

Energy

January 11, 2012

Industry Comment - Changes

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Oil & Gas Energy Services

Oilfield Bulletin: Increasing Margins Should be the 4Q Theme for the Drillers

To the best of our assessment, drilling rig utilization averaged about 58% in Canada in 4Q11, which was just a point or so better than the 57% average over the third quarter and brings the year in at about 51% overall. This is up 9 percentage points from 2010 and is the highest utilization year in Canada since 2006.

Our initial reads suggest that some contractors showed sequential utilization increases, such as Western Energy Services and Precision Drilling, while utilization dropped sequentially for Savanna Energy Services. However, most should report roughly flat utilization performance from 3Q11 levels.

It's unusual to see flat utilization levels transitioning from the third to fourth quarter. Utilization ordinarily increases by around 5 – 8 percentage points from 3Q to 4Q – flat utilization performance or declines are often indicators that the sector is in the early stages of downturn. 'Often', but not this time, in our view. We believe the numbers are telling us that the surge of activity late in the summer, following a very uncooperative rainy season in June and July, effectively biased the 3Q numbers higher than they would have otherwise been. Fourth quarter utilization merely normalized this activity surge.

That said, we expect the story of the 4Q11 numbers will be margin increases more than utilization stats. Effective October 1, 2011, a roughly 9% - 10% wage rate increase was recommended by the Canadian Association of Oilwell Drilling Contractors (CAODC). We'd estimate that the effective cost of this increase amounted to an additional \$650 - \$750 per day. In response, producers accommodated these wage increases with a corresponding 9% - 10% dayrate increase, or about \$1,300 - \$2,000 per day, depending on the rig and contract arrangements. As such, we estimate that the average net impact has been about a \$650 - \$1,150 per day increase in 'day margins' – the cash flow generation of drilling rigs per day. This is before the surcharges for winterization equipment, which typically add about another \$1,000 per day in rental revenues.

Our preview of 4Q11 for the drillers contains some above and some below consensus calls (see Exhibit 1 on page 2 of this report). We expect Western, Tuscany, and Savanna will report above consensus 4Q11 EBITDA while our estimates for both Ensign and Precision are slightly below consensus (continued on the second page).

Company	Ticker	Jan-10-12 Price	Target Price (6-12 mths)	Dividend Yield	Total Return To Target	Rating	Old Target Price	Old Rating
Contract Drillers								
Ensign Energy Services	ESI-TSX	\$16.85	\$21.50	2.3%	30%	Strong Buy 1	\$21.50	Strong Buy 1
Precision Drilling Corporation	PD-TSX PDS-NYSE	\$11.40	\$16.50	0.0%	45%	Outperform 2	\$16.50	Outperform 2
Savanna Energy Services	SVY-TSX	\$7.51	\$11.25	0.0%	50%	Outperform 2	\$11.25	Outperform 2
Trinidad Drilling Ltd.	TDG-TSX	\$7.25	\$11.00	2.8%	54%	Strong Buy 1	\$11.00	Strong Buy 1
Tuscany International Drilling Inc.	TID-TSX	\$0.67	\$1.10	0.0%	64%	Outperform 2	\$1.10	Outperform 2
Western Energy Services Corp.	WRG-TSX	\$8.50	\$11.50	0.0%	35%	Strong Buy 1	\$11.50	Strong Buy 1
Pressure Pumpers								
Calfrac Well Services	CFW-TSX	\$30.07	\$54.00	0.7%	80%	Strong Buy 1	\$54.00	Strong Buy 1
Canyon Services Group Inc.	FRC-TSX	\$12.90	\$18.50	1.9%	45%	Strong Buy 1	\$18.50	Strong Buy 1
GasFrac Energy Services Ltd.	GFS-TSX	\$7.61	\$12.00	0.0%	58%	Outperform 2	\$12.00	Outperform 2
Trican Well Service	TCW-TSX	\$18.21	\$28.00	0.5%	54%	Outperform 2	\$28.00	Outperform 2
Completion Services								
Essential Energy Services Ltd.	ESN-TSX	\$2.15	\$3.10	0.0%	44%	Strong Buy 1	\$3.10	Strong Buy 1
Pure Energy Services Ltd.	PSV-TSX	\$9.00	\$11.25	4.0%	29%	Strong Buy 1	\$11.25	Strong Buy 1
Field Services								
Black Diamond Group Ltd.	BDI-TSX	\$18.99	\$18.25	3.5%	0%	Outperform 2	\$18.25	Outperform 2
Enerflex Ltd.	EFX-TSX	\$13.22	\$15.50	1.8%	19%	Strong Buy 1	\$15.50	Strong Buy 1
Mullen Group Ltd.	MTL-TSX	\$19.71	\$22.00	5.1%	17%	Market Perform 3	\$22.00	Market Perform 3
Secure Energy Services Inc.	SES-TSX	\$7.70	\$9.50	0.0%	23%	Outperform 2	\$9.50	Outperform 2
Strad Energy Services Ltd.	SDY-TSX	\$4.40	\$6.75	0.0%	53%	Strong Buy 1	\$6.75	Strong Buy 1

Raymond James Ltd.

Utilization began slowing down noticeably during the week preceding Christmas, and began to resume normal run-rates early in January. This is perfectly normal for this time of the year, though it should be noted that the Christmas break affected the contractors unevenly. Western Energy Services and Trinidad Drilling incurred the lowest slowdown and faster recoveries among our covered Canadian contract drillers – the impact of this difference should be about 3 percentage points of utilization on the quarter.

And even though Western Canada has been somewhat ‘weather-challenged’, the early January utilization figures are consistent with a high level of demand in the oilpatch. As of yesterday, there were about 572 rigs actively drilling in the WCSB (654 including rigs in-transit). This is up more 10% from one year ago when 523 rigs were working (601 including rigs in transit). It’s still early in the winter season, but (a) this early data is an encouraging indicator, and; (b) it is contrary to our macro forecasts for a 5% decline in drilling activity in 2012. The only segment we envision that could be affected by weather at this point is delineation drilling in the Fort McMurray area of Alberta.

Exhibit 1: EBITDA Forecasts, Changes, and Consensus

			4Q11E	2011E	2012E
Ensign (ESI-T)	Target		EBITDA (\$mln)		
	New	\$21.50 =	New	\$154	\$509
	Old	21.50	Old	\$155	\$510
	Consensus	21.02	Consensus	\$161	\$512
				\$624	\$638
	Rating		EPS		
New	SB 1 =	New	\$0.47	\$1.50	
Old	SB 1	Old	\$0.46	\$1.50	
Consensus	BUY	Consensus	\$0.45	\$1.48	
			\$1.81		
Precision (PD-T)	Target		EBITDA (\$mln)		
	New	\$16.50 =	New	\$211	\$691
	Old	16.50	Old	\$218	\$698
	Consensus	15.63	Consensus	\$217	\$694
				\$835	\$898
	Rating		EPS		
New	OP 2 =	New	\$0.32	\$0.88	
Old	OP 2	Old	\$0.33	\$0.89	
Consensus	BUY	Consensus	\$0.35	\$0.88	
			\$1.37		
Savanna (SVV-T)	Target		EBITDA (\$mln)		
	New	\$11.25 =	New	\$47	\$140
	Old	11.25	Old	\$54	\$147
	Consensus	10.82	Consensus	\$45	\$137
				\$186	
	Rating		EPS		
New	OP 2 =	New	\$0.20	\$0.56	
Old	OP 2	Old	\$0.26	\$0.62	
Consensus	HOLD	Consensus	\$0.20	\$0.56	
			\$0.84		
Trinidad (TDG-T)	Target		EBITDA (\$mln)		
	New	\$11.00 =	New	\$77	\$255
	Old	11.00	Old	\$78	\$256
	Consensus	10.81	Consensus	\$77	\$254
				\$310	
	Rating		EPS		
New	SB 1 =	New	\$0.23	\$0.64	
Old	SB 1	Old	\$0.23	\$0.64	
Consensus	BUY	Consensus	\$0.21	\$0.62	
			\$0.82		
Tuscany (TID-T)	Target		EBITDA (\$mln)		
	New	\$1.10 =	New	US\$19	US\$38
	Old	1.10	Old	US\$22	US\$40
	Consensus	1.18	Consensus	US\$16	US\$33
				US\$91	US\$90
	Rating		EPS		
New	OP 2 =	New	US\$0.01	(US\$0.05)	
Old	OP 2	Old	US\$0.02	(US\$0.04)	
Consensus	HOLD	Consensus	US\$0.02	(US\$0.02)	
			US\$0.07		
Western (WRG-T)	Target		EBITDA (\$mln)		
	New	\$11.50 =	New	\$34	\$93
	Old	11.50	Old	\$33	\$92
	Consensus	11.75	Consensus	\$31	\$91
				\$127	
	Rating		EPS		
New	SB 1 =	New	\$0.34	\$0.93	
Old	SB 1	Old	\$0.31	\$0.90	
Consensus	BUY	Consensus	\$0.27	\$0.92	
			\$1.06		

