FOCUS DISCIPLINE GROWTH

Third Quarter Report 2010

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 various operating divisions and wholly-owned subsidiaries, Total Energy is involved in three businesses: contract drilling services, rentals and transportation services and the fabrication, sale, rental and servicing of new and used natural gas compression equipment. Together these businesses provide a platform for building long-term shareholder 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.

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REPORT TO SHAREHOLDERS

Total Energy's financial results for the three months ended September 30, 2010 reflect improving industry conditions in Western Canada, the impact of the acquisition of DC Energy Services LP on January 15, 2010 and the Company's leverage to higher activity levels.

Industry activity levels during the third quarter of 2010 continued to improve significantly relative to the prior year despite prolonged wet weather conditions throughout many parts of Western Canada. The continued strength of oil and natural gas liquids prices contributed to increased activity levels and offset the negative impact of continued weakness in natural gas prices.

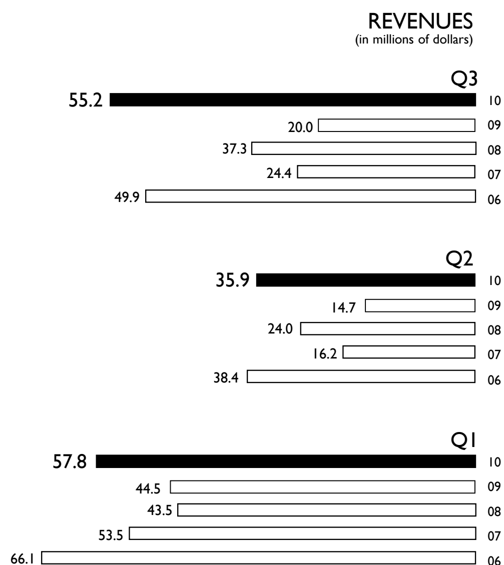
LOOKING FORWARD

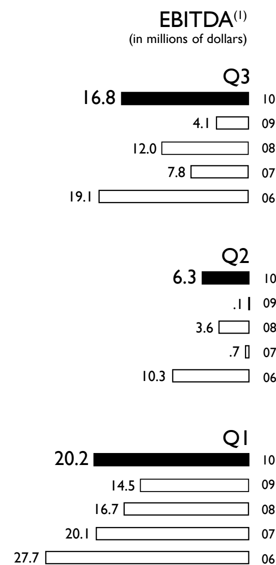
Total Energy is optimistic regarding activity levels for the upcoming winter drilling season. The continued application of horizontal drilling and multi-stage fracturing technologies to oil and natural gas liquids rich targets in Western Canada has resulted in a significant improvement in industry activity levels in Western Canada compared to 2009. Total Energy's exposure to northern drilling and completion activity within our Rentals and Transportation Services division should benefit the Company as activity ramps up into the first quarter of 2011 given that many northern locations are accessible only during the winter when ground conditions permit the movement of heavy equipment.

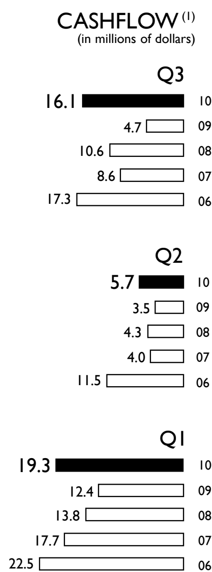
Demand for our telescopic double drilling rigs is strong and all 14 rigs are committed for the upcoming winter drilling season. The significant investment within our Rentals and Transportation Services division during 2010 positions us well for a busier environment. We are entering the fourth quarter with a rental fleet and a heavy truck fleet that are, respectively, 84% and 35% larger than the prior year. Total Energy's Gas Compression Services division continues to execute its growth strategy, with the immediate focus on expansion of its share of the Western Canadian new equipment sales and parts and service businesses. The significant sales backlog currently enjoyed by this division despite a challenging natural gas market indicates reasonable success thus far.

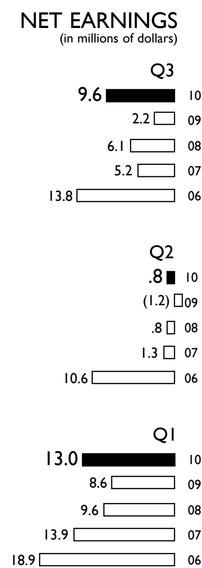
As we enter the busy winter drilling season, I would like to remind our employees, contractors and customers to put safety first and foremost in their minds as they conduct their activities. No job is so important as to justify cutting corners and placing the health and safety of people at undue risk. I encourage all experienced industry personnel to have patience and to work with new and inexperienced workers to help ensure their safety and the safety of those around them.

DANIEL K. HALYK
President and Chief Executive Officer
November 2010









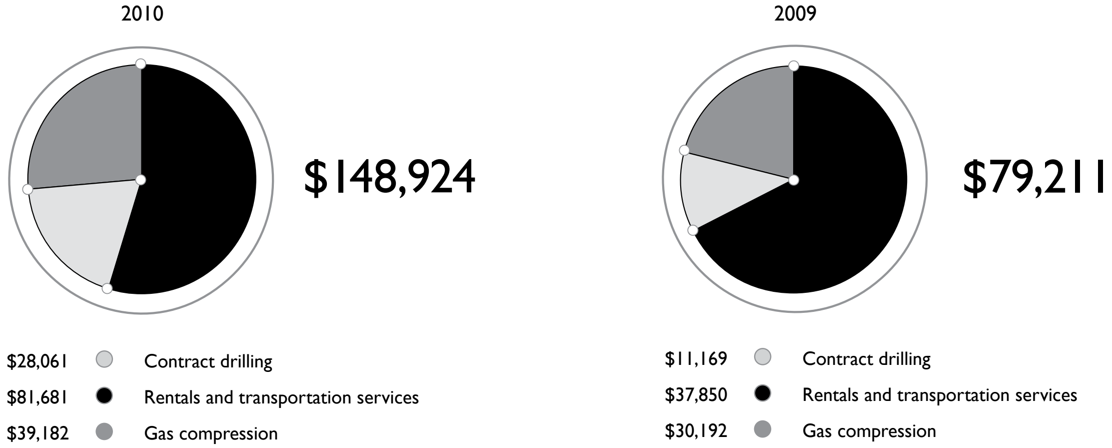
(1) EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to earnings before income taxes plus interest on long-term debt plus other interest expense plus depreciation. Cashflow means cash provided by operations before changes in non-cash working capital items. EBITDA 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 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. 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 SEPTEMBER 30, 2010

(in thousands of Canadian dollars; Unaudited)

