CWC

CENTRAL ALBERTA WELL SERVICES CORP.

Q1 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

CENTRAL ALBERTA WELL SERVICES CORP.

The following management's discussion and analysis ("MD&A") of Central Alberta Well Services Corp. ("CWC" or the "Company") contains information concerning the Company's vision, business strategies, capabilities, comparative financial results and an overview of its outlook for the Company and the industry and is dated May 25, 2010. The message to shareholders, operations review and financial results for the year ended December 31, 2009, together with the accompanying note disclosures, also contain information that supplements this discussion. This MD&A should be read in conjunction with the Company's audited financial statements as at December 31, 2009 and 2008 and for the years then ended and the management's discussion and analysis related thereto. This MD&A should be read as supplemental to and in addition to the disclosure provided in such management's discussion and analysis in respect of the year ended December 31, 2009. Additional information on the Company, including the Annual Information Form ("AIF"), can be found on the Company's website at www.cawsc.com or on SEDAR at www.sedar.com.

This MD&A contains certain forward-looking information and statements, including statements relating to management's plans and expectations, plans not to incur capital expenditures for expansion of the fleet in 2010 and to focus on efficiencies, the effect of the current economic downturn, plans to continue cost controls and rationalization of processes, anticipated level of revenues in 2010 compared to prior years, effect of commodity prices on utilization rates, plans to continue focus on multi service marketing, expected rates in 2010 compared to 2009, expected effect of establishment of Weyburn facility, expected activity levels and plans for transition to IFRS, steps to be taken in connection therewith and the timing thereof and other statements relating to matters that are not historical facts and statements of the Company's beliefs, expectations about developments, results and events which will or may occur in the future, which constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Certain statements contained in this MD&A, including statements which may contain such words as "anticipate", "could", "should", "seek", "may", "intend", "likely", "plan", "estimate", "believe", "expect", "will", and similar expressions suggest future outcomes or statements regarding an outlook. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Forward-looking information and statements are included throughout this MD&A, including under the headings "Corporate Development", "Q1 2010 Overview", "Liquidity and Capital Resources", "Outlook" and "Risk Management". In particular, forward-looking information and statements include, but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions which may prove to be incorrect:

- The success of the multi-service marketing plan and its ability to insulate the Company from increasing credit risk exposure;
- Performance of the oil and natural gas industry;
- Demand for and status of service equipment;
- Costs and financial trends for companies operating in the oil and natural gas industry;
- Demand for products and services;
- Expected cash provided by continuing operations;
- The Company's business strategy and outlook for business segments;
- Expansion and growth of the Company's business and operations;
- The maintenance of existing customer, supplier and partner relationships;
- Supply channels;
- Expected payments pursuant to contractual obligations;
- The prospective impact of recent or anticipated regulatory changes; and
- Credit risks.

Management has made certain assumptions and analyses which reflect their experience and knowledge in the industry. These assumptions and analyses are believed to be accurate and truthful at the time but the Company cannot assure readers that actual results will be consistent with these forward-looking statements. However, whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the Company's expectations. Further information regarding these risks and uncertainties may be found under the heading "Risk Management" in this MD&A, "Risk Factors" in the Company's Annual Information Form and in the Company's most recent financial statements, information circular and quarterly reports.

CORPORATE DEVELOPMENT

CWC is an oilfield services company which offers a complete range of oil and gas services throughout the Western Canadian Sedimentary Basin ("WCSB"). The Company has two reporting segments, Well Servicing and Other Oilfield Services. The Well Servicing Segment includes Service Rigs and Coil Tubing. The Other Oilfield Services Segment includes Snubbing, Nitrogen, Testing and Rental activities.

The Company's corporate office is located in Calgary, Alberta, and the main operating center is located in Red Deer, Alberta, with branch offices in Provost, Brooks, Grande Prairie, Whitecourt and most recently, Weyburn, Saskatchewan, providing well services to oil and gas exploration and development companies operating in Western Canada.

The Company's fleet currently consists of 46 service rigs, eight (8) snubbing units, eight (8) coil tubing units, 14 nitrogen units and 12 pressure testing packages.

The Company has been focusing on streamlining processes, controlling expenses and marketing to larger customers in an effort to minimize risk. The Company has now completed the restructuring of its balance sheet with its recently announced three-year term credit facility as described below. The Company will continue to strengthen the balance sheet through 2010 in order to take advantage of strategic opportunities as they arise.

On April 20, 2010, the Company secured term debt refinancing in the amount of $30.0 million. The term debt is for three years with the first year requiring payments of interest only, the second year requiring monthly principal payments of $500,000 per month plus interest and the third year requiring monthly principal payments of $750,000 per month plus interest. The term debt is subject to interest at a fixed rate of 8.045% for the term and is secured with a first charge over fixed assets, a General Security Agreement over all remaining assets and an assignment of insurance.

