LOCATIONS

Calgary • Carlyle • Dawson Creek • Drumheller • Edmonton • Edson • Fort Nelson • Fort St. John • Fox Creek • Grande Prairie

High Level • Lac La Biche • Manning • Medicine Hat • Peace River • Red Deer • Red Earth • Rocky Mountain House

Valleyview • Weyburn/Midale • Whitecourt


FOCUS DISCIPLINE GROWTH

First Quarter Report 2009

TOTAL ENERGY SERVICES TRUST

Total Energy Services Trust ("Total Energy" or the "Trust") is a growth oriented energy services income trust based in Calgary, Alberta. Through its wholly-owned subsidiaries, Total Energy is involved in two core business sectors. The first is DRILLING SERVICES comprised of contract drilling and the rental and transportation of equipment used in the drilling and production of oil and natural gas wells. The second is PRODUCTION SERVICES consisting of the fabrication, sale, rental and servicing of new and used natural gas compression equipment. Together these businesses provide a platform for building long-term unitholder value. Total Energy has achieved its growth by maintaining a disciplined acquisition strategy and undertaking strategic internal growth.

The trust units of Total Energy are listed and trade on the Toronto Stock Exchange under the symbol TOT.UN.

REPORT TO UNITHOLDERS

Total Energy's financial results for the three months ended March 31, 2009 reflect difficult industry conditions in Western Canada. The global economic recession, difficult financial markets and a substantial decline in oil and natural gas prices since mid-2008 contributed to a significant decrease in Canadian oil and natural gas drilling activity. Mitigating the impact of lower industry drilling activity levels was Total Energy's increasing exposure to completion and production related activity in its Drilling and Production Rentals division and increased first quarter contribution from its Gas Compression Services division relative to 2008. Despite challenging industry conditions, Total Energy's balance sheet remains strong with a long-term debt to long-term debt plus unitholder equity ratio of 0.14 to 1.0, $15.5 million of positive working capital and less than $700,000 of net debt as at March 31, 2009.

LOOKING FORWARD

Weak commodity prices and difficult financial markets resulted in multi-year low first quarter drilling rig utilization during what is typically the most active period of drilling in Western Canada. Current industry conditions in Canada are as challenging as any faced by Total Energy in the past with Western Canadian drilling rig fleet utilization at historic lows. Excess service industry capacity is compounding the negative impact of low activity levels on the Canadian energy services industry. Current high natural gas storage levels in North American are expected to continue to put pressure on natural gas prices in the near term.

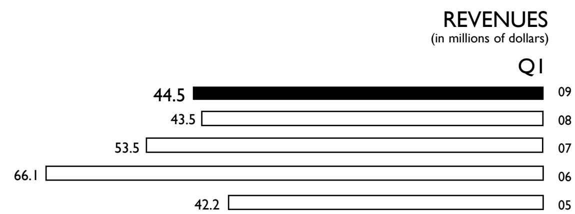
In the context of this difficult environment, on March 19, 2009 Total Energy announced its intention to convert back to a corporate structure pursuant to a statutory plan of arrangement. Unitholders of the Trust will be asked to approve the conversion transaction at the Annual and Special Meeting of Unitholders on May 15, 2009. Should Unitholders approve the conversion transaction, it is expected that the conversion would be completed prior to May 31, 2009. An information circular containing detailed information pertaining to the conversion transaction has been mailed to Unitholders and is available at www.sedar.com. The proposed corporate conversion recognizes the inevitable elimination of the benefits arising from the public income trust structure and is also intended to better position Total Energy to capitalize on opportunities that generally arise during difficult times. With a strong balance sheet and increased financial flexibility arising from the proposed corporate conversion, Total will be well positioned to pursue growth opportunities that may arise. Unitholders are encouraged to attend Total Energy's Annual and Special Meeting scheduled for 9:00 am (Calgary time) on May 15, 2009 at the Calgary Petroleum Club, 319 – 5th Avenue SW, Calgary, Alberta.

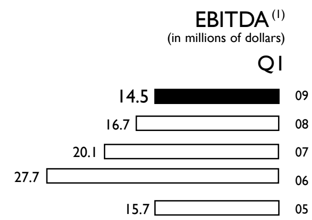
As producers seek to lower their natural gas production costs, Total Energy is excited about the introduction by its Gas Compression Services division, Bidell Equipment, of its proprietary high horsepower mobile compression unit, the NOMAD™, to the North American and select international markets during the second quarter. With 38,000 horsepower of NOMAD™ mobile compression (36 units) currently in operation in Western Canada and the northeastern United States and with over 620,000 hours of field runtime to date, the substantial cost savings to natural gas producers associated with this unique patent pending technology have been quantified and confirmed. The NOMAD™ is particularly well suited for natural gas wells, notably unconventional shale gas wells, that experience high initial production decline rates as the NOMAD™ allows producers to right size their compression needs having regard to the production profile of the well without the substantial transportation and mobilization/demobilization costs associated with traditional skid-mounted compression units.

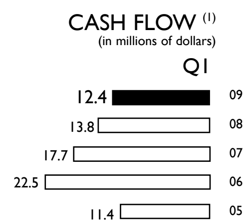
On behalf of the board of directors, management and staff of Total Energy and its operating divisions, I would like to thank our owners for their continued confidence and support during these challenging times.

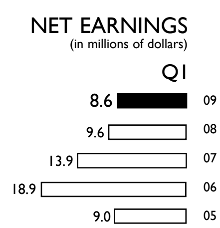
DANIEL K. HALYK
President and Chief Executive Officer
May 2009

FIRST QUARTER GROWTH









(1) EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to earnings before income taxes plus interest on long-term debt plus other interest expense plus depreciation. Cashflow means cash provided by operations before changes in non-cash working capital items. EBITDA and cashflow are not recognized measures under Canadian generally accepted accounting principles (GAAP). Management believes in addition to net earnings, EBITDA and cashflow are useful supplemental measures as they provide an indication of the results generated by the Trust's primary business activities prior to consideration of how those activities are financed, amortized or how the results are taxed in various jurisdictions as well as the cash generated by the Trust's primary business activities. Investors should be cautioned, however, that EBITDA and cashflow should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of Total Energy's performance. Total Energy's method of calculating EBITDA and cashflow may differ from other organizations and, accordingly, EBITDA and cashflow may not be comparable to measures used by other organizations.

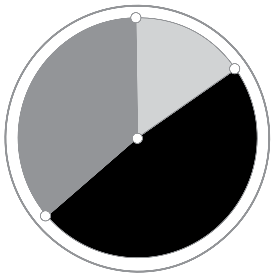
SEGMENTED INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31

(in thousands of Canadian dollars; Unaudited)

REVENUE DIVERSIFICATION

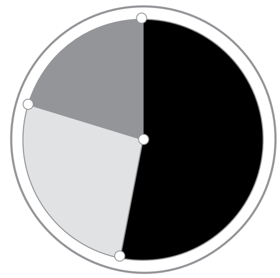
2009



$44,485

$7,016	Contract drilling
$21,496	Drilling and production rentals
$15,973	Gas compression

2008

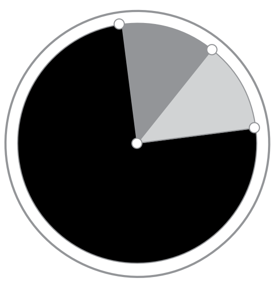


$43,526

$11,604	Contract drilling
$23,118	Drilling and production rentals
$8,804	Gas compression

OPERATING EARNINGS [1]

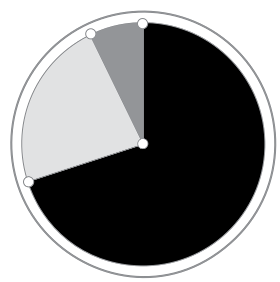
2009



$10,261

$1,362	Contract drilling
$8,223	Drilling and production rentals
$1,373	Gas compression
$(697)	Gas compression

2008



$12,441

$3,113	Contract drilling
$9,575	Drilling and production rentals
$974	Gas compression
$(1,221)	Other[2]

(1) Operating earnings (loss) are earnings before gain (loss) on disposal of equipment and income taxes.
(2) Other includes the Trust's corporate activities.


MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following MD&A, dated May 7, 2009, focuses on key statistics from the consolidated financial statements of Total Energy Services Trust (the "Trust" or "Total Energy") and pertains to known risks and uncertainties relating to the energy services industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion and analysis of the financial condition and results of operations for the three months ended March 31, 2009, should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2009 and related notes and material contained in other parts of this report. As well, this discussion and analysis of the financial condition and results of operations for the three months ended March 31, 2009, should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2008 and related notes and material contained in other parts of the 2008 Annual Report as well as the Trust's Annual Information Form ("AIF"). Additional information relating to Total Energy, including the Trust's AIF, may be found on SEDAR at www.sedar.com. Unless otherwise indicated, all dollar amounts presented herein are in Canadian dollars.

FORWARD-LOOKING STATEMENTS

Certain information and statements contained in this MD&A constitute forward-looking information, including the anticipated costs associated with the purchase of capital equipment, expectations concerning the nature and timing of growth within the various business divisions operated through affiliates of Total Energy, expectations respecting the competitive position of such business divisions, expectations concerning the financing of future business activities, statements as to future economic and operating conditions and opinions concerning the magnitude of any future redemptions of Trust Units. Readers should review the cautionary statement respecting forward-looking information that appears below.

The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), the credit risk to which the

Trust is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business divisions are, or may be, exposed in all aspects of their business, the ability of the Trust's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Trust's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Trust's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Trust's business divisions operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws and regulations or changes in existing laws, regulations or administrative practices on the part of regulatory authorities, including without limitation taxation and environmental laws and regulations and changes in how such laws and regulations are interpreted and enforced. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating position of the Trust and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business divisions is based on the current budget of the Trust (which is subject to change), factors that affected the historical growth of such business divisions, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Trust's business divisions is based upon the current competitive environment in which those business divisions operate, expectations relating to future economic and operating conditions, current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Trust and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Forward-looking information respecting the magnitude of any future redemptions of outstanding Trust Units is based upon the rights of holders of Trust Units, as set out in the Trust Deed governing the Trust Units, expectations respecting the preferred liquidity strategy for holders of Trust Units and the existence of a liquid market for the Trust Units at all material times. Although management of the Trust believes that the expectations reflected in such forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward looking statements of the Trust contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Trust is exposed are described in additional detail in this MD&A under the heading "Risk Factors" below and in the Trust's AIF.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying unaudited interim consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Trust's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Trust, and has reviewed and approved this MD&A and the accompanying unaudited interim consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of management (collectively, the "Officers"), have designed the Trust's disclosure controls and procedures in order to provide reasonable assurance that the information required to be disclosed by the Trust and its consolidated divisions and subsidiaries in its filings or other reports submitted by it under securities legislation is in compliance with the time periods specified in the securities legislation. These disclosure controls and procedures include controls and procedures which have been designed to ensure that the information required to be disclosed by the Trust and its consolidated divisions and subsidiaries in its filings or other reports submitted by it under securities legislation is accumulated and communicated to the Officers and others within those entities to allow timely decisions regarding required disclosure.