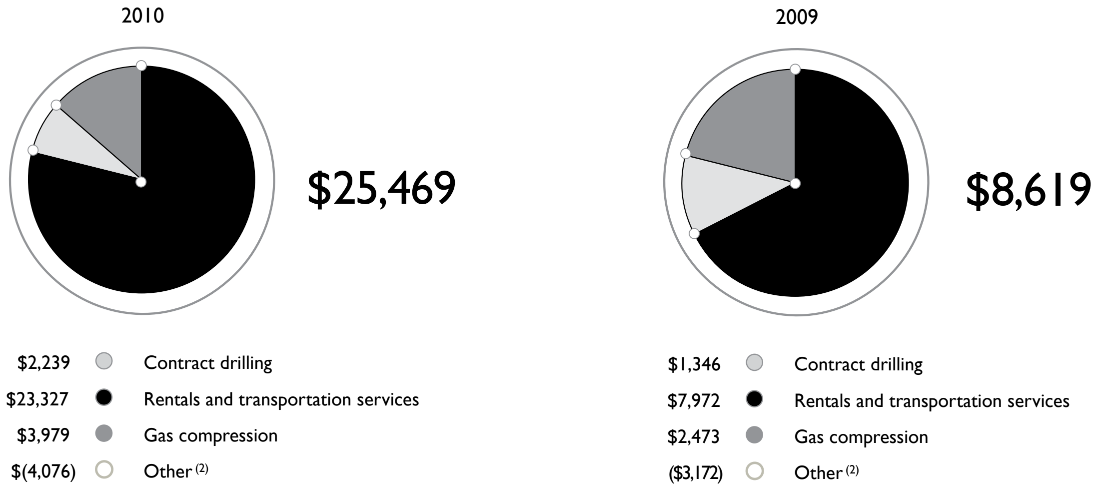
REVENUE DIVERSIFICATION



2010	
$28,061	Contract drilling
$81,681	Rentals and transportation services
$39,182	Gas compression

2009	
$11,169	Contract drilling
$37,850	Rentals and transportation services
$30,192	Gas compression

OPERATING EARNINGS [1]



2010	
$2,239	Contract drilling
$23,327	Rentals and transportation services
$3,979	Gas compression
$(4,076)	Other [2]

2009	
$1,346	Contract drilling
$7,972	Rentals and transportation services
$2,473	Gas compression
($3,172)	Other [2]

(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.

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

The following MD&A, dated November 10, 2010, 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, 2010, should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2010 and related notes and material contained in other parts of this report, the audited annual consolidated financial statements for the year ended December 31, 2009 and related notes and material contained in other parts of the 2009 Annual Report and the Company's 2009 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 statements for external purposes in accordance with Canadian generally accepted accounting principles ("GAAP"). During the second quarter of 2010 the Company integrated DC Energy into the Company's Rentals and Transportation division. As part of the integration this division's accounting system is also being upgraded. The upgrade is expected to be completed by December 31, 2010.

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, 2010	Three months ended Sept 30, 2009	Nine months ended Sept 30, 2010	Nine months ended Sept 30, 2009
Net earnings	$ 9,560	$ 2,185	$ 23,414	$ 9,509
Add back (deduct):				
Reorganization costs	–	–	–	890
Gain on disposal of equipment	–	(66)	(535)	(309)
Income tax expense (recovery)	1,274	(1,497)	2,590	(1,471)
Operating earnings	$ 10,834	$ 622	$ 25,469	$ 8,619

EBITDA
(in thousands of Canadian dollars)

	Three months ended Sept 30, 2010	Three months ended Sept 30, 2009	Nine months ended Sept 30, 2010	Nine months ended Sept 30, 2009
Net earnings	$ 9,560	$ 2,185	$ 23,414	$ 9,509
Add back (deduct):				
Depreciation	5,035	3,094	14,805	9,552
Other interest	68	106	122	434
Interest on long-term debt	814	257	2,336	671
Income tax expense (recovery)	1,274	(1,497)	2,590	(1,471)
EBITDA	$ 16,751	$ 4,145	$ 43,267	$ 18,695

CASHFLOW
(in thousands of Canadian dollars)

	Three months ended Sept 30, 2010	Three months ended Sept 30, 2009	Nine months ended Sept 30, 2010	Nine months ended Sept 30, 2009
Cash provided by (used in) operations	$ (6,004)	$ 808	$ 21,439	$ 28,231
Add back (deduct):				
Changes in non-cash working capital items	22,114	3,884	19,642	(7,567)
Cashflow	$ 16,110	$ 4,692	$ 41,081	$ 20,664

BUSINESS OF THE COMPANY

Total Energy is a public energy services company based in Calgary, Alberta. Through its operating divisions and its wholly owned limited partnerships, Bidell Equipment Limited Partnership and Total Oilfield Rentals Limited Partnership, Total Energy is involved in three businesses: contract drilling services ("Chinook Drilling" or "Chinook"), the rental and transportation of equipment used in the drilling, completion and production of oil and natural gas wells ("Total Oilfield Rentals") and 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, development 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. With the recent application of horizontal drilling and multistage fracturing technologies to conventional oil areas of the WCSB, Total Energy's exposure to oil directed exploration, development and production activities has increased significantly. 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 vertical depth 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 vertical 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.

Rentals and Transportation Services: Historically northern Alberta and northeastern British Columbia were the primary markets for the Company's rentals and transportation services. In the fourth quarter of 2007, this division expanded its operations into southeastern Saskatchewan. On January 15, 2010 the Company completed the acquisition of DC Energy which added two branch locations in Alberta (Drayton Valley and Red Deer) and increased its rental equipment fleet and heavy truck fleets by 80% and 27% respectively. The Company now operates out of 19 locations throughout Western Canada and currently owns and operates approximately 8,300 pieces of rental equipment as well as a modern fleet of 100 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 within the WCSB and to expand its operations outside of the WCSB.

Gas Compression Services: The Company has historically targeted the sub-3000 horsepower gas compression market in western Canada. 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™ and in January 2010 received a United States patent in respect of this technology. 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

Despite wet weather conditions throughout much of Western Canada that impeded activity levels, the third quarter of 2010 was much improved from the prior year comparable quarter. The Company achieved a 176% increase in revenue from the prior year comparable quarter due primarily to the acquisition of DC Energy in January 2010 and increased business activity in all three divisions. The Company recorded earnings before income taxes of $10.8 million in the third quarter of 2010 versus $0.7 million for the prior year comparable period.

The Company's financial condition remains strong. Total assets increased by $88.8 million during the first nine months of 2010, due primarily to the DC Energy acquisition in the first quarter of 2010, while bank debt (long-term debt including the current portion thereof) increased by only $30.0 million during this period. Shareholders' equity increased by $34.3 million, or 22%, during the first nine months of 2010.

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. In 2009 the Company upgraded its enterprise resource planning system in Bidell to better position Bidell for continued growth. During the second quarter of 2010 the Company integrated DC Energy into the Company's Rentals and Transportation division. As part of the integration this division's accounting system is also being upgraded. The upgrade is expected to be completed by December 31, 2010.

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 global economic environment. However, continued modest improvements in general economic conditions and energy prices, particularly oil and natural gas liquids prices, give rise to some optimism. 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. Increased focus on the development of unconventional oil and natural gas resources in the WCSB is expected to drive activity in the future. The recent application of horizontal drilling and multi-stage fracturing completion technologies to WCSB oil resources has significantly increased drilling and completion activity in the WCSB targeting oil. Natural gas well completions accounted for approximately 44% of the wells drilled in the WCSB during the first eight months of 2010 as compared to 62% for the comparable period in 2009. As a result, the Company's revenue base has become more balanced between oil and natural gas related activities whereas historically natural gas drilling and production activity was the primary driver of the Company's revenues. 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 increased their 2010 WCSB capital budgets compared to 2009 capital expenditure levels and, as such, industry activity levels have steadily improved in 2010 as compared to 2009 and current indications are that activity levels will be relatively strong during the upcoming winter drilling season.

