



TRINIDAD DRILLING

EMPLOYEE NEWSLETTER

:: SUMMER 2011 – ISSUE 6 ::

## An update from Lyle

Summer greetings to everyone!



*As we thought would be the case, 2011 continues to be quite busy across all of our operations. Our Canadian Drilling operations continue their market leading presence and work at levels well beyond those of the last couple of years and our US Drilling operations remain close to 100% utilized as the general recovery continues.*

Despite the volatility we have seen in the markets over the past few weeks, our customers continue to be eager to book rigs and we expect that we will continue to be busy for the remainder of the year. That being said, we will keep a close eye on the markets and expect to maintain a rig build program that we can easily fund through our internally generated cash flow.

There are a number of changes that I would like to draw to your attention to since our last newsletter. First, is the sale of our Well Servicing division to CWC Well Services. The decision to sell Well Servicing was not an easy one as it has proved to be a solid performer since the early days of Trinidad. The Well Servicing team probably had one of the longest average service records

within Trinidad and we were fortunate enough to have a core group of employees help us grow the division and make it as successful as it was over the years.

Recognizing that Well Servicing was not a core business for Trinidad in the long term, we knew it would be difficult to secure the capital investment needed to help the division grow and stay competitive. As a result, we felt it would better be to sell the division. We wish them the very best in their future.

The second change I wanted to bring to your attention is the reorganization of our Victory Rig Division. In 2010 we undertook a strategic decision to focus on building rigs solely for Trinidad. This change will allow us to protect our technology and focus on building high performing rigs for our clients. We are in the process of consolidating our manufacturing operations into one central facility in Nisku that is currently under construction and will be completed in early 2012. And reflecting these changes, we have renamed the division Trinidad Design and Manufacturing.

Finally, I would like to take a quick minute to talk about our health and safety performance. While we have had a number of significant incidents since our last newsletter we continue to see an overall decrease in the number of incidents across the organization. This is quite an achievement given how busy we have been this year. It speaks to the efforts of all you to ensure that everyone goes home safe every single day. I would like

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to particularly mention Rig 107 in our US Southern Drilling Operations which has just recently surpassed the 4 year mark without a recordable incident. Great work guys – you serve as an example of what focus and hard work can do for everyone.

Anyway, I hope you all have a chance this summer to spend some time with your families and enjoy your favourite summertime hobbies – but remember play safe!

Sincerely,

Lyle Whitmarsh,  
President and Chief Executive Officer

## :: INDUSTRY UPDATE ::

### Industry Update

The first half of 2011 has been very active for Trinidad and the US and Canadian drilling industry. Oil-directed drilling remained an area of significant focus, accounting for approximately half of the overall North American activity as a result of strong crude oil prices. Unconventional shale gas was also an area of ongoing drilling activity on both sides of the border.

A wet spring in Canada caused prolonged spring break-up conditions and reduced the number of rigs able to work over the past few months. Customer demand is strong to get wells drilled and we expect, once the ground dries up, that the second half of the year will be busy in Canada.

In the US, according to Baker Hughes, the active rig count has increased to over 1,900 rigs, an increase of more than 850 rigs since the fourth quarter of 2009. We are experiencing strong demand across our US operations and have the vast majority of our equipment working. The three rigs operating in Mexico continue to perform well and produce consistent, strong results.

A number of established oil or natural gas liquids-rich plays have come back into the limelight over the past year or so. New techniques for horizontal drilling and fracturing wells that were learned in unconventional shale gas drilling are now being used on these plays. These techniques typically increase the production capacity of the wells and improve the economics for oil and gas producers.

We have grown our exposure to oil and natural gas liquids along with the industry and now have about 55% of the fleet drilling these targets, up significantly from around 20% a few years ago. The several areas where we have seen strong growth in activity include the Cardium in Alberta, the Eagle Ford Shale in Texas and, most

recently, the Niobrara in Wyoming. These new or revitalized plays provide us with good opportunities to mobilize existing rigs or to add new rigs to our fleet.