Source: Bloomberg, Raymond James Ltd.

Oilfield Activity Summary & Industry Forecasts

Equity Indices & Energy Prices

	Price/ Level	Percent Change (%)		
		W/W	M/M	Y/Y
TSX 300 Comp	12,271	+0.5	+2.0	-8.4
TSX Oilfield index	1,469	+0.3	+2.1	+2.7
OSX	230	+2.4	+0.0	-6.9
WTI (US\$/bbl)	102.24	-0.7	+2.8	+12.2
C Par @ Edm. (\$/bbl)	98.13	+1.7	+0.8	+17.7
NYMEX (US\$/mcf)	2.94	-1.7	-11.3	-34.4
AECO-C (\$/GJ)	2.71	+8.4	-8.1	-27.5
USD/CAD	0.98	-0.5	+0.1	-2.4

Canadian Active Rig Counts

	This Wk	Last Wk	Last Yr	13-Wk
				M.A
Active Drilling Rig Count	649	437	601	512
Total Fleet	782	786	797	0
Utilization	83%	56%	75%	64%
Active Service Rig Count	631	460	619	0
Total Fleet	895	893	890	580
Utilization	71%	52%	70%	0%

US Active Rig Count

	This Wk	Last Wk	Last Yr	13-Wk
				M.A
Total US Rig Count	2,007	2,007	1,700	37
%Oil	59	59	46	2321
%Horizontal + Directional	69	69	69	69
%Vertical	31	31	31	31
Total Land	1,965	1,965	1,675	1,139
%Oil	60	60	46	100
Gulf of Mexico	41	41	25	1971
%Oil	49	49	36	102

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

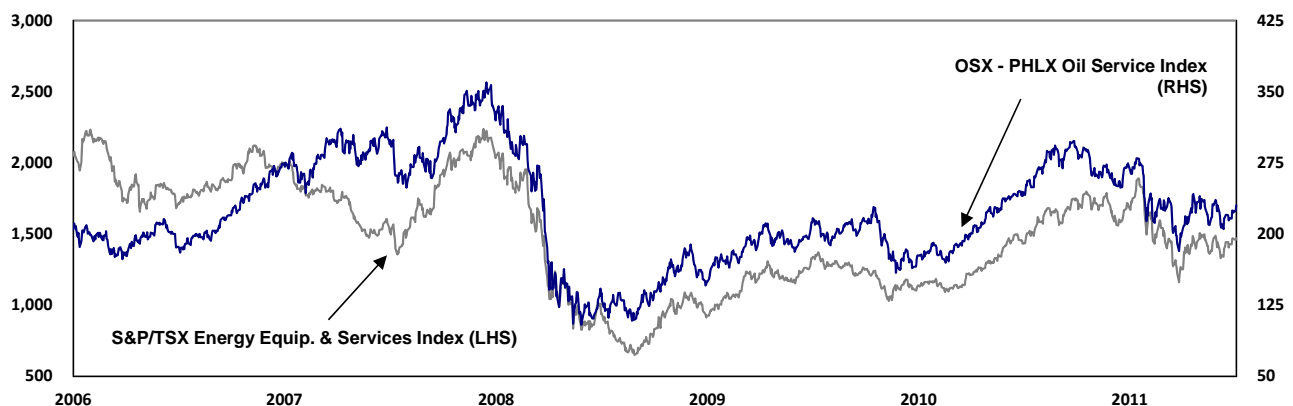
Canadian Wells & Licenses

	Year to Date		13-Wk Total	
	2012	2011	2012	2011
Total Completions	5	82	4,269	5,074
%Oil	20	61	72	51
%Horizontal + Directional	80	67	84	63
%Vertical	20	33	16	37
Well Licenses	143	247	4,037	4,376
Total Meters Drilled (000s)	19	145	7,948	7,922
%Development	24	63	88	81
Avg. Well Depths (meters)	15	53	988	1,471

International Active Rig Count

	Nov-11	Oct-11	Sep-11	Aug-11
International Rig Count	1,197	1,197	1,174	1,183
%Oil / %Land	76 / 74	77 / 74	77 / 74	76 / 73
Australia	12	14	14	14
%Oil / %Land	58 / 58	43 / 50	43 / 50	43 / 50
South America	417	438	432	441
%Oil / %Land	88 / 80	87 / 79	87 / 79	87 / 78
Continental Europe	72	89	86	94
%Oil / %Land	65 / 82	57 / 67	48 / 70	49 / 64

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	87	21	76	57	42	45	16	26	37	31	49	25	39	31	36	62	30	63				
Ensign Group	85	71	87	65	36	30	7	18	25	20	42	13	31	37	31	52	16	42				
Nabors Drilling	65	52	57	56	42	39	13	15	27	24	44	22	33	46	36	61	27	50				
Precision Drilling	79	67	69	61	38	33	11	20	28	23	50	19	37	47	38	61	21	51				
Savanna	80	53	82	58	42	31	5	19	31	22	54	18	40	47	40	64	22	54				
Trinidad Drilling	96	65	85	78	55	50	14	36	43	36	67	34	56	65	55	80	31	69				
Western (Horizon)	97	97	96	92	50	55	9	30	45	35	46	46	61	65	57	85	40	72				
INDUSTRY	83	56	75	64	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
Q1	80 - 2,000m / 1,394 m	Rigs (% of fleet)	36 (31%)	31 (16%)	28 (40%)	17 (31%)	0 (0%)	
		Utilization	67%	65%	64%	88%	0%	71%
Q2	2,000 - 3,000m / 2,583 m	Rigs (% of fleet)	38 (32%)	60 (32%)	9 (13%)	5 (9%)	3 (8%)	
		Utilization	95%	68%	56%	100%	100%	84%
Q3	3,000 - 3,600m / 3,327 m	Rigs (% of fleet)	31 (26%)	54 (29%)	14 (20%)	27 (50%)	20 (53%)	
		Utilization	94%	83%	100%	100%	100%	93%
Q4	3,600 - 7,000m / 4,246 m	Rigs (% of fleet)	12 (10%)	43 (23%)	19 (27%)	5 (9%)	15 (39%)	
		Utilization	83%	98%	100%	100%	93%	96%
Total	80 - 7,000m / 2,890 m	Rigs	117	188	70	54	38	782
		Utilization	85%	79%	80%	96%	97%	86%