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 increased 176% to $55.2 million for the three months ended September 30, 2010 versus $20.0 million for the same period in 2009 and increased 88% to $148.9 million for the nine months ended September 30, 2010 versus $79.2 million for the same period in 2009.

DIVISIONAL REVENUE

Divisional revenues for the three months ended September 30, 2010 were $9.2 million for Contract Drilling Services, $28.9 million for Rentals and Transportation Services and $17.2 million for Gas Compression Services. Divisional revenues for the nine months ended September 30, 2010 were $28.1 million for Contract Drilling Services, $81.7 million for Rentals and Transportation Services and $39.2 million for Gas Compression Services.

Contract Drilling Services

The revenue reported from Total Energy's Contract Drilling Services division increased by 179% to $9.2 million for the three months ended September 30, 2010 as compared to $3.3 million for the same period in 2009, and increased by 151% to $28.1 million for the nine months ended September 30, 2010 as compared to $11.2 million for the same period in 2009. Revenues increased from the prior year comparable periods due to higher utilization. For the third quarter of 2010 the Contract Drilling Services division achieved a utilization rate, on a spud to release basis, of 48% and a year to date utilization rate of 52%, as compared to 14% and 18% respectively for the same periods in 2009. Operating days (spud to release) for the three and nine months ended September 30, 2010 totaled 623 days and 1,972 days respectively, as compared to 172 and 637 days respectively for the same periods in 2009. Revenue per operating day received for contract drilling services for the three and nine months ended September 30, 2010 decreased by 19% and 18% respectively as compared to the same periods in 2009. The decreases 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.

Rentals and Transportation Services

The revenue reported from Total Energy's Rentals and Transportation Services division increased by 213% to $28.9 million for the three months ended September 30, 2010 as compared to $9.2 million for the same period in 2009, and increased by 116% to $81.7 million for the nine month period ended September 30, 2010 as compared to $37.9 million for the same period in 2009. Revenue increased from the prior year comparable periods due primarily to the DC Energy acquisition and increased equipment utilization. Average utilization of the rental assets was 57% and 52% respectively for the three and nine month periods ended September 30, 2010 as compared to 27% and 33% respectively for the comparable periods in 2009. This division exited the third quarter of 2010 with approximately 8,300 pieces of rental equipment as compared to 4,500 pieces at the end of the third quarter of 2009. This division also exited the third quarter of 2010 with a fleet of 100 heavy trucks compared to 74 heavy trucks at the end of the third quarter of 2009.

Gas Compression Services

The revenue reported from Total Energy's Gas Compression Services division increased by 129% to $17.2 million for the three months ended September 30, 2010 as compared to $7.5 million for the same period in 2009, and increased by 30% to $39.2 million for the nine month period ended September 30, 2010 as compared to $30.2 million for the same period in 2009. The revenue variances from the prior year comparable periods were due primarily to varying levels of demand from this division's customers. This division exited the third quarter of 2010 with a backlog of fabrication sales orders of approximately $25.7 million as compared to a backlog of $8.4 million as at September 30, 2009. As at September 30, 2010 the total horsepower of compressors on lease was approximately 18,900 as compared to

approximately 16,800 as at September 30, 2009. The compression rental fleet experienced an average utilization of 74% (based on fleet horsepower) for the first nine months of 2010 as compared to 84% for the same period in 2009.

Other

Total Energy's Other division consists of the Company's corporate activities. The Other division does not generate any revenue but provides sales, operating and other support services to Total Energy's operating divisions and wholly owned subsidiaries and partnerships and manages the corporate affairs of the Company.

Operating Expenses

Operating expenses increased 157% to $31.9 million for the three months ended September 30, 2010 as compared to $12.4 million for the same period in 2009, and increased by 82% to $86.6 million for the nine months ended September 30, 2010 as compared to $47.7 million for the same period in 2009. The increase resulted primarily from the addition of DC Energy during the first quarter of 2010 and increased costs associated with increased revenues. The gross margin percentage for the three and nine month period ended September 30, 2010 was 42% as a percentage of revenue as compared to 38% and 40% respectively for the comparable periods in 2009. A detailed margin analysis for each division is presented in the discussion of Operating Earnings. Operating expenses consist of salaries and benefits for operations personnel, repairs, maintenance, fuel, manufacturing costs and trucking costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 93% to $6.4 million for the three months ended September 30, 2010 as compared to $3.3 million for the same period in 2009, and increased by 66% to $18.8 million for the nine month period ended September 30, 2010 as compared to $11.3 million for the same period in 2009. The increase resulted primarily from the addition of DC Energy during the first quarter of 2010 and increased costs associated with increased revenues. In addition, during the third quarter of 2010, the Company incurred a $0.4 million non-recurring expense related to the realignment of its senior management team within the Gas Compression Services division.

Included in these costs are compensation for directors and officers pursuant to the Company's cash based compensation plans. 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 $0.9 million respectively for the three and nine month periods ended September 30, 2010 versus $0.2 million and $1.0 million respectively for the prior year comparable periods. The share based compensation expense arises from share options granted pursuant to a share option plan implemented during the second quarter of 2009. Additional information with respect to the plan is outlined in note 10 to the Unaudited Interim Consolidated Financial Statements.

Depreciation Expense

Depreciation expense increased 63% and 55% respectively for the three and nine month periods ended September 30, 2010 to $5.0 million and $14.8 million respectively, as compared to $3.1 million and $9.6 million respectively for the prior year comparable periods. The increase is due primarily to the addition of DC Energy in the first quarter of 2010 and higher equipment utilization in the Contract Drilling Services division. 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 for the three and nine month periods ended September 30, 2010 as compared to $0.1 million and $0.4 million respectively for the comparable periods in 2009. The decrease in other interest expense during the first nine months of 2010 was due to reduced operating line of credit balances on the Company's revolving operating facility during 2010. Other interest expense is interest paid on advances under the Company's revolving operating facility.

Interest on Long-term Debt

Interest on long-term debt was $0.8 million and $2.3 million respectively for the three and nine month periods ended September 30, 2010 as compared to $0.3 million and $0.7 million respectively for the comparable periods in 2009. The increase in interest on long-term debt during 2010 was due primarily to a higher average loan balance resulting from the DC Energy acquisition and an increase in the effective interest rate on the Company's credit facilities. Included in interest on long-term debt is interest on capital leases.

Operating Earnings

Operating earnings increased 1,642% to $10.8 million in the third quarter of 2010 as compared to $0.6 million for the comparable period in 2009. For the nine month period ended September 30, 2010 operating earnings increased 195% to $25.5 million from $8.6 million for the comparable period in 2009. The increase in operating earnings was due primarily to the addition of DC Energy in the first quarter of 2010 and increased operating earnings in all three business divisions.

