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OPERATOR: Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the Flint Energy second quarter results conference call. All participants are in a listen only mode. Following the presentation we will conduct a question-and-answer session. Instructions will be provided at that time. If anyone has any questions, press the star followed by the zero for operator assistance. (Unintelligible) Friday, August 7, 11 a.m. (unintelligible).

GUY COCQUYT (Director of Investment Relations and Market Research, Flint Energy Services Ltd.): Thank you, Joanne, and good morning, everyone. Bill Lingard, Flint's President and CEO, and Paul Boechler, Flint's Chief Financial Officer, are here today and will discuss our 2009 second quarter financial and operating results, and the outlook for the second half of the year. Bill will be summarizing the second quarter operating environment and Paul will provide an overview of financial results. We will then have some closing comments from Bill about the outlook followed by the usual question-and-answer period. Approximately one hour after this call a playback will be available by telephone and over the internet. For details on how to listen to the replay please check our website at FlintEnergy.com.

During the course of the call we may provide forward-looking information concerning the company's projected operating results for 2009, anticipated capital expenditure trends, and activity levels in the oil and gas industry. Actual events or results may differ materially from those reflected in the company's forward-looking statements due to a number of risks, uncertainties, and other factors affecting the company's business as well as the oil and gas industry in general. These risks, uncertainties, and other factors are described under risk factors in the company's annual information form for the year ended December 31, 2008 and other documents filed with the Canadian Provincial Security Authorities which are available to the public on SEDAR. Unless otherwise indicated all financial information in this call is presented in Canadian dollars and in accordance with Canadian GAAP. I'll now turn the call over to Bill Lingard.

BILL LINGARD (President and Chief Executive Officer, Flint Energy Services Ltd.): Thank you, Guy, and good morning, everyone. We released our second quarter 2009 financial results after the market closed yesterday and we will comment on the quarter assuming that you've had an opportunity to look at those results.

In spite of a very weak drilling environment in the second quarter in both Canada and the United States our earnings of $0.08 per share were better than our second quarter 2008 net operating earnings of $0.07 per share when we exclude the of lift of $0.18 per share from the Quebec tax settlement last year. This was primarily as a result of strong cost controls across the company and increased revenue from ongoing oil related activities.

While drilling was down over 50 percent from last year in both Canada and the United States our revenues for the second quarter are 424 million, decreased by approximately 20 percent from the second quarter of 2008. With the exception of the facility infrastructure segment, our oil sands construction operation, all of our segments experienced revenue contraction. The early cycle operations of production services which are closely tied to drilling were the areas which saw the largest declines in revenues, particularly in the United States where decreased gas directed drilling reduced well tie-in work early in the second quarter.

Looking back our United States Q1 revenue was 103 million, and in Q2 it dropped to 76 million. While many of our costs are variable with activity dropping so quickly managers were still retaining hourly people and paying non-chargeable time to hold on to them for work that did not materialize. That has been changed and we've aggressively reduced our workforce to match the current activity levels.

The better performance of Canadian operations reflects our stronger mid-stream, mid-cycle base of operations in Canada, which are not as closely tied to drilling as the United States operations. Facility infrastructure revenues were up over last year, mainly due to changing activity levels in our oil sands construction contracts. While work tapered off on the Suncor projects, work ramped up on both the Shell Albian froth treatment project and StatoilHydro Leismer SAGD demonstration project. Work on both of these projects is going very well and we are seeing improved labour cost and productivity.

Our oil field services had revenues from early cycle rig moving operations reduced in the quarter. However, overall revenues in this segment were down 21 percent but this division performed much better on lower revenues than last year. This is evidence of the steep cost cutting measures we took during the latter part of 2008 in anticipation of the lower forecasted activity in 2009.

Our maintenance services segment performed as expected with revenues down from last year due to the timing of a major turnaround for Suncor in the second quarter of '08, which was not repeated this year. EBITDA of 23.5 million for the quarter was down 7.6 million from Q2 of 2008 with the largest decline in production services or operating utilization and price erosion due to the increased competitive pressures, particularly in the United States operations, negatively impacted EBITDA margins. The company wide EBITDA margin for the quarter was down only 0.3 percent from last year due to improved performance in both our facility infrastructure and oil field services segments during the quarter.

While it was a tough quarter for many energy services companies and our customers Flint's strategy of diversification services crossed both conventional and unconventional oil and gas with early and late cycle activities has helped Flint remain profitable in the second quarter. We continue to have a healthy backlog of work in our maintenance and infrastructure divisions, and have secured new work in the oil and shale gas areas for oil field and production services, and we continue to generate cash and reduce debt. Also we have a three year renewal of our revolving credit facility at very favourable terms and we're well positioned for the remainder of 2009.

At this point I'll turn things over to Paul Boechler to go into the financial results in more detail.