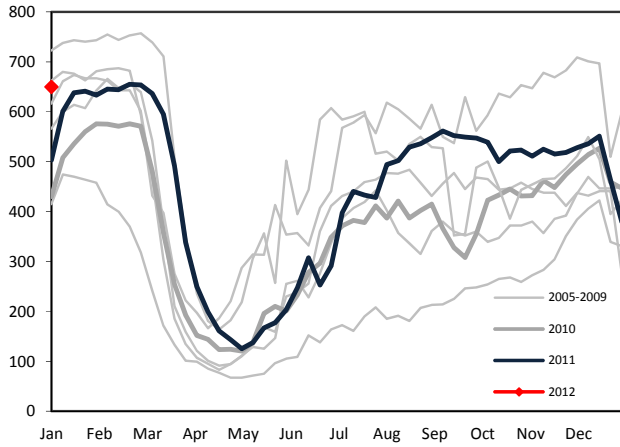
Ensign Group includes: Big Sky Drilling, Ensign Drilling and Champion Drilling

Savanna includes: Lakota Drilling and Trailblazer Drilling

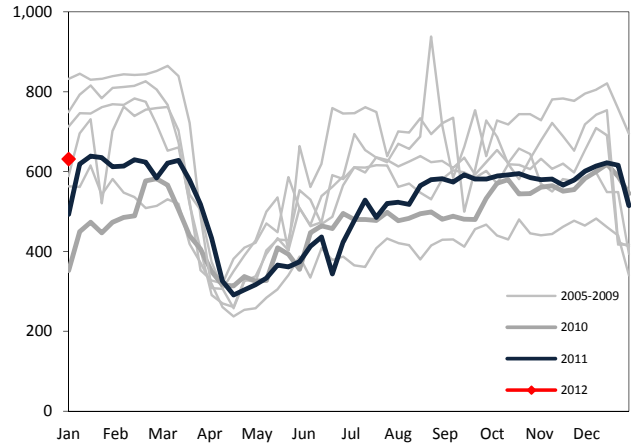
Sources: JuneWarren-Nickle's Energy Group, Company reports, Raymond James Ltd.

Canadian Oilfield Activity Charts (continued)

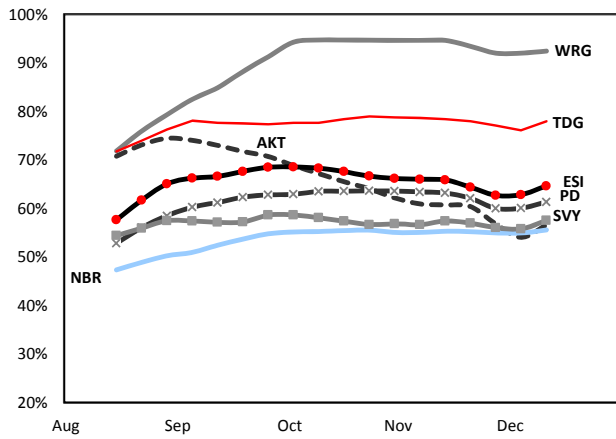
a. Weekly Rig Count



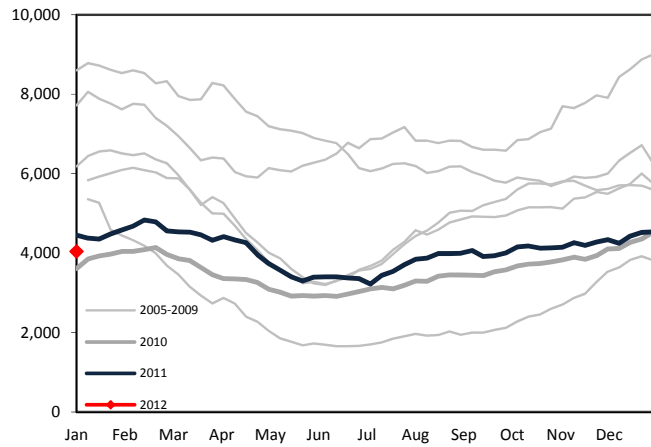
b. Weekly Service Rig Count



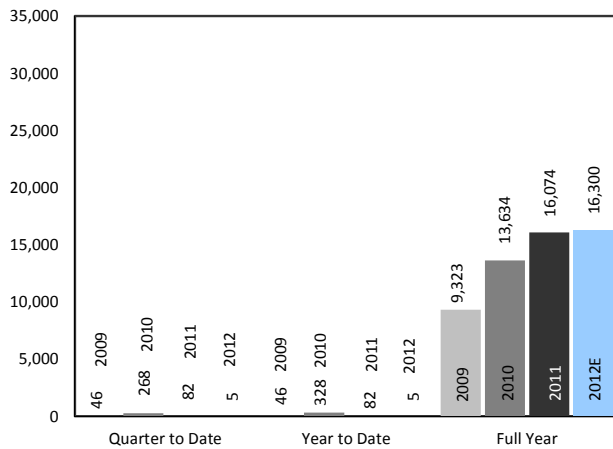
c. Contractor Utilization (13-Wk MA)



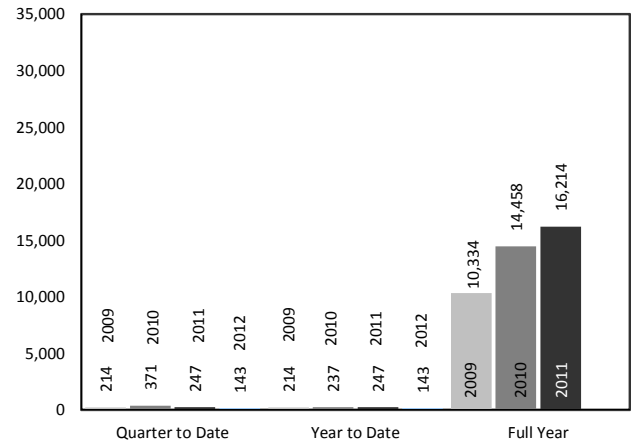
d. Well Licenses (13-Wk Total)



e. Well Completions



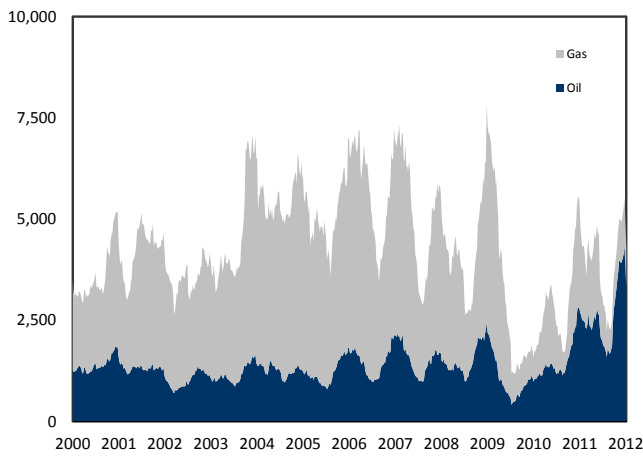
f. Well Licenses



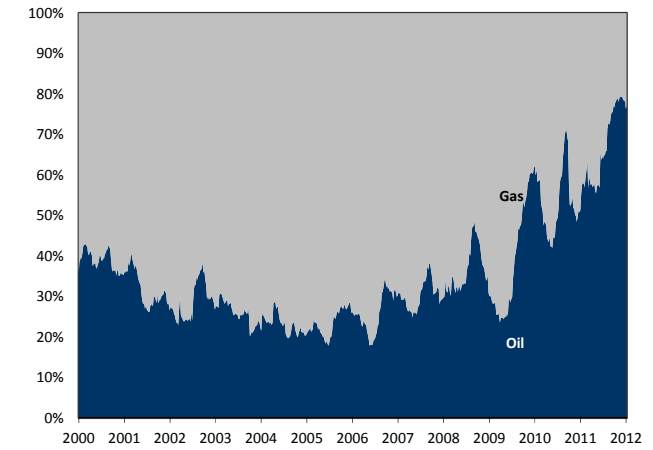
Sources: JuneWarren-Nickle's Energy Group, CAODC, Raymond James Ltd.

