International Revenue of Canadian Oil and Gas Services Sector Companies

Prepared for Petroleum Services Association of Canada by Spensley Consulting Corp.

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Introduction

In March 2015, PSAC retained Spensley Consulting Corp. (“SCC”) to update a study previously conducted in 2010 which quantified the international activities of Canadian headquartered public and private oil and gas services sector companies in order to understand their impact on the Canadian economy.

The compiled data included international and domestic revenue for the two most recent fiscal years (in most cases, the years ended December 31, 2013 and 2014) and the countries from which those revenues were earned.

Sources and Methodology

For public companies, all information was taken from audited financial statements publicly posted on sedar.com and accessed in April 2015.

Private companies were contacted individually and asked to provide information for the study. Participation in the study was completely voluntary. All information obtained from private companies is strictly confidential and no identifiable financial information will be reported. Private company information will only be provided in aggregate.

While data was collected from a total of 60 companies, only the 42 companies with international revenue were included in the analysis.

For analysis purposes, companies were grouped into four categories; Contract Drilling, Manufacturing, Oil and Gas Services, and Pipeline, Infrastructure and Processing. Companies were grouped into sectors based on their predominant activity. Many of the companies have operations which would put them in more than one category.

Overview of Study Results

There were 42 companies included in the study. The companies were grouped into four sectors:

- Contract Drillers (7 companies)
- Manufacturing (9 companies)
- Oil and Gas Services (23 companies)
- Pipeline, Infrastructure and Processing (3 companies)

These 42 companies earned $42.5 billion in international revenue in 2014, up 21% from the previous year.

The proportion of revenue from international sources remained essentially unchanged year over year (2014/2013) at approximately 50%.
International Revenue by Company Size

The study companies were grouped into categories based on the amount of revenue earned in 2014. The proportion of international revenue increased as the size of the companies increased. However, even the smaller companies, those with revenue less than $100 million per year, received more than a third of their revenue outside of Canada.

The smaller companies showed the highest amount of revenue growth, both domestic and international, for 2014 over 2013. In particular, the small companies as a group increased international revenue by 65% in 2014, compared to the overall average of 21%.

Although revenue groupings contain a similar number of companies, companies with greater than $500 million in revenue account for 95% of the total reported international revenue.
International Revenue – Country of Origin

Companies reported revenue from a total of 35 countries, representing a variety of countries around the world.

Of the 42 companies in the study, 39 had revenue from USA. The other predominant sources of revenue are other countries in the Americas and Australasia (primarily Australia). Revenue from Asia and the Middle East was also common. In fact, for 50% of the companies, USA was the only source of international revenue.

<table>
<thead>
<tr>
<th># of Companies Reporting Revenue</th>
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<tbody>
<tr>
<td>USA</td>
</tr>
<tr>
<td>Other Americas</td>
</tr>
<tr>
<td>Australasia</td>
</tr>
<tr>
<td>Asia</td>
</tr>
<tr>
<td>Middle East</td>
</tr>
<tr>
<td>Europe</td>
</tr>
<tr>
<td>Africa</td>
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</tbody>
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<table>
<thead>
<tr>
<th>C$ Billions</th>
<th>2013 Canada</th>
<th>International</th>
<th>Total</th>
<th>2014 Canada</th>
<th>International</th>
<th>Total</th>
<th>Increase % Canada</th>
<th>International</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada and USA</td>
<td>24.6</td>
<td>23.4</td>
<td>47.9</td>
<td>29.9</td>
<td>26.6</td>
<td>56.5</td>
<td>22%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Canada, USA and Other</td>
<td>10.1</td>
<td>11.6</td>
<td>21.7</td>
<td>10.3</td>
<td>15.9</td>
<td>26.2</td>
<td>2%</td>
<td>37%</td>
<td>21%</td>
</tr>
<tr>
<td>Total</td>
<td>34.7</td>
<td>35.0</td>
<td>69.6</td>
<td>40.2</td>
<td>42.5</td>
<td>82.7</td>
<td>16%</td>
<td>21%</td>
<td>19%</td>
</tr>
</tbody>
</table>