On April 20, 2010, the Company also secured an operating facility margined to accounts receivable to a maximum of $10.0 million at an interest rate ranging from bank prime plus 1.25% to bank prime plus 2.0%. The operating line is committed until April 30, 2011. A General Security agreement providing security interest against all accounts receivable and a second fixed charge over all other assets has been provided as security for this agreement.

The Company is reliant on its operating line of credit for continued operations. The seasonality of the industry within which we operate requires access to an operating line as costs are incurred immediately in the winter months, but the cash from the revenues generated often does not come in until approximately 60 days later. Currently, accounts receivable turnover averages 57 days. The Company carefully monitors this, but should customers continue to face credit issues, this could stretch this out further, increasing the pressure on the Company's operating facilities.

As a result of the expansion, the Company now operates the following fleet of equipment within the WCSB:

	2010	2009				2008			
UNITS OPERATING AT END OF PERIOD	**MARCH 31**	DEC. 31	SEPT. 30	JUNE 30	MARCH 31	DEC. 31	SEPT. 30	JUNE 30	MARCH 31
Service rigs	**46**	46	46	44	44	41	41	41	37
Coil units	**8**	8	8	8	8	8	8	8	8
Snubbing units	**8**	8	8	8	8	8	8	7	7
Nitrogen tankers & pumpers	**14**	14	14	14	14	14	14	14	14
Pressure tanks	**12**	12	12	12	12	12	12	12	12

The Company's commitment to building a modern fleet with leading edge technology continues to stand out in an industry characterized by an ageing equipment infrastructure.

Q1 2010 OVERVIEW

THREE MONTHS ENDED MARCH 31	**2010**	2009	2008 *(Restated)*
Revenues	**$ 20,122,234**	$ 19,036,614	$ 24,585,337
Operating costs	**13,151,663**	12,969,545	14,790,340
Gross profit	**6,970,571**	6,067,069	9,794,997
Gross profit %	**34.6%**	31.9%	39.8%
General and administrative expenses	**3,143,705**	3,074,609	2,731,840
EBITDAS [1]	**3,826,866**	2,992,460	7,063,157
EBITDAS [1] per share: Basic and diluted	**0.02**	0.11	0.25
Stock based compensation	**259,076**	254,752	183,804
Interest	**1,076,403**	1,364,496	1,323,355
Depreciation and amortization	**3,270,882**	2,798,955	3,493,166
Net loss before tax	**(779,495)**	(1,425,743)	(2,062,832)
Cash flows (deficiency) from operating activities	**(1,934,330)**	(1,179,615)	6,667,541
Less: Change in non-cash working capital	**(4,866,353)**	(3,351,073)	(12,823,276)
Funds (used in)/from operations [2]	**2,932,023**	2,171,458	6,155,735
Funds (used in)/from operations per share [2]:			
Basic and diluted	**$ 0.02**	$ 0.08	$ 0.22
Loss per share: Basic and diluted	**$ –**	$ (0.05)	$ 0.06
Purchase of property, plant and equipment	**$ 152,886**	$ 6,929,429	$ 15,542,589
Total liabilties	**$ 40,938,867**	$ 68,547,125	$ 65,314,909
Total assets	**$ 137,192,289**	$ 146,411,869	$ 144,193,681

(1) EBITDAS (earnings before income tax, depreciation and stock based compensation) is calculated from the statement of income (loss) as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

(2) Funds from operations is defined as cash from operating activities before changes in non-cash working capital. Funds from operations and funds from operations per share are measures that provide investors additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Funds from operations and Funds from operations per share do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

Revenues for the first quarter of 2010 were $20.1 million, an increase of $1.1 million from the first quarter of 2009. The increase is directly related to increased utilizations on a year over year basis. Of the $1.1 million year over year increase, $3.0 million is attributable to an increase in the Well Servicing Segment, offset by a $1.9 million decrease in the Other Oilfield Services Segment. This is consistent with an increase in the Well Servicing Segment's utilization of 12% and a similar decrease in the Other Oilfield Services Segment. The Company's revenues correspond directly with utilization rates of the fleet. If utilization rates decrease or increase, revenues change at a corresponding rate.

Throughout 2010, the Company anticipates that revenues will be higher than those seen in 2009; however, they will not be as high as those seen in 2008 as a result of the depressed commodity prices. The continued depressed utilizations in the Other Oilfield Services Segment are a result of low natural gas prices. The Company will continue to focus on multi-service marketing throughout 2010 and will strive to preserve current rates to ensure that operating cash flows are generated.

Gross Profit is mainly impacted by costs of direct labor, costs of running supplies for the fleet and the rates charged for the services provided. In the first quarter of 2010, gross profit as a percentage of revenues increased by 2.7% to 34.6%. This increase is consistent with increased revenues from the Well Services Segment offsetting some of the fixed costs included such as rent expense and utility costs. With 2010 anticipated to be a year of slow recovery, the Company is doubtful that rates will significantly increase above those seen in 2009. Cost management remains critical to maintaining current gross profit percentages.