Canadian & U.S. Oilfield Activity Charts

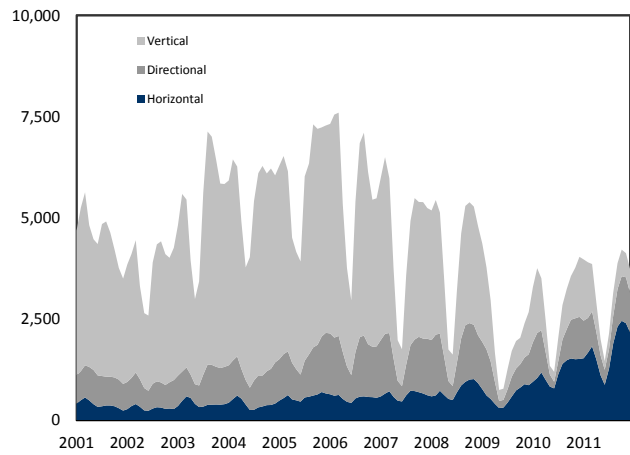
a. WCSB Well Completions (3-M RT)



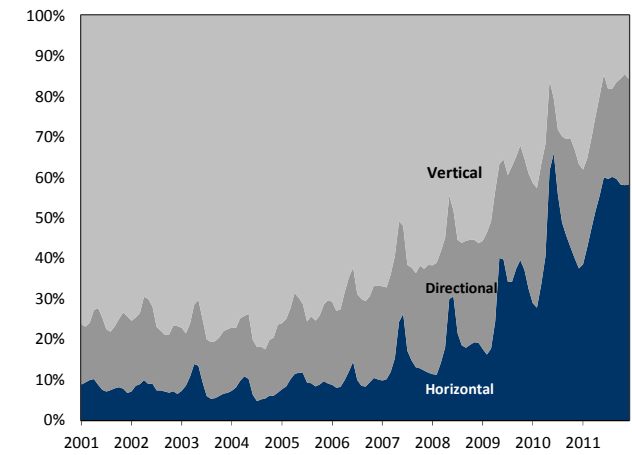
b. WCSB Well Completions (%)



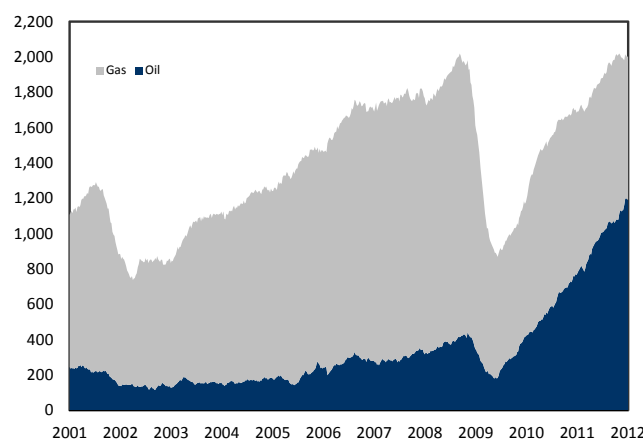
c. WCSB Well Completions by Type (3-M RT)



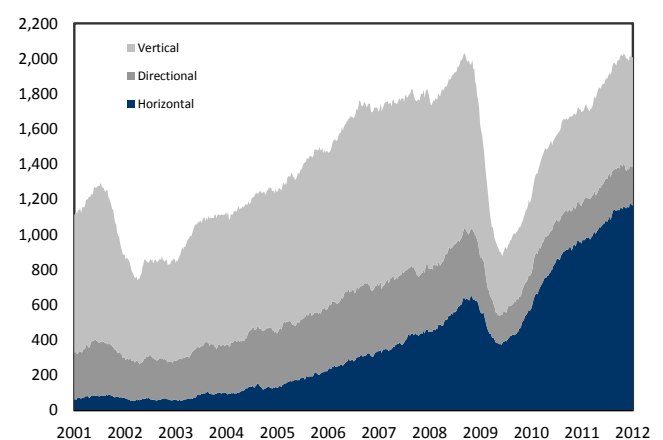
d. WCSB Well Completions by Type (%)



e. U.S. Active Rig Count



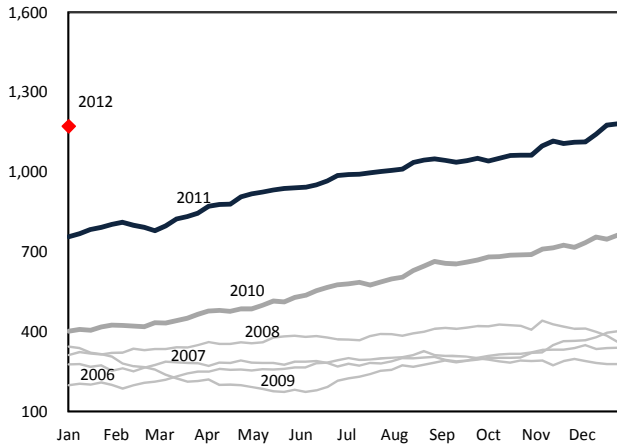
f. U.S. Active Rig Count by Well Type



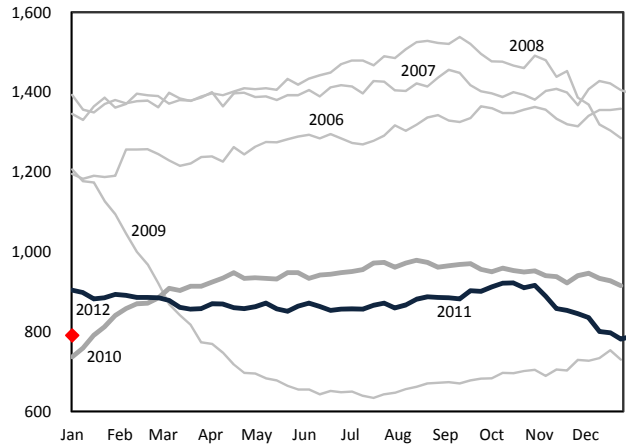
Sources: JuneWarren-Nickle's Energy Group, Baker Hughes