The Contract Drilling Services division had operating earnings of $1.0 million and $2.2 million respectively for the three and nine months ended September 30, 2010, as compared to operating earnings of $0.5 million and $1.3 million respectively for the comparable periods in 2009. The operating earnings margin in this division was 10% and 8% respectively for the three and nine month periods ended September 30, 2010 as compared to 16% and 12% respectively for the comparable periods in 2009. The decrease in operating earnings margin in 2010 relative to 2009 is due primarily to the $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

The Rentals and Transportation Services division had operating earnings of $9.7 million and $23.3 million respectively for the three and nine months ended September 30, 2010, as compared to $0.3 million and $8.0 million respectively for the comparable periods in 2009. The operating earnings margin in this division was 34% and 29% respectively for the three and nine month periods ended September 30, 2010 as compared to 4% and 21% respectively for the comparable periods in 2009. The 2010 increases in operating earnings margin resulted primarily from higher equipment utilization

The Gas Compression Services division contributed operating earnings of $1.9 million and $4.0 million respectively for the three and nine month periods ended September 30, 2010 as compared to $0.7 million and $2.5 million for the comparable periods in 2009. The operating earnings margin in this division was 11% and 10% respectively for the three and nine months periods ended September 30, 2010 as compared to 9% and 8% respectively for the corresponding periods in 2009. The increase in operating earnings margin resulted primarily from increased revenues.

The Other division had operating losses of $1.7 million and $4.1 million respectively for the three and nine month periods ended September 30, 2010 as compared to $0.9 million and $3.2 million for the corresponding periods in 2009. The increase in operating losses is due primarily to $0.5 million of costs incurred on account of a divisional management and compensation plan restructuring that occurred in 2010. The Other division does not include any operational activities relating to Total Energy's business and therefore does not generate any revenue.

Gain on Disposal of Equipment

Gain on disposal of equipment was nil and $0.5 million respectively for the three and nine month periods ended September 30, 2010 as compared to $0.1 million and $0.3 million respectively for the comparable periods in 2009. 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

The Company recorded net earnings of $9.6 million ($0.31 per share basic and $0.30 per share diluted) and net earnings of $23.4 million ($0.76 per share basic and $0.75 per share on a diluted basis) respectively for the three and nine months ended September 30, 2010 as compared to $2.2 million ($0.08 per share basic and diluted) and $9.5 million ($0.33 per share basic and diluted) respectively for the corresponding periods in 2009. The Company recorded current income tax expense of nil and $48,000 for the three and nine months ended September 30, 2010 as compared to current income tax recoveries of $0.7 million and $2.4 million respectively for the corresponding periods in 2009. The Company recorded future income tax expense of $1.3 million and $2.5 million respectively for the three and nine months ended September 30, 2010 as compared to a future income tax recovery of $0.8 million and future income tax expense of $0.9 million respectively for the corresponding periods in 2009. This resulted in an effective tax rate of 10% for the nine month period ended September 30, 2010 versus negative 18% for the prior year comparable period. The increase in the effective tax rate for the nine months ended September 30, 2010 versus the prior year comparable period was due primarily to the recovery of current income taxes in 2009 with no corresponding recovery in 2010.

Total Energy 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 $7.2 million, $8.1 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 had 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 to negative $6.0 million and positive $21.4 million respectively for the three and nine months ended September 30, 2010 as compared to positive $0.8 million and $28.2 million respectively for the comparable periods in 2009. The decrease in cash provided by operations was due to the timing of the monetization of certain non-cash working capital balances. Cashflow increased by 243% and 99% respectively for the three and nine months ended September 30, 2010 to $16.1 million and $41.1 million respectively as compared to $4.7 million and $20.7 million for the comparable periods in 2009. The cash flow increases are due primarily to increased operating earnings on account of the DC Energy acquisition and improved industry activity levels. 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, 2010 was $10.8 million and $47.3 million respectively, as compared to $1.7 million and $19.4 million for the comparable periods in 2009. The increase in net cash used in investment activities for the nine month period ended September 30, 2010 is due primarily to the DC Energy acquisition. The remaining purchases of property, plant and equipment during 2010 were allocated as follows: $2.7 million in the Contract Drilling Services division relating primarily to the purchase of rig equipment, $11.8 million in the Rentals and Transportation Services division relating primarily to new equipment additions and $6.7 million in the Gas Compression Services division relating primarily to additions to the compression rental fleet. During the first nine months of 2009, the property, plant and equipment additions were as follows: $4.9 million in the Contract Drilling Services division, $1.4 million in the Rentals and Transportation Services division and $7.0 million in the Gas Compression Services division. The purchase of property, plant and equipment during the nine months ended September 30, 2010 were offset by proceeds on disposal of property, plant and equipment of $2.5 million, as compared to $2.2 million for the comparable period in 2009. The disposal of equipment during 2010 resulted primarily from the sale of compression equipment from the Gas Compression Services division's compression rental fleet.

Financing

For the three months ended September 30, 2010 net cash provided by financing activities was $14.7 million versus $0.9 million for the comparable period in 2009. The increase was due primarily to long term debt advances made during the third quarter of 2010 to fund property, plant and equipment purchases. For the nine month period ended September 30, 2010 net cash provided by financing activities was $25.9 million versus net cash used in financing activities of $8.8 million for the comparable period in 2009. The increase in net cash generated in financing activities was due primarily to long-term debt advances used to finance the DC Energy acquisition.

Liquidity

The Company had a working capital surplus of $43.6 million as at September 30, 2010 as compared to $29.5 million at the end of 2009. This increase in the Company's working capital position is due primarily to increased revenues on account of the DC Energy acquisition and increased activity levels in all divisions. As at September 30, 2010 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.

In January 2010 the Company replaced its credit facilities with a $10 million revolving operating facility and an $80 million revolving term loan facility. Both facilities are 364 day plus 2 year facilities such that in the event of non-renewal, all amounts owing under the facilities are due and payable on the two year anniversary following non-renewal. Advances made under the revolving term loan facility previously required monthly payments based on a 60 month loan amortization. In November 2010 the revolving term loan facility was amended such that monthly principal payments are no longer required, except in the case of non-renewal where the outstanding loan balance is amortized over 60 months with 23 equal payments required followed by a final lump sum payment due after 24 months. The renewal date for the facilities is January 13, 2011. The facilities are secured by a first fixed and floating charge on all assets of the Company, Bidell LP, DC Energy LP and certain other collateral security. The rate at which the facilities bear interest is based on a financial ratio with the interest rate ranging from prime plus 1.25% to 2.00%. As at September 30, 2010 the prime rate of interest was 3.0%. The Company believes that it has sufficient liquidity to operate its business and execute its strategic plan for the foreseeable future.

Dividends and Distributions

For the three and nine months ended September 30, 2010 the Company declared dividends of $0.9 million and $2.8 million respectively, as compared to dividends of $0.9 million and trust distributions of $3.5 million declared during the comparable periods in 2009.