PAUL BOECHLER (Chief Financial Officer, Flint Energy Services Ltd.): Thank you, Bill. As Bill has already stated quarterly revenue of 424 million was down 108 million from last year, mainly as a result of reduced activity in our production services division, which had quarterly revenues of 187 million, down 72 million from 259 million last year. The division was especially hard hit by reduced drilling activity in the United States where production services revenue of 76 million was down 54 million for the quarter or 42 percent from last year.

On the other hand Canadian production services revenue of 111 million was down only 18 million or 14 percent compared to last year due to a higher concentration of mid-stream activities than in the United States, where activities are more highly leveraged to well tie-ins. Our overall geographic revenues for the quarter changed to 18 percent from the US operations compared to 25 percent in Q2 2008 as a result of the proportionately greater drop in activity in US operations.

Facility infrastructure revenues of 131 million were up 11 million or 9 percent as a result of increased project work on oil sands projects for Shell and StatoilHydro. Maintenance services revenue of 66 million was down 35 million from last year as there was no major upgrade or turnaround in the second quarter of this year. FT services completed a smaller plant shutdown for Shell Scotford facility near Edmonton that did contributed to quarterly revenues. Oil field services Q2 revenue of 40 million was down 11 million or 21 percent from last year due to a significant drop in second quarter drilling activity in Canada. While rig revenues were down from last year, increased specialized hauling, fluid hauling, and pressured vacuum services, which are not tied to drilling, fared much better in the quarter. Flint's rig moving market share did increase with new clients utilizing our services.

The second quarter gross margin of 13 percent decreased a half a percent compared to Q2 last year. The majority of the impact on gross margins in Q2 came from the United States where fixed and variable cost curtailment was not able to keep pace with reduced revenues as well as increased competition and pricing pressure during the quarter. Production services in Canada had gross margins of 16.1 percent compared to 15.4 percent in the second quarter of last year while the United States production services gross margins were 8.7 percent, down from 19.6 percent last year.

Facility infrastructure gross margins were 15.1 percent for the quarter compared to 13.5 percent for Q2 2008. The year-over-year increase was primarily as a result of lower Q2 2008 margins from the contract mix in the prior year. Oil field services gross margin was 11 percent compared to a negative 4.6 percent in Q2 2008 with the improvement from cost reduction through the consolidation of our rig moving, fluid hauling, and pressure and vac operations across western Canada. Maintenance services gross margins were 9.8 percent compared to 7.9 percent in Q2 last year.

For the first six months of 2009 gross margins were 15.1 percent compared to 15.6 percent last year with most of the impact on margins occurring in the second quarter. General and administrative expenses in the second quarter were down 8.9 million to 31.9 million from the second quarter of 2008 and down 10.3 million from Q1 2009. As a percentage of revenue, general and administrative expenses decreased slightly to 7.5 percent in the second quarter from 7.7 percent for the second quarter of last year.

The reduction in G&A expenses was a result of cost cutting measures taken late in 2008 and Q1 2009 in anticipation of reduced activity levels in 2009. For the first six months of 2009 G&A expenses were 74 million or 7.8 percent of revenue compared to 79 million or 7.5 percent for the first half of last year as a result of lower revenues in the first half of this year. EBITDA for the second quarter was 23.5 million down 7.6 million from Q2 2008 with EBITDA margins of 5.5 percent of revenue compared to 5.8 percent in Q2 2008 as a result of lower gross margins primarily in production services. Production services EBITDA was 5.1

million down from 18.2 million in Q2 2008. EBITDA margins for the segment were 2.7 percent in Q2 compared to 7 percent in Q2 2008.

Canadian production services EBITDA was up at 5.8 million compared to 5.7 last year while the US production services EBITDA was a loss of 700,000 compared to a positive 12.4 million last year. The US results included a one-time loss of 1.4 million US on a production equipment fabrication project for Chevron due to estimating errors in the project bid. The Canadian EBITDA margins increased to 5.2 percent while the margins dropped from 9.6 percent in the US when last year there was over 1,800 active rigs working.

Second quarter depreciation of property, plant, and equipment was 14.2 million compared to 14.6 million last year while amortization expenses of intangible assets was zero compared to 2.2 million last year. Interest expense for the quarter were 3.6 million compared to 1.4 million in 2008 due to interest recovery adjustments last year as a result of the Quebec tax settlement. As a result of that tax settlement, interest expenses were adjusted by a recovery of 5.5 million. On an adjusted basis interest expense was down 3.3 million in Q2 2009. Income taxes for the quarter net of a 2.9 million future recovery were 1.2 million compared to a small recovery in Q2 2008 again due to the tax settlement with Quebec described earlier.

Net earnings for the quarter were 3.8 million compared to 11.8 million in the second quarter of 2008. Diluted earnings per share were $0.08 for the quarter compared to $0.25 per share for Q2 last year. Excluding last year's tax settlement net earnings from operation in Q2 2008 were $0.07 on a fully diluted basis.