U.S. & International Oilfield Activity Charts

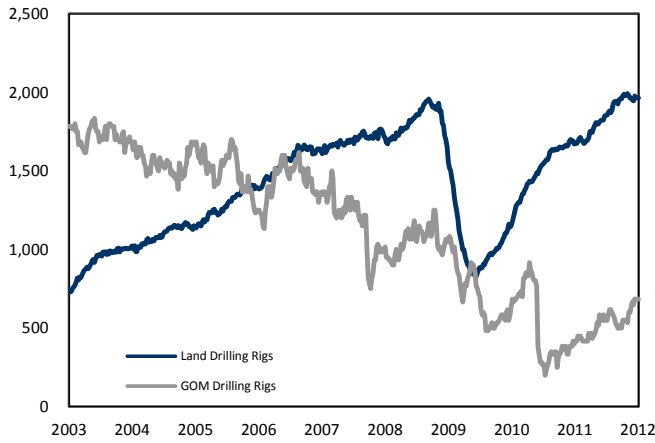
a. U.S. Active Land Rigs Targeting Oil



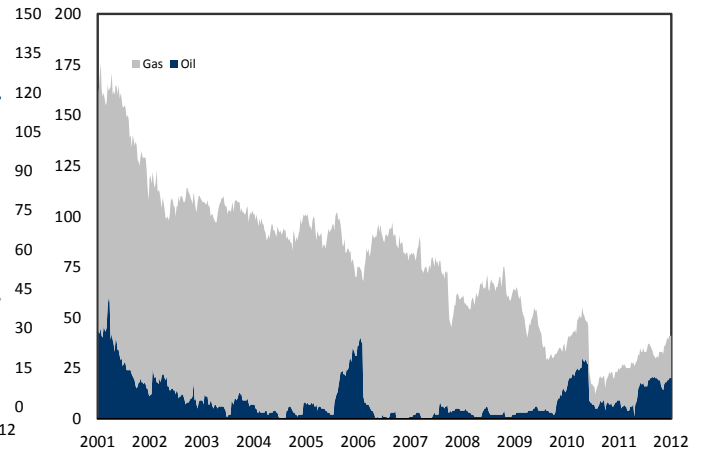
b. U.S. Active Land Rigs Targeting Gas



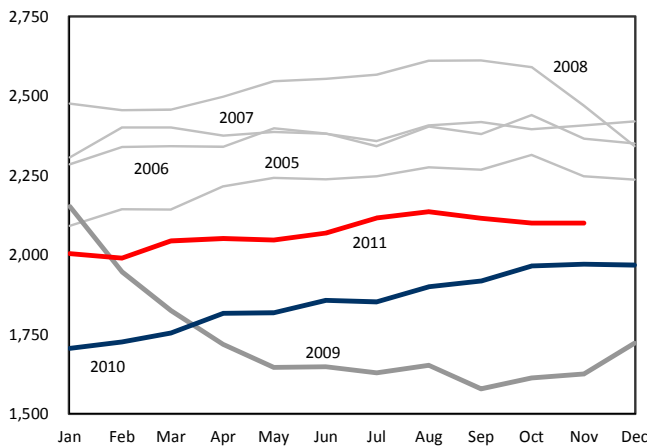
c. U.S. Active Land and GoM Rig Count



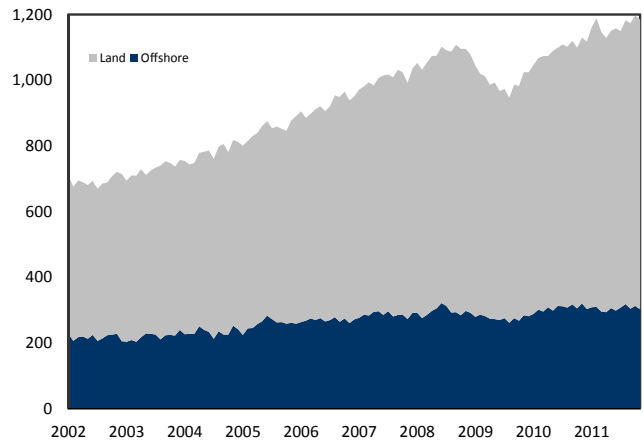
d. U.S. GoM Active Rig Count



e. U.S. Active Well Service Rig Count



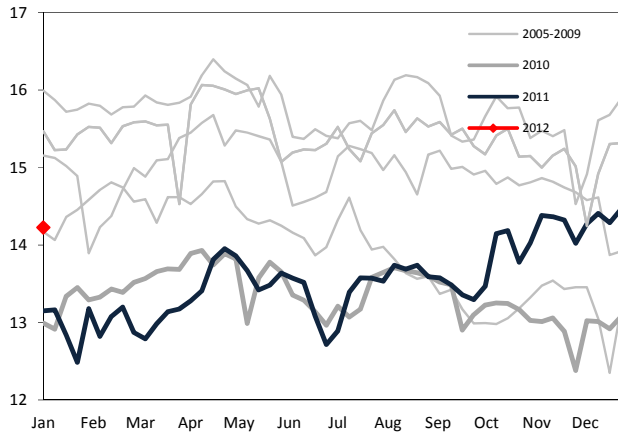
f. International Active Rig Count



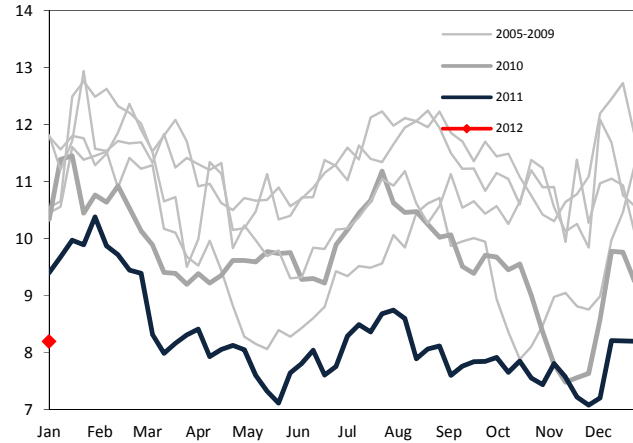
Sources: EIA, Baker Hughes, Raymond James Ltd.

Natural Gas Charts

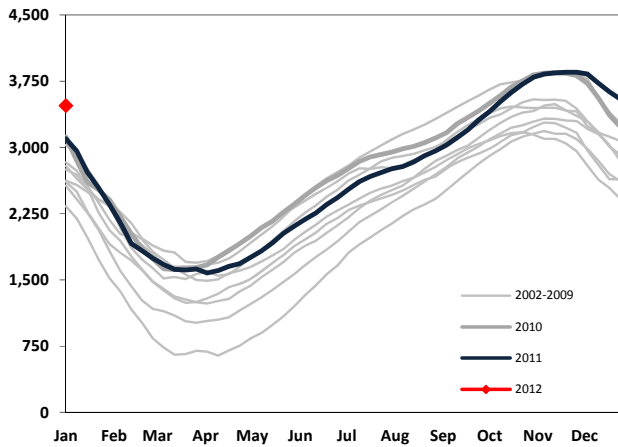
a. Cdn Natural Gas Production (Bcf/d)



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



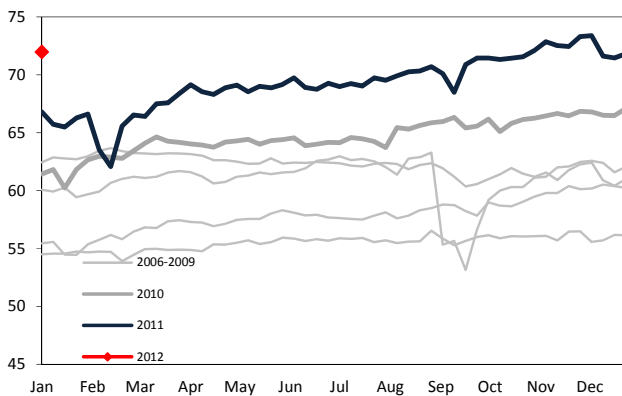
c. US Natural Gas Storage (Bcf)



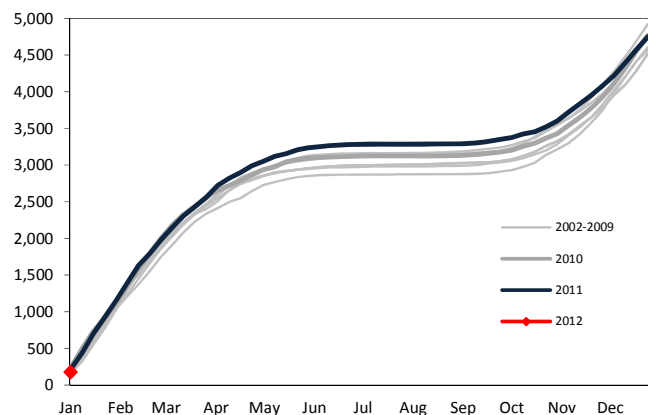
d. North American Gas Prices (US\$/mcf)



