

FOCUS DISCIPLINE GROWTH

Third Quarter Report 2009

TOTAL ENERGY SERVICES INC.

Total Energy Services Inc. ("Total Energy" or the "Company") is a growth oriented energy services company 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 shares of Total Energy are listed and trade on the Toronto Stock Exchange under the symbol TOT.

report to shareholders 1

management's discussion and analysis 4

financial statements 24

notes to financial statements 27

REPORT TO SHAREHOLDERS

Total Energy's financial results for the three months ended September 30, 2009 reflect continued challenging industry conditions. The number of wells rig released in Western Canada during the quarter was more than 60% below the third quarter average for the nine years since 2000. In the context of this difficult environment and in light of the low level at which the Company utilized its asset base, I am pleased that Total Energy remained profitable during the third quarter. Our strategy to refuse to work at unreasonable prices in our Contract Drilling and Drilling and Production Rentals divisions will pay dividends in the future as we will avoid the significant costs associated with equipment wear and tear. Despite a very challenging natural gas market, our Gas Compression Services division performed reasonably well during the third quarter as demand for the NOMAD™ line of proprietary mobile compression continued to mitigate a significant decline in demand for conventional compression equipment.

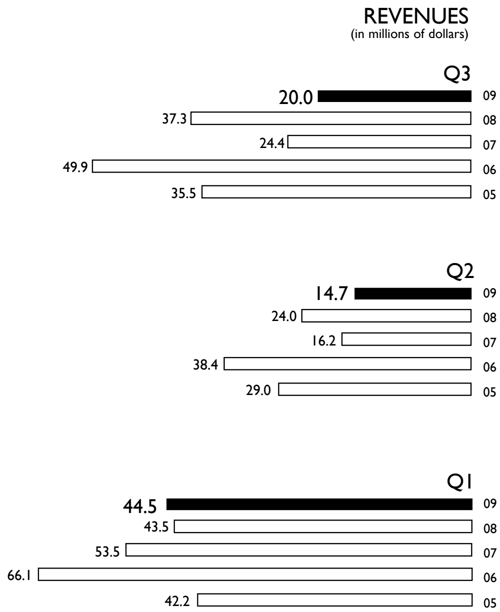
LOOKING FORWARD

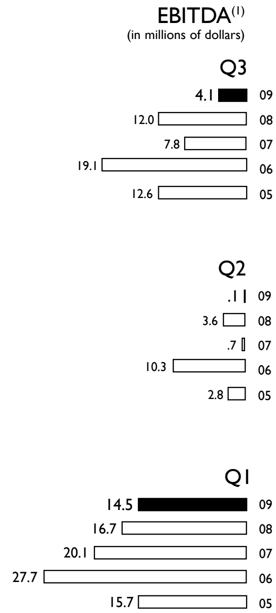
Current industry conditions in Canada remain challenging. Low natural gas prices combined with excess service industry capacity have made for difficult industry conditions. However, coming out of the third quarter we have seen a modest recovery in drilling rig spot market prices to a level where Total Energy is willing to work our equipment. As well, our exposure to northern drilling and completion activity within our Drilling and Production Rentals division should benefit the Company as activity ramps up into the first quarter given that many northern locations are accessible only during the winter. Finally, recent developments within the Canadian natural gas compression industry, particularly the decision of a large multi-national competitor to close its Canadian fabrication operations and the potential combination of two large public competitors, give rise to the opportunity for our Gas Compression Services division to capture market share in Canada. This division also continues to pursue select international opportunities.

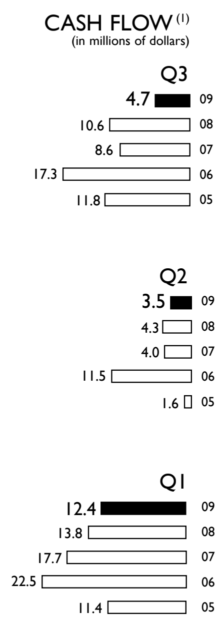
Despite prolonged challenging industry conditions, Total Energy's balance sheet remains strong with a long-term debt to long-term debt plus shareholder equity ratio of 0.15 to 1.0, $10.2 million of positive working capital and $6.4 million of net debt as at September 30, 2009. At September 30, 2009, $22.5 million was available to Total Energy under its existing credit facilities, subject to normal margining requirements. Management continues to work to identify and evaluate acceptable investment opportunities having regard to the need to prudently manage the Company's balance sheet should challenging industry conditions persist.

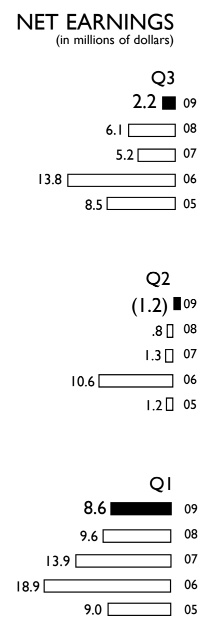
On behalf of the board of directors, management and staff of Total Energy, I would like to thank our shareholders for their continued support and confidence during these challenging times.

DANIEL K. HALYK
President and Chief Executive Officer
November 2009









(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.

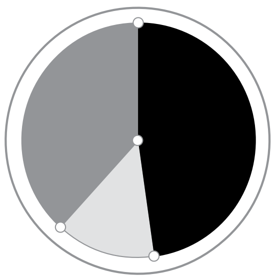
SEGMENTED INFORMATION

FOR THE NINE MONTHS ENDED SEPT 30, 2009

(in thousands of Canadian dollars; Unaudited)

REVENUE DIVERSIFICATION

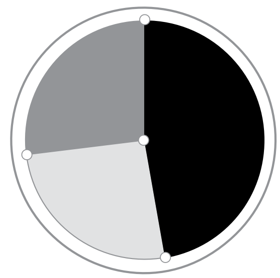
2009



$79,211

- $11,169 Contract drilling
- $37,850 Drilling and production rentals
- $30,192 Gas compression

2008

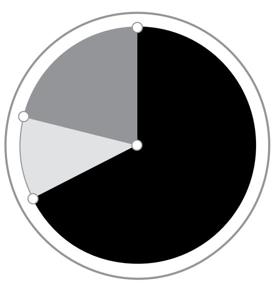


$104,770

- $27,219 Contract drilling
- $49,522 Drilling and production rentals
- $28,029 Gas compression

OPERATING EARNINGS [(1)]

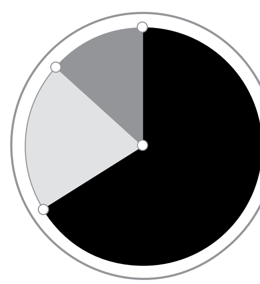
2009



$8,619

- $1,346 Contract drilling
- $7,972 Drilling and production rentals
- $2,473 Gas compression
- $(3,172) Other[(2)]

2008



$19,898

- $4,604 Contract drilling
- $14,950 Drilling and production rentals
- $3,008 Gas compression
- $(2,664) Other[(2)]

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

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

The following MD&A, dated November 4, 2009, focuses on key statistics from the consolidated financial statements of Total Energy Services Inc. (the "Company" 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 and nine months ended September 30, 2009, should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 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 and nine months ended September 30, 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 Company's Annual Information Form ("AIF"). Additional information relating to Total Energy, including the Company'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 expectations regarding the payment of dividends in the future. 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 Company 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 Company's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Company's various business divisions to attract and maintain key personnel and other qualified employees, various environmental risks to which the Company's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Company'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 Company 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 Company (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 Company'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 Company 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. Although management of the Company 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 Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in additional detail in this MD&A under the heading "Risk Factors" below and in the Company's AIF. Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether as a result of new information, future events or otherwise.

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 Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, 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 Company's disclosure controls and procedures in order to provide reasonable assurance that the information required to be disclosed by the Company 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 Company 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 Company's internal controls over financial reporting during the quarter ended September 30, 2009 that would materially affect, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

While the Officers have designed the Company'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 reorganization costs, 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 Company'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 Company'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. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measure is outlined below.