General and administrative expenses as detailed in the table shown below are consistent year over year. Facility expenses increased slightly as a result of additional facilities in Grande Prairie and Weyburn. The facility in Weyburn was established late in the fourth quarter of 2009 as the Company felt a presence was required there beyond a satellite office. This area is seeing higher utilization rates in the industry than other areas and the Company is anticipating that an increased presence there will result in higher utilizations of the Company's equipment throughout 2010.

FOR THE THREE MONTHS ENDED MARCH 31	**2010**	2009
Wages and benefits	**$ 2,021,696**	$ 1,836,873
Bad debts	**(65,014)**	145,937
Office	**247,346**	285,610
Facility	**497,042**	458,879
Professional fees	**150,562**	120,104
Other administration	**292,273**	227,206
	$ 3,143,905	$ 3,074,609
General and administrative costs as a % of revenues	**15.6%**	16.2%

Bad debt in the first quarter was a recovery of $65,000 as the Company was able to collect two accounts that had been provided for in 2009. In order to reduce credit risk exposure, the Company has continued to negotiate contracts with larger producers, who are less likely to run into financial difficulty, even in an economic downturn. The Company has provided for approximately 84% of its accounts receivable in excess of 90 days. Currently, the Company is confident the remaining amounts not provided for will be collected and the provision is an accurate assessment of the maximum credit risk exposure to the Company from the revenues generated in 2009.

Office expenses decreased year over year, mainly as a result of one-time costs in the first quarter of 2009 which were incurred to relocate staff and year over year decreases in licenses and registrations, as a result of units that were sold and no longer being registered and a year over year reduction in telecommunication expenditures.

Professional fees have increased by $30,000 year over year as a result of increased filing fees and computer consulting costs incurred.

Other administration costs are $65k higher than those incurred in the first quarter of 2009. Other administration costs include travel, meals and entertainment, advertising and promotion, training and fuel and vehicle operating costs incurred by division managers. $0.1 million of the increase relates to a year over year decrease in fuel tax rebates, which was offset by decreases in meals, entertainment and advertising and promotion costs where management made a conscious effort to reduce these costs as much as possible given the slow economy and lower rates being charged to customers.

Stock based compensation is consistent year over year. No stock options were issued in 2009. On April 29, 2010, 5,466,000 stock options were issued to employees, officers and directors.

Interest expense is pursuant to the Company's long-term facility as well as the short-term revolving operating facility and accretion expenses relating to the transaction costs and warrants arising from the refinancing that occurred in 2007. Interest was calculated on a floating basis above CIBC prime rate dependent on the amount of the facility drawn upon. Year over year, interest has decreased as a result of accretion charges ending in January of 2010 when the debt expired. Interest charges are consistent year over year despite the decrease in debt. This is a result of the default penalty interest the Company incurred as a result of being off-side on its covenants. The default interest penalty was an additional 5% over the current rate.

FOR THE THREE MONTHS ENDED MARCH 31	**2010**	2009
Interest on debt	**$ 887,675**	$ 830,760
Interest income	**(6,264)**	(6,512)
Accretion on finance charges	**102,109**	299,545
Accretion on warrants	**92,882**	240,702
	$ 1,076,403	$ 1,364,495

Depreciation increased by $0.5 million year over year, consistent with increased utilization rates in the service rig division resulting in more amortization being incurred in this division.

Cash flows from operating activities decreased by ($0.8) million as a result of a $0.7 million increase in funds from operations offset by ($1.5) million increase in non-cash working capital. The ($4.9) million change in non-cash working capital is a result of a ($6.0) million increase in accounts receivable; partially offset by a $0.9 increase in accounts payable and accrued liabilities and a $0.2 million decrease in inventory, prepaid expenses and shareholder loans.

Capital expenditures for the first quarter of 2010 were $0.2 million; most of which related to a new purchasing and inventory control software program. No further capital expenditures are planned throughout 2010 as the Company focuses improving its cash flows and working capital position.