These stronger conditions are positive for Trinidad and the drilling industry generally. A shortage of suitable equipment is putting upward pressure on day rates. We are seeing greater improvements in day rates and gross margins as we move forward. This year is shaping up well and is already ahead of our initial expectations.

### Trinidad Continues to Grow its North American Presence

Earlier this year, Trinidad Drilling agreed to build two more rigs to be added to the fleet in 2011, which brings the total number of newly built rigs to be delivered this year to five. One of these two new rigs is destined for our growing Eagle Ford Shale (Texas) operations, where demand for equipment has been strong due to the high level of natural gas liquids that are typically produced in the area. The second rig brings Trinidad into a new area of operations – Steam Assisted Gravity Drainage (SAGD) – starting work in north-eastern Alberta. SAGD operations are another area of high demand as a result of the strong crude oil prices we have been experiencing over the past 12 to 18 months. There is potential that once any teething issues are ironed out and the rig is operating well in the field, more rigs of a similar style may be required.

In addition to these rigs for 2011, we have agreed to build three more rigs for delivery into operations in 2012. Of these new rigs, two are expected to be working in our US operations, while the final destination for the

remaining rig is still being decided by the customer. All of the newly announced rigs for 2011 and 2012 are 1,500 horsepower AC rigs with a depth capacity of 18,000 feet (5,500 metres) and are under long-term, take-or-pay contracts. The rigs will be built at our rig manufacturing facility in Nisku, Alberta.

As well as growing through new builds, we have also added to our fleet through acquisitions. Recently we announced the purchase of four existing US-based rigs. We will be upgrading these rigs' electrical systems and adding top drives, our drawworks, operating control systems and other advanced drilling equipment and automation so that these rigs will be able to perform in-line with our existing fleet of modern, technically advanced rigs. These rigs will continue to operate in our US division and the work is expected to be completed on all four rigs by the end of the year.

Following these changes to our fleet, we will have 129 rigs with 56 rigs in Canada, 70 rigs in the US, and three rigs in Mexico.



## Canadian Drilling Season Recap 2010-11

*The Canadian Drilling Team had a very successful winter season, not only in terms of utilization but in safety as well.*

In comparison to industry Trinidad had a phenomenal year, we achieved 100% utilization in Canada and did it while lowering our recordable incident rate. By March Trinidad's Total Recordable Incident Frequency Rate (TRIF) was 2.87 while the CAODC Industry Rate was 4.45, an outstanding accomplishment.

A thank you goes out to all of the employees who made this past season such an incredible success!

### News Highlights

#### Trinidad 41 – Achievement

George Deveson received an award on behalf of Trinidad 41's safety record at this year's CAODC banquet. Trinidad 41 is currently at 1483 safety days and counting. Special recognition goes out to the crews of Trinidad 41 on this outstanding achievement.


### Announcements

Greg Pukas has taken a Field Superintendent position taking over rigs: 31, 34, 43, 91, 92, 94 and 96. Greg brings a wealth of knowledge with him and will be a welcomed addition to the operations team.

Mick Souchuk has transferred to the US Northern Operations where he will supervise rigs in Wyoming and North Dakota. We wish Mick the best as he starts his new position with the US operations.

David Thiel has been with the company for the last 5 years during which time he has proven himself as an asset to our team; as such he has been recently promoted to the position of Equipment Manager.

Chres Jensen started his drilling career with Trinidad as a Floorhand moving up and eventually accepting a position in the Nisku yard. Chres has most recently moved into a Field Safety Supervisor's role and has been a welcomed addition to the safety team.

Darren Izzard recently joined the Nisku Operations team when he accepted the position of Shipper and Receiver. Darren brings experience in both field and shipping operations. Welcome Darren! 




## Trinidad Sells its Well Servicing Assets

In June this year, we agreed to sell our well servicing assets and related equipment (TWS) to CWC Well Services Corp. Well servicing has been an important part of Trinidad's operations for more than ten years and has provided diversification for us as we have grown our contract drilling business. Now that we have grown our fleet to almost 130 rigs and expanded into several geographic regions, the diversification added by the well servicing division was not as significant.