Cash holdings for the quarter were 66.3 million and the funds provided by operations before change in non-cash working capital were 15 million compared to 32 million in Q2 last year. After changes in non-cash balances related to operations cash flow from operation activities was 137 million compared to 33.2 million last year. Capital expenditures net of dispositions were 6.2 million for the quarter compared to 6 million during the second quarter of 2008.

We also reported late last month that we successfully renegotiated the renewal of our revolving credit facility for a further three year term at favourable pricing. Additionally we also repaid all of the outstanding balance on our revolving line in the second quarter. As a result long term debt at June 30th including the current portion decreased by 53 million to 258 million from December 31st. At June 30th after the repurchase of shares under our normal course issuer bid Flint at 45.5 million fully diluted common shares outstanding. With that I will turn things back over to Bill to give you some outlook for the rest of the year.

BILL LINGARD: Thanks, Paul. I'll cover some recent activity levels and trends and discuss what we expect to see in the second half of 2009.

Global market conditions are still being impacted by recessionary reductions in demand and a large inventory of crude oil and natural gas. In the second quarter of 2009 we saw a rally in crude oil prices which went from an average of $42 per barrel in Q1 to an average of $60 per barrel in Q2. For the full year industry forecast now suggest crude oil prices will average $60 per barrel in 2009 down from an average of just under $100 per barrel in 2008. With current crude oil prices we expect crude related activities will continue to improve. Record levels of natural gas in storage along with weaker demand and the success of unconventional shale plays continue to weigh on natural gas pricing. NYMEX natural gas prices averaged just under $4 in the second quarter, down from an average of $12.75 in the second quarter last year. These lower natural gas prices are expected to result in weaker gas drilling activity levels in both Canada and the United States for the balance of 2009.

Canadian rig counts in the second quarter averaged only 90 rigs compared to 169 in the same period of 2008 as a seasonal spring break-up occurred much earlier in '09 and drilling economics have remained weak. We have yet to see the resumption of typical rig activity for this time of the year. Current rig activity is very poor with 165 active rigs this week compared to 391 for the same period last year, and roughly 850 rigs in the fleet. I do see some light at the end of the tunnel with some of our larger clients planning healthy drilling activity for January 2010 in the Horn River and Montney areas. This is generating opportunities for production services on pipelines and facilities and oilfield services for rig moving.

In the United States rig count averaged 936 in the second quarter of 2009 compared to 1,863 in the same period of '08. Industry forecasts are projecting an average of 1,000 active rigs in 2009 compared to an average of 1,875 in 2008. Unconventional natural gas drilling in specific basins continues to be reasonably active while conventional gas drilling mainly in the United States Rock Mountain regions has fallen sharply since last year causing overall activity to be down 50 percent from 2008.

Oil sands capital spending is projected to reach 11 billion for 2009. This compares to 19 billion for 2008. Imperial Oil's Kearl Lake project with a capital budget of 8 billion was approved during the quarter and this announcement has been greeted as positive news for the oil sands industry. Suncor, which delayed work on its oil sands expansion projects in January, has reported it will announce its post merger capital budgets later in the year.

Our immediate focus in the United States is to capture additional work in the unconventional plays and deliver on the current projects in hand. At the same time we will quickly reduce our variable and fixed cost in the slower areas to reflect the activity expectations for the remainder of 2009.

Coming off the last several years of growth and record activity levels our managers were in a mode of being ready for the next big job rather than controlling cost between jobs. Unfortunately we had to make personnel cuts to get there but the shift in gears has been made and management is refocused.

One strategy of build it then maintain it and the diverse range of services we offer throughout the energy production life cycle continues to shelter Flint from the worst of the current downturn. With approximately half our activities leveraged in natural gas we expect reduced drilling to continue to weigh on the revenues from production and oil field services segments on both sides of the border. This will be somewhat offset by stronger revenues from facility infrastructure, oil sands projects, our maintenance service segment, and increased revenues and margins in the specialized transportation and fluid hauling portions of oil field services segment.

The United States production services revenues will remain lower with reduced drilling activity expected in the US. Canadian production services revenues will remain steady due to a stronger backlog of mid-stream work on facilities and pipelines. Facility infrastructure revenues, which were up in the second quarter, should be even with or may grow slightly from the first half for the balance of 2009 due to continuing ramp up of field work on both the Shell and StatoilHydro projects.

Ongoing firm backlog in this division as of June 30th was approximately 330 million which another approximately 200 million of potential backlog from those elements of the Suncor projects which were delayed earlier in the year. We have been working with our client to help identify potential cost reductions and increase the certainty on schedule and budget. We expect decisions on the next depths and timing and for these projects later this year. We think it's likely that Flint's portion of this work will be weighted to 2010. We also continue to be involved in the construction planning stages for additional new projects for several of our customers.