2010 QUARTERLY REVIEW

(In 000's, except per share data)	**2010**		2009				2008		
THREE MONTHS ENDING	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3 *(Restated)*	Q2 *(Restated)*	Q1 *(Restated)*
Revenues									
Well Servicing	**$15,938**	$10,370	$ 7,794	$ 4,467	$12,979	$12,789	$16,732	$ 9,165	$17,206
Other Oilfield Services	**$ 4,184**	$ 3,294	$ 2,465	$ 1,930	$ 6,058	$ 5,658	$ 6,290	$ 3,591	$ 7,379
	$20,122	$13,664	$10,259	$ 6,397	$19,037	$18,447	$23,022	$12,756	$24,585
Net income (loss)	**(779)**	(3,814)	(5,235)	(5,228)	(1,240)	(1,938)	901	(2,769)	1,748
EPS: Basic and diluted	**(0.00)**	(0.06)	(0.19)	(0.18)	(0.05)	(0.07)	0.03	(0.10)	0.06
Weighted average Common shares*	**159,184**	61,621	27,187						
Weighted average Class A common shares	**–**	–	–	20,234	20,503	20,810	21,451	21,502	21,532
Weighted average Class B common shares	**–**	–	–	6,953	6,701	6,604	6,373	6,373	6,343
Total weighted average common shares	**–**	–	–	27,187	27,204	27,414	27,824	27,875	27,875
Total assets	**137,192**	134,481	133,999	135,998	146,412	144,194	144,407	134,120	140,868
Debt	**35,810**	32,317	59,182	58,647	60,298	55,419	52,070	45,615	49,172
Purchase of property, plant and equipment	**$ 153**	$13,628	$ 5,017	$ 1,456	$ 6,929	$ 5,454	$ 6,818	$ 4,358	$15,543

* In August of 2009 shareholders voted to convert all Class B shares to Class A and eliminate the A/B share structure. As a result, for the third quarter of 2009 forward, only Common shares are shown.

Revenues for the first quarter were $20.1 million, a $6.4 million increase over the fourth quarter of 2009 and a year over year increase of $1.1 million. The increase from the fourth quarter was a result of increases of $5.6 and $0.9 million respectively from both Well Servicing Segment and the Other Oilfield Services Segments. Year over year, the increase of $3.0 million in the Well Servicing Segment was offset by a $1.9 million decrease in the Other Oilfield Services Segment. Depressed natural gas prices have resulted in continued lower revenues in the Other Oilfield Services Segment. The increase in the Well Servicing Segment is attributable to increased activity seen in recent months.

Net loss was lower in the first quarter of 2010 than in both the first and fourth quarter of 2009 as a result of higher revenues. The first quarter of 2010 ended with a net loss of ($0.8) million, a $3.0 and $0.4 million improvement over the fourth quarter and first quarter of 2009 respectively. Utilizations increased in both divisions for the first quarter of 2010 to 63% for the Well Servicing Segment and 34% Other Oilfield Services Segment from 41% and 31% respectively in the fourth quarter of 2009. Year over year the Well Servicing Segment increased by 12% and the Other Oilfield Services Segment decreased by 3%.

Weighted average common shares increased significantly in the first quarter of 2010 as the rights offering from late in the fourth quarter of 2009 was now outstanding for the entire three months ended. The rights offering which closed on December 3, 2009, resulted in an additional 131,996,703 common shares being issued. The right offering was backstopped by the Company's majority shareholder. As a result, following the close of the rights offering, the majority shareholder's ownership was increased to approximately 83.5% of the outstanding common shares of the Company. The rights offering provided funds of $33 million, $29.1 million of which was used to pay down the Company's term debt and repay the default interest payable which had been accruing since August of 2009 but was not required to be paid until the close of the rights offering, $3.5 million was provided to the Company to settle the amount owing on the operating line at the close date plus funds to cover closing costs, and $0.4 million was provided to the major shareholder as a fee for backstopping the rights agreement. At the Company's Annual and Special Meeting on August 28, 2009, shareholders approved the conversion of all Class B shares to Class A shares, the elimination of the A/B share structure and the subsequent amendments to the Articles of the Company to voting common shares and Preferred shares. As a result, the Company's trading symbol was changed to "CWC". The consolidation of the A/ B share structure simplifies the corporate structure of the Company improving its marketability to potential investors.

Debt increased by $3.5 million from the fourth quarter of 2009 and decreased $24.5 million year over year. The increase from the fourth quarter is a result of additional draws on the operating line to fund operations in the first quarter. The term debt was refinanced on April 20, 2010, as a result $30.0 million is now long-term.

WELL SERVICING SEGMENT

THREE MONTHS ENDED MARCH 31	**2010**	2009
WELL SERVICING		
Revenues	**$ 15,938,253**	$ 12,978,688
Income before taxes	**1,544,614**	1,031,143
Depreciation and amortization	**2,352,940**	1,952,896
EBITDAS [(1)]	**3,897,554**	2,984,039

(1) EBITDAS is calculated from the statement of income (loss) as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

The Well Servicing Segment consists of a fleet of 44 service rigs and related support equipment and eight (8) coil tubing units. The fleet operates from facilities in Red Deer, Provost, Brooks, Grande Prairie and a newly established facility in Weyburn, Saskatchewan. The Company's fleet of service rigs consists mainly of rigs that have been built since the inception of the Company and provides more reliable equipment than that of many of its competitors which translates to lower maintenance costs.

Revenues for the first quarter of 2010 were $15.9 million, a year over year increase of $3.0 million. The increase in revenues directly corresponds with the increasing utilizations seen beginning in the fourth quarter of 2009.