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**Americas**
- USA
- Mexico
- Argentina
- Bolivia
- Brazil
- Columbia
- Ecuador
- Peru
- Venezuela

**Europe**
- Albania
- Georgia
- Italy
- Luxembourg
- United Kingdom

**Asia**
- China
- India
- Indonesia
- Malaysia
- Pakistan
- Russia
- Singapore
- Thailand

**Australasia**
- Australia
- New Zealand
- Papua New Guinea

**Africa**
- Algeria
- Libya
International Revenue by Sector

Contract Drilling

All seven companies in the Contract Drilling sector are publicly traded.

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</thead>
<tbody>
<tr>
<td>CanElson Drilling Inc.</td>
<td>132.3</td>
<td>124.7</td>
<td>257.0</td>
<td>174.6</td>
<td>164.9</td>
<td>339.5</td>
<td>49%</td>
</tr>
<tr>
<td>Ensign Energy Services Inc.</td>
<td>661.0</td>
<td>1,437.0</td>
<td>2,098.0</td>
<td>666.1</td>
<td>1,655.7</td>
<td>2,321.8</td>
<td>68%</td>
</tr>
<tr>
<td>Precision Drilling Corporation</td>
<td>1,002.2</td>
<td>1,027.8</td>
<td>2,030.0</td>
<td>1,077.8</td>
<td>1,272.7</td>
<td>2,350.5</td>
<td>51%</td>
</tr>
<tr>
<td>Savanna Energy Services Corp.</td>
<td>409.2</td>
<td>287.4</td>
<td>696.6</td>
<td>449.1</td>
<td>342.8</td>
<td>791.9</td>
<td>41%</td>
</tr>
<tr>
<td>Trinidad Drilling Ltd.</td>
<td>297.7</td>
<td>492.8</td>
<td>790.5</td>
<td>312.9</td>
<td>665.1</td>
<td>978.0</td>
<td>62%</td>
</tr>
<tr>
<td>Western Energy Services Corp.</td>
<td>345.3</td>
<td>34.6</td>
<td>379.9</td>
<td>457.5</td>
<td>50.3</td>
<td>507.8</td>
<td>9%</td>
</tr>
<tr>
<td>Xtreme Drilling and Coil Services Corp.</td>
<td>14.9</td>
<td>215.0</td>
<td>229.9</td>
<td>15.0</td>
<td>252.4</td>
<td>267.4</td>
<td>94%</td>
</tr>
<tr>
<td><strong>Total Contract Drillers</strong></td>
<td><strong>2,862.6</strong></td>
<td><strong>3,619.3</strong></td>
<td><strong>6,481.9</strong></td>
<td><strong>3,153.0</strong></td>
<td><strong>4,403.9</strong></td>
<td><strong>7,556.9</strong></td>
<td><strong>56%</strong></td>
</tr>
</tbody>
</table>

There was a slight increase in the proportion of international revenue for the Contract Drillers year over year, from 56% to 58%. In 2014, international revenue as a percentage of total revenue ranged from 10% to 94%.
Contract Drillers got the majority of their revenue increase from international jurisdictions, a 22% increase compared to 10% from Canada. All of the Contract Drilling companies in the survey reported revenue from the USA.

Manufacturing

Five of the nine companies in the manufacturing sector are publicly traded.

The Manufacturing companies have the highest proportion of international revenue at 63%. In 2014, international revenue as a percentage of total revenue ranged from 38% to 96%.

Manufacturing companies had slightly higher revenue increase from domestic revenue in 2014 (31%), compared to international revenue (26%).
Oil and Gas Services

Oil and Gas Services is the largest sector in the study. There are a total of 23 companies, 16 of which are publicly traded.

The proportion of international revenue in this sector was unchanged in 2014. In 2014, international revenue as a percentage of total revenue ranged from 4% to 78%.