The eventual recovery in natural gas related capital spending is predicated on improvement in demand through economic recovery and a reduction in surplus natural gas inventories. With drilling levels still down 50 percent we believe that excess gas storage levels will start to decline at the same time that North American economies begin to recover in 2010. Similarly, with continued strengthening crude oil prices through 2010 we expect our crude oil activities and facility infrastructure and maintenance services to remain stable with some opportunity for growth.

Flint's portion of our maintenance services backlog remains in excess of three quarters of a $1 billion in existing multi-year contracts. Management's focus for the balance of 2009 will continue to be on aggressively managing cost, improving our internal business processes, consolidating operations, and optimizing asset utilization. The reduced activity gives us a chance to high grade personnel and focus on working capital and debt reduction. With the renewal of our revolving credit facilities and the reduction of short term debt we believe we are in a good position to take advantage of opportunities which may arise in the current market conditions.

That concludes our presentation today. With the assistance of Joanne, our operator, we would like to open the floor for your questions.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct a question-and-answer session. If you have a question please press the star followed by the one on your touch tone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing any keys. One moment please for our first question. Our first question comes from Jan Cerny of Tristone Capital. Please go ahead.

PAUL BOECHLER: Good morning, Jan.

JAN CERNY: Good morning, guys. Hey, can you guys talk about your 10.8 EBITDA margins and your facility infrastructure a little bit? It's a pretty good number and has there been any kind of changes to your contracts or are you guys just seeing better efficiency with your labour force now?

PAUL BOECHLER: Jan, I think it's a combination of a couple of things. One of the improvements is that last year's mix of contracts we had the conclusion of the Long Lake in the second quarter, and that was a much larger contract and we did have some adjustments in the final stages of that. On an ongoing basis you're right on one front. We are executing a little better so we're able to do a better job of controlling our non-reimbursable costs in the project, and just executing as close to the contract terms as we can, so we're quite pleased with that improvement and the level of success in those contracts.

JAN CERNY: So, do you think that going forward sort of a double digit EBITDA margins is attainable?

PAUL BOECHLER: In the balance of 2009, yes.

JAN CERNY: One more question. In regards to your production services, given the big drop in the US, how do you, how long do you think the pricing can go in that market and given the current environment, do you see the EBITDA turning back into the positive territory into Q3?

BILL LINGARD: In terms of the specific job pricing, what really hit us was all this non-productive stuff. Number one we have under-utilization on equipment and you're still doing work and maintaining that equipment so you have mechanics and shops. And number two, we had some people who were getting shop time or yard time or just paid to stay home and that ground on the margins as much as anything. Our actual job margins have deteriorated somewhat but probably only 3 or 4 percent. So we are seeing some downward pressure on job margins. We're probably instead of 20 percent gross margins on a job margin we're probably down to 16 or 17 percent. That would be a typical. So we got to get rid of some of the unwanted cost and on a go-forward basis we do expect to see some recovery on the EBITDA margins. Certainly not back to last year's levels but something maybe in the 5 to 7 percent range. Paul, would you agree?

PAUL BOECHLER: I think for the balance of the year that's probably correct. This is certainly a level of activity in the past that we've been able to be successful with. We just have to make sure we've got the right size of our employee count and our equipment utilization to match that.

BILL LINGARD: We do have some good contracts coming from some of the shale plays both for pipelines and for production equipment. So we're executing on the backlog. Some of the orders have come in from Shell and Exxon and some of our key clients.

JAN CERNY: All right, and do you guys have any sense of the work you may be doing on the Kearl Lake project? Or is that still in discussions?

BILL LINGARD: For Kearl Lake the major portions of the construction are going to be done building trades by one of the very large construction companies, and there are some little pieces of work, what they call outside the fence, that may go to some of the CLAC contractors. And we've certainly been in discussions on some of those. I wouldn't expect to get anything major on Kearl, though, and it's too early to say what we will get.

JAN CERNY: All right, thanks, guys. I'll turn it over now.

OPERATOR: Your next question comes from Roy Ma of Blackmont Capital. Please go ahead.

ROY MA: Hi, good morning, guys.

BILL LINGARD: Good morning, Roy.

ROY MA: Just first question on your facility infrastructure. Now I just wanted to confirm something that Bill said in the presentation, that so are we take the Q to look at Q3 and Q4 as probably something that's going to look similar to what we saw in Q2 in terms of both revenue and margins?

BILL LINGARD: Yes, something similar, yes. That's correct.

ROY MA: Just moving on to US production services, can you help me understand the dynamics there a little bit more? Specifically I guess what I'm looking for is, is the fixed cost structure in JW Williams versus the sort of your pipeline services, is that what caused you not be able to be profitable this quarter at the type of revenue level that you experienced in Q2?