Gross profit expressed as a percentage of revenues was 35% for the first quarter of 2010, versus 33% in the first quarter of 2009; the increase is a result cost control measures as well as increasing revenues reducing the impact of certain fixed costs such as rent. The Company does not anticipate being able to raise rates until drilling activity increases to a level sufficient to make service resources scarcer than they are currently.

Income before taxes of $1.5 million is $0.5 million above that of the prior year as a result of the year over year increase in utilizations and gross profit.

Depreciation increased $0.4 million year over year. Service rigs are charged depreciation on a unit of measure basis; as a result, increasing utilization rates increase depreciation expense incurred on these units.

EBITDAS increased by $0.9 million increased utilizations and margins. EBITDAS as a percentage of revenues has increased to 24.5% in the first quarter of 2010 from 23% seen in the first quarter of 2009.

OTHER OILFIELD SERVICES SEGMENT

THREE MONTHS ENDED MARCH 31	**2010**	2009
OTHER OILFIELD SERVICES		
Revenues	**$ 4,183,981**	$ 6,057,926
Income before taxes	**231,200**	557,018
Depreciation and amortization	**636,459**	605,120
EBITDAS [(1)]	**867,659**	1,162,138

(1) EBITDAS is calculated from the statement of income (loss) as revenue less operating costs and general and administrative expenses, exclusive of stock based compensation costs, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. EBITDAS is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

The Other Oilfield Services Segment consists of eight snubbing units, 14 nitrogen tankers and pumpers, 12 well testing units and rental equipment. The nitrogen pumping units are a heat recovery nitrogen system used in many applications of the services provided by the Company. Nitrogen is used in place of air whenever a risk hazard assessment dictates. Nitrogen is an inert gas that is non-corrosive and non-explosive. It is ideal for industrial type applications for purging pipelines, pressure testing vessels and facilitating withdrawing stored liquids from vessels. The nitrogen pumpers also work in conjunction with the Company's coil tubing, well servicing and snubbing divisions and provide a synergized service for the Company's clientele. Snubbing and stripping operations are designed to enhance efficiency and performance in completion and workovers, wireline operations and underbalanced drilling. Snubbing units have the ability to operate in a continuous, pressure-controlled environment such as fluid-sensitive formations, under-pressured reservoirs, naturally fractured reservoirs and low-permeability sandstone reservoirs.

Revenues for the first quarter of 2010 were $4.2 million, a decrease of $1.0 million over revenues in the first quarter of 2009. The decrease in revenues is consistent with the 12% year over year decrease in utilization rates and pressure on rates charged to customers.

Gross profit expressed as a percentage of revenues was 34% for the first quarter of 2010 versus 29% for the corresponding period in 2009. The increase is attributable to the reduction in salaried employees and better cost controls implemented throughout 2009 in this segment.

Income before taxes of $0.2 million is $0.3 million lower than the period in the prior year as a result of lower utilization rates.

Depreciation remained consistent year over year. Production equipment used in the Other Oilfield Services Segment is amortized on a straight-line basis versus the units of production method used by service rigs in the Well Servicing Segment. As a result, depreciation changes little from period to period for this segment.

EBITDAS decreased $0.3 million year over year largely due to the decline in utilizations and revenues. EBITDAS as a percentage of revenues has increased slightly from 19.2% seen in the first quarter of 2009 to 20.7% in the first quarter of 2010. The Company must focus its efforts on increasing control over costs, especially in this reporting segment where it has been unable to combat the impact of declining natural gas prices. The Company is continuing to examine the salary component of wages incurred in this division in order to successfully increase cash flows from operations.

LIQUIDITY AND CAPITAL RESOURCES

	2010	2009			
	MARCH 31	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
Working capital (deficiency)	**$ 8,606,456**	$ 6,005,996	$ (54,619,939)	$ (52,703,846)	$ (48,454,896)
Working capital (deficiency) net of term debt	**8,606,456**	6,005,996	5,280,061	7,196,154	11,545,104
Debt	**31,924,500**	31,729,862	59,869,999	58,647,338	60,298,124
Shareholders' equity	**96,253,422**	96,773,841	67,921,370	72,896,522	77,864,744
Debt to equity	**0.33**	0.33	0.88	0.80	0.77

On April 20, 2010, the Company secured term debt refinancing in the amount of $30.0 million. The term debt is for three years with the first year requiring payments of interest only, the second year requiring monthly principal payments of $500,000 per month plus interest and the third year requiring monthly principal payments of $750,000 per month plus interest. The term debt is subject to interest at a fixed rate of 8.045% for the term and is secured with a first charge over fixed assets, a General Security Agreement over all remaining assets and an assignment of insurance.

In addition to term debt, at March 31, 2010, the Company had an operating line which was margined to the Company's accounts receivable to a maximum of $15 million to fund operations. At March 31, 2010, $3.9 million was outstanding on this line and $10.5 million was available when margined to accounts receivable.