Our growth over the past few years has mostly been through adding deep, technically advanced drilling rigs and our decision to sell our well servicing assets reflects our strategy to focus on the deep, modern contract drilling market where returns are generally stronger and where we see opportunities for future growth.

CWC has agreed to purchase all 22 of our service rigs and expects to retain the vast majority of our employees currently working for TWS. We will use the proceeds from the sale to fund the additions to our fleet or to lower corporate debt levels.

## Jim Rathwell - Retirement

Since joining Trinidad Well Servicing back in 2004, Jim has been an integral part of the business. He played a key part in building the foundation of Trinidad's Well Servicing division and was one of the driving forces behind the division's success over the past years. His strong leadership has been important for not just the economic and operational challenges, but for all that is involved. Jim's leadership, his direction and his friendly smile will all be missed at Trinidad and we wish him the very best for his retirement. 



Rig 41  
Left to Right: FH: Mark Scheone; MH: Stacey Kells; DH: Greg Kusiak; FH: Richard Longard; RM: George Deveson; DR: Sean Melanson



Jim Rathwell  
Senior Vice President,  
Trinidad Well Servicing

*Silent Whistle is an independent company engaged to provide Trinidad employees with an effective tool to communicate with management and the Audit Committee.*

This system is designed to assist Trinidad by providing us with information from you about our business practices and about incidents that we may not see on a daily basis. We sincerely respect and value each of your opinions and hope you will feel comfortable using this system to communicate problems and/or concerns.

Your comments will remain completely anonymous if you select that option (Silent Whistle is an independent company and is contractually forbidden from disclosing your identity to us if you don't want them to). You may also select to disclose your personal information.

Your comments, suggestions and valuable feedback have a direct result in the success of our company. The

culture and business of Trinidad depends on its integrity. Employees, consultants and individuals external to the company are encouraged to raise matters that may constitute unfair or unethical business practices.

Thank you for all that you do to make Trinidad Drilling Ltd a great company!

**How Silent Whistle Works**

*Option 1 – Online Access*

Step 1: Connect to the internet using a computer anytime and anywhere.

Step 2: Type www.silentwhistle.com into the address bar and hit "Enter" on the keyboard.

Step 3: Select the appropriate choice from the list that appears. Please note that you do not need a username or password.

Step 4: Type in "Trinidad" and then click "Search."

Step 5: Select "Trinidad Drilling" and then click "Next".

Step 6: Click "Report a Concern" or "Follow up on a reported concern" and follow the prompts.

*Option 2 - Voicemail*

Call 1-877-874-8416. This is an anonymous hotline feedback system which utilizes both web- and phone-based technology for employees to provide feedback directly to the Audit Committee.



## Collaboration Leads to Success

*An education and planning session held the week of June 13 to 16 between Human Resources (HR) and Health, Safety and Environment (HSE) highlighted collaboration as key to Trinidad's future success.*

**Safety**

HR and HSE reviewed critical issues such as recruitment and safety, revealing in the process the high level of cooperation that exists between different groups. For example, the US HSE group has championed the new and exciting incident investigation "First Notice" form. Mike Sasser, HSE Manager for US Southern, and Ross Ballendine and Stefan Bonea from our Corporate IT group worked together to develop "First Notice" for implementation in the field. As a result of this collaboration, a simplified and improved process now exists for reporting incidents in a timely fashion to all levels of management, leading to better safeguards and faster responses to incidents for our valued workers.

The combined group's review of Trinidad's Total Recordable Injury Frequency Rate (TRIF) for 2010 indicated sterling results for Trinidad Drilling. Our industry's TRIF is going up, but Trinidad is bucking the trend and showing the industry that we can increase our exposure hours without injuring more workers. As everyone in the meeting acknowledged, workers are the

driving force of Trinidad's outstandingly low TRIF rates, with background groups influencing positive changes in overall working habits.