The Oil and Gas Services sector also had the widest variation in revenue growth in 2014. Overall, international revenue grew more than domestic revenue.
Pipeline, Infrastructure and Processing

There are three companies in the Pipeline, Infrastructure and Processing sector. All companies in this sector are publicly traded.

Pipeline Infrastructure Processing Revenue

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</thead>
<tbody>
<tr>
<td>Enbridge Inc.</td>
<td>12,690.0</td>
<td>20,228.0</td>
<td>32,918.0</td>
<td>14,963.0</td>
<td>22,678.0</td>
<td>37,641.0</td>
<td>61%</td>
<td>60%</td>
</tr>
<tr>
<td>Keyera Corp.</td>
<td>2,715.4</td>
<td>561.8</td>
<td>3,277.2</td>
<td>2,895.6</td>
<td>728.1</td>
<td>3,623.7</td>
<td>17%</td>
<td>20%</td>
</tr>
<tr>
<td>TransCanada Pipelines Limited</td>
<td>4,659.0</td>
<td>4,138.0</td>
<td>8,797.0</td>
<td>4,021.0</td>
<td>6,164.0</td>
<td>10,185.0</td>
<td>47%</td>
<td>61%</td>
</tr>
<tr>
<td><strong>Total Pipeline Infrastructure Processing</strong></td>
<td><strong>20,064.4</strong></td>
<td><strong>24,927.8</strong></td>
<td><strong>44,992.2</strong></td>
<td><strong>21,879.6</strong></td>
<td><strong>29,570.1</strong></td>
<td><strong>51,449.7</strong></td>
<td><strong>55%</strong></td>
<td><strong>57%</strong></td>
</tr>
</tbody>
</table>

This sector has the largest revenue but the smallest number of companies. In 2014, international revenue as a percentage of total revenue ranged from 20% to 61%.

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Enbridge Inc.</td>
<td>18%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Keyera Corp.</td>
<td>7%</td>
<td>30%</td>
<td>11%</td>
</tr>
<tr>
<td>TransCanada Pipelines Limited</td>
<td>-14%</td>
<td>49%</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Total Pipeline Infrastructure Processing</strong></td>
<td><strong>9%</strong></td>
<td><strong>19%</strong></td>
<td><strong>14%</strong></td>
</tr>
</tbody>
</table>

It also has the lowest revenue growth, year over year, of any of the sectors with 19% international revenue growth and 14% total revenue growth.
Appendix A

Survey Participants
AMGAS Services Inc.  Kayden Industries Limited Partnership
Apex Distribution Inc.  Keyera Corp.
Aveda Transportation and Energy Services Inc.  MATRRIX Energy Technologies Inc.
Black Diamond Group Limited  McCoy Global
Bri-Chem Corp.  Newalta Corporation
Calfrac Well Services Ltd.  Pason Systems Inc.
Canadian Energy Services & Technology Corp.  PHX Energy Services Corp.
CanElson Drilling Inc.  Precision Drilling Corporation
Cathedral Energy Services Ltd.  Questor Technology Inc.
Computer Modelling Group Ltd.  Resource Well Completion Technologies Inc.
Corrosion and Abrasion Solutions Ltd.  Savanna Energy Services Corp.
Enbridge Inc.  Secure Energy Services Inc.
Enerflex Ltd.  Strad Energy Services Ltd.
Engenium Chemicals Corp.  Summit Liability Solutions Inc.
Enseco Energy Services Corp.  TransCanada Pipelines Limited
Ensign Energy Services Inc.  Trican Well Service Ltd.
ENTREC Corporation  Trinidad Drilling Ltd.
Ferus Inc.  United Safety Ltd.
Firemaster Oilfield Services Inc.  Warrior Manufacturing Services Ltd.
Gibson Energy Inc.  Western Energy Services Corp.
High Arctic Energy Services Inc.  Xtreme Drilling and Coil Services Corp.