On April 20, 2010, the Company also secured an operating facility margined to accounts receivable to a maximum of $10.0 million, at an interest rate ranging from bank prime plus 1.25% to bank prime plus 2.0%. The operating line is committed until April 30, 2011. A General Security agreement providing security interest against all accounts receivable and a second fixed charge over all other assets has been provided as security for this agreement.

Management continues to examine property consolidation within Red Deer to reduce operating leases for that area, as well as a detailed review of all discretionary expenses and staffing levels to determine where cost savings could be effected. The Company's ability to manage cash throughout the three years under the new credit facility is critical to the long-term viability of the Company.

At the end of the first quarter of 2010, working capital was $8.6 million, an increase of $2.6 million from the fourth quarter of 2009. The increase in working capital is largely a result of an increase in accounts receivable, a $1.2 million repayment of the promissory note associated with the redemption of previously outstanding warrants and the refinancing which resulted in $30 million in debt being reclassified to long-term in the fourth quarter of 2009.

The decrease in debt of $28.4 million year over year is a result of receipt of funds from the close of the rights offering which generated $33 million in proceeds; $30.1 million of which was applied to the debt, which was offset by a year over year increase in bank indebtedness.

Shareholders' equity was $96.3 million at March 31, 2010, a decrease of $0.5 million from December 31, 2009. The decrease in Shareholders' equity in the first quarter is mainly a result of a $0.3 million increase in contributed surplus as a result of stock compensation expense offset by a ($0.8) million loss for the the first quarter.

On December 31, 2009, the Company had 159,184,064 common shares issued and outstanding. There have been no issuances or cancellations of shares in the first quarter of 2010, and as a result, as at March 31, 2010, 159,184,064 Common shares remain outstanding. On April 29, 2010, the Company issued 5,466,000 stock options to employees, officers and directors. As at May 25, 2010, the Company had 159,184,064 common shares issued and outstanding and 7,389,375 stock options.

Debt to equity was 0.33 at March 31, 2010, consistent with December 31, 2009.

Changes in cash are outlined as follows:

FOR THE THREE MONTHS ENDED	**2010**	2009
Cash flow (used in) from operating activities	**$ (1,934,330)**	$ (1,179,615)
Less: Change in non-cash working capital	**(4,866,353)**	(3,351,073)
Funds from operations [1]	**2,932,023**	2,171,458
Cash invested in acquisition of equipment	**(152,886)**	(6,929,429)
Proceeds on sale of assets	**–**	27,000
Repurchase of common shares	**–**	(29,037)
Redemption of warrants	**(1,212,121)**	–
Issuance of debt	**3,299,337**	4,371,509
Increase (decrease) in cash	**$ –**	$ (3,739,572)

(1) Funds from operations are calculated from the statement of cash flows as cash flows (used in) operating activities less the change in non-cash working capital, and is used to assist management and investors in assessing the Company's ability to generate cash from operations. Funds from operations is a non-GAAP measure and does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures provided by other companies.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company was committed to the repayment of its term debt in March, 2010, including principal and interest. Upon refinancing that was completed April 20, 2010, the Company was committed to a repayment of $1.9 million in principal that was not refinanced under the new agreement along with fees totaling approximately $400,000 to effect the agreements.

The Company was committed to an aggregate of $1,212,121, representing the principal amount of $1,212,121 payable on a promissory note issued on redemption of outstanding warrants. On March 31, 2010, the note from January 26, 2010, was paid in full by the Company on the due date.

	2010	2011	2012	2013 AND BEYOND
Long-term debt	$ 1,900,000	$ 4,500,000	$ 8,250,000	$ 17,274,500
Warrants	1,212,121	–	–	–
Rent	1,350,778	929,314	608,516	232,482
Other operating leases	95,538	81,767	23,986	3,769
Total obligations	$ 4,558,437	$ 5,511,081	$ 8,882,502	$ 17,510,751

The long-term debt was refinanced subsequent to year end. The table above reflects the repayment terms under the new facility.

In addition to the commitment outlined above, the Company was also committed to pay $0.40 per outstanding warrant if the warrants were not exercised by the January 26, 2010, expiry date. The warrants were redeemed by the Company and a non interest bearing note was issued to the warrant holder for the full amount payable of $1,212,121 on January 26, 2010. The fair value of this obligation has been reflected as a liability in the financial statements.

On March 31, 2010, the note relating to the warrants redeemed on January 26, 2010, in the amount of $1,212,121 was paid in full by the Company.

OUTLOOK

The first quarter of 2010 shows the impact of the cost controls that have been put in place through 2009. The Well Servicing Segment is showing improvement in utilization and a slight recovery year over year and it is anticipated that the summer months leading up to quarter four will be more active than 2009.

With the recent restructuring of the balance sheet, the Company will continue to strengthen the balance sheet through 2010 with continued cost control and rationalization of processes. The Company has no plans for fabrication of any equipment for expansion purposes and will continue to focus on efficiency with the current fleet size.