Operating earnings

(in thousands of Canadian dollars)

	Three months ended Sept 30, 2009	Three months ended Sept 30, 2008	Nine months ended Sept 30, 2009	Nine months ended Sept 30, 2008
Net earnings	$ 2,185	$ 6,080	$ 9,509	$ 16,471
Add back (deduct):				
Reorganization costs	—	—	809	—
Gain on disposal of equipment	(66)	(148)	(309)	(233)
Income tax expense (recovery)	(1,497)	1,521	(1,471)	3,660
Operating earnings	$ 622	$ 7,453	$ 8,619	$ 19,898

EBITDA

(in thousands of Canadian dollars)

	Three months ended Sept 30, 2009	Three months ended Sept 30, 2008	Nine months ended Sept 30, 2009	Nine months ended Sept 30, 2008
Net earnings	$ 2,185	$ 6,080	$ 9,509	$ 16,471
Add back (deduct):				
Depreciation	3,094	3,847	9,552	10,154
Other interest	106	263	434	965
Interest on long-term debt	257	282	671	1,031
Income tax expense (recovery)	(1,497)	1,521	(1,471)	3,660
EBITDA	$ 4,145	$ 11,993	$ 18,695	$ 32,281

CASHFLOW

(in thousands of Canadian dollars)

	Three months ended Sept 30, 2009	Three months ended Sept 30, 2008	Nine months ended Sept 30, 2009	Nine months ended Sept 30, 2008
Cash provided by operations	$ 808	$ 12,236	$ 28,231	$ 35,631
Add back (deduct):				
Changes in non-cash working capital items	3,884	(1,669)	(7,567)	(6,894)
Cashflow	$ 4,692	$ 10,567	$ 20,664	$ 28,737

BUSINESS OF THE COMPANY

Total Energy is a public energy services company based in Calgary, Alberta. Through its wholly owned subsidiary, Total Energy Services Ltd. and its wholly owned limited partnership, Bidell Equipment 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 Company 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 shareholders through the disciplined management of its operations and a commitment to growing its business in a capital efficient manner. Historically, Total Energy focused on the WCSB and intentionally levered its business more towards the exploration and production of natural gas than conventional oil. The Company 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 natural 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 shareholder value. Total Energy has achieved its growth by maintaining a disciplined acquisition strategy and undertaking measured and strategic organic growth. The Company intends to achieve ongoing expansion through organic growth and selective acquisitions.

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

Contract Drilling Services: The Company has targeted the sub-4000 meter market in western Canada. Currently the Company operates a fleet of 14 rigs all constructed in 1997 or later. Of these rigs, 12 are Rigmaster telescopic doubles rated to depths of up to 3,400 meters and two are Failing 3500 singles rated to 1,200 meters. The Company is focused on establishing a rig fleet size of 15-20 rigs to obtain the marketing and operational efficiencies enjoyed by a larger fleet. The Company 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.

Drilling and Production Rentals: Historically northern Alberta and northeastern British Columbia were the primary markets for the Company's drilling and production rentals and oilfield transportation services. In the fourth quarter of 2007, this division expanded its operations into southeastern Saskatchewan. The Company now operates out of 17 locations throughout Western Canada. The Company currently owns and operates approximately 4,500 pieces of rental equipment as well as a modern fleet of 74 heavy trucks. The Company 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 Company 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. The Company is also examining opportunities to expand its product and service offering.

Gas Compression Services: The Company has historically targeted the sub-3000 horsepower gas compression market in western Canada. Recently, the Company 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 Company has and will continue to compete with its larger competitors by providing quality equipment and maintaining an efficient business model. The Company 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 Company 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 Company is also focused on expanding its parts and service business in the WCSB.

OVERALL PERFORMANCE

The third quarter of 2009 was challenging for the Company. In what is typically the Company's second slowest quarter due to the seasonality of its operations, overall industry activity levels reached multi year lows due to global economic and financial market challenges and low commodity prices, specifically with respect to natural gas. As a result, Company revenues decreased by 46% from the prior year comparable quarter. Notwithstanding challenging market conditions, the Company recorded net earnings of $2.2 million for the third quarter of 2009 compared to net earnings of $6.1 million in the third quarter of 2008. Net earnings were positively impacted by an income tax recovery of $1.5 million in the third quarter of 2009 versus income tax expense of $1.5 million recorded in the third quarter of 2008.

Notwithstanding a difficult industry environment, the Company's financial condition remains strong. The Company realized a 41% working capital increase during the first nine months of 2009, from $7.3 million as at December 31, 2008 to $10.2 million as at September 30, 2009. As at September 30, 2009 long-term debt (including current portion) to long-term debt plus equity was 0.15 to 1.0 (December 31, 2008 - 0.13 to 1.0) and the Company had $6.4 million of net debt (net debt being long-term debt plus obligations under capital leases plus current liabilities minus 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 and, to a lesser extent, in other markets in which the Company's Gas Compression Services division competes.
- 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 Company's access to debt and equity, which in turn affects the Company's cost of capital and economic rate of return on the Company'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.
- Ongoing technological developments that influence resource development.

There are several key performance measures the Company 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 Company 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 Company 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 Company 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 Company'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 Company believes that it presently has sufficient human resources to successfully operate its business and to execute its strategic plan.

Capital Resources: The Company 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 Company's operational systems and processes are continually reviewed by management. The Company 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. The Company has recently upgraded 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 Company's AIF, the following factors impact Total Energy's business:

Seasonality and Cyclicality: The Company'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 Company currently has no material long-term contracts in place for the provision of its equipment and services.

Seasonality impacts the Company's operations. The Company'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 Company'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 Company's slowest period.

Trends and Outlook: The Company remains cautious regarding the near to medium term impact of the global financial crisis and ensuing economic challenges and low commodity prices and expects industry conditions for the remainder of 2009 to remain 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 Company believes that long-term fundamentals require continued exploration and development in the WCSB and elsewhere, 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 Company has levered its operations towards the exploration and production of natural gas as the Company anticipated this commodity to be a strong driver of exploration and production activity in the WCSB. 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 Company 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. Increased focus on the development of unconventional natural gas resources in the WCSB is expected to drive natural gas exploration, development and production activity in the future. In 2007 the Company 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 reduced their 2009 WCSB capital budgets materially compared to 2008 capital expenditure levels and, as such, 2009 has been a challenging year.

Governmental and Environmental Regulation and Risk Management: The Company has a comprehensive insurance and risk management program in place to protect its assets, operations and employees. The Company also has programs in place to ensure it meets or exceeds current safety and environmental standards. The Company has safety and environmental personnel responsible for maintaining and developing the Company's policies and monitoring the Company'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 Company.

RESULTS OF OPERATIONS

Consolidated Revenue

Revenues decreased 46% to $20.0 million for the three months ended September 30, 2009 versus $37.3 million for the same period in 2008 and decreased 24% to $79.2 million for the nine months ended September 30, 2009 versus $104.8 million for the same period in 2008.

DIVISIONAL REVENUE

Divisional revenues for the three months ended September 30, 2009 were $3.3 million for Contract Drilling Services, $9.2 million for Drilling and Production Rentals and $7.5 million for Gas Compression Services. Divisional revenues for the nine months ended September 30, 2009 were $11.2 million for Contract Drilling Services, $37.9 million for Drilling and Production Rentals and $30.2 million for Gas Compression Services.

