

IN THE MATTER OF
THE SECURITIES ACT, 1988, SS 1988, c. S-42.2

AND

IN THE MATTER OF
WELLCO ENERGY SERVICES INC., WELLCO ACQUISITION INC.,
AND WELLCO ENERGY SERVICES TRUST

ORDER
(Sections 89, 130 and 160)

WHEREAS an application has been received by the Saskatchewan Securities Commission (the “Commission”) from Wellco Energy Services Trust (the “Trust”), Wellco Energy Services Inc. (the “Corporation”) for an order pursuant to:

1. Clause 89(b)(iii) of *The Securities Act* (the “Act”) that the requirements in sections 84, 86, 87, 88 and 90 of the Act to issue a press release and file a report upon the occurrence of a material change, file an annual report where applicable, interim financial statements and audited annual financial statements and deliver such financial statements to the securityholders of the Corporation, file an information circular or make an annual filing in lieu of filing an information circular, where applicable, file an annual information form and provide management’s discussion and analysis of financial conditions and results of operations (the “Continuous Disclosure Requirements”) will not apply to the Corporation;
2. Subclause 130(2)(a)(ii) of the Act that the requirements of sections 116, 117, and 118 of the Act that insiders file reports disclosing the insiders direct or indirect beneficial ownership of, or control or direction over, securities (the “Insider Reporting Requirements”) will not apply to insiders of the Corporation; and
3. Section 160 of the Act that the requirement to file an insider profile under National Instrument 55-102 *System of Electronic Disclosure by Insiders* (the “SEDI Filing Requirements”) will not apply to insiders of the Corporation;

AND WHEREAS it has been represented to the Commission that:

1. The Corporation was incorporated pursuant to the *Company Act* (British Columbia) on July 29, 1981 under the name of Tomahawk Resources Ltd. It subsequently changed its name to Sartis Medical Systems Canada Inc. on August 23, 1993 and further changed its name to United Sartis Enterprises Inc. on December 5, 1995 and then changed its name to

Wellco Energy Services Inc. on February 11, 1999. On August 16, 2000, the Corporation continued into the province of Alberta pursuant to Articles of Continuance;

2. The Corporation's primary services to the oil and gas industry include directional and horizontal drilling, wellsite accommodation unit rentals, drilling and completion supervision, drilling fluids and environmental services, rental of flare tanks and portable water and wastewater treatment facilities;
3. The head and principal offices of the Corporation are located in Calgary, Alberta;
4. Pursuant to a plan of arrangement (the "Arrangement") under Section 193 of the *Business Corporations Act* (Alberta) (the "ABCA") that was approved on August 2, 2002 (the "Meeting") by the Court of Queen's Bench of Alberta (the "Court") and the holders of Common Shares ("Shareholders") and the holders of Options ("Optionholders") (present in person or represented by proxy), voting as a single class, the Corporation amalgamated with Wellco Acquisition Inc. ("AcquisitionCo") and the Corporation's other Canadian subsidiaries on August 6, 2002;
5. The management information circular (the "Information Circular") mailed to the Shareholders and the Optionholders in connection with the Meeting was prepared in conformity with the provisions of the ABCA and applicable securities laws and contained prospectus-level disclosure concerning the respective business and affairs of the Trust and the Corporation and a detailed description of the Arrangement;
6. In connection with the Arrangement, on August 2, 2002 a decision document was issued under the Mutual Reliance Review System (the "MRRS Decision Document") which included relief from the securities regulatory authorities in all of the provinces other than British Columbia from the registration and prospectus requirements of the securities legislation of such jurisdictions and relief from the continuous disclosure requirements, insider reporting requirements and SEDI filing requirements on behalf of AcquisitionCo and its successor on amalgamation (now the Corporation) in Alberta, British Columbia and Ontario;
7. The authorized capital of the Corporation presently consists of an unlimited number of common shares (the "Common Shares") and an unlimited number of exchangeable shares, issuable in series, of which 1,300,000 Series A exchangeable shares (the "Exchangeable Shares") have been authorized;
8. As at August 6, 2002, following completion of the Arrangement, 10 Common Shares and 572,870 Exchangeable Shares were issued and outstanding. All of the Common Shares are owned by the Trust;
9. The Common Shares were listed on the TSX Venture Exchange (the "TSX") and were delisted from the TSX on August 8, 2002;
10. The Corporation is a reporting issuer and is not in default of any requirements of the Act;