CRITICAL ACCOUNTING ESTIMATES

This MD&A of the Company's financial condition and results of operations is based on the financial statements which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The presentation of these financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. These estimates are based on experience and assumptions that are believed to be reasonable under the circumstances. Although care has been taken, anticipating future events cannot be done with certainty, therefore actual results may vary from these estimates over time as more accurate information is available and as the Company's operating environment changes.

Impairment of Long-Lived Assets: Long-lived assets, including property and equipment and intangible assets, comprise a majority of the Company's assets. Management reviews the carrying values of these assets for impairment periodically or whenever events or changes in circumstance indicate that their carrying value may not be recoverable. When this occurs, management performs various tests to see if the net carrying value differs from fair value, and if the fair value is less than the carrying value,

the asset would be considered to be impaired, and an impairment loss would be recognized to reduce the asset's carrying value to its estimated fair value. The downturn seen in 2009 was seen as such a circumstance, and as a result a test for impairment of long-lived assets was conducted. The test for impairment focused on the forecasting model developed for use in refinancing, combined with an independent valuation that was done on the Company's assets for financing. To determine whether impairment occurred, Management evaluated the future estimated cash flows expected over the next 10 years. The starting base for the forecast is the recently completed three-year forecast provided to various firms in order to negotiate a replacement credit facility. This has been done including the first two months of actual results for 2010 and a current revised forecast for March 2010. This was then expanded for moderate growth as the WCSB is expected to recover. From 2013 to 2015 a 5% growth in both revenues and expenses was assumed; for 2016 and 2017 a 2% growth in revenues and expenses was forecasted, and a 1% increase for 2018 and 2019. In addition to the non-discounted cashflow analysis, Management compared the value of the assets and intangibles to the results of an asset valuation done by an independent valuation firm.

Depreciation and Amortization: The Company's property, plant, equipment and intangibles are depreciated and amortized over estimated useful life using both straight line and unit-of-production methods.

The estimates may change over time as more useful information becomes available, market conditions shift or other factors change the estimated useful life of the assets.

Stock Based Compensation: Stock based compensation expense associated with the stock-option rights granted to directors and employees is calculated based on assumptions using the Black-Scholes option pricing model to produce an estimate of compensation. This estimate may vary due to changes in the Black-Scholes variables, which include the risk free rate of return, the share price volatility and the rates of forfeiture.

RISK MANAGEMENT

Business Risk: Activity in the oil and gas industry is subject to a range of external factors that are difficult to actively manage, including resource demand, commodity pricing and climate. The Company seeks to mitigate these risks by monitoring its balance sheet and remaining responsive to changes in industry dynamics.

The Company has a comprehensive insurance policy to help safeguard its assets, operations and employees. This is reviewed annually and revised as changes in circumstances warrant.

Credit Risk: The Company's policy is to enter into agreements with customers that are well-established and well-financed within the oil and gas industry. There is always a risk relating to the financial stability of customers and their ability to pay. Management will continue to periodically assess the credit worthiness of all its customers and views the credit risk on its accounts receivable as normal for its industry.

During the three months ended March 31, 2010, in the opinion of management, decreased liquidity left two small customers with potentially insufficient funds to settle obligations. This expense was offset by three customers who had been unable to pay throughout 2009, and as a result had been provided for in the year ended December 31, 2009, but were collected in the first quarter as their cash flows improved. As a result, bad debt recovery of $65,013 was provided for in the three months ended March 31, 2010.

In 2008 management anticipated that the economic downturn would continue throughout most of 2009, resulting in an increased potential for increased credit risk as companies struggle to meet obligations as access to capital markets and debt financing becomes increasingly difficult. To mitigate this risk, management has focused their marketing efforts with larger companies that have strong balance sheets and positive cash flows. Though the current bad debt expense, higher than the Company has ever experienced, indicates this plan may not have proved effective, analysis of the top ten customers for the year ended December 31, 2009, shows that seven of the top ten indeed were larger producers who paid reliably throughout the year. This led the Company to conclude that had this strategy not been implemented in a timely manner the credit risk exposure would have been far greater than what we currently see.

Liquidity Risk: Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations. The credit facilities available at March 31, 2010 consisted of a term facility to a maximum of $31.9 million maturing on January 26, 2010, and a short-term operating line of credit which is margined to the Company's accounts receivable to a maximum of $15 million. The term facility was extended until March 31, 2010, on January 26, 2010. The credit line was committed until December 2009, but was extended to March 31, 2010. Long-term facilities are used to fund capital acquisitions and the short-term line of credit is used to settle current obligations such as accounts payable. On December 3, 2009, the Company completed a rights offering resulting in $33 million in funds to the Company, $28 million of which was used to reduce the term facility. On April 20, 2010, the Company secured term debt refinancing in the amount of $30.0 million. The term debt is for three years with the first year requiring payments of interest only, the second year requiring monthly principal payments of $500,000 per month plus interest and the third year requiring monthly principal payments of $750,000 per month plus interest. The term debt is subject to interest at a fixed rate of 8.045% for the term.

