	\$0.36	\$0.58	21.6x	13.3x	10.1x	7.6x	1.1x	(4%)	(5%)	3.4x	10%	14%	14%	AB	
Strad	SDY	\$4.09	\$6.75	SB 1	65.0%	\$152	\$0.00	0.0%	\$0.51	\$0.57	8.0x	7.1x	3.3x	2.9x	0.9x	(26%)	(4%)	1.3x	13%	12%	12%	AB	
Median					46.0%			0.6%	\$0.75	\$1.01	10.4x	9.1x	5.5x	4.5x	1.3x	(3%)	(11%)	1.5x	13%	13%	13%		

Source: Bloomberg, Raymond James Ltd.
*Note: Tuscanys reports in USD

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
Baker Hughes, Inc.	BHI	NYSE	US\$	52.80	2	RJ & Associates
Halliburton	HAL	NYSE	US\$	35.57	1	RJ & Associates
Nabors Industries Ltd.	NBR	NYSE	US\$	18.69	2	RJ & Associates
Schlumberger Ltd.	SLB	NYSE	US\$	76.65	2	RJ & Associates

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US\$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be approved for sale in all U.S. states. NC=not covered.

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Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, possibly a small dividend, and the potential for long-term price appreciation.

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Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

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	Coverage Universe Rating Distribution			Investment Banking Distribution		
	RJL	RJA	RJ LatAm	RJL	RJA	RJ LatAm
Strong Buy and Outperform (Buy)	72%	59%	45%	49%	14%	23%
Market Perform (Hold)	27%	36%	48%	29%	5%	3%
Underperform (Sell)	1%	6%	7%	0%	6%	0%

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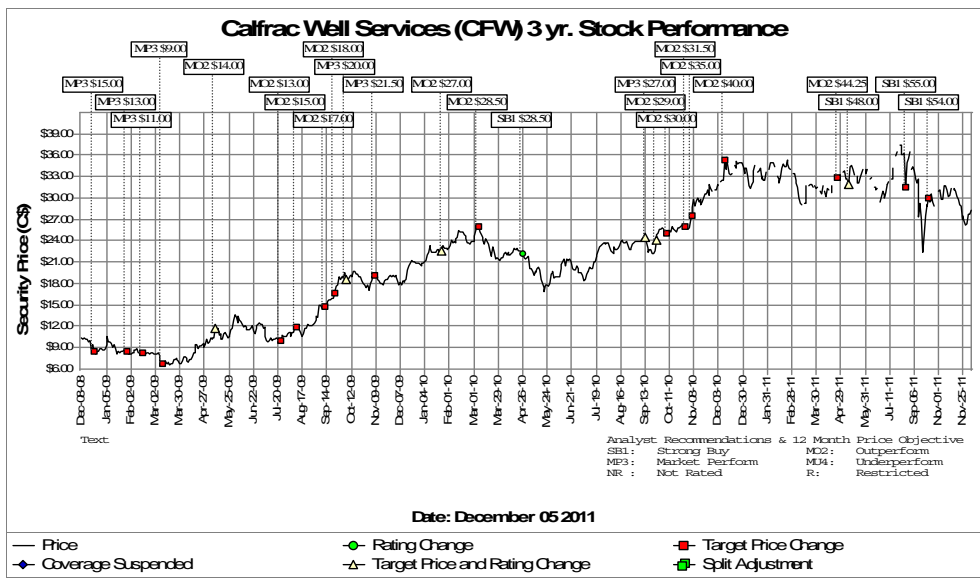
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Company Name	Disclosure
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Stock Charts, Target Prices, and Valuation Methodologies