Contract Drilling Services

The revenue reported from Total Energy's Contract Drilling Services division decreased by 71% to $3.3 million for the three months ended September 30, 2009 as compared to $11.3 million for the same period in 2008, and decreased by 59% to $11.2 million for the nine months ended September 30, 2009 as compared to $27.2 million for the same period in 2008. Revenues decreased from the prior year comparable periods due to lower utilization and pricing. For the third quarter of 2009 the Contract Drilling Services division achieved a utilization rate, on a spud to release basis, of 14% and a year to date utilization rate of 18%, as compared to 65% and 49% respectively for the same periods in 2008. Operating days (spud to release) for the three and nine months ended September 30, 2009 totaled 172 days and 637 days respectively, as compared to 772 days and 1,738 days respectively for the same periods in 2008. Revenue per operating day received for contract drilling services for the three and nine months ended September 30, 2009 increased by 31% and 12% respectively as compared to the same periods in 2008. The increases were due primarily to a $0.9 million payment received in the third quarter of 2009 in consideration of the termination of a one year contract on its newly constructed fourteenth drilling rig.

Drilling and Production Rentals

The revenue reported from Total Energy's Drilling and Production Rentals division decreased by 44% to $9.2 million for the three months ended September 30, 2009 as compared to $16.5 million for the same period in 2008, and decreased by 24% to $37.9 million for the nine month period ended September 30, 2009 as compared to $49.5 million for the same period in 2008. Revenue decreased from the prior year comparable periods due to lower fleet utilization and lower pricing. Average utilization of the rental assets was 27% and 33% respectively for the three and nine month periods ended September 30, 2009 as compared to 55% and 51% respectively for the comparable periods in 2008. This division exited the third quarter of 2009 with approximately 4,500 pieces of rental equipment as compared to 4,300 pieces at the end of the third quarter of 2008. This division also exited the third quarter of 2009 with a fleet of 74 heavy trucks compared to 72 heavy trucks at the end of the third quarter of 2008.

Gas Compression Services

The revenue reported from Total Energy's Gas Compression Services division decreased by 21% to $7.5 million for the three months ended September 30, 2009 as compared to $9.4 million for the same period in 2008, and increased by 8% to $30.2 million for the nine month period ended September 30, 2009 as compared to $28.0 million for the same period in 2008. The revenue variances from the prior year comparable periods were due primarily to varying levels of demand from this division's customers and customer preference to purchase or lease equipment. This division exited the third quarter of 2009 with a backlog of fabrication orders of approximately $8.4 million, as compared to a backlog of $24.8 million as at September 30, 2008. As at September 30, 2009 the total horsepower of compressors on lease was approximately 16,800 as compared to approximately 10,800 as at September 30, 2008. The compression rental fleet experienced an average utilization of 84% (based on fleet horsepower) for the first nine months of 2009 as compared to 73% for the same period in 2008.

Other

Total Energy's Other division consists of the Company'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 Company.

Operating Expenses

Operating expenses decreased 41% to $12.4 million for the three months ended September 30, 2009 as compared to $20.9 million for the same period in 2008, and decreased by 20% to $47.7 million for the nine months ended September 30, 2009 as compared to $59.8 million for the same period in 2008. The decreases resulted primarily from decreased costs associated with decreased activity levels. The gross margin percentage for the three and nine months ended September 30, 2009 was 38% and 40% respectively as a percentage of revenue as compared to 44% and 43% for the comparable periods in 2008. The gross margin percentage decreases are due primarily to lower activity levels and the high relative fixed operating cost structure in the Drilling and Production Rentals division and the under absorption of manufacturing overhead as a result of lower production levels in the Gas Compression Services Division. Increased revenue contribution from the Gas Compression Services Division as a percentage of total revenues for 2009 as compared to 2008 also reduced the gross margin percentage as the Gas Compression Services Division 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 decreased by 26% to $3.3 million for the three months ended September 30, 2009 as compared to $4.5 million for the same period in 2008, and decreased by 13% to $11.3 million for the nine month period ended September 30, 2009 as compared to $12.9 million for the same period in 2008. The decreases resulted primarily from decreased costs associated with decreased revenues and efforts to reduce costs during these difficult industry conditions. Included in these costs are compensation for directors and officers pursuant to the Company's cash based compensation plan. Selling, general and administrative expenses also include salaries and benefits for office staff, rent, utilities, and communications in the Company's various divisional offices and its corporate head office as well as professional fees and other costs to maintain the Company's public listing.

Share Based Compensation Expense

Share based compensation was $0.2 million and $1.0 million respectively for the three and nine month periods ended September 30, 2009 versus nil for the prior year comparable periods. The share based compensation expense arises from share options granted pursuant to a new share option plan implemented during the second quarter of 2009. Additional information with respect to the plan is outlined in note 11 to the Unaudited Interim Consolidated Financial Statements.

Depreciation Expense

Depreciation expense decreased 20% and 6% respectively for the three and nine month periods ended September 30, 2009 to $3.1 million and $9.6 million respectively, as compared to $3.8 million and $10.2 million respectively for the prior year comparable periods. The decreases are due primarily to lower equipment utilization in Contract Drilling Services. All of the Company'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 $0.1 million and $0.4 million respectively for the three and nine month periods ended September 30, 2009 as compared to $0.3 million and $1.0 million respectively for the comparable periods in 2008. Other interest expense is interest paid on advances under the Company's operating line of credit. The decreases in other interest expense were due primarily to lower loan balances and lower applicable interest rates.

Interest on Long-term Debt

Interest on long-term debt was $0.3 million and $0.7 million respectively for the three and nine month periods ended September 30, 2009 as compared to $0.3 million and $1.0 million respectively for the comparable periods in 2008. The decrease in interest on long-term debt for the nine month period ended September 30, 2009 was due primarily to lower average loan balances and lower applicable interest rates. Included in interest on long-term debt is interest on capital leases.

Operating Earnings

Operating earnings decreased 92% to $0.6 million in the third quarter of 2009 as compared to $7.5 million for the comparable period in 2008. For the nine month period ended September 30, 2009 operating earnings decreased 57% to $8.6 million from $19.9 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 and lower operating earnings margins in the Gas Compression Services division.

The Contract Drilling Services division contributed operating earnings of $0.5 and $1.3 million respectively for the three and nine months ended September 30, 2009, as compared to operating earnings of $2.3 million and $4.6 million respectively for the comparable periods in 2008. The operating earnings margin in this division was 16% and 12% respectively for the three and nine months ended September 30, 2009 as compared to 20% and 17% for the comparable periods in 2008. The decreases in operating earnings margin resulted primarily from decreased activity levels in this division.

The Drilling and Production Rentals division contributed operating earnings of $0.3 million and $8.0 million respectively for the three and nine months ended September 30, 2009, as compared to $5.3 million and $15.0 million for the comparable periods in 2008. The operating earnings margin in this division was 4% and 21% respectively for the three and nine month periods ended September 30, 2009 as compared to 32% and 30% for the comparable periods in 2008. The decreases in operating earnings margin resulted primarily from decreased activity levels in this division.

The Gas Compression Services division contributed operating earnings of $0.7 million and $2.5 million respectively for the three and nine month periods ended September 30, 2009 as compared to $0.7 million and $3.0 million for the comparable periods in 2008. The operating earnings margin in this division was 9% and 8% respectively for the three and nine months periods ended September 30, 2009 as compared to 8% and 11% respectively for the corresponding periods in 2008. The decrease in operating earnings margin for the nine month period ended September 30, 2009 resulted primarily from under absorption of manufacturing overhead as a result of lower production levels in 2009 and increased overhead costs associated with the expansion of its parts and service business that began during the second quarter of 2008, offset somewhat by increased compression rental revenues which generally have higher margins relative to other revenue sources.