For 2010 the Company expects cash provided by operations, cashflow and net earnings to exceed dividends to shareholders. 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, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009
Revenue	$ 55,237	$ 35,875	$ 57,812	$ 27,298
Cashflow [1]	16,110	5,657	19,314	4,702
Cash (used) provided by operations	(6,004)	16,486	11,013	3,920
Net earnings	9,560	809	13,045	2,131
Per share (basic)	0.31	0.03	0.44	0.07
Per share (diluted)	0.30	0.03	0.43	0.07

		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	11,721
Net earnings (loss)	2,185	(1,236)	8,560	8,862
Per share (basic and diluted)	0.08	(0.04)	0.29	0.30

[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 Contract Drilling Services and Rentals and Transportation Services divisions. 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. The increase in revenue, cashflow and

net earnings for the three and nine months ended September 30, 2010 as compared to the comparable periods in 2009 is also due to the DC Energy acquisition

CONTRACTUAL OBLIGATIONS

At September 30, 2010, the Company had the following contractual obligations

		Payments due by year				
(in thousands of dollars)	Total	2010	2011	2012	2013	2014 and thereafter
Long-term debt, in case of non-renewal (1)	$ 73,725	$ —	$ 13,292	$ 14,500	$ 45,933	$ —
Commitments (2)	7,981	1,046	3,288	2,346	1,004	297
Capital leases	5,717	719	2,907	1,366	633	92
Purchase obligations (3)	6,922	6,922	—	—	—	—
Total contractual obligations	$ 94,345	$ 8,687	$ 19,487	$ 18,212	$ 47,570	$ 389

(1) Long-term debt obligations are described in Note 6 to the Unaudited Interim Consolidated Financial Statements and Note 10 of the 2009 Audited Consolidated Financial Statements.

(2) Commitments are described in Note 14 to the Unaudited Interim Consolidated Financial Statements and Note 15 to the 2009 Audited Consolidated Financial Statements.

(3) Purchase obligations are described in Note 14 to the Unaudited Interim Consolidated Financial Statements and Note 15 to the 2009 Audited Consolidated Financial Statements and relate to Total Energy's commitment to purchase $1.7 million of capital assets for the Rentals and Transportation Services and Contract Drilling divisions and $5.2 million of inventory for the Gas Compression Services division.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2010 and 2009 the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the first nine months of 2010 and the comparable period in 2009 the Company had no material transactions with related parties.

CORPORATE ACQUISITION

On January 15, 2010 the Company completed the acquisition DC Energy for $44.2 million. The cash portion of the purchase price of $31.7 million was financed using the Company's credit facilities and the balance of the purchase price of $12.5 million was financed through the issuance of an unsecured convertible debenture bearing interest at 5% per annum, maturing on June 30, 2012 and convertible into common shares of the Company at a conversion price of $7.00 per share. On March 1, 2010 the $12.5 million convertible debenture was converted into 1,785,715 common shares of the Company.

The assets acquired by the Company as a result of the DC Energy acquisition included approximately 3,600 pieces of rental equipment, 20 heavy trucks and 59 trailers, together with all inventories and other assets (excluding only land and buildings) used in connection with DC Energy's business. The Company also assumed certain leases in respect of real estate and certain vehicles and trailers utilized by DC Energy in the ordinary course of business. The Company recorded a future income tax liability on account of the difference between the accounting value and the tax value of the net assets acquired. The Company is also responsible for up to $0.9 million of employee retention costs payable over 18 months following completion of the DC Energy acquisition. With the exception of the leases, the future income tax liability and the employee retention costs referenced above, no additional material obligations were assumed by the Company in connection with the acquisition.

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; Rentals and Transportation Services 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 3(b) in the notes to the 2009 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 8 in the Unaudited Interim Consolidated Financial Statements and Note 12 in the 2009 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. See Note 10 in the Unaudited Interim Consolidated Financial Statements and Note 14 in the 2009 Audited Consolidated Financial Statements of the Company for further information on the share-based compensation plan.

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 publically 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 a review identifying key areas that may be impacted by the transition to IFRS and the areas where there are significant complexities or key decisions 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 three key areas where the change to IFRS may be significant for the Company are with respect to property, plant and equipment, business combinations and revenue and expense recognition.

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. The Company anticipates using the cost model.

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 purpose. 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. The Company estimates that componentization will result in an approximate 2% decrease in transition date property, plant and equipment carrying values.

IFRS 3, *Business Combinations*, requires acquisition related costs be expensed in the period in which the costs are incurred and the services received. As a result approximately $0.6 million of acquisition related costs associated with the DC Energy acquisition that occurred in January 2010 will have to be derecognized and expensed for the comparable three month period ended March 31, 2010.

IAS 11, *Construction Contracts*, provides specific guidance for the recognition of revenues and expenses as it relates to construction contracts. This section requires that revenues and expenses from construction related contracts be recognized under the percentage of completion method. The Company is currently assessing what impact, if any, this standard may have on revenues and expenses reported by its Gas Compression Services division. The Company estimates that transition to the percentage of completion method would result in an approximate 2% increase on transition date accounts receivable balances and a corresponding 2% decrease in inventory balances.

IFRS disclosure and presentation requirements are much more extensive than the requirements of Canadian GAAP. The Company's IFRS transition team is developing sample financial statements to enable efficient and timely preparation of the first set of fully compliant IFRS statements for the first quarter 2011.

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*

  For 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. The Company does not anticipate restating business combinations that occurred before the transition date.

- *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 anticipates that its PP&E will be measured at cost as opposed to deemed cost.

The detailed assessment and the design phase, which includes designing business process changes and providing training to employees, is expected to be completed by the end of the fourth quarter of 2010. The testing and implementation phase and a parallel run of Canadian GAAP and IFRS is scheduled to commence during the fourth quarter of 2010 and be completed early in 2011.

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 will 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 were reviewed by Total's IFRS transition team. Internal controls under IFRS are expected to remain similar to the controls under Canadian GAAP with the exception of management reports that will be redesigned for transition to IFRS.

- *Disclosure controls and procedures, including investor relations and external communication plans*

  A qualitative assessment of the impact of the IFRS transition was communicated in the Company's MD&A for the year ended December 31, 2009. The Company will continue to provide updates as to its IFRS changeover plan, including any changes in its plan, in its interim MD&A's for the year ended December 31, 2010.

  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 will 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. The interim and year end periods of the financial year ending December 31, 2011 will also include comparative information for the interim and year end periods of 2010 prepared under IFRS.

- *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. During the second quarter of 2010 divisional controllers received formal IFRS training to ensure the necessary expertise is present in all levels of financial reporting within the Company.

During the second quarter of 2010, an IFRS information session was held with members of the Board of Directors (including Audit Committee members). During this session management and the Company's external auditors provided the Board with a review of the timeline for implementation, the implications of IFRS standards to the business and an overview of the impact to the financial statements (as experienced in Europe by comparable companies). As a result of the information session, the Audit Committee reviewed the Audit Committee Charter and made necessary changes to reflect the requirements for IFRS financial expertise. The Audit Committee will continue to receive and review quarterly IFRS project status updates from management.