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



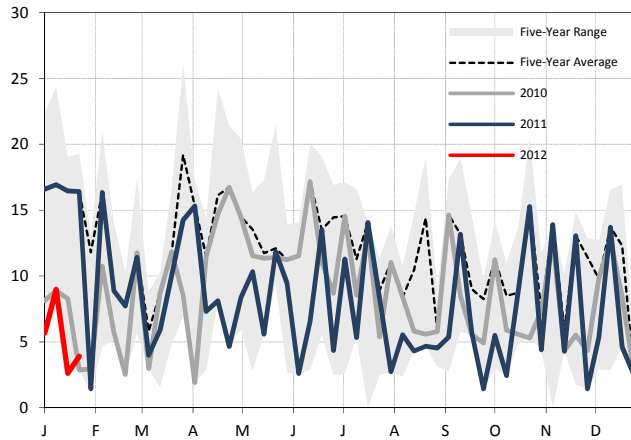
f. Cumulative Heating Degree Days



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	Jan-12
Cove Point	\$3.82	\$4.85	\$4.09
Altamira	\$3.97	\$3.84	\$3.35
Lake Charles	\$3.36	\$3.19	\$2.83
Spain	\$10.40	\$10.21	\$8.35
Belgium	\$9.85	\$9.82	\$8.81
UK	\$8.89	\$9.72	\$8.44
India	\$15.61	\$14.83	\$14.20
Japan	\$17.25	\$16.28	\$16.20
Korea	\$17.25	\$16.28	\$16.15

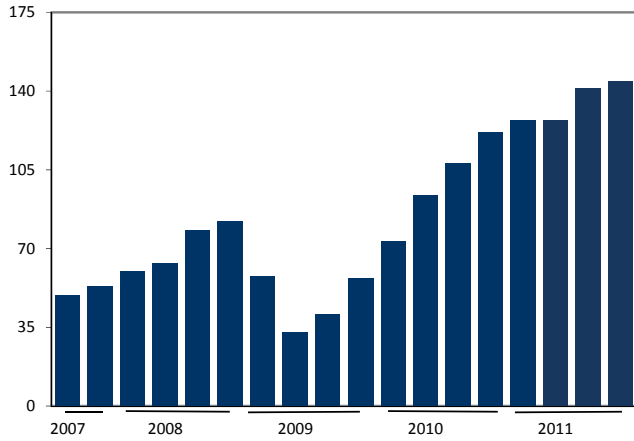
c. N.A. Gas Spot Prices (US\$/mcf)



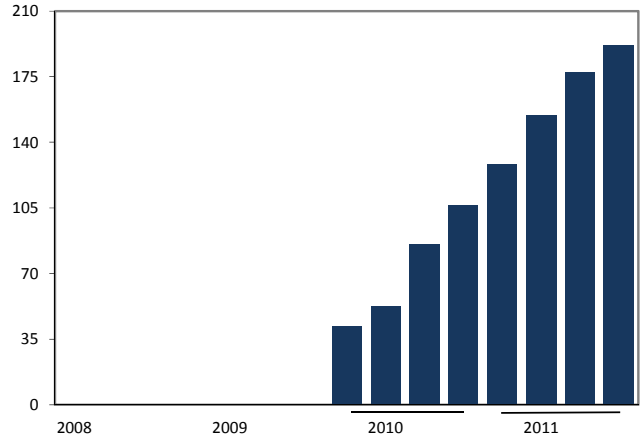
Sources: Bloomberg, Waterborne Energy, Raymond James Ltd.