The Other division had operating losses of $0.9 million and $3.2 million respectively for the three and nine month periods ended September 30, 2009 as compared to $0.9 million and $2.7 million for the corresponding periods in 2008. The increase in the operating loss for the nine month period ended September 30, 2009 is due primarily to $1.0 million of share based compensation expense that was incurred in 2009 with no corresponding expense in 2008. 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 $66,000 and $309,000 respectively for the three and nine month periods ended September 30, 2009 as compared to $148,000 and $233,000 for the comparable periods in 2008. Disposals of equipment result from the replacement and upgrade of older equipment in the Company'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 (Loss)

The Company recorded net earnings of $2.2 million ($0.08 per share on a diluted basis) and net earnings of $9.5 million ($0.33 per share on a diluted basis) respectively for the three and nine months ended September 30, 2009 as compared to net earnings of $6.1 million ($0.21 per share on a diluted basis) and $16.5 million ($0.69 per share on a diluted basis) for the corresponding periods in 2008. The Company recorded current income tax recoveries of $0.7 million and $2.4 million respectively for the three and nine months ended September 30, 2009 as compared to current income tax expense of $0.7 million and $1.3 million for the corresponding periods in 2008. The Company recorded a future income tax recovery of $0.8 million and future income tax expense of $0.9 million for the three and nine months ended September 30, 2009 as compared to future income tax expense of $0.8 million and $2.3 million for the corresponding periods in 2008. This resulted in an effective tax rate that was negative for the three and nine month periods ended September 30, 2009, as compared to an effective tax rate of 20% and 18% respectively for the comparable periods in 2008. The decrease in the effective tax rate for the three and nine months ended September 30, 2009 versus the prior year comparable periods resulted primarily from decreased earnings before income taxes in 2009 and the utilization of income tax pools acquired by the Company as part of its conversion from a trust to a corporation.

Total Energy Services Ltd. and one of its non-operating subsidiaries have been re-assessed by the Ontario Ministry of Finance ("Ontario Finance"), Alberta Finance and Enterprise ("Alberta Finance") and the Canada Revenue Agency ("CRA") on account of a corporate re-organization undertaken prior to Total Energy's conversion to a trust in 2005. The Company 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 $6.8 million, $7.7 million and $0.2 million respectively. The Ontario Finance and CRA reassessments represent competing claims on the same underlying taxable income as the Alberta Finance reassessments, such that the Ontario Finance and CRA reassessments cannot be successfully applied with the Alberta Finance reassessments. 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 Company's position that the applicable limitation period has expired with respect to a significant portion of the Alberta reassessments making such reassessments invalid. The Company is vigorously defending the filing position taken and has filed notices of objection to the reassessments with the provincial taxation authorities and CRA. 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 April 2005.

LIQUIDITY AND CAPITAL RESOURCES

Cash Provided by Operations

Cash provided by operations decreased by 93% and 21% respectively for the three and nine months ended September 30, 2009 to $0.8 million and $28.2 million respectively as compared to $12.2 million and $35.6 million for the comparable periods in 2008. Cashflow decreased by 56% and 28% respectively for the three and nine months ended September 30, 2009 to $4.7 million and $20.7 million respectively as compared to $10.6 million and $28.7 million for the comparable periods in 2008. These decreases are due primarily to decreased operating earnings. The Company reinvests the remaining cash provided by operations after dividend payments to shareholders into the internal growth of existing businesses, acquisitions, the repayment of long-term debt and obligations under capital leases, or the repurchase of Company shares pursuant to the Company's normal course issuer bid.

Investments

Net cash used in investment activities for the three and nine months ended September 30, 2009 was $1.8 million and $21.0 million respectively, as compared to $10.0 million and $15.5 million for the comparable periods in 2008. The majority of cash used in 2009 and 2008 for investment activities related to the purchase of property, plant and equipment. Purchases of property, plant and equipment during the first nine months of 2009 were allocated as follows: $5.7 million in the Contract Drilling Services division relating primarily to the construction of Rig 14, $2.2 million in the Drilling and Production Rentals division relating primarily to the purchase of two heavy trucks and rental equipment and $7.0 million in the Gas Compression Services division relating primarily to additions to the compression rental fleet. During the first nine months of 2008, the property, plant and equipment additions were as follows: $4.7 million in the Contract Drilling Services division, $11.6 million in the Drilling and Production Rentals division and $4.4 million in the Gas Compression Services division. Also included in net cash used in investment activities for 2009 is the amount paid pursuant to the Company's conversion from the trust structure to the corporate structure. The purchase of property, plant and equipment during the three and nine months ended September 30, 2009 were offset by proceeds on disposal of property, plant and equipment of $0.7 million and $2.2 million respectively, as compared to $0.8 million and $1.5 million for the comparable periods in 2008. The disposal of equipment during the first nine months of 2009 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 Company's Drilling and Production Rentals division.

Financing

For the three month period ended September 30, 2009 net cash generated in financing activities was $1.0 million. For the nine month period ended September 30, 2009 net cash used in financing activities was $7.3 million. For the three and nine month periods ended September 30, 2008 net cash used in financing activities was $2.2 million and $20.2 million respectively. The decrease in net cash used in financing activities during the first nine months of 2009 as compared to 2008 was due primarily to long-term debt advances made during the first nine months of 2009 and reduced distributions to shareholders. During the nine month period ended September 30, 2009 the Company had advances of long-term debt of $12.0 million as compared to $3.0 million during the corresponding period in 2008. The increase in advances of long-term debt was due primarily to reductions made to the Company's outstanding bank indebtedness. The Company had a net decrease in bank indebtedness of $8.7 million for the nine month period ended September 30, 2009 as compared to $4.8 million for the corresponding period in 2008.

Liquidity

The Company had a working capital surplus of $10.2 million as at September 30, 2009 as compared to $7.9 million at the end of the third quarter of 2008. The increase in the Company's working capital position is primarily due to reduced bank indebtedness as at September 30, 2009 versus September 30, 2008. As at September 30, 2009 and the date of this MD&A, the Company is in material compliance with all debt covenants and is able to fully utilize all existing credit facilities subject to normal margining requirements. The annual review of the Company's credit facilities was completed by its primary lender during the third quarter of 2009 and the following material changes were made to the Company's credit facilities as part of the renewal: the interest rates being charged on amounts outstanding under the facilities were increased by 100 basis points and the long-term debt facility was changed to a 364 day plus 1 year facility such that in the event of non-renewal all amounts owing under the facility are due and payable on the one year anniversary following non-renewal. The Company believes that it has sufficient liquidity to operate its business and execute its strategic plan for the foreseeable future.

Dividends and Distributions

During the third quarter of 2009 dividends of $0.9 million were declared to shareholders. Prior to the Company's conversion from a trust to a corporation in May 2009 distributions of $3.5 million were declared to unitholders in respect of earnings for the first four months of 2009. For the three and nine month periods ended September 30, 2008 distributions to unitholders were $2.7 million and $8.0 million respectively.

For the three and nine month periods ended September 30, 2008, cashflow exceeded distributions by $7.9 million and $20.8 million respectively. For the three and nine month periods ended September 30, 2008 cash provided by operations exceeded distributions by $9.6 million and $27.7 million respectively. For the three and nine month periods ended September 30, 2008 net earnings exceeded distributions by $3.4 million and $8.5 million respectively.

Over the entire fiscal year the Company expects cash flow, cash provided by operations and net earnings to exceed dividends. Management and the board of directors of the Company will monitor the Company's dividend policy with respect to forecasted net earnings, cashflow, cash provided by operations, debt levels, capital expenditures and other investment opportunities and will aim to finance future dividends through cash provided by operations.

SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars except per share amounts)

	Financial Quarter Ended (Unaudited)			
	Sept 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008
Revenue	$ 20,004	$ 14,722	$ 44,485	$ 49,712
Cashflow (1)	4,692	3,534	12,438	13,675
Cash provided by operations	808	19,007	8,416	13,122
Net earnings (loss)	2,185	(1,236)	8,560	8,862
Per share (basic and diluted)	0.08	(0.04)	0.29	0.30

	Financial Quarter Ended (Unaudited)			
	Sept 30, 2008	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007
Revenue	$ 37,266	$ 23,978	$ 43,526	$ 41,528
Cashflow (1)	10,567	4,343	13,827	11,822
Cash provided by operations	12,236	16,038	7,357	8,700
Net earnings	6,080	797	9,594	10,415
Per share (basic and diluted)	0.21	0.02	0.33	0.35

(1) Refer to "Non-GAAP Measures" for further information

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 Company. This strength is due to the northern exposure that the Company 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 Company 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.