- *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. The transitional adjustments and subsequent accounting for the items described above may result in changes to covenant calculations and will change capital requirements disclosure. The Company's existing credit facility agreement includes margining requirements for PP&E, which margining calculation will likely be impacted by the transition to IFRS. However, the credit facility agreement includes a provision whereby the Company and its lenders shall in good faith attempt to agree on a revised covenant if the transition to IFRS results in a material change to the calculation of an existing covenant.

FINANCIAL INSTRUMENTS

Risk management activities

The Company does not have significant exposure to any individual customer or counter party. No customer accounted for more than 10% of the Company's consolidated revenues during the nine month period ended September 30, 2010. Concentration of credit risk on the Company's trade accounts receivable exists in the oil and gas industry.

Fair values

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, dividends 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, 2010 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 Sept 30, 2010 (in thousand of shares) (unaudited)
Common Shares	31,055
Share option dilution	704
Fully diluted Common Shares	31,759

The additional Common Shares are on account of dilutive share options outstanding as at September 30, 2010. There has been no material change in the Common Share data from September 30, 2010 to the date of this report.

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 the impact of the global financial crisis and challenging economic conditions may continue to present a challenging business environment for the Company during 2010, management believes that the Company is reasonably well positioned to operate in such environment.

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. An increase in royalties or other regulatory burdens would reasonably be

expected to result in a material decrease in industry drilling and production activity in the applicable jurisdiction, which in turn would lead to corresponding declines in the demand for the goods and services provided by the Company in such jurisdiction. Conversely, reductions in royalties and other government regulations 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. No customer accounted for more than 10% of the Company's consolidated revenues during the nine month period ended September 30, 2010. 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 Rentals and Transportation Services 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, rental and transportation services 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. While a modest general economic outlook and slower industry environment has alleviated labour challenges during 2010 relative to past years when activity levels were higher, recent strengthening of industry activity levels in Western Canada is expected to result in a more challenging labour market during the upcoming winter drilling season.

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, 2010 (unaudited)	Dec 31, 2009
ASSETS		
Current assets:		
Accounts receivable	$ 52,179	$ 22,104
Inventory	30,366	28,408
Income taxes receivable	118	2,848
Prepaid expenses and deposits	2,692	2,309
	85,355	55,669
Property, plant and equipment	234,133	175,052
Goodwill	4,053	4,053
	$ 323,541	$ 234,774
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 28,465	$ 15,976
Dividends payable (note 7)	932	875
Current portion of long-term debt (note 6)	9,667	8,737
Current portion of obligations under capital leases	2,715	588
	41,779	26,176
Long-term debt (note 6)	64,058	34,950
Obligations under capital leases	3,002	763
Future income taxes (note 8)	17,509	5,681
Deferred tax credit (note 8)	7,267	11,575
Shareholders' equity:		
Share capital (note 9)	73,917	60,777
Contributed surplus (note 9)	1,892	1,174
Retained earnings	114,117	93,678
	189,926	155,629
Contingencies and commitments (note 14)		
	$ 323,541	$ 234,774
Supplemental Information:		
Number of common shares outstanding (000's) - Basic	31,055	29,176
Number of common shares outstanding (000's) - Diluted	31,759	29,176

See accompanying notes to the interim consolidated financial statements.

Approved by the Board of Total Energy Services Inc.:

Director, Greg Melchin

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	
	2010 (unaudited)	2009 (unaudited)	2010 (unaudited)	2009 (unaudited)
REVENUE	$ 55,237	$ 20,004	$ 148,924	$ 79,211
Expenses:				
Operating (note 11)	31,872	12,386	86,584	47,659
Selling, general and administration	6,373	3,308	18,753	11,287
Share-based compensation (note 10)	241	231	855	989
Depreciation	5,035	3,094	14,805	9,552
Other interest	68	106	122	434
Interest on long-term debt	814	257	2,336	671
	44,403	19,382	123,455	70,592
Operating earnings	10,834	622	25,469	8,619
Reorganization costs	—	—	—	(890)
Gain on disposal of equipment	—	66	535	309
Earnings before income taxes	10,834	688	26,004	8,038
Income tax expense (recovery) (note 8)				
Current	—	(745)	48	(2,394)
Future	1,274	(752)	2,542	923
	1,274	(1,497)	2,590	(1,471)
Net earnings	9,560	2,185	23,414	9,509
Retained earnings, beginning of period	105,670	91,175	93,678	87,349
Dividends (note 7)	(931)	(872)	(2,793)	(872)
Trust distributions	—	—	—	(3,486)
Repurchase and cancellation of common shares in excess of stated common share capital	(182)	(57)	(182)	(69)
Retained earnings, end of period	$ 114,117	$ 92,431	$ 114,117	$ 92,431
Earnings per share (note 12):				
Basic	$ 0.31	$ 0.08	$ 0.76	$ 0.33
Diluted	$ 0.30	$ 0.08	$ 0.75	$ 0.33

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		Nine months ended Sept 30	
	2010 (unaudited)	2009 (unaudited)	2010 (unaudited)	2009 (unaudited)
CASH PROVIDED BY (USED IN):				
Operations:				
Net earnings	$ 9,560	$ 2,185	$ 23,414	$ 9,509
Add (deduct) items not affecting cash:				
Depreciation	5,035	3,094	14,805	9,552
Share-based compensation (note 10)	241	231	855	989
Gain on disposal of equipment	—	(66)	(535)	(309)
Future income taxes (note 8)	1,274	(752)	2,542	923
	16,110	4,692	41,081	20,664
Changes in non-cash working capital items:				
Accounts receivable	(20,375)	(3,334)	(30,075)	21,553
Inventory	2,508	1,369	(1,192)	4,722
Income taxes receivable	2,557	(624)	2,730	(2,848)
Prepaid expenses and deposits	(1,088)	(765)	(406)	(1,427)
Accounts payable and accrued liabilities	(5,716)	(530)	9,301	(12,097)
Income taxes payable	—	—	—	(2,336)
	(6,004)	808	21,439	28,231
Investments:				
Purchase of property, plant and equipment	(12,522)	(2,439)	(21,340)	(13,335)
DC Energy Services LP acquisition (note 3)	—	—	(31,714)	—
Proceeds on disposal of property, plant and equipment	362	704	2,526	2,194
Transaction with Biomerge Industries Ltd. (note 8)	—	—	—	(3,639)
Changes in non-cash working capital items	1,404	5	3,188	(4,665)
	(10,756)	(1,730)	(47,340)	(19,445)
Financing:				
Advances of long-term debt	16,225	—	47,538	12,000
Repayments of long-term debt	—	(2,600)	(17,500)	(7,103)
Repayment of obligations under capital leases	(677)	(133)	(1,745)	(446)
Dividends to Shareholders (note 7)	(931)	(872)	(2,793)	(872)
Dividends payable (note 7)	1	872	57	872
Distribution to Unitholders	—	—	—	(3,486)
Distributions payable	—	—	—	(872)
Issuance of common shares (note 9)	280	—	583	—
Repurchase of trust units	—	—	—	(27)
Repurchase of common shares	(239)	(115)	(239)	(115)
Increase/(decrease) in bank indebtedness	—	3,770	—	(8,737)
	14,659	922	25,901	(8,786)
Change in cash	(2,101)	—	—	—
Cash, beginning of period	2,101	—	—	—
Cash, end of period	$ —	$ —	$ —	$ —
Supplemental information:				
Interest paid	$ 817	$ 363	$ 2,167	$ 1,181
Income taxes paid (received)	$ (2,520)	$ (121)	$ (2,682)	$ 2,790

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"). The interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto contained in the Company's annual report for the year ended December 31, 2009.