Additionally, the Officers have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with GAAP. There has been no change in the design of the Trust's internal controls over financial reporting during the quarter ended March 31, 2009, that would materially affect, or is reasonably likely to materially affect, the Trust's internal controls over financial reporting.

While the Officers have designed the Trust's disclosure controls and procedures and internal controls over financial reporting, they expect that these controls and procedures will not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

NON-GAAP MEASURES

Operating earnings are earnings before gain on disposal of equipment and income taxes. EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to earnings before income taxes plus interest on long-term debt plus other interest expense plus depreciation. Cashflow means cash provided by operations before changes in non-cash working capital items. Operating earnings, EBITDA and cashflow are not recognized measures under GAAP. Management believes that in addition to net earnings, operating earnings, EBITDA and cashflow are useful supplemental measures as they provide an indication of the results generated by the Trust's primary business activities prior to consideration of how those activities are financed, amortized or how the results are taxed in various jurisdictions as well as the cash generated by the Trust's primary business activities without consideration of the timing of the monetization of non-cash working capital items. Readers should be cautioned, however, that operating earnings, EBITDA and cashflow should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of Total Energy's performance. Total Energy's method of calculating operating earnings, EBITDA and cashflow may differ from other organizations and, accordingly, operating earnings, EBITDA and cashflow may not be comparable to measures used by other organizations.

BUSINESS OF THE TRUST

Total Energy is an open-end, unincorporated mutual fund trust governed by the laws of the Province of Alberta. Through its wholly owned subsidiary, Total Energy Services Ltd. (the "Company"), and the Company's two operating divisions and its wholly owned limited partnership, Total Energy is involved in two core energy service business sectors. The first is Drilling Services, which is comprised of contract drilling services ("Chinook Drilling" or "Chinook") and the rental and transportation of equipment to the oil and gas industry ("Total Oilfield Rentals"). The second is Production Services, which consists of the fabrication, sale, rental and servicing of new and used natural gas compression equipment ("Bidell Equipment" or "Bidell"). Substantially all of the operations of the Trust are conducted within the Western Canadian Sedimentary Basin ("WCSB"), although Total Energy investigates opportunities from time to time to expand its operations outside of the WCSB. Bidell generates international sales from its Calgary based facility and in November 2008 announced the appointment of an Australian distributor.

VISION, CORE BUSINESS AND STRATEGY

Total Energy is focused on building sustainable value for its unitholders through the disciplined management of its operations and a commitment to growing its business in a capital efficient manner. Historically, Total Energy has intentionally levered its business more towards the exploration and production of natural gas than conventional oil. The Trust has done this by its focus on establishing significant operations in northwestern Alberta and northeastern British Columbia (which is considered to be a relatively undeveloped natural gas prone area) and its involvement in the gas compression business. In 2007, Total Energy began to expand its geographical presence in the WCSB to include areas prone to oil exploration and development and to increase its exposure to unconventional resource development. In particular, emphasis was placed on expanding Total Energy's presence in British Columbia and Saskatchewan. Management believes that Total Energy's existing business divisions provide a platform for building long-term unitholder value. Total Energy has achieved its growth by maintaining a disciplined acquisition strategy and undertaking measured and strategic organic growth. The Trust intends to achieve ongoing expansion through organic growth and selective acquisitions.

Generally, the Trust's business strategy and marketing plans and strategy are as follows:

Contract Drilling Services: The Trust has targeted the sub-4000 meter market in western Canada. Currently the Trust operates a fleet of thirteen rigs all constructed in 1997 or later. Of these rigs, eleven are Rigmaster P-500 telescopic doubles rated currently to depths of up to 3,200 meters and two are Failing 3500 singles rated to 1,200 meters. The Trust is focused on establishing a minimum rig fleet size of 15-20 rigs to obtain the marketing and operational efficiencies enjoyed by a larger fleet. The Trust expects to pursue the growth of its fleet through organic growth and the acquisition of modern and efficient equipment that is complementary to its existing fleet in an effort to distinguish its equipment from the competition and attract quality operations personnel. The Trust is currently constructing Rig 14, a 3,400 meter heavy telescopic double drilling rig complete with top drive at a budgeted cost of $9.3 million (including $0.7 million of existing spare parts inventory to be utilized on this rig). Completion is scheduled for the third quarter of 2009.

Drilling and Production Rentals: Historically northern Alberta and northeastern British Columbia were the primary markets for the Trust's drilling and production rentals and oilfield transportation services. In the fourth quarter of 2007, this division expanded its operations into southeastern Saskatchewan. The Trust now operates out of 17 locations throughout Western Canada. The Trust currently owns and operates approximately 4,500 pieces of rental equipment as well as a modern fleet of 74 heavy trucks. The Trust intends to maintain a modern and high quality equipment base supported by an extensive branch network to maintain a significant presence in its target market. The Trust intends to pursue opportunities, both internal and acquisition, to increase its market share in its existing areas of operation and to further expand its geographic presence within the WCSB.

Gas Compression Services: The Trust has targeted the sub-3000 horsepower gas compression market in western Canada. Recently, the Trust has expanded its market to include international sales, and in November 2008 announced the appointment of Champion Compressors Pty Ltd. as exclusive distributor of Bidell's natural gas compression equipment in Australia. The Trust has and will continue to compete with its larger competitors by providing quality equipment and maintaining an efficient business model. The Trust has also increased its in-house engineering capabilities in order to focus on developing proprietary equipment designs that provide solutions to its customers. Total Energy has applied for patent protection in Canada, the United States and certain other international jurisdictions for its proprietary trailer-mounted compression package which is branded the NOMAD™. The Trust intends to grow its natural gas compression rental business and, as such, expects to increase the amount of total horsepower in its rental fleet. The Trust is also focused on expanding its parts and service business in the WCSB.

OVERALL PERFORMANCE

Despite global economic and financial market challenges, lower commodity prices and reduced drilling activity in the WCSB, the Trust realized a 2% increase in revenues in the first quarter of 2009 versus the prior year comparable period. However, overall industry activity levels continue to be negatively impacted by global economic and financial market challenges and significant volatility in commodity markets.

The Trust's financial condition remains strong. The Trust realized an $8.2 million working capital increase during the first three months of 2009, from $7.3 million as at December 31, 2008 to $15.5 million as at March 31, 2009. As at March 31, 2009 long-term debt (including current portion) to equity was 0.16 to 1.0 and the Trust had $0.7 million of net debt (net debt being long-term debt plus obligations under capital leases plus current liabilities less current assets).

KEY PERFORMANCE DRIVERS

Total Energy believes the following key performance drivers are critical to the success of its business.

- Oil and natural gas prices and the resulting cash flows, access to debt and equity financing and capital expenditures of its customers, the exploration and development companies that operate in the WCSB.
- The expectations of its customers as to future oil and natural gas prices.
- The expectations of its customers as to oil and natural gas exploration and development prospects in the WCSB.
- The prevailing competitive conditions in each of the business segments in which Total Energy competes.
- The general state of global and national financial markets which impact the Trust's access to debt and equity, which in turn affects the Trust's cost of capital and economic rate of return on the Trust's assets.
- Weather, which impacts both the ability to operate in the WCSB, as well as the overall demand for natural gas and heating oil.

- Effect of non-market forces such as government royalty and taxation policy, government incentives for renewable energy and regulatory changes, which create market uncertainty and affect industry activity levels.

- Access to, and retention of, qualified personnel.

There are several key performance measures the Trust uses to monitor and assess its performance relative to the key performance drivers, the implementation of its strategy, and the achievement of its goals and vision. Such measures include:

- Return on invested capital and return on equity.

- Safety and environmental stewardship. The Trust has a health, safety and environmental management policy in place within each of its operating divisions. Targets and objectives are set within those policies.

CAPABILITY TO DELIVER RESULTS

Non-Capital Resources: People are the most critical non-capital resource required in order for the Trust to achieve its goals set out in its strategic plan, particularly during periods of robust industry conditions when competition for skilled labour is greatest. The Trust is continually evaluating its human resources levels to ensure that it has adequate human resources to meet its business requirements, including during extended periods of industry weakness when staffing levels need to be adjusted lower in the face of lower demand for the Trust's products and services. In addition, succession planning is ongoing in order to mitigate the impact of planned or unplanned departures of key personnel. The Trust believes that it presently has sufficient human resources to successfully operate its business and to execute its strategic plan.

Capital Resources: The Trust has the necessary working capital to meet its current obligations and commitments and has no off-balance sheet financing arrangements. In order to finance future growth, Total Energy anticipates utilizing a combination of working capital, cashflow, existing and new debt facilities and new equity issuances.

Systems and Processes: The Trust's operational systems and processes are continually reviewed by management. The Trust periodically evaluates existing systems and develops new ones as required. Total Energy believes that it presently has sufficient systems and processes in place to successfully operate its business and to execute its strategic plan, although the Trust is currently upgrading its enterprise resource planning system in Bidell to better position Bidell for continued growth.

In addition to certain risks, which are explained under the heading "Risk Factors" below and in the Trust's AIF, the following factors impact Total Energy's business:

Seasonality and Cyclicality: The Trust's business is cyclical due to the nature of its customers' cash flows and capital expenditures. Customers' cash flows and capital expenditures are in turn affected by, among other things, oil and gas prices, access to capital, the prospects for oil and gas exploration and development in the WCSB and economics of oil and gas exploration and production in the WCSB compared to the economics of international opportunities. The Trust currently has no material long-term contracts in place for the provision of its services.

Seasonality impacts the Trust's operations. The Trust's operations are carried on in the WCSB. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until such roads have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Trust's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Trust's slowest period.