CONTRACTUAL OBLIGATIONS

At September 30, 2009, the Company had the following contractual obligations:

	Payments due by year					
(in thousands of dollars)	Total	2009	2010	2011	2012	2013 and thereafter
Bank indebtedness (1)	$ 16,093	$ 16,093	$ —	$ —	$ —	$ —
Long-term debt (2)	26,418	2,600	9,852	5,700	5,150	3,116
Commitments (3)	5,828	619	1,930	1,551	1,230	498
Capital leases	1,077	119	522	382	54	—
Purchase obligations (4)	553	553	—	—	—	—
Total contractual obligations	$ 49,969	$ 19,984	$ 12,304	$ 7,633	$ 6,434	$ 3,614

(1) Bank indebtedness is described in Note 6 to the Unaudited Interim Consolidated Financial Statements and the 2008 Audited Consolidated Financial Statements

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

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

(4) Purchase obligations are described in Note 11 to the 2008 Audited Consolidated Financial Statements and relate primarily to Total Energy's commitment to purchase inventory for the Gas Compression Services division.

OFF-BALANCE SHEET ARRANGEMENTS

At September 30, 2009 and December 31, 2008, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the first nine months of 2009 and 2008 the Company had no material transactions with related parties.

PROPOSED TRANSACTIONS

The Company has not publicly announced any asset or business acquisition or disposition transactions other than the purchase obligations disclosed under the above section Contractual Obligations and a remaining $8.2 million budgeted for expansion of the Gas Compression Services division's compression rental fleet pursuant to the Company's 2009 capital expenditure budget. The Company is in the process of identifying and evaluating additional investment opportunities and appropriate public announcements will be made in the event the Company is successful in securing or completing any of such opportunities.

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 Company to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and different estimates the Company 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 Company 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 Company'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 Company has to make an estimate for the collectibility of its accounts receivable. The Company 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 Company 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 Company 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 Company may be able to use could be materially different in the future. See Note 9 in the notes to the Unaudited Interim Consolidated Financial Statements and the 2008 Audited Consolidated Financial Statements of the Company for further information.

Share-Based Compensation

Share based compensation is calculated using the fair value method based upon the Black-Scholes model. In order to establish fair value, estimates and assumptions are used to determine risk-free interest rate, expected term, anticipated volatility, anticipated dividend yield and forfeiture rate. The use of different assumptions could result in different book values for share based compensation.

CHANGE IN ACCOUNTING POLICIES

Goodwill and Intangible Assets

Effective January 1, 2009, the Company 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 Company's financial statements.

Share-Based Compensation

The Company has a new share option plan as described in note 11 to the Company's Unaudited Interim Consolidated Financial Statements. Share based compensation expense is recorded for share options issued to employees and non-employees using the fair value method. The fair value of employee share options is valued on the date of grant and the resulting fair value is recorded as an expense over the vesting period of the option. The fair value of non-employee share options are revalued each reporting date with the change in fair value on the vested options recorded in the income statement, and the change in fair value on unvested options expensed over the remaining vesting period. When share based compensation is recorded in the income statement a corresponding credit is recorded in Contributed surplus in Shareholders' equity. When share options are exercised the proceeds received net of any directly attributable transactions costs are credited to share capital at nominal value and the share premium transferred from Contributed surplus.

In determining the fair value of the share options granted, the Black-Scholes model is used and assumptions regarding interest rates, underlying volatility of the Company's shares, dividend yields, forfeitures and expected life of the options are made.

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 Company 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 Company expects the transition will impact accounting, financial reporting, internal controls over financial reporting, taxes, and IT systems and processes. The Company has established an internal IFRS implementation team and has developed an implementation plan as outlined below.

The key elements of Company'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 Company 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 Company has not yet determined the full effects of adopting IFRS, the Company 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 Company is assessing additional requirements.

The Company'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 Company 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 Company may use when first adopting IFRS. The most significant exemptions to the Company are as follows:

- *Business combinations*
  business combinations that occurred before the transition date, the Company 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 Company 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 during 2010, along with the testing and implementation phase and a parallel run of Canadian GAAP and IFRS.

Assessment of the impact of the IFRS transition on other areas of the Company'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 Company 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 Company'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 Company'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 Company's MD&A for the year ended December 31, 2010. As at this date the Company 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 Company 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 Company.

- *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 Company 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 Company is currently determining the direction of changes and quantifying the adjustments.

FINANCIAL INSTRUMENTS

Risk management activities

The Company does not have significant exposure to any individual customer or counter party other than one major independent oil and gas company which accounted for 17% of revenue during the nine month period ended September 30, 2009. No other customer accounted for more than 10% of revenue during this period. Concentration of credit risk on the Company's trade accounts receivable exists in the oil and gas industry.

Fair values

The carrying values of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, distributions 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 Company 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 September 30, 2009 virtually all debt was at floating rates.

Foreign currency risk

The Company 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 Company 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 COMPANY SHARE DATA

	As at September 30, 2009 (in thousand of shares) (unaudited)
Company Shares	29,080
Additional Company Shares to be issued	—
Fully diluted Company Shares	29,080

From September 30, 2009 to the date of this report 100,000 common shares have been issued pursuant to the exercise of share options. During the third quarter of 2009 the Company announced the implementation of a normal course issuer bid ("NCIB") pursuant to which it is able to purchase up to 1,445,336 shares until July 10, 2010 for cancellation. To the date of this report 26,730 shares have been purchased under the NCIB.

RISK FACTORS

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

Risks Relating to the Energy Services Business

General

Certain activities of the Company are affected by factors that are beyond its control or influence. The business and activities of the Company 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 Company during 2009, management believes that the Company 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 Company'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 Company's products and services. A significant prolonged decline in commodity prices would have a material adverse effect on the Company's business, results of operations and financial condition, including the Company's ability to pay dividends to its Shareholders.

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 may 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 costs and 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 2007, the Alberta government announced certain changes to the royalty regime in Alberta which became effective January 1, 2009 although subsequent transitional programs and modifications 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 Company. 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 may reasonably be expected to have a positive impact on Total Energy's business.

Any initiatives by Canada or the provinces in which the Company 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 Company participates. The impact of such effects and/or costs is not yet certain.

Credit Risk

A substantial portion of the Company'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 Company does not have significant exposure to any individual customer or counter-party other than one major independent oil and gas company, which accounted for 17% of revenue during the nine month period ended September 30, 2009. No other customer accounted for more than 10% of the Company'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 economic and financial crisis on credit risk to the Company.

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 Company'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 Company participates are highly competitive. The Company 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 Company. 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 Company or that new competitors will not enter the various markets in which the Company is active. In certain aspects of its business, the Company also competes with a number of small and medium-sized companies, which, like the Company, 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 Company 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 Company. The ability of the Company 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 Company 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 Company 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 Company 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 Company 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 Company'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 the Company to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages. Although the Company 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 Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company 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 Company's growth and may have a material adverse effect upon the Company.

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 Company.

TOTAL ENERGY SERVICES INC.

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Sept 30, 2009 (unaudited)	Dec 31, 2008
ASSETS		
Current assets:		
Accounts receivable	$ 15,721	$ 37,274
Inventory	29,114	33,836
Income tax receivable	2,848	—
Prepaid expenses and deposits	2,746	1,319
	50,429	72,429
Property, plant and equipment	174,454	171,033
Goodwill	4,053	4,053
	$ 228,936	$ 247,515
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 6)	$ 16,093	$ 24,830
Accounts payable and accrued liabilities	12,375	29,137
Divdends payable (note 8)	872	—
Distributions payable (note 8)	—	872
Income taxes payable	—	2,336
Current portion of long-term debt (note 7)	10,400	8,000
Current portion of obligations under capital leases	481	—
	40,221	65,175
Long-term debt (note 7)	16,018	13,521
Obligations under capital leases	596	—
Future income taxes (note 9)	4,978	21,443
Deferred tax credit (note 9)	13,493	—
Shareholders' equity:		
Share capital (note 10)	60,210	—
Trust Unit capital (note 10)	—	60,027
Contributed surplus (note 11)	989	—
Retained earnings	92,431	87,349
	153,630	147,376
Basis of presentation (note 1), contingencies and commitments (note 15)		
	$ 228,936	$ 247,515
Supplemental Information:		
Number of common shares outstanding (000's) - Basic and diluted	29,080	29,057

See accompanying notes to the interim consolidated financial statements.