2. 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 period. 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.

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.

3. DC Energy Services Limited Partnership Acquisition

The Company completed the acquisition of the oilfield service, rental and transportation business of DC Energy Services Limited Partnership ("DC Energy") on January 15, 2010. The cash portion of the purchase price was financed using the Company's credit facilities (see note 6) and the balance of the purchase price was financed through the issuance of an unsecured convertible debenture bearing interest at 5% per annum, maturing on June 30, 2012 and convertible into common shares of the Company at a conversion price of $7.00 per share. On March 1, 2010 the convertible debenture was converted into 1,785,715 common shares of the Company.

The acquisition was accounted for as a business combination using the purchase method of accounting and the operations of DC Energy were included in the Company's accounts effective January 15, 2010. The following table details the purchase price allocation for the business combination, which is subject to final adjustments:

Net assets acquired:	
Property, plant and equipment	$ 52,002
Inventory	766
Other assets	100
Obligations under capital leases	(3,676)
Future income tax liability	(4,978)
Total	$ 44,214
Consideration paid:	
Cash	$ 31,888
Convertible debentures	12,500
Net earnings from effective date of sale to closing date of sale	(795)
Transaction costs	621
Total	$ 44,214

With the exception of certain leases in respect of real estate, the obligations under capital leases and future income tax liability referenced above, and up to $0.9 million of employee retention costs payable prior to August 2011, no additional material obligations were acquired by the Company in the transaction.

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, 2010 and December 31, 2009 these ratios were as follows:

	Sept 30, 2010	Dec 31, 2009
Long-term debt (including current portion)	$ 73,725	$ 43,687
Shareholders' equity	189,926	155,629
Total capitalization	$ 263,651	$ 199,316
Long-term debt to long-term debt plus equity ratio	0.28	0.22

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 current assets and liabilities, debt and earnings (subject to adjustments), debt and capitalization, fixed charge 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, 2010, the Company was in compliance with all external minimum capital requirements.

5. Financial Instruments

The Company's financial instruments as at September 30, 2010 include accounts receivable, accounts payable and accrued liabilities, dividends payable, obligations under capital leases and long-term debt. The fair value of accounts receivable, accounts payable and accrued liabilities, dividends payable and obligations under 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 September 30, 2010	2010	2011	2012	2013	2014	Thereafter	Total
Accounts payable and accrued liabilities	$ 28,465	$ —	$ —	$ —	$ —	$ —	$ 28,465
Dividends (note 7)	932	—	—	—	—	—	932
Long-term debt, in case of non-renewal (note 6)	—	13,292	14,500	45,933	—	—	73,725
Capital leases	719	2,907	1,366	633	85	7	5,717
Total	$ 30,116	$ 16,199	$ 15,866	$ 46,566	$ 85	$ 7	$ 108,839

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.

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, 2010, $3.5 million, or 6% of accounts receivable were more than 90 days overdue, which is in the range of historical aging profiles. The movement in the Company's allowance for doubtful accounts for the first nine months of 2010 was as follows:

Allowance for doubtful accounts	
Balance at January 1, 2010	$ 1,198
Provisions and revisions	57
Balance at September 30, 2010	$ 1,255

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 $90 million to ensure the Company has sufficient working capital to operate its business. As at September 30, 2010 approximately $16.3 million of these facilities remained unutilized.

The Company expects that cash flow from operations in 2010, together with existing and available credit facilities, will be sufficient to fund its presently anticipated requirements for investments in working capital, capital assets, 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 15% of its operating expenses (first nine months of 2009 – less than 25%) were denominated in a foreign currency during the nine month period ending September 30, 2010. 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, 2010.

- Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The 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, 2010, if interest rates had been 1% lower with all other variables held constant, after tax net earnings for the period would have been approximately $332,000 higher (first nine months of 2009 - $240,000), 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 higher in the first nine months of 2010 as compared to the same period in 2009 due primarily to higher 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, 2010.

6. Long-Term Debt

Revolving term loan facility, current portion in case of non-renewal		$ 9,667
Operating facility	$ 1,225	
Revolving term loan facility, long-term portion	62,833	64,058
Balance, September 30, 2010		$ 73,725

In January 2010 the Company replaced its credit facilities with a $10 million revolving operating facility and an $80 million revolving term loan facility. Both facilities are 364 day plus 2 year facilities such that in the event of non-renewal, all amounts owing under the facilities are due and payable on the two year anniversary following non-renewal. Advances made under the revolving term loan facility previously required monthly payments based on a 60 month loan amortization. In November 2010 the revolving term loan facility was amended such that monthly principal payments are no longer required, except in the case of non-renewal where the outstanding loan balance is amortized over 60 months with 23 equal payments required followed by a final lump sum payment due after 24 months. The renewal date for the facilities is January 13, 2011. The facilities are secured by a first fixed and floating charge on all assets of the Company, Bidell LP, DC Energy LP and certain other collateral security. The rate at which the facilities bear interest is based on a financial ratio with the interest rate ranging from prime plus 1.25% to 2.00%. As at September 30, 2010 the prime rate of interest was 3.0%.

7. Dividends Payable

The Company declared dividends of $0.03 and $0.09 per common share respectively for the three and nine month periods ended September 30, 2010. Dividends of $0.9 million were paid on April 30, 2010, July 30, 2010 and October 29, 2010 to shareholders of record on March 31, 2010, June 30, 2010 and September 30, 2010 respectively.

8. 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. A future income tax asset of $20.4 million was recognized on conversion with respect to these amounts and was 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 was recorded as a deferred tax credit in the amount of $16.5 million on conversion. The balance was subsequently reduced by $9.2 million on the application of tax pools utilized during 2009 and 2010. Biomerge also 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 Biomerge non-capital losses unutilized as at January 1, 2010 with their expiry dates are outlined below:

2014	$ 2,396
2015	7,384
2026	10,028
2027	10,908
2028	852
	$ 31,568

Income tax expense for the nine months ended September 30, 2010 and 2009 differs from the amounts that would be computed by applying the Federal and Provincial statutory income tax rates. The reconciliation of the differences are as follows:

	2010	2009
Income tax rate	28.0%	29.0%
Expected tax expense	$ 7,281	$ 2,331
Decrease in taxes resulting from:		
Amounts included in trust income	—	(1,052)
Drawdown of deferred tax credit	(4,308)	(3,014)
Non-deductible share-based compensation	239	287
Future income tax rate adjustment	(267)	—
Other	(355)	(23)
Provision for income taxes	$ 2,590	$ (1,471)

The components of the net future income tax liabilities as at September 30, 2010 and 2009 are as follows:

	2010	2009
Future income tax assets:		
Non capital loss and SR&ED carryforward	$ 15,156	$ 18,659
Future income tax liabilities:		
Property, plant and equipment	32,471	23,577
Other	194	60
	32,665	23,637
Net future income tax liabilities	$ 17,509	$ 4,978

The business and operations of the Company are 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.