Trends and Outlook: The Trust is cautious regarding the near to medium term impact of the global financial crisis and ensuing economic challenges and low commodity prices and expects the next several quarters to be challenging. In particular, current natural gas storage levels in North America give rise to expectations of lower natural gas prices over the short to medium term. However, the Trust believes that long-term fundamentals require continued exploration and development in the WCSB, particularly in respect of unconventional oil and natural gas reserves to meet North American and world-wide demand for oil and natural gas. Historically, the Trust has levered its operations towards the exploration and production of natural gas as the Trust sees this commodity to be a strong driver of exploration and production activity in the WCSB in the future, particularly in large, relatively undeveloped unconventional resource areas. This is due to the fact that natural gas reserves in the basin are generally less developed than conventional oil reserves, natural gas is the North American heating fuel of choice, natural gas is increasingly used in the generation of electricity, and the Trust believes that demand will continue to increase for natural gas in the United States and in Alberta as oil production levels at the Alberta oilsands continue to increase. Natural gas well completions accounted for approximately 60% of the wells drilled in the WCSB during 2008 as compared to 66% for the comparable period in 2007. In 2007 the Trust expanded its geographic presence in the WCSB to include areas prone to oil exploration and development in order to achieve a more balanced and stable revenue base. The decision of the Alberta government to increase royalties on conventional oil and gas production effective January 1, 2009 and the resulting geographical shift away from Alberta by Total Energy's customers, was also a reason for pursuing increased geographical diversification. The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers to find and produce oil and natural gas. These companies base their capital expenditures on several factors, including but not limited to current and expected hydrocarbon prices, exploration and development prospects and access to capital. Activity levels are ultimately dependent on these above and other factors. Exploration and development companies have generally indicated that their 2009 WCSB capital budgets will decline materially compared to 2008 capital expenditure levels and, as such, Total Energy expects 2009 will be a challenging year.

Governmental and Environmental Regulation and Risk Management: The Trust has a comprehensive insurance and risk management program in place to protect its assets, operations and employees. The Trust also has programs in place to ensure it meets or exceeds current safety and environmental standards. The Trust has safety and environmental personnel responsible for maintaining and developing the Trust's policies and monitoring the Trust's operations in each division to ensure they are in compliance with such policies and applicable legislation. The safety and environmental personnel report to the divisional General Managers and directly to the Vice President of Operations of the Trust.

RESULTS OF OPERATIONS

Consolidated Revenue

Revenues increased 2% to $44.5 million for the three months ended March 31, 2009 versus $43.5 million for the same period in 2008.

DIVISIONAL REVENUE

Divisional revenues for the three months ended March 31, 2009 were $7.0 million for Contract Drilling Services, $21.5 million for Drilling and Production Rentals and $16.0 million for Gas Compression Services.

Contract Drilling Services

The revenue reported from Total Energy's Contract Drilling Services division decreased by 40% to $7.0 million for the three months ended March 31, 2009 as compared to $11.6 million for the same period in 2008. Revenue decreased due to lower utilization. For the three months ended March 31, 2009 the Contract Drilling Services division achieved a utilization rate, on a spud to release basis, of 35%, as compared to 57% for the same period in 2008. Operating days (spud to release) for the three months ended March 31, 2009 totaled 409 as compared to 680 days for the same period in 2008. Revenue per operating day received for contract drilling services for the three months ended March 31, 2009 was consistent with the comparable period in 2008.

Drilling and Production Rentals

The revenue reported from Total Energy's Drilling and Production Rentals division decreased by 7% to $21.5 million for the three months ended March 31, 2009 as compared to $23.1 million for the same period in 2008. Revenue decreased from the prior year comparable period due to lower fleet utilization and lower pricing. Average utilization of the rental assets was 54% for the three month period ended March 31, 2009 as compared to 59% for the comparable period in 2008. This division exited the first quarter of 2009 with approximately 4,500 pieces of rental equipment. This division also exited the first quarter of 2009 with a fleet of 74 heavy trucks compared to 72 heavy trucks at the end of 2008.

Gas Compression Services

The revenue reported from Total Energy's Gas Compression Services division increased by 81% to $16.0 million for the three months ended March 31, 2009 as compared to $8.8 million for the same period in 2008. The revenue increase was due to increased demand from this division's customers. This division exited the first quarter of 2009 with a backlog of fabrication orders of approximately $9.1 million, as compared to a backlog of $3.7 million as at March 31, 2008. As at

March 31, 2009 the total horsepower of compressors on lease was approximately 13,200 as compared to approximately 10,900 as at March 31, 2008. The compression rental fleet experienced an average utilization of 84% (based on fleet horsepower) for the three months ended March 31, 2009 as compared to 86% for the same period in 2008.

Other

Total Energy's Other division consists of the Trust's corporate activities. The Other division does not generate any revenue but provides operating and other support services to Total Energy's other divisions and manages the corporate affairs of the Trust.

Operating Expenses

Operating expenses increased 15% to $25.7 million for the three months ended March 31, 2009 as compared to $22.4 million for the same period in 2008. The increase in operating expenses for this period was due primarily to increased activity levels in the Gas Compression Services division, which was partially offset by decreased activity levels in the Contract Drilling Services and Drilling and Production Rentals divisions. The gross margin percentage for the three months ended March 31, 2009 was 42% as a percentage of revenue as compared to 49% for the comparable period in 2008. The decrease in gross margin is due primarily to an increase in the relative revenue contribution made by the Gas Compression Services division during the first quarter of 2009 as compared to the first quarter of 2008, as this division typically has lower gross margins than the other divisions. A more detailed margin analysis for each division is presented in the discussion of Operating Earnings. Operating expenses consist of salaries and benefits for operations personnel, repairs, maintenance, fuel, manufacturing costs and trucking costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 4% to $4.6 million for the three months ended March 31, 2009 as compared to $4.4 million for the same period in 2008. The increase resulted primarily from increased costs associated with increased revenues, the addition of one branch in the Drilling and Production Rentals division and the expansion of the parts and service department in the Gas Compression Services division since March 31, 2008. Included in these costs are compensation for directors and officers pursuant to the Trust's cash based compensation plan. Selling, general and administrative expenses also include salaries and benefits for office staff, rent, utilities, and communications in the Trust's various divisional offices and its corporate head office as well as professional fees and other costs to maintain the Trust's public listing.

Depreciation Expense

Depreciation expense increased 3% to $3.5 million for the three months ended March 31, 2009. The increase was due primarily to the Trust's expanded equipment base, which was partially offset by lower equipment utilization in Contract Drilling Services. All of the Trust's property, plant and equipment are depreciated on a straight-line basis with the exception of contract drilling equipment which is depreciated on a utilization basis.

Other Interest Expense

Other interest expense was $0.2 million for the three months ended March 31, 2009 as compared to $0.4 million for the same period in 2008. Other interest expense is interest paid on advances under the Trust's operating line of credit. The decrease in other interest expense in the first quarter of 2009 was due primarily to lower applicable interest rates.

Interest on Long-term Debt

Interest on long-term debt was $0.2 million for the three month period ended March 31, 2009 as compared to $0.4 million for the same period in 2008. The decrease in interest on long-term debt in the first quarter of 2009 was due primarily to lower applicable interest rates and a lower long-term debt balance outstanding. Included in interest on long-term debt is interest on capital leases.

Operating Earnings

Operating earnings decreased 18% to $10.3 million in the first quarter of 2009 as compared to $12.4 million for the comparable period in 2008. The decrease in operating earnings was due to decreased activity levels in the Contract Drilling Services and Drilling and Production Rentals divisions, which was partially offset by higher activity levels in the Gas Compression Services division.

The Contract Drilling Services division had operating earnings of $1.4 million for the three months ended March 31, 2009 as compared to $3.1 million for the comparable period in 2008. The operating earnings margin in this division was 19% for the three months ended March 31, 2009 as compared to a 27% for the comparable period in 2008. The operating earnings margin decrease was due primarily to decreased equipment utilization.

The Drilling and Production Rentals division had operating earnings of $8.2 million for the three months ended March 31, 2009 as compared to $9.6 million for the comparable period in 2008. The operating earnings margin was 38% for the three months ended March 31, 2009 as compared to 41% for the comparable period in 2008. The decrease in operating earnings margin resulted primarily from lower equipment utilization and lower pricing, which was partially offset by a larger equipment fleet.

The Gas Compression Services division contributed operating earnings of $1.4 million for the three months ended March 31, 2009 as compared to $1.0 million for the comparable period in 2008. The operating earnings margin in this division was 9% for the three months ended March 31, 2009 as compared to 11% for the corresponding period in 2008. The decrease in operating earnings margin resulted primarily from increased overhead associated with the expansion of its parts and service business that began during the second quarter of 2008.

The Other division had an operating loss of $0.7 million for the three months ended March 31, 2009 as compared to $1.2 million for the corresponding period in 2008. The decrease in the operating loss is due primarily to interest expense under the Trust's operating line of credit, which interest expense is disclosed as "Other interest" in the Trust's financial statements, being allocated to each of the Trust's divisions beginning in the second quarter of 2008 based on the relative amount of capital each division employs. The Other division does not include any operational activities relating to Total Energy's business and therefore does not generate any revenue.

Gain (Loss) on Disposal of Equipment

Gain on disposal of equipment was $243,000 for the three months ended March 31, 2009 as compared to $6,000 for the comparable period in 2008. Disposals of equipment result from the replacement and upgrade of older equipment in the Trust's fleet as well as the exercise of purchase options on compression equipment previously on lease in the Gas Compression Services division.

Income Taxes and Net Earnings

The Trust recorded net earnings of $8.6 million ($0.29 per unit on a diluted basis) for the three months ended March 31, 2009 as compared to $9.6 million ($0.33 per unit on a diluted basis) for the corresponding period in 2008. The Trust recorded current income tax expense of $1.4 million for the three months ended March 31, 2009 as compared to $2.1 million for the corresponding period in 2008. The Trust recorded future income tax expense of $0.6 million for the three months ended March 31, 2009 as compared to $0.8 million for the corresponding period in 2008. This resulted in an effective tax rate of 19% for the three months ended March 31, 2009 as compared to 23% for the comparable period in 2008. The decrease in the effective income tax rate for 2009 as compared to 2008 is due to lower earnings before income taxes.

Total Energy Services Ltd. and one of its non-operating subsidiaries have been re-assessed by the Ontario Ministry of Finance and Alberta Finance and Enterprise ("Alberta Finance") on account of a corporate re-organization undertaken prior to Total Energy's trust conversion. The Trust has received both legal and tax advice indicating that the technical merits of the filings positions taken are strong and, as such, no provisions have been taken with respect to the reassessments. The total amount of the reassessments, including interest, is approximately $6.6 million and $7.6 million respectively. The reassessments represent competing claims on the same underlying taxable income, such that the reassessments cannot be successfully applied in both jurisdictions. In addition, the Alberta Finance reassessments include duplicate reassessments on the same underlying taxable income, which duplicate reassessments cannot both be successfully applied. Further, it is the Trust's position that the applicable limitation period has expired with respect to a significant portion of the Alberta reassessments making such reassessments invalid. The Trust is vigorously defending the filing position taken in both jurisdictions and has filed notices of objection to the reassessments with provincial taxation authorities. These various reassessments relate to approximately $2.6 million of alleged underlying income taxes owing for the period from 2002 to the conversion of Total Energy to a trust in 2005.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operations

Cash provided by operations, before changes in non-cash working capital items, decreased by 10% for the three months ended March 31, 2009 to $12.4 million as compared to $13.8 million for the same period in 2008. The decrease was due primarily to decreased operating earnings for the Trust. Cash provided by operations, after changes in non-cash working capital items, increased by 14% to $8.4 million for the three months ended March 31, 2009 as compared to $7.4 million for the same period in 2008. The increase was due primarily to a lower accounts receivable balance as at March 31, 2009 as compared to the prior year comparable period. The Trust reinvests the remaining cash provided by operations after distribution payments to unitholders into the internal growth of existing businesses, acquisitions, the repayment of long-term debt and obligations under capital leases, or the repurchase of trust units pursuant to the Trust's normal course issuer bid.