Approved by the Board:

Director, Andrew Wiswell

Director, Bruce L. Pachkowski

TOTAL ENERGY SERVICES INC.

Consolidated Statements of Earnings and Retained Earnings

(in thousands of Canadian dollars except per share amounts)

	Three months ended Sept 30		Nine months ended Sept 30	
	2009 (unaudited)	2008 (unaudited)	2009 (unaudited)	2008 (unaudited)
REVENUE	$ 20,004	$ 37,266	$ 79,211	$ 104,770
Expenses:				
Operating (note 12)	12,386	20,943	47,659	59,807
Selling, general and administration	3,308	4,478	11,287	12,915
Share-based compensation (note 11)	231	—	989	—
Depreciation	3,094	3,847	9,552	10,154
Other interest	106	263	434	965
Interest on long-term debt	257	282	671	1,031
	19,382	29,813	70,592	84,872
Operating earnings	622	7,453	8,619	19,898
Reorganization costs (note 2)	—	—	(890)	—
Gain on disposal of equipment	66	148	309	233
Earnings before income taxes	688	7,601	8,038	20,131
Income tax expense (recovery) (note 9)				
Current	(745)	733	(2,394)	1,315
Future	(752)	788	923	2,345
	(1,497)	1,521	(1,471)	3,660
Net earnings	2,185	6,080	9,509	16,471
Retained earnings, beginning of period	91,175	78,759	87,349	73,812
Dividends (note 8)	(872)	—	(872)	—
Trust distributions (note 8)	—	(2,651)	(3,486)	(7,952)
Repurchase and cancellation of common shares in excess of stated share capital (note 10)	(57)	(634)	(69)	(777)
Retained earnings, end of period	$ 92,431	$ 81,554	$ 92,431	$ 81,554
Earnings per share:				
Basic and diluted (note 13)	$ 0.08	$ 0.21	$ 0.33	$ 0.56

See accompanying notes to the interim consolidated financial statements.

TOTAL ENERGY SERVICES INC.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Three months ended Sept 30 2009 (unaudited)	Three months ended Sept 30 2008 (unaudited)	Nine months ended Sept 30 2009 (unaudited)	Nine months ended Sept 30 2008 (unaudited)
CASH PROVIDED BY (USED IN):				
Operations:				
Net earnings	$ 2,185	$ 6,080	$ 9,509	$ 16,471
Add (deduct) items not affecting cash:				
Depreciation	3,094	3,847	9,552	10,154
Share based compensation (note 11)	231	—	989	—
Gain on disposal of equipment	(66)	(148)	(309)	(233)
Future income taxes (note 9)	(752)	788	923	2,345
	4,692	10,567	20,664	28,737
Changes in non-cash working capital items:				
Accounts receivable	(3,334)	(9,690)	21,553	(3,480)
Inventory	1,369	1,086	4,722	77
Income taxes receivable	(624)	4,179	(2,848)	5,742
Prepaid expenses and deposits	(765)	(361)	(1,427)	(175)
Accounts payable and accrued liabilities	(530)	5,741	(12,097)	3,362
Income taxes payable	—	714	(2,336)	1,368
	808	12,236	28,231	35,631
Investments:				
Purchase of property, plant and equipment	(2,519)	(14,137)	(14,858)	(20,767)
Proceeds on disposal of property, plant and equipment	704	771	2,194	1,479
Transaction with Biomerge Industries Ltd. (note 9)	—	—	(3,639)	—
Changes in non-cash working capital items	5	3,376	(4,665)	3,813
	(1,810)	(9,990)	(20,968)	(15,475)
Financing:				
Advances of long-term debt	—	—	12,000	3,000
Repayments of long-term debt	(2,600)	(2,007)	(7,103)	(8,882)
Advances of obligations under capital leases	80	—	1,523	—
Repayment of obligations under capital leases	(133)	(116)	(446)	(346)
Repurchase of common shares (note 10)	(115)	—	(115)	—
Repurchase of trust units (note 10)	—	(360)	(27)	(1,144)
Dividends to Shareholders (note 8)	(872)	—	(872)	—
Dividends payable (note 8)	872	—	872	—
Distributions to Unitholders (note 8)	—	(2,651)	(3,486)	(7,952)
Distributions payable (note 8)	—	—	(872)	(1)
Increase (decrease) in bank indebtedness	3,770	2,888	(8,737)	(4,831)
	1,002	(2,246)	(7,263)	(20,156)
Change in cash	—	—	—	—
Cash, beginning of period	—	—	—	—
Cash, end of period	$ —	$ —	$ —	$ —
Supplemental information:				
Interest paid	$ 363	$ 537	$ 1,181	$ 2,127
Income taxes paid (received)	$ (121)	$ (4,160)	$ 2,790	$ (5,795)

See accompanying notes to the interim consolidated financial statements.

1. Basis of Presentation

Total Energy Services Inc. (the "Company") is incorporated under the Business Corporations Act (Alberta) (the "Act"). The Company was created out of the conversion of Total Energy Services Trust (the "Trust") to a corporation pursuant to a Plan of Arrangement under the Act, entered into by the Trust, Total Energy Services Ltd. ("TESL") and Biomerge Industries Ltd. ("Biomerge") (the "Reorganization").

Effective upon the closing of the Reorganization on May 20, 2009, the Company became the operator of the business of the Trust and its subsidiaries, and the existing board and management of TESL became the Company's board and management. The Company did not, as a consequence of the Reorganization, acquire any additional business carried on by Biomerge.

Prior to the Plan of Arrangement effective date of May 20, 2009, the interim consolidated financial statements include the accounts of the Trust, its subsidiaries and partnership, all of which are wholly owned. After giving effect to the Plan of Arrangement, the interim consolidated financial statements include the accounts of the Company, its subsidiaries and its partnership. For financial reporting purposes, the Company is considered a continuing entity of the Trust.

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). These unaudited interim consolidated financial statements have been prepared following the same accounting policies and methods of application as the audited consolidated financial statements of the Trust as at and for the year ended December 31, 2008, except as noted in note 3 below. 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. Reorganizing Costs

To effect the conversion to a corporation, the Company incurred $0.9 million of reorganization costs. These costs include fees paid to financial, tax, legal advisors, regulatory fees and other costs which have been recognized in the consolidated statement of earnings.

3. Accounting Policies

Measurement Uncertainty

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

Change in Accounting Policies

Goodwill and intangible assets

Effective January 1, 2009, the Company 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 Company's financial statements.

Share-Based Compensation

The Company has a share option plan as described in note 11. The related share based compensation expense is recorded for share options issued to employees and non-employees using the fair value method. The fair value of employee share options is valued on the date of grant and the resulting fair value is recorded as an expense over the vesting period of the option. The fair value of non-employee share options are revalued each reporting date with the change in fair value on the vested options recorded in the income statement, and the change in fair value on unvested options expensed over the remaining vesting period. When share based compensation is recorded in the income statement a corresponding credit is recorded in Contributed surplus in Shareholders' equity. When share options are exercised the proceeds received net of any directly attributable transactions costs are credited to share capital at nominal value and the share premium transferred from Contributed surplus. To date, share options have only been issued to employees of the Company.

In determining the fair value of the share options granted, the Black-Scholes model is used and assumptions regarding interest rates, underlying volatility of the Company's shares, dividend yields, forfeitures and expected life of the options are made.