PAUL BOECHLER: No, not entirely, Roy. In the JW Williams, you're right. We have a higher fixed cost because it uses more facilities, but its biggest issue was entirely the errors made on the one particular project in which they posted a $4.5 million job in which we lost $1.4 million due to bidding errors. On the production services side the structure has growth significantly because we've had five years of significant expansion in our operations on our organic and expansionary basis to new satellite offices. And the contraction in revenue, even in, if you remember, even in the first quarter of this year we were actually still fairly busy and had a pretty good first quarter, so it was quite a dramatic drop in the second and we just weren't able to curtail back people and the costs of downsizing the workforce as quickly as the quarter went through. You're entirely right. This level of revenue is a revenue level in the past that we've been successful at in generating positive EBITDA, and with the right balancing of the workforce as we can still do that.

ROY MA: Okay, okay. So I wasn't writing fast enough. The JW Williams, you said is about a $4 million job and you lost about 1.2 million, is that correct?

PAUL BOECHLER: That's correct.

BILL LINGARD: 1.4 was the loss on that.

ROY MA: 1.4? On that $4 million.

BILL LINGARD: It was about 4.5 million.

ROY MA: 4.5, okay. So just the, in US field level, because that business should be highly, there's a high variable cost component to it, correct? So presumably if we don’t see a pickup in well completions in the back half of the year would it be fair to say that you should be able to, even at the competitive pricing dynamics that you're seeing that you should be able to turn in the better profit in the back half of the year?

BILL LINGARD: That's correct.

ROY MA: Moving on to (inaudible). I'm interested in finding out from, how you're positioning the Horn River area and relative to what we're hearing in terms of some fairly sizeable pipeline and processing facilities that are planned for that area. It looks like that could be coming in the next little while. Can you maybe just take us through how you're positioned in terms of that market?

BILL LINGARD: We've always had big facilities up in Fort St. John BC and a lot of activities. Over the past few months we've reopened a facility that we owned but we were not active in Fort Nelson and we're operating production services and oil field services out of Fort Nelson now. We had a big fleet of rig moving equipment out of Fort St. John as well. And we have picked up a few contracts for pipeline and facilities work and we're bidding on several more. And we believe that that is going to be pretty big growth area for us.

ROY MA: All right. So, I mean, you picked up some contracts. I mean, there are some fairly sizeable ones coming down. Have you seen that?

BILL LINGARD: Yes.

PAUL BOECHLER: A lot of those aren't scheduled to start immediately so we're still in the bidding negotiation and looking at those projects constructability stages.

ROY MA: Okay. And just finally, a sizeable cash position, you are now out of your revolver as at the end of Q2. Can you give us a little bit of colour on how you plan to, I guess, deploy some of that cash, whether we can potentially see some return of capital back to shareholders or are you looking to deploy the cash?

PAUL BOECHLER: Well, I think at this stage we're pleased with the progress we've made in the debt reduction, having our three year revolver in place so it takes us through to 2012 and gives us some security during the next couple of years. As to the deployment of cash, I mean, it's been a while since we've had a good balance on our balance sheet so the board and us are talking strategically as to what's the best deployment of that to ensure that we're getting the return to shareholders. And we've certainly talked about a number of alternatives, but we haven't come to specific conclusions. Flint is a company that's grown in the past through acquisitions and other things and so there are opportunities and we'll continue to try and find the best ones for our shareholders.

ROY MA: Okay, thank you. I'll turn it back.

OPERATOR: Our next question comes from Dana Benner of Thomas Weisel Partners. Please go ahead.

DANA BENNER: Good morning, guys.

BILL LINGARD: Good morning, Dana.

PAUL BOECHLER: Good morning, Dana.

DANA BENNER: I wanted to start by focusing on the segment that you guys have spent a lot of your time on, which is oil field services. I think pretty remarkable margins given the ridiculous levels of activity in the sector. Your commentary that fluids hauling, more production oriented aspects of that segment were much better than anything drilling related I'll acknowledge. But I guess I wonder if you could just give us a bit more colour on that because it's quite a turnaround.

BILL LINGARD: I mean, the biggest reason for the turnaround, we go from just about break even for the quarter I guess from a $4.5 million negative EBITDA. Most of it came from consolidation and cost reduction in the rig moving side. We ended up closing about six locations from our previous acquisitions, having the bigger branches just reach out to some of the more remote areas and service the customers from the bigger centres. And that saved us a lot of money having the right number of management people in different positions and stuff. So we've done a lot with the structure and how they share equipment and the efficiency and stuff.

On the fluid hauling and pressure and vac side of the business, we announced them last fall but we have picked up a couple of pretty good contracts, so I think our revenues are up slightly year-over-year even though people are trying to spend less money. And even recently we've added some additional contracts, mainly in heavy oil areas in Alberta where we continue to increase utilization. So we see it as being very steady and most of these contracts are long term multi-year, and some ability to grow that even in this down market. So, and with potential to grow it even more.