Investments

Net cash used in investment activities for the three months ended March 31, 2009 was $8.9 million as compared to $2.3 million for the corresponding period in 2008. The cash used in investment activities related to the purchase of property, plant and equipment. Purchases of property, plant and equipment during the first three months of 2009 were allocated as follows: $3.4 million in the Contract Drilling Services division, $1.7 million in the Drilling and Production Rentals division and $0.4 million in the Gas Compression Services division. The majority of the property, plant and equipment additions for the Contract Drilling Services division relate to the construction of a new Rigmaster P-750 telescopic double rig that is scheduled for completion by the third quarter of 2009. The property, plant and equipment additions in the Drilling and Production Rentals division primarily related to the purchase of new rental and trucking equipment. The majority of the capital expenditures in the Gas Compression Services division related to upgrades to certain information technology systems and additions to the compression rental fleet. During the first three months of 2008 the property, plant and equipment additions were as follows: $0.7 million in the Contract Drilling Services division, $0.8 million in the Drilling and Production Rentals division, $1.0 million in the Gas Compression Services division. The purchases of property, plant and equipment during the first quarter of 2009 were offset by proceeds on disposal of property, plant and equipment of $1.3 million, as compared to $0.2 million in the corresponding period of 2008. The disposal of equipment resulted primarily from the sale of compression equipment from the Gas Compression Services division's compression rental fleet with the remainder arising from the replacement and upgrade of older equipment in the Trust's Drilling and Production Rentals division.

Financing

Net cash provided by financing activities was $0.5 million for the three months ended March 31, 2009 as compared to net cash used in financing activities of $5.0 million for the corresponding period of 2008. The increase in cash provided by financing activities was due primarily to long-term debt advances and advances of obligations under capital leases made during the first three months of 2009. During the three months ended March 31, 2009 the Trust had net advances of long-term debt of $2.8 million as compared to $1.0 million during the corresponding period in 2008. The increase in net advances of long-term debt was due primarily to increased investment in property, plant and equipment. During the three months ended March 31, 2009 the Trust had net advances of obligations under capital leases of $1.3 million versus net repayments of $0.1 million during the corresponding period in 2008. The increase in net advances of obligations under capital leases relates to certain property, plant and equipment, namely light duty vehicles, that were previously financed through operating leases and are now financed through capital leases. The Trust had a net decrease in bank indebtedness of $1.0 million for the three month period ending March 31, 2009 as compared to $3.0 million for the corresponding period in 2008. During the first quarter of 2009 the Trust repurchased 6,900 of its issued and outstanding trust units at a total cost including commissions of $27,409 or $3.97 per unit, under its normal course issuer bid, and these units were cancelled. For the same period in 2008 the Trust repurchased 50,000 units at a total cost of $251,000 or $5.02 per unit, under its normal course issuer bid, and these units were cancelled.

Liquidity

The Trust had a working capital surplus of $15.5 million as at March 31, 2009 as compared to $22.5 million at the end of the first quarter of 2008. This decrease in the Trust's working capital position is primarily due to an income tax receivable of $5.7 million outstanding as at March 31, 2008 that was collected later in 2008. As at the date of this MD&A, the Trust is in material compliance with all debt covenants and is able to fully utilize all existing credit facilities. The annual review of the Trust's credit facilities was completed by its primary lender in November 2008 and renewed with no material changes to such facilities. The Trust believes that it has sufficient liquidity to operate its business and execute its strategic plan for the foreseeable future.

Distributions

The Trust declared distributions to Unitholders of $2.6 million during the three months ended March 31, 2009 as compared to $2.7 million during the same period in 2008. For the three months ended March 31, 2009, cash provided by operations, before changes in non-cash working capital items, exceeded distributions by $9.8 million as compared to $11.2 million for the same period in 2008. For the three months ended March 31, 2009, cash provided by operations, after changes in non-cash working capital items, exceeded distributions by $5.8 million as compared to $4.7 million for the comparable period in 2008. For the three month period ended March 31, 2009, net earnings exceeded distributions by $5.9 million as compared to $6.9 million for the comparable period in 2008. Management monitors the Trust's distribution levels with respect to forecasted net earnings, cash provided by operations, income taxes, debt levels and capital expenditures and aims to finance its distributions through cash provided by operations. Should cash provided by operations be insufficient to finance distributions, cash on hand or the Trust's operating line of credit may be utilized.

SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars except per unit amounts)

	Financial Quarter Ended (Unaudited)			
	Mar 31, 2009	Dec 31, 2008	Sept 30, 2008	Jun 30, 2008
Revenue	**$ 44,485**	$ 49,712	$ 37,266	$ 23,978
Cash provided by operations, before changes in non-cash working capital items	**12,438**	13,675	10,567	4,343
Cash provided by operations, after changes in non-cash working capital items	**8,416**	13,122	15,612	16,490
Net earnings	**8,560**	8,862	6,080	797
Per unit (basic and diluted)	**0.29**	0.30	0.21	0.02

	Financial Quarter Ended (Unaudited)			
	Mar 31, 2008	Dec 31, 2007	Sept 30, 2007	Jun 30, 2007
Revenue	**$ 43,526**	$ 41,528	$ 24,395	$ 16,175
Cash provided by operations, before changes in non-cash working capital items	**13,827**	11,822	8,629	4,032
Cash provided by operations, after changes in non-cash working capital items	**7,357**	8,700	(8,677)	15,651
Net earnings	**9,594**	10,415	5,190	1,321
Per unit (basic and diluted)	**0.33**	0.35	0.18	0.04

As discussed in 'Seasonality and Cyclicality' above, variations over the quarters are due in part to the cyclical nature of the energy service industry in the WCSB due to the occurrence of "breakup". The first quarter has generally been the strongest quarter for the Trust. This strength is due to the northern exposure that the Trust has in its Drilling Services operations. The northern areas are busiest in the winter as these areas are frozen and allow better access to operations locations. The second quarter has generally been the slowest quarter due to "breakup" as described above. Many of the areas that the Trust operates in are not accessible during this period when ground conditions do not permit the movement of heavy equipment. The third quarter has generally been the third busiest quarter, as some of the issues associated with "breakup" are no longer affecting access to areas of operations. The fourth quarter has usually been the second busiest quarter of the year as customers are generally able to start accessing northern areas with the onset of winter and the ground freezing. The first quarter of 2009 saw lower revenues than the fourth quarter of 2008 due to a substantial decrease in WCSB drilling activity that began in the fourth quarter of 2008 and continued into the first three months of 2009. Such a trend is not typical in the WCSB and reflects the substantial decline in commodity prices, particularly natural gas, that began in the second half of 2008 and continued into 2009.

CONTRACTUAL OBLIGATIONS

At March 31, 2009, the Trust had the following contractual obligations:

	Payments due by year					
(in thousands of dollars)	Total	2009	2010	2011	2012	2013
Long-term debt (1)	$ 24,344	$ 6,750	$ 8,461	$ 4,300	$ 3,750	$ 1,083
Commitments (2)	6,833	2,217	1,757	1,411	1,090	358
Capital leases	1,322	498	518	272	34	—
Purchase obligations (3)	2,183	2,183	—	—	—	—
Total contractual obligations	34,682	11,648	10,736	5,983	4,874	1,441

(1) Long-term debt obligations are described in Note 7 to the 2008 Audited Consolidated Financial Statements.

(2) Commitments are described in Note 11 to the 2008 Audited Consolidated Financial Statements.

(3) Purchase obligations relate primarily to Total Energy's commitment to purchase rig equipment relating to the construction of Rig 14 and inventory for the Gas Compression Services division.

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2009 and December 31, 2008, the Trust had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the first quarter of 2009 and 2008 the Trust had no material transactions with related parties.

PROPOSED TRANSACTIONS

The Trust has not publicly announced any asset or business acquisition or disposition transactions other than its potential conversion from a trust to a corporation as outlined below, the purchase obligations disclosed under the above section Contractual Obligations and $8.9 million budgeted for expansion of the Gas Compression Services division's compression rental fleet pursuant to the Trust's preliminary 2009 capital expenditure budget. The Trust is in the process of identifying and evaluating additional investment opportunities and appropriate public announcements will be made in the event the Trust is successful in securing or completing any of such opportunities.

CONVERSION FROM TRUST TO CORPORATION

Bill C-52 Budget Implementation Act, 2008 ("Bill C-52"), which was substantively enacted by the Canadian government in June of 2008, imposes a tax on certain distributions from publicly traded specified income flow-through trusts ("SIFT") and will apply to distributions made by the Trust to its unitholders. Bill C-52 results in a tax structure for trusts similar to that of corporations, whereby distributions are subject to income tax at both the Trust level and the personal income tax level. The SIFT tax measures take effect on January 1, 2011, or earlier if the Trust exceeds certain permitted growth guidelines established by the Canadian Department of Finance.

As a result of the SIFT tax, it is clear that the goal of the Department of Finance is to eliminate public income trusts. In order to qualify under new legislation for a tax-free conversion, the Trust must convert to a corporation before the end of 2013. Having regard to these legislative changes, the current difficult economic and industry environment as well as the opportunities arising in such environment to advance the Trust's long-term strategic plan, the Trust believes that it is in its best interests to proceed with conversion to a corporation at this time. In this regard, the Trust, Total Energy Services Ltd. ("TESL") and Biomerge Industries Ltd. ("Biomerge") have entered into an agreement (the "Arrangement Agreement") pursuant to which, among other things, the Trust will convert from a trust to a corporation (the "Conversion"). The Conversion will occur pursuant to a statutory plan of arrangement under Section 193 of the Business Corporations Act (Alberta) (the "Plan of Arrangement") and is expected to become effective prior to May 31, 2009. The Trust's present monthly distribution of $0.03 per unit will continue until May 2009, with the final distribution being paid on or about May 15, 2009 for the month of April 2009. The Trust presently anticipates that subsequent to the conversion a quarterly dividend in the amount of $0.03 per share will be paid to shareholders, with the first dividend being paid in respect of the third quarter of 2009.