9. Share Capital

Pursuant to the terms of the Plan of Arrangement (see note 1), 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.

(a) Trust unit capital:

Trust Units of Total Energy Services Trust

	Number of Units (000's)		Amount
Balance, December 31, 2008	29,057	$	60,027
Repurchased and cancelled	(7)		(15)
Balance, May 19, 2009	29,050		60,012
Decrease resulting from implementation of Plan of Arrangement	(29,050)		(60,012)
Balance, December 31, 2009 and September 30, 2010	—	$	—

During 2009 and 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. The excess of the price paid over the average price per Trust Unit has been charged to retained earnings.

(b) Common share capital:

Common Shares of Total Energy Services Inc.

(i) Authorized:
Unlimited number of common voting shares, without nominal or par value
Unlimited number of preferred shares, of which none are issued

(ii) Common shares issued:

	Number of Shares (000's)		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	(31)		(66)
Issued on exercise of share options	100		575
Balance, December 31, 2009	29,176		60,777
Issued on conversion of convertible debenture (see note 3)	1,786		12,500
Issued on exercise of share options	125		720
Repurchased and cancelled	(27)		(68)
Cancelled	(5)		(12)
Balance, September 30, 2010	31,055	$	73,917

During 2010 27,115 (2009 – 30,330) Common Shares were purchased under the Company's normal course issuer bid at an average price of $8.80 (2009 - $4.30), including commissions, and these Common Shares were cancelled. The excess of the price paid over the average price per Common share has been charged to retained earnings. In addition, 5,000 Common Shares were purchased in 2009 pursuant to an employee retention plan at a price of $4.60, including commissions. These shares were cancelled in 2010 as such shares did not vest pursuant to such retention plan.

(c) Contributed surplus:

Balance, January 1, 2009	$ —
Non-cash compensation expense related to share-based compensation plan	1,283
Less: Contributed surplus on share options exercised	(109)
Balance, December 31, 2009	1,174
Non-cash compensation expense related to share-based compensation plan	855
Less: Contributed surplus on share options exercised	(137)
Balance, September 30, 2010	$ 1,892

10. Share-Based Compensation Plan

On June 1, 2009 the Company implemented a share option plan (the "TSX Plan"). 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 person 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 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 for 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.

The share options issued during the first nine months of 2010 were as follows:

Number of options	Exercise Price	Vesting	Expiry
150,000	$7.30	1/3 after 1, 2 and 3 year	February 2015
60,000	$8.54	1/3 on grant, 1 and 2 years	August 2015
210,000			

During the first nine months of 2010, 125,000 share options were exercised at an exercise price of $4.66.

At September 30, 2010, 1,945,000 share options with a weighted average exercise price of $5.03 were outstanding and exercisable at various dates through to August 2015. Summary information with respect to share options outstanding is provided below:

Outstanding at Sept 30, 2010	Exercise Price	Remaining life (years)	Exercisable at Sept 30, 2010
1,435,000	$4.66	3.7	915,000
300,000	$4.97	4.0	100,000
150,000	$7.30	4.3	—
60,000	$8.54	4.9	20,000
1,945,000			1,035,000

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value of the share options granted. The average per share fair value of the options granted during 2010 is $2.61 per option (2009 - $1.41) using the following assumptions:

Expected volatility:	47% to 54%	Forfeitures:	15%
Annual dividend yield:	1.4 to 1.6%	Expected life (years):	2 to 5 years
Risk free interest rate:	1.4% to 2.4%		

11. Operating Expenses

The amount of inventory recognized as an expense and included in operating expenses during the first nine months of 2010 was $25.3 million (2009 - $19.8 million) in respect of the Gas Compression Services Division.

12. Earnings Per Share

Basic and diluted earnings per share for the three and nine months ended September 30, 2010 and 2009 has been calculated on the basis of the weighted average number of common shares outstanding as outlined below:

Three months ended September 30, 2010:	2010 (000's)	2009 (000's)
Weighted average number of shares outstanding - Basic	31,053	29,096
Stock option dilution	704	—
Weighted average number of shares outstanding - Diluted	31,757	29,096

Nine months ended September 30, 2010:	2010 (000's)	2009 (000's)
Weighted average number of shares outstanding - Basic	30,623	29,074
Stock option dilution	704	—
Weighted average number of shares outstanding - Diluted	31,327	29,074

13. 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.

14. 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 $7.2 million, $8.1 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.

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 $8.0 million. The Company also has purchase obligations of $6.9 million as at September 30, 2010 relating to commitments to acquire capital assets and inventory.

15. 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, Rentals and Transportation Services, which includes the rental and transportation of equipment used in drilling, completion 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, 2010 (unaudited)	Contract Drilling Services	Rentals and Transportation Services	Gas Compression Services	Other [2]	Total
Revenue	$ 9,171	$ 28,862	$ 17,204	$ —	$ 55,237
Operating earnings (loss) [1]	957	9,679	1,895	(1,697)	10,834
Depreciation	1,272	3,265	490	8	5,035
Assets	75,156	179,074	68,274	1,037	323,541
Goodwill	—	2,514	1,539	—	4,053
Capital expenditures [3]	910	7,734	3,878	—	12,522

As at and for the three months ended September 30, 2009 (unaudited)	Contract Drilling Services	Rentals and Transportation Services	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	287	1,303	4	2,439

As at and for the nine months ended September 30, 2010 (unaudited)	Contract Drilling Services	Rentals and Transportation Services	Gas Compression Services	Other [2]	Total
Revenue	$ 28,061	$ 81,681	$ 39,182	$ —	$ 148,924
Operating earnings (loss) [1]	2,239	23,327	3,979	(4,076)	25,469
Depreciation	3,981	9,434	1,368	22	14,805
Assets	75,156	179,074	68,274	1,037	323,541
Goodwill	—	2,514	1,539	—	4,053
Capital expenditures [3]	2,729	11,847	6,737	27	21,340

As at and for the nine months ended September 30, 2009 (unaudited)	Contract Drilling Services	Rentals and Transportation Services	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	4,927	1,446	6,958	4	13,335

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

(2) Other includes the Company's corporate activities.

(3) Excludes the acquisition of DC Energy (see note 3).

BOARD OF DIRECTORS

Bruce Pachkowski [3]
Chairman of the Board

Daniel Halyk
President and Chief Executive Officer

Gregory Fletcher [1,2]

Randy Kwasnicia [1,3]

Greg Melchin [1,2]

Andrew Wiswell [2,3]

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 INC.

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 Inc.

Rod Rundell - General Manager

TOTAL OILFIELD RENTALS LIMITED PARTNERSHIP

Gerry Crawford - General Manager

BIDELL EQUIPMENT LIMITED PARTNERSHIP

Sean Ulmer - President

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Calgary, Alberta

BANKERS

HSBC
Bank of Montreal
Calgary, Alberta

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Symbol: TOT

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Fox Creek • Grande Prairie • High Level • Lac La Biche • Lloydminster • Manning • Medicine Hat • Peace River

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