11. The Trust is an open-end unincorporated investment trust governed by the laws of Alberta and created pursuant to a Declaration of Trust dated as of May 28, 2002, amended and restated on June 26, 2002. Computershare Trust Company of Canada is the initial trustee of the Trust;
12. The head and principal offices of the Trust are located in Calgary, Alberta;
13. The Trust is authorized to issue an unlimited number of trust units (“Trust Units”) and an unlimited number of special voting rights (“Special Voting Rights”);
14. As of August 6, 2002, following completion of the Arrangement and the issuance of Trust Units to holders of special warrants of the Trust, 3,988,991 Trust Units and one Special Voting Right representing 3,988,991 votes were issued and outstanding;
15. The Trust Units are listed on the TSX;
16. The Trust became a reporting issuer as a result of the Arrangement and is subject to the Continuous Disclosure Requirements, Insider Reporting Requirements and SEDI Filing Requirements;
17. The Trust will concurrently send to holders of Exchangeable Shares resident in Saskatchewan all disclosure material it sends its holders of Trust Units;
18. Under the Arrangement:
 - a. Shareholders (other than dissenting Shareholders) exchanged Common Shares held by them with AcquisitionCo in consideration for, at the election or deemed election of each such Shareholder:
 - i. one note of AcquisitionCo (a “Note”) for every 10 Common Shares;
 - ii. one Exchangeable Share for every 10 Common Shares; or
 - iii. a combination of Notes and Exchangeable Shares;
 - b. Options (other than those held by dissenting Optionholders) were terminated; and
 - c. Each Note was exchanged with the Trust for one Trust Unit;
19. Each Option, other than Options held by dissenting Shareholders, was amended to vest in its entirety;
20. Holders of Options that exercised the same prior to the effective time of the Arrangement participated in the Arrangement in respect of the Common Shares received on the same basis as other Shareholders;
21. The Exchangeable Shares provide a holder with a security having economic, ownership, and voting rights which are, as nearly as practicable, equivalent to those of the Trust Units;

22. The Exchangeable Shares are exchangeable by a holder thereof for Trust Units at any time at the option of such holder;
23. Under the terms of the Exchangeable Shares and certain rights granted in connection with the Arrangement, the Trust or a subsidiary of the Trust other than the Corporation (an “ExchangeCo”) or the Corporation will be able to redeem, retract or acquire Exchangeable Shares in exchange for Trust Units in certain circumstances;
24. Prior to the occurrence of the Arrangement, AcquisitionCo, the Trust and Computershare Trust Company of Canada (the “Trustee”) entered into a voting and exchange trust agreement (the “Voting and Exchange Trust Agreement”);
25. Under the terms of the Voting and Exchange Trust Agreement, upon the occurrence and during the continuance of certain events involving the bankruptcy, insolvency, dissolution or winding up of the Corporation, involuntarily or otherwise, a holder of Exchangeable Shares will be entitled to instruct the Trustee to exercise the rights granted by the Trust under the Voting and Exchange Trust Agreement with respect to any or all of the Exchangeable Shares held by such holder, thereby requiring the Trust or ExchangeCo, as the case may be, to purchase such Exchangeable Shares from the holder;
26. Upon the occurrence of certain events pertaining to the institution of voluntary liquidation, dissolution or winding-up proceedings in respect of the Trust or other distribution of the assets of the Trust for the purposes of winding-up the affairs of the Trust or the threat or institution of proceedings with respect to the involuntary liquidation, dissolution or winding-up of the Trust or to effect any other distribution of assets of the Trust for the purposes of winding-up the affairs of the Trust, the Trust or ExchangeCo, as the case may be, will be deemed to have acquired each outstanding Exchangeable Share (other than Exchangeable Shares held by the Trust or its subsidiaries) and holders of Exchangeable Shares will be deemed to have exchanged the Exchangeable Shares held by them immediately prior to such trust liquidation event;
27. The Trust issued a Special Voting Right to the Trustee which effectively provides the holders of Exchangeable Shares with voting rights equivalent to those attached to the Trust Units. Pursuant to the Voting and Exchange Trust Agreement, the Special Voting Right is held by the Trustee for the benefit of holders of Exchangeable Shares from time to time (other than the Trust and its subsidiaries) and each voting right attached thereto will be voted pursuant to the instructions of the holder of the related Exchangeable Share;
28. Prior to the occurrence of the Arrangement, AcquisitionCo and the Trust entered into a support agreement (the “Support Agreement”). Under the Support Agreement, the Trust agreed that:
 - a. The Trust will take all actions and do all things necessary to ensure that the Corporation is able to pay to the holders of the Exchangeable Shares the liquidation amount in the event of a liquidation, dissolution or winding up of the Corporation, the retraction price in the event of the giving of a retraction request