DANA BENNER: If we think about the production services that you just referred to, were they—presumably they were still impaired by spring break-up related issues. So is it reasonable to expect that we could see meaningfully higher revenue from those services in the back half of this year than, say, the Q2 run rate?

BILL LINGARD: You will, yes, see higher utilization in the last half of the year. And the other one, the specialized hauling, we mentioned in our presentation right now we have good visibility on oversized equipment module moving and we expect their revenues to be up in the back half of the year as well.

DANA BENNER: Terrific. I guess with the maintenance services you noted that down year-over-year due to some larger work that you did for Suncor last year. Maybe walk us through the periodic nature of that work, how, you know, is it every second year that you think you get a larger scope of work there or was it a reflection of them, maybe choosing not to spend the money this year but more regularly they would. Maybe give us some more colour there too.

PAUL BOECHLER: In our maintenance structure on business there's a couple of aspects to the maintenance. One of course is the routine, day-to-day maintenance. The second of course is the major turnarounds as well as the management of third parties and the sustaining capital works. And the parts we're focusing on here are really the dating maintenance work—sorry, the routine maintenance work and then compared to the turnaround work. The major turnarounds in facilities such as these, Dana, take actually a long time to plan. And so we did a major turnaround last year in the second quarter, we have a smaller turnaround in the third quarter for Suncor, and then we have quite a large turnaround again next year. So you're right. Some of the—but it really depends on the bottlenecking in plants, what they need to change structurally, and the life expectancy of the major components. But they do not occur every year so you try to plan them to reduce the outage time as much as possible for the plant so they do take long times of planning. We are very extensively into the planning stage for materials and requirements for the major turnaround next year.

BILL LINGARD: But for most producing plants, say an oil sands plant, they will probably have some minor turnarounds every year, one or two where they shut down some portion of the plant. But they're going to have a major about every two to three years where they're actually going to shut down the plant for 20 or 30 days and have a couple of thousand people in there and perform a major upgrade to the facility or repair to the facility.

So that's going to be—and what we try and do is manage that and I think over time as we pick up additional contracts, Dana, it will become less lumpy. Right now it's going to come in lumps as these turnarounds come at us. At some point in time as we get more and more turnarounds under our belt our clients will actually schedule so you can take the turnarounds from one—or the employees from one site and move them right to the next site and have continuous labour force for turnaround.

DANA BENNER: Great, well, that leads me to my next question which is the prospectively of more major contracts. Do you think that with the advent of $70 oil again that operators in any way start to re-examine key suppliers of services like these and maybe move forward on, say, re-letting these contracts. Or, does your ability to win ultimately, is it independent of the move up in oil prices?

BILL LINGARD: I think the move-up in oil prices is a little bit independent because even before they moved up we had several clients approaching us to put in proposals for maintenance. So, but you know, I think the number of opportunities out there is just very great and we're focused on a handful that we think that give us the best prospects. But certainly right now long lake and maintenance at long lake. We're doing a small piece. We'd like to do a lot more. We've got a proposal into Nexen. Syncrude we've had some discussions with. They would be a target. VNQ, we're doing maintenance on just parts of their production and there's big potential for us to take over more of their facilities. Shell we're doing the turnarounds at the refinery in Scotford but certainly we would like to pick up the maintenance of that refinery, the routine maintenance work, and maintenance at their oil sands facilities. What else. Suncor, there's huge potential for us in Suncor, expanding into the Denver refinery, and then because of the merger with Petro-Canada. Petro-Canada's refineries and oil sands facilities certainly would be in our radar and we would be trying to get all of the maintenance. And with the type of relationships we have with Suncor, that's very doable. And we're already engaging and talking to Imperial about Kearl and more of their facility maintenance throughout western and eastern Canada. Lots and lots of opportunities there, Dana.

DANA BENNER: Great. Just one final question, I guess, with respect to the balance sheet. Let's talk about debt reduction targets. I wonder if there's a way you could maybe quantify whatever set of targets that you may have there. And then as well, DSOs went up, not a lot, but is that something that we could see continue to creep up or do you think that that was a small move and caps itself there?

PAUL BOECHLER: With respect to the debt, like I said, we managed to pay off all of the revolving portion. So the question is, is having some long-term debt that's not due for a few years an asset on the balance sheet still, and today we're beginning to believe that it is more of an asset. A couple of years ago you would have thought that paying it down quickly was the right idea. But today with the credit markets and that that it may be an asset for us to keep that. So we may shift the paying down of that a little bit or we may look at a proportional reduction in some of those notes if we continue with a continued growth in our cash.

With respect to the DSOs, it's more of just the minor shift based on the timing of the revenue stream. When we look at the aging of our receivables, a little bit of a shift to a little more than 60 days, is more a reflection of the amount coming in than it is on the quality or the risk associated with those. And we expect to continue to push to keep our DSO days lower and I think we can achieve that.