The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances in a timely manner which could in turn impact the Company's long-term ability to meet commitments under the new facilities. In order to manage this liquidity risk, the Company actively monitors all accounts receivable to maintain accounts outstanding over 60 days to less than 25 percent of the total balance. As at March 31, 2010, the balance of trade accounts receivable in excess of 90 days was $573,270, representing approximately 4% of the trade accounts receivable balance; of this amount, $482,723 has been provided for as an allowance for bad debts. A structure is maintained that focuses on growth of the Company while ensuring viability for stakeholders. Finally, in an effort to combat the seasonality of the oilfield business and reduce long-term liquidity risk exposure, the Company regularly reviews its cash availability and whenever the conditions permit, the excess cash is applied to the debt outstanding.

Market Risk: Market risk is comprised of foreign currency risk and interest rate risk.

Foreign Currency Risk: Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk.

Interest Rate Risk: The Company is exposed to sudden increases in interest rate changes as the operating facility entered into by the Company subsequent to year end is variable based on prime lending rates. Prior to the Company securing a new operating facility and term debt facility, all debt was subject to variable interest rates. Although this did benefit the Company throughout 2008 and 2009, there was a risk that prime rate could increase over time. The term facility the Company secured on April 20, 2010, is fixed for three years at 8.045%. As a result, the Company has minimized its exposure to interest rate risk for the next three years on this debt. The operating line secured by the Company subsequent to year end is at a variable rate based on prime. The Company remains exposed to interest rate risk on the operating line. For the three months ended March 31, 2010, a one percent change in the prime lending rate would have impacted net income by $78,658.

Supplier Risk: In the past, the Company had a large portion of its service rig and associated equipment manufactured by a single provider. In order to mitigate the risk of short-term vulnerability should the supplier experience unusual production disruptions or labour disputes, the Company has began utilizing several suppliers to provide various components of a total package. Suppliers are selected for various components based on their reputation in their respected industry, price and quality of the product produced.

Seasonal Risk: The level of activity in the oilfield service industry is influenced by seasonal weather patterns. During the spring months, wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of service equipment which reduces activity levels and places an increased level of importance on the location of the Company's equipment prior to imposition of road bans. The timing and length of road bans is dependent on the weather conditions leading to the spring thaw and weather conditions during the thaw period. The Company's business results depend, at least in part, upon the severity and duration of the Canadian winter and the spring thaw which may lead to reduced oil and gas exploration activity and corresponding declines in the demand for the Company's service equipment during those times.

Competitive Conditions: The operating climate within the Western Canadian Sedimentary Basin is very competitive, resulting in fluctuations of price and utilization rates. The Company attempts to mitigate these risks by creating a good working relationship with its customers and focusing on longer term contracts.

CHANGES IN ACCOUNTING POLICIES

With the Canadian Accounting Standards Board's recent announcement that January 1, 2011, as the date International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable enterprises, the Company has been evaluating its own implementation plan and assessing the impact the various accounting changes will have on the organization. As the final implementation date approaches, the Company will continue to monitor developments.

To date, management has created a changeover plan for IFRS conversion that has been presented to, reviewed and authorized by the Audit Committee of the Board of Directors. Hallmarks of the change over plan include definition of the discrete tasks required for conversion, a timeline for the completion of the discrete tasks, an estimate of the effort and duration associated with the conversion, prioritization of tasks, the assignment of key personnel within the organization and an analysis of key interdependencies relating to the conversion steps. The conversion began in February 2009. Completion of the conversion has experienced some delays as the Company's limited accounting staff was forced to deal with the effects of the economic downturn, a proposed takeover by the Company's majority shareholder and trying to secure a long-term solution for its term debt and operating facilities; however, the Company has revised the plan and expects to be compliant with our reporting for the first quarter of 2011 as required.

During 2009, the Company evaluated the effects of IFRS on its treatment of revenues, operating expenses, current assets and current liabilities and determined that no material changes would result as a result of the transition from Canadian GAAP to IFRS in these areas. Currently, the Company continues to work on the componentization of the equipment as well as an evaluation of the intangibles. The Company is also focusing a significant portion of the plan on effects of the changes to impairment testing and evaluating the effect this will have on results.

As the Company remains in Phase Two of the conversion plan which involves identification and evaluation of the significant accounting policies that relate to each major conversion area, and has not yet finalized its accounting policy choices, the Company has not yet quantified the impact of IFRS on its financial statements.

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N. Leon Layden
Louis W. MacEachern [(1)] [(2)]
James (Jim) Reid [(2)]
Darryl E. Wilson

[(1)] Member of Audit Committee
[(2)] Member of Compensation and Governance Committee

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Frederick (Rick) C. Dawson, *Vice President, Business Development*

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Trading Symbol: CWC

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