**Recruitment**

The combined group also spent a considerable amount of time looking into our workforce and the recruitment challenges facing Canadian and US markets. Guest speakers including Kristen Cumming presented various ideas on how the issue of recruitment in both our markets may be addressed.

**Across the Company**

The HSE and HR groups took the time to review what is working in all areas of the company. Free flow of information benefited all groups attending the meetings with ideas being pushed forward for review by groups operating throughout North America.

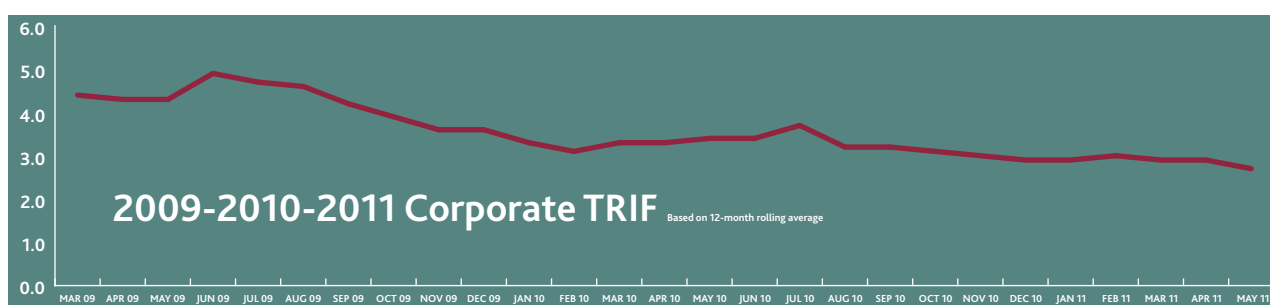
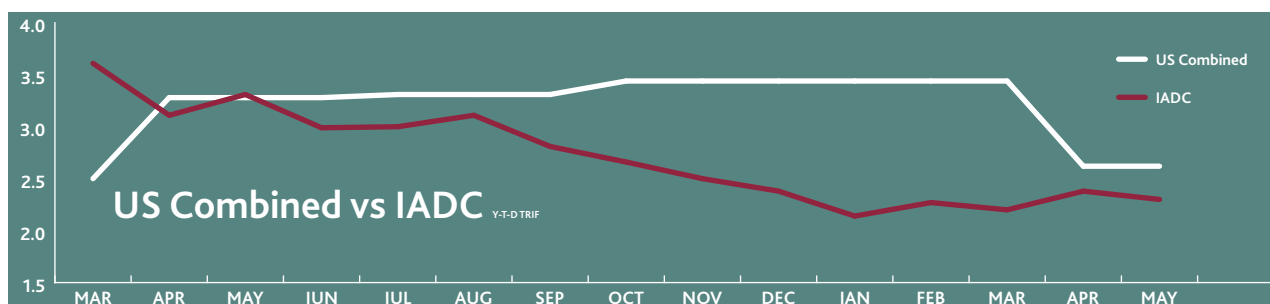
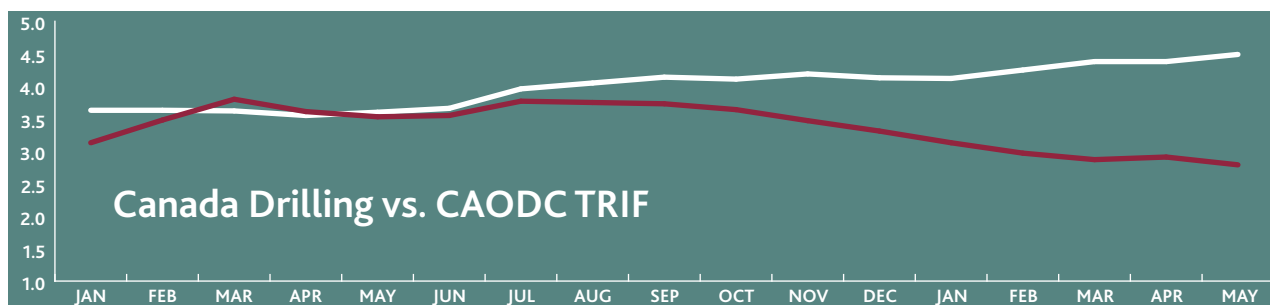
**Next Steps**