Under the Plan of Arrangement, Total Unitholders will receive one common share of Total Energy Services Inc. ("New Total") in exchange for every trust unit held on the effective date of the Conversion. Upon completion of the Conversion, New Total will operate the existing businesses of the Trust and its subsidiaries and the existing board and management of TESL will become the board and management of New Total. New Total is not, as a consequence of the Conversion, acquiring any additional business carried on by Biomerge. Biomerge Securityholders (as defined herein) will receive consideration in the form of cash and common shares of New Total of an aggregate value, calculated in accordance with the Plan of Arrangement, not to exceed $3.9 million, subject to the adjustments provided for pursuant to the Arrangement Agreement.

The Conversion is subject to various customary commercial conditions, including the receipt of regulatory approvals which include the approval of The Toronto Stock Exchange. The Conversion is also subject to the approval of the court and of not less than 66⅔% of the votes cast by Total Unitholders and the holders of voting and non-voting shares of Biomerge (collectively, "Biomerge Securityholders") at the respective securityholder meetings called to approve, among other things, the Conversion. The mailing of a joint information circular to the Trust Unitholders and Biomerge Securityholders occurred in April 2009 and the Conversion is expected to occur prior to the end of May, 2009.

Complete details of the terms of the Plan of Arrangement are set out in the Arrangement Agreement that has been filed by the Trust on SEDAR. (www.sedar.com)

CRITICAL ACCOUNTING ESTIMATES

Management is responsible for applying judgment in preparing accounting estimates. Certain estimates and related disclosures included within the financial statements are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. An accounting estimate is considered critical only if it requires the Trust to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and different estimates the Trust could have used would have a material impact on Total Energy's financial condition, changes in financial condition or results of operations.

While there are several estimates and assumptions made by management in the preparation of financial statements in accordance with GAAP, the following critical accounting estimates have been identified by management:

Revenue Recognition

The Trust recognizes revenue in its divisions as follows; Contract Drilling Services revenue is recognized when services are provided; Drilling and Production Rentals revenue is recognized when services are provided; and Gas Compression Services revenue is recognized as services are provided or products are sold. The Trust's services and products are sold based upon orders or contracts with customers that include fixed or determinable prices based upon daily, hourly, or job rates. Revenue is recognized when services and equipment rentals are provided and when collectibility is reasonably assured.

Estimates of Collectibility of Accounts Receivable

The Trust has to make an estimate for the collectibility of its accounts receivable. The Trust continually reviews its accounts receivable balances and makes an allowance once it considers an accounts receivable balance uncollectible. The actual collectibility of accounts receivable could differ materially from the estimate although management does not consider the risk of a significant loss to be material at this time.

Estimates of Depreciation

Total Energy has significant estimates relating to the depreciation policies for property, plant and equipment. Factors that are included in the estimation include but are not limited to the economic life of the asset and the salvage value of the asset at the end of its economic life. The Trust makes an estimate based on the best information on these factors that it has at that the time these estimates are performed. Actual results could differ materially if any of these factors are different in the future than the current estimates. See Note 1(b) in the notes to the 2008 Audited Consolidated Financial Statements of the Trust for Total Energy's depreciation policy.

Estimates of Tax Pools and Their Recoverability

Total Energy has estimated its tax pools for the income tax provision. The actual tax pools that the Trust may be able to use could be materially different in the future. See Note 9 in the notes to the 2008 Audited Consolidated Financial Statements of the Trust for further information.

CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2009, the Trust prospectively adopted the new accounting recommendation from the Canadian Institute of Chartered Accountants ("CICA"), Handbook Section 3064, Goodwill and intangible assets, replacing previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Implementation of this standard did not have a material impact on the Trust's financial statements.

RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Trust is in the process of evaluating the requirements of these new standards.

Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is the equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to the interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2008 the CICA Accounting Standards Board confirmed its decision requiring all publicly accountable entities to report under IFRS with the aim of consistency in the global marketplace. The standards are effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Trust expects the transition will impact accounting, financial reporting, internal controls over financial reporting, taxes, and IT systems and processes. The Trust has established an IFRS implementation team and has developed an implementation plan as outlined below.

The key elements of Trust's changeover plan include:

- determine appropriate changes to accounting policies and required amendments to financial disclosures;
- identify and implement changes in associated processes and information systems;
- comply with internal control requirements; and
- educate and train internal and external stakeholders.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. The Trust has completed an initial impact assessment which involves performing a high level review to identify key areas that may be impacted by the transition to IFRS and the major areas where there are significant complexities or key decision required by management prior to the conversion. Although the Trust has not yet determined the full effects of adopting IFRS, the Trust has determined that a key area where the change to IFRS may be significant is with respect to property, plant and equipment.

Consistent with Canadian GAAP, under IFRS, property, plant and equipment ("PP&E") are recognized initially at cost. Under International Accounting Standard ("IAS") 16, Property, Plant and Equipment, an entity is required to choose, for each class of PP&E, to use either the cost model (consistent with Canadian GAAP) or the revaluation model. Under the revaluation model, an item of PP&E is carried at its revalued amount, being its fair value at the date of the revaluation less any accumulated amortization and accumulated impairment losses. Increases in fair value are recorded in a revaluation surplus account in equity while decreases in fair value serve to reduce the revaluation surplus account, related to the asset, with any excess recognized in income.

IAS 16, Property Plant and Equipment also requires maintaining the book value of property, plant and equipment separately for each significant item even if the combination of those separate items represents one asset for business purposes. These assets will be analyzed and, if needed, componentized based on the significance of its identifiable components, including their respective useful lives, and amortized separately.

IFRS disclosure and presentation requirements are much more extensive than requirements of Canadian GAAP. Currently the Trust is assessing additional requirements.

The Trust's high level review did not include differences that are expected to be eliminated by January 1, 2010 via a Canadian GAAP/IFRS harmonization project the CICA has undertaken. Also, the International Accounting Standards Board is working on an improvements project under which a number of International Reporting Standards are expected to change between now and the transition date. Although the potential impact of any changes is not expected to be significant, the Trust will assess potential further differences when any revised Standards are published.

First Time Adoption of IFRS

Adoption of IFRS requires the application of First-Time Adoption of International Financial Reporting Standards ("IFRS 1") which provides guidance for an entity's initial adoption of IFRS. IFRS 1 lists specific exemptions the Trust may use when first adopting IFRS. The most significant exemptions to the Trust are as follows:

- Business Combinations
  For business combinations that occurred before the transition date, the Trust has the choice to restate all of these business combinations to IFRS standards, restate all business combinations after a particular date, or not to restate any of these business combinations. Assets and liabilities acquired in an un-restated business combination that were recognized under Canadian GAAP and do not qualify for recognition under IFRS are then de-recognized.

- Fair-value or revaluation as deemed cost
  IFRS required PP&E to be measured at a cost in accordance with IFRS (breaking down material items into components and amortizing each one separately). However, upon transition, IFRS permits an asset to be recognized at deemed cost which is the fair value at the date of transition or an event-driven valuation. The exemption noted above may be applied to individual items of PP&E. Any write-up of the asset to a fair value above cost will be recorded in retained earnings as a revaluation reserve.

The Trust is now engaged in the detailed assessment phase. An internal working group has been formed and is now focused on identifying accounting differences between Canadian GAAP and IFRS on a detailed basis and quantification of those. The detailed assessment and the design phase, which includes designing business process changes and providing training to employees is expected to be completed in 2009. The testing and implementation phase will take place during the latter part of 2009 and during 2010. The roll out of IFRS and a parallel run of Canadian GAAP and IFRS will take place beginning January 1, 2010.

Assessment of the impact of the IFRS transition on other areas of the Trust's activities

- Information technologies ("IT") and data systems
  Changes in reporting and certain accounting requirements as discussed above will potentially require changes to IT systems or may require the implementation of new ones. The Trust is currently engaged in identifying areas that would require change.

- Internal Controls Over Financial Reporting
  In accordance with Total's approach to the certification of internal controls required under National Instrument 52-109, all entity level, information technology, disclosure and business process controls will need to be updated and tested to reflect changes which arise as a result of Total's convergence to IFRS. Where material changes identified, these changes will be mapped and tested to ensure that no material deficiencies exist as a result of Trust's transition to these new accounting standards.

- Disclosure controls and procedures, including investor relations and external communication plans
  The final qualitative assessment of the impact of the IFRS transition will be communicated in the Trust's MD&A for the year ended December 31, 2009.

  The final quantitative assessment of the impact of the IFRS transition will be communicated in the Trust's MD&A for the year ended December 31, 2010. As at this date the Trust must present a detailed reconciliation between IFRS and GAAP of balance sheet and income statement figures as at and for the year ended December 31, 2010, and selected accounting policies in its Financial Statements and MD&A.

- Financial reporting expertise, including training requirements
  The Trust believes that it has the necessary IFRS expertise as its IFRS team members have received the training necessary for current and future stages of implementation of IFRS. It is expected that the IFRS Team members will receive additional training provided by the CICA and participate in industry implementation groups. As part of the next stage of IFRS transition, divisional controllers will receive formal IFRS training to ensure the necessary expertise is present in all levels of financial reporting within the Trust.

- Impact on debt covenants and capital requirements
  As described above, it is expected that several transitional adjustments and changes in accounting policies will be made on the transition to IFRS. At this point the Trust has not made a final decision on the selection of accounting

policies and has not quantified the impact of changes in accounting requirements under IFRS on the selected items described above. However, the transitional adjustments and subsequent accounting for the items described above may result in changes to the covenant calculations and will change capital requirements disclosure. The Trust is currently determining the direction of changes and quantifying the adjustments.

FINANCIAL INSTRUMENTS

Risk management activities

The Trust does not have significant exposure to any individual customer or counter party other than one major independent oil and gas company, which accounted for 24% of revenue during the three month period ended March 31, 2009. No other customer accounted for more than 10% of revenue during this period. Concentration of credit risk on the Trust's trade accounts receivable exists in the oil and gas industry.

Fair values

The carrying values of accounts receivable, income taxes receivable, bank indebtedness, accounts payable and accrued liabilities, distributions payable, income taxes payable and obligations under capital leases approximate their fair value due to the relatively short periods to maturity of the instruments. Long-term debt utilizes a combination of short term fixed rates through the use of 30 to 90 day Banker's Acceptance and floating rates and accordingly its fair market value approximates its carrying value.

Interest rate risk

The Trust manages its interest rate risk on borrowings by utilizing a combination of short-term fixed rates through the use of 30 to 90 day Banker's Acceptance rates and floating rates on debt. As at March 31, 2009 virtually all debt was at floating rates.