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 Company 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. Although the Company has not yet determined the full effects of adopting IFRS, the Company has determined that a key area where the change to IFRS may be significant is with respect to property, plant and equipment. Additional information with respect to the Company's upcoming conversion to IFRS can be found in the Company's Management's Discussion and Analysis for the year ended December 31, 2008 and the nine months ended September 30, 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 Company 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.

4. Capital Disclosures

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying businesses. The Company seeks to maintain an appropriate balance between the level of long-term debt and shareholders' 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 Company has maintained a conservative ratio of long-term debt to long-term debt plus equity. As at September 30, 2009 and December 31, 2008 these ratios were as follows:

Unaudited (tabular amounts in thousands of Canadian dollars)

	Sept 30, 2009	Dec 31, 2008
Long-term debt (including current portion)	$ 26,418	$ 21,521
Shareholders' equity	153,630	147,376
Total capitalization	$ 180,048	$ 168,897
Long-term debt to long-term debt plus equity ratio	0.15	0.13

The Company is subject to externally imposed minimum capital requirements relating to its credit facilities. These minimum capital requirements include meeting certain minimum pre-determined ratios with respect to debt/equity, working capital, interest coverage, and margin requirements with respect to both current assets and capital assets. The Company monitors these requirements to ensure compliance with them. As at September 30, 2009, the Company was in compliance with all external minimum capital requirements.

During the second quarter of 2009, the Company reorganized from an income trust structure to a corporate structure in response to legal and regulatory changes affecting income trusts generally. In connection with such reorganization, the Company reviewed its prior distribution practice and implemented a quarterly dividend policy having regard to current industry and financial market conditions and the Company's new corporate structure. There were no other material changes in the Company's approach to capital management during the year.

5. Financial Instruments

The Company's financial instruments as at September 30, 2009 and 2008 include accounts receivable, bank indebtedness, accounts payable and accrued liabilities, dividends payable, distributions payable, capital leases and long-term debt. The fair value of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, dividends payable, distributions 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 following maturity analysis shows the remaining contractual maturities for the Company's financial liabilities:

As at Sept 30, 2009	2009	2010	2011	2012	2013	Thereafter	Total
Bank indebtedness	$ 16,093	$ —	$ —	$ —	$ —	$ —	$ 16,093
Accounts payable	12,375	—	—	—	—	—	12,375
Dividends payable	872	—	—	—	—	—	872
Long-term debt	2,600	9,852	5,700	5,150	2,400	716	26,418
Capital leases	119	522	382	54	—	—	1,077
Total	$ 32,059	$ 10,374	$ 6,082	$ 5,204	$ 2,400	$ 716	$ 56,835

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

- Credit risk
- Liquidity risk
- Market risk

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

Unaudited (tabular amounts in thousands of Canadian dollars)

Credit risk

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

The vast majority of the Company'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 September 30, 2009, $2.7 million, or 16% of accounts receivable were more than 90 days overdue, which is in the range of historical aging profiles. The movement in the Company's allowance for doubtful accounts for the first nine months of 2009 was as follows:

Allowance for doubtful accounts	
Balance at January 1, 2009	$ 945
Provisions and revisions	178
Balance at September 30, 2009	$ 1,123

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company'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 Company's reputation. The Company maintains an operating line of credit and long-term debt facility which are available to a maximum of $65 million to ensure the Company has sufficient working capital to operate its business. As at September 30, 2009 approximately $22.5 million of these facilities remained unutilized subject to normal margining requirements.

The Company 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 and dividend payments and Company's share repurchases.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net 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 Company's sales are denominated in Canadian dollars, which is the Company's functional currency, and as such the Company does not have any foreign currency exchange rate risk with respect to revenues. The Company estimates that less than 25% of its operating expenses (first nine months of 2008 - less than 15%) were denominated in a foreign currency during the nine month period ending September 30, 2009. Where foreign currency denominated purchases are made, it is the Company'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 Company had no forward exchange rate contracts in place as at or during the nine months ended September 30, 2009.

- Interest rate risk

Unaudited (tabular amounts in thousands of Canadian dollars)

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company 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 nine month period ending September 30, 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 $240,000 higher (first nine months of 2008 - $283,000), 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 nine months of 2009 as compared to the same period in 2008 due to lower average loan balances.

The Company had no interest rate swap or financial contracts in place as at or during the nine months ended September 30, 2009.

6. Bank Indebtedness

The annual review of the Company's credit facilities was completed by its primary lender during the third quarter of 2009. The rate at which the operating line of credit bears interest was increased by 100 basis points. The facility now bears interest at the bank's prime rate plus 1.25%. No other material changes were made to the operating line of credit facility.

7. Long-term Debt

The annual review of the Company's credit facilities was completed by its primary lender during the third quarter of 2009. The revolving evergreen facility was changed to a 364 day plus 1 year term facility such that in the event of non-renewal all amounts owing under the facility are due and payable on the one year anniversary following non-renewal. The rate at which the revolving evergreen facility bears interest was increased by 100 basis points. The facility now bears interest at the bank's prime rate plus 1.50%. No other material changes were made to the revolving evergreen facility.

8. Dividends Payable

The Company declared a dividend of $0.03 per common share for the three month period ended September 30, 2009. Total dividends of $0.9 million were paid on October 30, 2009 to shareholders of record on September 30, 2009.

Prior to the Company's conversion from a trust to a corporation distributions of $0.12 per unit were declared in respect of earnings for the first four months of 2009. Total distributions were $3.5 million with the last distribution for April 2009 paid in May 2009. Pursuant to the Company's conversion from a trust to a corporation no further distributions will be declared.

9. Income Taxes

On May 20, 2009 the Company converted from a trust to a corporation by way of a Plan of Arrangement with TESL and Biomerge. Biomerge had non-capital losses which are available to reduce the future taxable income of the Company in the amount of approximately $52 million. Biomerge also had research and development expenditures which are available to reduce the future taxable income of the Company in the amount of approximately $23 million which have an unlimited carry-forward period. The non-capital losses, if not utilized, will expire as follows:

2009	$ 5,267
2010	8,674
2014	8,586
2015	7,384
2026	10,028
2027	10,888
2028	844
	$ 51,671

Unaudited (tabular amounts in thousands of Canadian dollars)

A future income tax asset of $20.4 million has been recognized with respect to these amounts and has been recorded as a reduction to the Company's future income tax liability. The fair value paid for Biomerge was $3.9 million of which $3.6 million was paid in cash and the balance was paid through the issuance of 56,730 common shares of the Company. The difference between the future income tax asset recognized and the fair value of the tax pools has been recorded as a deferred tax credit in the amount of $16.5 million.

Biomerge had investment tax credits and capital losses totaling approximately $3 million. Due to their limited use the benefits of these non-refundable investment tax credits and capital losses have not been recognized in these financial statements.

The following table summarizes the temporary differences that give rise to the future income tax liability as at September 30, 2009 and 2008:

	2009	2008
Property, plant and equipment	$ 23,577	$ 20,667
Non capital losses and scientific research and development expenditures carried forward	(18,659)	—
Other	60	39
	$ 4,978	$ 20,706

Income tax expense for the nine months ended September 30, 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	$ 2,331	$ 5,939
Decrease in taxes resulting from:		
Amounts included in trust income	(1,052)	(1,872)
Drawdown of deferred tax credit	(3,014)	—
Non-deductible share-based compensation	287	—
Other	(23)	(407)
Provision for income taxes	$ (1,471)	$ 3,660

The business and operations of the Company is complex and the Company 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 Company's interpretation of relevant tax legislation and regulations. The Company'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 Company's interpretation of the applicable tax legislation and regulations.

10. Share Capital

Pursuant to the terms of the Plan of Arrangement, the Company acquired and cancelled all of the issued and outstanding trust units on May 20, 2009. Each Trust unit holder, in exchange for one trust unit, received one common share of the Company. Securityholders of Biomerge received a combination of cash and common shares of the Company in exchange for their securities of Biomerge. Prior to the exchange, the Trust had 29,050,000 trust units outstanding, and immediately subsequent to the exchange, there were 29,106,730 common shares outstanding.