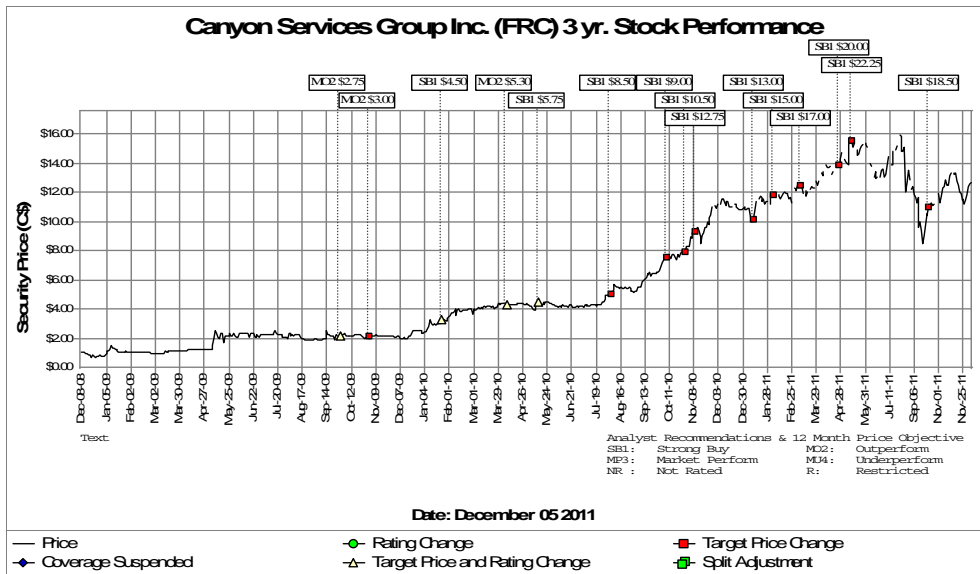
Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences.

Target Prices: The information below indicates target price and rating changes for the subject companies included in this research.



Update Date	Closing Price	Target Price	Rating
Oct-17-11	29.90	54.00	1
Aug-09-11	31.50	55.00	1
May-06-11	31.81	48.00	1
Apr-27-11	32.80	44.25	2
Dec-11-10	35.30	40.00	2
Nov-04-10	27.58	35.00	2
Oct-28-10	25.97	31.50	2
Oct-07-10	25.00	30.00	2
Sep-24-10	24.03	29.00	2
Sep-13-10	24.45	27.00	3
Apr-26-10	22.27	28.50	1
Mar-05-10	26.00	28.50	2
Jan-22-10	22.65	27.00	2
Nov-06-09	19.10	21.50	3
Oct-06-09	18.57	20.00	3
Sep-22-09	16.58	18.00	2
Sep-10-09	14.70	17.00	2
Aug-10-09	11.96	15.00	2

Valuation Methodology: We value Calfrac on a comparative basis to historical EV / EBITDA multiples and take into account growth potential, financial leverage and market liquidity.



Update Date	Closing Price	Target Price	Rating
Oct-17-11	11.00	18.50	1
May-11-11	15.50	22.25	1
Apr-27-11	13.88	20.00	1
Mar-09-11	12.50	17.00	1
Feb-03-11	11.79	15.00	1
Jan-11-11	10.17	13.00	1
Nov-09-10	9.30	12.75	1
Oct-28-10	7.94	10.50	1
Oct-07-10	7.53	9.00	1
Aug-04-10	5.05	8.50	1
May-13-10	4.51	5.75	1
Apr-07-10	4.30	5.30	2
Jan-22-10	3.30	4.50	1
Nov-02-09	2.10	3.00	2
Sep-29-09	2.10	2.75	2

Valuation Methodology: We value Canyon on a comparative basis to historical EV / EBITDA multiples and take into account growth potential, financial leverage and market liquidity.

Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the projected target prices included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation.

Risks - Calfrac Well Services

i) Fluctuations in oil and natural gas prices can produce periods of high and low demand for well services. During periods of low commodity prices, demand for Calfrac's services is reduced. ii) Calfrac relies on a sufficient supply of raw materials from its suppliers such as proppant and nitrogen. Should Calfrac's supply of these materials be ceased or interrupted the resulting delays in the provisions of services could have a materially adverse impact on Calfrac's operations. iii) Attracting and retaining a sufficient number of well-qualified personnel is expected to be a challenge for the industry during periods of high activity levels.

Risks - Canyon Services Group Inc.

i) Fluctuations in oil and natural gas prices can produce periods of high and low demand for well services. During periods of low commodity prices, demand for Canyon's services is reduced. ii) Canyon relies on a sufficient supply of raw materials from its suppliers such as proppant and nitrogen. Should Canyon's supply of these materials be ceased or interrupted the resulting delays in the provisions of services could have a materially adverse impact on Canyon's operations. iii) Attracting and retaining a sufficient number of well-qualified personnel is expected to be a challenge for the industry during periods of high activity levels.

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