DANA BENNER: Guys, that's great. Thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time please press the star followed by the one. As a reminder if you are using a speakerphone please lift the handset before pressing the keys. And our next question comes from Brian Purdy of National Bank Financial. Please go ahead.

BRIAN PURDY: Good morning, guys.

BILL LINGARD: Good morning, Brian.

BRIAN PURDY: I wanted to ask a bit about the facilities infrastructure group. You gave some indication of the backlog there. When would you expect to see revenues start coming down if we don't see some new project wins or some of that Suncor work come back in?

BILL LINGARD: Certainly the build-out for the two major ones, the majority is in 2009 and the first half of 2010. So Suncor is the wild card here because they could start so many things including they've got other in situ projects now that they've got Petro-Canada, like Macai (phon) River. So there's lots that could happen with Suncor. But barring that not starting, the back half of 2010 would certainly slow down activities.

BRIAN PURDY: Okay, and then you mentioned a bit on Suncor but also in your press release or release here noted you were in discussions with a lot of players. I wonder if you could give a bit more colour. I mean, I'm sure Suncor is obviously a big part of those discussions, but any additions or are you mostly still talking to larger incumbents in the area or are you starting to see smaller greenfield type opportunities as well?

BILL LINGARD: Mostly the larger incumbents. We've been engaged on constructability and construction planning and stuff with a few of our clients. We've been talking to ConocoPhillips about Surmont and their next expansion, Shell and their next expansion at Albian. That would be another big one that could get added on. The Imperial Kearl stuff, we're outside the fence, and StatoilHydro, this is just a demonstration plant. We've had quite a few discussions in meeting about the main plant for, or the main facilities for StatoilHydro's projects. That would be probably the core ones. There are some other additional ones that have potential but don't come to my mind right now.

BRIAN PURDY: Okay, I mean, in terms of, I gather from the way your margins have been going and the fact that you're discussing the Statoil about the major plant, the execution of that project has been going well, but can you confirm that and give us some colour around it?

BILL LINGARD: Execution of that project and Albian have both gone extremely well. The last time I looked we were ahead of schedule on both and our client was pushing us hard to get further ahead of schedule. The productivity has been good, the ramp-up of personnel. I think at Albian site we've gone from about 600 up to about 1,100. We're heading to 1,200 people by September for the field work at Albian. So the productivity and the ramp-up has gone extremely well and we're beating the curves right now, so.

BRIAN PURDY: Okay. I think it was last quarter there was a bit of talk that maybe labour, the labour situation up there was becoming a bit more tight again. Can you update us on how things are there at the moment?

BILL LINGARD: The labour situation is tight for certain trades, ironworkers, electricians. Those two trades would be still fairly tight. But our recruiters have been doing a fantastic job of sourcing people both we've actually had to call back some of our temporary foreign workers so we have some guys from the Philippines again. And we've been able to find qualified Canadian candidates as well. So we've been successful in our recruiting efforts. But it is still, particularly in certain trades, it is still a fairly tight market and we see that as Imperial Kearl continues to ramp up, it will continue be—there's not a lot of excess people around.

BRIAN PURDY: Okay, and it kind of leads into my last question as well. The cost benefits that you've been able to offer your customers maybe six months ago, do you think the cost benefits have, there's not much opportunity to move any further. I mean, it sounds like with the labour situation tightening a bit that maybe there wouldn't be as much opportunity for you guys to pass on cost savings to your customers in the construction phase.

BILL LINGARD: Yes, as far as reductions in hourly pay, yes, there is probably no room to move any further. One of the things that's happened is the building trades have moved up and did go with an increase this year. We're actually falling behind the building trades right now as a CLAC contractor. So there, we're holding right now and holding those costs down. Where we're still finding we can give some gains is in our efficiency in our productivity. We're able to get our efficiency way up, particularly on the current projects compared to where we were a year ago. We're really in a place where we've done more work phase planning, more up front planning and stuff to get that efficiency up and those efforts we put in last year are paying off this year. So we're getting a lot better efficiency for the client and I think we'll be able to continue to push the efficiency envelope to give them further cost reductions. But because of the actions of the building trades I think it's going to be pretty sticky to give them any more reductions. We cut out a lot of living out allowances and site uplifts and things like that both for management and for craft labour. But I don't think we can get any further cuts in salaries or any further cuts in wages at this time. And you know, if it gets really busy again we'll see some upward pressure on that. It's pretty stable right now though.

BRIAN PURDY: Okay, great. That's all I had. Thanks very much.

OPERATOR: Our next question comes from Roger Serin of TD Securities. Please go ahead.

ROGER SERIN: Good morning, everyone.

BILL LINGARD: Hi, Roger.

ROGER SERIN: I have two questions. I know it's getting late. On the US side as to try to right size things, are you looking at more on the people side? Will you be taking any one-time costs consolidating sites, and will you be moving any equipment around?