U.S. Unconventional Rig Counts

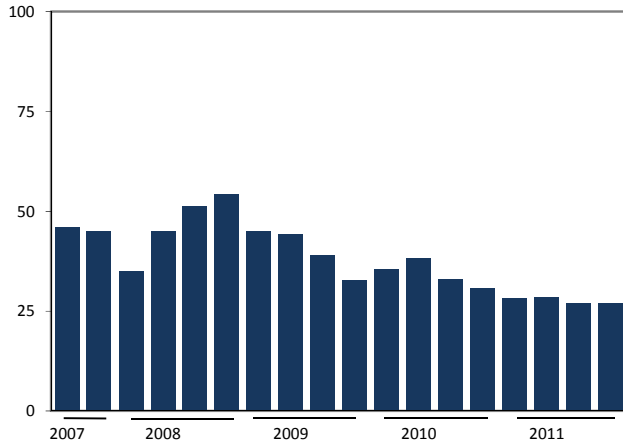
a. U.S. Bakken Shale Active Rigs



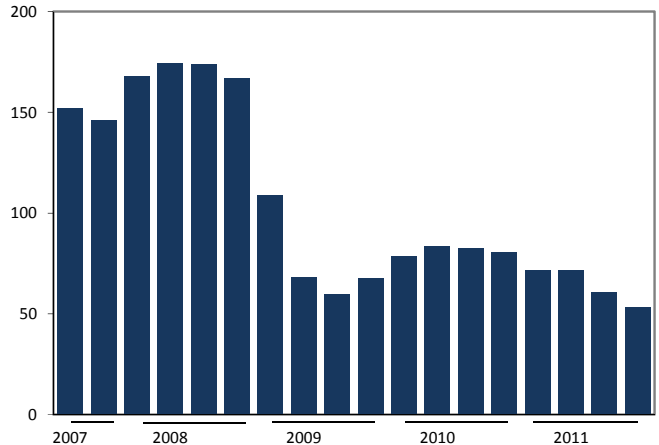
b. Eagle Ford Shale Active Rigs



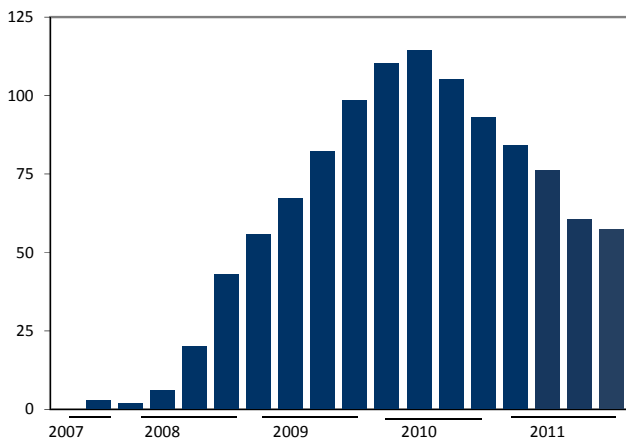
c. U.S. Fayetteville Shale Active Rigs



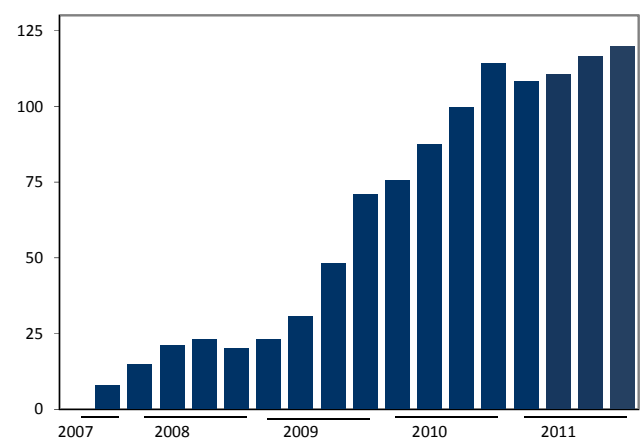
d. U.S. Barnett Shale Active Rigs



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 (\$mn)	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	\$16.85	\$21.50	SB 1	29.9%	\$2,573	\$0.38	2.3%	\$1.50	\$1.91	11.2x	8.8x	\$509	\$624	4.9x	1.0x	4%	14%	1.5x	13%	13%	13%	AB
Precision	PD	\$11.40	\$16.50	OP 2	44.7%	\$3,148	\$0.00	0.0%	\$0.88	\$1.21	13.0x	9.4x	\$691	\$835	5.6x	1.5x	(7%)	(14%)	1.8x	11%	12%	12%	AB
Savanna	SVV	\$7.51	\$11.25	OP 2	49.8%	\$636	\$0.00	0.0%	\$0.56	\$0.86	13.3x	8.8x	\$140	\$184	5.5x	1.2x	(6%)	8%	0.8x	6%	8%	8%	AB
Trinidad	TDG	\$7.25	\$11.00	SB 1	54.5%	\$876	\$0.20	2.8%	\$0.64	\$0.88	11.3x	8.3x	\$255	\$299	4.6x	1.9x	4%	14%	1.2x	8%	9%	9%	AB
Tuscany*	TID	\$0.67	\$1.10	OP 2	64.2%	\$233	\$0.00	0.0%	(US\$0.05)	US\$0.05	nmf	12.3x	US\$38	US\$91	7.6x	2.3x	(24%)	20%	0.6x	4%	6%	6%	AB
Western	WRG	\$8.50	\$11.50	SB 1	35.3%	\$498	\$0.00	0.0%	\$0.93	\$0.77	9.1x	11.1x	\$93	\$125	5.6x	1.0x	0%	5%	1.2x	14%	10%	10%	AB
Pressure Pumps																							
Calfrac	CFW	\$30.07	\$54.00	SB 1	80.2%	\$1,320	\$0.20	0.7%	\$4.22	\$5.08	7.1x	5.9x	\$406	\$521	3.9x	1.3x	2%	(9%)	1.9x	21%	20%	20%	AB
Canyon	FRC	\$12.90	\$18.50	SB 1	45.3%	\$786	\$0.25	1.9%	\$1.51	\$1.71	8.5x	7.5x	\$151	\$195	5.1x	3.8x	(3%)	11%	2.5x	37%	32%	32%	AB
GasFrac	GFS	\$7.61	\$12.00	OP 2	57.7%	\$472	\$0.00	0.0%	\$0.02	\$0.70	nmf	10.9x	\$22	\$97	19.7x	5.4x	(33%)	18%	1.8x	2%	14%	14%	AB
Trican	TCW	\$18.21	\$28.00	OP 2	54.3%	\$2,672	\$0.10	0.5%	\$2.21	\$2.15	8.2x	8.5x	\$641	\$760	4.4x	0.7x	(4%)	(3%)	2.1x	25%	18%	18%	AB
Completion Services																							
Essential	ESN	\$2.15	\$3.10	SB 1	44.2%	\$265	\$0.00	0.0%	\$0.29	\$0.35	7.5x	6.1x	\$72	\$99	3.8x	3.4x	0%	11%	1.4x	11%	12%	12%	AB
Pure	PSV	\$9.00	\$11.25	SB 1	29.0%	\$218	\$0.36	4.0%	\$0.85	\$1.13	10.6x	7.9x	\$50	\$63	4.8x	3.7x	(2%)	17%	1.5x	15%	18%	18%	AB
Field Services																							
Black Diamond	BDI	\$18.99	\$18.25	OP 2	-0.4%	\$706	\$0.66	3.5%	\$1.17	\$1.21	16.2x	15.7x	\$95	\$115	8.0x	7.2x	(4%)	(1%)	3.2x	15%	13%	13%	AB
Enerflex	EFX	\$13.22	\$15.50	SB 1	19.1%	\$1,021	\$0.24	1.8%	\$0.66	\$1.26	20.2x	10.5x	\$119	\$178	9.6x	6.0x	1.1x	5%	3.3x	5%	10%	10%	AB
McCoy	MCB	\$3.35	\$5.50	SB 1	65.4%	\$90	\$0.04	1.2%	\$0.40	\$0.48	8.4x	7.0x	\$21	\$24	3.4x	2.6x	25%	27%	1.7x	14%	15%	15%	SH/BC
Mullen	MTL	\$19.71	\$22.00	MP 3	16.7%	\$1,593	\$1.00	5.1%	\$1.46	\$1.37	13.5x	14.4x	\$289	\$292	7.0x	6.9x	5%	6%	4.9x	13%	12%	12%	AB
Secure	SES	\$7.70	\$9.50	OP 2	23.4%	\$687	\$0.00	0.0%	\$0.36	\$0.59	21.7x	13.0x	\$62	\$100	10.1x	7.7x	1.1x	(4%)	3.4x	10%	13%	13%	AB
Strad	SDY	\$4.40	\$6.75	SB 1	53.4%	\$164	\$0.00	0.0%	\$0.51	\$0.58	8.6x	7.6x	\$56	\$71	3.5x	3.1x	(24%)	(7%)	1.4x	13%	12%	12%	AB
Median					45.0%		0.6%		\$0.75	\$1.01	10.9x	8.8x			5.6x	4.6x	(3%)	9%	1.7x	13%	13%	13%	

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

Ensign Energy Services Inc. ESI-TSX**Rating: Strong Buy**

Current Price(Jan-09-12)	C\$16.85	Target Price (6-12 mos)	C\$21.50
52-Week Range	C\$21.51 - C\$12.25	Total Return to Target	30%
Market Capitalization (mln)	C\$2,573	Dividend/Yield	C\$0.38/2.3%
Shares Outstanding (mln, f.d.)	166.1	Current Net Debt (mln)	C\$605
Average Daily Volume (000s)	343	Enterprise Value (mln)	C\$3,178

Adjusted EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	Cash Flow (mln)	P/E	EV/EBITDA
2010A	C\$0.25	C\$0.05	C\$0.15	C\$0.25	C\$0.71	C\$1,356	C\$297	24.0x	8.4x
Old 2011E	0.63A	0.14A	0.37A	0.46	1.50	1,866	472		
New 2011E	0.63A	0.14A	0.37A	0.47	1.50	1,854	471	11.2x	5.6x
Old 2012E	0.69	0.27	0.47	0.49	1.91	2,134	534		
New 2012E	0.69	0.27	0.47	0.49	1.91	2,134	534	8.8x	4.9x

	EBITDA (mln)	Capex (mln)	Dividend (mln)	BVPS (tangible)	Debt/EBITDA	ROE
2010A	C\$311	C\$256	C\$55	C\$10.26	0.5x	7.2%
Old 2011E	510	825	58	11.52	1.2x	14.1%
New 2011E	509	825	58	11.52	1.2x	14.1%
Old 2012E	624	105	58	13.10	0.7x	15.9%
New 2012E	624	105	58	13.10	0.7x	15.9%

Source: Raymond James Ltd., Thomson One

Precision Drilling Corporation PD-TSX**Rating: Outperform**

Current Price(Jan-09-12)	C\$11.40	Target Price (6-12 mos)	C\$16.50
52-Week Range	C\$17.20 - C\$7.98	Total Return to Target	45%
Market Capitalization (mln)	C\$3,148	Dividend/Yield	C\$0.00/0.0%
Shares Outstanding (mln, f.d.)	297.9	Current Net Debt (mln)	C\$941
Average Daily Volume (000s)	1,299	Enterprise Value (mln)	C\$4,089

Adjusted EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	Cash Flow (mln)	P/E	EV/EBITDA
2010A	C\$0.17	C\$(0.11)	C\$0.15	C\$0.31	C\$0.53	C\$1,430	C\$374	22.3x	8.5x
Old 2011E	0.30A	0.06A	0.25A	0.33	0.89	1,927	522		
New 2011E	0.30A	0.06A	0.25A	0.32	0.88	1,907	515	13.0x	5.6x
Old 2012E	0.42	0.12	0.33	0.35	1.21	2,193	703		
New 2012E	0.42	0.12	0.33	0.35	1.21	2,193	703	9.4x	5.2x

	EBITDA (mln)	Capex (mln)	BVPS (tangible)	Debt/EBITDA	ROE
2010A	C\$451	C\$164	C\$5.53	1.8x	5.8%
Old 2011E	698	825	6.40	1.8x	12.7%
New 2011E	691	825	6.38	1.8x	12.5%
Old 2012E	835	1,140	7.69	1.9x	15.0%
New 2012E	835	1,140	7.67	1.9x	15.0%