Foreign currency risk

The Trust mitigates its foreign currency risk by purchasing foreign currencies to the extent it deems necessary to offset foreign currency obligations at any given time. The Trust also includes an exchange rate fluctuation provision in purchase order contracts where a significant portion of the inputs from such orders are sourced through international suppliers.

OUTSTANDING TRUST UNIT DATA

	As at March 31, 2009 (in thousands of units) (unaudited)
Trust Units	29,050
Additional Trust Units to be issued	—
Fully diluted Trust Units	29,050

There has been no material change in the trust unit data from March 31, 2009 to the date of this report.

RISK FACTORS

The following is a summary of certain risk factors relating to the activities of the Trust and its subsidiaries and the ownership of Trust Units.

Risks Relating to the Energy Services Business

General

Certain activities of the Trust are affected by factors that are beyond its control or influence. The business and activities of the Trust are directly affected by fluctuations in the levels of oil and natural gas exploration, development and production activity carried on by its customers, which, in turn, is dictated by numerous factors, including world energy prices and government policies. Any addition to or elimination or curtailment of government incentives or other material changes to government regulation of the energy industry in Canada could have a significant impact on the oilfield service industry in Canada. While management believes the impact of the global financial crisis and deteriorating economic conditions will give rise to a challenging business environment for the Trust during 2009, management believes that the Trust is reasonably well positioned to withstand such difficult industry conditions and to take advantage of opportunities that may arise during such period.

Industry Conditions

The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. Exploration and production companies base their capital expenditures on various factors, including but not limited to hydrocarbon prices, exploration and development prospects in various jurisdictions, production levels of their reserves and access to capital. Oil and gas producers and explorers tend to examine long-term fundamentals affecting the foregoing factors before they adjust their capital expenditure plans. Risk factors associated with the Trust's operations include business factors and changes in government regulation. Should one or more of these risks materialize, actual results may vary materially from those currently anticipated. In recent years, commodity prices, and therefore, the levels of drilling, production and exploration activity have been volatile. Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the exploration and production companies and the demand for the Trust's products and services. A significant prolonged decline in commodity prices would have a material adverse effect on the Trust's business, results of operations and financial condition, including the Trust's ability to maintain its current level of distributions to Unitholders.

Government Regulation

Total Energy's business and the business of its customers are subject to significant and evolving laws and government regulations, including in the areas of environment, health and safety. Changes to such laws and regulations may impose additional costs on Total Energy and may affect its business in other ways, including the requirement to comply with various operating procedures and guidelines that my impact Total Energy's operations. Total Energy has in place, in each of its divisions, programs for monitoring compliance to ensure that it meets or exceeds applicable laws and regulatory requirements. Ensuring a healthy and safe workplace minimizes injuries and other risks employees may face in carrying out their duties, improves productivity and avoids penalties or other liabilities.

Material changes to the regulations and taxation of the energy industry may reasonably be expected to have an impact on the energy services industry. In late 2008, the Alberta government announced certain changes to the royalty regime in Alberta which became effective January 1, 2009 although subsequent transitional programs have been announced. While the precise impact of such changes has not yet been determined, a significant increase in royalties or continued uncertainty regarding this issue is expected to result in a material decrease in industry drilling and production activity in Alberta, which in turn would lead to corresponding declines in the demand for the goods and services provided by the Trust. To date it would appear that amendments to and uncertainty regarding the royalty regime in Alberta have had a negative impact on the amount of business that Total Energy conducts in Alberta. Conversely, reductions in royalties and other government incentives to increase drilling and production activities, such as those recently announced in British Columbia in respect of deeper gas wells, may reasonably be expected to have a positive impact on Total Energy's business.

Any initiatives by Canada or the provinces in which the Trust operates to set legally binding targets to reduce emissions of carbon dioxide, methane, nitrous oxide and other so-called "greenhouse gases" could have direct or indirect compliance costs. Such initiatives and costs may adversely affect the oil and gas business in Canada, which in turn may adversely affect the oil and gas services industry in which the Trust participates. The impact of such effects and/or costs is not yet certain.

Credit Risk

A substantial portion of the Trust's accounts receivable are with customers involved in the oil and gas industry, whose cash flow may be significantly impacted by many factors including commodity prices, the success of drilling programs, well reservoir decline rates and access to capital. The Trust does not have significant exposure to any individual customer or counter-party other than one major independent oil and gas company, which accounted for 24% of revenue during the three month period ended March 31, 2009. No other customer accounted for more than 10% of the Trust's consolidated revenues during this period. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. Management is sensitive to and is continuously monitoring the impact of the global financial crisis on credit risk to the Trust.

Currency Fluctuations

The Gas Compression Services division, Bidell, obtains critical components and parts from U.S. suppliers and is therefore subject to foreign exchange rate fluctuations in the procurement of those materials. Where Bidell is contracted to undertake custom work, an exchange rate fluctuation provision is included in the relevant purchase order to reduce Bidell's exposure to such fluctuations. The Trust's Contract Drilling Services division and the Drilling and Production Rentals division purchase certain capital equipment from U.S. suppliers and are also subject to foreign exchange rate fluctuations in the procurement of those items. Total Energy has taken measures that it considers reasonable to mitigate its exposure to exchange rate fluctuations, including the purchase of foreign currencies in an amount approximately equal to such foreign currency obligations at any given time. However, there can be no assurance that such measures will reduce Total Energy's exposure to currency fluctuations to a level that is not material.

Competition

The various business segments in which the Trust participates are highly competitive. The Trust competes with several large national and multinational organizations in the contract drilling services, drilling and production equipment rentals and gas compression services businesses. Many of those national and multinational organizations have greater financial and other resources than the Trust. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Trust or that new competitors will not enter the various markets in which the Trust is active. In certain aspects of its business, the Trust also competes with a number of small and medium-sized companies, which, like the Trust, have certain competitive advantages such as low overhead costs and specialized regional strengths.

Access to Parts, Development of New Technology and Relationships with Key Suppliers

The ability of Bidell to compete and expand is dependent on Bidell having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies. Although Bidell has secured individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained. If these sources and relationships are not maintained, Bidell's ability to compete may be impaired. Bidell is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for its relationship with certain key suppliers. Should the relationships with key suppliers come to an end, the availability and cost of securing certain equipment and parts may be adversely affected. The ability of Chinook to compete and expand is dependent upon Chinook having access, at a reasonable cost, to drilling equipment and supplies that are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies as industry conditions require. There can be no assurance that existing sources for equipment will be maintained or that new technologically advanced equipment will be acquired. If such equipment is not available, Chinook's ability to compete may be impaired.

Employees

The success of the Trust is dependent upon its key personnel. Any loss of the services of such persons could have a material adverse effect on the business and operations of the Trust. The ability of the Trust to expand its services will be dependent upon its ability to attract additional qualified employees in all of its divisions. The ability to secure the services of additional personnel is constrained in times of strong industry activity. Total Energy expects that the difficult general economic outlook and slower industry environment will alleviate labour challenges during 2009.

Environmental Liability Risks

Total Energy routinely deals with natural gas, oil and other petroleum products. The Company has established programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. The Company also generally performs "phase 1" environmental studies on all of its properties prior to acquisition to minimize the risk of acquisition of a contaminated property. However, there can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Trust or that such damage has not already occurred. As a result of its fabrication and refurbishing operations, Bidell also generates or manages hazardous wastes, such as solvents, thinners, waste paint, waste oil, washdown wastes and sandblast material.

Although the Trust attempts to identify and address contamination issues before acquiring properties, and attempts to utilize generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, operated or worked on by the Trust or on or under other locations where such wastes have been taken for disposal. These properties and the wastes disposed thereon may be subject to environmental laws that could require the Trust to remove the wastes or remediate sites where they have been released.

Potential Operating Risks and Insurance

Total Energy has an insurance and risk management program in place which has been implemented in an effort to protect its assets, operations and employees. Total Energy also has programs in place to address compliance with current safety and regulatory standards. Total Energy has a health and safety coordinator in each division who is responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. Third party consultants are also retained as required to assist the divisional health and safety coordinators. Each health and safety coordinator is required to report incidents directly to the Vice President of Operations of Total Energy. However, the Trust's operations are subject to risks inherent in the oil and gas drilling and production services industry, such as equipment defects, malfunction and failures and natural disasters with resultant uncontrollable flows of oil, gas or well fluids, fires, spills and explosions.

These risks could expose Total Energy or the Trust to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. Although the Trust has obtained insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Trust's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Trust were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Trust were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Access to Additional Financing

Total Energy may find it necessary in the future to obtain additional debt or equity to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Total Energy when needed or on terms acceptable to Total Energy, particularly during the current global financial crisis. Total Energy's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Trust's growth and may have a material adverse effect upon the Trust.

Seasonality

In general, the level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months, because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services of the Trust.

RISKS RELATED TO AN INVESTMENT IN THE TRUST

Nature of Trust Units

The Trust Units do not represent a traditional investment in the energy services sector and should not be viewed by investors as shares in the Company. The Trust Units represent a fractional interest in the Trust. As holders of Trust Units, Unitholders have substantially all of the same protections, rights and remedies as a shareholder would have under the Canada Business Corporations Act except that a Unitholder will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. A Unitholder is also not entitled to "dissent rights".

The Trust's sole assets are its holding of common shares in Total Energy, the unsecured subordinated notes issued by the Company to the Trust ("Notes") and other investments in securities of its subsidiaries.

The Trust Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Debt Service

Total Energy may finance a significant portion of its operations through debt. Amounts paid in respect of interest and principal on debt incurred may impair Total Energy's ability to satisfy its obligations under the Notes. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service before payment by Total Energy of its obligations under the Notes. Ultimately, this may result in lower distributions from the Trust.

Lenders will be provided with security over all of the assets of Total Energy. If Total Energy becomes unable to pay its debt service charges or otherwise commits an event of default such as bankruptcy, a lender may foreclose on or sell the assets of Total Energy.

Redemption Right

Unitholders have a limited right to require the Trust to repurchase their Trust Units which is referred to as a redemption right. It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Cash redemptions are subject to limitations.

Distributions

Distribution payments of the Trust are subject to review by the Board of Directors taking into account the prevailing financial circumstances of Total Energy and Bidell LP at the relevant time. The actual amount distributed, if any, is at the discretion of the Board of Directors. The actual cash flow available for distribution to Unitholders is a function of a number of factors including the Trust's and its subsidiaries' financial performance, debt covenants and obligations, working capital requirements, future productive capacity maintenance expenditures and future expansion capital expenditure requirements for the purchase of property, plant and equipment, tax obligations, the impact of interest rates, the growth of the general economy, the price of crude oil and natural gas, weather and the number of Trust Units outstanding. Distributions by the Trust to Unitholders are not guaranteed and may be reduced or suspended entirely without notice. The market value of the Trust Units may deteriorate materially if the Trust is unable to meet distribution expectations in the future.