by a holder of Exchangeable Shares or the redemption price in the event of a redemption of Exchangeable Shares by the Corporation; and

- b. The Trust will not vote or otherwise take any action or omit to take any action causing the liquidation, dissolution or winding-up of the Corporation; and
29. The Corporation is a reporting issuer and the MRRS Decision Document did not provide relief from the Continuous Disclosure Requirements, Insider Reporting Requirements and SEDI Filing Requirements;

AND WHEREAS the Commission is of the opinion that it would not be prejudicial to the public interest to grant the Order;

IT IS HEREBY ORDERED that:

- 1. The Continuous Disclosure Requirements will not apply to the Corporation for so long as:
 - a. The Trust is a reporting issuer in at least one of the jurisdictions listed in Appendix B of MI 45-102 *Resale of Securities* and is an electronic filer under National Instrument 13-101 *System for Electronic Document Analysis and Retrieval* (SEDAR);
 - b. The Trust sends to all holders of Exchangeable Shares resident in Saskatchewan all disclosure material furnished to holders of Trust Units under the Continuous Disclosure Requirements;
 - c. The Trust complies with the requirements of the TSX, or such other market or exchange on which the Trust Units may be quoted or listed, in respect of making public disclosure of material information on a timely basis;
 - d. The Corporation is in compliance with the requirements of the Act to issue a press release and file a report with the Commission upon the occurrence of a material change in respect of the affairs of the Corporation that is not also a material change in the affairs of the Trust;
 - e. The Trust will include in all future mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise insert explaining the reason for the mailed material being solely in relation to the Trust and not to the Corporation, such insert to include a reference to the economic equivalency between the Exchangeable Shares and Trust Units and the right to direct voting at meetings of holders of Trust Units;
 - f. The Trust remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of the Corporation; and
 - g. The Corporation does not issue any preferred shares or debt obligations other than debt obligations issued to its affiliates or to banks, loan corporations, trust

corporations, treasury branches, credit unions, insurance companies or other financial institutions; and

2. The Insider Reporting Requirements and the SEDI Reporting Requirements will not apply to any insider of the Corporation in respect of securities of the Corporation provided:
 - a. Such insider does not receive, in the ordinary course, information as to material facts or material changes concerning the Trust before the material facts or material changes are generally disclosed;
 - b. Such insider is not a director or senior officer of a major subsidiary of the Trust as defined in National Instrument 55-101 *Exemption from Insider Trading* (“Major Subsidiary”);
 - c. Such insider is not also an insider of the Trust, excluding any director or senior officer of a subsidiary of the Trust that is not a Major Subsidiary;
 - d. The Trust remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of the Corporation; and
 - e. The Corporation does not issue any preferred shares or debt obligations other than debt obligations issued to its affiliates or to banks, loan corporations, trust corporations, treasury branches, credit unions, insurance companies or other financial institutions.

DATED August 30, 2002.

“*David Wild*”

David Wild
Chairperson