PAUL BOECHLER: Well, we have already done parts of that. We actually are disclosing some of the older equipment. And as you can see from our statement cash flows we have not incurred any losses on the disposal of those equipments so far. We are in addition, we have reduced our workforce. As to the consolidation of offices we haven't reached that yet. You remember in the United States our operations are very geographically spread out by the different operating basins, so it's really to some degree we'll be moving some of that equipment from those into areas that are, that there still is activity and spend by our customers.

BILL LINGARD: And in the US, Roger, the amount of severance that you deal with compared to in Canada is quite a bit less. When you have work and you send people—when you have no work and you send people away in Canada you tend to have some severance cost. We've identified a number of redundant salaried positions and we'll be down—we've started it already, so a lot of it's already behind us. We've downsized in salary headcount even out of our head office down there in Tulsa. So we've taken those steps. I don't think we'll see any one-time rightsizing costs or anything. Certainly we don't have any visibility of any sort.

ROGER SERIN: Okay, which leads me to my last question. If you had to pick between two mindsets, one being further efforts on cost control and the other being maintaining or increasing your market share, what would be your bias today?

BILL LINGARD: Obviously maintaining and increasing our market share is fairly important, and we like to do that through showing the client that we are the best value and can deliver on time, on budget, safely, rather than saying we're going to do it at a dollar value where we can't make money. So we would prefer to grow and at the same time not have to do things at prices where we can't make money. And I think we can be successful in that approach, Roger. The resource plays in the US, the Haynesville, the Fayetteville, we've got some pretty good sized orders in from Shell, from Exxon for those areas. And we're going to put a lot of effort into making sure we capture the opportunities that are coming and are available. So if it means that we're sharpening our pencil for certain clients at certain times, that's what we're going to do.

ROGER SERIN: I appreciate it. Some of us are probably going to have to run to the next call. Thanks for your time.

PAUL BOECHLER: Thanks, Roger.

OPERATOR: Next question comes from Kevin Lo of Firstenergy. Please go ahead.

KEVIN LO: Hey, guys. Just one quick question. If you look at your business right now holes are missing or what would you, I guess, you know, roundabout ways, what would you like to acquire or what would you like to build out?

BILL LINGARD: I think in the US we would have a smaller market share than we have in Canada. And in the US you can see by our dip in revenues we don't have as much mid-cycle, mid-stream activities. We are a little bit more tied to the gas drilling. So if we could find an opportunity to acquire something that is more maintenance mid-cycle type focused activities in the US that would be very attractive.

KEVIN LO: Okay, great. Thanks, guys.

PAUL BOECHLER: Thanks, Kevin.

OPERATOR: The next question comes from Jeff Fetterly of CIBC World Markets. Please go ahead.

JEFF FETTERLY: Good morning, guys. Just two quick questions. On the US side for production services, with assuming the 1.4 million in loss on the JW contract doesn't carry forward in the cost reductions, what would you say your break-even revenue threshold in the US is now?

PAUL BOECHLER: I think that even at the level of the second quarter we should be able to break even at that. In fact, we should be able to make money at that level, so our break even would even be a slightly lower revenue, a slightly lower revenue level than we are today. I think that we just, it was such an abrupt change from the first quarter. You got to remember. The Canadian market started declining sooner and I think our response to the US wasn't quite quick enough.

JEFF FETTERLY: So the costs that you have tripped out are mostly variable based?

PAUL BOECHLER: For the most part, yes.

JEFF FETTERLY: Okay. On the oil sands side, the infrastructure, Bill, your comments about having visibility and a run rate through to Q2 of next year, does that incorporate any slowdown from a top line perspective and does that include anything related to the Firebank (phon) project?

BILL LINGARD: We would be doing small bits and pieces for Suncor, finishing things up on some modules that have been started, finishing some things up in some vapour recovery, sulphur recovery units. But small amounts of Suncor work, in that obviously Suncor would get—if Suncor starts up again and we get back to building that stuff it could take us through to late next year or right through the end of the year. Suncor has been an anchor client for us for a long time. And once they get started and they're up with their own crews and stuff they just tend to keep the projects coming at us. So we're just anxious for them to get started again.

JEFF FETTERLY: Okay, so assuming that the Firebank, hypothetically a Firebank comes back on in 2010, you could keep the facility infrastructure segment busy to the same extent as 2009 and 2010?

BILL LINGARD: I would think it would be close. It could be down a little bit still because we will come off the big froth treatment plant, which is a huge project. It depends on the, depends on how aggressive Suncor gets.

JEFF FETTERLY: Okay, thanks a lot.

OPERATOR: Gentlemen, there are no further questions at this time. Please continue.

BILL LINGARD: Thank you, Joanne, and thanks to everyone for participating in our presentation today, and we look forward to talking to you soon with our results for the third and fourth quarters of the year.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. You may now disconnect.

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