Investment Eligibility and Mutual Fund Trust Status

It is intended that the Trust qualify at all times as a mutual fund trust for the purposes of the Tax Act. The Trust may not, however, always be able to satisfy current or future requirements of the maintenance of mutual fund trust status. Should the status of the Trust as a mutual fund trust be lost or successfully challenged by a relevant tax authority, certain adverse consequences may arise for the Trust and Unitholders. For a detailed discussion of such consequences refer to the Trust's AIF.

Non-Resident Ownership of Trust Units

Currently, in order for the Trust to maintain its status as a mutual fund trust under the Tax Act, the Trust must not, subject to some exceptions, be established or maintained primarily for the benefit of Non-Residents. The Deed of Trust provides that if at any time the Trustee or Total Energy becomes aware that the beneficial owners of 49% or more of the Trust Units then outstanding are or may be Non-Residents or that such a situation is imminent, the Trustee, by or through Total Energy on the Trustee's behalf, shall take such action as may be necessary to carry out the foregoing intention.

These measures could be adverse to certain Unitholders and may not be effective to avoid the Trust losing its status as a mutual fund trust for the purposes of the Tax Act.

Changes in Legislation and Administrative Practices

There can be no assurances that income tax laws and government incentive programs relating to mutual fund trusts and to the oil and gas industry will not be changed in a manner which materially adversely affects the Trust and the Unitholders. There can be no assurance that the Canada Revenue Agency ("CRA") will agree with how the Trust calculates its income for tax purposes or that the CRA will not change its administrative practices to the detriment of the Trust or the Unitholders.

TOTAL ENERGY SERVICES TRUST

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	March 31, 2009 (unaudited)	December 31, 2008
ASSETS		
Current assets:		
Accounts receivable	$ 34,985	$ 37,274
Inventory	33,711	33,836
Prepaid expenses and deposits	1,416	1,319
	70,112	72,429
Property, plant and equipment	171,939	171,033
Goodwill	4,053	4,053
	$ 246,104	$ 247,515
LIABILITIES & UNITHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	$ 23,838	$ 24,830
Accounts payable and accrued liabilities	19,380	29,137
Distributions payable (note 6)	872	872
Income taxes payable (note 8)	1,035	2,336
Current portion of long-term debt	9,000	8,000
Current portion of obligations under capital leases	446	—
	54,571	65,175
Long-term debt	15,344	13,521
Obligations under capital leases	876	—
Future income taxes (note 8)	22,019	21,443
Unitholders' equity:		
Trust Unit capital (note 9)	60,012	60,027
Retained earnings	93,282	87,349
	153,294	147,376
Contingencies, commitments and subsequent event (notes 12 and 13)	$ 246,104	$ 247,515
Supplemental Information:		
Number of trust units outstanding (000's) - Basic and diluted	29,050	29,057

See accompanying notes to the consolidated financial statements.

Approved by the Board of Total Energy Services Ltd., Administrator of Total Energy Services Trust:

Director, Andrew Wiswell

Director, Bruce L. Pachkowski

TOTAL ENERGY SERVICES TRUST

Consolidated Statements of Earnings and Retained Earnings

(in thousands of Canadian dollars except per unit amounts)

	Three months ended March 31 2009 (unaudited)	2008 (unaudited)
REVENUE	$ 44,485	$ 43,526
Expenses		
Operating (note 7)	25,702	22,399
Selling, general and administration	4,568	4,412
Depreciation	3,545	3,452
Other interest	189	395
Interest on long-term debt	220	427
	34,224	31,085
Operating earnings	10,261	12,441
Gain on disposal of equipment	243	6
Earnings before income taxes	10,504	12,447
Income tax expense (note 8)		
Current	1,368	2,066
Future	576	787
	1,944	2,853
Net earnings	8,560	9,594
Retained earnings, beginning of period	87,349	73,812
Trust distributions (note 6)	(2,615)	(2,650)
Repurchase and cancellation of trust units in excess of stated trust unit capital	(12)	(143)
Retained earnings, end of period	$ 93,282	$ 80,613
Earnings per unit:		
Basic and diluted (note 10)	$ 0.29	$ 0.33

See accompanying notes to the consolidated financial statements.

TOTAL ENERGY SERVICES TRUST

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Three months ended March 31 2009 (unaudited)	2008 (unaudited)
CASH PROVIDED BY (USED IN):		
Operations:		
Net earnings	$ 8,560	$ 9,594
Add (deduct) items not affecting cash:		
Depreciation	3,545	3,452
Loss (gain) on disposal of equipment	(243)	(6)
Future income taxes (note 8)	576	787
	12,438	13,827
Changes in non-cash working capital items:		
Accounts receivable	2,289	(9,578)
Inventory	125	(77)
Prepaid expenses and deposits	(97)	(141)
Accounts payable and accrued liabilities	(5,038)	1,150
Income taxes payable	(1,301)	2,176
	8,416	7,357
Investments:		
Purchase of property, plant and equipment	(5,459)	(2,501)
Proceeds on disposal of property, plant and equipment	1,251	200
Changes in non-cash working capital items	(4,719)	(15)
	(8,927)	(2,316)
Financing:		
Advances of long-term debt	5,000	3,000
Repayment of long-term debt	(2,177)	(2,006)
Advances of obligations under capital leases	1,443	—
Repayment of obligations under capital leases	(121)	(115)
Repurchase of trust units (note 9)	(27)	(251)
Distribution to Unitholders (note 6)	(2,615)	(2,650)
Distributions payable (note 6)	—	(1)
Increase (decrease) in bank indebtedness	(992)	(3,018)
	511	(5,041)
Change in cash	—	—
Cash, beginning of period	—	—
Cash, end of period	$ —	$ —
Supplemental information:		
Interest paid	$ 485	$ 969
Income taxes paid (received)	$ 2,669	$ (110)

See accompanying notes to the consolidated financial statements.

1. Basis of Presentation

The interim consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The interim consolidated financial statements should be read in conjunction with the Trust's audited consolidated financial statements and the notes thereto contained in the Trust's Annual Report for the year ended December 31, 2008.

2. Change in Accounting Policies

Effective January 1, 2009, the Trust prospectively adopted the new accounting recommendation from the Canadian Institute of Chartered Accountants ("CICA"), Handbook Section 3064, Goodwill and intangible assets, replacing previous guidance. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition. Implementation of this standard did not have a material impact on the Trust's financial statements.

3. Recent Canadian Accounting Pronouncements Not Yet Adopted

In 2008 the CICA Accounting Standards Board ("AcSB") confirmed its decision requiring all publicly accountable entities to report under International Financial Reporting Standards ("IFRS") with the aim of consistency in the global marketplace. These standards are effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Trust has completed an initial impact assessment which involved performing a high-level review to identify key areas that may be impacted by the transition to IFRS and the major areas where significant complexities or key decisions are required by management prior to the conversion. A detailed assessment of the significant differences is provided in the Trust's Management's Discussion and Analysis for the year ended December 31, 2008 and the three months ended March 31, 2009.

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Trust is in the process of evaluating the requirements of these new standards.

Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is the equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to the interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Unaudited (tabular amounts in thousands of Canadian dollars)

4. Capital Disclosures

The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Trust's underlying businesses. The Trust seeks to maintain an appropriate balance between the level of long-term debt and unitholders' equity to ensure access to the capital markets to fund growth and working capital having regard to the cyclical nature of the oilfield services industry. Historically the Trust has maintained a conservative ratio of long-term debt to long-term debt plus equity. As at March 31, 2009 and December 31, 2008 these ratios were as follows:

	Mar 31, 2009	Dec 31, 2008
Long-term debt (including current portion)	$ 24,344	$ 21,521
Unitholders' equity	153,294	147,376
Total capitalization	$ 177,638	$ 168,897
Long-term debt to long-term debt plus equity ratio	0.14	0.13

The Trust is subject to externally imposed minimum capital requirements relating to its credit facilities. The Trust monitors these requirements to ensure compliance with them. As at March 31, 2009, the Trust was in compliance with all external minimum capital requirements.

There were no changes in the Trust's approach to capital management during the year.

5. Financial Instruments

The Trust's financial instruments as at March 31, 2009 and 2008 include accounts receivable, income taxes receivable, bank indebtedness, accounts payable and accrued liabilities, distributions payable, income taxes payable, capital leases and long-term debt. The fair value of accounts receivable, income taxes receivable, bank indebtedness, accounts payable and accrued liabilities, distributions payable, income taxes payable and capital leases approximate their carrying amounts due to their short-terms to maturity. Long-term debt utilizes a combination of short term fixed rates through the use of 30 to 90 day Banker's Acceptance and floating rates and accordingly its fair market value approximates the carrying value.

The Trust has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Trust's exposure to each of the above risks and the Trust's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk is the risk of financial loss to the Trust if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Trust's trade accounts receivable.

The vast majority of the Trust's trade accounts receivable are customers involved in the oil and gas industry, and the ultimate collection of the accounts receivable is dependent on both industry related factors and customer specific factors. Industry related factors that may affect collection include commodity prices and access to capital. Customer specific factors that may effect collection include realized commodity prices, the success of drilling programs, well reservoir decline rates and access to capital. As at March 31, 2009, $2.1 million, or 6% of accounts receivable were more than 90 days overdue, which is in the range of historical aging profiles. The movement in the Trust's allowance for doubtful accounts for the first three months of 2009 was as follows:

Unaudited (tabular amounts in thousands of Canadian dollars)

Allowance for doubtful accounts		
Balance at January 1, 2009	$	945
Provisions and revisions		100
Balance at March 31, 2009	$	1,045

Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they are due. The Trust's approach to managing liquidity is to ensure, to the extent reasonably possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable costs or losses or risking harm to the Trust's reputation. The Trust maintains an operating line of credit and long-term debt facility which are available to a maximum of $65 million to ensure the Trust has sufficient working capital to operate its business. As at March 31, 2009 approximately $16.8 million of these facilities remained unutilized.

The repayment terms of the Trust's credit facilities were presented in the Trust's audited consolidated financial statements for the year ended December 31, 2008.

The Trust expects that cash flow from operations in 2009, together with existing and available credit facilities, will be sufficient to fund its requirements for investments in working capital, capital assets, distribution payments and trust unit repurchases.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Trust's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

- Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Currently all of the Trust's sales are denominated in Canadian dollars, which is the Trust's functional currency, and as such the Trust does not have any foreign currency exchange rate risk with respect to revenues. The Trust estimates that less than 25% of its operating expenses (first quarter of 2008 - less than 10%) were denominated in a foreign currency during the three month period ending March 31, 2009. Where foreign currency denominated purchases are made, it is the Trust's practice to purchase sufficient funds in the foreign currency to which the order is denominated to protect against foreign exchange rate changes from the date of invoicing to when payment is made. In addition, pricing to customers is customarily adjusted to reflect changes in the Canadian dollar landed cost of imported goods.