Unaudited (tabular amounts in thousands of Canadian dollars)

Trust Units of Total Energy Services Trust	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
Decrease resulting from implementation of Plan Arrangement	(29,050)	(60,012)
Balance, September 30, 2009	—	$ —

Prior to the Company's conversion from a trust to a corporation 6,900 trust units were purchased under the Trust's normal course issuer bid at an average price of $3.97 per Unit, including commissions, and these Units were cancelled.

Common shares of Total Energy Services Inc.

(a) Authorized:
Unlimited number of common voting shares, without nominal or par value.
Unlimited number of preferred shares.

(b) Common shares issued:

	Number of Shares	Amount
Balance, May 19, 2009	—	—
Issued to Trust unitholders pursuant to Plan of Arrangement	29,050	$ 60,012
Issued to Biomerge securityholders pursuant to Plan of Arrangement	57	256
Repurchased and cancelled	(27)	(58)
Balance, September 30, 2009	29,080	$ 60,210

During the third quarter of 2009 27,000 common shares were purchased under the Company's normal course issuer bid at an average price of $4.24 per common share, including commissions, and these common shares were cancelled.

11. Share-Based Compensation Plan

On June 1, 2009 the Company implemented a share option plan (the "TSX Plan") which was drafted to comply with the policies of the Toronto Stock Exchange. Under the TSX Plan, options to acquire common shares of the Company may be granted to officers and employees of the Company and to consultants retained by the Company.

The aggregate number of common shares issuable upon the exercise of options outstanding under the TSX Plan at any time may not exceed 10% of the issued and outstanding common shares and the aggregate number of common shares issuable to any one officer, director or full time employee of the Company may not exceed 5% of the total number of issued and outstanding common shares. The period to which an option granted under the TSX Plan is exercisable may not exceed ten years from the date such option is granted. The options issued under the TSX Plan vest either 1/3 on grant, 1/3 after one year and 1/3 after two years or 1/3 after one year, 1/3 after two years and 1/3 after three years. The price at which common shares may be acquired upon the exercise of an option is determined with reference to the weighted average closing price of the common shares the five business days immediately prior to the date of grant on which a board lot of common shares trades on the Toronto Stock Exchange.

During the second quarter of 2009 1,875,000 share options were granted to certain officers and employees of the Company. The share options expire on May 31, 2014 if unexercised and have an exercise price of $4.66. During the third quarter of 2009 300,000 share options were granted that expire on September 21, 2014 if unexercised and have an exercise price of $4.97. 215,000 share options issued during the second quarter of 2009 have been forfeited leaving 1,960,000 share options outstanding, of which 620,000 were exercisable as at September 30, 2009. Included in the share options exercisable as at September 30, 2009 are 100,000 share options that were exercised prior to September 30, 2009 with the underlying shares issued on October 6, 2009.

Unaudited (tabular amounts in thousands of Canadian dollars)

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value of the share options granted. The per share weighted-average fair value of the options granted during 2009 ranges from $1.37-1.66 per option. For the nine month period ended September 30, 2009 the Company recognized share based compensation expense of $1.0 million using the following weighted-average assumptions:

Expected volatility:	45% to 54%
Annual dividend yield:	2.4% to 2.6%
Risk free interest rate	1.25% to 2.6%
Forfeitures	15%
Expected life (years)	2 to 5 years

12. Operating Expenses

The amount of inventory recognized as an expense and included in operating expenses during the first nine months of 2009 was $19.8 million (2008 - $18.1 million) in respect of the Gas Compression Services Division.

13. Earnings Per Share

Basic and diluted earnings per share has been calculated on the basis of the weighted average number of Shares outstanding for the nine month period ending September 30, 2009 which amounted to 29,074,510 Shares (September 30, 2008 - 29,438,796 Units). Earnings per share for 2009 has been calculated assuming shares had been outstanding throughout 2009.

14. Seasonality of Operations

The Company'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 Company'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 Company experiences the lowest levels of activity.

15. Contingencies and Commitments

TESL and one of its non-operating subsidiaries have been re-assessed by the Ontario Ministry of Finance ("Ontario Finance"), Alberta Finance and Enterprise ("Alberta Finance") and the Canada Revenue Agency ("CRA") on account of a corporate re-organization undertaken prior to TESL's conversion to a trust in 2005. The Company 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 each of the three reassessments, including interest, is approximately $6.8 million, $7.7 million and $0.2 million respectively. The Ontario Finance and CRA reassessments represent competing claims on the same underlying taxable income as the Alberta Finance reassessments, such that the Ontario Finance and CRA reassessments cannot be successfully applied with the Alberta Finance reassessments. 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 Company's position that the applicable limitation period has expired with respect to a significant portion of the Alberta reassessments making such reassessments invalid. The Company is vigorously defending the filing position taken and has filed notices of objection to the reassessments with the appropriate taxation authorities. These various reassessments relate to approximately $2.6 million of alleged underlying income taxes owing for the period from 2002 to the trust conversion in April 2005.

Unaudited (tabular amounts in thousands of Canadian dollars)

The Company, in the normal course of operations, will become subject to a variety of legal and other claims against the Company. Management and the Company'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 Company will not be material to the Company.

The Company has operating lease commitments for vehicles and buildings over the next five years of $5.8 million. The Company also has purchase obligations of $0.6 million as at September 30, 2009 relating to commitments to acquire equipment and inventory.

16. Segmented Information

The Company 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 September 30, 2009 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other (2)	Total
Revenue	$ 3,284	$ 9,219	$ 7,501	$ —	$ 20,004
Operating earnings (loss) (1)	534	340	660	(912)	622
Depreciation	458	2,245	385	6	3,094
Assets	68,809	100,769	54,758	4,600	228,936
Goodwill	—	2,514	1,539	—	4,053
Capital expenditures	845	367	1,303	4	2,519

As at and for the three months ended September 30, 2008 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other (2)	Total
Revenue	$ 11,292	$ 16,529	$ 9,445	$ —	37,266
Operating earnings (loss) (1)	2,292	5,336	741	(916)	7,453
Depreciation	1,365	2,156	320	6	3,847
Assets	71,013	111,316	52,154	1,337	235,820
Goodwill	—	2,514	1,539	—	4,053
Capital expenditures	1,852	9,480	2,805	—	14,137

Unaudited (tabular amounts in thousands of Canadian dollars)

As at and for the nine months ended September 30, 2009 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other (2)	Total
Revenue	$ 11,169	$ 37,850	$ 30,192	$ —	79,211
Operating earnings (loss) (1)	1,346	7,972	2,473	(3,172)	8,619
Depreciation	1,480	6,946	1,106	20	9,552
Assets	68,809	100,769	54,758	4,600	228,936
Goodwill	—	2,514	1,539	—	4,053
Capital expenditures	5,668	2,228	6,958	4	14,858

As at and for the nine months ended September 30, 2008 (unaudited)	Contract Drilling Services	Drilling and Production Rentals	Gas Compression Services	Other (2)	Total
Revenue	$ 27,219	$ 49,522	$ 28,029	$ —	104,770
Operating earnings (loss) (1)	4,604	14,950	3,008	(2,664)	19,898
Depreciation	2,968	6,237	926	23	10,154
Assets	71,013	111,316	52,154	1,337	235,820
Goodwill	—	2,514	1,539	—	4,053
Capital expenditures	4,732	11,633	4,402	—	20,767

(1) Operating earnings (loss) are earnings before reorganization costs, gain on disposal of equipment and income taxes.

(2) Other includes the Company's corporate activities and in 2009 "Assets" includes income taxes receivable of $2.8 million.

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]

Greg Melchin

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

Russ Strilchuk
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

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

CHINOOK Drilling
a division of Total Energy Services Ltd.

TOTAL OILFIELD RENTALS
(A Division of Total Energy Services Ltd.)

BIDELL GAS COMPRESSION