Source: Raymond James Ltd., Thomson One

Savanna Energy Services SVY-TSX**Rating: Outperform**

Current Price(Jan-09-12)	C\$7.51	Target Price (6-12 mos)	C\$11.25
52-Week Range	C\$10.80 - C\$6.48	Total Return to Target	50%
Market Capitalization (mln)	C\$636	Dividend/Yield	C\$0.00/0.0%
Shares Outstanding (mln, f.d.)	89.8	Current Net Debt (mln)	C\$202
Average Daily Volume (000s)	123	Enterprise Value (mln)	C\$839

Adjusted EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	Operating Cash Flow (mln)	P/E	EV/EBITDA
2010A	C\$0.12	C\$(0.10)	C\$0.02	C\$0.07	C\$0.11	C\$438	C\$82	62.2x	8.9x
Old 2011E	0.19A	(0.01)A	0.17A	0.26	0.62	634	144		
New 2011E	0.19A	(0.01)A	0.17A	0.20	0.56	608	138	13.3x	5.5x
Old 2012E	0.30	0.07	0.20	0.28	0.86	709	156		
New 2012E	0.30	0.07	0.20	0.28	0.86	709	156	8.8x	4.5x

	EBITDA (mln)	Capex (mln)	Dividend (mln)	BVPS (tangible)	Debt/EBITDA	ROE
2010A	C\$75	C\$95	C\$2	C\$9.84	1.7x	1.1%
Old 2011E	147	189	0	9.98	1.5x	6.6%
New 2011E	140	189	0	9.92	1.6x	5.9%
Old 2012E	184	104	0	10.38	1.0x	8.4%
New 2012E	184	104	0	10.32	1.0x	8.5%

Source: Raymond James Ltd., Thomson One

Trinidad Drilling Ltd. TDG-TSX**Rating: Strong Buy**

Current Price(Jan-09-12)	C\$7.25	Target Price (6-12 mos)	C\$11.00
52-Week Range	C\$11.21 - C\$5.07	Total Return to Target	55%
Market Capitalization (mln)	C\$876	Dividend/Yield	C\$0.20/2.8%
Shares Outstanding (mln, f.d.)	126.9	Current Net Debt (mln)	C\$557
Average Daily Volume (000s)	374	Enterprise Value (mln)	C\$1,433

Adjusted EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	Cash Flow (mln)	P/E	EV/EBITDA
2010A	C\$0.06	C\$(0.02)	C\$0.05	C\$0.14	C\$0.26	C\$647	C\$147	27.9x	7.3x
Old 2011E	0.14A	0.06A	0.21A	0.23	0.64	758	207		
New 2011E	0.14A	0.06A	0.21A	0.23	0.64	754	206	11.3x	5.7x
Old 2012E	0.25	0.11	0.25	0.26	0.88	802	241		
New 2012E	0.25	0.11	0.25	0.26	0.88	802	241	8.3x	4.6x

	EBITDA (mln)	Capex (mln)	Dividend (mln)	BVPS (tangible)	Debt/EBITDA	ROE
2010A	C\$198	C\$116	C\$24	C\$5.74	3.0x	-2.5%
Old 2011E	256	97	24	6.29	2.2x	9.7%
New 2011E	255	97	24	6.29	2.2x	9.6%
Old 2012E	299	97	24	6.97	1.5x	12.2%
New 2012E	299	97	24	6.96	1.5x	12.2%

Source: Raymond James Ltd., Thomson One

Tuscany International Drilling Inc. TID-TSX**Rating: Outperform**

Current Price(Jan-09-12)	C\$0.67	Target Price (6-12 mos)	C\$1.10
52-Week Range	C\$2.16 - C\$0.46	Total Return to Target	64%
Market Capitalization (mln)	US\$229	Dividend/Yield	US\$0.00/0.0%
Shares Outstanding (mln, f.d.)	408.2	Current Net Debt (mln)	US\$203
Average Daily Volume (000s)	645	Enterprise Value (mln)	US\$432

Adjusted EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenues (mln)	Cash Flow	P/E	EV/EBITDA
2010A	US\$(0.03)	US\$(0.01)	US\$(0.02)	US\$(0.07)	US\$(0.15)	US\$19	US\$(11)	NA	NA
Old 2011E	(0.02)A	(0.01)A	(0.04)A	0.02	(0.04)	174	21		
New 2011E	(0.02)A	(0.01)A	(0.04)A	0.01	(0.05)	171	19	NA	7.6x
Old 2012E	0.01	0.01	0.01	0.02	0.05	336	77		
New 2012E	0.01	0.01	0.01	0.02	0.05	336	77	12.3x	4.6x

	EBITDA (mln)	Capex (mln)	BVPS (tang)	Debt/EBITDA	ROE
2010A	US\$(7)	US\$156	US\$0.92	NA	-15.0%
Old 2011E	40	242	1.06	5.2x	-4.0%
New 2011E	38	242	1.06	5.6x	-5.0%
Old 2012E	91	30	1.13	2.2x	5.0%
New 2012E	91	30	1.13	2.2x	5.0%

Source: Raymond James Ltd., Thomson One

Western Energy Services Corp. WRG-TSXV**Rating: Strong Buy**

Current Price(Jan-09-12)	C\$8.50	Target Price (6-12 mos)	C\$11.50
52-Week Range	C\$9.90 - C\$5.00	Total Return to Target	35%
Market Capitalization (mln)	C\$498	Dividend/Yield	C\$0.00/0.0%
Shares Outstanding (mln, f.d.)	63.1	Current Net Debt (mln)	C\$106
Average Daily Volume (000s)	81	Enterprise Value (mln)	C\$604

Adjusted EPS	1Q Mar	2Q Jun	3Q Sep	4Q Dec	Full Year	Revenue (mln)	Cash Flow (mln)	P/E	EV/EBITDA
2010A	C\$0.00	C\$0.00	C\$0.01	C\$0.01	C\$0.02	C\$68	C\$17	14.5x	11.3x
Old 2011E	0.27A	0.10A	0.24A	0.31	0.90	259	87		
New 2011E	0.27A	0.10A	0.24A	0.34	0.93	260	89	9.1x	5.6x
Old 2012E	0.31	0.14	0.05	0.26	0.77	325	106		
New 2012E	0.31	0.14	0.06	0.26	0.77	325	106	11.1x	4.8x

	EBITDA	Capex (mln)	BVPS (tangible)	Debt/EBITDA	ROE
2010A	C\$20	C\$56	C\$0.25	2.4x	10.8%
Old 2011E	92	198	7.00	1.3x	15.6%
New 2011E	93	198	7.03	1.3x	16.2%
Old 2012E	125	80	7.84	0.7x	10.9%
New 2012E	125	80	7.87	0.7x	10.8%

Source: Raymond James Ltd., Thomson One

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Raymond James Ltd. (Canada) definitions

Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months. **Outperform (MO2)** The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months. **Market Perform (MP3)** The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities. **Underperform (MU4)** The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

Raymond James & Associates (U.S.) definitions

Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months. **Outperform (MO2)** Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months. **Market Perform (MP3)** Expected to perform generally in line with the S&P 500 over the next 12 months. **Underperform (MU4)** Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold. **Suspended (S)** The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

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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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High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

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.

Rating Distributions

	Coverage Universe Rating Distribution			Investment Banking Distribution		
	RJL	RJA	RJ LatAm	RJL	RJA	RJ LatAm
Strong Buy and Outperform (Buy)	71%	58%	43%	47%	13%	17%
Market Perform (Hold)	28%	36%	50%	23%	4%	3%
Underperform (Sell)	1%	6%	7%	0%	6%	0%

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