The Trust had no forward exchange rate contracts in place as at or during the three months ended March 31, 2009.

Unaudited (tabular amounts in thousands of Canadian dollars)

- Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate fluctuations on its borrowings which utilize a combination of short term fixed rates through the use of 30 to 90 day Banker's Acceptance and floating rates. For the three month period ending March 31, 2009, if interest rates had been 1% lower with all other variables held constant, after tax net earnings for the period would have been approximately $84,000 higher (first quarter of 2008 - $100,000), due to lower interest expense. An equal and opposite impact would have occurred to net earnings had interest rates been 1% higher. The sensitivity is lower in the first three months of 2009 as compared to the same period in 2008 due to lower outstanding loan balances.

The Trust had no interest rate swap or financial contracts in place as at or during the three months ended March 31, 2009.

6. Distributions Payable

The Trust declared distributions of $0.09 per unit respectively for the three months ended March 31, 2009. Total distributions were $2.6 million for the three ended March 31, 2009, of which $0.9 million was paid on April 15, 2009 in respect of earnings for the month of March 2009.

7. Operating Expenses

The amount of inventory recognized as an expense and included in operating expenses during the first three months of 2009 was $11.6 million (2008 - $5.8 million) in respect of the Gas Compression Services Division.

8. Income Taxes

Income tax expense for the three months ended March 31, 2009 differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates. The reconciliation of the differences are as follows:

	2009	2008
Income tax rate	29.0%	29.5%
Expected tax expense	$ 3,046	$ 3,672
Decrease in taxes resulting from:		
Amounts included in Trust income	(1,034)	(582)
Other	(68)	(237)
Provision for income taxes	$ 1,944	$ 2,853

The business and operations of the Trust are complex and the Trust has executed a number of significant financings, reorganizations, acquisitions and other material transactions over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors as well as the Trust's interpretation of relevant tax legislation and regulations. The Trust's management believes that the provision for income tax is adequate and in accordance with generally accepted accounting principles and applicable legislation and regulations. However, tax filing positions are subject to review by taxation authorities who may successfully challenge the Trust's interpretation of the applicable tax legislation and regulations.

Unaudited (tabular amounts in thousands of Canadian dollars)

9. Unitholders' Capital

Trust Units	Number of Units	Amount
Balance, December 31, 2007	29,500	$ 60,984
Repurchased and cancelled	(443)	(957)
Balance, December 31, 2008	29,057	60,027
Repurchased and cancelled	(7)	(15)
Balance, March 31, 2009	29,050	$ 60,012

Under the provisions of the Trust's normal course issuer bid, during the first three months of 2009 the Trust purchased 6,900 Units at an average price of $3.97 per Unit, including commissions, and these Units were cancelled.

10. Earnings Per Unit

Basic and diluted earnings per unit has been calculated on the basis of the weighted average number of Trust Units outstanding for the three month period ending March 31, 2009 which amounted to 29,050,537 Units (March 31, 2008 - 29,467,033 Units).

11. Seasonality of Operations

The Trust's operations are carried on in Canada. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Trust's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen hard enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the period when the Trust experiences the lowest levels of activity.

12. Contingencies and Commitments

Total Energy Services Ltd. and one of its non-operating subsidiaries have been re-assessed by the Ontario Ministry of Finance and Alberta Finance and Enterprise ("Alberta Finance") on account of a corporate re-organization undertaken prior to Total Energy's trust conversion. The Trust has received both legal and tax advice indicating that the technical merits of the filings positions taken are strong and, as such, no provisions have been taken with respect to the reassessments. The total amount of the reassessments, including interest, is approximately $6.6 million and $7.6 million respectively. The reassessments represent competing claims on the same underlying taxable income, such that the reassessments cannot be successfully applied in both jurisdictions. In addition, the Alberta Finance reassessments include duplicate reassessments on the same underlying taxable income, which duplicate reassessments cannot both be successfully applied. Further, it is the Trust's position that the applicable limitation period has expired with respect to a significant portion of the Alberta reassessments making such reassessments invalid. The Trust is vigorously defending the filing position taken in both jurisdictions and has filed notices of objection to the reassessments with provincial taxation authorities. These various reassessments relate to approximately $2.6 million of alleged underlying income taxes owing for the period from 2002 to the conversion of Total Energy to a trust in 2005.

The Trust, in the normal course of operations, will become subject to a variety of legal and other claims against the Trust. Management and the Trust's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Trust will not be material to the Trust.

The Trust has purchase obligations of $2.2 million as at March 31, 2009 relating to commitments to acquire equipment and inventory.

13. Subsequent Event

Bill C-52 Budget Implementation Act, 2008 ("Bill C-52"), which was substantively enacted by the Canadian government in June of 2008, imposes a tax on certain distributions from publicly traded specified income flow-through trusts ("SIFT") and will apply to distributions made by the Trust to its unitholders. Bill C-52 results in a tax structure for trusts similar to that of corporations, whereby distributions are subject to income tax at both the Trust level and the personal income tax level. The SIFT tax measures take effect on January 1, 2011, or earlier if the Trust exceeds certain permitted growth guidelines established by the Canadian Department of Finance.

In response to Bill C-52 the Trust entered into an agreement (the "Arrangement Agreement") on March 19, 2009 pursuant to which, among other things, the Trust will convert from a trust to a corporation (the "Conversion"). The Conversion will occur pursuant to a statutory plan of arrangement under Section 193 of the Business Corporations Act (Alberta) (the "Plan of Arrangement") and is expected to become effective prior to May 31, 2009. Under the Plan of Arrangement, Total Unitholders will receive one common share of Total Energy Services Inc. ("New Total") in exchange for every trust unit held on the effective date of the Conversion. Upon completion of the Conversion, New Total will operate the existing businesses of the Trust and its subsidiaries and the existing board and management of TESL will become the board and management of New Total. New Total is not, as a consequence of the Conversion, acquiring any additional businesses. The Trust, Total Energy Services Ltd. and Biomerge Industries Ltd. ("Biomerge") are parties to the Plan of Arrangement, pursuant to which Biomerge securityholders will receive consideration in the form of cash and common shares of New Total of an aggregate value, calculated in accordance with the Plan of Arrangement, not to exceed $3.9 million, subject to the adjustments provided for pursuant to the Arrangement Agreement.

The Conversion is subject to various customary commercial conditions, including the receipt of regulatory approvals which include the approval of The Toronto Stock Exchange. The Conversion is also subject to the approval of the court and of not less than $66^{2/3}$% of the votes cast by Total Unitholders and the holders of voting and non-voting shares of Biomerge at the respective securityholder meetings called to approve, among other things, the Conversion.

Complete details of the terms of the Plan of Arrangement are set out in the Arrangement Agreement that has been filed by the Trust on SEDAR. (www.sedar.com)

Unaudited (tabular amounts in thousands of Canadian dollars)

14. Segmented Information

The Trust operates in three main industry segments which are substantially in one geographic segment. These segments are Contract Drilling Services, which includes the contracting of drilling equipment and the provision of labour required to operate the equipment, Drilling and Production Rentals, which includes the rental and transportation of equipment used in drilling and production operations and Gas Compression Services, which includes the fabrication, sale, rental and servicing of natural gas compression equipment.

As at and for the three months ended March 31, 2009 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other(2)	Total
Revenue	$ 7,016	$ 21,496	$ 15,973	$ —	$ 44,485
Operating earnings (loss) (1), (3)	1,362	8,223	1,373	(697)	10,261
Depreciation	851	2,349	338	7	3,545
Assets	71,510	118,011	55,348	1,235	246,104
Goodwill	—	2,514	1,539	—	4,053
Capital expenditures	3,385	1,660	414	—	5,459

As at and for the three months ended March 31, 2008 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other(2)	Total
Revenue	$ 11,604	$ 23,118	$ 8,804	$ —	$ 43,526
Operating earnings (loss) (1), (3)	3,113	9,575	974	(1,221)	12,441
Depreciation	1,104	2,034	305	9	3,452
Assets	69,372	110,735	49,805	7,356	237,268
Goodwill	—	2,514	1,539	—	4,053
Capital expenditures	689	787	1,025	—	2,501

(1) Operating earnings (loss) are earnings before gain on disposal of equipment and income taxes.
(2) Other includes the Trust's corporate activities and in 2008 "Assets" includes taxes receivable of $5.7 million.
(3) Included in operating earnings (loss) for each reportable segment in 2009 is interest expense paid on the Trust's operating line of credit, which interest expense is disclosed as "Other interest" in the Trust's financial statements. This interest is allocated to each reportable segment based on the relative amount of capital each segment employes.

BOARD OF DIRECTORS

Bruce Pachkowski [2,3]
Chairman of the Board

Daniel Halyk
President and Chief Executive Officer

Gregory Fletcher [1,2]

Randy Kwasnicia [1,3]

Thomas Stan [1,3]

Andrew Wiswell [2]

1 Member of the Compensation Committee
2 Member of the Audit Committee
3 Member of the Corporate Governance and Nominating Committee

MANAGEMENT TEAM

TOTAL ENERGY SERVICES LTD.

Daniel Halyk
President and Chief Executive Officer

Brad Macson
Vice President Operations

Mark Kearl
Vice President Finance and Chief Financial Officer

Larry Coston
Vice President Sales and Marketing

Terence Bell
General Counsel and Corporate Secretary

CHINOOK DRILLING, a division of Total Energy Services Ltd.

Rod Rundell - General Manager

TOTAL OILFIELD RENTALS, a division of Total Energy Services Ltd.

Gerry Crawford - General Manager

BIDELL EQUIPMENT LIMITED PARTNERSHIP

Warren Craddock - General Manager

CORPORATE INFORMATION

HEAD OFFICE
Suite 2550, 300 - 5th Avenue S.W.,
Calgary, Alberta
T2P 3C4

Telephone: (403) 216-3939
Toll Free: (877) 818-6825
Telefax: (403) 234-8731
website: www.totalenergy.ca
email: investorrelations@totalenergy.ca

AUDITOR
KPMG LLP
Calgary, Alberta

TRUSTEE, REGISTRAR AND TRANSFER AGENT
Olympia Trust Company
Calgary, Alberta

LEGAL COUNSEL
Bennett Jones, LLP
Calgary, Alberta

BANKER
HSBC
Calgary, Alberta

STOCK EXCHANGE LISTING
Toronto Stock Exchange
Symbol: TOT.UN