As a result of these meetings, the HSE, HR, and IT groups return to their individual working locations better informed, better prepared for change, and more open to reviewing ideas that will enable all of us to become more effective in all areas of our operation and better able to adapt to change as part of a truly dynamic working environment.

## Congrats Rig 104!



On January 24, 2011, Rig 104 reached an important milestone. The crew of Rig 104 have completed 26 wells, drilling 422,240 feet over 1,640 days or four years without a Recordable Injury. Rig 104's crew is led by rig managers Nathan McDonald and Chad Russell, and includes drillers Mark Lang, Shane Weldon, Jeremy Primrose, Matt Kezerle and Juan Thacker; derrickhands Jovon Bickham, Joseph Richardson, Samuel Jones and Anthony Jackson; motorhands Matthew Brick, Sammy Bell, Bruce Osby and Clifton Gillard; and floorhands James Williams, Ryan Dew, Derrick Ballard, Keith Cotton, David Bickham, Jackson Nelson and Derrell Odums. Congratulations to all at Rig 104 on a job well done.



## Building Better Communities

Welcome to the newest section in Drill Bits! Featuring different employee volunteer stories in each issue, "Building Better Communities" celebrates employees and the volunteer work that they do to make their community and the world a better place. If you know of coworkers who are volunteering in the community, let us know so we can share their story.

We would like to take this opportunity to recognize two of our employees who work with youth football in Springtown Texas. If you work in the US North Division you might recognize the names on the back of the jersey in the picture below (although the jersey size might be a little smaller than you were expecting!).

Lou Lunsford and Colt Stewart volunteer with the Springtown Lions Football League. They recently helped lead a group of 4th graders to victory in the league Super Bowl played in Fort Worth Texas. Both men enjoy working with the boys and find football season to be one of the best times of the year. "It's more than just teaching them to run, jump and tackle," Colt explains. "They learn the importance of teamwork, discipline and how to focus, which will assist them with the road ahead."

Congratulations Lou and Colt on a championship season and on making a lasting contribution to the lives of these boys. **DB**



## :: TIDBITS ::

a t e l l u l a r d n e k e h r s h p o l i c y  
i l r k t r c i a e c m r c n i m c o x l r c h  
c m o e l i u e r s i s d o l o y m r d e a o p  
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## Something for Everyone – Word Find!

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|------------------|-------------------|------------------|
| direct deposit   | abstract          | rig shut down    |
| first aid        | license           | looking for work |
| special oilfield | benefits          | tellular         |
| boiler           | termination       |                  |
| WHMIS            | taxation          |                  |
| safety           | special work site |                  |
| Titan            | exam              |                  |
| Alberta          | payroll           |                  |
| coveralls        | referral          |                  |
| oil sands        | attending         |                  |
| coring           | help desk         |                  |
| camp             | strathmore        |                  |
| equipment        | flights           |                  |
| code of conduct  | crews             |                  |
| industry         | winter season     |                  |
| seasonal         | clothing          |                  |
| employment       | enform            |                  |
| recruiting       | reference check   |                  |
| work ethic       | CAODC             |                  |
| privacy          | rig manager       |                  |
| jacquelyn        | driller           |                  |
| kendra           | derrickhand       |                  |
| patricia         | documentation     |                  |
| communication    | surehire          |                  |
| policy           | regulation        |                  |
| incident         | rig orientation   |                  |



# DRILL BITS WOULD LIKE TO HEAR FROM YOU!

Please send us your photos, articles and suggestions to:  
[TDGDrillBits@trinidaddrilling.com](mailto:TDGDrillBits@trinidaddrilling.com)

